



NATO PARLIAMENTARY ASSEMBLY

# SUMMARY

OF THE MEETING OF THE

## ECONOMICS AND SECURITY COMMITTEE

Saturday 17 November 2018

*Ballroom 3*  
Halifax Convention centre, Canada

## ATTENDANCE LIST

<b>Committee Chairperson</b>	Yvans KLEMENTJEVS (Latvia)
<b>General Rapporteur</b>	Jean-Marie BOCKEL (France)
<b>President of the NATO PA</b>	Rasa JUKNEVICIENE (Lithuania)
<b>Secretary General of the NATO PA</b>	David HOBBS
<b>Member delegations</b>	
Belgium	Luk VAN BIESEN Olga ZRIHEN
Bulgaria	Petar Boykov VITANOV
Canada	Ziad ABOULTAIF Raynell ANDREYCHUK Cheryl GALLANT
Croatia	Miro KOVAC Franco VIDOVIC
Estonia	Hannes HANSO Kerstin-Oudekki LOONE
France	Jean-Luc REITZER
Germany	Jürgen HARDT Thomas HITSCHLER Georg MAIER
Greece	Konstantinos KATSIKIS Georgios KYRITSIS
Italy	Cristiano ANASTASI Matteo Luigi BIANCHI Adriano PAROLI
Lithuania	Ausrine ARMONAITE
Luxembourg	Nancy ARENDT KEMP
Montenegro	Genci NIMANBEGU Obrad Miso STANISIC
Netherlands	Menno KNIP
Norway	Kari Elisabeth KASKI Christian TYBRING-GJEDDE
Poland	Waldemar ANDZEL Bozena KAMINSKA Michal SZCZERBA
Portugal	Luis Pedro PIMENTEL
Romania	Ion CUPA Ion MOCIOALCA
Spain	Emilio ALVAREZ Guillermo MARISCAL
Turkey	Mevlut KARAKAYA Faik OZTRAK Zehra TASKESENLIOGLU
United Kingdom	Richard BENYON Douglas CHAPMAN Lord HAMILTON OF EPSOM John SPELLAR

United States

James COSTA  
Brett GUTHRIE  
Thomas MARINO

**Associate delegations**

Armenia  
Austria  
Serbia  
Switzerland

Koryun NAHAPETYAN  
Maximilian UNTERRAINER  
Dejan RADENKOVIC  
Isidor BAUMANN  
Werner SALZMANN  
Yurii BEREZA  
Olga BIELKOVA  
Iryna FRIZ  
Iryna GERASHCHENKO  
Andrii LEVUS  
Oksana YURYNETS

Ukraine

**European Parliament**

David McALLISTER  
Bogdan ZDROJEWSKI

**Regional Partner and Mediterranean  
Associate Member Delegation**

Morocco

Mohammed AZRI

**Parliamentary Observer**

Palestinian National Council

Mohammed HEGAZI

**Speakers**

**Éric LALIBERTÉ**,  
Director General, Space Utilization, Canadian  
Space Agency  
**Richard NEPHEW**  
Senior Research Scholar, Center on Global  
Energy Policy, Colombia University

**International Secretariat**

Paul COOK, Director  
Sarah FOULON, Coordinator  
Aysegul YUSAL, Research Assistant

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

1. The Chairperson, **Ivans KLEMENTJEVS** (LV), listed the officer positions for which there would be elections later in the afternoon and identified who had so far indicated interest in standing for those positions.

## II. Adoption of the draft Agenda [172 ESC 18 E]

2. The draft agenda [172 ESC 18 E] was adopted.

## III. Adoption of the Summary of the Meeting of the Economics and Security Committee held in Warsaw, Poland on Saturday 26 May 2018 [188 ESC 18 E]

3. The Summary [188 ESC 18 E] was adopted.

## IV. Procedure for amendments to the draft Resolutions *Opportunities and Challenges in a Changing Space Arena* [219 ESC 18 E] and *Energy Security: A Strategic Challenge For The Alliance* [220 ESC 18 E]

4. The deadline and method for amendments were explained.

## V. 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* [174 ESCTER 18 E] by Faik OZTRAK (Turkey), Acting Rapporteur

5. **Faik Oztrak** (TR) noted that the issue of trade has captured the attention of statesmen since before the end of Cold War. While trade is often made a scapegoat for economic difficulties, those who benefit from free trade, such as consumers, are often not aware of how important trade is to their daily lives. This draft report outlines the basic principles that make the case for free trade so economically compelling and important to transatlantic solidarity.

