

I. The price of oil

France calls energy meeting

As the oil price continues to rise inexorably, the French Prime Minister, Dominique de Villepin, has cut short his holidays to chair a meeting to discuss “the situation of the oil market and the consequences which should be drawn for France’s energy policy”. The meeting was attended by the Economics Minister, Thierry Breton, the Transport Minister, Dominique Perben, the Ecology Minister, Nelly Ollin and the deputy Industry Minister, François Loos. The oil price having risen to over \$66 a barrel, various politicians and transport unions have called for the Government to take action. A leader of the Socialist Party in the French National Assembly has called on the Government to reduce the tax on petrol and to use any available money for “investment” in public transport. [*Liberation*, 16th August 2005]

Some 70 per cent of the petrol price in France, as elsewhere in Europe, goes in tax. The Prime Minister gave a vague undertaking that the state would not take undue advantage of the added revenue which is coming from the rise in the oil price. He said that any excess revenue would be immediately passed on in social benefits to those on low wages. Last year €70 per month extra were paid out to old age pensioners because of the rise in petrol then, and the prices have risen by 16 per cent in one year. But the Government has refused to reduce the tax rate on petrol, saying that he does not want to encourage people to use their cars more. Villepin used the meeting to make a few remarks about the geopolitics of oil prices: “All the factors are in place for oil to remain expensive in the years and decades to come,” he said. “The crisis is likely to last.” [Thomas Lebeque, *Liberation*, 17th August 2005]

According to a professor of energy studies at the University of Essen, the reason for the inexorable rise in the price of petrol is American consumption (not Chinese, as is often alleged). Dieter Schmitt says that the Americans are the “Number One price drivers”. The huge import needs of the USA are causing the imbalance in the world’s oil market, and Americans are importing more and more oil from Europe. It is for this reason that the price of North Sea Brent crude has risen so sharply and is now about the same as American oil: normally the latter would be \$2 a barrel more expensive because it is more difficult to transport. But the Americans are buying more and more on the Rotterdam spot market.

Schmitt says that declining reserves in Alaska and insufficient refinery capacities in the USA, coupled with continuing import needs, will cause this trend to continue in the future. The US currently imports a record 11 million barrels per day. Experts agree that American oil refineries are prone to malfunction; and also that any conflict with Iran will only push the prices up further. One commentator says that Tehran might itself use its oil exports to keep Europe and Asia on side in this conflict: if delivery problems from the Middle East continue, says Hans W. Schiff of RWE power, “prices could continue to rise indefinitely”. This analysis is shared by David O’Reilly, the head of Chevron-Texaco. Others, however, argue that the current rise is just part of a cycle. [Heinz J. Schürmann & Regine Palm, *Handelsblatt*, 18th August 2005]

Iran erupts into German election campaign

The German Chancellor, Gerhard Schröder, has been roundly criticised by the Christian Democrat opposition for trying to bring Iran into the German general election. Three years ago, Schröder won an unexpected victory by opposing the war against Iraq; this time, he has again been attacked by the CDU (in particular by Wolfgang Schäuble) for “behaving as if the problem were in Washington and not in Tehran”. Schröder’s remarks follow President Bush’s refusal to rule out the use of military force against Iran. In an election speech, Schröder had devoted a good ten minutes to foreign policy issues. He said, “Foreign and security policy will be decided in Berlin, and nowhere else” – a clear reference to the CDU’s extremely pro-American stance. He seemed to be implicitly attacking the leader of the Christian Democrats, Angela Merkel, when he said that foreign policy should be informed with “friendly self-consciousness” and not based on “submissiveness”. These two remarks were greeted with enthusiastic applause by the 10,000 SPD supporters who attended the rally. Schröder said that he would campaign as guarantor for keeping Germany “a middle power” which would strive for the peaceful solution of international problems, the word “*mittler*” being a pun on “middle” and “mediator”. (The remark may have been intended to recall Bismarck’s stated desire that Germany would be “an honest broker”.) Given that goal, Schröder said that all those countries which were

demanding that Iran abandon its atomic energy programme would be more credible if they set an example by reducing their own arsenals of atomic weapons. This implicit attack on the USA also earned Schröder loud applause. But the biggest cheers came when Schröder said, immediately afterwards, “We learn that there is now a military option for solving the Iran issue. That is not acceptable.” In other words, a German Government under Schröder will not support an

attack on Iran. [Peter Dausend & Nikolaus Blome, *Die Welt*, 15th August 2005] Despite the CDU’s anger, Angela Merkel has tried to jump onto the pacifist bandwagon by saying that she also supports a diplomatic solution. She has said that, for her, the issue of a military strike did not arise: this rather put the kybosh on those in her own party who had attacked Schröder for manipulating the Iran issue for electoral gain. [*Handelsblatt*, 16th August 2005]

