

I. Energy politics and geopolitics

Trans-Baltic pipeline agreed

Meeting in Berlin, the German Chancellor and the Russian President have given their blessing in person to the signature of an agreement to construct a gas pipeline across the Baltic Sea, which will take Siberian gas directly to Germany, bypassing Poland. From 2010, the North European gas pipeline, 1,200 km long, will link the port of Vyborg near St. Petersburg to the German terminal at Greifswald on the Baltic coast. Its initial capacity will be 27.5 billion cubic metres per year but the plan provides for this to be doubled in the medium term. The Russian energy giant, Gazprom, is to hold 51 per cent of the shares, the German companies EON and BASF the remaining 49 per cent. Chancellor Schröder emphasised that the conclusion of this deal would protect Germany's energy supplies for decades to come. The cost of the project will be some €4 billion. It will ensure a reliable outlet for Gazprom (which is controlled by the Russian state) and the fact that it is a submarine pipeline means that – as President Putin was happy to point out – the delivery of the gas will be safe from “geopolitical risks” (i.e. Poland). The other Baltic countries (Poland and the Baltic states) have barely hidden their displeasure at this agreement; up to now, Russian gas has been delivered to Western Europe via gas pipelines which pass through Slovakia, Ukraine, Poland and Belarus. But these pipelines were running to capacity and Russia was seeking new means of transporting its raw materials. The Poles and the Balts, in particular, had hoped that any new pipeline would cross their territory: they could have taxed it, and they could have used it as a lever with which to exert pressure on Moscow. Russia and Germany have now done exactly what these countries fear most – they have reached an agreement over their heads.

President Putin had brought forward his visit to Berlin in order to give Chancellor Schröder some moral and political support in the run-up to the German elections, which are to be held on 18 September. Schröder's rival, Angela Merkel, has promised that, under any future Christian Democrat Government, Germany would not conclude any geopolitical alliances over the head of the Poles. Putin did meet Mrs Merkel during his visit, however. [Antoine Jacob, *Le Monde*, 10th September 2005]

One commentator has referred to Vladimir Putin as “Schröder's Number One political campaigner”. [Manfred Quiring, *Die Welt*, 8th September 2005] Although the Russians are behaving diplomatically, it is obvious that German-Russian relations will suffer badly if the Christian Democrats are elected, even if Angela Merkel has claimed that there will be no change in German foreign policy towards Moscow if she is elected Chancellor.

EU calls on USA to save energy

The European Union is trying to pressure the USA to use less energy. Speaking at the Manchester summit, the Prime Minister of Luxembourg, Jean-Claude Juncker, said, “We are going to speak very frankly to the American Government in two weeks' time at the next G7 summit in Manchester.” The British Chancellor of the Exchequer, Gordon Brown, avoided direct criticism of American Government energy policy but he did emphasise the need to use natural resources carefully. He said that this was the only way of avoiding bottlenecks in the oil market. The Austrian Finance Minister was more direct. Karl-Heinz Grasser said, “If the US had the same energy efficiency as Europe, we could save 8 million barrels per day.” Grasser said that Americans consume 11 litres of oil per day, while Europeans consume only 5. The United States consumes about 25 per cent of the world's oil supply. There are moves afoot, especially in the French Government, to impose a special tax on oil companies to prevent them from profiteering as a result of the hike in oil prices. The leader of the Socialist group in the European Parliament, Martin Schulz, also called for “greater transparency” on the oil markets. [Michael Scheerer, *Hansdeksblatt*, 12th September 2005]

