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A changing global environment

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European Union Institute for Security Studies

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A CHANGING GLOBAL ENVIRONMENT

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Foreword

The Conclusions of the December 2013 European Council invited 'the High Representative, in close cooperation with the Commission, to assess the impact of changes in the global environment, and to report to the Council in the course of 2015 on the challenges and opportunities arising for the Union, following consultations with the Member States'.

The language agreed by the Heads of State and Government of the EU-28 leaves plenty of room for interpretation – and latitude for implementation. Whichever may prevail eventually, it may still be useful to carry out a preliminary, and inevitably cursory, exploration of the ground the High Representative may be called upon to cover.

There is indeed no shortage of predictions on global trends or, conversely, recommendations on what the EU and its new leadership may consider pursuing over the coming years in the wider world. For its part, this EUISS publication aims, first, at collecting and processing some of the available research and relevant information; and, second, at connecting the dots to identify some of the issues that the High Representative might address in her Report.

The sections in this paper follow a common 'grid' (analysing recent developments, highlighting foreseeable trends, and articulating likely challenges and options) to offer a synopsis of the eponymous changes in the global environment according to eight distinct but interconnected perspectives.

In Section I, the approach is typically horizontal and essentially thematic, as it deals with global issues from an explicitly EU viewpoint. In Section II, the approach is primarily geographic, starting from the Union's immediate neighbours and reaching out to the extended neighbourhoods in accordance with the main vectors of Europe's interests in the world. All chapters are densely and concisely written – at the risk of breezing through highly complex issues in just a few paragraphs – and are accompanied by relevant maps and graphics.

This *Chaillot Paper* represents a truly collegial effort by the entire EUISS team, reflecting our intention to offer an initial yet comprehensive background analysis to the policy debates that will accompany the drafting of the High Representative's Report.

Specific input has been provided by all the Senior Analysts – Hugo Brady, Gerald Stang, Patryk Pawlak, Jan Joel Andersson, Thierry Tardy, Eva Gross, Florence Gaub, Cristina Barrios, Nicu Popescu and Eva Pejsova – with the support of Christian Dietrich, Joanna Hosa, Alexandra Laban, José Luengo-Cabrera, Pierre Minard and Gergana Petkova. Gerald Stang also helped me coordinate the project and bring it to completion, while Gearóid Cronin followed it through the final editing process.

Our hope (and view) is that it will prove a useful and stimulating read for both academics and officials and help feed the forthcoming 'strategic' discussions at EU level – and possibly beyond.

Antonio Missiroli

Paris, December 2014

Executive Summary

The last 20 years have brought huge reductions in global poverty, opening economic, political and personal opportunities for hundreds of millions of people and the countries where they live and work. This is changing old power balances, altering how humanity uses the earth's scarce resources, and democratising – for good and for ill – access to many advanced technologies. Governance institutions are struggling to react to all these changes. And while economic, demographic and technological trends will greatly influence the changing international balance of power, concerns of security and geopolitics will likely retain their own unique rationale. The first section of this *Chaillot Paper* explores these issues through thematic, and the second through geographic, lenses.

The first chapter – on the **human environment** – highlights how increasing human mobility is changing the lives of individuals and nations. This is affecting how the EU thinks about migration, citizenship, integration and border security. Its concern is to preserve the continent's attractiveness as a destination, while also retaining control over the pace and nature of immigration, especially to reduce problems with individuals posing security threats. This may be especially important for the EU's relationship with the countries of the southern Mediterranean, with their young, job-hungry populations and complex domestic issues. The development of smart borders that efficiently differentiate among groups of travellers is one key arrow in the EU's quiver. Another is the smart use of visas, which can help manage migration from neighbouring countries while also influencing their behaviour. The EU can also seek to manage the sources and routes of migrants reaching its territory, cooperating with neighbours as gatekeepers, developing mobility partnerships and providing targeted aid to countries that are major migrant sources.

The second chapter – on the **physical environment** – describes how growing demand is changing the balance of international resources markets, but not necessarily their nature. Dependence on imported resources and market tightness, with its attendant volatility, are likely to remain challenges for the EU, but the mix of regulatory and market tools backed by state support systems (emergency stocks, data sharing, and disaster insurance schemes) are winning global converts faster than alternative approaches reliant on inefficient, state-driven and geopolitically motivated efforts at managing resources. Increased global demand is also placing

growing pressure on the earth's ecosystems. Continued EU action in leading international environmental diplomacy and improving the efficiency of its resource use, notably in carbon reduction, can both lessen the problem of import dependence and provide a sustainable model for the world to follow.