II. Turkey in turmoil

Turkish PM wants ‘more democracy’ for Kurds

On his visit to Diyarbakir in South-East Turkey – the city which Turkish Kurds regard as the “capital”, and which is situated in the region where he has his constituency – the Turkish Prime Minister, Recep Tayyip Erdogan, said that there would be “no let-up” in the “democratisation process” to solve “the Kurdish problem”. His reference to a Kurdish “problem” is itself indicative of his distance from the Kemalist tradition, which regards all inhabitants of Turkey as citizens of the Turkish state, not as members of individual ethnic groups. Erdogan called on ordinary people to join in the “fight against terror”, specifically using George Bush’s vocabulary to designate the terrorist threat posed by Kurdish insurgents. His reference to “democracy” and “prosperity” as the means by which to solve the Kurdish issue also represents distance from the very Kemalist Turkish army, some of whose members want a restoration of the state of emergency in South-East Turkey. Erdogan also agreed to meet the Mayor of Diyarbakir, a member of the Dehap political party which is extremely friendly to the Kurdish cause: he was roundly attacked for this by the leader of the Kemalist CHP party, Deniz Baykal, who said that Erdogan’s decision was “a historical error”.

Some people demonstrated against his visit, the second since he took office, but the numbers were far smaller than Erdogan’s opponents had threatened. The period of troubles in that region (which have recently restarted after a ceasefire was declared in 1999, putting a temporary end to fifteen years of violence) have caused a massive influx of peasants into the main city, Diyarbakir, where unemployment is between 50 and 70 per cent.

Al-Qaida is “a secret service operation”

A Syrian national has admitted in an Istanbul court that he was part of a terrorist cell planning attacks on Israeli targets. The man, Luai Sakra, had been arrested in Diyarbakir as he was apparently making his preparations. It is claimed that he has links to Al-

Qaida and the first London bombings. During his court appearance, Sakra said that he had fought in Fallujah and that he had personally killed ten American soldiers there. He also told his interrogators that “the US Central Intelligence Agency, Syrian al-Mukhabarat, and the Turkish National Security Organization wanted to employ him as an intelligence agent”. According to reports, Turkish intelligence officials are investigating the possibility that Al-Qaida may not be a terrorist organisation at all, but instead “a secret service operation”. [*Zaman.com*, 14th and 15th August 2005]

Attacks continue in Turkey

Bombs have continued to explode in Turkey: two people were killed in explosions in the Mediterranean ports of Mersin and in the Eastern province of Elazig, where an apparent assassination attempt failed to kill the governor of the region. In the southern Hallari region, moreover, Turkish soldiers killed a PKK (Kurdish Workers’ Party) terrorist who was trying to plant a bomb on a road often used by Turkish military convoys. On Friday 12 August, mayors in 57 municipalities in southeast Turkey issued a joint appeal, calling on the PKK to cease armed combat against the Turkish state. The pro-Kurdish Democratic People’s Party governs the 57 municipalities. [*TurkishPress.com*, *Anadolu Agency*, 14th August 2005]