Orange revolutionaries fall out

Less than one year after the Western-backed “orange revolution” in Ukraine, the people installed to power then have fallen out with one another. The Ukrainian President, Viktor Yushchenko, has sacked his entire Government including above all the powerful Prime Minister, Yulia Tymoshenko. Tymoshenko, a billionaire gas oligarch who had been on Interpol's wanted list before she was appointed head of the Ukrainian Government, was always the power behind

the throne, but her unpopularity in Ukraine meant that Yushchenko ostensibly took the lead during the events last Christmas. The basic problem seems to be that the various factions within the new Government have disagreed about how to divide up the spoils of the Ukrainian economy: the incoming Government had promised to re-nationalise certain industries, i.e. to expropriate their current owners, and then to privatise them again. Western investors were particularly keen on this scenario, especially where the country's steel industry is concerned. This might explain why Viktor Yushchenko has been getting bad press in the West recently, with stories circulating about how his son drives around in a sports car. He seems to have taken most of the flak in the comment pages of the *Financial Times* and other Western papers. Now the two factions will contest the parliamentary elections next March as enemies. Everyone is accusing everyone else of corruption. The new Prime Minister, Yuri Yekhanurov, was in charge of privatisations when Yushchenko was himself Prime Minister from 1999 to 2001. [Christophe Châtelot, *Le Monde*, 10th September 2005]

Broadly speaking, the view is now widespread in Ukraine that the new lot are as bad as the old, although the Western press seems to be concentrating on the allegations of corruption against Mr. Yushchenko and his friends, and glossing over similar stories about members of the Timoshenko camp. [Laure Mandeville, *Le Figaro*, 10th September 2005]

II. German politics

Deficit procedure against Germany

There is speculation that the European Commission might be intending to reactivate in November the excessive deficit procedure against Germany, which it had put on ice. According to some estimates, the budget deficit in Germany is expected to be between 3.9 per cent and 4.0 per cent of GDP, as against the 3.7 per cent that the German Government had predicted, although the German Finance Ministry has strongly denied these claims. A ministry spokesman said, 'There is no reason at the moment for anyone to speculate about a higher deficit.' The spokesman for the EU Commissar for monetary affairs also said that it was too early to speculate on what the Commission might decide to do. In July, the Commissar, Joaquín Almunía, has said that the Commission would probably suggest imposing fines on Germany, since Berlin did not seem to be doing enough to cut its borrowing; now he is being more tactful, saying that he wants to await further reports in November before deciding what to do. Two years ago, the Commission lost its battle with the Council of Ministers and failed to impose fines on France and Germany: this led to

The EU has called on the Ukrainian President to re-establish order in his country. [Gerhard Gnauck, *Die Welt*, 9th September 2005]

Cyprus turns up the heat

The Government of Cyprus has called for an extraordinary meeting of EU Foreign Ministers only one week before negotiations are due to open with Turkey on EU accession. The United Kingdom is trying to prevent this meeting from being held, since it is ardently in favour of Turkey becoming an EU Member State. The issue remains the recognition of Cyprus. Although Ankara signed the agreement extending the customs union to the ten new Member States, including Cyprus, it appended a declaration saying that it had no intention of recognising the Greek Cypriot Government as the legitimate government of the whole island. It has also refused to open its airports and ports to Greek Cypriot aircraft and ships. London is saying that the issue of the recognition of Cyprus must not be allowed to delay the opening of negotiations. One idea is to force Turkey to open its ports and airports, a necessary precondition for accession 'negotiations' on transport. The United Kingdom is happy for the Turks to be required to sign up to a pious wish that they establish proper relations with all EU Member States, while France wants the word 'recognition' to figure among the conditions for Turkish EU accession.

the *de facto* re-writing of the Stability Pact to allow the very thing it was supposed to prevent, namely excess deficits. Last week, the Austrian Finance Minister, Karl-Heinz Grasser, said that he thought that Berlin's estimate of a deficit of 3.7 per cent was too optimistic, which suggests that Vienna might not support Berlin this time around. The German Chancellor, Gerhard Schröder, has tried to dampen speculations about the higher deficit, saying that such prognoses depended on factors beyond anyone's control. For instance, he said, Hurricane Katrina could have a severe negative effect on oil refining and therefore on the world oil price. His purpose in making such remarks is to show that the Government cannot simply control the economy. However, his Finance Minister, Hans Eichel, told a German newspaper explicitly that Germany would fully comply with the terms of the Stability Pact by 2007. The opposition Christian Democrats are naturally trying to make political capital out of the apparent mismanagement of the country's finances by the incumbent Government: their spokesman has accused the Finance Minister of trickery. The latest

move by the Commission would be the last step before imposing a fine, which could be as high as €10 billion. [*Handelsblatt*, 9th September 2005]

