

Challenges for European Foreign Policy in 2013

Renewing the EU's role in the world



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— A EUROPEAN —
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Giovanni Grevi and Daniel Keohane (eds.)

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Abbreviations

APEC	Asia-Pacific Economic Cooperation
ASD	Aerospace and Defence Industries Association of Europe
ASEAN	Association of Southeast Asian Nations
AU	African Union
AUHIP	African Union High-Level Implementation Panel
BOMCA	Border Management Programme in Central Asia
BRICS	Brazil, Russia, India, China and South Africa
CARICOM	Caribbean Community
CELAC	Latin American and Caribbean Community of Nations
CLIMA	Directorate General for Climate Action
CSDP	Common Security and Defence Policy
DAC	Development Assistance Committee
DCFTA	Deep and Comprehensive Free Trade Agreement
DCI	Development Cooperation Instrument
DEVCO	Directorate General EuropeAid Development and Cooperation
EaP	Eastern Partnership
EBRD	European Bank for Reconstruction and Development
ECHO	Directorate General Humanitarian Aid
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EEAS	European External Action Service
EEC	European Energy Community
EED	European Endowment for Democracy
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
ENP	European Neighbourhood Policy
EU	European Union
EUSR	European Union Special Representative

FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FTAAP	Free Trade Area of the Asia-Pacific
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GMO	Genetically Modified Organism
GNC	General National Congress
GDN	Green Diplomacy Network
IFS	Instrument for Stability
IMF	International Monetary Fund
ISTAR	Intelligence, Surveillance, Target Acquisition, and Reconnaissance
LNG	Liquefied Natural Gas
MENA	Middle East and North Africa
MERCOSUR	Southern Common Market
NATO	North Atlantic Treaty Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OSCE	Organisation for Security and Cooperation in Europe
RCEP	Regional Comprehensive Economic Partnership
SICA	Central American Integration System
SIPRI	Stockholm International Peace Research Institute
SMEs	Small and Medium Enterprises
TFG	Transitional Federal Government
TPP	Trans-Pacific Partnership
UK	United Kingdom
UN	United Nations
UNASUR	South American Community of Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
US	United States
WMD	Weapon of Mass Destruction

Preface to FRIDE Annual Publication 2013

The year 2013 will be a time for realism and ambition in Europe. The consequences of the economic crisis that is straining the political and social fabric of the European Union (EU) will continue to be felt. But this is no excuse for failing to make a strong case for Europe as part of the solution to current woes, not as part of the problem.

There is no shortcut out of the crisis. Europeans need to face fundamental questions on what they share and what they want to achieve together. Addressing these issues requires a much deeper pan-European political debate within and across member states. This is the condition for nurturing a genuine sense of ownership of the European project among citizens, which is the bedrock of democratic legitimacy.

Focusing on the role of the EU in the world is no substitute for tackling the domestic economic crisis head on and ensuring the consolidation of the Economic and Monetary Union. That is and will remain the priority in 2013. But taking the crisis as an alibi for neglecting EU foreign policy and the trends that are shaping the world around Europe would be a serious strategic blunder for three reasons.

For one, there is no stable and prosperous Europe within a regional and global context fraught with tensions and marked by growing uncertainty. For another, part of the rationale for European integration rests on founding international relations on the rule of law and not the rule of power, and on uniting peoples, not just states. Abdicating these goals would question the basic values of the EU. Besides, defining the priorities for EU's foreign policy and external action can make a tangible contribution to the welfare of Europe's citizens by, for example, improving security in the neighbourhood, regulating international finance and mitigating climate change.

FRIDE's annual publication 2013 provides a timely and valuable contribution to this debate, as it looks at renewing the EU's role in the world. This book does not dismiss the political and material constraints of EU foreign policy. However, it argues that, in times of crisis and shrinking budgets, there is a need to focus on the question of the Union's added value on the international scene. The Union can and should make a contribution that its individual member states and other global actors cannot deliver.

The central finding is that Europeans should be both more self-confident and more consistent. Self-confident because the principles and profile of the Union as a rule-based actor, and its unique experience of regional integration, still resonate well beyond its borders. The founding values of Europe, including democracy and human rights, have not run their course.

But Europeans should also be more consistent and true to their values, not only in their external action but also at home. The misplaced debate between debtor and creditor countries has eroded not only intra-European solidarity but also a sound understanding of shared common interest. Nationalism and populism have followed on the heels of the economic crisis, reaching alarming levels in some member states. The impact of the downturn on jobs is affecting social cohesion.

Europe's attractiveness and clout in the world will crucially depend on restarting economic growth, improving the functioning of the Union and winning more popular support for European integration. But in 2013 it will be equally important to invest the political and economic capital of the Union abroad in a more targeted way where the EU can make a difference, whether in improving governance in the neighbourhood, promoting regional cooperation, opening new markets, providing humanitarian aid, engaging major rising powers or becoming a stronger partner for the US.

The conferral of the Nobel peace prize to the EU in 2012 brought recognition for its success in bringing peace and prosperity to Europe; but the Union also has a responsibility to consolidate these achievements and extend them to other regions, in 2013 and beyond.

Pedro Solbes
President of FRIDE

Introduction

Renewing EU foreign policy

Giovanni Grevi

Beyond the crisis: back to basics

Four years into the most serious political and economic crisis afflicting the European Union (EU) since its creation, is the EU a spent force on the global stage? The FRIDE team feels that, as we enter 2013, avoiding this question is not an option. The core message of this publication is that the EU can make a positive difference in regional and global affairs. However, after much soul-searching, 2013 will be a crucial year to build on piecemeal progress in 2012 and renew EU foreign policy. In 2013, the EU will need to show the world that it means business, or the world may be excused for thinking that it is drifting out of business.

The standard line of defence to counter the diagnosis of waning EU influence consists of boasting the – still – remarkable Union share of world Gross Domestic Product (GDP), trade and investment, development aid and defence spending. While technically correct, this is a statistical answer to a political question. Besides, it fails to take into account that, on these and other indicators, time is probably not on Europe's side. Like a supernova, absent renewed ambition, the Union

may continue to shine beyond its expiration date, but its economic engines and political drive might become exhausted.

FRIDE's assessment of EU foreign policy priorities in the year ahead finds that, while EU resources may be shrinking relative to others, it is how and to what ends they are mobilised that matters most. The added-value of EU foreign policy depends on what the Union stands for in global politics, and whether it is prepared to take action in a more pragmatic and effective fashion, adapting to a changing world.

The international system is fluid, ever more diverse and turbulent but – overall – not yet adversarial. It is an arena where political authority depends on ideas and innovation as much as on generating record growth rates. On this account, the EU has much to be proud of. As one of the chapters collected here puts it, Europe's 'brand' based on democracy, peace, cooperation, sustainable growth and solidarity is an attractive one for many worldwide. This is not a vain claim of righteousness but a sober reminder that Europe's values and experience are still relevant well beyond its borders, and should be a platform for international engagement.

The profile of the Union is not tainted because others are threatening it or advancing alternative, more viable political or economic models. What chiefly dents the credibility of the EU is that Europeans have not been practicing what they preach as consistently and effectively as they committed to do, at home and abroad. For example, they have left their monetary union incomplete for ten years, letting economic imbalances grow within the eurozone; they have not invested in a common defence policy; they have not prevented turmoil in the EU's Southern neighbourhood by supporting political change in authoritarian countries; and they have not empowered EU bodies to work with major rising powers across the vast policy spectrum from economics to security.

The added-value of EU foreign policy

This FRIDE annual publication aims to help shift the debate on EU foreign policy from introspection to a realistic projection of Europe's values and interests on the regional and global scales, focusing on the Union's comparative advantages and distinct added-value. Four key dimensions of the EU's added-value on the international stage are stressed here, drawing on the contributions of the FRIDE team and of prominent external experts.

Values as influence

The cornerstone of EU influence and foreign policy are its founding values and principles, which the Lisbon treaty says should inform its external action. The economic crisis has not drastically sapped the EU's commitment to democracy and human rights. In fact, following the Arab uprisings, the EU has upgraded its commitment to 'deep democracy', has taken a tougher line on illiberal drifts in Ukraine and Russia, has stepped up democracy-related sanctions, and has appointed a high representative for human rights equipped with a new human rights strategy. From the EU's neighbourhood to Latin America, Europe's championing of these political values is still regarded as central to its (blurring) attractiveness. But new approaches and instruments will need to be implemented and prioritised in 2013 to deliver on this commitment.

Overall, the EU will need to focus less on governments and more on citizens, whether in the Eastern neighbourhood, the Mediterranean or Central Asia. The 'Neighbourhood Civil Society Facility' helps in this direction but broader efforts should be made to engage civil society, which would also strengthen the accountability and effectiveness of democracy-related assistance programmes. Next year will see the launch of the European Endowment for Democracy (EED) – an opportunity to increase resources for democracy promotion, initially focusing the new tool on supporting reform in selected countries. Opening up

societies also depends on intensified people-to-people contacts and human mobility at large. This is a pressing priority in relations with Eastern neighbours, but also a defining (if so far atrophied) feature of a renewed relationship with Southern partners. On top of this, the EU will have to avoid complacency on the double-standards that crippled its reputation in North Africa, trading false stability for stagnating reform in the Gulf, Central Asia and elsewhere.

Multi-level engagement

The Union is well placed to pursue multiple levels of engagement at once, which requires a strategic approach upstream to connect different initiatives downstream. From Asia to Latin America, the EU has been shifting emphasis from inter-regional relations to bilateral partnerships with major actors such as the BRICS (Brazil, Russia, India, China and South Africa). The pursuit of bilateral free trade agreements (FTAs) with a range of Asian and Latin American countries has paralleled or replaced stalled negotiations with the Association of Southeast Asian Nations (ASEAN) and the Southern Common Market (Mercosur). With the Doha round stagnant, the EU and the United States (US) are edging closer to a major trade deal. The contributors to this publication argue that diversifying formats of dialogue and cooperation fits political trends in other regions. However, the EU should not mimic the balance-of-power approach of other large powers. It should continue to invest in regional cooperation and integration where there is demand for it, playing to its strengths as a rules-based regional actor.

Following the EU-Latin American summit in January 2013, the EU should articulate a more sophisticated approach to this large and fragmented region, reconciling partnerships with Brazil and Mexico and engaging sub-regional bodies, depending on the issues at hand. Enhanced support to the African Union (AU) and other organisations such as the Economic Community of West African States (ECOWAS) will be crucial in 2013 to manage creeping instability or open conflict

in the crisis belt stretching from the Sahel to the Horn of Africa. In Asia, the EU should help defuse geopolitical tensions by investing in a closer partnership with ASEAN, to strengthen dispute settlement mechanisms and build regional resilience, including against recurrent natural disasters. The EU should also develop a more strategic approach to East Asia and enhance consultations with the US to promote regional stability. Next year the EU should focus bilateral partnerships with major and middle powers on cross-cutting policy priorities, notably climate change and resource issues, dealing with traditional and non-traditional security challenges – including via its Common Security and Defence Policy (CSDP) – and democracy promotion.

A whole-of-the-Union approach

The EU is a unique catalyst of resources, networks and experience, drawing on its different institutions and member states. But this variety of tools can turn from an asset into a liability if not framed by an overarching approach based on a shared analysis. Institutional segmentation and different national agendas have often hampered the coherence of EU external action, and the credibility of the Union. More than three years since the entry into force of the Lisbon Treaty, it is imperative for EU institutions and member states to upgrade their policy-making software and move to a ‘whole-of-the-Union’ approach. This approach rests on three pillars, namely the collective definition of the EU’s interests, the framing of a policy mix that draws on the many instruments of the Union, and the leveraging of the clout of EU member states for common goals. A truly joined-up approach should also be flexible, as various policy tools should be mobilised based on needs, and different member states can take the lead on different issues depending on their priorities and expertise.

The EU has adopted two comprehensive strategies for the Sahel and the Horn of Africa, and their implementation has included new CSDP operations, development assistance, diplomatic engagement

and humanitarian action. However, their application has suffered from different lines of command and reporting and, in the case of the Sahel Strategy, events on the ground have rapidly overtaken original plans. The current debate on fostering a comprehensive approach to crisis management follows similar efforts at EU level over the past decade, albeit in a new bureaucratic context. Its output is expected in early 2013. However, a comprehensive approach is not about procedures but politics.

No aligning of instruments on paper can replace a common geostrategic assessment of the challenges the EU faces. In 2013, it will be urgent to produce and apply this assessment to the dangerous set of connected crises affecting the Middle East that are threatening the vital interests of the Union. In particular, tensions surrounding the Iran nuclear dossier may come to a boiling point and threaten to break into war. The EU cannot fix these crises on its own but needs to explore new options to avert further destabilisation, and anticipate events rather than react to them. Sanctions, while useful and justified, cannot suffice to deliver a political solution to internecine conflict in Syria and the Iranian nuclear issue. The drift of the Arab-Israeli conflict is precluding the two-state scenario advocated by the Union, while the latter fails to use its leverage on either party. On both Iran and the Middle East peace process, close dialogue and cooperation with the US will be critical to make progress and avoid conflict.

Foreign policy starts at home

Size may not suffice but it does matter, notably in a world of heavyweights like the US, China, Russia and, in perspective, Brazil and India. The EU gives scale to internal policies with important external implications, thereby strengthening the collective clout of its member states and helping shape the terms for international cooperation. Of course, the connection between internal policies and the external projection of the EU is nowhere as crucial as when addressing

the economic crisis, as Pedro Solbes argues in his preface to this publication. The legitimacy and prosperity of the Union are at stake. But other internal policies can have a significant impact abroad. For example, completing the internal energy market is a core dimension of EU energy security, alongside a shared approach to the diversification of supply and transit options. The recent antitrust investigation into possible market abuses by Gazprom in Central and Eastern Europe is an example of the relevance of internal competition law for EU external relations. However, member states favour different routes to channel gas from the Caspian to Europe, with the imminent launch of South Stream, running from Russia to the Balkans, potentially undercutting the Nabucco-West pipeline project.

The EU should develop a more coherent position on energy and resource issues in 2013, taking into account the medium-term implications of the hydrocarbon revolution in the Atlantic basin (shale gas in the US, deepwater oil and gas in the South Atlantic). Besides, the EU should show the way on developing and deploying low carbon technologies. This entails agreeing new internal standards on resource efficiency and more ambitious targets for binding emissions' reductions post-2020. The EU also needs a joint approach to secure the supply of raw materials, as opposed to separate national initiatives.

Conclusion

The EU is a power unlike any other but whether this is an advantage or a disadvantage is up to Europeans themselves. Member states have a choice: to seriously invest in EU foreign policy as a springboard for global influence, or use it as an occasional platform for joint initiatives when national or other options are precluded or less profitable. Renewing EU foreign policy in 2013 requires focusing on the many areas where the Union can make a real difference in ways that its member states or other major international actors could not. That

means pursuing a foreign policy that is consistent with its values, but also suited to match challenges and opportunities with pragmatic initiatives, leveraging the scale of the EU where relevant. It also requires EU institutions to overcome untenable bureaucratic divides, and make a sharper contribution to the shared strategic assessment and implementation of common priorities.

1. Human rights and democracy: weaving the silver thread

Richard Youngs

To its credit, the European Union (EU) has not allowed the destructive tides of economic crisis wash away its commitments to human rights and democracy. Indeed, since the eurozone crisis erupted, the EU has introduced several new policy instruments and upgraded some of its existing democracy support mechanisms. Unsurprisingly, these new initiatives currently rest precariously on the shifting sands of a highly uncertain global and European context. Many represent interesting and promising new conceptual departures that still need to be given tangible form. They co-exist with embryonic realpolitik in other policy areas such as trade and security. Decisions taken by EU leaders in 2013 will show if the faint stirring of new momentum behind human rights and democracy policies proves itself meaningful or ephemerally insubstantial.