The third chapter – on the **technological environment** – analyses how rapid technological changes may cause security and defence worries. From dual-use technologies to interconnected information systems, many advanced technological innovations come with new threats. Cyber issues in particular, from privacy to cybercrime and cyber warfare, are increasingly challenging. Without sufficient investment in research and development, European defence organisations may face being left behind both by the EU's big-spending ally, the US, as well as by emerging world powers. Targeted investment in smart borders, resilient defence and robust cyber systems can help safeguard against potential vulnerabilities and enable the continent to maintain its technological edge. Active diplomacy to shape global discussions on cyber issues can also pay off, not just for security purposes but also for ensuring that the immense economic and social benefits of information technologies continue to be harnessed.

The fourth chapter in this section – on the **systemic environment** – looks at international cooperative efforts to manage all of these issues. This process is made more and more difficult by the rise of China and the growing demands of the BRICS and other countries to be allowed a greater say in international governance. This has led to the UN-centred global system being increasingly diluted by the appearance of newer, less stable frameworks. Protection of the global rule of law, and management of those terror groups and states which reject it, could become increasingly difficult. There remains significant strength in the existing structures, however, and the EU can benefit from helping to bolster the UN system while continuing to invest in relationships with the United States, regional organisations and key bilateral partners.

The fifth chapter, and first of the second section – on the **Eastern environment** – highlights Russia's continued trouble in adapting to a world where it lacks resources to either attract allies or coerce its neighbours effectively and sustainably. Russia's continued efforts to assert its influence have led primarily to destabilisation and increased securitisation in the east, with a mix of insurgencies across a region of weak states blighted by economic decline. Ukraine, despite major domestic problems, is now open to the EU. It presents an important opportunity but also demonstrates the usefulness of a more security-focused approach to the region, combining pragmatic management of Russia with privileged support for the countries most open to the EU: Ukraine, Moldova and Georgia.

The sixth chapter – on the **Southern environment** – describes a region in turmoil. Alliances are changing, leading states are losing their international standing, and violent conflict (or the threat of it) is all too common. Apart from the resolution of the open conflicts, three challenges to the region are particularly pressing: providing jobs to millions of unemployed youth, battling the scourge of terrorism,

and managing food import dependency. For the EU, engaging with the MENA region can be extraordinarily challenging, but technical support to help manage food price vulnerability could complement support for efforts at regional economic integration and security cooperation. As in the east, selective and targeted bilateral support for a few key states – notably Tunisia, Morocco, Jordan and even Iraq – could pay valuable dividends.

The seventh chapter – covering the area **Further South** – discusses how a rising Africa and one still mired in crisis and poverty can coexist. While the continent is indeed getting richer, and opportunities for economic partnership more common, there are still too many people threatened with food insecurity and absolute poverty. There are also many sources of security concern: terrorist groups are taking root in several areas, and difficult political transitions are all too prevalent. Responding to these challenges may include improved security partnerships across the region that can facilitate shared efforts at prevention, intervention, and capacity building. Complementing these efforts with closer economic cooperation (involving trade, targeted aid and investment) can open the door to other forms of partnership in much of Africa.

The last chapter – covering the area **Further East** – analyses the geopolitical games being played among the Asian great powers (China, Japan and India). Even as economic integration brings them closer together, hotspots in the South and East China Seas and along the Sino-Indian border have the potential to flare up. The risk of conflict is in fact a worry in several places across Asia, from Afghanistan to Korea. These challenges, however, may allow the EU to show itself at its best – offering its good offices to bring a rule of law approach to dispute management and supporting the development of regional security architectures. These actions, combined with improvements to the EU's Strategic Partnerships, may help the EU develop a foothold as a credible player in its own right.