6. Although trade can have a disruptive effect on some sectors of the economy, it is also very much an engine of creative destruction; it is key to innovation and growth in an economy. However, trade is oftentimes blamed for changes that are driven by other phenomena. For example, the rise of a dynamic and efficient US gas industry has driven the coal industry in the United States into the ground. But rather than the technological change, trade is blamed for the altered labour market.

7. There is also tendency to characterise trade as a zero-sum game, in which one country gains by virtue of trade surplus and another loses by virtue of its deficit. But this argument does not hold in today's world. The distinction between imports and exports is very difficult to make, as so many inputs are imported, incorporated into domestically produced products and then re-exported.

8. Most importantly, protectionism does not lead to surpluses. Instead it triggers a decline in terms of trade and renders the economy less competitive. Furthermore, trade also allows domestic firms to enjoy far greater scale than they would if they were locked in national markets. It is a catalyst for competition and thus compels firms to increase productivity while lowering prices of imported goods. However, in most capital-intensive countries, the largest gains have accrued to those in positions

requiring a higher level of education, while less skilled workers have fared worse. This is usually the result of technological change, not trade. Hence, policy makers need to focus on ways to prepare their societies to flourish in this changing environment instead of thinking about trade protection.

9. Mr Oztrak also discussed the recent changes in US trade policy. A number of measures, including the steel tariffs, have had a very negative impact and they do inspire protectionist forces beyond US borders. Myron Brilliant, the Executive Vice President of the US Chamber of Commerce, has warned that these steel tariffs, while positive for steel producers in the United States, are raising the costs for a range of US industries requiring steel in the production of their outputs.

10. While there has been talk of moving away from a multilateral trade system in favour of one based on bilateralism, it is important to note that bilateralism essentially means that a country will have different trading rules for every country with which it trades. This approach imposes enormous costs on firms, consumers and exporters. Thus, the net result will be impaired growth, inflation and a significantly lower level of economic dynamism. Open trading systems are also conducive to friendly international relations, particularly in the case of trade among allies.

11. Europe and the United States have made progress in recent months on an array of trade disputes and are in talks to reduce costly tariff and non-tariff barriers. Canada, Mexico and the United States have also managed to salvage the essence of the North American Free Trade Agreement (NAFTA). It is important that the EU, the United States and European countries outside of the EU like Turkey also engage closely with our partners in Asia.

12. Increased protectionism inevitably inspires retaliation, and it poisons the sense of good will even amongst otherwise friendly countries. Western leaders need to combat negative narratives around trade. Improving education and training programmes will prepare workers for future markets rather than leaving them untrained and vulnerable as the global economy continues to change. In addition, reducing burdensome regulations will help small and medium firms to better exploit international market opportunities. Finally, multilateral trade must be protected. Multilateral trading systems reduce bureaucratic red tape while creating dynamic global value chains. Thus, it is up to legislators to make sure the public has a deeper understanding of the logic behind free trade and to undertake measures that make the global economy look more like an opportunity than a threat.

13. In the discussion **Lord Hamilton of Epsom** (UK) made two points. First, he talked about the growing wealth distribution disparity and identified the main drivers of this issue as quantitative easing and minimal interest rates imposed by central banks. Second, he emphasised that retaliation only worsens trade wars and harms the countries that engage in these kinds of “tit for tat” strategies. Mr Oztrak agreed with Lord Hamilton’s observations and reiterated the importance of education in ensuring society is well prepared for an open trading order. He also underlined the long-term harmful effects of tariff barriers.

14. **Ziad Aboultaif** (CA) asked how the Chinese challenge needs to be handled. The acting Rapporteur replied that the solution entails using diplomacy and the power of persuasion while dealing with China’s practices, rather than cutting ties and pursuing a protectionist policy.

15. **Mevlut Karakaya** (TR) highlighted the dangers of establishing trading systems through unilateral decisions for international security and peace. He also applauded the draft report’s recommendations and supported its adoption.

16. **James Costa** (US) stressed that no country wins a trade war and talked about the ways in which the US withdrawal from the Trans-Pacific Partnership (TPP) talks was not a wise step and would in no way curb China’s behaviour. He said the TPP was constructed to deal with China’s lack

of compliance with World Trade Organization (WTO) regulations. He mentioned that the US economy is already facing negative impacts from tariffs while China seems to have been less affected by them. He reminded the audience that while the US Administration negotiates trade deals, it is the US Congress that has the last word on any deal that has been negotiated. Finally, he echoed the significance of having a common Allied approach to trade security for the strength and collective defence of the Alliance.

