



NATO Parliamentary Assembly

SUMMARY

of the meeting of the Economics and Security Committee

*Senate Plenary Hall
Sejm & Senate of the Republic of Poland
Warsaw, Republic of Poland*

Saturday 26 May 2018

ATTENDANCE LIST

Chairperson	Ivans KLEMENTJEVS (Latvia)
General Rapporteur	Jean-Marie BOCKEL (France)
Rapporteur, Sub-Committee on Transition and Development	Ausrine ARMONAITE (Lithuania)
President of the NATO PA	Paolo ALLI (Italy)
Secretary General of the NATO PA	David HOBBS
Member delegations	
Albania	Perparim SPAHIU
Belgium	Luk VAN BIESEN Veli YÜKSEL
Bulgaria	Plamen MANUSHEV
Canada	Leona ALLESLEV Joseph A. DAY Darren FISCHER Tom KMIEC
Czech Republic	Jan LIPAVSKY
Denmark	Jeppe JAKOBSEN
Estonia	Ants LAANEOTS Marko MIHKELSON
France	Françoise DUMAS Jean-Noël GUERINI Jean-Luc REITZER
Germany	Alexander S. NEU Jürgen TRITTIN
Greece	Konstantinos KATSIKIS Georgios KYRITSIS
Italy	Cristina DE PIETRO Domenico SCILIPOTI ISGRO Luciano URAS
Netherlands	Franklin van KAPPEN Menno KNIP
Norway	Christian TYBRING-GJEDDE
Poland	Marcin KIERWINSKI Michal SZCZERBA
Portugal	José de MATOS CORREIA
Romania	Ion CUPA Ion MOCIOALCA
Slovakia	Karol FARKASOVSKY Eduard HEGER
Spain	Emilio ALVAREZ Carlos ARAGONES
Turkey	Recai BERBER
United Kingdom	Baroness ADAMS OF CRAIGIELEA Richard BENYON John SPELLAR Bob STEWART

United States

Rob BISHOP
Jenniffer GONZALES-COLON
Rick LARSEN
Michael R. TURNER

Associate delegations

Armenia
Austria
Azerbaijan
Georgia
Serbia

Suren MANUKYAN
Dominik SCHROTT
Malahat IBRAHIMGIZI
Giorgi KANDELAKI
Jasmina NIKOLIC
Dejan RADENOVIC
Göran PETTERSSON
Isidor BAUMANN
Andrii LEVUS
Oleksii SKRYPNYK
Oksana YURYNETS

Sweden
Switzerland
Ukraine

European Parliament (EP)

Georgios KYRTSOS
Norica NICOLAI

**Regional Partner and Mediterranean
Associate Member Delegations**

Algeria
Morocco

Abbes BOUAMAMA
Mohammed AZRI

Parliamentary Guest

Palestinian National Council
Iraq

Abdelrahim M.A. BARHAM
Aram Mohammed ALI

Speakers

Piotr WAWRZYK
Undersecretary of State for Parliamentary, Legal
and Treaty Affairs, Ministry of Foreign Affairs,
Poland
Dr Anders ASLUND
Senior Fellow, Atlantic Council
Professor L. Alan WINTERS
Professor of Economics, University of Sussex

International Secretariat

Paul COOK, Director
Anne-Laure BLEUSE, Coordinator
Andrew ZAHURANEC, Research Assistant

I. Opening remarks by Ivans Klementjevs (Latvia), Chair

1. The Chair, **Ivans Klementjevs** (LV), welcomed the Committee to Warsaw at a moment marking the 100th anniversary of Poland regaining its independence. He referred the members to the agenda and speaker's list and urged them to exercise control on debates so as to keep time.

II. Adoption of the draft Agenda [067 ESC 18 E]

2. **The draft agenda [067 ESC 18 E] adopted.**

III. Adoption of the Summary of the meeting of the Economics and Security Committee held in Bucharest, Romania on Saturday 7 October 2017 [240 ESC 17 E]

3. **The Summary of the meeting of the Economics and Security Committee held in Bucharest, Romania on Saturday 7 October 2017 [240 ESC 17 E] was adopted.**

IV. Consideration of the *Comments of the Secretary General of NATO, Chairman of the North Atlantic Council, on the Policy Recommendations adopted in 2017 by the NATO Parliamentary Assembly* [037 SESP 18 E]

4. Mr Klementjevs called for consideration of *The Comments of the Secretary General of NATO, Chairman of the North Atlantic Council, on the Policy Recommendations adopted in 2017 by the NATO Parliamentary Assembly* [037 SESP 18 E].

