



NATO PARLIAMENTARY ASSEMBLY

# SUMMARY

OF THE MEETING OF THE

## ECONOMICS AND SECURITY COMMITTEE (ESC)

Wednesday 16 September 2020

*By videoconference*

## ATTENDANCE LIST

### OFFICERS OF THE ECONOMICS AND SECURITY COMMITTEE

Chairperson                      Ivans KLEMENTJEVS (Latvia)

### NATO PA BUREAU MEMBERS

Vice-President                      Osman Askin BAK (Turkey)

### MEMBER DELEGATIONS

Canada	Brenda SHANAHAN
Estonia	Jevgeni OSSINOVSKI
France	Jean-Marie BOCKEL <i>(Rapporteur of the Sub-Committee on Transatlantic Economic Relations)</i>
Greece	Marios SALMAS
Italy	Cristiano ANASTASI <i>(Vice-Chairperson of the Sub-Committee on Transatlantic Economic Relations)</i> Matteo Luigi BIANCHI <i>(Vice-Chairperson of the Sub-Committee on Transition and Development)</i>
Lithuania	Ausrine ARMONAITE <i>(Rapporteur of the Sub-Committee on Transition and Development)</i>
Luxembourg	Semiray AHMEDOVA
Poland	Michal Roch SZCZERBA <i>(Chairperson of the Sub-Committee on Transition and Development)</i>
Turkey	Mevlut KARAKAYA Faik OZTRAK <i>(Chairperson of the Sub-Committee on Transatlantic Economic Relations)</i> Zehra TASKESENLIOGLU
United Kingdom	Harriett BALDWIN Lord JOPLING John SPELLAR <i>(Vice-Chairperson of the Sub-Committee on Transatlantic Economic Relations)</i>
United States	Neal Patrick DUNN Rick LARSEN

### ASSOCIATE DELEGATIONS

Azerbaijan                      Malahat IBRAHIMGIZI

### INTERNATIONAL SECRETARIAT

Paul COOK	Director, Economics and Security Committee
Ethan CORBIN	Directeur, Defence and Security Committee
Anne-Laure BLEUSE	Coordinator, Economics and Security Committee
Jailee RYCHEN	Coordinator, Defence and Security Committee
Lukas KISIELIUS	Research Assistant

## I. Opening remarks by Ivans KLEMENTJEVS (Latvia), Chairperson

1. The Chairperson welcomed his colleagues to the second virtual meeting of the Economics and Security Committee (ESC). Mr Klementjevs began by explaining the structure of the two-hour meeting. The Chair also invited members of the delegations, who have specific comments or suggestions, to submit their feedback via email to Committee Director Paul Cook, in case they had not done so before the meeting.

## II. Adoption of the draft Agenda [136 ESC 20 E]

2. The draft Agenda [136 ESC 20 E] was adopted.

## III. Consideration of the draft Report of the Sub-Committee on Transatlantic Economic Relations *The Gulf Crisis and Global Energy Markets* [034 ESC 20 E] presented by Jean-Marie BOCKEL (France), Rapporteur

3. **Jean-Marie Bockel** opened this presentation by describing the Gulf states as longstanding lynchpins of the global energy system. The Rapporteur noted that – even before the COVID-19 crisis – the Gulf states faced substantial external challenges. These included the falling cost of renewable energy, the global concerns about climate change, and the rapid expansion of North American shale oil and gas production.

4. The Rapporteur observed that – before the COVID-19 induced economic recession – the United States was poised to become a net-energy exporter, because of its increasing domestic oil and gas output. In the Rapporteur's view, this would have been a shift with far-reaching geopolitical implications. However, the COVID-19 pandemic has since altered the outlook on US energy independence. Falling oil prices have set back the formerly booming American shale industry. In the coming months, oil exports from Gulf countries are slated to reclaim a significant share of the US energy market.