17. **Christian Tybring-Gjedde** (NO) commented that people in general see the benefits of free trade and that tariffs create a very negative rhetoric, as well as an atmosphere of fear of competition. He wondered whether the acting Rapporteur could further explain what he meant by income distribution, and elaborate on other mechanisms, beside education, that affect the distribution of income. Mr Oztrak responded that while free trade is often blamed for worsening income distribution, it is rather the rapid technological change that widens this gap. He reiterated his position on the importance of accessible lifetime education for the labour force to prevent the exclusion of people due to constant technological change.

18. **The draft report [174 ESCTER 18 E] was adopted.**

**VI. Presentation by *Éric LALIBERTÉ*, Director General, Space Utilization, Canadian Space Agency, on *Canada's Space Program – its Scientific, Economic and Strategic Implications*, followed by a discussion**

19. **Éric Laliberté's** presentation first gave an overview of the Canadian Space Program and then provided a perspective on its scientific, economic and strategic implications. Space is used by governments for strategic reasons, for science, and for economic reasons, which results in an increase in commercial or economic activities.

20. The Canadian Space Agency (CSA) is part of the portfolio of the Department of Innovation, Science and Economic Development. Therefore, it includes scientific, technological and economic ambitions in its mandate and performance goals. Over the years, Canada has established a reputation as a reliable partner, and is called upon to provide mission critical components on US projects. CSA also enjoys a privileged relationship with Europe, as the only non-European cooperating member of the European Space Agency (ESA). The key activities performed by CSA are exploration, space utilisation, technology development and raising awareness. Among other things, it supports Canada's planetary exploration missions, manages the Canadian Astronaut Program, implements the RADARSAT Constellation Mission (RCM), conducts research and development on space-related matters and engages with Canadian youth on science and technology.

21. Canada has two flagship level missions: participation in the International Space Station (ISS), and the RADARSAT program. Canada uses the ISS for research purposes for astronaut flight opportunities. Canada's most visible contribution to ISS was the robotics. RCM was launched initially with the main objective of monitoring the North, with specific ice-water-related applications, but the programme's use has grown today to over a dozen departments. The latest iteration will be launched in February 2019 from California. This 3-satellite RCM system will address the increasing requirement for persistent radar imaging in support of operational government programmes, enable daily monitoring of maritime navigation, assist responses to natural disasters, support northern development and sovereignty through more vigilant surveillance of the North, and provide complete regular coverage of Canada's land mass for the management of natural resources and sensitive ecosystems.

22. The space sector generates socio-economic benefits and has obvious strategic implications. The application of socio-economic benefits ranges from agriculture and disaster management to air traffic management. For example, by using satellite navigation (GPS), the CSA has enabled farming equipment to support precision agriculture, which improves yields through efficient use of seeds, fertiliser and irrigation. The strategic implications, on the other hand, involve supporting key government operations including, but not limited to, national defence, environment and climate change, public safety, parks and transport. Space also requires horizontal collaboration to ensure investments align with key government priorities and support departmental operational mandates and decision making. Thus, the CSA ensures the industrial and academic bases are equipped to supply technologies and information products required to meet the needs.

23. Space is moving from a traditionally heavily government-supported sector to a commercially viable sector. Launch costs are going down, and missions are often smaller – allowing for faster, cheaper access to space. As a result, space is an increasingly congested, contested and competitive environment. This can generate a range of problems. For example, commercial actors place satellites in orbit and do not always have the required mechanisms to de-orbit at the end of the satellites' lives. Over 60 countries are now investing space, which is no longer a purview of developed countries. Finally, the sector is competitive because both private and commercial bodies heavily invest in space.

24. Space is connected to a broad range of human activities and it is playing an increasingly central role in many of these endeavours. Sustainability has become a concern, particularly as a result of the problem of space debris. Space is a “global commons”, and shared approaches are needed to keep these commons open and viable. Partnerships are essential: domestically, among federal departments, industry and academia; and internationally, with other countries seeking to derive benefits from investments in this field.

25. Ivans Klementjevs wondered how the countries can clean space debris, including those satellites orbiting the Earth that are no longer in use. Mr Laliberté replied that there are possible technological solutions to harvest some of these expired satellites. There are also political matters pertaining to sovereignty concerns.