Signs of momentum

Perhaps surprisingly, the eurozone crisis has not gutted EU human rights and democracy policy. It may not quite be the ‘silver thread’ binding all other areas of foreign policy, as EU foreign policy chief Catherine Ashton has claimed. But the human rights strategy has weathered the crisis better than many might have expected, and has even registered some advances.

The EU has retained a relatively well-balanced geographical coverage in its human rights efforts. Naturally, much focus has been on the Middle East and North Africa (MENA). But the Arab spring does not appear to have crowded out renewed efforts elsewhere. If anything, it has acted as a catalyst for matching initiatives in Eastern Europe and the Caucasus. A renewed focus on rights questions is also evident in Russia, Central Asia, West Africa and some parts of South Asia.

The EU's use of democracy-related sanctions has increased. Whether such punitive measures are effective or not, they do denote commitment. Libya, Syria and to a lesser extent Iran have represented the most prominent cases in this trend. Aid sanctions made a difference in finally pushing Laurent Gbagbo from office in Côte d'Ivoire. The main European donors – including the European Commission, the Netherlands and the United Kingdom (UK) – have either frozen or held back aid to Rwanda on human rights grounds, and new agreements and initiatives have been withheld from Belarus and Ukraine. Even German leaders, who have often been criticised for favouring energy deals over human rights in their relations with Russia, are beginning to speak out against the excesses of second-term Putinism. The European Commission has also proposed legal obligations to make EU companies disclose all payments to foreign governments.

European funding levels for human rights and democracy have not dipped dramatically. The 16 EU members of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) gave \$5.5 billion to the 'government and civil society' category in 2010, higher than in 2009 and only slightly lower than the highest ever allocation of \$5.8 billion recorded in 2008. Europe's biggest funder of democracy and human rights initiatives, Germany, has steadily increased its allocation to the OECD's 'government and civil society' category to over €1 billion in 2010, up from €800 million in 2008. In the UK's aid profile, 'government and civil society' has risen to become the second highest category, behind allocations to health.

Funds from the EU budget allocated to democracy and human rights rose 5.5 per cent in 2012. The budget of the European Instrument for Democracy and Human Rights (EIDHR) has increased each year. The EU's 2008 'Agenda for Action' on democracy support was inert, but is now finally moving forward with operational strategies in nine pilot countries. Plus, a new EU human rights special representative was appointed as part of a beefed-up EU human rights strategy introduced in July 2012. This strategy includes a 36-point action plan, a promise of concrete deliverables, focal points in delegations, and an increased number of human rights dialogues.

The EU has also added a plethora of new democracy and human rights instruments to its European Neighbourhood Policy (ENP). Under the rubric of the 'Neighbourhood Civil Society Facility', a fund, civic groups are more frequently included in human rights dialogues. While the EU has remained cautious in its support for political reform in the Middle East, it has spoken out more clearly in democracy's favour; held back some promised funds from non-reformers like Jordan; and offered support to a wider range of local political actors. In addition, an EU-Russia Civil Society Forum has been established in Prague and another new initiative specifically targets support to Belarusian activists. In Burma, EU governments and the European Commission have moved quickly to offer funds to support a human rights commission, along with administrative, judicial and police reforms, on top of basic development assistance.

The European Endowment for Democracy

Perhaps the most concrete manifestation of the seemingly reinvigorated EU commitment to democracy and human rights is the European Endowment for Democracy (EED). After two years on the drawing board, 2013 will be the year the EED starts functioning. The rationale for the EED is to operate at arm's-length from EU institutions and

in a non-bureaucratic manner. It will be financed through voluntary contributions from member states and will be able to apply for EU funding. It is likely that the EED will focus on transition countries, with an emphasis on the European neighbourhood. The next 12 months should show whether the EED will mark a significant upgrade in European democracy support or will be merely another low-key addition to a plethora of existing funding mechanisms.

The EED's challenge will be to find a distinctive niche in the field of democracy support, operating in a more political manner than existing European foundations, institutions and funding agencies. For example, the EED should support projects that cannot gain EU help due to bureaucratic restrictions or political reasons, such as helping emerging political parties, non-registered bodies and Islamist organisations. This will require the EED to be more pre-emptive and opportunistic than the other more cautious and staid European sources of funding. However, it remains uncertain how empowered the EED will be to support political parties. This crucial aspect of its mandate must be clarified during 2013.

Rather than duplicating the scatter-gun approach of other foundations, during 2013 the EED should identify a small number of cases where events have begun to move in a significant fashion and where outside support can make a discernible difference. Examples might include Burma, a possible post-Assad Syria and a now-fluid Georgia. In these cases, it might provide seed funding that other budget lines such as the EIDHR's then take over so as to sustain projects over a longer term.

The EED can also distinguish itself by attempting to offer protective help to democrats in the kind of high risk environments that European governments tend to shy away from. It should prepare the ground for tomorrow's democratic transitions, even as it works in countries where breakthroughs have just occurred. Potential candidates might include Belarus, Azerbaijan or Bahrain. It will need to find a *modus*

operandi to help build coalitions for change prior to the tipping-point of revolution. The more pre-transition coalitions can be widened to include a variety of political interest groups, the more likely states can avoid the kind of violent rupture witnessed during the Arab spring.

The EED should also offer more flexible funding than other European sponsors. For instance, applicant civil society groups should not be required to undergo cumbersome tendering procedures, nor should co-financing by beneficiaries be a prerequisite for funding. The EED will also need to work out how to make support more ‘demand-driven’ and aligned with locally defined priorities, and it should provide recipient organisations with grants for core institutional funding – funds from other sources usually only cover project costs.

As it begins functioning in 2013, it will be crucial for the EED to demonstrate that it is capable of making fully independent decisions, especially since different institutions may seek some tutelage over the new body. The EED will have myriad institutional jealousies to overcome, from member state funders and the various arms of the European Commission. But if it is to be of any value, the EED must establish unequivocal operational independence, and avoid being utilised by any one organisation or sector of opinion.

Its level of funding will also need to be determined more satisfactorily as 2013 progresses. The EED needs a serious level of funding, several times in excess of the €14 million committed so far. In the absence of this, it will simply invite the perception that the EU is not serious about democracy. A poorly funded new body will be counter-productive. Moreover, money committed from member states and the Commission should be additional to amounts already allocated under other initiatives. The EED should represent an overall increase in the level of European funding dedicated to democracy; it should not entail a mere reshuffling of existing funds from other initiatives. Even if some funds are moved from less effective budgets (such as those

sustaining technical twinning programmes in the neighbourhood) to the EED, some support should be additional. All this constitutes a challenging agenda for the EED's first year.

Challenges ahead

In addition to fine-tuning the functioning of the European Endowment for Democracy, European human rights and democracy policy will need to tackle other challenges in 2013. The fact that funding levels for democracy and human rights have not decreased is laudable, but owes much to multi-annual commitments cast in stone prior to the crisis. As aid cuts are starting to bite, member states will increasingly be obliged to reveal their development spending priorities. The European Commission has bid for a 50 per cent increase in the EIDHR budget for 2014-2020, which would result in an allocation of just under €500 million during this period. It remains to be seen how this proposal fares in budget negotiations during 2013.

European human rights and democracy policies have retained some momentum, but policy-makers acknowledge that the changing global order requires qualitative changes to the ways in which Europe supports democracy. To date, most European policies have offered only incremental gains at best, falling short of a more ambitious and effective democracy-support strategy. For example, the EU should link its democracy policies with its strategies for more effective multilateralism. To be successful, future democracy support should be carried out by a broader range of partners beyond traditional US and European funders.

Despite a rhetorical commitment to multilateralise democracy support, little has been done in practice to build partnerships with non-Western 'emerging' democracies such as India, Brazil, Turkey and Indonesia. The EU should try to inject some substance into this commitment during 2013, in part to help avoid mistrust from emerging

democracies. Plus, some rising democratic powers like Brazil and India are formal ‘strategic partners’ of the EU, a mechanism which includes annual summits to discuss areas of common interest. The Union should further develop these official partnerships, moving from a largely transactional to a more values-based concept of new alliances.

Furthermore, support for democracy externally is not easily separable from challenges to democracy internally. The EU faces its own problems: democratic backsliding in a number of member states, rising illiberal populism and a deepening democratic deficit. To be credible globally, the EU will need to do more to safeguard democracy inside the Union. In the last two years, for example, the EU has struggled to reverse illiberal trends in Hungary and Romania. Plus, the strains of economic crisis may worsen these trends within Europe during 2013. Democracy support cannot only be about projecting liberalism outwards; the EU needs to strengthen its internal democratic identity too.

Conclusion

The international pushback against democracy is not over and should be tackled with greater verve in 2013. The excitement of the Arab spring and Burma’s opening-up have somewhat diverted attention, but a generic problem still lurks: from Russia to Egypt to Venezuela, governments are cutting off international support to civic organisations. The Arab spring presents a particular dilemma: the EU must decide if it is happy to continue supporting only a select number of Arab reformers, in largely reactive ways. More generally, the EU will need political will and tactical creativity to neutralise squeezes by authoritarian regimes on international links between democracy activists. This will require the EU to raise democracy support to a higher level of political diplomacy in 2013.

2. Leading on climate and resources

*Bernice Lee and Diarmuid Torney**

Introduction

The European Union (EU) has been a longstanding champion in global climate politics. For much of the past 20 years, Europeans saw the EU's leadership on climate change as a key plank of its external relations and, to some extent, a source of its normative or soft power. Backed by domestic environmental and competitiveness agendas within many member states, the EU's advocacy has been critical in pushing climate change up the global public policy agenda. At the EU level, the adoption of the Energy and Climate Package in 2008 marked the alignment of the energy security and the global decarbonisation agendas.

In terms of external diplomacy, climate change and clean energy have acted as a focus for cooperative activities with many countries. Many bilateral projects were developed, including on clean development mechanisms, clean coal with China and India, as well as deforestation with Indonesia. 'Strategic partnerships' were also

* The authors wish to thank Antony Froggatt for his contribution to this text.

established with key states and regions. Examples include the EU-China Partnership on Climate Change (since 2005), the EU-India Initiative on Clean Development and Climate Change, or the Joint Africa-EU 2011-13 Action Plan.

In recent years, the continuation or up scaling of these collaborative activities has become more challenging. This is due to a combination of factors: the European debt and financial crisis, high and volatile resource prices, and the stalemate in global climate and trade arenas (and the perceived failure of EU climate diplomacy in Copenhagen). These fault-lines are undermining the coherence of EU strategy on energy and climate change.

Today, the external dimensions of the EU's energy and resource policy are more aligned with the trade and investment agenda, focusing on market access, market expansion and investment. This is partly driven by growing worries over resource security. The European economy is heavily dependent on imported raw materials, amounting to 1,600 million tonnes in 2011. A large and rising share of the EU's energy is imported – 80 per cent for oil and over 60 per cent for gas. These dynamics, which in turn are underpinned by different priorities among member states, have made it more difficult for the EU to lead in the international arena.

Challenges

In the energy sector, coordination between different EU institutions, and among member states, continues to be challenging. Under the Lisbon Treaty, energy policy became an area of joint EU and member state competence, though national governments reserve large autonomy in this domain. The Lisbon Treaty also called for further cooperation in the EU's external relations on the global environment and the sustainable management of global resources. The emphasis

on collective coordinated action and coherent energy diplomacy with external partners was also underscored in a 2011 communication on neighbourhood countries – the major energy suppliers and consumers, as well as the transit nations.

Not surprisingly, national preferences often undermine common negotiating positions, for example on the routing of Russian gas pipelines to the EU. The same also applies to the climate change agenda. Despite the 2011 Joint Reflection Paper by the European Commission and the European External Action Service (EEAS) (and an endorsement from EU foreign ministers on the three areas of opportunities for action), criticism has been levelled at the EEAS for its failure to adequately take up the climate change agenda and at the Directorate General for Climate Action (CLIMA) for not devoting sufficient resources to outreach activities with third countries.

In any case, the energy mix and investment strategies in different European countries also affect the EU's ability to implement a concerted external energy and climate policy. Some member states such as Belgium, Germany and Italy have moved away from nuclear power following the Fukushima disaster in Japan, while others like the United Kingdom (UK) have not. There are also significant differences in positions on other energy sources like renewable energy. These divergences within the EU are manifesting themselves at a time when regional approaches to energy and climate change are increasingly important, with a view to structuring price and supply dynamics and gaining benefits of scale. These differences, therefore, are giving rise to fractured external policies on climate change, energy and resource security.

These divergences are equally acute when it comes to a common EU position on resource security. The 2011 Communication on Resource-efficient Europe is one of seven flagships of the Europe 2020 strategy. It called for greater international cooperation to reduce resource

supply risks (for commodities, raw materials, biodiversity and waste), to mitigate the rise in global demand and to enhance the exchange of skills, technologies and best practices. However, in the absence of binding EU legislation on resource efficiency or specific targets for individual sectors and products, it is unclear whether the EU will be able to improve resource efficiency.

Similar challenges apply to the Raw Materials Initiative of the European Commission, which aims to improve supply security for various raw materials and speciality metals such as rare earths. Many larger member states are pursuing national strategies to mitigate resource risks that are not necessarily closely aligned with EU-wide initiatives. Germany, for example, is pursuing both an ambitious national resource efficiency programme (ProgRes, launched in February 2012) and bilateral ‘resource partnerships’ with emerging producer states such as Mongolia or Kazakhstan, with few links to ongoing EU initiatives. France’s close cooperation with resource-rich states in Africa is another example.

Objectives for 2013

Looking forward, three areas are critical to enhance the effectiveness of EU external engagement on energy, climate change and resource security.

Leadership in global regimes and norm-setting

The EU has played a critical role in the establishment of the global climate regime, notwithstanding the challenges and the current stalemate. Today, fragmentation among EU member states is making it harder for the EU to drive new thinking and initiatives at the multilateral level – whether on climate change or resource governance.

On global climate change, for example, the EU must continue to co-lead with strategic partners to steer global thinking towards a new deal in 2015 (as envisaged at the 2011 Durban summit). This should include deepening engagement and outreach with progressive, like-minded partners, including through innovative fora such as the Cartagena Dialogue. At the EU level, raising the ambition of the 2020 climate and energy targets would help to significantly boost the credibility of the EU's climate diplomacy. In the medium term, clear and binding domestic climate and energy targets for the post-2020 period will help create a common position that will enhance effectiveness of multilateral engagement. Outside of the EU, expanded support – through external aid or other financing support – and strengthened partnerships with progressive countries are also critical. This could include scaling up partnerships with African states to change investment patterns in the region towards lower carbon pathways.

More strategic engagement and partnerships are also needed with emerging economies and larger developing economies, especially with key stakeholders within these countries like businesses in addition to formal governmental relations. In India, for example, the EU and its member states already have ongoing operations amounting to around €3.1 billion, including clean energy investment from bio-gas in New Delhi to a solar photovoltaic plant in Sakri. The EU together with the business sector could facilitate more of these types of activities across the developing world.

New and practical partnerships

Greater cooperation between member states and EU institutions is important, but too much focus on coordination can lead to inaction and lost opportunities. EU players need to be more strategic and pragmatic in their external relations vis-à-vis energy, climate change and resources, not least to determine whether to pursue multilateral or bilateral initiatives with third parties. The EU can play a vital role in

helping to increase coordination and reduce replication across activities pursued by member states. However, while on-the-ground coordination mechanisms have been developed progressively by Commission officials and member state diplomats based in third countries, these have focused on sectoral policy areas, resulting in the creation of silos between deeply inter-connected policy fields such as climate change, energy, and natural resources. In short, progress towards one form of coordination has generated another form of division.

