

I. The Transatlantic Relationship

Schröder calls for deeper contacts with USA

The German Chancellor says he wants Europe and the US to co-operate more through NATO. This is as much an olive branch, following the disagreements over Iraq, as a veiled request to Washington to discuss its plans more with its allies. Schröder has called on a group of experts to make suggestions for a renewal in transatlantic relations. He has said that his goal is to strengthen NATO and transatlantic dialogue generally. The Chancellor also called on the Americans to support the Europeans in their negotiations with Iran over its nuclear programme. In an interview with the *Handelsblatt* and the *Wall Street Journal*, Schröder responded for the first time to the strong criticism of his statement at the Munich security conference that NATO was no longer the primary forum for strategic debates. The NATO General Secretary, Jaap de Hoop Scheffer, US Senators and some members of the German opposition had said that Schröder was actually trying to weaken NATO. A week before the visit of US President George Bush to Mainz, Schröder vehemently rejected this charge, saying that his purpose was the opposite. He also rejected the charge, made by some opposition politicians in Germany, that he was trying to stir up anti-Americanism in Germany. "Any attempt to exploit anti-Americanism for political purposes will fail in the long term," said Schröder. He said it was quite wrong to associate his disapproval of the Iraq war with anti-Americanism. Chancellor Schröder repeated his offer to help in Iraq, albeit without sending troops. [*Handelsblatt*, 16 February 2005]

Schröder's remarks came after his speech was read out for him by the Defence Minister, Peter Struck, at the Munich security conference on 13 February, the Chancellor himself having been brought down by a bout of flu. The atmosphere at that conference confirmed that Europeans and Americans are determined to repair their damaged relationship. Donald Rumsfeld tried to overcome his hawkish reputation, and in particular the damage caused by his remark about "old Europe" in 2003, when he said, "Oh, that was old Rumsfeld." "New" Rumsfeld says that you cannot beat extremists on your own, and that a "community of nations" is necessary. Moreover, Rumsfeld said, military action was not always the best way to combat terrorism.

The American Secretary of State for Defense said that there was nothing unusual about a row "between old friends" who were bound by common values. Some people pointed out that Rumsfeld's new conciliatory tone masked the fact that the Defense Secretary himself invented the slogan, "The mission determines the coalition," i.e. that the US would use NATO only when it served its strategic interests. It was in this context that Schröder's remarks about strengthening NATO were interpreted as anti-American. Schröder's proposals were firmly rejected by both Rumsfeld and de Hoop Scheffer. [Laurent Zecchini, *Le Monde*, 15 February 2005]

In another development, the Secretary-General of the United Nations, Kofi Annan, has expressed the wish that NATO be sent to Darfur or the Middle East. The German Government has said that it would be prepared to send troops to Israel/Palestine as peacekeepers. The General Secretary of NATO has said that the Alliance is prepared to think about these issues, but that any decision on them now is premature. He said that NATO would have to devote considerable effort to "changing its image" in the region first. [*Le Monde*, 15 February 2005]

Europeans sceptical at Bush's policy on freedom

Condoleeza Rice's trip around Europe has been widely interpreted as an attempt to build bridges. President Bush, too, has been very solicitous of the Europeans. His first trip abroad after his re-election is to Europe next week; he will visit Brussels, Mainz and Bratislava. The EU's commissar for external affairs, Javier Solana, says that this visit means President Bush agrees that the EU has a foreign policy role. Others are more sceptical, claiming that the EU as a multilateral institution proceeds in a more pragmatic way than the Bush administration, which sees foreign policy through the prism of its ideology of liberation. Bush has said the former Soviet dissident, now Israeli minister, Nathan Sharansky, and his book, *The Case for Democracy*, have inspired him. Sharansky compares the present US policy towards the Palestinians as the right continuation of the policy adopted towards the Soviet Union by Ronald Reagan in the 1980s. But most Europeans do not think that waving a big stick will work in the Middle East. Brussels says it prefers

“soft power” (although there was little evidence of that when European states supported the attack on Yugoslavia in 1999). Iran is being made into a test case for the competition between these two approaches. There are also sharp differences over

China. This year the EU wants to lift its arms embargo on Peking, and the US is strongly opposed to this. [Michael Backfisch & Eric Bonse, *Handelsblatt*, 14 February 2005]

