

# European Union Objectives for the 2002 Kananaskis G8 Summit

## Political Data

### Government

#### 1. EU Council

Presidency: Spain (Jose Maria Aznar, Spanish Prime Minister)

Secretary-General of the EU Council/ High Representative of the Common Foreign and Security Policy (CFSP): Javier Solana

#### 2. EU Commission

President	Romano Prodi
Vice-president; Administrative Reform	Neil Kinnock
Vice-president; Relations with the European Parliament, Transport & Energy	Loyola de Palacio
Competition	Mario Monti
Agriculture, Rural Development & Fisheries	Franz Fischler
Enterprise & Information Society	Erkki Liikanen
Internal Market; Taxation and Customs Union	Frits Bolkestein
Research	Philippe Busquin
Economic & Monetary Affairs	Pedro Solbes Mira
Development & Humanitarian Aid	Poul Nielson
Enlargement	Günter Verheugen
External Relations	Chris Patten
Trade	Pascal Lamy
Health & Consumer Protection	David Byrne

Regional Policy	Michel Barnier
Education & Culture	Viviane Reding
Budget	Michaele Schreyer
Environment	Margot Wallström
Justice & Home Affairs	Antonio Vitorino
Employment & Social Affairs	Anna Diamantopoulou

### 3. EU Parliament

Country Representation	Number of Seats
President	Pat Cox
Belgium	25 (Verts/ ALE)
Denmark	16 (ELDR)
Germany	19 (PPE-DE)
Greece	25 (PPE-DE), (PSE)
Spain	64 (PPE-DE)
France	86 (PSE)
Ireland	15 (UEN)
Italy	87 (PPE-DE)
Luxembourg	6 (PPE-DE)
Netherlands	31 (PPE-DE)
Austria	21 (PPE-DE), (PSE)
Portugal	25 (PSE)
Finland	16 (PPE – DE), (ELDR)
Sweden	22 (PPE – DE)
Britain	87 (PPE – DE)
<b>Total Parliamentary Seats</b>	<b>625</b>

#### Notes:

1. PPE-DE: Group of the European People's Party (Christian Democrats) and European Democrats = 232
2. PSE: Group of the Party of European Socialists = 179
3. ELDR: Group of the European Liberal, Democrat and Reform Party = 53
4. Verts/ ALE: Group of the Greens/ European Free Alliance = 45
5. GUE/ NGL: Confederal Group of the European United Left/ Nordic Green Left = 44
6. UEN: Union for Europe of the Nations Group = 22
7. EDD: Group for a Europe of Democracies and Diversities = 18
8. NI: Non-attached = 32

## Economic Data:

<b>GDP:</b>	7.8 trn USD
<b>GDP per capita:</b>	20, 800 USD
<b>GDP growth:</b>	1.5%
<b>Inflation Rate:</b>	2.0%
<b>Unemployment rate:</b>	7.6%
<b>Interest Rate:</b>	@ 2.0%
<b>Exchange Rate:</b>	0.94 USD/ Euro
<b>Current Account: (latest 12 months)</b>	Total Imports 946.7 (2000 all products, US \$billions) Total Exports 864.3 (2000 all products, US \$billions)
<b>World Ranking:</b>	Countries in the 1 – 29 range
<b>Major trading partners:</b>	US, Europe, Japan
<b>Major exports:</b>	Nuclear machinery, vehicles, organic chemicals, electric machinery, optic instruments

## Summit Objectives for the EU

### 1. Terrorism

Traditionally not a principal EU policy topic, terrorism has unavoidably and dramatically become one of the top three priorities on the 2001-2002 inter-summit agenda since the attacks of September 11. As is the case with all other G8 countries, the EU's external and internal policy in the run-up to the Kananaskis Summit presents a strong focus on terrorism prevention and the different ways to achieve this goal. As such, working towards a concrete consensus and plan of action with regards to the prevention of terrorism will be a principal objective on the EU agenda for the 2002 Kananaskis Summit. For the EU, terrorism represents both an external threat, as well as an internal one, as many of its member countries have been dealing with terrorism-related problems for some time.

The EU approach to fighting terrorism is composed of two parts: protecting the domestic population from terrorism through increased security measures within and at its borders, and working towards the eradication of terrorism by fighting its root causes, notably poverty. This two-pronged tactic is also the approach the EU will probably adopt in the conduct of any discussions at the G8 Summit.