26. **Richard Benyon** (UK) asked two questions. First, he wondered about the state of cooperation with Russia and whether such cooperation will continue, specifically for Canada. Second, he asked the speaker's opinion on where this rapid technological development is going and whether it makes the world a more dangerous place. Mr Laliberté said that the framework for international space cooperation with is very clearly defined and driven by necessity. Cooperation between Canada and Russia on space will continue. Space programmes have enhanced predictive technologies that make it possible, for example, to predict crop yields. While the technological advance is slated to continue, the challenge lies in making these new technologies affordable and available.

27. **Jean-Marie Bockel** (FR) asked two questions. First, concerning Canada's relationship with the ESA, he asked the speaker to elaborate on how new EU policies might shape this partnership. Second, given the increasing number of actors in space, he wondered whether stricter rules and regulations are more necessary than ever today. Mr Laliberté explained that Canada has a special status within ESA as a cooperating partner, which allows the CSA to be involved in new space programmes. For example, the Copernicus Programme and the Galileo geolocation system are among the most important initiatives on which CSA and ESA collaborate. In order to do so, clear regulations need to be established. Even in the absence of regulations or rules, international agreements for the use of space makes it possible to better utilise space.

28. **Douglas Chapman** (UK) wondered whether there are any good examples of how Canada is raising awareness about science, technology, engineering and mathematics (STEM) programmes among the youth. Ziad Aboultaif (CA) wanted to know more about whether there is an international agreement with regards to cyber security and space to protect national systems. In addressing Mr Chapman, the speaker talked about how the young generation is not fully aware of the kinds of jobs that are available in the STEM field. The CSA is involved in developing proper tools to provide space education for young kids and to train educators on how to use space in their science curricula. In Canada, a number of schools used the profiles of the finalists from Canada's astronaut recruitment programme to talk about different skillsets needed to achieve such positions. In responding to Mr Aboultaif, the speaker said that he is not aware of a formal agreement regarding satellites and cyber security.

**VII. Presentation by Richard NEPHEW, Senior Research Scholar, Center on Global Energy Policy, Columbia University, on *The Effectiveness of Economic Sanctions as a Tool of Foreign Policy*, followed by a discussion**

29. **Richard Nephew** spoke on the effectiveness of sanctions in foreign policy, and specifically how the employment of sanctions can either support or undermine foreign policy goals. Sanctions have become an absolutely essential element of global diplomacy as it is practiced in the year 2018. Sanctions open new avenues for diplomacy by imposing costs for undesirable policies and behaviours that are determined to be offensive or threatening. If properly employed they can serve as a source of credibility.

30. There are also times and places when sanctions are either ill-equipped to address a problem or fundamentally misused. To take a hypothetical example, if Russian tanks were to pour over the borders of eastern Allies, it would be long since passed the time to consider limiting investment in Rosneft. That would have had to occur far earlier in the escalatory process. That said, applying sanctions incautiously might also give a reason and perhaps an excuse to a country like Russia to undertake such an incursion. But sanctions' inherent scalability and flexibility (as well as the wide array of types of sanctions on offer) represent an attractive feature of this policy approach. It means that they can be introduced at a modest level but can be expanded rapidly. They can also be threatened but not imposed, or imposed with the promise of immediate relief.

31. This has also given rise to a mindset that sanctions can solve any problem, and worse, that more sanctions are better than fewer sanctions in solving a problem. This kind of thinking has been particularly reinforced by the unique position of the United States, which not only remains the world's most important economy, but also sits astride global financial and service channels that play a critical role in the functioning of the global economy.

32. Just as the United States and Europe seek to use sanctions for leverage, so too will countries like China, Russia and India. Indeed, all three – and others – have already sought to use sanctions-like instruments for their own purposes. In the future, it is likely that sanctions tools, as well as the transactional diplomacy that they perhaps invite, will become a more salient feature of international affairs. Sanctions could also become more ensnared in trade and tariff wars, as the United States has demonstrated in recent months.

33. Regarding Iran, Mr Nephew made three observations. First, the re-imposition of sanctions against Iran has gone largely according to plan and expectations. Companies around the world have begun to flee the Iranian economy, investment has slowed dramatically, and oil prices have started to fall as well. The Trump Administration has been pleased with the outcome. Second, this sense of good feeling is unlikely to persist for several reasons: sanctions evasion will return and Iran is

better positioned than it was in 2012-2013 to execute it. The United States will have little cooperation from its partners when it comes to enforcing the sanctions due to the approach taken by the Administration. Iran is also far more resistant to US sanctions than is generally understood. Finally, Iran's political system is likely to experience significant turbulence in the coming months, presenting real risks to the region. However the regime would not face imminent collapse. In brief, the imposition of sanctions could be an element of a renewed and far more intractable crisis with Iran.