Where appropriate, the EU can use its collective market power to spearhead change in low carbon global markets, particularly to enhance the relationship with the emerging economies. The re-election of President Barack Obama offers an important opportunity for the EU to renew its efforts for international cooperation on low carbon growth. Higher priority should be placed on Russia in light of the existing trade relationship in raw materials, especially energy, and the common challenges of environmental protection. The EU and the relevant member states should ensure that Russia, which holds the Presidency of the G20 in 2013, will tackle international energy and resource governance in the agenda of the forum, not least to enhance supply and demand security.

Demonstrating the viability of green growth and resource efficiency

It remains critical for the EU – as the world’s largest free trade area – to demonstrate the economic viability of moving towards a low carbon economy within a long-term framework. Such measures build confidence, which not only facilitates investment but also shows intent. Building political support for post-2020 EU targets could be one of the short-term objectives. Smart policy must be developed to address both climate change and resource security simultaneously.

One of the greatest potential areas of contribution from the EU lies in the development and deployment of new technologies and their

integration into existing systems. As these new technologies move from niche to mainstream, their production and integration at scale are creating new challenges. The rapid deployment of renewable energy technologies in some member states testifies to the need for smart grids and technologies, in particular for electricity storage. The next (eighth) EU research Framework Programme, which starts in 2014, should focus more of its resources in these areas. These include new supply issues for new materials as well as challenges in supply chains coordination. The EU should become more pro-active in driving improvement in resource efficiency worldwide, through setting global benchmarks, mapping resource availability and recycling standards.

Conclusion

Common action requires enhanced capacities and coordination between EU member states and institutions. Existing structures, such as the EEAS, need either to place greater emphasis on this area or encourage others to play a more active role.

Climate and resource policies need to be integrated into other foreign policy tools and objectives to enable greater engagement and scope of action, such as on health, trade and development issues. One way to do this would be to re-launch the EU's 'Green Diplomacy Network' (GDN), which was launched in 2002. Chaired by the EEAS since January 2012 the objective of the GDN is to work towards a better integration of the EU's environment policies into its external relations. However, the GDN has delivered limited added-value to date, partly owing to divisions between the Commission and member states, but also because of fragmented institutional and policy agendas on climate, energy, trade, and other areas of EU external relations.

A re-launched and reinvigorated GDN could act as a focal point for EEAS, Commission and member state diplomats working across a range

of issues from climate change and energy to trade, environment, and natural resources. This could help to break down some of the sectoral policy silos that currently exist in the EU's outreach activities in third countries, and in particular, could increase the scope of the network to work on energy and resource efficiency and governance issues. In doing so, the EU could ensure that these environmental concerns and resource governance be integrated into existing diplomatic efforts. Given the importance of these issues, it could also add value to the actions of member states and the EU in third countries.

3. Why the EU needs the military option

Daniel Keohane

After a few years of relative neglect, the European Union's (EU) Common Security and Defence Policy (CSDP) started to show signs of revitalisation during 2012. Between 2003 and 2009, EU governments initiated some 23 operations through CSDP, but only one new mission was organised between 2009 and 2011. This changed during 2012, with three new operations, and at least two more are in the pipeline for deployment during 2013. More importantly, as outlined in the December 2012 conclusions of the European Council, EU heads-of-government will formally discuss defence policy at a summit in December 2013 for the first time since 2008. The prospect of this summit discussion offers a focal point for EU governments to develop their thinking on CSDP during 2013, and to reconsider why the EU needs the military option.

The strategic case for EU defence policy

Defence forms only one part of a much broader EU foreign and security policy, which uses a wide range of tools from diplomats and development workers to judges and police, and – when necessary – soldiers. Although the EU has initiated almost 30 CSDP missions, most

of which have been civilian operations, the Union has not yet carried out a military operation on anything like the scale or intensity of the United Nations' (UN) missions in Congo or Lebanon, let alone the operation of the North Atlantic Treaty Organisation (NATO) in Afghanistan.

It may be that the EU does not need to carry out military operations of a similar size and nature to those of the UN or NATO. Perhaps it will continue concentrating mainly on smaller humanitarian and state-building operations for many years to come, for which there is already considerable demand. But looking to the future, this assumption seems risky for at least two reasons. First, the world around Europe may well become a more dangerous place. Second, the EU will increasingly have to assume roles previously played in and around Europe by the United States (US).

Europe's neighbourhood is currently very turbulent: a civil war rages in Syria; Iran's nuclear programme is raising serious tensions; Libya is not yet stabilised; and there are ongoing disputes in the Caucasus, amongst many other challenges. Based on recent evidence, the EU cannot be certain that key neighbours such as Algeria, Lebanon or Belarus will pursue stable paths. Besides, instability in the 'neighbours of the neighbours' in the Sahel, the Gulf or Central Asia might also affect European security. Added together, the myriad of current and potential security challenges in Europe's broad neighbourhood makes a heady mix.

In addition, the global strategic environment is changing. The US is re-balancing its military resources, away from Europe towards the Asia-Pacific. This move makes sense from a Washington perspective, but it does imply that Europeans should take much more responsibility for most of their immediate neighbourhood. Considering the American non-responses to the 2006 Lebanese-Israeli and the 2008 Georgia-Russia wars, and the US's initial reluctance to intervene in

Libya in 2011, Washington would probably be happy to leave most future Eastern and Southern neighbourhood crises to the Europeans (East of Suez is a different matter). The key point for EU defence policy is that Europeans may increasingly have to act alone in the future.

There is also a shift in military power from the European part of the West to the East. According to the International Institute for Strategic Studies, Asian defence spending exceeded European expenditure for the first time in 2012. In stark contrast to European defence cuts, China increased its defence budget by a whopping 6.8 per cent in 2011. According to some estimates, China's defence budget might even exceed EU-27 defence spending by 2020. Another think tank, the Stockholm International Peace Research Institute (SIPRI), says that Brazil, India, Saudi Arabia and Japan (along with China) are climbing up the defence spenders league, while Britain (fourth), France (fifth) and Germany (ninth) are falling down the list of top ten – indeed Italy, tenth in 2010, fell off the list of top ten military spenders in 2011. Furthermore, SIPRI adds that Russian defence spending exceeded both France and Britain's in 2011, pushing Moscow into third place.

Comprehensiveness, capabilities and partners: an agenda for EU defence in 2013

The combination of the Arab spring, the US re-balance toward Asia, the shift in global military power and their own deep defence budget cuts should encourage EU governments to cooperate more closely on defence matters; but this will require renewed political investment in the run up to the December 2013 European Council summit. During 2013, Europeans should focus on improving three things: combining military and non-military resources, developing military capabilities, and using defence policy as a form of diplomacy.

From a comprehensive approach to comprehensive action

The EU deployed three new CSDP missions during 2012: to build maritime capacity around the Horn of Africa (EUCAP Nestor), to protect Juba airport in South Sudan (EUAVSEC South Sudan), and to train Niger security forces (EUCAP Sahel). Plus, another two operations in Libya and Mali are planned for deployment during 2013. It is true that all of these operations are small, and on their own will have a modest strategic impact. However, with the exception of Libya, what is significant is how these new operations are not stand-alone missions, but part of a broader EU strategy towards a region. For example, EUCAP Sahel and the planned Mali mission form part of a broader EU strategy towards the Sahel region. Likewise, EUCAP Nestor is the third CSDP mission deployed alongside various development projects managed by the European Commission in and around the Horn of Africa, again as part of a broader EU strategy for that region.

For many years, politicians and officials have described the EU's main added-value in international security as its ability to bring together a wide range of instruments, from diplomats to development and humanitarian projects to military activities (known as the 'comprehensive approach' in EU jargon). However, this has rarely worked well in practice, albeit at least the EU is now increasingly trying to fit CSDP missions into broader regional strategies. One challenge for the EU during 2013, therefore, will be to further improve its ability to coordinate all its existing instruments – both in Brussels and in the field.

The review of the European External Action Service (EEAS) in 2013 should include a component revising how EEAS-managed instruments, such as CSDP operations, can work more effectively on the ground with European Commission-run development projects and humanitarian actions towards shared and clearly defined strategic aims. The highest hurdle in this debate is the issue of chains of command.

Currently, different EU activities report to different institutions in Brussels, such as the EEAS or disparate Directorate Generals in the European Commission. To ensure unity of action, ideally the EU would have a single chain of command from Brussels to the theatre of action. The EU could learn from the United Nations, which grants its special representatives the power to direct different UN activities on the ground. The Union already has special representatives (EUSRs), for example in Bosnia-Herzegovina and the Horn of Africa, and should consider granting some of them stronger political authority over EU activities.

Capabilities, anyone?

A second key area is developing military capabilities. European shortages of adequate numbers of useful military capabilities have been long and widely documented. Despite deep budget cuts in some member states, the 27 EU governments still spend around €190 billion on defence each year, which is some €40 billion more than the entire annual EU budget. But the European members of NATO struggled to sustain an air war for more than six months in 2011 against Libyan armed forces with a then yearly budget of around \$2 billion.

There is a plethora of plans to improve European military capabilities – through the EU, NATO, regional groupings, trilaterally and bilaterally – but only 20 per cent of national defence equipment acquisitions in Europe are in collaboration with others. If cuts in national budgets and capabilities continue on their current trends, most European armies will probably become little more than hollowed-out forces with few capabilities to offer in the future. The two biggest gaps in European military capabilities identified during NATO's 2011 intervention in Libya were air-to-air refuelling planes and technologies for intelligence, reconnaissance, target acquisition and surveillance (ISTAR in military jargon). To its credit, the European Defence Agency has pushed its member states to develop an air tanker project, and in November

2012, ten EU governments signed a letter of intent to work together to acquire new tankers by 2020. During 2013, EU defence ministries should focus their capability efforts on acquiring ISTAR technologies together.

The EU's comparative advantage in this area is that it can link military equipment goals and projects to European defence industrial policies. The Aerospace and Defence Industries Association of Europe (ASD) has calculated that in 2011 roughly 2,000 aeronautics, space, security and defence companies across the EU employed 730,000 people with a turnover of €171.5 billion. The European Commission already has a role policing the European defence market, which has helped open-up national procurement to Europe-wide competition. It has also made it easier to form cross-border defence companies by removing some barriers to intra-European transfers of military technology. During 2013, a European Commission task force (led by Commissioners Michel Barnier and Antonio Tajani) will report on ways the Commission can help strengthen the competitiveness of the European defence industry in a time of severe national budget cuts. For example, although it is legally barred from spending on military projects, the Commission currently spends around €200 million a year on security research and technology, and some of these civilian projects could have useful military applications.

Defence diplomacy

A third area for EU governments to consider is developing defence dialogues and cooperation with strategic partners. For example, in July 2012 the EU agreed with China to set up a regular dialogue on defence and security, including training exchanges and sharing ideas on crisis management and tackling piracy. The two sides will hold a joint high-level conference during 2013 on security and defence issues. In time, these EU-China military exchanges, alongside Chinese bilateral exchanges with EU member states, might encourage Beijing to become

more transparent about its military build-up. The EU also started a similar defence policy dialogue with Brazil during 2012, and these types of military exchanges could be extended to other partners, such as India, Russia, Japan and South Korea. The EU already discusses counter-terrorism, for instance, with India and Russia, and Moscow supplied helicopters to the EU peacekeeping mission in Chad in 2008.

Furthermore, rising military powers are increasingly active in Europe's neighbourhood. For example, China has a growing interest in African, Arctic and Middle Eastern security, in part because it needs access to secure energy supplies to sustain its impressive economic growth. The EU already works closely with China and Russia (as permanent members of the United Nations Security Council, UNSC) on Iran's nuclear programme, and has operated with Chinese, Indian and Russian ships (along with American, Japanese and South Korean vessels, amongst others) in the western Indian Ocean to counter pirates disrupting Eurasian maritime trade. Brussels should try to build on those experiences to encourage further cooperation with rising powers on issues of joint concern in Europe's broad neighbourhood.

Conclusion

If the EU is to have an effective foreign policy in the future, it will need a clear sense of its strategic priorities, and what it is prepared to do through CSDP. Many analysts have called on EU governments to re-state the purpose of CSDP by conducting a 'European defence review', which would outline the EU's geo-strategic priorities, threats to European security, and the types of operational scenarios EU governments should prepare for. CSDP will not become a vehicle for great power military competition, but nor should the EU expect to be called upon to deploy only small peacekeeping operations. There is a number of potentially important tasks in-between, ranging from responding to major humanitarian crises to protecting maritime trade routes.

EU governments should consider how they intend to maintain and develop the military capabilities that would give them the agility and autonomy to respond to future crises and challenges. The political task for EU governments during 2013, therefore, is to define more clearly how they intend to use their military resources together, and in combination with their considerable diplomatic, development and humanitarian assets. At the European Council summit in December 2013, EU heads-of-government should explain why Europe needs the military option.

4. The Eastern neighbourhood: democracy, visas and energy

Natalia Shapovalova

Four years ago, the European Union (EU) created an Eastern Partnership (EaP) – a sub-strategy of the EU’s broader European Neighbourhood Policy (ENP) – covering six Eastern neighbours: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Negotiations on so-called Association Agreements, the core part of bilateral packages aiming to foster political association and economic integration by establishing free trade areas, are advancing quickly with four of the six partners. Belarus is not involved in the EaP’s bilateral track and negotiations with Azerbaijan do not include free trade. The EU also conducts visa liberalisation talks with three partners: Georgia, Moldova and Ukraine. In addition, the EU has launched new initiatives, such as the Neighbourhood Civil Society Facility and the European Endowment for Democracy (EED), to support grass-roots democracy groups. Plus, the Union has promised to further increase its aid spending in the region for the next EU budget period of 2014-2020.

However, the EU's transformative influence in the Eastern neighbourhood has been limited so far. Apart from Moldova, political and economic reforms in other countries are either stagnant or, worse, reversing. The wave of parliamentary elections in 2012 in the Eastern neighbourhood showed that even holding democratic elections is challenging in the region. The EU's strategic goal of creating a ring of well-governed democratic countries in the Eastern neighbourhood appears a very difficult task. The EU needs a long-term approach to the region and focus on those areas where it can make a difference.

Eastern challenges and opportunities in 2013

The lack of democracy is the biggest challenge in the Eastern neighbourhood. According to Freedom House, not one Eastern neighbour is free. All rank below the Western Balkans on democratic governance indicators, with Azerbaijan and Belarus doing worse than most Central Asian states. Georgia did have a peaceful transition of parliamentary power to the opposition in 2012, but it remains uncertain whether the new government will actually further democratise the country. Due to claims of electoral fraud, Ukraine's parliamentary elections were widely seen as a step backwards. Belarus showed no sign of improvement, with President Alexander Lukashenko looking for support eastwards.

There will be three presidential elections in the South Caucasus during 2013. Armenia and Azerbaijan show little hope for change: Armenia's president is the most popular candidate according to opinion polls, and the electorate in Azerbaijan looks set to re-elect President Ilham Aliyev (who can be re-elected indefinitely following a 2009 change to the constitution). Georgia will have a new president, though his role will be diminished in a new parliamentary system set to come into force during 2013.

In autumn 2013, the third EaP summit will be held in Vilnius during Lithuania's EU presidency. This will be an opportunity to assess the implementation of the EaP 'Road Map' adopted in 2012. By the time of that summit, the EU expects negotiations on Association Agreements with EaP partners to be well advanced, perhaps even finalised in some cases. The EU-Ukraine Association Agreement may prove trickiest; the EU postponed the signature of the agreement in response to President Viktor Yanukovich's backtracking on democracy. Newer EU member states are keen to have an agreement with Ukraine to prevent that country's isolation, but older members are more hesitant to lift political sanctions.

