

# INTELLIGENCE DIGEST

by John Laughland

## ECB gives poor marks to new boys

In its 'convergence report' published on 5 December, the European Central Bank has given a bleak assessment of the suitability of the new EU Member States for entry into the eurozone. This negative opinion confirms that of the European Commission, which has published a similar report on the same topic. With the tone of a regretful schoolmaster, the ECB has noted that, "Several countries made progress in terms of economic convergence but some have also slipped backwards." The Commission has said that all nine new Member States whose economies have been studied have made progress towards convergence but says they have done so at different speeds. The countries in question are Cyprus, Malta, the Czech Republic, the three Baltic states, Hungary, Poland, Slovakia and Sweden. Slovenia, which joined the EU at the same time as all the others, has been judged worthy of eurozone entry and will adopt the single currency in January 2007. The main convergence criteria are inflation and caps on the state finances: most of the new Member States have large budget deficits which they are struggling to bring under control. The Commissar with responsibility for monetary affairs, Joaquín Almunía, says that Cyprus is the country best suited for eurozone membership in 2008. By contrast, the larger countries among the new intake, especially Poland and Hungary, are faring badly with high budget deficits, as are the Czech Republic and Slovakia. The ECB also wags the finger at new Member States for exerting political pressure on their central banks, which is strictly forbidden under eurozone rules. [*Le Monde*, 6 December 2006]

## Paris tries to influence euro policy

It is not only the new Member States which are trying to influence the way monetary policy is decided. Thierry Breton, the French Minister of Finance, tried and failed on 27 November to obtain the agreement of his colleagues at the Council of Finance Ministers to stem the rise of the euro against the dollar and the yen. Prior to the meeting, the French Minister had called upon his colleagues to exercise "collective vigilance" at the rise of the euro. During the meeting, he quickly raised the matter, outlining Paris' concerns at the economic effect of the single currency's rise. France's growth rate has fallen to zero for three quarters in a row and the Government does not want the country's economic woes aggravated by difficulties in exporting goods. His colleagues were far more reticent, preferring to state mere bromides rather than to say anything too controversial which might smack of political involvement in monetary policy. The Luxembourg Prime Minister, Jean-Claude Juncker, spoke for many when he said that they were not prepared to take any measures for the time being, recalling the fact that many people had been worried, only a few years ago, when the euro sank to parity with the dollar. The German and the Austrian Finance Ministers have also said that they are not too worried about the rise in the euro, even though their economies depend heavily on exports. Numerous other countries pointed out that the euro rate is still nowhere near its 2004 record high, while others said that a strong euro was a useful tool in fighting inflation. This is not least because oil is priced in dollars; if the dollar falls, the price of oil falls, dampening overall inflation figures. [*Philippe Ricard, Le Monde*, 29 November 2006]

## Finland ratifies Constitution

Finland has become the 16th EU state to ratify the EU Constitution,

even though it was rejected in referenda in the Netherlands and France in 2005. The Finnish Parliament, which consists of a single chamber, announced the ratification on 5 December. The vote was carried by 125 in favour and 39 against. Of course the Constitution in its present form cannot enter into force because it has to be ratified by all Member States. But Finland holds the EU presidency and wanted to "send a signal" in advance of discussions during the German EU presidency about how to relaunch the Constitution. Germany has said that it intends to get the Constitution back on track and that it will propose ways of doing this at the European summit in June 2007. Seven countries have not ratified the Constitution, having suspended their ratification process: the United Kingdom, Poland, Portugal, Denmark, the Czech Republic, Ireland and Sweden. [*Le Monde*, 6 December 2006]