34. With regards to North Korea, the speaker said that the diplomatic process for denuclearisation is completely stalled due to the intractability of the issue. This problem will likely persist. The Trump Administration's reluctance to consider a step-by-step, reciprocal process for sanctions removal could poison future talks. The speaker outlined three integral points regarding the North Korea sanctions and the denuclearisation process. First, sanctions relief needs to be held out as an achievable, concrete and clear possibility. Second, before demanding unilateral denuclearisation, the United States needs to grant sanctions relief while remaining cautious in case of North Korean backsliding. Third, there needs to be international solidarity in sanctions enforcement.

35. Looking at the Russian case, the speaker acknowledged that Russia has been a point of contention within the transatlantic partnership, especially since the most significant costs are being borne by Europeans. On the one hand, the downturn in oil prices combined with targeted sanctions has, in the past, helped move the Russian government. The problem is that the kind of transatlantic cooperation that typified the earlier stages of sanctions on Russia now appears to have been lost. The result is that Russia, while struggling, has largely won, while the transatlantic community struggles to figure out what it wants to do, and why, with regard to sanctions on Russia.

36. Mr Nephew concluded his talk with several recommendations. First, sanctions ought to be subjected to the same sort of rigorous analysis and planning as military contingencies. For, as powerful as sanctions can be, their execution is often ad hoc, with analysis conducted on the fly rather than in depth. Second, formal standing coordination mechanisms for sanctions policy ought to be created between the United States and its partners. These should be at senior level and ought to be regularised, with agendas specifically tailored to ensure that discussions remain focused. Third, legislative bodies need to engage with one another on sanctions far more regularly. Parliamentary dialogue on the topic of sanctions is an essential element of a future, cooperative relationship among Allies in a world in which sanctions are more than likely to feature as a prominent form of statecraft.

37. **Menno Knip** (NL) asked where the sanctions end, and the act of war begins. Specifically, he wanted to understand how one might draw the line between imposing very heavy economic sanctions and a military blockade and how each should be managed. The speaker explained that it is not easy to differentiate sanctions-related military blockades. He said that there is a grey area when both cases apply, and that it depends on the circumstances. For example, the oil embargo imposed on Japan prior to World War II was, from a US policy perspective, a punitive action towards Japan's behaviour, while from a Japanese perspective it was an act of war by means of strangling the national economy. Thus, when applying sanctions, national circumstances need to be closely considered, since what might prompt escalation and what might prompt concession differs depending on each country.

38. Christian Tybring-Gjedde had one comment and one question. With respect to Saudi Arabia and the Khashoggi murder, Mr Tybring-Gjedde talked about the controversy and dilemma between taking a moral ground or acting as a policy maker. He said that it is very difficult to make foreign policy as a moral actor, but given the disregard of human rights shown by Saudi Arabia, the issue becomes very complex. His question was on sanctions on Russia. Specifically, he said that the sanctions on Russia began after the annexation of Crimea, then were expanded due to Russian actions in Eastern Ukraine and cyberattacks. He added that sanctions are now in place because of

discontent with Russia's behaviour in general. However, he said, Russia will not leave Crimea because of Western sanctions, and he wondered about what kind of solution should be implemented for this problem. Mr Nephew said that one of the biggest problems with applying sanctions is sanctions drift, meaning once there is utility in one of the sanctions, countries tend to resolve all problems through sanctions. In fact, sanctions need to be very specific to address particular problems. Between US and Europe, some sanctions on Russia only target the Crimea issue, some only deal with human rights violations and some deal with human rights targets. There needs to be a better articulated approach to sanctions and their timelines. The speaker also mentioned the sense of expectations that comes with sanctions; most people expect them to work immediately. However, expecting an immediate effect is not realistic, and that this is one of the problems with imposing sanctions on Russia.

39. Christian Tybring-Gjedde followed up on this question and asked if the sanctions against Saudi Arabia could work if Russia and China refused to adhere to them, and he asked for the speaker's recommendation on how to move forward on the matter. The speaker responded by saying that the United States intrinsic value to Saudi Arabia should not be underestimated and that the United States has a tremendous amount of leverage over Saudi Arabia. Thus, the speaker believes that sanctions can be used as a policy tool and Washington should not hesitate to use that leverage.