Section I:
Thematic perspectives

Chapter 1

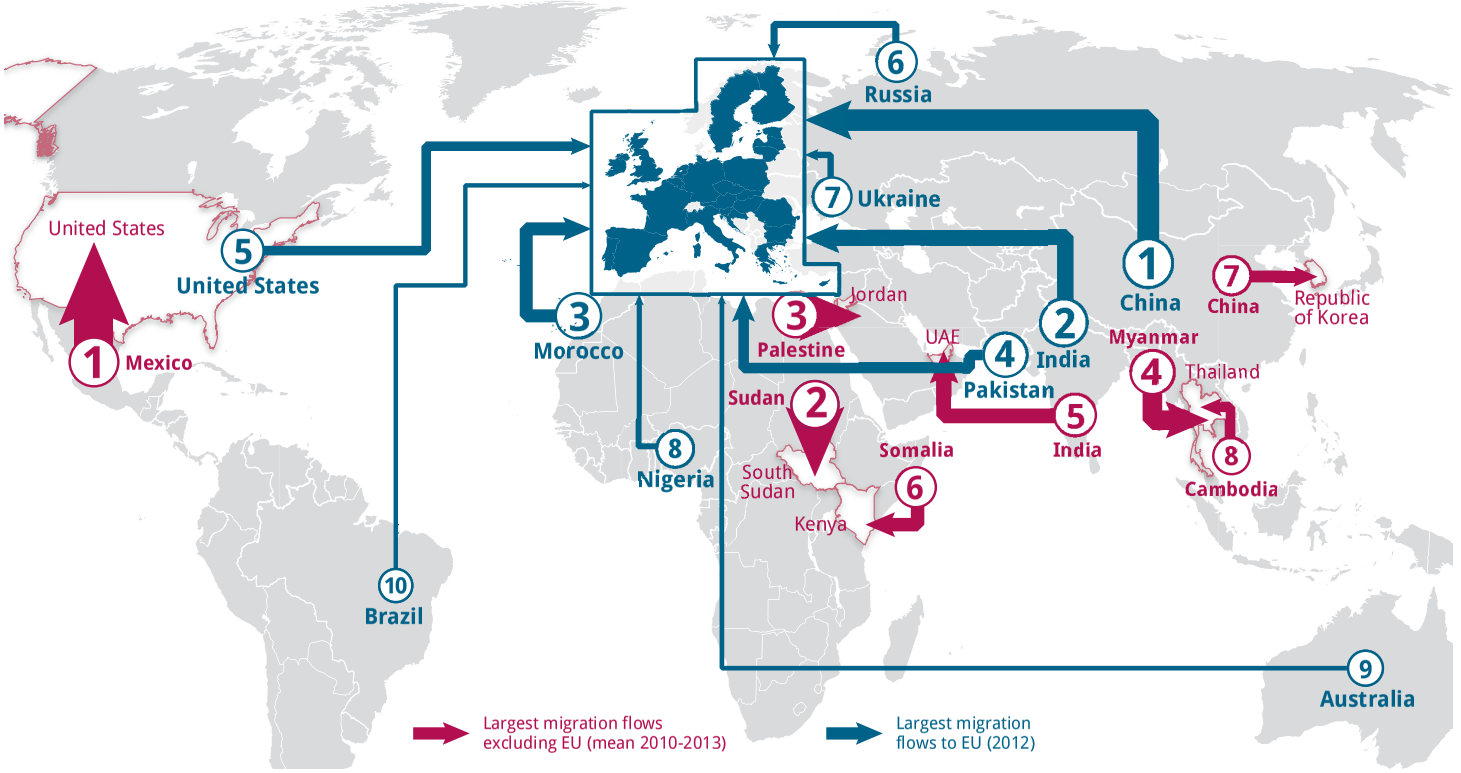
The human environment

Beyond the arena of international diplomacy, there is another world of travellers, tourists, terrorists, immigrants and refugees that has its own impact on geopolitics through the mass movement of people. The world is currently experiencing an unprecedented explosion in international mobility: global tourist arrivals topped the 1 billion mark in 2012 (almost double the 1995 figure) and are expected to grow to 1.8 billion annually by 2030. And the permanent migration of people across borders is also accelerating due to forces as disparate as economic opportunity, climate change, natural and man-made disasters, conflicts, changing demographics in ageing industrialised countries, and continuing socio-economic inequalities.

These are challenging trends for European societies unused to integrating large numbers of newcomers from different backgrounds – as highlighted also by the results of the 2014 EU-wide elections for the European Parliament. The EU is a region of free movement, but its societies have been significantly defined by nation states protected by strong borders. Today, entry into one member state – legally or illegally – largely guarantees access to the rest. The EU accounts for 6% of the world's population, 20% of the world's economy and 50% of the world's social expenditure: its current demographic and economic trends may make this balance difficult to maintain without intelligent immigration policies. Developing the best policies will be a challenge when the EU's immediate neighbours, and sources of immigrants, are mainly unstable developing countries with expanding populations of mostly unskilled young people.

Towards 2030, the EU will have to fight to attract highly skilled migrants who may prefer Asia or the US as destinations. It will have to control irregular migration (which feeds political extremism at home) while harvesting a tourism bonanza deriving from rising middle classes in emerging economies. But the Union may also have to leverage its attractiveness as a destination to influence the behaviour of its neighbours and of countries further afield. That includes finding better ways, both internally and internationally, to deal with irregular migration as well as the threats posed by organised crime and terrorism – including from European citizens radicalised by Islamic extremism.