5. Mr Bockel then elaborated on the shifting geopolitical landscape within the Gulf region. He proposed that the Gulf is confronted with rising strategic uncertainty. Regional instability has been exacerbated by the civil wars in Iraq, Yemen and Syria, the Iranian nuclear weapons programme and military interventions, the contentious rivalry between Qatar and several other Gulf powers, as well as the Saudi and United Arab Emirates (UAE) intervention in Yemen's civil war.

6. The Rapporteur suggested that the physical vulnerabilities of the Gulf energy sector were made apparent in September 2019, when the Iran-backed Houthi rebels attacked Saudi Arabia's oil fields and processing facilities. The attack demonstrated how relatively inexpensive missile and drone technology could be used to disrupt the global energy market. In the Rapporteur's view, the Houthi-Iranian strike also exposed the extent to which the Gulf's regional actors rely on the United States and other powers – such as France and the United Kingdom – for strategic stability.

7. Mr Bockel described the shared trans-Atlantic interest to promote security in the Gulf, including by promoting reconciliation within the Gulf Cooperation Council (GCC). According to Mr Bockel, Qatar's disputes with its GCC counterparts have become an issue of trans-Atlantic concern. He also alluded to NATO's deepening cooperation and strategic dialogue with the Gulf countries through the Istanbul Cooperation Initiative (ICI).

8. The Rapporteur highlighted how Russia's approach to the Gulf is shaped by its ambition to counter the United States and NATO globally. Mr Bockel maintained that Russia's goals in the Gulf cannot be separated from its energy interests. Russia has worked with the Gulf's regional energy exporters to stabilise oil prices, undermine European efforts to diversify their natural gas suppliers,

and to attract Gulf investment into Russia's sanctions-hit economy. Russian foreign policy has not always been successful, as evidenced by the Saudi-Russian price war which began in March 2020.

9. Mr Bockel demonstrated how the fall in oil revenues – caused by the Saudi-Russian dispute and the broader impact of the COVID-19 pandemic – has reverberated throughout the Gulf region. For example, the government of Saudi Arabia had to raise its debt ceiling, cut spending, and will see its budget deficit increase.

10. The Rapporteur noted that – due to the pandemic and the consequent fall in energy prices – the Gulf is expected to suffer its worst recession in recent memory. The Gulf's labour markets, as well as its travel and tourism sectors, have been adversely affected by the global pandemic. Besides, the regional responses to the COVID-19 crisis have led to significant geopolitical implications. For instance, Qatar, Kuwait and the UAE recently offered medical assistance to Iran. Such overtures could be viewed as an attempt to mend ties, amidst fears that the tense relationship with the Iranian regime could escalate to overt war.

11. Mr Bockel concluded by proposing that Europe and the United States should work together to lower tensions in the Gulf, including by fostering reconciliation within the GCC. The trans-Atlantic powers should ensure that the rivalry between Iran and the GCC member states does not trigger more severe conflict. However, the Rapporteur was convinced that long-term stability in the Gulf would also demand domestic economic reform, a higher degree of tolerance, and a more equitable distribution of wealth.

12. **Marios Salmas** (GR) proposed that ensuring energy security is a collective responsibility. He described how Greece is seeking to maximise its energy security through bilateral, trilateral and multilateral initiatives.

13. Mr Bockel said he understood the importance of energy security in the Mediterranean region, particularly regarding the exploration of new energy sources. He thought that NATO could play an important role in fostering dialogue, negotiation, and compromise among the Mediterranean countries.

14. **Henrik Bliddal** (NATO PA) inquired about the improving relations between Bahrain, the UAE and Israel. He asked what this means for the global energy markets, as well as the geopolitics of the Gulf region. He also asked for an insight into China's presence and image in the Gulf.

15. **Rick Larsen** (US) concurred that it would be worthwhile to consider what the Bahrain-UAE-Israel deals could mean in the context of the draft Report.