5. The members of the Economics and Security Committee recognised the document [037 SESP 18 E] with no comments.

V. Presentation by Piotr WAWRZYK, Undersecretary of State for Parliamentary, Legal and Treaty Affairs, Ministry of Foreign Affairs, Poland, on *The European Union and its Future after the Brexit – Poland's Perspective and Priorities in the UE*, followed by a discussion period

6. The Chair introduced Mr Wawrzyk, Polish Undersecretary of State for Parliamentary, Legal, and Treaty Affairs. He noted that Mr Wawrzyk specialises in international cooperation with a focus on the EU and international security. His speech would focus on Poland's perspective on the EU after Brexit.

7. **Piotr Wawrzyk** noted that European integration and globalisation significantly affects how countries implement their sovereignty. He noted that Poland's membership in the EU and NATO is indisputable. Still, sovereignty means that countries must comply with priorities expressed in elections. Poland's vision for the future of integration is a Europe that is developed, modern, and respects the principle of subsidiarity.

8. Poland is interested in reinforcing European security and defence by investing in defence. Poland already spends 2% of its GDP, in compliance with NATO requirements. In March 2018, Poland decided to join the Permanent Structured Cooperation (PESCO). It has also undertaken ambitious commitments to help increase the effectiveness of other EU and NATO member states. Poland hopes for greater EU-NATO cooperation for conflict and crisis response. It is also keen on developing cooperation with the defence industry and expanding its capabilities, as defence provides both security and new jobs for citizens.

9. Regarding the single market, Poland considers it a singular achievement of the EU. Protectionist measures and attempts to limit freedoms are short-sighted and will not resolve problems in Europe. Europe must take advantage of the further development of the market. The single market must also be able to meet the challenges of digitalisation, including responding to artificial intelligence and cybersecurity risks.

10. Brexit is a major challenge for the EU that must be addressed via negotiations. Two pillars, economics and defence, must be considered in these conversations. Economically, the United Kingdom is negotiating customs-free trade with the European Union. Regarding security, Poland sees a need for closer cooperation between the European Union and the United Kingdom. The speaker noted that a reform of the Eurozone must contribute to reinforcing the EU. It is also important to provide for better Eurozone architecture.

11. Poland supports European enlargement in the Western Balkans, including the former Yugoslav Republic of Macedonia*. It is concerned by the growing influence of Russia in the region and believes that it should be countered, specifically in the area of information. The EU needs to inform these countries about the EU's values. There is a need to cooperate with these countries. Poland will contribute to the integration process.

12. Turkey should not be forgotten in these conversations as it is a strong strategic partner.

13. **Bob Stewart** (UK) asked for Poland's perspective on the future of the Eurozone.

14. The speaker mentioned that a reform of the EU cannot result in the situation where there are two groups in the EU. There cannot be two velocities for EU integration. The speaker also argued that the EU needs to give a bigger say to local citizens and try to bring them more into EU governance to alleviate the negative feeling toward the EU. If the EU does not change, this alienation will only grow. National parliaments should have a larger say in this process.

15. **Georgios Kyrtzos** (EP) noted recent political disputes surrounding refugees and migrants. He said that Poland appears to have issues communicating with Brussels on these topics. He asked if Poland plans to take initiative on proposing a compromise solution.

16. The speaker said that Poland was an active participant in all discussions related to EU problems. He inferred that the questioner wanted to ask about relocation. First, he argued that it is not clear whether mandatory relocation is permissible under existing treaties. Poland believes that each member should be able to choose who it admits. Poland is engaged in drafting a new asylum process with the EU Commission.

17. **Norica Nicolai** (EP) asked how Poland saw the future of PESCO within the European Union. She also asked for Poland's view on how PESCO policy might impact relations between NATO members.

18. The first path is among member states. Many EU member states are not willing to develop military cooperation, but one cannot speak of defence and security policy without speaking of close EU-NATO cooperation. If the EU is to have any capabilities, they must be based on strong relations with NATO.

19. The Chair noted a parallel between this answer and information gained from the NATO Parliamentary Assembly's recent visit to Latvia. In the Baltic region, 22 NATO countries of NATO contribute to defence. It shows that NATO is united. The Chair also asked about technical solutions.

20. The speaker was not an expert on technical issues. Poland sells military technologies to other countries following international standards.

21. The Chair closed the discussion and thanked the speaker for his time.

* Turkey recognises the Republic of Macedonia with its constitutional name.