First, there is the internal aspect of the EU's fight against terrorism. The EU's work on the fight against terrorism has centered very much around measures taken within its own borders and within organizations associated with the EU (such as Europol, the EU's

police agency, to name just one). For example, just following the attacks of September 11, the European Council adopted, in an extraordinary session on September 21, 2001, a Plan of Action that involves concerted action and cooperation in the police and judicial fields, as well as concrete changes in air transport security regulations to be followed by all members of the EU. Furthermore, the Plan of Action also prescribes economic and financial measures meant to protect the EU and its citizens from terrorist activity from both outside and inside the EU. Also part of the EU's policy on fighting terrorism internally is the renewed emphasis on immigration controls and reforms. In the past few months, the Spanish Prime Minister and European Council current president Jose Maria Aznar has actively pursued work on a new common European immigration policy, the follow up to the Seville Summit on EU enlargement. Admittedly, the new immigration policy talk is mostly related to the upcoming round of EU enlargement in 2004. However, the fact that immigration policy is such a hot topic on the recent EU policy agenda does also reflect the increased concern with security in post-September 11 Europe. As reflected by its internal anti-terrorist policies, there is, therefore, a high probability that the EU will push adamantly for intense discussions on ways to fight terrorism internally and the adoption of something similar to its Plan of Action for the G8.

The EU, as mentioned above, is also working towards the eradication of terrorism by fighting its root causes, notably poverty. The EU is very committed to the idea of supporting and promoting poverty reduction programs, as well as cooperation programs aimed at improving economies and therefore reducing poverty in developing countries. In the EU anti-terrorist campaign, poverty reduction is a highly featured weapon. Evidence of the EU's commitment to fighting terrorism through poverty reduction can be found in frequent initiatives undertaken by the Union in support of poverty eradication. For example, the EU has pushed for cooperation on such actions within this year's 4th ASEM Foreign Ministers' Meeting, as reflected in the meeting's Chair statement. In Point 7 of this statement, Asia-EU cooperation on economic matters and other avenues of fighting poverty such as arms proliferation control was stressed and committed to in direct reference to the fight against terrorism. Also, the EU's Everything But Arms Initiative, as well as its staunch support of the HIPC Initiative, both demonstrate the EU's commitment to reducing poverty as the most effective weapon against terrorism. As a result, the EU can surely be expected to incorporate support for NEPAD into its terrorism agenda at the Kananaskis Summit. Consequently, therefore, the EU's expected high focus on the fight against terrorism in its G8 Summit agenda should further increase the importance of NEPAD/trade issues as a G8 Summit objective, especially as relating to developing countries.

Furthermore, the EU has placed very high emphasis on international cooperation in its anti-terrorism policy since September 11. This emphasis is exemplified by the detailed Plan of Action adopted by the European Council on September 21, 2001, as well by a detailed declaration that was made as part of this year's 4<sup>th</sup> ASEM Foreign Ministers' Meeting Chair Statement. Point 8 of the above-mentioned Statement stresses the need for cooperation between Asia and Europe in all areas related to terrorism proliferation, including "other forms of trans-national crime, such as drug trafficking, trafficking in

persons, money laundering and arms smuggling.” The Statement also expressed that “the international community must adopt a comprehensive strategy against terrorism, which includes political, economic and cultural measures, while respecting the rule of law.” As such, the EU’s commitment to international cooperation in the fight against terrorism is clearly evidenced in its policy after September 11, 2001. Given the magnitude of the combined influence and resources of its members, the Group of 8 is perhaps the most apt medium for the successful application of a program of international cooperation against terrorism. Consequently, the EU must be expected to have the adoption of a G8 program of anti-terrorism international cooperation as a primary objective for this year’s summit agenda.

Lastly, as subsidiaries of the terrorism summit objective, two frequently encountered subjects of 2001-2002 inter-summit period EU policy are likely to constitute objectives for discussion, consensus and action at the Kananaskis Summit: the situation in the Middle East and the conflict between India and Pakistan. However, these are much less likely to make it to the discussion table than are national security measures, reducing poverty as a weapon against terrorism and successful international cooperation in the fight against terrorism.

## **2. Trade**

A key policy priority of the EU’s agenda in the Commission and Council, alike, during the 2001 / 2002 inter-summit period is regional economic stability. Yet, although much of the EU’s economic concerns have been focused inward during the on-going formative stages of unification, the EU’s focus on trade liberalization, especially in the months since the G8 delegations last met in Genoa, suggests that the Union regards outward-looking policies as being crucial to its own, internal development. The heightened pursuit of trade liberalization, expressed at the 4<sup>th</sup> Ministerial WTO Round in Doha, at the UN Summit on Financing for Development in Monterrey and through a series of bilateral trade agreements, along with the EU’s simultaneous concern over the surge in US protectionism, has propelled trade liberalization to the top of the EU’s mandate for the 2002 G8 Summit in Kananaskis.