16. Mr Bockel agreed that the draft Report could more substantially emphasise China's influence in the Gulf region. He also suggested that the Bahrain-UAE-Israel agreements show the paramount role of the United States in the Gulf. In Mr Bockel's view, the draft Report should have a strong reference to the recent developments in Israel's relations with the Gulf powers.

17. **Lord Jopling** (UK) made several suggestions for inclusion in the draft Report. First, he agreed that the Bahrain-UAE-Israel agreements should be reflected. Second, Lord Jopling suggested that the overlaying regional tension between the Sunni and Shia communities should be mentioned. Third, he inquired about hydrogen becoming a more viable source of energy, in addition to solar and wind power. Fourth, Lord Jopling asked about the impact of oil prices on Russia's economy.

18. Mr Bockel responded that, in his opinion, the Sunni-Shia divide does not account for the current tensions in the Gulf region. On the other hand, he fully agreed that the implications of hydrogen energy should be mentioned in the draft Report.

19. **Neal Dunn** (US) stated that the United States has lasting commitments to its allies and partners in the Gulf region. He then inquired about the construction of nuclear power plants in the Gulf. He proposed that NATO should examine whether the Gulf's atomic plants will be constructed by NATO countries and partners, or by China and Russia.

20. Mr Bockel fully concurred that the draft Report should emphasise the introduction of nuclear energy into the Gulf.

**IV. Consideration of the draft Report of the Sub-Committee on Transition and Development, *The Black Sea Region: Economic and Geo-Political Tensions* [035 ESC 20 E] by Ausrine ARMONAITE (Lithuania), Rapporteur**

21. Ausrine Armonaite introduced the Black Sea region as a strategic crossroads between Europe, Asia, and the Middle East. Numerous global and regional powers compete here for influence, wealth, leverage, navigation privileges, and access to resources and ports. Unfortunately, conflict and instability around the Black Sea have undermined regional trade and investment.

22. The Rapporteur argued that Russia's ongoing confrontation with Ukraine is the defining regional conflict. However, there exist other tensions that cannot be discounted, such as Russia's occupation of Georgia's South Ossetia and Abkhazia regions. Ms Armonaite maintained that Russia is determined to have its neighbours paralysed by tension, civil war, and frozen conflict. The Rapporteur noted that the Russian aggression not only increased the risk of doing business around the Black Sea but also undermined Russia's own economic potential.

23. Ms Armonaite contrasted Russia's foreign stance with that of the Western governments, which seek stability and welcome self-assured, democratic, and successful states on their borders. Russia's world view is infused with zero-sum logic, while the Western powers promote a win-win outlook.

24. The Rapporteur noted that the countries of the broader Black Sea region together constitute the world's second-largest source of oil and natural gas after the Gulf. The draft Report explores how regional energy pipelines have shaped the Black Sea's security profile.

25. Ms Armonaite highlighted some instances of successful regional cooperation, for example on environmental stewardship. The Black Sea Economic Cooperation (BSEC) format and the European Union (EU) have played important roles in fostering regional collaboration. At the same time, the Rapporteur identified some factors that have obstructed cooperation and the West-oriented integration of the Black Sea. The regional challenges include the diversity of the Black Sea countries in terms of economic and civil society development, the uneven natural resource endowments, the different institutional characteristics, the national experiences during the Cold War and the early years of the post-communist transition, and the disparate political orientations.

26. Ms Armonaite claimed that COVID-19 will be the defining crisis for the Black Sea region, both in terms of its economic and political impact. The Rapporteur explained how the region's countries have confronted the challenges of COVID-19. For example, Russia was hit particularly severely, as it has been among the countries with the highest COVID-19 infection rates. Russia was also adversely affected by the collapse of the global demand for oil and natural gas.