Gap narrows between German parties

The outcome of the German elections is far from certain, however. Whereas the opposition Christian Democrats have been ahead in the polls since the elections were called, their lead has been shrinking rapidly. Now people are seriously beginning to think that Schröder might win again. One of the principal battlegrounds between the two political parties (apart from foreign policy) is tax: the Christian Democrats say they want to cut tax (and increase VAT) in order to protect Germany from the fiscal competition which comes from the new EU Member States. (A similar goal has been proclaimed in France by the Prime Minister, Dominique de Villepin.) The main problem is corporate tax: some of the new EU Member States charge artificially low corporate tax as a way of bribing companies to register on their territory. (Ireland has long adopted the same strategy.) Estonia, for instance, charges 0 per cent corporate tax, which is equivalent to a subsidy. [Joël Morio & Philippe Ricard, *Le Monde*, 9th September 2005]

For this and other reasons, the gap between the two parties has narrowed significantly as election day approaches. A televised debate between Chancellor Schröder and Mrs Merkel caused the voting intentions to shift significantly in favour of the Social Democrats, although this still leaves the Christian Democrats in the lead with 42 per cent against 34 per cent for the SPD. (The CDU's allies, the FDP, have 6 per cent while the SPD's allies, the Greens, have 7 per cent.) If these polls were translated into real results, the CDU-FDP coalition would not have an absolute majority in the Bundestag. The tone heated up in the German Parliament when Mrs Merkel accused the incumbent

Chancellor of lying about his Government's record. [*Le Monde*, 9th September 2005]

Leading members of the Christian Democratic Union have started to admit that the package of 'reforms' which the CDU and the FDP liberals want to introduce might not, after all, be supported by a majority of Germans. There is little doubt that these 'reforms' would leave many people worse off, and so this is but an admission of the obvious. The newly formed radical Left Party is likely to pick up 8 or 9 per cent of the vote and, although it is not yet clear what its position would be vis-à-vis a coalition with the Social Democrats, it is clear that these are not conservative votes. The tension has been heightened by the recent death of a candidate for the Bundestag: the by-election in that constituency will not take place until several weeks after the general election and, therefore, if the result is very close, the whole of the German political system might be forced into suspended animation for a long time. The last election was extremely close and it is not impossible that this one will be as well. Some people are speculating that the outcome of the elections might therefore be a 'grand coalition' between the CDU and the SPD, although this outcome is often discussed in German politics (and certainly exists at the regional level). [Pierre Bocey, *Le Figaro*, 10th September 2005]

Commentators seem agreed that leading CDU politicians are getting extremely jittery. The reasons for the sudden dip in the opinion poll rating of the Christian Democrats seems to be threefold: first, the proposal to increase VAT and therefore retail prices across the board; second, the appointment of Paul Kirchhof, the liberal tax expert, as finance spokesman; and thirdly, the television debate between Angela Merkel and Gerhard Schröder. [*Die Welt*, 10th September 2005]

III. Other European news

Bare cleavages allowed by Brussels

Conservatives and liberals in the European Parliament have taken the edge of a Commission directive which, *inter alia*, might have made waitresses in Bavarian beer gardens cover up their ample cleavages, which are otherwise shown off to great effect by the traditional Bavarian dress, the *Dirndl*. The purpose of the directive was to protect workers from the effects of sunlight. Bare-chested British construction workers were apparently at risk from sunburn, and so Brussels decided to act. The proposed directive caused an outcry in Bavaria, however. The MEPs who voted against the proposal have boasted that they have rendered Europe less

bureaucratic and more close to ordinary citizens, but most people will think that the fact that the proposal was ever made in the first place shows that there is something wrong. The Commission had proposed in its directive that all employers examine the risks of their employees getting sunburnt and develop an "action plan" for what to do about it. It is this part of the directive which the European Parliament has now cancelled. MEPs decided that such matters were best left to the Member States. One CDU MEP, Thomas Mann, said that it was completely crazy to pass a single set of regulations for sunshine over an area which extends from Finland to Greece. The Commission, however, has not lost hope that its

directive will eventually be passed in full. The social affairs Commissar, Vladimir Spidla, said that it was essential that Brussels guarantee the highest possible level of protection for European workers. [*Handelsblatt*, 9th September 2005]