Lithuania will not only prioritise the EaP during its presidency; Vilnius will also emphasise two other subjects relevant for EU relations with the Eastern region: external energy policy and border management. The future of large gas projects potentially affecting both EU and Eastern neighbours' energy security is likely to be decided during 2013. For instance, which pipeline will become the backbone of the Southern Gas Corridor (designed to lower EU energy dependence on Russia)? The energy companies developing the Shakh Deniz field in Azerbaijan will choose between the Nabucco-West and the Trans-Adriatic pipelines to transport Caspian gas to Europe (the investment decision is expected by June 2013). Simultaneously, however, Russia and some EU governments hope to start building the South Stream pipeline that would bring Russian gas via the Black Sea, through the Balkans into the north of Italy. Bulgaria and Hungary's investments in the South Stream project seem to undermine their previous support for the Nabucco-West pipeline.

Democratising and integrating Europe

The EU's distinctive role in the region can be strengthened if the Union focuses its efforts on three key dimensions: supporting democracy; removing cross-border barriers; and energy security.

Supporting democracy

Opinion polls show that the rule of law, democracy and human rights are the values most often associated with the EU in Eastern partner countries. The EU has promoted democracy by means of conditionality, such as visa bans on authoritarian elites in Belarus or market access in exchange for regulatory reforms. It has also offered technical assistance, training and exchange programmes with both elites and civil society, and extending its standards of governance in various sectors beyond its borders. The EU has become increasingly aware of the need to work with civil society groups on democratisation, and has considerably improved its assistance to non-state actors in the Eastern neighbourhood. These efforts should be continued by generating more exchange programmes and reaching out to the grass-roots level.

Since the EaP does not offer the prospect of EU membership to the Eastern partners, the effectiveness of political conditionality is significantly weakened. Sector-specific conditionality works in the region only in those countries that are determined to join the Union and which face relatively low costs in implementing EU rules. Conditionality proves ineffective when applied to political regimes that perceive the proposed reforms as a threat to their power. The EU's practice of conditionality will be tested in 2013 when Association Agreement negotiations with EaP countries are likely to conclude.

Initially, the European Commission envisaged that progress on association negotiations would depend on Eastern partners fulfilling political criteria, such as raising their standards on the rule of law, democracy and human rights. In practice, the EU has really only applied effective conditionality to two East European countries – Ukraine and Moldova – when it demanded the conduct of free and fair parliamentary elections before the start of negotiations. In Ukraine's case the EU also suspended the signature of the agreement due to political repression there; but it did not apply the same criteria to the South Caucasus countries.

If political conditions were consistently applied, the EU might be able to conclude an agreement only with Moldova (and maybe Georgia) in 2013. But this would create a new dilemma for the European Union. If viewed as pre-accession tools, only those partners meeting basic political and economic accession criteria (electoral democracy and market economy) would receive Association Agreements. This in turn would divide the Eastern partners into ‘special neighbours’ and those left behind. But if the EU relaxes conditionality, then Association Agreements would be downgraded to ‘neighbourhood agreements’, losing their value as pre-accession accords in the eyes of the most committed partners.

This is both a challenge and an opportunity for the Union to clarify its strategic objectives in the Eastern neighbourhood. If the EU remains committed to the principles enshrined in its founding treaties, a solution could be to sign Association Agreements with all five countries involved in the EaP’s bilateral track, and recognise the prospect of membership for Moldova, the only partner that has so far met the EU’s political criteria. This would have the benefit of bonding the neighbours to the EU and help foster piecemeal reforms – provisioning market access or aid on compliance with EU sector-specific rules – while setting an example to the region by offering the prospect of membership to the Moldovan frontrunner.

Building Europe without barriers

The EU’s most tangible way to offer direct benefits to Eastern partner populations is through free trade and people-to-people contacts. Association Agreements include Deep and Comprehensive Free Trade Agreements (DCFTAs) with the EU (requiring not only the removal of barriers but also the adoption of EU rules), which will increase competition in Eastern markets and improve their investment climate, contributing to their long-term economic development. This explains why it is crucial for the EU to conclude free trade accords with all the qualified partners without delay.

The abolishment of visas will increase contacts between peoples, boost tourism and business, and serve as an important symbolic step, demonstrating the EU's openness to societies in the East. 2013 will be an important year to accelerate the visa liberalisation process. Moldova is implementing the second (and last) stage of a visa liberalisation plan concluded in 2011, and plans to finalise it by the end of 2013. Ukraine has been slow to adopt the necessary legislation. Georgia is expecting to receive a visa liberalisation action plan in 2013. Armenia hopes to have its visa agreement ratified soon, while EU visa talks with Azerbaijan are continuing.

The Belarusian authorities have ignored repeated EU calls to negotiate visa facilitation in protest of Brussels' sanctions against Minsk. Even so, the EU should consider abolishing or at least reducing visa fees for ordinary Belarusians. During 2013, the EU must preserve its credibility in visa liberalisation talks. Moldova's success will become a strong incentive for other partners to speed up their reform processes. If the EU were to postpone the abolishment of the visa regime with Chisinau after all the technical criteria have been fulfilled, it would greatly damage the EaP.

Energy security

Despite spending hundreds of millions of euros on energy reform in the Eastern neighbourhood, the EU can do little to improve the energy security of its partners as long as its external policy is undermined by internal divisions between EU governments. Driven by national interests, some EU member states have delayed the creation of a truly integrated internal energy market (into which the EU has tried to draw its neighbours), while others are considering investing billions of euros in an external infrastructure project at odds with the Union's external energy strategy.

The EU-sponsored Nabucco-West pipeline would link the South Caucasus more closely to Europe, whereas the Russian-led

South Stream project would marginalise East European partners. The Eastern neighbours, especially Ukraine as a major transit route, fear that South Stream would increase Russia's influence over their energy policy. Not only would Russia be able to redirect gas transit, it could also disrupt deliveries to Eastern partners without cutting off supplies to more lucrative EU countries.

Ukraine and Moldova have focused their energy policies on diversification and greater efficiency to lessen their dependence on Russia. Both countries joined the European Energy Community (EEC) – an initiative established by the EU and the Western Balkan countries to foster market convergence – hoping to benefit from EU investments, aid and political support. Whereas EEC membership has helped Chisinau and Kiev attract investment (for example, Ukraine's cooperation with international companies in hydrocarbons exploration and developing a liquefied natural gas terminal), it has further complicated their relations with Russia. Moscow, which dislikes the EEC, has used its energy-monopoly position to stop the adoption of EU rules in Ukraine and Moldova. The EU has no leverage over bilateral gas talks between Russia and the Eastern neighbours. But it should continue to support energy efficiency and diversification efforts in the neighbourhood, and invest in infrastructure projects that boost common energy security.

Conclusion

The EU's distinctive contribution in the Eastern neighbourhood lies in supporting democracy and removing cross-border barriers to trade and travel. The EU should further refine its practice of conditionality and increase support for grass-roots democratic reform initiatives. While preserving its values-driven approach, the EU should also be realistic about how much influence it can yield in Eastern countries. The conclusion of the Association Agreements

process in 2013 will be an opportunity for the EU to shape a more strategic approach to the Eastern neighbourhood.

During 2013, the EU will also need to deliver on its promises to the Eastern neighbours: they chiefly expect free trade and visa free travel. This would show that the EU remains committed to integrating its Eastern neighbours (and perhaps offering membership one day to some of them), and to contributing to the further democratisation of the region in the long term. The EU cannot do much to enhance the neighbours' energy security as long as it lacks a common energy policy. With major decisions on pipeline investments in the neighbourhood pending, 2013 will be a litmus test for the EU's external energy strategy. In parallel, the EU should increase its support for the efforts of Eastern neighbours to improve their energy efficiency and diversify their energy sources.

5. Supporting transitions in the Arab world

Kristina Kausch

Two years after the uprisings in the Arab world, the future of the region looks highly uncertain. Trends are likely to continue oscillating between democratic advances, polarisation and authoritarian setbacks. At the same time, the uprisings have accelerated a number of power shifts in the Middle East and North Africa (MENA) that are likely to affect the European Union's (EU) position and influence in the region. Europeans should be ready to understand the region's new paradigm as it gradually takes shape. During 2013, the challenge will be to translate this understanding into more efficient policy frameworks, building on the EU's initial response to the Arab uprisings.

Europe's response to Arab uprisings

After initial hesitation, many elements of the EU's response to the MENA uprisings and ensuing transitions have been valuable and timely. Following the comprehensive review of its European Neighbourhood Policy (ENP) initiated in 2010, the EU adjusted its approach to the region in the spring of 2011. The most notable features of this changed approach

stressed the need to support ‘deep democracy’ rather than prioritising stability; streamlining conditionality on the principle of ‘more for more’; and pledging to respond to long-standing Southern demands, the ‘three Ms’: money, markets and mobility.

The newly appointed EU special representative for the Mediterranean, Bernadino León, has set up ‘task forces’ that assemble different EU and international financial institutions to bundle and tailor Europe’s support towards specific countries. Little progress has been made on mobility, but in 2011 the EU mustered over €80 million in new funds to support the transitions. In 2012, the EU re-oriented assistance programmes and made an additional €1 billion available for the Southern neighbourhood for the period up to 2013. It also increased the lending ceiling of the European Investment Bank (EIB) by €1.15 billion and extended the mandate of the European Bank for Reconstruction and Development (EBRD) to the EU’s Southern neighbours. EU and national – France, Germany, Italy and the United Kingdom (UK) – commitments to jointly support the Arab transitions under the umbrella of the G8’s Deauville Partnership have also been notable, although many of these commitments have yet to be followed up. And, putting an end to years of complicit political exclusion, the EU and its member states have – if grudgingly – embraced the democratically elected Islamist leaders in the South.

All these efforts have genuine merit. However, the credibility of the EU’s commitment to ‘deep democracy’ is put in doubt by the continuity in its relations with countries such as Morocco, Jordan and Algeria. Non-democratic regimes in these countries have contained mass protests by pro-actively proposing constitutional and legal reforms. However, none of these qualify as steps towards the ‘deep’ kind of democracy espoused by the EU. With little appetite to incite more turmoil in the MENA region, the danger is that some EU policies continue to follow the flawed stability logic from which it pledged to distance itself in 2011.

Upcoming challenges and opportunities

The most urgent challenge is to reduce the potential negative impact of regional insecurity on Southern Mediterranean democracies. This includes making headway on the Syrian crisis, on the Iranian nuclear dossier, on the Sinai and in the Sahel region. The Gordian knot for 2013 is how to end atrocities against the Syrian people while avoiding regional security spill-over effects. As argued elsewhere in this volume, however, the EU's influence on the Syrian dossier is limited. But other challenges are within the EU's reach.

Societal polarisation accompanying fragile transitions in Egypt, Tunisia and Libya threatens to undermine the legitimacy of urgently needed reforms. In Egypt, confrontations over the constitution and the powers of the government have put the Egyptian democratic transition at risk. President Mohamed Morsi's growing importance as a regional power broker must not overshadow illegitimate power grabs that may entrench the power of a single political force (in this case the Muslim Brotherhood, an Islamist party). With new constitutions due to be adopted in Egypt and Libya, parliamentary elections in Egypt (tentatively scheduled for February/March) and parliamentary and presidential votes in Tunisia (June), transitioning countries will have to walk tightropes to advance and stabilise their democratic gains during 2013.

The EU should take a double track. First, help Southern counterparts quickly deliver results on their most pressing economic and security challenges. Second, adapt its policy rationale to safeguard its future influence and effectiveness in the region. The broader strategic rationale of the Union's Mediterranean policy remains in an uncertain limbo. A new ENP policy package expected in March 2013 will probably further emphasise the EU's desire for a relationship of equals with Southern partners. But it is likely to fall short of questioning some of the EU's basic assumptions, including the feasibility of the EU's proclaimed goals in the region and the effectiveness of its current instruments and institutions.

The greatest challenge for EU MENA policies in 2013 lies at home. With economic and political uncertainty prevailing on both shores of the Mediterranean, there is little political momentum to launch grand new strategies. Newly accountable to their electorates, North African governments want a more balanced relationship with their European partners. But in the current climate, meaningful progress on visa liberalisation and fast-track trade liberalisation seems unlikely. Against this background, and considering that the EU's leverage is slowly being eroded by growing competition from non-Western actors from the Gulf, Russia and China, effective conditionality-based policies appear increasingly unviable.

Keeping transitions on track

The EU's distinctive added-value in supporting MENA democratic transitions is threefold: the technical support it can provide to transitioning governments; the win-win potential of Mediterranean economic cooperation; and its normative appeal as a symbol of democracy, prosperity and sovereignty sharing.

Assisting long-term institution building has been one of the EU's notable strengths in the past, and transitioning MENA governments could benefit from its expertise in areas such as electoral processes, legal advice on constitution writing, judicial reform, transitional justice and security sector reform. Based on their own national experiences, many EU member states are also well placed to provide technical support and expertise to processes of democratisation. Both the EU and its member states have significantly stepped up their offers to Libya, Tunisia and Egypt following their revolutions.

However, the sensitive nature of some areas of political reform has led to a rejection of a number of well-meant EU offers. For example, in the area of security, the EU plans to send two missions to Libya (on humanitarian assistance and training of border security forces), but

broader EU involvement in security sector reform is met with reservations across the region. To varying degrees, ‘foreign meddling’ has been a highly sensitive issue in all Arab transitions. Fears of reducing the legitimacy of an initiative or institution, by linking it to assistance even remotely suspected to carry foreign agendas, often weigh heavier than the need for technical support, expertise or money.

The EU can provide technical assistance in institution building on many other issues. Across the region, the EU has pledged technical support in education and vocational training, the rule of law, the development of small and medium enterprises (SMEs) and job creation, health, civil society, and migration. Young parliaments in the region receive EU technical support on parliamentary development and state building. The Council of Europe’s Venice Commission provides advice on constitution writing to the General National Congress (GNC) of Libya and the Constituent Assembly of Tunisia. Electoral assistance and/or observation have been provided in Tunisia, Morocco, Algeria and Libya. Capacity building for political parties and parliaments remains an underdeveloped yet crucial area – considering political sensitivities, such efforts should be fully inclusive, balanced and transparent.

Technical cooperation has its limits, however: it can help implement political decisions, but not replace them. The EU’s pledge for a ‘partnership with the people’ through people-to-people exchanges is well meant, but its impact depends greatly on the willingness of EU member states to get serious about mobility. The positive impact of a new financial instrument such as the Civil Society Facility can easily be undermined by a lack of political support, such as the EU’s failure to ensure the inclusion of fully independent Egyptian civil society groups in a November 2012 meeting of the EU-Egypt task force.

The stability of Arab democratic transitions depends on economic delivery, so helping Southern economies get on their feet is a top priority. With an ambitious investment in balanced economic integration, the

EU has a chance to safeguard its long-term influence in its immediate neighbourhood, and help both shores out of their current difficulties. This does not only involve aid, investment and market access, but also enabling Southern economies to take advantage of potential trade liberalisation. Despite lots of lip service, however, EU member states are reluctant to advance on mobility and to better adapt trade liberalisation projects to Southern priorities. The EU's ambition to establish a Euro-Mediterranean free trade area via a series of bilateral Deep and Comprehensive Free Trade Agreements (DCFTAs), requiring partners to adopt the EU's full set of market rules, is of limited attraction for Southern countries that are struggling with enormous economic and political challenges. DCFTAs are being considered with Tunisia and Morocco. Other countries such as Egypt have rejected the offer, asking for more immediate benefits instead. In the present environment, free trade offers should be kept as slim and targeted as possible to encourage the reduction of tariff and non-tariff trade barriers most relevant to growth.