## Abandonment of veto vetoed

France, backed by Belgium, Spain, Italy and Luxembourg, proposed at a meeting of EU Justice Ministers that the national veto be abandoned in Justice and Home Affairs and that instead decisions be taken by qualified majority. The proposal was rejected firmly by the United Kingdom, Germany and Poland. Poland, in particular, was thus able to veto a proposal which has been under discussion for nearly two years which would fix the rules governing the automatic transfer of convicts to their country of origin. Three countries, including Ireland and the Netherlands, expressed their reserves about this proposal but only Poland went so far as to veto it. The unanimity rule also caused the functions of the European Agency for Fundamental Rights to be limited: this agency replaces the Observatory of Racist and Xenophobic Phenomena in Vienna as of 1 January 2007. The Justice Ministers agreed to allow this agency to be created, whose job will be to monitor the respect for fundamental rights in the EU. However, because of opposition from six states including the UK, they did not agree to extend its powers to include judicial and police cooperation, which are currently dealt with inter-governmentally and not through the central institutions of the EU. However, the Ministers did agree to allow convictions of persons in another EU country to be taken into consideration when handing down sentences if they are the subject of further prosecutions elsewhere. This means that, for the first time, a decision taken by a court in one jurisdiction can enter into the jurisdiction of another state. [*Thomas Ferenczi, Le Monde*, 6 December 2006]

## Schengen to be extended in 2008

The Schengen area, within which there are no internal borders, is due to be extended to the ten new Member States at the beginning of 2008. This means that the outer borders of Schengen will henceforth be on the Eastern borders of Poland and the Baltic states. France has been dragging its feet on the timetable, saying that it is "unrealistic" to stick to the current timetable, and citing various technical reasons why Poland cannot be included in the Schengen system. France manages the Schengen Information System, an enormous database of police information in Strasbourg which is supposed to compensate for the abolition of any controls at the borders themselves. The system contains 17 million pieces of information, from arrest warrants to stolen cars. It is to be modernised in order to store biometric details but this update is already six months late. The new Member States, however, are suspicious that there may be political motives and that

France may be delaying a decision which would be unpopular in a year when there is a presidential election. [*Le Figaro*, 4 December 2006]

### European Parliament reports on torture flights

Claudio Fava, the rapporteur for the European Parliament's enquiry into what EU governments knew about secret CIA 'rendition' flights within Europe, has said, "*Numerous governments cooperated passively or actively [with the flights]. They knew what was going on.*" Speaking on 28 November, Fava said that his enquiry had found that 12 EU states – Italy, the United Kingdom, Germany, Sweden, Austria, Spain, Portugal, Ireland, Greece, Cyprus, Denmark and Poland, as well as other non-EU states including Romania, Turkey, Macedonia and Bosnia – had knowledge of what the Americans were doing on their territory. Fava says he has found at least 1,245 flights operated by the CIA in Europe, most of which were logistical but some of which were probably used to transfer prisoners from one part of the world to another. The rapporteur also denounced the "*very great reluctance of nearly all EU member states (with the exceptions of Spain and Germany) to cooperate*" with the committee of enquiry. He also accused the High Representative for foreign policy, Javier Solana, of 'omissions' during his appearance before the committee of enquiry on 2 May 2006. "*The Americans spoke explicitly of this system of transfer as a method in the fight against terrorism,*" said Fava, during three meetings with European government officials on 7 February 2005 (at a trans-Atlantic ministerial meeting) and on 8 February and 3 May 2006 at high-level meetings in Brussels. Fava listed some 20 cases of 'extraordinary restitution' like the German citizen, Khaled El-Masri, kidnapped in 2003 in Macedonia and held in Afghanistan for several months, or the case of the Egyptian Abu Omar, kidnapped by CIA agents in Milan in 2003. Over a period of six months, the committee heard evidence from 130 people: government officials, secret service agents, magistrates, lawyers, journalists and NGO representatives. The committee was created in 2006 and is to submit its final report in January 2007. This report, which follows a preliminary one in July, contains speculation about secret CIA detention centres in Romania and Poland. [*Le Monde*, 28 November 2006]