Opinion poll in America and Europe

The German Marshall Fund of the United States has commissioned and published an opinion poll, which shows that 59 per cent of Europeans disapprove of the leading role of the USA in world politics. 72 per cent of the Europeans polled said they disagreed with the foreign policy of George W. Bush; in the USA itself, only 49 per cent are satisfied with Bush's policy. Americans say that they want the European Union to become a world power as well. In Germany, only 29 per cent of left-wing voters said that they thought that relations with the US should remain as they are now. Only about 50 per cent of right-wing and centrist voters, however, say that they want an even closer relationship with the US. Craig Kennedy, the President of the German Marshall Fund of the United States, said, "We have found out that, despite great efforts to improve relations, a gap remains between how we see each other and the world." [*Handelsblatt*, 8th September 2005]

Swedish feminists want to abolish marriage

The newly formed Swedish women's party, Feminist Initiative, wants to abolish both marriage and gay civil partnerships. At the founding congress of the party in the central Swedish city of Örebro, the initiators stated that they wanted legal rules for completely open forms of cohabitation between two or more persons, irrespective of their sex. "The history of marriage is not a question of love and living together," said Tiina Rosenberg, "but instead a question of property. Pollsters have put the party's electoral potential at some 20 per cent. The post of party leader is expected to go to Gudrun Schyman, 57, a former head of the Left Party. [*Handelsblatt*, 8th September 2005]

Big brother is watching you

The EU's plans to keep data on telephone calls and e-mails have been strongly criticised by the relevant industries. Interior and Justice Ministers meeting in Newcastle strongly disagreed among themselves about how to store such data, which would be done in the name of anti-terrorist protection. A German official, Peter Schnaar, spoke of his concerns at the plans to store this data, plans which are being pushed for by the British Home Secretary, Charles Clarke. He said, "Millions of pieces of data of completely

innocent people and which are of an unsuspecting nature will be put under surveillance." Industry studies have estimated that for Germany alone the cost of storing this data would be some €200 million in the first year alone. Michael Bartholomew of the telecommunications organisation Etno criticised the fact that even the physical location of the mobile phone from which calls were made would be stored by the police. There is also disagreement between supporters of this plan over the length of time for which such data should be stored: the German Bundestag has said that data should not be stored for more than six months, while the German Interior Minister, Otto Schily, has said that he wants the information kept for at least a year. Mr Schily, indeed, wants information to be stored about phone calls which did not even get through! Opinion polls show that only 47 per cent of people are in favour of their private data being stored in this way, while 78 per cent are against being made to pay for it. [*Handelsblatt*, 7th September 2005]

Bank of Italy Governor refuses to resign

Antonio Fazio, the Governor of the Italian central bank, was publicly criticised during the Manchester summit between eurozone finance ministers. Several people in Italy have called for his resignation. Fazio cancelled his attendance at the summit at the last minute, "in order to prevent domestic policy issues from disturbing a European meeting". The Italian Finance Minister, Domenico Siniscalco, is one of the people calling most vociferously for his resignation. The scandal concerns tapped telephone calls made by Mr Fazio which appear to suggest that he was abusing his office for personal gain. Appointed in 1993, Mr. Fazio has said that the independence of his office means that he should not resign: his enemies, including the Deputy Prime Minister, Gianfranco Fini, say that his continued service severely damages Italy's reputation. Only the Superior Council of the Bank of Italy, which is composed of thirteen members, can dismiss the Governor. Silvio Berlusconi, the Prime Minister, has repeatedly said that there is nothing the Government can do to get rid of him, because the Bank of Italy is independent. Fazio is not without friends, however: he is supported by the Northern League and, being a Catholic and close to Opus Dei, has also received the support of *Osservatore romano*, the Vatican's official newspaper, which has criticised the attacks against him. [Jean-Jacques Bozonnet, *Le Monde*, 11th September 2005]