International trade, one of the engines of recent economic growth, is expected to rise by a weak 0.9% this fiscal year. While growth rates are expected to accelerate in the near future, the economic downturn that plagued the global economy in the last quarter of 2001 caused a decrease in exports that accounted for the largest portion of EU economic stagnation. It is this significantly weakened trade balance that the EU will wish to redress through discussions at the G8 Summit, and it is through a strong trade balance that the EU will be able to achieve its expansive goals of macroeconomic growth.

One key factor driving trade policy has been the introduction of the Euro in an area currently comprising 12 member states. Euro notes and coins came into circulation in January 2002, and after a brief period of having both currencies in use simultaneously, national coins and notes were withdrawn. Further factors influencing EU trade policies

include coordinating and strengthening the banking and financial sector of the EU, while developing a policy of common tariffs and taxes to facilitate trade within the EU. In addition, the European Council is taking extensive interest in ensuring the macroeconomic stability of periphery nations currently seeking member status in the EU. As stated by the EU Council on Economic and Financial Affairs, the broad economic policy guidelines for 2002 include bolstering and safeguarding macroeconomic stability while strengthening conditions for long-term, high-productivity growth. Such internal policies have paved the way for trade liberalization.

Drawing on the Lisbon Process, which seeks to make Europe the most competitive knowledge-based economy by 2010, the participation and cooperation of the international community, particularly the members of the G8, has become an integral component of the EU's policy priorities. The EU supported the launch of a new trade round and the Doha Development Agenda, established during the 4<sup>th</sup> Round of WTO trade talks in the fall of 2001. Both actions were essential to maintaining macroeconomic stability while staying on the path of enlargement and overall growth. Both of these actions move to liberalize market access, particularly for developing economies, allowing for the EU to endorse development plans such as NEPAD by offering increased and sustained access to capital markets for developing countries. Although the EU endorsement of trade liberalization has not yet precipitated a reduction in the region's tariffs on agricultural products, such seemingly contradictory activities only reflect the fact that the EU is still in the process of moving from a primarily inward-looking political body, to one that is embracing further integration into the global economy.

Another concern that trade liberalization as a Summit objectives will address, is the increase in US protectionist measures, particularly on steel imports. This pre-established issue item dominated the Barcelona agenda in March, 2002, as member states expressed concern over worsening trade balances while the US set out to revive its flagging steel industry. At the beginning of June 2002, the WTO's Dispute Settlement Body accepted the European Commission's request that a Panel be established to judge the legality of the US steel safeguards. The EU exports over 4 million tons of steel to the United States, and if subject to the new tariff scheme, almost half of European exports will be included, and prices of European imports will subsequently increase almost 25%. As stated by EU Trade Commissioner Pascal Lamy, "The Commission will take all necessary measures to defend European interests, including maintaining pressure on the US to provide an acceptable package of product exclusions and compensation."

Furthermore, the EU would like to use Kananaskis as a forum to discuss further trade initiatives, such as the Euromed trade proposal which would allow freer trade between the countries of the EU, the Mediterranean, as well as countries in the middle east including Libya, Algeria, Morocco, Tunisia, Egypt, Israel, Jordan, Lebanon, the Palestinian autonomous territories, Syria, Turkey, Cyprus and Malta. This is the first initiative to broaden trade into the troubled Middle East region. There have also been substantial strides made to establish bilateral trade agreements with further regions such as Latin America. Beginning with the finalization of the Association Agreement between the EU and Chile, between the EU and Mercosur and continuing through to the EU-Latin America Summit held in Madrid in May 2002, the Union has taken great strides to

operationalize the Doha Development Agenda with an eye to increasing trade in developing regions.

Further advancement of this agenda can be seen in the adoption of the Generalized Scheme of Tariff Preferences (GSP), which has been updated to allow for wider product coverage and increased preferential margins. This will be incorporated with the 'Everything but Arms' initiative to allow developing countries duty free access for all 'non-sensitive' products, with a 20% reduction on textiles and clothing. Also included are extensive provisions for the protection of labour rights, in which trading countries must comply with the 1998 ILO declaration on Fundamental Principles and Rights at Work. Such advances not only outline clear trade rules, but also discourage the trafficking of drugs and arms, which contributes to the other two EU objectives for the Kananaskis Summit: anti-terrorism and sustainable development.

### **3. Sustainable Development**

Throughout the months since Genoa Summit in July 2001, the EU has been committed to continuing on a course of economic and social reform, as outlined in the 2000 Lisbon Process, in order to promote further EU integration as well as the prosperity of member states. Such reform is an on-going policy objective of the EU Council and, in December 2001, Spanish Prime Minister Aznar's address to the EU Presidency elaborated on the Lisbon Process as a political priority. Economic and social policy reform is the third major priority of the Spanish Presidency, third only to terrorism and Euro stabilization, and the EU has set its sights on advancing it with an eye to sustainability. Prime Minister Aznar explained that "using a balanced approach (which focuses) on economic as well as social issues and... which incorporates environmental policy... (EU priorities) should be formulated in such a way that needs may be met in an ongoing and sustainable fashion."