### Yushchenko ever more isolated

The hapless Ukrainian President, Viktor Yushchenko, has become an almost totally isolated figure following the sacking of the Foreign Minister, Boris Tarassiuk, on 1 December by the parliamentary majority led by Prime Minister Viktor Yanukovich. This leaves the President apparently incapable of continuing to pursue his pro-Western line. The 'cohabitation' between the 'orange' President Yushchenko and his 'blue' enemies under Viktor Yanukovich (who now control the Government and the Parliament), which started in August and which was supposed to unite the divided country, has turned quickly sour, leading to the eviction of the two 'orange' Ministers in the Government, Boris Tarassiuk, the Foreign Minister, and the Minister of the Interior, Yuri Lutsenko. The Prime Minister, Viktor Yanukovich, said of the sacking of Tarassiuk, "*A minister who does not act in concert with the Prime Minister and the government, and who creates problems in international relations, cannot remain in the government.*" Yanukovich visited the United States on 3 December, where he met Condoleezza Rice, the American Secretary of State. Prior to the meeting, a spokesman for the State Department said that questions "*relative to the relations between Ukraine and Euro-Atlantic institutions, and political and economic reforms, will certainly be discussed.*"

This visit has been causing ructions between the President and the Prime Minister for months. Yanukovich is no fan of rapprochement

between Ukraine and NATO; he remains favourable to tightening links to Russia, of which Ukraine is in any case historically an integral part. Indeed, before setting off for Washington, Mr Yanukovich visited President Putin in Moscow. Mr Yushchenko, who is supposed to have a role in foreign policy, demanded of his Prime Minister, Mr Yanukovich, that he discuss the programme of his visit before his departure. Relations between the two men have gone from bad to worse since President Yushchenko said in Brussels that his country's chance of joining NATO had worsened since Yanukovich was elected Prime Minister. Yushchenko's own popularity is at rock bottom – between 8.8 and 9.3 per cent according to polls. Now the sacking of the Foreign Minister by the Parliament is being contested in Ukraine's constitutional court by the pro-Yushchenko party, 'Our Ukraine'. The only remaining 'orange' Minister in the Government now is Anatoli Gritsenko. [*Marie Jégo, Le Monde*, 5 December 2006]

### Head Italian spook sacked

In a related development, the head of Italian military secret services, Sismi, has been sacked. Judicial investigations have been launched into Nicolo Pollari and other members of his service for their alleged role in the kidnapping of an Egyptian cleric in the streets of Milan in 2003. Pollari was sacked at a special meeting of the Italian cabinet. The Government also decided to appoint new heads to the civilian secret services and to the authority which coordinates the two bodies. The Italian Prime Minister, Romano Prodi, spoke of "*a natural rotation*" in these posts. The judicial authorities in Milan have also reiterated their demand that the Italian Government apply for the extradition of 26 Americans whom they have named as having planned and executed the kidnapping of Osama Mustafa Hassan Nasr, also known as Abu Omar. He was kidnapped as a terror suspect by the CIA and flown to Egypt, where he claims that he was tortured. Pollari denied any collaboration with the Americans over the affair. [*Handelsblatt*, 20 November 2006]

### Turkey tries to give in on Cyprus

After months of brinkmanship, in which the European Union threatened to suspend negotiations, Turkey has agreed to open a port and an airport to transport from the Greek part of Cyprus. Turkey's refusal to do this had threatened to derail the whole accession negotiations. The decision was announced by a spokesman for the Finnish presidency of the EU, as if the Turks were too ashamed to announce the proposal themselves: it comes perilously close to recognising Greek Cyprus and therefore de-recognising Turkish Cyprus. The decision followed an agreement by the Commission to put part of the accession negotiations on ice until such time as the issue of Cyprus was resolved. Until now, Turkey has always demanded that the port of Famagusta in Northern Cyprus and the airport at Ercan be opened to international traffic. Currently only boats and planes from Turkey may fly there. The demand was intended to help the Northern Cyprus tourist industry, and also as a quid pro quo for opening Turkish ports to Greek Cypriot vessels. However, decisions on Famagusta and Ercan can be taken only now with the agreement of Cyprus, i.e. the Greek Cypriots, who are of course EU members. Greek Cyprus has always refused to do this because it would imply recognition of Northern Cyprus, while Turkey has refused to allow access to its port by Greek Cypriot vessels because it refuses to recognise the Greek Cypriot Government as the legitimate government of Cyprus. Somehow this issue will have to be resolved before Turkey joins the EU because it cannot sign the accession treaty unless it recognises Greek Cyprus. [*Frankfurter Allgemeine Zeitung*, 7 December 2006]

The Republic of Cyprus responded by rejecting Turkey's offer of opening only one port. "We have said clearly to the EU that this is not negotiable," said Yiorgos Lillikas, the Greek Cypriot Foreign Minister. "Turkey was able to start its accession negotiations on the condition that it applies the protocol [extending the customs union to Cyprus] within a year. She has not done so." The Minister said that the new proposal was completely unserious.