II. Other European News

Czech PM says he wants tax harmonisation

Stanislav Gross, the Prime Minister of the Czech Republic, has said that it is wrong to accuse his country of “social dumping”. In an interview with *Le Monde* on the occasion of his first official visit to France, Mr. Gross met Jacques Chirac and his opposite number Jean-Pierre Raffarin. He said that his Government was “fighting against our Eurosceptic opposition, on both right and left” - by which he meant the centre-right ODS, President Václav Klaus, and the Communists. Gross said that it had been wrong of most EU states to restrict immigration from the Czech Republic into the other EU states. He also said that the UK, which allows Eastern European EU citizens to come and work freely, had not registered an increase in the number of Czechs, while neighbouring Austria had even seen a fall in the number of applications for work permits. He said that Prague would ask for these restrictions to be dropped when the issue comes up again for discussion in a year’s time. He said that his country’s corporate tax and social charges were average for Europe, and that the levies in Poland, Slovakia and Hungary were lower. The Czechs could not therefore be accused of social dumping. Gross said he thought it was “indispensable” to have “a true comparison of the fiscal pressure between different countries”; he said he was in favour of the Commission’s proposal to conduct such a study. He said that it would then be possible to debate what to do, once the results were known. But it is obvious that this means he is basically in favour of tax harmonisation. [Martin Plichta, *Le Monde*, 16 February 2005]

Eurozone growth was 2% in 2004

Economists think that the weak growth figures in Germany will make it impossible for there to be any significant upturn in the Eurozone economy; they have called on the European Central Bank not to raise interest rates. The 2% growth rate for 2004 compares to 0.5% growth in 2003; growth in the whole of the EU was 2.3% in 2004 and 0.9% in 2003. In other words, the growth rate outside the eurozone is systematically higher than inside it. The Germany economy presents one of the biggest problems; for the last four years it has thrice missed being technically in recession by a whisker. In the last quarter of 2004, Europe’s largest economy contracted

by 0.2% with respect to the previous quarter, and the statistics for the period July-September, which have been revised downwards, show that the German economy stagnated then. Germany alone represents one third of the eurozone economy, so the figures have cast fresh gloom over the eurozone’s prospects. [*Le Monde*, *Agence France Presse*, 16 February 2005]

Kosovo premier denies that he has been indicted

Ramush Haradinaj, 36, the former KLA commander turned Prime Minister of the Serbian autonomous province of Kosovo (currently under UN administration) has denied that the International Criminal Tribunal is preparing an indictment against him. On a visit to Vienna while the Serbian President, Boris Tadic, was himself in Kosovo, Haradinaj said that talk of indicting him was nothing but a political slur which was being put about by Belgrade. Haradinaj said that he wanted Kosovo to be independent, which Serbia rejects, but that a deal might be struck if the EU tells Belgrade that membership depends on independence for Kosovo. He said (rather threateningly) that there would be no violence in Kosovo if the talks on the province’s status showed progress towards independence. He also said that while he was pleased to see the EU and the USA working together, he preferred the role of the USA. [Adelheid Wöfl, *Der Standard*, 16 February 2005]

Schröder says deal on EU finances in sight

Chancellor Schröder has said that he expects the EU to reach agreement on the 2007-2013 budget this summer. As the biggest net contributor, Germany is demanding a reduction in EU spending while most other states want an increase. Many states are agreed that the British rebate should be cancelled. [*Die Welt*, 15 February 2004] Schröder also said that he expected agreement on a new Stability Pact by March. Schröder said he was very happy that the Commission President, José Manuel Barroso, has said that he thought the Pact should be interpreted in a way which promotes growth. He said he hoped that the issue could be resolved by “interpreting” the existing Pact in the right way, not by drawing up a new agreement. The 12 eurozone Finance Ministers met again in Brussels on Wednesday to try to hammer out a new compromise. The current holder of the EU presidency, the Luxembourg Prime

Minister, Jean-Claude Juncker, also said that he was certain an agreement would be reached by March. The ministers have also decided to take the next step towards imposing a fine on Greece, whose budget deficit is 5.5% of GDP. [*Handelsblatt*, 16 February 2005]