40. James Costa (US) commented that given the impact of the US elections the previous week and a divided Congress, he was not confident that the United States is in a position to impose sanctions in a carefully calibrated manner, whether against Iran, Saudi Arabia or even China. He wondered what course of action the speaker would recommend given the proclivities of the Trump Administration and a divided Congress. Specifically, he wanted to understand what level of measured sanctions may or may not work, and how much of this would be contingent upon the cooperation of European Allies.

41. **Olga Bielkova** (UA) said that her main interest is on energy sanctions imposed on Russia as a result of its policies towards Ukraine. She said putting Mr Deripaska under sanctions is a meaningful action and is changing the internal politics of Russia. However, nobody in Ukraine thinks that the sanctions will immediately stop the annexation of Crimea, and many are convinced that the sanctions will only work if, in the long-run, the Russian people begin to feel the costs of sanctions in terms of depleted public budgets. She said sanctions on Nord Stream 2 would create a dramatic change - and possibly a very fast reaction. Ms Bielkova then inquired about the speaker's expectations for the new US Congress as regards to sanctions on Russia.

42. Mr Nephew agreed with Mr Costa that implementing coherent policies will be challenging with a divided congress. In terms of achieving a negotiated outcome with North Korea, the speaker believes that there are numerous structural reforms to US sanctions policies that could be introduced. There are also changes that could be made with respect to how sanctions are imposed. Analysis of the impact of sanctions should be mandatory to assess whether they should remain in place. Subjecting sanctions to more regular scrutiny allows governments to detect weaknesses in the system. Mr Nephew also noted that when there is a discussion on Iran or North Korea sanctions, it is rarely about the efficacy of the sanctions and rather about the ways in which the sanctions might be expanded.

43. Mr Nephew also agreed with Ms Bielkova's point that sanctions on Russia should be targeted on those close to Putin and his base. The speaker said that the sanctions should also go after Russia's fundamental vulnerabilities in the oil and gas sector. The goal should be to increase the sense of uncertainty in the Kremlin. Uncertainty in near term oil production needs to be introduced with US and Europe coordination, to make sanctions effective. The speaker said he expects the US House of Representatives to push a new set of sanctions on Russia because there are strategic

reasons to do so. However, this does not mean that the sanctions will be forceful. Thus far, US sanctions have been lagging and not up to what they could have been, but this could all change depending on the Mueller investigation.

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

44. In March 2018, the members of the Sub-Committee attended a seminar in Odessa, Ukraine and in September, they went on a visit to Azerbaijan.

45. In 2019, the Sub-Committee report will examine the state of economic transition in the former Yugoslav Republic of Macedonia\*. In the Spring, members of the Sub-Committee will visit Skopje and in October, they will attend a Rose-Roth Seminar in Belgrade or Pristina.

#### **IX. Summary of the activities of the Sub-Committee on Transatlantic Economic Relations, by Faik OZTRAK (Turkey), Chairperson of the Sub-Committee**

46. In June 2018, the Sub-Committee went on a joint visit to Japan (Tokyo, Kyoto and Osaka) and in October, it went on a visit to France (Paris and Toulouse).

47. In 2019, the Sub-Committee Report will examine the rapidly evolving digital and cyber market, including disruptive impacts these developments are having across trans-Atlantic economy. In June, it will go on a joint visit to Washington and possibly the Silicon Valley or Seattle with the PCTR. In March, it will go on a joint visit to Germany with the PCNP.

#### **X. Consideration of the draft General Report, *The Future of the Space Industry* [173 ESC 18 E] by Jean-Marie BOCKEL (France), General Rapporteur**

48. **Jean-Marie Bockel** (FR) noted that the space sector is changing quickly. While in the new commercial side of space the United States is still a dominant player, it is no longer the only player anymore. Several European NATO countries such as France, the United Kingdom, Spain, Italy, as well as a series of countries that are not necessarily the biggest European players in the space market, are also involved. Moreover, NATO partner countries like Japan, in addition to Senegal, South Africa and a number of Middle East countries, are increasingly active in the space business.

49. Beyond its utility for academic research and government needs, space also offers a variety of possibilities for profit for commercial companies. Space itself is also becoming more crowded. Currently, there are more than 1,700 active satellites orbiting the Earth, and this number is expected to rise to 6,000 over the next several years. Hence, Western nations must now recalibrate their approach to space. Given society's dependence on space-based infrastructure, the protection of such infrastructure is imperative.