Turkey later said that its proposal was to open one port for a period of one year and that it wanted "a global solution" to the Cyprus question within that time. The spokesman added that Turkey expected the restrictions to be lifted on the Turkish Republic of Northern Cyprus, which has lived under an economic embargo since the Turkish intervention in 1974. The European Commission President tried to say that the Turkish proposal represented an important step towards full ratification of the protocol on the customs union. [*Le Monde*, 7 December 2006]

### Turkey freezes military cooperation with France

Turkey has announced that it is putting all military cooperation with France on ice. The reason is the French Bill which would outlaw denial of the genocide of Armenians in Turkey in 1915. There will be no further meetings between military officers from the two countries. Turkey denies that there was a genocide of Armenians and claims instead that there was fighting in which both Christians and Muslims lost their lives. Although the National Assembly has voted in favour of the Bill, it is not likely to become law since there is strong opposition to it both in the Senate and also from the President, Jacques Chirac. However, Chirac has said that Turkey ought to recognise the genocide before being allowed to join the EU. France is home to the largest Armenian community in Europe. [*Handelsblatt*, 16 November 2006]

### Turkish Foreign Minister warns of collapse of Iraq

The Turkish Foreign Minister, Abdullah Gül, has issued a dramatic warning against the disintegration of Iraq, with which Turkey has a long border. Speaking to the Turkish Parliament shortly before a visit to Turkey by the Iraqi Prime Minister, he said that if, "God forbid," Iraq were to disintegrate "in any way," this would spell the beginning of "an unbelievable new dark age". Gül said that any disintegration of Iraq would cause neighbouring countries to have to act. Turkey has often threatened to intervene in Iraq. Usually the threats refer to the need to put down operations by the Kurdish guerrilla group, the PKK, but Turkey also regards the fate of the oil-rich city of Kirkuk as a matter of national security: should it fall into the hands of the Kurds, then Turkey considers that its own fate as a state would be under threat. The Kurds in Iraq, who have been largely independent of Baghdad ever since the first Gulf War, have said that they will set up their own independent state if Iraq descends into full-scale civil war between the Sunni and the Shiites. But they would need to gain control of Kirkuk and its oil fields in order to do this. The idea of dividing Iraq into three states is gaining increasing currency in America, especially after the Democrat victory in the Congressional elections. The present Constitution of Iraq grants autonomy to the Kurds and provides for it for other regions too. Shiites in the South are keen on the idea, since that is where most of the other oil is. But Turkey, Iran and Syria would all be hostile to the creation of a Kurdish state in Iraq. [*Die Welt*, 16 November 2006]

### 'Services Directive' passed

The EU Services Directive – which allows people in the service industries to work within the EU on the basis of the social laws which pertain to their country of origin, and not in the country where they work – has been approved by the European Parliament. It was this

Directive which contributed in large measure to the defeat of the European Constitution in France, since many French people feared (rightly) that their social laws would vanish once Poles were allowed to work according to Polish laws in France and not according to French law. The Directive was approved by a large majority of MEPs from both socialist and conservative ranks, whereas in France and Germany it has been associated with wage dumping and the end of social protection. If the proposed Directive passes through all its legislative hurdles, EU Member States will have three years to implement its provisions into their national law. In other words, the provisions of the Directive would enter into force around the end of the decade. [*Die Welt*, 15 November 2006]

### Relations with Russia continue to worsen

At the EU-Russia summit in Helsinki, held on 24 November, the two sides failed to realise their plan of starting to negotiate on 'a strategic partnership'. Poland vetoed the granting of the mandate for negotiations to begin, on the pretext that Russia had to lift a ban on the import of Polish meat products before any such negotiations could begin. Hectic last-minute attempts by the President of the European Commission and the Finnish presidency proved futile in trying to persuade the Poles to soften their opposition. President Putin said that Russia had no choice but to maintain the ban because of problems with the quality of Polish meat exports. The European Commission had said that Russia was overreacting, after EU vets reported that there had been a distinct improvement in food production standards in Poland. Russia, on the other hand, has threatened to block imports of pork from the EU next year when Romania and Bulgaria join, saying that the pigs there are infected.