The EU's ability to project values-based soft power has been its greatest added-value in its neighbourhood. However, nothing harms its reputation as much as hypocritical double-speak, which erodes the EU's credibility as a self-proclaimed normative actor. Acknowledging the inevitable constraints of a 'normative' foreign policy by spelling out legitimate interests is a fundamental pre-condition for launching a more credible and effective approach to relations with Southern neighbours. EU leaders, therefore, should define EU interests in ways that do not replace but reinforce EU values.

Steps forward in 2013

2013 will be crunch time for the EU to deliver on the pledges made in 2011 and show by deeds, not words, that it has learned its lessons from the Arab spring. Even assuming that 2013 will bring no significant headway on mobility or markets, there is still a lot the EU can do.

The structural economic dependence of Southern Mediterranean countries on the EU will preserve the Union's influence for some time to come. However, there is no reason to assume that conditionality-based policies that have failed to incentivise 'deep' political reform in the past should succeed now. The failure of conditionality-based policies that lack political backing and incentives to mobilise domestic constituencies is a lesson that EU member states have yet to learn.

Europeans should continue to raise concerns about democratic fundamentals and reiterate offers for assistance. New democratically elected leaders should be both supported in their reform efforts and critically watched. In 2013, the EU should try to help de-polarise Southern Mediterranean politics, by monitoring all political actors with the same level of democratic scrutiny, judging them on actions not rhetoric. Now that Egypt and other Arab players are starting to reclaim geo-political influence, Europeans must not fall into their old habit of trading geo-political support for domestic forbearance. Tunisia can provide a positive example, but the Arab world looks to Egypt, and whatever trade-offs are made there will condition the EU's credibility on 'supporting Arab democracy'.

The EU's approach of heavily institutionalised integration with its Southern neighbourhood is reaching its limits. If transitions are to bear fruit, Arab governments need to deliver quick economic relief to their citizens, which the EU's heavy cooperation schemes cannot provide. Starting from specific shared goals rather than institutions and instruments, the EU should seek to develop a broader package of flexible cooperation schemes. Such schemes could use more accommodating options for economic integration, advance shared interests such as energy cooperation, and address pressing regional security challenges. Differentiation and flexible alliances should create positive new dynamics in the short term, and help develop longer-term momentum for deeper institutionalised EU-Mediterranean cooperation in the future.

6. The Middle East conundrum

Ana Echagië and Barah Mikail

The European Union's (EU) policy towards the Middle East is highly fragmented. Its epicentre is the flagship European Neighbourhood Policy (ENP), whose Southern dimension builds on an institutionalised Euro-Mediterranean framework. In contrast, policy towards the rest of the Middle East is less structured, at times divisive and in some instances barely defined. The response to the Arab uprisings, while adequate, has been unambitious and somewhat slow. Efforts to address the Syrian crisis have shown unity of purpose, although with meagre results so far. Policy towards the Middle East peace process is atrophied, in part because of member states' divergent perspectives. Engagement with the Gulf, with the exception of Iran, is so low key it is hardly visible. Such fragmented and uneven policy is inefficient as it fails to take into account the political and economic links between Maghreb, Mashreq and Gulf countries. The EU should adopt a more strategic approach to this region, addressing the connected crises and taking into account the growing role of regional powers and external actors.

Strategic context and challenges

The Arab uprisings have had a profound impact on the geo-politics of the region. Its reverberations are still being felt, most devastatingly in Syria but also in Yemen, Bahrain and to a lesser degree in Jordan, Kuwait and Saudi Arabia. The countries in transition are at the start of a long process of reform, the outcome of which is less than assured and is likely to create uncertainty and instability. Their new-found self-confidence will lead to a diversification of their foreign policy relations away from the traditional favouring of the West by the previous regimes.

Egypt has already stepped up its game by trying, albeit unsuccessfully so far, to broker a regional solution to the Syrian crisis with the help of Iran, Saudi Arabia and Turkey. The Islamist nature of the new governments will also have regional implications. The once strategic relationship between Egypt and Israel will become more nuanced, as the recent crisis in Gaza has demonstrated. The outcome of the conflict in Syria will be a key determinant in the dynamics of alliances in the region.

Despite their unease at witnessing the fall of fellow autocrats and the rise of political Islam, the Gulf States have been increasingly active players in the turmoil that has shaken the Arab world over the past two years. Saudi Arabia and Qatar, in particular, have increased their regional assertiveness and diplomatic profiles. They were at the forefront of calls for an international intervention in Libya and have been active in the transition process in Yemen and in calling for support to the Syrian opposition.

All this has played out against the backdrop of increasing Iranian and Saudi regional rivalry and deepening sectarian cleavages. Beyond genuine balance-of-power concerns, Gulf accusations of Iranian inspiration behind the popular uprisings in Bahrain,

the Saudi Eastern provinces or Yemen is a well-worn tactic to delegitimise protests. But externalising the causes of the protests, and de-legitimising the Shiite opposition, is a dangerous exercise since it increases sectarian tensions.

EU foreign policy in the Middle East

The EU's fragmented approach towards the Middle East has seen different levels of engagement on different issues and regions. In North Africa, the uprisings obliged the EU to revise its main policy framework after failing to foresee and being slow to support the internal political dynamics. But the revised ENP continues to be a highly institutionalised Euro-Mediterranean framework, which limits EU actions to its immediate neighbourhood and excludes potentially inter-linked adjoining regions such as the Arabian Peninsula.

In contrast, relations with the Gulf Cooperation Council (GCC) and its member states are much less institutionalised, low key and focused on commercial issues. The EU has struggled for more than a decade to agree on a free trade agreement (FTA) with the GCC, while member states fiercely compete for lucrative defence and commercial contracts. Giving up on the FTA, in June 2010 the EU-GCC Joint Ministerial Council adopted a Joint Action Programme that emphasises cooperation on issues such as the economy, energy and transport, but neglects the more political and strategic dimensions, including cooperation on regional crises. Some Gulf and EU foreign policy goals are aligned, be it in Palestine, Lebanon, Iran, Iraq or Yemen. Furthermore, the EU and GCC have shared security concerns such as energy security, terrorism or the proliferation of weapons of mass destruction (WMDs), which should be addressed at the regional level. Finally, such strategic neglect encourages the perception of the Gulf as an exception, weakening support to reform efforts in this region.

The determination the EU has shown in dealing with Syria, including 20 rounds of sanctions on the regime, has not yet translated into an effective response to the crisis. Faced with stalemate at the UN, the EU has hesitated on offering more concrete support to the insurgency as the Gulf countries have done. It was mainly the United States' (US) prodding that urged the Syrian opposition to form a new umbrella group. In November 2012, both France and Britain recognised the National Coalition of Syrian Revolutionary and Opposition Forces as the legitimate representative of the Syrian people (a position adopted by the Foreign Affairs Council in December) and signalled their intention for a more robust involvement in the crisis, but – at the time of writing – this involvement had yet to be defined. Certainly, any use by the Syrian regime of chemical weapons would be a game-changer and would likely provoke a more robust international response.

Likewise, on Iran the EU has been disciplined about imposing economic sanctions, but a negotiated compromise palatable to both the US and Iran still seems some way away. After the 2012 US elections, EU-led – on behalf of the five United Nations Security Council (UNSC) permanent members plus Germany, known as the P5+1 – nuclear talks with the Iranians were mooted to take place at the end of 2012 or beginning of 2013.

The Arab spring saw the Israeli-Palestinian conflict relegated to the background if not neglected. Even during the last flare up in Gaza in November, the EU was conspicuously absent. Despite its financial contributions to the Palestinian Authority and its criticism of Israeli settlement policies, the EU continues to upgrade its commercial relations with Israel. Part of the problem is that member states differ in their response to the conflict, a fact which was once again prominently on display at the UN General Assembly vote on Palestine's 'observer state' status that took place in November 2012. Nevertheless, as Israel's positions harden, European member states seem to be inching

towards greater convergence, with only the Czech Republic voting 'No' in this case compared with five 'No' votes against Palestine's application to join the United Nations Educational, Scientific and Cultural Organisation (UNESCO) in 2011.

What to do in 2013?

The EU needs to design a more inclusive and coherent strategy for the region that identifies key areas where it should expend most effort. Given the fluidity of the geo-political environment in the region, the EU should experiment with flexible cooperation clusters (bilateral, multilateral and regional, amongst others) around shared issues, including in some instances external players such as the US, China and Russia. Furthermore, the EU can benefit from its perceived neutrality compared with other international actors.

The EU has looked the other way at the clamp down of protests by Gulf regimes. Bringing the Gulf States into the EU's partnerships and frameworks of cooperation with the Mediterranean offers an opportunity to indirectly help reform dynamics in these more reactionary cases. Plus, greater engagement with the Gulf would counter the closing of ranks in the Gulf States on political reform. But the EU should devote greater resources to the region, such as personnel and funding (there is only one EU delegation to the Gulf, in Riyadh).

The main priority for the EU should be to resume talks with Iran in an effort to avoid war – as threatened by some in the Israeli government and parts of the US congress. The elections in Israel and Iran, along with the harsh impact of sanctions on the Iranian population, will make it all the more difficult to reach an agreement. However, in order to achieve some progress the P5+1 should stop insisting on framing the talks within a strictly 'technical' framework

and acknowledge the geo-strategic context and security issues that are a major concern for Iran. In addition, the P5+1 must stand ready to offer significant incentives beyond technological cooperation.

Piling on punitive measures might bring Iran to the negotiating table, but on its own, it will not lead to changes in Tehran's nuclear programme. The outlines of the deal are well known: some enrichment within limits subject to inspections and monitoring. But to achieve this, sanctions relief must also be offered. To forge a compromise, the P5+1 should consider ways of easing sanctions through appropriate sequencing, safeguards and verification. An agreement with Iran could have the added bonus of alleviating tensions in related conflicts and lead to a general cooling down in the region. It could also persuade Iran to cooperate on Syria, Lebanon and Palestine, as well as Afghanistan.

The potential for the Syrian powder keg to explode beyond its borders requires a more concerted effort, one that draws in Russia and China as well as Turkey and Iran into the process and acknowledges related vulnerabilities in Lebanon, Jordan and Iraq. In the past few months Moscow has repeatedly offered to host an international conference on Syria while, at the same time, refusing to back Kofi Annan's peace plan with sanctions to put additional pressure on the regime. A meeting between US State Secretary Hillary Clinton, Russian Foreign Minister Sergey Lavrov and UN Special Envoy Lakhdar Brahimi in December in Dublin could lead to renewed engagement towards the objective of achieving an internationally monitored ceasefire and an eventual brokered agreement. With France and Britain inching towards greater involvement (and maybe arming the opposition), the EU should be wary of involvement without the backing of the UN Security Council.

The time for a compromise transition between the Syrian regime and the opposition might have passed, but capitulation of the entrenched regime seems just as unlikely. Some form of dialogue or

communication between the Syrian regime and its opponents might be the only way to defuse tensions and limit the bloodshed. The EU could discretely put out feelers on such a possibility to elements of both the regime and the opposition. The EU should also coordinate its support for the opposition with the US, Qatar and Saudi Arabia.

Following the hostilities in Gaza in November 2012 and elections in Israel in January 2013, the coming year will require the EU to back up its vision for the future of the Israeli-Palestinian conflict – as the European Economic Community (EEC) did in 1980 with the Venice declaration that proposed the two-state solution and called for an end to Israeli territorial occupation. Any continuation of Israel's settlement expansion would require the EU and its member states to sharpen their position, and adopt policies consistent with their stated support for 1967 borders as a basis for renewed peace talks. If necessary, the EU should be prepared to pass legislation on labelling and eventually banning products from Israeli settlements, in accordance with international law.

An EU common policy should include cautious dialogue with Hamas, the encouragement of Fatah and Hamas to form a national unity government and Palestinian capacity and institution building. While a common European approach will be insufficient to resolve the conflict without firm US engagement, it would send an important signal that the EU is strongly committed to supporting any real revival of the Middle East peace process.

Conclusion

The Arab uprisings have underlined the need for a renewal of European foreign policy in the Middle East. A more strategic approach, one that recognises the regional links and vulnerabilities should be crafted. To do so, the EU will need to make policy choices about all major issues

and not simply sideline those on which it cannot reach an agreement. Fine-tuning the approach to Iran through a better balance of sanctions and incentives might offer an opportunity to start to unravel all these connected conflicts. Potential regional flare-ups during 2013 could include Lebanon, Jordan, Iraq and Bahrain. To help prevent such potential conflicts, the EU will need to work more effectively with regional and external powers. Cultivating closer ties with the Gulf States could be one way of deepening its relations in the region, but the EU should also work with Egypt, Turkey and even Russia in their attempts to reach solutions to regional conflicts.

7. From the Sahel to Somalia: responding to crises

Damien Helly

From the Sahel to the Horn of Africa, a number of crises have been on the European Union's (EU) agenda for several years. Weak and often corrupt governments have allowed organised crime (including pirates), separatists and violent Islamist movements to flourish in areas also marked by strong poverty. This has resulted in enduring armed violence and humanitarian crises. These crises may not be high on the global geo-strategic agenda but they have deep roots, carry large human costs, threaten the interests of the EU, and risk producing negative spill-overs in a fragile region bordering the Union's neighbourhood. The EU can fully contribute, in support of and in close coordination with African stakeholders, to managing these crises through broad, yet tailored, responses that address both the immediate threats and the deeper causes of chronic instability.

The Sahel

The complex crisis in the Sahel region – countries bordering the Sahara – will be high on the European agenda in 2013. Various challenges are intertwined: political instability in Mali and state

fragility throughout the region; the occupation of Northern Mali by a mix of radical Islamists and Tuareg separatist movements; a complex humanitarian emergency, with around 200,000 internally displaced persons and 150,000 refugees according to the United Nations (UN); and food insecurity. The convulsion of post-war Libya dynamics and Algerian influence further complicate the geo-political context, affecting European interests in the region.

The EU is increasingly involved in addressing these multiple crisis factors and can make a positive difference on the ground. However, it needs to devise a coherent and proactive approach to coordinate the range of instruments at its disposal and the agendas of its member states. France's role, in particular, with extensive energy interests in the region, and historically close political ties to local governments, is absolutely central. In contrast to other theatres, Europe's problem is not a shortage of resources. The amount of aid devoted to the region since 2008, combining estimates for European Commission funding, including from the European Development Fund (EDF), and resources mobilised for the Sahel strategy up to 2013, is massive: over €1.2 billion. But, perhaps with the exception of humanitarian aid, this considerable investment will hardly have a tangible impact during 2013. For example, due to Mali's internal political turmoil, some EU aid projects have already been suspended.

In late 2011, the EU adopted a comprehensive regional strategy for the Sahel. The strategy combines peace-building, stabilisation and conflict prevention programmes, but their design should be reviewed because of the deteriorating situation on the ground. The EU has deployed a security-sector-reform mission, EUCAP Sahel Niger, under its Common Security and Defence Policy (CSDP), and is currently discussing the planning of another mission, EUTM Mali, to train Malian forces. These missions should be coordinated with other EU and nationally-funded development programmes – for example, the EU funds a regional programme on counter-terrorism through its

Instrument for Stability (IfS); and Denmark finances a peace-building project in Mali implemented by the Centre for Humanitarian Dialogue aiming at, among other goals, mediation, dialogue and conflict resolution. The EU has appointed a Sahel coordinator to give political direction to all these efforts, but the mandate of the position – which sits in the European External Action Service (EEAS) – is unclear.