VI. Presentation by Dr Anders ASLUND, Senior Fellow, Atlantic Council, Washington, DC, on *Russia's Energy Policy in Eastern and Central Europe*, followed by a discussion period

22. **Dr Anders Aslund** began by providing context on the Russian gas sector. Economically, gas is not more important than oil. For Russia, however, oil is three-and-a-half times more important than gas. Gazprom, meanwhile, has seen its market value drop by 85%. Despite this rapid economic decline, Gazprom has had the same CEO since May 2001. He retains his position for two reasons: to launder money for Putin's friends and to fulfil Russia's geopolitical ambitions.

23. Money laundering is possible through several means. First, two of Mr Putin's close friends are getting large state orders for pipelines at high prices. According to the US Department of the Treasury, Mr Putin also has purchased television channels from Gazprom.

24. Gazprom undertakes policies that do not make sense economically but fulfil foreign policy goals. Gazprom, and Russia by extension, wants to be seen as reliable in Germany while asserting its power and influence over Eastern Europe. It provides reliable service or cuts depending on which goal it wants to fill.

25. Overall, however, Gazprom does not mind not being paid for a long period of time because debt makes foreign states dependent on it. For a long time, it preferred long-term contracts. Gazprom has adopted more flexible prices and has ceased price discrimination. Gazprom is also trying to survive in the face of EU regulation.

26. The speaker emphasised that Gazprom has not changed its strategy but is still focused on geopolitics and corruption. Its policies are a response to a changing environment, such as the introduction of liquefied natural gas (LNG) to much of Europe. Going forward, Gazprom is focusing on the big European countries, through projects such as Nord Stream II, and less on the Baltics.

27. Gazprom wants to control gas prices in Germany and have Germany be its hub so it does not have to deal with other smaller countries. Seen from this perspective, Nord Stream II is problematic because it undermines energy security by making the region dependent on one country. It will be more costly than existing pipelines and disproportionately benefits a handful of European companies while blocking new opportunities. It will also allow Russia to block out Ukraine and make it impossible for the Ukrainian pipeline to function.

28. The speaker noted that some of these problems could be addressed by blocking the Nord Stream II project or supporting alternative ways of building it. However, the eventual outcome will come from Germany and not elsewhere.

29. After the speaker's remarks, the Chair noted these issues will be discussed in a later report.

30. **Richard Benyon** (UK) said that, in the United Kingdom, the Parliament recently passed its version of the Magnitsky Act and has taken other steps to economically punish Russia. Mr Benyon asked if it is as surprising in Germany as in Britain that a former Prime Minister is supporting Gazprom.

31. Dr Aslund noted that the total Russian money abroad is USD 800 billion. Mr Putin and his allies are estimated to control a third of these funds. The money typically goes out through Cyprus, the British Virgin Islands and elsewhere. It is then laundered through Delaware and the United Kingdom. These funds are concentrated in real estate in the United Kingdom and the United States because these countries allow anonymous companies to purchase outsets. Real estate is not much regulated and is often just a place for holding money, as the Panama Papers testified.

32. As for what should be done, the United Kingdom recently adopted an anti-money laundering law that requires the reveal of anonymous companies.

33. **John Spellar** (UK) spoke about the declining prices of gas and oil. He noted that fracking drives this decline and that most fracking is in the United States. He wondered if Russia financed campaigns against fracking. Also, he asked if Russia and China are becoming increasingly financially exposed in Venezuela due to their support of the Maduro regime.

34. There are strong indications that Russia is supporting anti-fracking movements in Ukraine and the Czech Republic, but he is unaware of campaigns in the United States, the speaker said. In Venezuela, the Russian energy company Rosneft is responsible for propping up Mr Maduro.

35. **Rick Larsen** (US) asked what the speaker would recommend the United States do to increase diversification of energy in Europe. He also asked if the speaker could discuss the practical impact that Nord Stream II would have on other companies.

36. LNG policy in the United States is well structured because it has transformed the many regional gas markets into a global market, Dr Aslund said. For the second question, almost all Eastern Europeans are against Nord Stream II because they know they would pay more.

37. **Menno Knip** (NL) asked what brings Germany to let itself be controlled by Russia.

38. *Die Linke, Alternative für Deutschland* and others are very pro-Russian, Dr Aslund answered. Also, the two countries have historically been close. The speaker speculated that Chancellor Merkel might be less sympathetic to Russia than many Germans, noting an incident where Mr Putin brought his dog to a meeting with Ms Merkel, who had an accident involving a dog in her childhood.

39. **Ausrine Armonaitė** (LT) said Russia does not only export gas but also corruption. She asked against who and where Russia focused its actions. Second, she asked for the speaker's view on whether Nord Stream II complied with the EU's Third Energy Package.