Lithuania supported the Polish position, saying that oil deliveries from Russia had been interrupted (which Russia says is due to a technical issue). Both countries, and the EU as a whole, want Russia to sign its 'energy charter' which would give foreign companies full access to the Russian oil and gas industries and to the transportation infrastructure (pipelines). Russia is not happy to do this, saying that the access of its own companies to European markets is barred. Poland insists that Russian signature of the charter is a prerequisite, while other states (including the Finnish presidency) say that it is something that should be allowed to happen in due course, once the overall partnership agreement has been reached.

The failure of the summit to reach any agreement has caused much disappointment among EU officials. Russia seems to have succeeded, however, in getting the other EU states to regard Poland as the problem, i.e. to isolate it within the EU. Commentary on Poland in the French and German press is very negative, with the national-conservative government coming in for strong criticism, especially because it contains within the coalition people whose views are markedly anti-EU (the League of Polish Families and the Self-Defence Party). Poland, and to some extent the Baltic states, concomitantly feel that they have been left in the lurch by their EU partners and by the Commission. Speaking at the summit about the strange death of Alexander Litvinenko in London, President Putin said, "I am not God and Litvinenko is not Lazarus." He expressed the hope that the British authorities would not try to make a political scandal out of the death. Putin said that, in any case, there were plenty of political murders in other parts of Europe. "Just look at the position of the Mafia within the EU," he said. [*Frankfurter Allgemeine Zeitung*, 24 November 2006]

### Balts to build another nuclear power station

The three Baltic states are clubbing together to build a nuclear power station in Lithuania to replace the old reactor at Ignalina which the EU

demanded that Lithuania close down as a condition for EU membership. The Latvian Prime Minister, Aigars Kalvitis, has indicated that Poland might like to join the consortium as well. However, the Polish Prime Minister, Jaroslav Kaczynski, was unable to attend the relevant meeting with the three Baltic states in December because it clashed with domestic political appointments. The Lithuanian Prime Minister, Gediminas Kiklias, has said that a new reactor could be ready by 2015. [*Handelsblatt*, 8 December 2006]

### Swiss vote to give money to new EU states

Voting on 26 November in the third referendum in 18 months held on European matters, the Swiss approved by 53.4 per cent a proposal to pay one billion Swiss francs (€650 million) to the ten new Member States of the EU. This is supposed to be a 'voluntary contribution' and is supposed to last for a period of ten years. It is supposed to go on spending on the environment, education, security, the promotion of business. The main beneficiary of the money will be Poland, which will receive 489 million Swiss francs. Those who campaigned for a 'Yes' vote said that they wanted to show that Switzerland was in 'solidarity' with other EU states. Although Switzerland does not belong to the EU, it benefits from the Single Market. Opponents of the EU and supporters of Swiss sovereignty attacked the proposal as 'a blank cheque'. [Agathe Duparc, *Le Monde*, 28 November 2006]

### France bans smoking

The decree banning smoking in public places in France was published on 16 November. It applies to all enclosed public spaces, including work places, public transport, schools and colleges. The provisions will enter into force on 1 February 2007. Exempted are bars, casinos, hotels, restaurants and discotheques where smoking will be allowed until 1 January 2008. Businesses but not schools are allowed to have special smoking rooms. The law provides for a fine of €68 for smoking in an unauthorised place. Institutions which do not enforce the law are subject to a fine of €135 for each person caught smoking. Fines may be imposed not only by the police but also by health inspectors: a new decree will be necessary for them to acquire these new powers of criminal procedure. [*Le Monde*, 16 November 2006]