The EU, working closely with France, seeks to help African organisations – notably the African Union (AU) and the Economic Community of West African States (ECOWAS) –, governments and societies to support Mali's stabilisation and preserve its territorial integrity as spelled out in UN Security Council resolution 2071. The resolution envisages the intervention of an African (ECOWAS) force in Northern Mali, to help the Malian army recover the occupied territories. This intervention has yet to materialise and may take some time to be launched (if at all). The core objective of EU policy is to contribute to a politically sustainable solution to the governance crisis, while providing humanitarian relief by disbursing aid quickly and effectively. But to ensure that the EU's potential impact in the Sahel is maximised during 2013, progress needs to be made at various levels. First, the crisis in Mali will have to remain high on the EU's agenda at the political level, with foreign ministers regularly reviewing the situation on the ground and the implementation of the strategy.

Second, there needs to be a consensus on what powers are delegated to whom in the complex EU system. Burden-sharing between member states, EU institutions – such as the EEAS, the European Commission's Directorate General EuropeAid Development and Cooperation (DEVCO) and Directorate General Humanitarian Aid (ECHO), along with EU delegations in the Sahel –, and EU policy instruments, like the European Development Fund, the Instrument for Stability and CSDP operations, will have to be coordinated effectively. All this needs to be combined under one chain of command to avoid a piecemeal approach.

Unlike the cases of Sudan and the Horn of Africa, no EU special representative (EUSR) has been appointed yet to deal with the Sahel. However, over time, establishing an EUSR position for the Sahel would prove the best way to combine all EU instruments and ensure coordination with the UN. Indeed, the job of UN special envoy to the Sahel could have been ‘double-hatted’ with that of an EUSR (the current UN special envoy is the former President of the European Commission, Romano Prodi). An EUSR for the Sahel would also act as a regular interlocutor with local governments and regional bodies on behalf of the EU.

Sudan and South Sudan

Sudan and South Sudan have suffered a succession of acute crises: violence in Darfur and its humanitarian consequences (including the international justice aspects, such as the role of the International Criminal Court); the separation of South Sudan and instability there; tensions between Khartoum and Juba; and edgy Northern Sudanese politics. In 2013, most of these issues will stay on the EU’s agenda, with a focus on post-referendum peace efforts between North and South, managing complex humanitarian emergencies and monitoring the pending implementation of the September 2012 Addis Ababa peace agreements (which addresses oil, border, economic and other long-standing disputes). The EU has kept a low profile while decisively engaging in behind-the-scenes diplomatic efforts, and this is likely to continue in 2013.

Potential conflict dynamics in Sudan and South Sudan are unpredictable, but the following trends seem set to continue in 2013: persistent large-scale humanitarian emergencies; delayed – if not vanishing – implementation of the Addis peace agreements; political instability in Sudan following recent coup attempts; and ongoing tensions and violence in South Kordofan and Blue Nile.

The EUSR for Sudan, Rosalind Marsden, has tried to combine EU and member state efforts based on a common strategy that merges diplomacy with development projects in cooperation with humanitarian assistance. One very specific added-value of EU efforts has been political and technical support to the African Union High-Level Implementation Panel (AUHIP or ‘Mbeki panel’), in charge of peace negotiations between Khartoum and Juba. The EU has been able to support AU and UN diplomatic pressure on the peace negotiations, such as their respective roadmaps for Sudan and South Sudan and UN Security Council resolutions.

The EU’s approach to South Sudan is multifaceted; for example, in South Sudan, alongside a number of aid programmes, it has deployed a small CSDP mission (EUAVSEC) to secure Juba airport. Since 2010, the EU has carried out successful joint (Commission and member states together) programming efforts in numerous policy areas, in close coordination with the government in Juba and other international donors. But the deterioration of the situation in South Sudan in early 2012 has temporarily jeopardised the international effort for peace-building and reconstruction. In South Sudan, state fragility will be an enduring challenge, requiring a combination of targeted, tailored and constructive diplomatic pressure, combined with the incentive of potential aid packages.

The Horn of Africa

Somalia has long been the centre of attention of many EU initiatives in the Horn of Africa, and in 2011, the EU adopted a comprehensive strategy for the region. Political instability, conflicts between the Transitional Federal Government (TFG) and Islamist groups and foreign interference have all kept Somalia on the international agenda. The upsurge of piracy in the Indian Ocean from 2008 originated in Somalia and has greatly increased organised crime in the region.

However, some signs of stabilisation are detectable, in part due to EU actions in recent years.

Since the 1990s, the EU has been engaged in Somalia through its humanitarian and development programmes. Its counter-piracy policies have consisted of two CSDP operations: EUNAVFOR Atalanta, which conducts law enforcement at sea covering an area as big as Europe itself; and EUCAP Nestor, which helps build the maritime security capacities of littoral states. The European Commission also has programmes to help improve standards on safety at sea (known as MARE and MOVE). And another CSDP operation, EUTM Somalia (based in Uganda), has trained over 3,000 members of the Somali security forces. The appointment in 2011 of an EUSR for the Horn of Africa, Alexander Rondos, signalled a stepping up of the EU's focus on the region and willingness to implement a comprehensive approach.

A challenge for the EU is that it has not been in the lead of the multi-faceted international effort to stabilise Somalia, although it has greatly supported other multi-lateral efforts. In particular, it has financed the African Union's military operation (AMISOM) supporting the TFG to defeat the Al Shahaab Islamist group. The increase of AMISOM to over 17,000 troops endorsed by the UN will mainly consist of integrating already-deployed Kenyan troops (but not Ethiopian ones) with Burundi, Ugandan and other contingents. Given the existing rivalries between the contributing states for regional leadership, the strengthening of AMISOM may have counter-productive effects. In late 2012, for example, there were concerns about the behaviour of the Somali army and its allies from AMISOM. In this difficult context, the EU is in a position to combine aid and security cooperation with political pressure, persuasion and advice. The EU should monitor and demand if needed that the basic standards of international humanitarian law are applied by AMISOM. But this would require the EU to increase its resources dedicated to monitoring and intelligence.

The EU's role in Somalia in 2013 will depend on regional and international dynamics. Progress will depend on the United States (US), the United Kingdom (UK) and the EU backing stabilisation efforts – and on the EU's contribution to comprehensively support incremental improvements in governance, security and development. Yet, the possibility of an enduring asymmetric war between a strengthened new Somali government and its international allies on one side, and Al Shahaab on the other, should not be excluded. In the worst-case scenario, the conflict could become regionalised (attacks in Kenya and Uganda and, to a lesser extent, in Ethiopia). For some experts, like the French scholar Roland Marchal, there is even a risk of Al Shabaab's influence spreading throughout the region, connecting with terrorists in the Sahel and the Gulf. This, they say, would be the result of a narrow security-first approach towards Somali challenges not attentive enough to the need for genuinely legitimate Somali state structures.

The EU should avoid getting dragged into a security-driven approach in Somalia, promoted by some African and Western counter-terrorism hawks. The EU, especially through its EUSR, has contributed, and should continue doing so, to an international, comprehensive, realistic, and long-term approach. During 2013, the EU should build on its existing array of activities in and around the Horn of Africa, with a view to anticipating and coping with an even wider range of intertwined regional issues and challenges. These could include arms flows and other types of trafficking to and from the Gulf and Arab countries, counter-piracy efforts on land, and external interference in Somali clan and regional politics.

Conclusion

The crises in Mali, Sudan and Somalia are, unfortunately, here to stay. The plan to recover the occupied territory in Northern Mali, if implemented, will take time. In Sudan and South Sudan,

uncertain politics and state fragility will remain a major factor of uncertainty. In Somalia, peace dividends remain precarious. The EU has demonstrated some consistency and coherence in its political approach to these cases. But to be effective during 2013, it will need more unity of action and to proactively anticipate looming challenges. In Sudan and Somalia, as much as in the Sahel, the EU will not only need a clear political strategy fully supported by member states; EU institutions will also need to better coordinate their contributions to crisis response, peace-building and conflict resolution.

8. Central Asia: values, security and development

Jos Boonstra

Introduction

Central Asia and Afghanistan share common vulnerabilities and an uncertain future. Over the next two years, as the North Atlantic Treaty Organisation (NATO) withdraws its forces from Afghanistan, Central Asia will be the main transit route out of that troubled country. The European Union (EU), which is not directly involved in NATO's drawdown but has a Central Asia policy, needs to look beyond 2014 and further nurture its ties with Central Asia, also to the benefit of Afghanistan's future. Stability and development in Afghanistan and Central Asia are of interest to Europe because potential Arab spring-style uprisings in the region could have a direct impact on the EU and its partners; massive drug flows already do. The EU should use 2013 to start building the post-2014 agenda and taking a more joined-up approach to the two theatres.

EU foreign policy towards Central Asia is grounded in the EU Strategy for Central Asia adopted in 2007. Most EU member states largely delegate their Central Asian policies and development aid to the EU. The EU's approach to Central Asia is distinctive compared

with that of other more influential external actors, foremost China, Russia and the US. But to have an impact, the EU will have to make choices on where it can make a difference. Next to political engagement, the EU should adopt policies delivering sustainable socio-economic development and security over the long term.

The EU's approach to Central Asia

The 'EU and Central Asia: Strategy for a New Partnership' commemorated its fifth anniversary last summer with an in-depth review of the EU's approach. The European Council concluded that the Strategy was still valid and that no substantial changes were necessary. This was a missed opportunity because the region has changed over the past five years. Initially, the incentive to establish closer ties with Central Asia came from expected energy gains – mostly potential gas from Turkmenistan. These opportunities have since faded and security worries have become the main driver of EU policies towards the region. The Strategy's concerns range from energy and trade to democracy and human rights, as well as education and security, but should be fine-tuned and probably limited to a few tangible priorities.

The benefits of the EU's investment in the region so far have been limited. The human rights situation has not improved; democratic credentials have only weakened; there is little interest among European companies to invest in Central Asia (besides Kazakhstan that shows substantial economic growth); and cooperation in other areas rarely moves beyond talk shops. But there have also been a few important developments. The EU has opened new delegations in Kyrgyzstan, Tajikistan and Uzbekistan; set up regional cooperation structures on the environment and water, education, and the rule of law; and holds regular 'Human Rights Dialogues' with the Central Asian states. Such steps set the stage for moving towards a more effective partnership, engaging not only Central Asia's authoritarian leaderships but also citizens at large.

European governments have been generally happy for the EU to raise human rights matters, pursue energy agreements and assess the potential negative spill-over effects from Afghanistan, since most countries in the region are not their priority. The two exceptions to this observation are Kazakhstan and Germany. Almost all European countries take a keen interest in the booming economy of Kazakhstan and its large fossil reserves. Most EU governments have opened embassies in Astana with a focus on trade and economic cooperation. Meanwhile, Germany has taken a broader interest in Central Asia that predates the EU Strategy. It has embassies in all five Central Asian states as well as a large number of representatives from German development agencies and political foundations on the ground. Germany also rents a military base in the south of Uzbekistan at Termez that is used as a hub for its troops in northern Afghanistan. Whereas the EU is largely expected to represent most of its member states in Central Asia, Germany has been the main initiator of EU policies while keeping a substantial national presence.

Meanwhile, European engagement in Afghanistan is largely the prerogative of NATO, although European governments have provided substantial assistance and deployed training missions (including through the EU). While the EU (and Germany) plays a primary role in framing and implementing Europe's approach to Central Asia, the Union's role in the multinational effort in Afghanistan is secondary to those of national actors and other international organisations.

US policies towards Central Asia derive from its focus on Afghanistan. The US New Silk Road initiative, which seeks to spur economic development and cooperation, looks at a very broad region connected to South and East Asia, with Afghanistan at its core. In contrast, the EU tends to see Central Asia as the 'former Soviet Union' and an extension of its neighbourhood policy and Eastern Partnership (Central Asia could be defined as the 'neighbours of the neighbours'). The challenge for EU policy is to find an effective middle road between its regional approach to Central Asia and

incorporating Afghanistan (and possibly Turkey, the South Caucasus and other Asian countries) into its policies when relevant.

Even so, the EU needs to analyse threats to broader regional security carefully, because most security challenges to Central Asia do not stem from Afghanistan's uncertain future, but lie in Central Asia itself. These home grown threats are likely to become more volatile in 2013 and include tense relations between Central Asian states over resources; potential ethnic tensions in the Fergana Valley where Kyrgyzstan, Tajikistan and Uzbekistan share borders and large minorities; national oriented radical Islamist movements; poverty; unemployment; endemic corruption; and poor governance.

Maximising impact with limited means

If the EU wants to play a positive role in Central Asia that would also have a beneficial impact on the broader region, including Afghanistan, it needs to focus on three things: a values-based approach, long-term security, and the impact of development aid.

A values-based approach

The EU Strategy highlights the importance of supporting democracy, human rights, the rule of law and good governance. For instance, in recent years EU projects to strengthen governance structures have been initiated under the 'Non-State Actors' programme. The rule of law has been taken up through a regional initiative and the subsequent 'Rule of Law Platform', and Human Rights Dialogues are held annually with Central Asian governments. Democracy, however, has not received such direct attention because of the unease of Central Asian dictatorial regimes with the concept. Furthermore, none of these EU initiatives has yet resulted in any concrete governance reforms or improvements in human rights practices.

Still, the EU should avoid separating universal values from other policy fields such as trade, energy and security. There is already a tendency by the EU and Central Asian governments to regard the Human Rights Dialogues as a painstaking annual obligation. A values-based approach should be entrenched in all EU engagement with Central Asian authorities. After all, these values are what distinguishes the EU from other powerful external actors and encapsulates the attraction of Europe as a partner for the region. The EU will not become a hard security actor in Central Asia like Russia or the United States – because of its presence in Afghanistan –, nor a powerhouse of investment in infrastructure and energy like China.

The EU should also bear in mind that the current dictatorships might be challenged by democratic movements over the coming decade, simulating recent developments in North African and Middle Eastern countries. The EU should make sure that it will be an acceptable and legitimate partner for potential new (and hopefully more democratic) leaders, by having taken a fair but critical stance towards current regimes. The June 2012 EU ‘Strategic Framework and Action Plan on Human Rights and Democracy’ stresses the need to integrate democracy and human rights in all EU external engagement. This would serve as a good basis in 2013 to assess EU policies in Central Asia and establish a genuine values-based approach.

Getting security right, long-term

In the 2012 review of the EU Central Asia Strategy, the potential threats from terrorism and Afghanistan were emphasised. But terrorism and spill-over effects from Afghanistan are stressed by Central Asian leaders to distract attention from more urgent local threats to security and stability. The EU should seek to address the hard socio-economic and political conditions that are the roots of more immediate security threats. A long-term human security approach focusing on the need for sound migration policies, anti-

poverty, anti-corruption, and good governance should be the basis for the EU's security engagement.

Another security-related matter that will need to be reconsidered in 2013 is porous borders in Central Asia and with Afghanistan. The border between Afghanistan and Tajikistan is of particular concern to the EU and many other international donors to border management – United Nation (UN), the Organisation for Security and Cooperation in Europe (OSCE), Russia and the US. But providing material to Tajik border agencies and offering training over the past decade has not resulted in higher levels of drug seizures, nor increased cross-border trade and development. In the Tajik case, regime elites are implicated in the drug trade and, while welcoming more equipment, they want to avoid a real overhaul of border management. As a result, the EU-funded programme on the Tajik-Afghan border (known as BOMCA) will now seek to step up training and provide less hardware. Since the EU is unlikely to deploy a mission to help control the Afghan-Tajik border, as it has done on the Ukrainian-Moldovan border, it should revisit the basic objectives and expected deliverables of BOMCA.

Doing more development aid

EU assistance to the region via the Development Cooperation Instrument (DCI) amounted to €750 million between 2007 and 2013. But it has been spread thinly over five countries and many priorities. The average amount of €20 million a year per country seems modest at first sight. However, considering the low absorption capacity of Central Asian countries, these amounts of funding can also be regarded as fairly substantial. Moreover, the overall amount of European assistance to the region doubles when adding small contributions from other EU instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the national development aid activities by EU member states. Most of the DCI funding is allocated to regional initiatives; sectoral budget

support in the case of Kyrgyzstan and Tajikistan; and a host of projects where a large part of the money is swallowed up by Western consultancy firms.