40. According to the speaker, Russia's influence should not be exaggerated. Second, the speaker felt that Nord Stream II likely violated the EU Third Energy Package. He briefly noted the debate about whether the package applied within the EU or only on its borders.

41. Mr Kyrtos (EP) asked for the speaker to explain German energy dependence on Russia. He questioned whether the issue is exaggerated and if Germany is as vulnerable as the presentation suggested. Second, he asked for explanation of how Russia's corruption and profitability intersect.

42. Dr Aslund answered that dependence has declined due, in part, to the overabundance of gas and low prices. Overall, he noted, Europe has been extraordinary when it comes to saving energy and there has not been the massive expansion of gas that was long expected. Gazprom is acting better because it is in a worse position than several years ago. The question on capitalisation was also very good, said Dr Aslund. At present, Gazprom is traded not as a stock but as a bond. Investors do not act as shareholders.

43. **Domenico Scilipoti Isgro** (IT) said that if Gazprom is taking money from the Russian people, action must be taken. He stressed his desire for firm numbers on this issue in order to understand what illegal actions Russia is taking to destabilise NATO members. He spoke about illegally gained money being used to undermine the Alliance.

44. The speaker said that the questioner misunderstood his remarks. Russia holds enormous amounts of private money abroad, but these funds are not destined for political destabilisation. It is meant to ensure personal security of members of the regime. If something happens to the ruling elite, they can use that money to secure their power abroad. In conflict zones, Russia has been using private businessmen who have set up their own mercenary companies that are being paid by the Russian state. It is not known how Russia is doing this, but it is "outsourcing" its operations.

45. **Rob Bishop** (US) thanked the speaker for his presentation. He asked if there was any way of legally or practically stopping Russia. Second, he wondered if it is logical to assume that some of the money used for anti-fracking has been used outside Europe and in the United States.

46. Yes, Gazprom can be legally encumbered in Germany, answered Dr Aslund. Chancellor Merkel has said that she will only accept Nord Stream II if Gazprom will continue to ship gas through Ukraine. The question remains of how this will be guaranteed. Regarding the influence operations question, the speaker could not answer. He said he hoped for an answer from US Special Counsel Robert Mueller. The sophistication of Russia's misinformation campaigns concerned him.

47. **Carlos Aragonés** (ES) spoke about Spain's reforms destined to increase its energy security through renewable energy. He said that he thought the model could be exported to other countries in the European Union. He said that in his country, the far-left party had adopted an anti-fracking position that he attributed to Russia.

48. Mr Aragonés said he was very pleased with the Spanish model. He said he approved the growth of renewable energy and noted that solar energy is becoming increasingly profitable.

49. Ms Nikolai asked if it is possible to start a project to help energy-insecure countries within and outside the EU.

50. Dr Aslund speaker noted that the Balkans need more pipelines. He hoped for the construction of a pipeline in Croatia. In the Black Sea region, he said, Exxon Mobile's development in Romania makes him hopeful. The situation looks better than it did a few years ago because of increasing alternatives and diversification.

VII. Presentation by L. Alan WINTERS, Professor of Economics, University of Sussex, on *The Future of the International Trading System*, followed by a discussion period

51. Mr Winters speaker noted that the trading system established after the Second World War has been a great success. Since 1947, tariffs on industrial goods have declined from an average of 27% to 3%. However, progress has been uneven across developing and developed countries. Agriculture also remains largely protectionist.

52. The speaker noted that there is a degree of flexibility for countries that feel that they need to implement certain protectionist measures. States can implement a variety of measures without running afoul of the World Trade Organization (WTO) or facing legal consequences. The critical challenge to free trade today is not tariffs, but non-tariff barriers.

53. The problem is that regulation is complex, deeply embedded in history and culture, owned by regulatory bodies, captured by elites, and difficult to measure. Once changed, however, free trade measures are difficult to reverse.

54. Globally, there has been increased suspicion *vis-à-vis* free trade due to the rise of populism and social concerns about trade's consequences. Politicians are often afraid to engage in policies that appear to help foreigners as if trade were a zero-sum game. Also, there is substantial ignorance about trade exists. Industry has started to lose interest in free trade because it risks losing out. There are also concerns about China.

55. The situation has become increasingly dangerous because the United States has lost interest in free trade. Many Western countries depended too much on the United States to uphold the system. Two issues alarm the speaker: the undermining of the dispute settlement procedure by the United States and the invoking of "national security" defence to institute tariffs and quotas.

56. Under the current Administration, trade is becoming more transactional and less institutional. It is now a big player's game, with increasing risks to all actors.