Socialist elephants battle over Euro-Constitution

The former Socialist Prime Minister of France, Laurent Fabius, has said that he will vote No to the European Constitution, causing himself thereby to become extremely unpopular within the hierarchy of his own party. Fabius declared his intentions in an interview with *Le Parisien* on Monday 14 February: his interview solicited an immediate point-by-point rebuttal by the party leader, François Hollande. Hollande did what the centre-right pro-Europeans did in 1992 – he insisted that the referendum should not be a poll on the performance of the government that is currently in office. He therefore discouraged voters to vent their spleen on Messrs Chirac and Raffarin by voting No. One of Mr. Fabius' arguments was precisely that the Left should not vote for Mr. Chirac again, as it had done in 2003 when it voted against Jean-Marie Le Pen in the second round of the presidential elections. Like the powerful left-wing union, the CGT (*Confédération général du travail*), which has also said it will oppose the Constitution, Mr. Fabius is hostile to what he sees as the EU's ultra-liberalism. [*Le Monde*, 15 February 2005]

Fischer in hot water over visas

The German Foreign Minister has said that he will accept “political responsibility” for the acts of his colleagues and subordinates in an affair which could potentially wreck the governing coalition. Thousands of visas have been fraudulently obtained by people from former Soviet Republics, especially Ukraine, for travel to Germany. The belief is that this has enabled people to flood in to work illegally, and that it has also facilitated people trafficking and the drugs trade. A committee of enquiry into the matter has been constituted in the German Bundestag. It is looking into whether there is any link between the huge influx of “tourists” from Ukraine and a ministerial note signed by Fischer's Secretary of State (i.e. Permanent Secretary with ministerial rank), Ludger Volmer, on 3 March 2000. That memo instructed visa officials to operate on the principle of *in dubio pro libertate*, i.e. to give visa applicants the benefit of the doubt and allow them to travel. Volmer has resigned his post as spokesman for the Green Party precisely because of the visa scandal, but also because he is involved in a personal scandal involving obscure income he receives in addition to his pay as a Member of the Bundestag. So Fischer is now in the line of fire. The right-wing opposition has said that the police and the

German embassy in Kiev had alerted the government that Mafia structures were exploiting the visa regime, especially since tourist visas were issued provided that applicants had return tickets, which were easily issued by dodgy travel agents. It is already likely that the scandal will affect the outcome of regional elections to be held on Sunday in Schleswig Holstein; but if Fischer himself had to resign, then the federal government would probably lose the elections in 2006. [Pierre Bocev, *Le Figaro*, 16 February 2005]

Turkey sceptical about Iraq poll

The Turkish Government has made its suspicions clear that the Iraqi elections were rigged. The Kurds claim to have won 25% of the national vote, and the Turks are especially concerned that they will use their strength to take over the oil-rich city of Kirkuk, which the Kurds claim as theirs but which is not in the Kurdish autonomous zone of Iraq. Abdullah Gül, the Turkish Foreign Minister, has denounced the “manipulations” and “irregularities” of the poll in Kirkuk. “It is now clear that elements in Iraq have tried to manipulate the result,” he said, by which he meant that a large number of Kurds deported from Kirkuk under Saddam were allowed to return to the city to cast their vote. Gül reiterated Ankara's support for the Turkish population of the city; Turkmen from Kirkuk have demonstrated in Baghdad to protest against electoral violations in their home town. Turkmen and Sunni Arabs had also demanded the cancellation of the results during demonstrations in Kirkuk itself last Friday. Turkey is known to be vehemently opposed to any partition of Iraq, since it fears that Kurdish separatism in Iraq will encourage it in Turkey itself. [Marie-Michèle Martinet, *Le Figaro*, 16 February 2005] Turkish concern has risen as one of the Kurdish leaders, Jalal Talabani, might become Saddam Hussein's successor as president of Iraq. The representative to Syria of the Iraqi Turkmen Front, Ersad Salih, has claimed that Kurdish leaders will make Kirkuk more Kurdish by taking office in the Baghdad Government. Salih said that Jalal Talabani and Massoud Barzani had never hidden their demands or ambitions for a Kurdish state: “They will not achieve their goal right now, but after they take part in the government that will be formed in Baghdad, Kirkuk will become more Kurdish.” Salih also said that poor representation of Turkmen in the January 30th elections was due to joint strategies by the US and Kurdish groups. He concluded: “The instability created in Telafer and Mosul obstructed true representation in these elections. We have officially applied to the relevant authorities to submit our objections, but the Elections Committee cannot do anything for Turkmen.” [*Ciban News Agency* (Turkey), www.zaman.com, 16