2013 will offer an opportunity to strengthen the EU's development approach as the current seven-year cycle ends and a new cycle of the DCI starts. The overall levels of funding to Central Asia will probably remain constant, although bilateral funding will be focused increasingly on Kyrgyzstan and Tajikistan. EU resources would be best devoted to supporting socio-economic projects, giving priority to civil society organisations instead of corrupt national bureaucracies. Most importantly, EU funding provided through the European Commission's Directorate General EuropeAid Development and Cooperation (DEVCO) should be further aligned with the political strategy implemented by the European External Action Service (EEAS). On a regional basis, Afghanistan should be included in some activities, such as cross-border water and environment projects, and the BOMCA border assistance programme could be merged with counterpart projects in Afghanistan.

Conclusion

The EU is not a major actor in either Afghanistan or Central Asia, but it can be a relevant player if it sets its priorities right and plays to its strengths. In Central Asia these strengths lie in a values-based approach; human security initiatives that link security to socio-economic and political dimensions; and a simple and lean development policy. During 2013, the EU will have to start planning for the impact of the drawdown of NATO forces in Afghanistan after 2014, and prepare for future security threats in the Central Asian region.

9. East Asia: work in progress

Gauri Khandekar

Europe needs to redefine its place in East Asia, a region that is growing both richer and less secure. The European Union (EU) faces increasing competition in Asia from both international and regional actors, at a time when the financial crisis has weakened its image internationally. While its attractiveness has been waning, the Union remains a desirable partner in East Asia. Europe is Asia's largest source of foreign investment and official development assistance (ODA). Trade with East Asia was more than 27 per cent of the EU's external trade in 2010, and the Union is East Asia's largest external trading partner. Plus, the EU and its member states combined have the most extensive diplomatic network in the region. Alongside progress on critical trade and investment issues, the EU will have to continue to upgrade its political engagement in support of stability in a region fraught with tensions.

Trade and investment

Free trade agreements (FTA) with Singapore and Malaysia may be signed during 2013 that could work into an eventual FTA between the EU and the Association of Southeast Asian Nations (ASEAN). The EU

also aims to start FTA negotiations at the EU-Japan summit in the spring of 2013 and to launch talks on an Investment Agreement with China.

Concurrently, EU member states are making significant efforts to boost their trade with East Asian countries, with Germany in the lead. Not only does Germany account for nearly half of EU exports to China, it also absorbs over a quarter of Chinese imports into the EU. After China, Japan and South Korea are Germany's leading economic and trading partners in Asia. British exports to ASEAN members are far greater than those to any of the BRICS – Brazil, Russia, India, China and South Africa – countries (twice as much that to India and over four times the exports to Brazil), and the UK aims to double trade volumes in the next five years. France has also made concerted efforts across East Asia. Despite a big deficit with China (€25 billion), French exports to China grew by 22 per cent in 2011. Singapore is France's third-largest trading partner in Asia and over 300 French businesses are operating in Vietnam. There have also been growing linkages between East Asia and Eastern European member states, where Asian countries are increasingly taking advantage of low corporate taxes and labour costs.

However, the scale and speed of developments within Asia outpace European engagement. Intra-regional trade is growing strongly and stands at 57.3 per cent, compared to 67.2 per cent in the EU. Plus, Asia has witnessed a proliferation of FTAs: from 53 in 2000 to more than 250 in various stages of development in 2012, of which 150 are intra-regional. There are also plans for extensive plurilateral regional free trade initiatives. Japan, China and South Korea will soon begin negotiations on a trilateral FTA while the ASEAN-sponsored framework on Regional Comprehensive Economic Partnership (RCEP) aims to create a large free trade area including current ASEAN FTA partners (such as China, Japan, South Korea and India), leading to a market with a combined Gross Domestic Product (GDP) of \$23 trillion. A US-backed initiative, the Trans-

Pacific Partnership (TPP) might pave the way for a Free Trade Area of the Asia-Pacific (FTAAP) over time. The EU has no similar initiative on the same scale.

Alongside these rapid developments, progress on the EU's commercial relationship with Asia has been relatively sobering. An FTA project with ASEAN initiated in 2007 was dropped two years into negotiations because of political blockages regarding Burma. The EU's insistence on near-perfect and comprehensive FTAs has not proved very effective and its financial crisis has significantly lowered its leverage. Scoping exercises are ongoing with Thailand, but are yet to begin with Brunei, Indonesia and the Philippines. So far, the EU has signed only one FTA, with South Korea, and the ratification process is pending due to concerns in the European automobile industry. The EU is slowly being unseated from its position as lead trading partner of most Asian nations, mainly by China. While trade policy is a major instrument of EU foreign policy, it remains an undervalued asset. Distinct initiatives in this domain need to be set within a broader strategic vision of the EU's place in a changing region over the medium term, while taking into account concurrent regional endeavours.

However, the financial crisis has been a wake-up call for Asian governments to diversify their trade, so as to avoid too much dependence on any one partner. In the context of evolving Asia-Pacific geo-politics, this might provide opportunities for the EU. China's trade with the United States (US) and Japan is significant, but political relations with both will likely remain turbulent. Beijing, therefore, will likely continue to balance the US and Japan with the EU. Deloitte reports that in 2012, the EU became the top overseas investment destination for Chinese companies, growing 63 per cent from the previous year. 2011 investments amounted to €7.9 billion, and already stood at €5.4 billion in the first half of 2012. Growing Chinese assertiveness in the region will probably induce other Asian

nations, especially ASEAN members, to seek better relations with the EU, while avoiding a stark choice between the US and China.

During 2013, the EU should renew momentum behind its ongoing FTA negotiations with ASEAN members, set an EU-ASEAN free trade agreement as an ambitious medium-term goal, start FTA negotiations with Japan and launch talks with China on an Investment Agreement.

Political and security relations

Evolving geo-politics in East Asia have fuelled debate in the EU about its own role in the region. The re-election of US President Barack Obama will mean a continuation of Washington's Asia 'pivot' strategy. The new Chinese leadership will start to shape its approach to the region and external partners. Plus, important elections will also take place in Japan and the Philippines during 2013.

Security will surely shift upwards on the regional agenda. Despite deeply integrated economies, relations between Asian nations remain frictional with a high degree of mutual suspicion. China in particular is increasingly wary of US involvement. Some countries in the region fear that a larger US presence could create mistrust, while others worry about growing Chinese assertiveness. Territorial disputes in the South and East China Seas will remain tense and have already raised the prospect of conflict between Asia-Pacific countries. In addition, Asia is the fastest growing region for military spending. Defence spending across Southeast Asia rose by 13.5 per cent in 2011 to \$24.5 billion and is expected to reach \$40 billion by 2016. China is the largest arms importer in the world, followed by South Korea in fourth place and Singapore in fifth. Indonesia's defence spending has almost quadrupled in the past six years. And the US is re-balancing its military deployments towards the Asia-Pacific region.

The EU will not play a significant role in the region's military balance. However, the EU's political engagement of East Asia gained traction in 2012 through high-level engagement in various bilateral and regional summits and dialogues, including the signing of the Treaty of Amity and Cooperation, which is expected to pave the way for EU membership of the East Asia summit, a leading security-oriented platform.

The EU should beef up its cooperation on various politico-security challenges with an array of Asian partners. Foreign policy dialogues and cooperation on a variety of security issues, such as counter-terrorism, cyber terrorism and anti-piracy have taken place; and there is much potential for EU engagement on non-traditional, transnational security threats, such as resource scarcity, food security and illegal trafficking. The EU carries considerable added-value as the only entity which has solid experience in addressing these types of cross-border security challenges whilst balancing sovereignty issues. The EU's experience in dispute settlement through mechanisms that ensure an equitable sharing of resources in the Mediterranean, the Baltic Sea and the Danube could be applied in East Asia, where, for instance, the issue of water management in the Mekong Delta has become important. The same experience could also be useful for disputant states in the South China Sea. Policy-makers in Southeast Asia acknowledge that the EU's neutrality and physical distance from the continent makes it an attractive potential partner.

The EU is not yet a major political actor in Asia, but its comparative advantages go beyond managing transnational challenges. The EU and its member states are the largest ODA donors to Asia (€53.15 billion, more than double the US at €22.1 billion) and the Union has provided disaster relief aid of some €52.6 million in 2012. On top of this, the EU is well placed to foster dialogue with regional bodies, supporting multilateral cooperative solutions to regional challenges.

EU-ASEAN relations

ASEAN is a natural partner for the EU since the two bodies share similar values and a distinct approach to regional cooperation. The EU has been instrumental in supporting ASEAN on region building by sharing its own unique experiences. As such, EU-ASEAN relations are relatively broad-based. EU engagement with the bloc has helped in alleviating poverty, building ASEAN institutional and member state capacities, reinforcing conflict management, promoting the protection of human rights and increasing awareness of climate security. The EU is also committed to help construct the ASEAN Economic Community, which aims to transform the group into a single market and production base by 2015.

Europe's participation in various ASEAN-sponsored fora has also buttressed the bloc's emerging role in the region. In contrast, other actors like China and the US are slowly challenging the centrality and unity of ASEAN. The South China Sea dispute, for example, which involves four ASEAN members and China, has led to divisions within the body, testing the less confrontational 'ASEAN way' of dealing with high-profile political disputes. The US trade initiative in the region, the TPP, does not include all ASEAN members. In comparison, the EU appears a less divisive actor and the EU-ASEAN partnership remains free of vested interests.

However, much more needs to be done. A real region-to-region partnership is still missing, as EU relations with individual ASEAN member states remain relatively detached from those with ASEAN as a bloc. Renewing efforts to move towards an EU-ASEAN FTA would help build inter-regional cooperation. Plus, since Asia contains the largest amount of natural disasters in the world – Southeast Asia alone accounts for 60 per cent of natural disasters worldwide, sometimes with dire economic as well as humanitarian consequences – institutionalising EU-ASEAN cooperation on disaster management, risk reduction and emergency response should be high on the 2013 agenda. For example,

the new European Emergency Response Centre (currently under construction) could be linked with the ASEAN Coordinating Centre for Humanitarian Assistance. In addition, the EU is currently the largest aid donor to Burma, and political engagement with that country should be further developed in 2013, in part to support Burma taking on its duties as ASEAN chair in 2014.

2013 can become a pivotal year to strengthen the EU's relations with ASEAN and the Union's role in East Asia at large. There will be a need to maintain the momentum that EU leaders created in 2012 in terms of their political visibility in the region, along with an increased presence in Asia's various multilateral fora, especially those sponsored by ASEAN. The 2012 EU-ASEAN 'Plan of Action' sets the stage for strengthening that bilateral partnership in an evolving geo-political environment by fostering stronger region-to-region cooperation on East Asian and global challenges.

Conclusion

Despite its ongoing financial crisis, the EU remains an attractive external partner in East Asia. The Union needs to leverage its potential with a broad-based and more strategic approach to relations with East Asia. This would include intense political engagement with key countries and multilateral platforms; a greater contribution to build confidence and address security concerns; and a stronger role for EU delegations across the region. Amidst tough competition in Asia, especially with the growth of bilateral and pluri-lateral FTAs, the EU must try to make decisive progress on its own bilateral FTA negotiations during 2013. This should include moving towards an inter-regional free trade agreement with ASEAN, to help build a strategic partnership with the bloc. Further developing the Union's profile in East Asia will require EU institutions and member states to strengthen the coherence of their economic, diplomatic and security policies in the region.

10. How to renew the ‘Europe brand’ in Latin America

Susanne Gratius

The January summit between the European Union (EU) and Latin America in Santiago de Chile and a possible EU-Cuba cooperation agreement will be prominent on the inter-regional agenda during 2013. The Santiago summit offers both Europeans and Latin Americans an opportunity to critically revise their relations, which are in urgent need of improvement and up-grading. The Ibero-American summit, celebrated in November 2012 in Cádiz, Spain, has already begun this exercise by creating a high-level group on the future of the Ibero-American community.

Respected principles but declining presence

The EU should not only compete with China and the United States (US) for markets and political clout in Latin America; it should also renew its distinctive brand in the region. Although its influence is declining, the EU still has a unique and solid position in Latin America. The EU stands out from other external actors due to its experience

of regional integration, its track record in conflict resolution, and its flagship values of democracy, the rule of law and the welfare state.

Based on those principles and achievements, the EU has been a significant player in Latin America, providing an alternative to US influence in the region. Until the end of the 1990s, the US and the EU had been Latin America's most important external partners, pursuing parallel strategies of engagement. Both were committed to different projects: the US pushed for the Free Trade Area of the Americas (FTAA); the EU bet strongly on the Southern Common Market (Mercosur), whose initial objectives followed the European model. In 1995, the US accounted for 60 per cent of Latin America's commercial flows, and the EU represented 25 per cent. Both Washington and Brussels began organising summits with a region that featured prominently on their international agendas.

This has all since changed. Now the US represents 40 per cent of Latin American trade and the EU accounts for only 14 per cent (the same as Asia); summits have lost traction; and big projects such as the FTAA or the EU-Mercosur partnership agreement have either evaporated or are in deadlock. The EU is still Latin America's main external investor and donor – particularly Spain (the second) and Germany (the third) –, but the economic crisis will further diminish these flows.

The 2013 summit in Santiago de Chile will likely pose two questions: how can the EU and its member states work together more effectively in Latin America? And what can the EU do to recover its position and influence in the region? The culturally close but geographically distant region is in some ways a test case for the attractiveness of the EU model of regional integration. Plus, with high economic growth rates across Latin America (an average of 4.3 per cent in 2011 and an estimate of 3.2 per cent in 2012), deepening commerce there could help Europe's economic recovery.

A rising but fragmented Latin America

Latin America is an increasingly complicated area that requires differentiated policies beyond a conventional region-to-region strategy. Apart from the rise of Brazil, expected to be the fifth world economy in 2013, there are other economic success stories in Latin America. Peru, Chile and Colombia attained a much higher growth rate than the estimated regional average in 2012. All of them are increasingly shifting their commerce towards Asia; in each case, China has already become their first or second economic partner.

The more multi-polar world and the diminishing influence of the United States offer Latin American governments more options for their global engagement. First, they can build blocs of their own; second, they can further engage Asia; third, they can maintain their traditional links with the US and Europe. These options are not mutually exclusive, but they have strengthened a trend towards regional fragmentation.

According to the first option, the Latin American and Caribbean Community of Nations (CELAC), created in 2011, could pave the way to a revival of regionalism, albeit on different terms from the focus on economics in the past. However, given enormous differences between member countries and the rivalry between Brazil and Mexico, the emergence of an institutionalised Latin American bloc – which the EU would see favourably – is not a very likely scenario.

The second option, closer links with Asia, has become a reality for many countries. Chile, Mexico and Peru are already members of the Asia-Pacific Economic Cooperation (APEC). Moreover, Chile, Costa Rica and Peru have signed free trade deals with China in recent years. In June 2012, Chile, Colombia, Mexico and Peru established the Pacific Alliance, which will both create a free trade zone (harmonising bilateral agreements) and help coordinate their

trade relations with the Asia-Pacific. This bloc also represents a counter-weight to a declining Mercosur (a customs union bringing together Argentina, Brazil, Paraguay, Uruguay and Venezuela), and a challenge for the Brazil-dominated South American Community of Nations (UNASUR).

The third option, maintaining traditional relations with the United States and Europe, suggests a further division between Central and South America. While Central American countries, including Mexico, would prefer to expand their traditionally strong relations with the United States, South America – especially Mercosur – would like to foster economic relations with the EU. The European presence in South America is still strong. The EU is the largest foreign investor in Mercosur and accounts for more than 20 per cent of its trade. Nonetheless, bloc-to-bloc trade negotiations have long been stalling, and Venezuela's entry into Mercosur in 2012 makes it almost impossible to reach a deal in the foreseeable future, given the current regime's opposition to North-South free trade deals.