Indeed, this follows on the heels of the commitments made at the Gothenburg Summit in June of 2001, where the EU's Strategy for Sustainable Development (SDS) was unveiled. This document strove to incorporate a "third, environmental dimension to the Lisbon process... (and to) establish a new approach to policy-making". In so doing, it has positioned the EU to advance sustainability as a fundamental pillar for development. In a demonstration of the EU's dedication to a broader reach for development, the EU Environment Council, which assembled on December 12, 2001, further explicated the role and significance of the SDS, not only to European prosperity, to global development, as well. In Section 14, the document stipulates the importance of incorporating the EU SDS into its external relations, particularly those with developing countries, through the distribution of ODA and the allocation of national budgets for aid.

At the European Council Summit in Laeken, in December 2001, the Council adopted environment-related headline indicators for sustainable development which are intended to monitor the implementation of the EU SDS. Building on the Malmo Ministerial Declaration of May, 2000, the EU is at the fore-front of promoting international environmental governance and is seeking to cooperate with several UN bodies, such as the General Assembly, Security Council, UNEP and the UNDP, in reviewing prospects for an International Environmental Organization at the up-coming World Summit on

Sustainable Development to be held in Johannesburg in the fall of 2002. In working towards the WSSD, the EU is looking to its own SDS themes of climate change, public health, sustainable resource management and clean transportation in contributing a larger, more comprehensive EU-Mediterranean strategy to the WSSD Process. Since its release of "10 Years after Rio: Preparation for the World Summit for Sustainable Development", a document which outlines the EU's goals in promoting development at the WSSD, the Union has been concerned with the success of the Summit. In the past year, it has proposed the 6th Environment Action Program which adds to the European contribution.

The EU member states have announced their ratification, or their intention to ratify, the Kyoto Protocol by June of 2002, thereby revealing the EU's commitment to diminishing climate change as a precursor to Sustainable Development. The EU has also intensified its public criticism of other G8 members who are reluctant to ratify the treaty. In the past year, this criticism has extended beyond the US to Canada, its failure to ratify the treaty, and its pejorative inquiry into gaining credits under Kyoto for selling clean energy to the US, a non-Kyoto supporter.

Regardless of these ostensible advancements, the EU's SDS is, nevertheless, under criticism for 'not going far enough'. The all-too-familiar political dis-unification is inhibiting the EU from reaching a timely consensus on many policies, not the least of which is reforming the EU's social and economic policies with an eye to sustainability. A poignant example of this political division comes from the Barcelona Council Summit in March 2002, where energy liberalization was blocked by a politically paralyzed French government in the wake of a presidential election. With such recurrent and debilitating disunification, it is crucial, at this seminal point between the US's rejection of Kyoto and the launch of the WSSD, that the EU take the opportunity at the G8 Summit to consolidate and advance its dedication to Sustainable Development.

The past inter-summit period has been fraught with political and economic challenges for the EU and its individual member states. With the global economic slowdown, the recalibration of national and regional security in the wake of the September 11<sup>th</sup> terrorist attacks, the introduction of the Euro, the rise of US protectionism and criticism of the EU Council Presidency under the Spaniards, it does not come as a surprise that divisive trends have been on the increase. One area where division has manifested into a debate is the 'exportation' of sustainable development to developing nations and whether development assistance should be offered as 'aid or trade'. The French and the British lead the 'aid' side of the debate while the Germans, Spaniards and Italians take up the 'trade' scepter, along with the majority of the EU. Despite the EU's endorsement of the Doha Development Agenda, its endorsement of the Monterrey Consensus and its announcement of a 0.39% increase of budget allocation for development assistance in working towards the UN goal of 0.7% by 2015, the rift among EU members as to the degree to which 'trade' should be used as a tool for development, renders development an unlikely objective for the EU at Kananaskis. Furthermore, development spending by the EU is being scrutinized for concentrating on near-EU middle-income regions such as the Mediterranean, Eastern Europe and northern Africa, rather than on more impoverished

regions such as sub-Saharan Africa, which poses an obstacle for any substantive contribution of the Union to the development dialogue.

The EU presents as one of the most fully-equipped delegations at Kananaskis to discuss Sustainable Development which has been, is, and is increasingly weighing on the consciousness of the international community. Despite the EU's shortcomings in the past year on the issue, it remains a concern for citizens of the EU and of growing international concern. At Kananaskis, the EU will have the opportunity to recalibrate the G8's focus on Sustainable Development.

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## Trade Liberalization

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## Sustainable Development

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