BTC pipeline to be ‘helped’ by tankers

Azeri oil tankers are to deliver oil from the Black Sea oil terminal of Supsa (in Georgia) to the Mediterranean port of Ceyhan in Turkey. This is supposedly in order to accelerate the delivery of oil from the Caspian Sea to Ceyhan, and thereby to make it possible to declare the Baku-Tbilisi-Ceyhan oil pipeline “open” two weeks earlier than planned. But could it have something to do with the fact that the pipeline flows through the unstable South-East of Turkey? The pipeline’s owners, a consortium led by British Petroleum, say they are going to deliver extra

oil by ship to fill the terminal's reservoirs because pipeline delivery is so slow: 10 million barrels of crude oil is required to fill the pipeline, which is supposed to supply 1 million barrels of oil a day to European markets. Although the first oil was pumped into the 1,770 km pipeline at Baku in May, the size of the pipe means that it crossed the Georgian border only on 10 August. The oil should

reach Turkey at the end of September or the beginning of October. British Petroleum's partners in the pipelines project include the US oil company, Unocal, Norway's Statoil, Italy's ENI, France's Total, Japan's Itochu and INPEX, ConocoPhillips and Amerada Hess. The consortium estimates the oil field in the Caspian to contain nearly 7 billion barrels of oil. [Reuters, 16th August 2005]

III. Other European News

Angela Merkel's geopolitics

On the occasion of a visit to Warsaw, Angela Merkel, the CDU leader, called for the creation of the Expellees Centre (see below) and said that it was not intended to relativise history. "It is not a question of counting up suffering," she said. She also said that her party was strictly against any idea of claiming compensation from Poland (for damage done to German property during the war, and for the expulsions), as elements within the Expellees Movement and the Christian Democrat movement (most notably Edmund Stoiber) had called for in the past. She called on Poles to have "a little trust" in Germany that the country was not about to re-write history. Merkel was greeted in Warsaw by the President of Poland as "the probable future Chancellor of Germany". Alexander Kwasniewski repeated the Polish view that the creation of a Centre was unacceptable for Poland. Merkel said that she supported the Centre but only "in a European context": she said that she would like to see a similar Centre "in Sarajevo (Bosnia), in Breslau (Wroclaw) or in Yerevan (Armenia)". She said that if the CDU/CSU won the elections, then her government would continue to pursue a policy of friendship towards Poland. "If the CDU/CSU wins the election, there will be no Paris-Berlin-Moscow axis," she said. [Die Welt, 17th August 2005]

Merkel elaborated on her view of foreign policy during her visit to Warsaw. She said that although the EU was seeking a strategic partnership with Russia, it should not be done "to the detriment of Poland". This was clearly meant as a criticism of Chancellor Schröder's foreign policy, and especially of his close relationship with Moscow, which is regarded with deep suspicion in Poland. Merkel has already said in July that she wanted to see greater influence for smaller states in the EU. Indeed, she emphasised that her choice of Warsaw as her second foreign destination during the campaign, after Paris, was intended to show her desire for a strong relationship with Poland. [Handelsblatt, 16th August 2005]

Catholic Church drops Expulsions Centre

The Catholic Church in Berlin has terminated negotiations with the Federation of Expellees for the creation in a non-consecrated part of a church in central Berlin of a "Centre Against Expulsions", which would have consisted essentially of an exhibition showing, among other things, how millions of Germans were expelled from Central and Eastern Europe after the war. A spokesman for the diocese said that the exhibition, which was to have been entitled "The Century of Expulsions," had not been convinced that the Centre was being put up in a spirit of reconciliation. The church's priest said that he did not want to give the impression that the Catholic Church was against the expellees. He said that opposition to the proposed Centre had come mainly from Eastern Europe. The Federal Government is also against it, although the opposition supports the plan.

Russians and Poles beat each other up

The Moscow correspondent of the major Polish daily *Rzeczpospolita* has been beaten up in the street, the third attack on Poles in Moscow in five days. These attacks follow an incident in which Polish police beat the children of Russian diplomats in Warsaw. These attacks have exacerbated the already bad state of diplomatic relations between Warsaw and Moscow, occasioned by Poland's determination to break Ukraine away from the Russian orbit. Warsaw is also opposed to a Russian-German plan to build a pipeline from Russia to Germany via the Baltic Sea, since this would reduce Poland's strategic importance as a transit territory for these energy supplies. [Jens Hartmann, *Die Welt*, 13th August 2005]

Stoiber dropped

Angela Merkel has dropped plans to make Edmund Stoiber her Finance Minister. The plan had been to give Stoiber, who is the long-serving Prime Minister of Bavaria and who was the losing CDU candidate for Chancellor in the 2002 elections, a super-ministry encompassing all aspects of the economy and finance. (Germany currently distinguishes between the