57. To address these problems, the speaker explained, states ought to support the World Trade Organization by persuading countries to comply with regulations while building coalitions that address critical issues. Presenting a united front to a strong power is difficult but not impossible. Last, it is necessary to proceed with alternative trade agreements.

58. Domestically, Mr Winters said, governments can recognise that there are multiple interests involved in making trade policy. There needs to be a greater willingness by pro-trade groups to engage and design agreements to ease specific stresses.

59. According to the speaker, it is not time to panic, but it would be a mistake to take the rules-based system for granted. Instead, officials must renew efforts to address critical trade issues and issues of uncertainty.

60. Mr Scilipoti Isgro asked what the NATO PA Economics and Security Committee should do to ensure that the United States and others understand these issues. He asked what message the members ought to deliver.

61. The bottom line is, Mr Winters answered, that the Parliamentary Assembly does not take this rules-based system for granted. The Alliance relies on continued economic success in Europe and North America. While there has been misbehaviour around the edges in the past, there were no concerns about the system failing. Today, that risk exists. The speaker was not sure how members could make the issue understandable. However, he recommended that parliamentarians be clear, in their Parliaments and with their citizens, about the dangers.

62. **Goran Pettersson** (SE) asked the speaker to elaborate on the relationship between trade and economic growth. Mr Pettersson argued that politicians need to tell citizens that they are winners because of trade.

63. Economists have described and studies this relationship for decades, noted Mr Winters. It is a complex and technical issue. For almost all countries, trade increases with income. Decreasing barriers is often associated with increased growth because it allows countries to specialise and reap economies of scale and increases productivity via competition. Most importantly, trade allows countries to take advantage of goods produced everywhere, not just in their country.

64. Ms Nicolai argued that Europe and the United States were engaged in a kind of hybrid war on trade. She referred to the problems caused by the withdrawal from the Iran deal and asked what the speaker believes the future holds, given increasingly dire developments worldwide.

65. First, the speaker believes that the current US Administration's view of its predecessor is unduly cavalier. This attitude has undermined international diplomacy and resulted in the loss of a measured process to re-evaluate past agreements. The United States might lose out if other countries cease to see it as a reliable partner. Second, the speaker said he did not know what would happen regarding Brexit. However, once it is implemented, one can see how a loss of trade will impact economic growth.

66. **Christian Tybring-Gjedde** (NO) said that, regarding the defence industry, there are many reasons to protect it. The member asked how parliamentarians can promote a level playing field in trade while ensuring that national security interests are protected.

67. It is important to be clear about how national security defences are misused, noted Mr Winters. He talked about his experience in agriculture and noted that protectionist measures undermined the sector's robustness. He also spoke about the need to take a long-term view of trade issues, taking into consideration the time scale of protectionist measures and potential alternatives to them. There might

be things that we need to protect, but the speaker's presumption is that the exemption is often abused when it ought to be used logically.

68. According to Mr Winters, it is clear that subsidies for defence firms allow them to excel and could make it difficult for other countries to compete. National security is hugely important, and the speaker does not object to it. He instead argues that it is being used frivolously.

69. Mr Kyrtos asked if the speaker believes that Germany and China's strategy on free trade is sustainable or if they will be forced to find another way to do business. Second, he asked who is more regulated on financial industry, the United States or the EU. Lastly, he inquired about what the speaker thought the impact of Brexit will be on the financial sector. He wondered if the United Kingdom and the European Union would become more regulated.

70. China had its first deficit last quarter, the speaker observed. Its strategy is not sustainable. Regarding the financial sector, the United States has not been willing to discuss financial liberalisation and it is difficult to say who is more regulated. On Brexit, it is difficult to predict. It is likely that parts of the United Kingdom's financial service will migrate abroad, but parts will remain. The prevailing view is that the United Kingdom will suffer a contraction but not a collapse. Regarding regulation in the EU, it is difficult to say how regulation will evolve without the United Kingdom, but the speaker does not think the United Kingdom will "cut and run." He does not think the United Kingdom will substantially relax its financial regulations.

71. The Committee director, **Paul Cook**, asked if the speaker could conceive an architecture for the trade system that does not include US hegemonic leadership. He found the idea of an international economy without the United States hard to imagine. Second, he asked if there are practices, such as trade adjustment assistance or job training, that other countries should be thinking about to make their citizens more confident to engage in the trading system.

72. The speaker wondered if the world had evolved toward enough cooperation to operate without a hegemon but was unable to answer his own question. He noted that the world was much more cooperative than it was four years ago. It is not inconceivable that a more cooperative system could appear where other major players have a say, but it would be difficult. Regarding trade adjustment assistance, it is a very difficult area. Parliamentarians do not want people to feel that trade and automation threaten their entire way of life. Most economists think that the European model of providing a safety net for all is more efficient than trade adjustment assistance, which requires far too much discretionary decision making.