27. The Rapporteur focused on the particularly harsh implication for the people living in regions torn by Russian aggression. For example, in eastern Ukraine, around a million people are prohibited from crossing the contact line to collect social and pension payments, to visit family, or to reach work. Ms Armonaite concluded that the pandemic has aggravated the security situation in eastern Ukraine and other regions that have been torn by Russia's aggression.

28. The Rapporteur suggested that national resilience in the face of the COVID-19 pandemic varies considerably across the region's countries. For example, Georgia has responded relatively quickly and efficiently to the public health challenge. It banned foreign entry and suspended flights, but this has undermined Georgia's tourism-dependent economy. The health care systems of Russian-occupied South Ossetia and Abkhazia are particularly vulnerable since their access to external assistance is limited by their unrecognised status. Besides Georgia, the two other Caucasian countries, Armenia and Azerbaijan, have also been negatively affected.

29. Ms Armonaite finished by calling on NATO member states to continue insisting upon respect for international law in the Black Sea region, including the principles of independence, sovereignty, and territorial integrity, as well as the respect of the United Nations Convention of the Law of Sea. The Rapporteur insisted that NATO member governments and parliaments maintain the current sanctions regime on Russia. Ms Armonaite was convinced that Russia's serious violation of international law should not be normalised.

30. The Rapporteur added that BSEC continues to foster valuable dialogue around the Black Sea. BSEC has contributed to important agreements on matters of shared concern, such as shipping, environmental protection, and fisheries. Ideally, such collaboration would be broadened, but it would be difficult to do in the current climate.

31. **Malahat Ibrahimqizi** (AZ) offered her perspectives on energy security around the Black Sea, as well as the relationship between Armenia and Azerbaijan. She complemented NATO's efforts to improve the relations between Greece and Turkey, two Alliance members.

32. **Henrik Bliddal** (NATO PA) asked for the Rapporteur's comparative perspective on fostering cooperation around the Baltic and the Black seas.

33. Ms Armonaite proposed that the Baltic Sea region is secure relative to the Black Sea. In particular, the latter region has been affected by military aggression, which has undermined the prospects for cooperation. However, she reiterated that the BSEC is an important format for collaboration in the Black Sea region.

34. Mr Klementjevs noted that both the Baltic Sea and the Black Sea have high economic significance. He highlighted the geopolitical and ecological issue of pipelines in both regions.

35. Ms Armonaite replied that the countries around both seas could cooperate more on environment issues, including sea pollution.

36. **Osman Askin Bak** (TR) highlighted the importance of the Black Sea for both Turkey and NATO. He spoke about Turkey's efforts to explore the energy resources of its neighbourhood. He inquired about the Black Sea's environmental problems.

37. **Mevlut Karakaya** (TR) commented on Turkey's geopolitical interests in the Black Sea. He explained how Turkey has adhered to the Montreaux Convention.

38. Ms Armonaite confirmed that environmental and marine pollution are highly relevant issues which demand greater cooperation, around both the Baltic Sea and the Black Sea.

**V. Any other business**

39. **Michał Szczerba** (PL) inquired whether the Transition and Development Sub-Committee could prepare a report on the situation in Belarus, taking into account the economic and social challenges the country faces.

40. Ms Armonaite agreed with Mr Szczerba that the Belarus question should be considered by the Assembly. She criticised the current Belarus regime for its human rights violations.

41. Mr Klementjevs concurred with the previous speakers that the Belarus topic should be reflected in the Assembly's work.

**VI. Date and place of the next meeting**

42. The Chair stated that the NATO PA Secretariat will announce the date and location of the next meeting in a separate communication.

**VII. Closing remarks**

43. The Chair thanked all ESC members for their constructive and thoughtful participation. On behalf of the entire Committee, the Chair expressed his gratitude to the interpreters and congratulated Committee Director Paul Cook and Coordinator Anne-Laure Bleuse for their diligent work. He thanked the rest of the Assembly staff, particularly Lukas Kisielius who is a research assistant at the Assembly. He finally voiced his appreciation for the work of the rapporteurs.

---