50. During its visit to Toulouse, the Committee visited the space industry hub of France, and learned the extent to which the economy in southern France was boosted by space-related businesses, start-ups and research and development initiatives such as Airbus and the CNES. The space industry creates high-skilled high-paying jobs, as well as significant commercial benefits in Toulouse.

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

51. There are also challenges related to the militarisation of space. Russia has deployed satellites that appear to be tracking critical European satellites. In 2007, China demonstrated that it was able to destroy a satellite in high orbit. This demonstration went off without a hitch, but it ended with a mass of debris in a relatively high orbit which will pose a threat to functioning satellites for years before finally re-entering the atmosphere.

52. Space is also a terrain of competition among states. Satellites play essential military roles and have supported NATO's armed forces since the early 1990s. This year, SpaceX placed a NATO satellite into orbit which had been manufactured in Luxembourg. Mr Bockel noted that the cost of satellites has fallen precipitously and that this is boosting commercial demand. The recent introduction of reusable rockets has also reduced the cost of space exploration.

53. Mr Bockel noted that the draft resolution stresses that at a time when a growing number of state and non-state actors occupy global commons, we need to establish shared rules and standards to ensure good governance of space. Regulations must reflect this phenomenon. Although there are treaties dealing with the issue of space governance, these treaties are limited in scope and difficult to enforce. In addition, who actually governs space remains an open question.

54. The international community will also have to tackle the problem of debris. To support the monitoring of thousands of objects orbiting the planet, we need to employ corresponding rules and standards in order to reduce the scale of the debris problem in terrestrial orbit. Among the possible solutions is the strict limitation of tests and deployments of anti-satellite weapon systems.

55. In the joint declaration issued after the Brussels Summit last July, Allied governments committed to elaborate a global space policy and to promote the non-militarisation of outer space. The speaker suggested that more time and attention is needed to ensure that NATO establishes an adequate space policy and promotes better interoperability and wider sharing of capabilities within the Alliance.

56. **The draft report [173 ESC 18 E] was adopted.**

**XI. Consideration of amendments and vote on the draft Resolution *Opportunities and Challenges in a Changing Space Arena* [219 ESC 18 E] by Jean-Marie BOCKEL (France), General Rapporteur**

57. The Committee considered and voted on the two amendments. Both amendments were adopted. **The draft resolution [219 ESC 18 E] was adopted.**

**XII. Consideration of the draft Report of the Sub-Committee on Transition and Development *The Energy Security Challenge in Central and Eastern Europe* [175 ESCTD 18 E] by Ausrine ARMONAITE (Lithuania), Rapporteur**

58. **Ausrine Armonaite** (LT) began by highlighting the importance of energy security for Allied countries. National legislators have an obligation to consider the resilience of their energy systems in the face of military and security threats including terrorism and the ever increasing danger of cyberattacks. Energy infrastructure improvements and greater multinational cooperation have, in many cases, improved energy security but there are still deep concerns.

59. Europe remains dependent on highly polluting hydrocarbons. This problem is especially acute in Eastern Europe. That region is also vulnerable to overreliance on Russian energy. Russia has

generally been a reliable supplier of energy, but it has also used its energy endowments to exercise political leverage in destabilising ways. This draft report highlights how energy can be used to threaten state sovereignty and undermine democracy. In Central and Eastern European countries, energy supplies remain unreliable, while challenges persist with regards to infrastructure, financing and governance.

60. Overreliance on any one energy supplier can create security vulnerabilities. For most Central and Eastern European countries, reducing dependence on Russian energy is essential, although Russia invariably will remain an important energy supplier to the continent for the near future. There are some important developments that can help to reduce dependency on Russia. For example, introducing two-way pipelines and connecting Europe to other gas fields through new pipeline projects will help diversify energy sources.

61. Although a range of pipeline projects inspire hope for a more diversified energy landscape in Europe, some, like the Nord Stream 2 pipeline, have fomented discord. The project is going ahead despite serious concerns among several countries that the project would both undermine Ukrainian security and dangerously increase European dependence on Russian gas. Ms Armonaite said that European countries should work to negotiate gas contracts collectively with Russia rather than individually. This would limit Moscow's capacity to pursue a divide and conquer strategy, and it would help Europe leverage its power as a consumer of Russian gas.