Weakening inter-regionalism?

Three factors account for Europe's loss of influence in Latin America. First, the failure of trade negotiations with Mercosur; second, China's growing presence in the region; and third, the EU's economic crisis. The result has been not only reduced visibility and presence of the EU in Latin America, but also the erosion of what could be called the 'Europe brand'.

Paradoxically, this has been happening while a large part of Latin America is adopting policies that Europe has long embraced and promoted beyond its borders. These include building a welfare state (all Latin American governments have increased their spending on social justice), regional cooperation (new initiatives such as CELAC and the

Pacific Alliance) and the peaceful resolution of conflicts (the ongoing Colombian peace process). While there is an increasing demand for European values and concepts in Latin America, the EU seems to be less confident about its ability to exert distinct influence in the region.

EU policy has been shifting from inter-regionalism to bilateralism, shown for instance by the free trade agreements with Mexico (2000), Chile (2002), Colombia and Peru (2012). Plus, the EU has established 'strategic partnerships' with Brazil and Mexico. Bilateral agreements are partly a pragmatic response to inter-regional stalemates, but they also ape the narrower approach of other external powers like China and the US, and suggest a shift away from supporting Latin American integration. For example, it is important to acknowledge the weight of new powers, but the EU's strategic partnership with Brazil has not helped EU-Mercosur trade negotiations.

This trend towards bilateralism is also partly a response to the increasing weight of certain EU member states. Beyond Spain, Latin America's other main European economic partners, such as Germany and the United Kingdom (UK), have renewed their commitment there. Greater member state involvement in Latin America is a positive development, but it also carries the risk of weakening the EU's political profile in the region.

A multi-level strategy towards Latin America

The EU should not simply replace regional cooperation with privileged partnerships with Latin America's most important countries (Brazil, Colombia, Chile, Mexico and Peru), especially when regional coordination is making progress within UNASUR and CELAC. Distinguishing between two types of partners (more and less strategic) could send the message that the EU prefers bilateralism to regional integration.

The challenge for Europe is to re-engage a fragmented but rising Latin America without losing the attractiveness of its brand: regional integration, social market economy and peaceful conflict resolution. In other words, there is a need to pave a new path between ‘business as usual’ and a more differentiated, multi-level approach. Although the EU has begun to pursue engagement with Latin America along regional, sub-regional and bilateral lines, there is no clear division of labour between these different tracks. The EU needs to define a more coherent approach encompassing different modes of cooperation and focusing on issues where it carries comparative advantages.

Renovate the summits

Santiago de Chile will be the first test case for a new regional format: EU-CELAC. These summits should not only discuss EU development projects in Latin America – an increasingly outdated North-South approach – but should also be used to debate regional issues in both Latin America and the EU (drugs, regional integration, economic crisis and social cohesion, amongst others). While Europeans can offer their experience with welfare models, Europe could also learn from Latin American experiences, particularly from Brazil’s unorthodox economic policy mix. With a view to the next G20 summit in 2013 in Russia, the EU should launch a regular economic and financial dialogue with Argentina, and strengthen those with Brazil and Mexico.

Modify sub-regional and sectoral dialogues

The EU should engage with new sub-regional groupings such as UNASUR or the Pacific Alliance that have begun to replace older formats like Mercosur and the Andean Community, and continue to work with two smaller blocs, namely the Caribbean Community (Caricom) and the Central American Integration System (SICA).

The dialogue with UNASUR should concentrate on infrastructure, security and the drugs problem, while China should be a key topic for consultations with the Pacific Alliance. A more flexible approach should be applied to sectoral dialogues (climate change, drugs, social cohesion, environment, migration) where an inter-regional format may not always be the most suitable. For example, climate issues could be addressed with Brazil and Mexico, drugs with the Andean countries and Mexico, social cohesion with sub-regional entities, and migration with Ecuador, Colombia and Argentina.

Targeting bilateral relations

The EU has pursued multiple forms of bilateralism in Latin America. Beyond Caricom and SICA, trade and investment are discussed in bilateral formats with those countries that have already signed free trade agreements (FTAs). Moreover, given their political weight Brazil and Mexico are singled out as ‘strategic partners’ of the EU. Strategic partners should engage on global topics, such as climate change, development, international conflicts or the reform of the United Nations (UN) and the future of the financial system. On some issues like development, it could even be useful to have a trilateral dialogue between the EU, Brazil and Mexico.

A further bilateral challenge will be negotiations with Cuba. The EU has decided to explore (for a second time) an agreement with Cuba in recognition of the economic reform process undertaken under Raúl Castro. An EU-Cuba cooperation agreement would last beyond the Castro regime. But a bilateral formula with Cuba during 2013 could send the wrong message: the EU singling out a country with an authoritarian regime instead of abiding by regional commitments. The EU, therefore, should negotiate with Havana bilaterally, but link such negotiations to the 2008 inter-regional agreement with Caricom.

Addressing security challenges

In 2013, drugs will be the major concern of President Enrique Peña Nieto in Mexico. The lucrative cocaine business has contributed to high levels of insecurity in the region with violence reaching record levels in parts of Mexico, El Salvador, Honduras, Guatemala and Venezuela. The EU is Latin America's second and fastest growing market for cocaine. An open and regular transatlantic debate on drugs policy between the Americas, Africa and Europe is required. The preventive and comprehensive drugs policy successfully introduced in many EU member states can provide a useful basis for sharing experiences with Latin American countries such as Mexico that have been experimenting with similar approaches.

Conclusion

The January 2013 EU-CELAC summit offers the EU an opportunity to rethink its approach to Latin America, and address the future of relations between the two regions. In the course of 2013 and beyond, the EU should renew its brand in Latin America by adopting a multi-level, flexible and differentiated strategy to better respond to the ongoing changes in the region. This means shaping a new model of cooperation with Latin America that builds on the EU's unique features and renews its attractiveness.

11. The EU-US partnership: a crisis, a challenge and an opportunity

Thomas Wright

How can the European Union (EU) work with the United States (US) to best protect and advance its interests? As European leaders assess their foreign policy agenda for 2013, they must clearly define Europe's interests amidst ongoing (and simultaneous) exogenous shocks. And they must use the EU to tackle challenges together in ways that could not be accomplished by national governments acting alone. In 2013, the transatlantic relationship will face a crisis, a long-term challenge, and an opportunity. The EU must prepare to tackle a major foreign policy crisis over Iran, engage in a rebalancing of its own to cope with the rise of Asia, and take advantage of a great opportunity on transatlantic trade. Of these, the Iranian crisis has the potential to overwhelm everything else and could pose the most significant test of the transatlantic relationship since 2003.

Preparing for an Iran crisis

The EU is playing a critical role in the slow-burning crisis over Iran's nuclear programme. EU sanctions have been crucial in increasing pressure on the Iranian economy and the EU is the convener of and a

key participant in the P5 + 1 negotiations. However, as Martin Indyk, scholar at the Brookings Institution, has pointed out, the crisis over Iran's nuclear programme is likely to come to a head during 2013. US President Barack Obama has repeatedly said that Iran's current nuclear programme is unacceptable because of its potential military uses, and he has ruled out containment as a policy option. There is ample evidence to suggest that President Obama believes a nuclear Iran would not only gravely damage US interests in the Middle East, it would also be a major setback to his long-standing goal of stopping and reversing the spread of nuclear weapons.

A negotiated settlement is by far the preferred outcome. Multilateral negotiations are continuing, but time is short. EU-US sanctions are surely having a major impact upon Iran, but it is far from clear whether they are having the intended effect of causing the Iranian leadership to rethink their nuclear programme. In fact, the opposite may be true. As Iran's economy collapses, the regime may react to this externally-induced existential threat by redoubling its nuclear efforts. Faced with the likely failure of the sanctions regime, during 2013 pressure may be ramped up on Iran through other means, such as covert warfare, while also intensifying negotiations, possibly through a bilateral US-Iran track. If this also fails to bear fruit, the allies will be faced with a choice – to cope with Iran's programme (in whatever form Tehran chooses to pursue it), which Obama has ruled out, or to seek to destroy it.

In practical terms, this is a choice that will be made by the United States and/or Israel, since no one is contemplating a European strike on Iran. Nevertheless, such a development would be the most important test of transatlantic relations since 2003. European governments are keen to avoid a conflict, but they are also deeply committed to preventing Iran from militarising its nuclear programme. Plus, they acknowledge that a military strike is on the table as a last resort. EU governments, therefore, should ensure that all reasonable diplomatic

options are exhausted before a military strike takes place. This includes offering more carrots as well as brandishing bigger sticks.

In a preventive mode, the EU should continue to work with the US to see what Iranian concessions would be sufficient to bring an end to the crisis. If it came to the use of force, however, several questions would immediately come to the fore. European support for any subsequent military action would probably be partly contingent on President Obama making a real effort to exhaust all other options, building a coalition widely perceived as legitimate, and maintaining an EU-US united front. The Europeans should debate well in advance what, if anything, they would request of the US in return for supporting military action, and they should strive to shape a common position rather than be divided by the possible break of hostilities. In 2003, for example, the then British Prime Minister Tony Blair asked the US President George W. Bush to act through the United Nations Security Council (UNSC) regarding Iraq. However, UNSC approval to bomb Iran during 2013 would probably be even less likely than the Iraqi case in 2003 because of Russia's more hard-line and anti-US position following Vladimir Putin's return. Plus, if military actions were carried out, how would the EU respond to Iran's efforts afterwards to collapse the sanctions regime by turning opponents of military action, like China and Russia, against it? None of these scenarios is appealing, but the EU must engage in a discussion on how it would respond if events proceeded as described above.

The EU should also work with the US to consult with allies in the Middle East to construct a large coalition that would help increase pressure on Iran, while also ensuring that any military action had greater international legitimacy should it become necessary. And Europeans could press Washington to ensure that any ratcheting-up of the Iran dossier coincided with greater US efforts on other challenges in the region, including Israeli-Palestinian peace. The prospects for progress seem to be poor and more remote than at

any time in recent history, but the EU could encourage the US to engage on stopping the situation from deteriorating even further (for example, by working to prevent the collapse of the Palestinian Authority). The EU should also work with the US to stabilise a post-Assad Syria, which appears inevitable in 2013.

The long-term challenge: US rebalancing toward Asia

Much has been said about the US ‘pivot’ or rebalancing toward East Asia, and whether or not it will detract from US commitments to the transatlantic alliance or the Middle East. In a way, the advent of the Pacific century is tailor-made for the European Union. EU member states are incapable of influencing events in the Pacific on their own. They can only do so in concert with each other. Some EU governments can deny this – the United Kingdom being the most notable example – but ultimately their ambitions will collide with budgetary, military, political, and structural constraints. 2013 will be a good time for the EU to deepen its reassessment of Asia. This should occur in partnership with the United States given the significance of the US role in the region.

Three areas stand out. The first is to adopt a comprehensive Asia strategy. For too long, when Europeans thought about an Asia policy, they thought in terms of a China policy focused on trade. China’s assertiveness since 2008 and the gradual destabilisation of the region have increased the need for a comprehensive European engagement of East Asia, especially Southeast Asia. This European rebalancing has already begun. In 2012, the EU attended the Association of Southeast Asian Nations (ASEAN) Regional Forum in Cambodia, where EU High Representative Catherine Ashton and US State Secretary Hillary Clinton issued the first joint EU-US statement on the Asia-Pacific. It can continue through a deepening of economic ties – the EU still has only one free trade agreement (FTA) with an

Asian country, South Korea –, maintaining European backing for the liberalisation of Burma, and keeping up its support for international law, especially in the maritime domain.

The second area for Europe is to adopt a unified approach to China as far as it is possible. Of course, the US and Europe have very different interests in Asia. Europe is not militarily involved in the region, whereas the US is the linchpin of regional stability. This will not change in the coming decades. However, Europe can take strategic calculations into account in its dealings with Beijing, use its political and diplomatic weight to press China on the need to behave responsibly in maritime disputes and other flashpoints, and maintain human rights as part of EU-China discussions.

The third area is for Europe to take more responsibility for its neighbourhood as the US rebalances its military forces to the Asia-Pacific. This means taking on a greater role in North Africa, in the Mediterranean, and possibly in the Middle East. Europe's military strength will remain heavily constrained, and so much of this engagement must be political, diplomatic, and economic – all natural areas of competence for the EU.

The opportunity: transatlantic trade

According to the International Monetary Fund (IMF), in 2001 the US accounted for 17 per cent of the eurozone's trade, but ten years later, that number had declined to 10 per cent. As Europe remains in the throes of an existential financial crisis, and the US struggles to recover from the 2008 crisis, international economic statecraft has never been more important for the transatlantic relationship. After years of false starts, the conditions appear to be finally in place to make progress on an EU-US free-trade pact that would reduce agricultural and industrial tariffs, remove barriers to government

procurement contracts, and streamline industry regulations on both sides of the Atlantic. The Obama administration and the EU are both strongly on board. With the Doha round of trade talks all but dead, a bilateral deal between the world's two largest economies would increase transatlantic trade – reversing the decade-long trend – and stimulate economic growth. Plus, it would revitalise the role of the West in international trade, which has languished in recent years.

An EU-US FTA will be a difficult and long-term undertaking. It is a politically-charged minefield – access to defence procurement and allowing genetically modified organisms (GMOs) into European agricultural markets being two of the toughest obstacles – but the rewards could be substantial. Since the 2008 crisis, Western leaders have failed to articulate a new and positive vision for the global economy. Opening-up trade alone is not sufficient to address this need, but it is a necessary component. A major transatlantic effort to craft an FTA would be an important signal to the markets, and once completed and ratified it could unlock potential for economic growth that would help revitalise the Western alliance's economic weight.

Conclusion

In establishing its priorities vis-à-vis the US, the EU should take the long view and focus on what binds the transatlantic partners together in an uncertain world. The Union should strive to perform as a more cohesive actor in the transatlantic alliance and on the global stage, as the US has been encouraging it to do for some time.

Asia is going to be a litmus test of the capacity of the US and the EU to pursue common goals drawing on respective strengths and approaches. Rather than pursuing a China-centric Asia strategy solely focused on trade, the EU should want a stable rules-based order in Asia where all states are part of a vibrant regional order and

trade with the rest of the world, including Europe. To accomplish this, Europe must work with the US to build a healthy regional order by deepening engagement with all of Asia, becoming more attuned to strategic developments, and standing for international law. The EU should also press China to avoid actions, like its assertive approach to the South China Sea, that exacerbate security competition and regional tensions. Many Asian states still look to the EU as a model and Europe can play an important role as an advocate of rules-based cooperation. By developing a strategic approach to Asia, the EU can help change its member states' perceptions of their own interests, from a narrow base to a more holistic understanding.

Europe has long had a greater strategic interest in the broader Middle East than in East Asia. Europe has shared with the US and Israel its concerns about Iran's nuclear ambitions. There has been very little daylight between the Obama administration and the EU, and this is likely to continue. The EU will probably press the White House to link a resolution of the Iranian crisis – whether through a successful negotiation or through a military strike – to a renewed push on the Middle East peace process, although there is reason to be sceptical about whether such an initiative would work. Perhaps the greatest Middle East opportunity for the EU in 2013 will be to get the US on board with a plan to proactively shape the future of a post-Assad Syria. To date, the US has had a hands-off approach to the Syrian civil war, but the collapse of the regime would create a new opportunity to influence its future in a positive direction.

Overall, the European Union must and will work with the United States to address many common challenges during 2013. They will succeed or fail together.