Finance Minister and the Economics Minister.) Instead, the Finance portfolio will go to Paul Kirchhof, a former judge on the constitutional court and one of Germany's foremost tax experts. Stoiber's fall from grace is attributed to an outburst in which he attacked East Germans preparing to vote for the Social Democrats as "stupid calves who were voting for their own butcher". [*Handelsblatt*, 16th August 2005]

Kirchhof, who was a member of the constitutional court when the Maastricht Treaty was ratified in 1993 (the court having finally given its approval, under strict conditions, for the associated transfer of sovereignty), is popular with the FDP liberals because he is a supporter of the concept of a flat tax, at 25 per cent. Various derogations (German tax law is full of them) would be abolished in return for what is essentially a large tax cut accompanied by a simplification of the system. This is not official CDU policy, however, far from it. At their party congress, the Christian Democrats rejected a proposal by Friedrich Merz to put tax rates down to 12/24/36 per cent: the proposed tax cuts are now only from 42 to 39 per cent for the top rate. On the other hand, the Christian Democrats do support his plan to simplify the tax system. [*Die Welt*, 17th August 2005] The portfolio of economy and employment will be given to Peter Müller, the current Prime Minister of the Saarland.

Karlsruhe: no ruling before 22 August

The German constitutional court has said that it will not issue a definitive ruling on whether it will be legal to hold early elections in September until 22nd August. A spokesperson for the Court said that no ruling could be expected either this week or next. Oral discussions were held on 10th August and remarks made during these had given rise to speculation that maybe a ruling would be possible earlier. At issue is whether a government has the right to use artificial parliamentary procedures (in this case, the deliberate loss of a no confidence vote) in order to call early elections, especially since the German Constitution specifically says that parliaments must be allowed to run for a fixed term. [*Frankfurter Allgemeine Zeitung*, 10th August 2005]

Austrian Chancellor calls for Constitution

Wolfgang Schüssel, the Chancellor of Austria, has called on the EU to have another try at ratifying the European Constitution. He said there needed to be "a pause for thought" during which the concerns of citizens about excessive centralisation would have to

be taken into account. He admitted that there was concern about the loss of national identity in all EU countries. Citizens were also afraid that the EU was overreaching itself by planning to admit Turkey. He also said that he opposed the ruling by the European Court of Justice which has demanded that Austria open its universities to other EU students on the same terms as Austrian nationals: Austrian universities are currently flooded with Germans who cannot get into their own universities for popular subjects like medicine. Schüssel said that things happened in the EU which were beyond all democratic control and which went against political will. He said things were being "stood on their head" in this regard. Schüssel also said that the British were no longer interested in a mere free trade zone, while the French and the Germans were no longer interested in a European superstate. He also said that he still greatly regretted the diplomatic sanctions which the other EU states had imposed on Austria: those events, he said, had been "so unpleasant and so un-European that it still gets to me as much as it did before". [*Frankfurter Allgemeine Zeitung*, 15th August 2005]

Just like old times

Following the resounding defeat of the Bulgarian Government in recent elections, a coalition composed of the previous governing party, the victorious opposition Socialists and a party composed essentially of Bulgarian Turks has assumed power. The new Prime Minister, Sergei Stanishev, has declared that his Government's priorities will be ... exactly the same as those of his predecessor, namely European and Atlantic integration. Stanishev wants Bulgaria to join the EU in 2007, as planned. Oddly enough, the new Prime Minister is, like his predecessor, effectively a foreigner. Simeon Saxe-Coburg-Gotha, the former King of Bulgaria, had spent most of his life in exile in Spain before returning to become PM in 2001; his successor, Sergei Stanishev, is the son of a senior comrade-in-arms of Todor Zhivkov, the Communist leader, and his mother is Russian. Born in Ukraine, Stanishev acquired his Bulgarian passport only in 1995. Speaking in 2004, Nadezhda Mihailova, president of the big right-wing party Union of Democratic Forces, a right-wing opponent of Stanishev and the Socialists said, "The old enemies of capitalism have now become oligarchs. They have accepted financial support from criminals in order to maintain their economic power," she said.

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