VIII. Summary of the future activities of the Sub-Committee on Transatlantic Economic Relations by Jean-Luc REITZER (France), Vice-Chairperson of the Sub-Committee

73. **Jean-Luc Reitzer (FR)** noted the absence of Chairman Faik Oztrak due to a political campaign in his country as well as the unfortunate loss of the Sub-Committee Rapporteur Lilja Alfredsdottir after she became Minister of Education, Science, and Culture in her home country. Mr Reitzer thanked both of them for their efforts in general and in helping complete the necessary reports. He also thanked the Chair for his work. Mr Reitzer noted that there would be an election for a new rapporteur in Halifax.

74. Mr Reitzer announced the Sub-Committee would travel to Tokyo, Japan in June along with the Political Committee's Sub-Committee on NATO Partnerships. However, sign-ups for the visit had closed. Mr Reitzer thanked his Japanese counterparts for organising the visit.

75. Mr Reitzer said the Sub-Committee would also travel to Paris and Toulouse, France from 3 to 5 October. Mr Reitzer thanked the General Rapporteur, Senator Bockel, and his staff for organising the visit which would discuss trade issues and the space industry. He said the International Secretariat would send a circular on the visit soon.

76. There were no comments.

**IX. Consideration of the draft Report of the Sub-Committee on Transition and Development
The Energy Security Challenge in Central and Eastern Europe [070 ESCTD 18 E]
by Ausrine ARMONAITE (Lithuania), Rapporteur**

77. The draft report reviews the importance of energy security, defined as a condition linking the capacity of a country to sustain its vital national interests and its access to the energy resources needed to do so. Recently, energy security has improved globally due to the growing use and falling cost of renewable energy, the expansion of hydraulic fracking and the increasing availability of and market for LNG.

78. Serious challenges remain in both the high pollution produced by hydrocarbons, a problem particularly acute in hydrocarbon-dependent Eastern Europe, and Russia's use of energy exports as a political weapon. The draft report notes that energy can be used to threaten state sovereignty and undermine democratic norms. Diversifying supply remains a challenge.

79. Russian energy companies should be seen as the Putin regime's foreign policy tools. European countries should negotiate gas contracts with Russia collectively rather than individually to lower pressure and reduce Russia's leverage. They ought to also enforce European competition rules regarding pipeline ownership and use, and pursue renewables. The draft report also discusses the role of energy in fuelling corruption and slowing development in Eastern, South-Eastern, and Central Europe.

80. The draft report concludes by recommending energy diversification, improving energy regulation, ending fossil fuel subsidies, instituting energy control and grid management systems, improving transparency, and developing codes of conduct for companies operating in Europe.

81. The Chair commented on the draft report. He asked that the final report include stronger language.

82. **Jürgen Trittin** (DE) commented on how nuclear power plants are dangerous and a target for hostile actors. He noted that renewables are a homemade resource and there is no need to import them from anywhere, but they are still vulnerable to cyberattacks. He believes that parliamentarians need to strengthen renewables for economic and security reasons and to help meet climate goals set by the European Union and other groups. Lastly, he noted that he was not a fan of Nord Stream II but that he thought the issue was overhyped. He thought that Russia wanted to increase exports and wasn't acting solely politically. Many countries, including Qatar and Azerbaijan, use energy to achieve foreign policy ends in Europe. While these political motivations are not always in Europe's interest, diversification is good in and of itself.

83. **Alexander S. Neu** (DE) said that the production and use of gas can be a transitional solution to other forms of energy production. Regarding Nord Stream II, he argued that it would provide larger, more reliable pipelines than those in Ukraine. He argued that the problems in Ukraine were not Russia's fault, but Ukraine's. Ukraine is not entitled to a discount rate after it worsened its relations with Russia. Ukraine has shown itself to be politically unreliable, whereas there has been a reliable relationship with Russia and Germany. The MP then argued that states should be able to dictate their own foreign policy without other states claiming to know better. He then argued that LNG from the United States was more dangerous and more expensive. He said that he did not think the report reflected politics in Germany or Russia.

84. **John Spellar** (UK) commented on the vulnerability of the grid-control system. He thought that members should confirm if there are air gaps in the system that might contribute to greater system security at minor economic cost.