62. The draft resolution included several points. First, diversification is key for energy security in Europe and North America alike. Second, although improved infrastructure is essential to bolstering Central and East European security, so too are improvements in the regulatory environment. Third, fossil fuel subsidies persist in much of Central and Eastern Europe, and they slow the transition to secure and clean renewable energy. Fourth, as energy control and grid management systems grow more sophisticated and efficient, so they become more vulnerable to cyber and other attacks. These systems need to be made more resilient. Fifth, poor budgetary transparency and oversight in both public and private energy sectors creates opportunities for corruption. It is essential for the public to demand greater transparency and for governments and parliaments to insist upon it. Finally, open competition and a level playing field are essential to make energy markets work.

63. Olga Bielkova stated that Ukraine will lose approximately USD 2 to 2.2 billion due to Nord Stream 2. Moreover, the existence of this pipeline means Russia might further engage in war within Ukraine. Ms Bielkova offered amendments to the Resolution. The Rapporteur accepted two amendments suggested by Ms Bielkova.

64. **Jürgen Hardt** (DE) said that the German delegation does not agree with the Resolution or the report. He emphasised the need to keep the dialogue open regarding energy security. The Rapporteur replied that she has doubts regarding the Nord Stream 2 pipeline's compatibility with the EU's energy package since, according to EU law, gas companies cannot own delivery infrastructure. Furthermore, the Rapporteur emphasised that Russia's state budget is heavily dependent on energy exports. She noted that money generated from these projects is used to underwrite Russian military projects which are antithetical to Western interests. Thus, Nord Stream 2 poses two main problems: it does not comply with EU laws and it poses a broader national security threat. Jürgen Hardt replied that the project's compliance with the EU law cannot be clearly determined and is a controversial issue.

65. **Koryun Nahapetyan** (AM) suggested an amendment regarding the linkage between energy security and conflict, and the Rapporteur accepted this amendment. **Georgio Katsikis** (GR) suggested adding a new paragraph to the report focusing on the main infrastructure projects conducted in Greece, such as pipeline and interconnection projects between Greece and Bulgaria

that will contribute to energy diversification in Europe. The Rapporteur did not accept this amendment.

66. **Matteo Luigi Bianchi** (IT) expressed his concerns regarding energy diversification in Europe and agreed that NATO countries should cut back on energy purchases from Russia. **Guillermo Mariscal** (ES) wondered about what kind of a role renewable energy sources should play in energy diversification. The Rapporteur stated that while renewable energy sources could be expensive in the short term, it would make a positive impact both economically and environmentally in the long term. She noted that the draft report does never argues that no energy should be purchased from Russia, but rather advises that the countries should not allow themselves to become entirely dependent only on one energy supplier whether, it is gas, oil or electricity.

67. **Adriana Paroli** (IT) asked about whether energy diversification investments should be included in the 2% burden sharing framework. The Rapporteur explained that the report does not cover such a topic.

68. Mevlut Karakaya rejected the amendment made by the Armenian delegation and asked to keep the report as it is. **Michał Szczerba** (PL) said that security is more important than earning money, thus the Nord Stream 2 pipeline project needs to be stopped because it will significantly increase the dependency on Russia.

69. **The draft report [175 ESCTD] was adopted, as amended.**

### **XIII. Consideration of amendments and vote on the draft Resolution *Energy Security: A Strategic Challenge For The Alliance* [220 ESC 18 E] by Ausrine ARMONAITE (Lithuania), Rapporteur**

70. The Committee considered and voted on the four amendments. **The draft resolution [220 ESC 18 E] was adopted, as amended.**

### **XIV. Election of Committee and Sub-Committee Officers**

71. The following officers were elected:

#### ***Economics and Security Committee (ESC)***

Rapporteur **Christian TYBRING-GJEDDE** (Norway)

Vice-Chair **Joe WILSON** (United States)

#### ***Sub-Committee on Trans-Atlantic Relations***

Rapporteur **Jean-Marie BOCKEL** (France)

#### ***Sub-Committee on Transition and Development (ESCTD)***

Vice-Chairs **James COSTA** (United States)

**Luigi BIANCHI** (Italy)

**Luk VAN BIESEN** (Belgium)

#### ***The Ukraine-NATO Interparliamentary Council (UNIC)***

Member **Douglas CHAPMAN** (United Kingdom)

Alternate **Menno KNIP** (Netherlands)

**XV. Any other business**

72. No other business was raised.

**XVI. Date and Place of next meeting**

73. Mr Klementjevs informed the delegates that Committee will gather from 18-20 February 2019 for the annual Brussels meeting.

**XVII. Closing remarks**

74. Mr Klementjevs thanked the delegates for their constructive and thoughtful participation during the proceedings. He also thanked the guest speakers, the Canadian delegation and the NATO PA Secretariat.

---