### Rumsfeld accused

An international alliance of lawyers and human rights organisations has lodged a prosecution against the former US Defence Minister, Donald Rumsfeld, for war crimes, with a court in Germany. Rumsfeld is accused of criminal responsibility for the mistreatment of prisoners in Iraq and Guantánamo Bay. The 220-page suit, which was handed to the federal prosecutor in Berlin, is based on the principle of universal jurisdiction for war crimes to which Germany has given legal assent by signing up to the International Criminal Court. According to the group who has lodged the suit – which include American groups like the Center for Constitutional Rights, the International Federation for Human Rights and the Republican Attorneys Association – Germany is the country where such a prosecution has the greatest chance of success. The suit has been lodged in the name of eleven Iraqis who were incarcerated in the prison at Abu Ghraib, and of one Saudi man who was sent to Guantánamo Bay under suspicion of involvement in the terrorist attacks of 11 September 2001 on the specific instructions of Rumsfeld. Other co-defendants named in the suit are the US Attorney General, Alberto Gonzales, the former Director of the CIA, George Tenet, the former commander of US troops in Iraq, General Ricardo Sanchez, and eight other individuals. This suit is the second attempt to indict American officials in German courts, a previous attempt having failed in 2004. The new suit has testimony from new witnesses and contains new evidence. The chief witness cited in the

suit is the former commander of the US military prisons in Iraq, Brigadier Janis Karpinski. [*Die Welt*, 14 November 2006]

### NPD conference in Berlin

For the first time since the WWII, the National Democratic Party of Germany (NPD) has been able to hold its annual congress in Berlin, on 11 and 12 December. The NPD is regarded as a nationalist or even neo-Nazi grouping. The Party leader did little to allay people's concerns when he opened the congress by saying, "Welcome to the capital of the Reich." Voigt regards the holding of the conference as only the first step towards the election of Party representatives to the Bundestag at the elections in 2009. Naturally, the political class in Germany regards this as a highly undesirable outcome. Many politicians would like to ban the NPD but this was tried before and failed at the country's constitutional court in March 2003. (The attempt failed because so many of the potential witnesses turned out to be infiltrators from the secret services and informers from the Ministry of the Interior.) Moreover, many people fear that a new attempt to ban the party will only make it seem more attractive to Germany's disaffected youth. The NPD continues to enjoy success in the Eastern part of Germany. In 2004, the Party surprised everyone by winning 9.2 per cent of the votes in the regional elections in Saxony. Two months ago, it won seats in the regional Parliament of Mecklenburg-Western Pomerania, where it won 7.3 per cent (5 per cent is the threshold for winning seats in Germany's PR system). The Germany People's Union (DVU), another extreme-right grouping which has a pact with the NPD, has representation in the regional Parliaments of Brandenburg and Bremen (in West Germany). There have been a number of neo-Nazi incidents recently, for instance on 9 November when about 15 youths destroyed wreaths which had been laid to commemorate the Kristallnacht pogroms in 1938. In October some schoolchildren forced one of their comrades to carry a placard with a Nazi slogan on it. In June, some young people burned a copy of Anne Frank's journal. [Antoine Jacob, *Le Monde*, 15 November 2006]

### No agreement on EU military capacity

At a meeting of EU Defence Ministers on 13 November, it became apparent that the differences between France and Britain on military matters are growing. There were sharp disagreements between the French Minister of Defence, Michèle Alliot-Marie and her British counterpart, Des Browne. London opposed setting up a tri-annual budget for the European Defence Agency whose purpose is to coordinate procurement in EU Member States. The idea is to prevent duplication: there are currently 23 different projects for developing armoured vehicles within the EU. Given the British refusal to increase the agency's budget, only the budget for 2007 – €2.1 million – was able to be adopted. Madame Alliot-Marie said, "It does not make sense to argue the toss over a million euros for an agency which will help us to prepare a European defence capability. I do not see how this very static position is compatible with Tony Blair's declarations." 18 countries launched a research programme worth €54.23 million to look at ways of protecting the armed forces in an urban environment: the idea is to come up with something which will help troops protect themselves against suicide attacks and remote control bombs in places like Afghanistan. Another programme, worth €100 million, is for the development of secure communications technology. The United Kingdom has decided not to participate in either of these projects, on the grounds that it has its own programmes. The British Defence Minister has said simply, "We think of the European Defence Agency as a meeting-point which we will use if we want to." [Laurent Zecchini, *Le Monde*, 15 November 2006]