85. **Giorgi Kandelaki (GE)** asked the Rapporteur if she thought that Chancellor Merkel's comments on Nord Stream II would result in any policy change. He also asked for Ms Armonaite's position on a recent letter from the Baltic states to the European Commission that argued that Nord Stream II violated EU Competition Law. The commenter expressed surprise about his German colleague's view on Ukraine and energy.

86. Regarding renewables, Ms Armonaite said, the draft report would be revised to further address this matter further. Renewables are generally controlled by very smart systems, which can make them vulnerable to cyberattacks and other issues.

87. Regarding Nord Stream II, the Rapporteur reiterated her opposition because the project increases European dependence on Russia. She believed that the issue is being used to create leverage over Western Europe. She also expressed concern over grid security, which could be threatened by military action, especially in the Baltic countries. Speaking about the Third Energy Package, she thought that Nord Stream was a clear violation of its principles because the project is near the border.

88. Regarding the question of the policy shift, Ms Armonaite thought that Chancellor Merkel's comments were a good sign. However, she did not know if it would translate to political action. She felt that Gazprom being found guilty of overcharging Baltic countries was a good sign because it showed that Russia can be found culpable.

89. **Malahat Ibrahimgizi (AZ)** objected to the German parliamentarian's characterisation of Azerbaijan as a "bad guy." She stated that Azerbaijan had been a close ally in energy and had been reliable. Azerbaijan is a close NATO partner.

90. The Rapporteur noted that the NATO PA would be visiting Azerbaijan soon.

91. Mr Trittin apologised for the misunderstanding with Azerbaijan. He had not intended to offend. He noted that there are many bad actors. He also noted there is no discussion of the pipeline in Turkey and this creates some of the same political friction. On the second remark, Mr Trittin noted that every economic cooperation creates dependency. He argued that, for natural gas, cooperation creates more dependency for the producer than for the consumer. Lastly, he tried to explain Chancellor Merkel's recent remarks on Nord Stream II. He cautioned that Germany accepted the argument made by Ukraine. There should be a guaranteed amount of gas sent through Ukraine in the long-term. This is a subject for negotiations, but the remarks themselves should not be understood as the Chancellor walking away from Nord Stream II.

92. Mr Neu repeated his view that Ukraine was largely to blame for its economic fragility. He asked again how the Committee could even consider adopting the draft report about energy and supplies and urged members to focus on resisting the undue influence of the United States.

93. **Jennifer Gonzalez-Colon (US)** said the report notes that NATO can play a coordinating role in energy security issues but says nothing about how it can achieve energy security itself. She noted that NATO does have energy security on its agenda. Second, she noted that Lithuania hosts the NATO Centre of Excellence on Energy Security. She wanted to know about Lithuania's experience in energy security.

94. **Oleskii Skrypnyk (UA)** expressed concern about establishing any cooperation with Russia given how often it breaks agreements.

95. The Rapporteur recommended that Mr Neu speak with the US delegation on the issues that he raised. She did not see the United States as a threat and emphasised the importance of the transatlantic relationship, pointing to economic ties with the United States and the Baltics. She did not believe that LNG supplies from the United States could be a threat to European energy security.

96. She appreciated the comment but did not believe that there was need to add more on coordination given that there was a NATO agency that specifically addressed those issues.

X. Summary of the future activities of the Sub-Committee on Transition and Development by Michal SZCZERBA (Poland), Chairperson of the Sub-Committee

97. Before beginning his remarks, **Michal Szczerba** (PL), thanked Ms Armonaite for writing the draft report.

98. Mr Szczerba noted the recent Sub-Committee visit to Odessa, Ukraine in March with members of the Sub-Committee on NATO Partnerships and the Ukraine-NATO Interparliamentary Council. He thanked the Ukrainian hosts for organising the meeting.

99. He also told the body that the Sub-Committee would travel to Azerbaijan from 12 to 14 September 2018 to learn about energy issues from the perspective of a supplier country.

100. There were no comments.

XI. Consideration of the draft Report of the Sub-Committee on Transatlantic Economic Relations *The International Trading System at Risk and the Need to Return to First Principles* [069 ESCTER 18 E] by Faik OZTRAK (Turkey), Acting Rapporteur and Chairman of the Sub-Committee, presented by Jean-Luc REITZER (France), Vice-Chairperson of the Sub-Committee

101. Jean-Luc Reitzer apologised for the absence of former rapporteur Lilja Alfredsdottir, who departed the Assembly, and Chairman Faik Oztrak, who was unable to attend due to his country's election campaign. He explained that he would be delivering Mr Oztrak's remarks in his stead. He noted that members could ask questions, but he would not be able to answer as he did not write the report. He would however convey those questions to Mr Oztrak. He reiterated that neither the views expressed in the draft report nor the comments he made were his own.