Orange revolution gets underway in Russia

An increasing number of students are apparently rebelling against the rule of Vladimir Putin in Russia. A new student organisation called "Let's go without Putin", led by 21 year-old Mikhail Obosov, has been demonstrating in St. Petersburg. Some of them were arrested; Obosov claimed this was merely for distributing leaflets at a meeting of Mr. Putin's "United Russia" party. Obosov's movement has existed since the beginning of January. Their name is a sarcastic reference to United Russia's youth movement which is called "Let's go together". The students are protesting against the "concentration of power" in the Kremlin, as well as against conscription: "We don't want to go and fight in Chechnya, we don't want to have to build dachas for generals," they say. Obosov claims that he and his parents have been subjected to harassment since he created the organisation. "Let's go without Putin" is not the only such organisation. The liberal Yabloko party has a youth wing, and the Communist Red Youth is also anti-Putin. "Let's go Putin" is based in St. Petersburg but it has also recently opened a Moscow branch, which students at Lomonosov University and the Diplomatic school have joined. The leader of the Moscow branch, Roman Dobrochotov, has said, "We feel that we are following in the footsteps of the youth in Georgia and Ukraine." He makes no secret of the fact that he wants to see an Orange Revolution in Russia. Yet another group has started a web site called "Say No!", which recalls the name of the movements in Georgia and Ukraine ("That's enough!" and "It's time!"). The website has a map with 80 cities on it where demonstrations are to be organised. "We are showing that Russia is burning," says one of the web masters. The pro-Putin forces seem complacent. Vasilij Yakemenko, the leader of "Let's go together" says that the Orange Revolution in Ukraine was financed exclusively by American money, and that he can easily mobilise 100,000 people. [Manfred Quiring, *Die Welt*, 16 February 2005]

Freedom of assembly to be restricted in Germany

The German Minister of Justice, Brigitte Zypries, has announced her Government's intention to bring forward a law in time to prevent a neo-Nazi march timetabled for 8 May, the 60th anniversary of the end of the Second World War. She said that she saw no problem in voting the bill into law if the Social

Democrats and the Greens decided to support it, as she expected they would. The President of the Bundestag, Wolfgang Thierse, has called for a large demonstration "against the right and for democracy" on 8 May. He said that he welcomed the proposed restrictions on the right of assembly. He said that people who wanted to spread neo-Nazi propaganda could not enjoy such rights. The Greens have said they support the idea, provided that it is restricted to banning neo-Nazis and that it does not draw the line any wider. [*Die Welt*, 14 February 2005]

German corporate tax is highest in Europe

A study conducted by the Centre for European Economic Research in Mannheim has found that effective corporate tax in Germany is 36.1%, the highest in Europe. The lowest is in Lithuania, 12.8%. The statistic has been used to increase pressure in Germany for corporate taxes to be cut (although the figures for a place like Lithuania are partially misleading, since there is almost no economic activity there at all). France's effective corporate rate is 33.1%, 32.8% in Italy and Malta, 18% in Poland, 18.1% in Hungary, 16.7% in Slovakia and 14.4% in Latvia. Ireland is also 14.4%. Rates for Belgium are 29.7%, Denmark 27%, UK 28.9%, Switzerland 21.8%. The calculation is based not just on simple tax but also on a comparison between the various tax rules in each country, e.g. what kinds of things can be offset against income. [*Handelsblatt*, 14 February 2005]

Just like old times

Slovenia has expressed support for the accession to the EU of its old Yugoslav partner republic, Macedonia. The Macedonian Prime Minister, Branko Crvenkovski, met the Slovene President, Janez Drnovsek, in Ljubljana. Macedonia hopes that accession negotiations will begin in 2007 and that it will join the EU in three years. The EU has said that it is principle open to accession by all the states of the Western Balkans, i.e. former Yugoslavia plus Albania, but the accession of Croatia has got bogged down recently in a row over cooperation with The Hague tribunal. Drnovsek said that negotiations were under way with Greece to change the formal name by which Macedonia is recognised ("Former Yugoslav Republic of Macedonia"). Several states (Turkey, Austria, USA and Slovenia) have now recognised Macedonia by the name it uses, Republic of Macedonia.