102. He began by noting that the report reviews various cases where trade has enabled prosperity and helped countries succeed. All states, including all NATO member countries, have benefited from this matter. The liberal trading system enjoyed popularity on both sides of the Atlantic, in part because it was believed that security, democracy, and free trade were mutually reinforcing. However, there has been a recent downward trend in economic openness due to the rise of nationalism and the ease with which it can be used as a scapegoat for other issues, such as mechanization.

103. The report suggests that governments have done an insufficient job explaining globalisation's positive impact and educating citizens on basic economic facts. Using protectionist measures will not resolve complex economic problems, but only exacerbate them. Governments must provide job training and other opportunities to those displaced by economic changes.

104. The report closes by noting that the Alliance's long-term success depends on the ability of its members to maintain vibrant economies. It notes that trade is a win-win and that protectionist policies threaten both those issues.

105. Mr Reitzer noted again that he could not answer questions and that the views of the report were not his but that of Mr Oztrak.

106. **Rick Larsen** (US) noted that the United States was mentioned frequently in the report. As the world's largest economy, the United States would continue to act as a preserver of the rules-based system. The Administration's views do not reflect the entire debate on trade within the United States, as free trade is still supported on a bipartisan basis in the Congress. One only needs to look at recent

comments from Democrats and Republicans on the Trump Administration's imposition of tariffs on car imports. Mr Larsen further argued that, on page 9, the report overstates China's commitment to global trade while understating the debate in the United States. Made in China 2025 depends on protectionism, subsidies, and forced technology transfer.

107. Mr Benyon noted that trade is often seen as a binary issue. He expressed interest about the impact of technology, in particular that of artificial intelligence on jobs. He noted the need to identify common strategies to address these challenges to help provide for more stable societies.

108. Mr Tybring-Gjedde noted his support for free trade but also stated that there were micro-issues to address. While in macro terms a nation does better, some people still lose their jobs. He noted the dilemma between these two factors.

109. He continued by saying that the United States was an engine in the writing of international rules. However, with recent actions by President Trump, people wonder if the United States' role will change. With the recent withdrawal from the Iran Deal, European companies have suffered economically after having established ties with Iran. He reminded members that each state is independent and has the right to make its own decisions.

110. He echoed Mr Benyon's point. There is political pressure that results when people lose their jobs. People cannot wait for the long-term when they are suffering now. Speaking on his own behalf, he said he supported globalisation but with rules that supported social justice.

XII. Consideration of the draft General Report *The Future of the Space Industry* [068 ESC 18 E] by Jean-Marie BOCKEL (France), General Rapporteur

111. **Jean-Marie Bockel** (FR) began by reminding the body of the upcoming visit to Paris and Toulouse, France from 3 to 5 October 2018. He noted that the visit would discuss the aerospace industry in France and Europe and that he had taken a personal role in organising the trip.

112. The draft report notes that space systems have changed dramatically over the last 60 years, with technology growing increasingly sophisticated and shifting from governments to private industry.

113. The draft report reviews how this change has affected the satellite, launch services, and ground equipment sector. While substantial barriers prevent entry to all these sectors, all are becoming more accessible due to increased interest and decreased costs associated with technological improvements.

114. It goes on to note that space systems are necessary for NATO security and that the Alliance has affirmed this importance. New threats to space include outdated treaties and regulations, the growing amount of space debris, and the militarisation of space by Russia and China. The report notes that Alliance members can address these issues through collaboration on an international and domestic level.

115. The Chair expressed hope that a tourist might go around the moon. He also expressed his interest in the upcoming visit to France.

116. Mr Spellar asked if the speaker thought that the disruption of the Galileo programme on political grounds, even if it was running over budget, was the best way of developing Europe's capabilities in space. He suggested that officials had tried to force the United Kingdom out of the project.

117. The General Rapporteur does not think that France is trying to push the United Kingdom out of the project. Conversations are ongoing. He noted that the European Union does not directly control the European Space Agency. He believes that partners outside the EU should be allowed to participate and contribute to it. It would be unfortunate if Europeans could not find common ground with their British friends.

XIII. Any other business

118. There were no comments.

XIV. Date and place of the next meeting

119. The Sub-Committee on Transatlantic Economic Relations will meet in Baku, Azerbaijan in three weeks.

120. The Chair announced upcoming meetings for the committee, including the Annual Session that will take place in Halifax, Canada in November 2018.

XV. Closing remarks

121. The Chair thanked the Polish hosts, participants, guest speakers, interpreters, NATO PA staff, and members for their constructive participation and work.