Figure 1: Global migration movements



Sources: Eurostat 2014; IOM – *World Migration Report 2013*

Recent developments

In 2013, Europe (including Russia) and Asia (including the Middle East) together hosted nearly two-thirds of all international migrants (people currently living outside their country of birth): 72 and 71 million, respectively. But while the US and Europe together host more migrants in absolute terms, Asia is now the world's largest migration space, accounting for around a million and a half new migrants every year. Four EU countries rank among the top ten immigrant destinations worldwide: Germany (home to 10 million migrants), Britain (8 million), France (7 million) and Spain (6 million). The five largest sources of migrants to the EU in 2012 were China, India, Morocco, Pakistan and the United States. The EU also hosts around 16% of the world's refugees and shares a common regime for managing asylum applications (though not for other migrant applications).

International tourist arrivals to the EU have been growing by about 4% annually. Russia, Ukraine and China together account for nearly 60% of all Schengen visas issued, with Russians making up 42% of the total. Most Russians visit for family and business reasons on multi-entry visas, but the Chinese – now the highest spending tourists globally – come mainly for short stays. Five EU countries (France, Spain, Italy, Germany and Britain) receive around 20% of the world's tourism revenue.

European border services, together with aviation and port authorities, are struggling to modernise amidst an unprecedented increase in global traffic and onerous new border security requirements designed to deter terrorist attacks (and, now, to prevent the risk of pandemics). One key response is the current attempt to upgrade the EU's frontier controls with 'smart borders' technology, which is intended to make checks almost automated for some passengers while boosting security in other areas.

The Union's extensive land and sea borders are highly sensitive to spikes in clandestine entry spurred by conflict, repression or poverty abroad. A protracted civil war in Syria and an oppressive military junta in Eritrea – combined with a breakdown of governing structures in Libya – have led in 2014 to the unprecedented maritime migration of some 200,000 people in the Central Mediterranean and soaring numbers of asylum seekers. Such population movements are accelerated by an international people-smuggling business that has mushroomed across North Africa and the Middle East, greatly aided by cheap air travel and the internet.

Extremist groups such as the Islamic State of Iraq and the Levant (ISIL) have exploited the Syrian crisis and regional instability more generally to recruit thousands of young European Muslims into their ranks. The countries most affected are France, the UK, Germany, Belgium, Austria, Sweden and the Netherlands. Three thousand EU citizens are estimated to have travelled to the region so far, typically by land through Turkey, joining extremist groups in conflict zones in Iraq and Syria, compared to around one hundred from the US. Not all will return fanatics but

security concerns surrounding this cohort could persist for decades depending on the pattern of conflict in the Middle East. Worryingly, the more economically depressed areas of the Western Balkans – such as Kosovo – are also displaying elements of radicalisation that could, if unchecked, destabilise a region where Muslims make up more than half of the population.

Trends and prospects

According to the UN Population Bureau, the world's population will grow from 7.2 billion today to around 9.6 billion by 2050 – possibly reaching a plateau of 10 billion in the second half of the twenty-first century. More than half this growth will come from Africa. India is expected to become the world's most populous country, overtaking China by 2028 due to the latter's low fertility rate. Overall, developing countries are expected to account for 85% of the total world population: for example, Nigeria's population is expected to surpass that of the US before 2050. Greater mobility will drive existing trends towards urbanisation (and, for the affluent middle class, 'suburbanisation'): more than half the world's population already live in urban areas. These will include a large pool of emerging megacities representing half of global GDP growth and a quarter of the world population by 2025.

This global demographic transition points to a huge expansion of the labour force in developing countries in the coming decades and a simultaneous stagnation (or even decrease) in Europe, Russia and parts of Asia such as China, Japan and South Korea. Most importantly, the world's population will also increasingly be wealthier and markedly older, due to a combination of rising living standards and progress in health sciences, with a significant impact on lifestyles: indeed, a 'global middle class' is already emerging, in particular in Asia, Latin America and, to a lesser extent, Africa. This will have far-reaching consequences for the global distribution of resources, employment opportunities, economic growth, migration patterns, and contributions to welfare systems. For its part, the EU's population is projected to increase from around 500 million to 521 million in 2035, and then gradually decline.

More people are already on the move than at any other time in history. The question for international diplomacy is whether this trend becomes an orderly or a disorderly one. While the UN-mandated International Organisation for Migration (IOM) is a valuable service provider for states and, to some extent, migrants, there is no arena for managing or negotiating international migration apart from purely consultative bodies such as the Global Forum on Migration and Development or increasingly contested regimes such as the Geneva Convention on the status of refugees. This could become increasingly problematic in a world where freer mobility will invariably follow existing trends toward freer trade.

As with trade policy, it is more likely that states will seek in future to manage international mobility through regional pacts, bilateral deals, visa-waiver schemes and commercial traveller programmes concluded out of economic self-interest. One example of the latter is the Asia-Pacific Economic Cooperation (APEC) Business Card Travel scheme involving Pacific Rim countries and including the US, Canada, China, Australia, Russia and Singapore. Countries like Australia and the US have already experimented with novel forms of migration diplomacy to disrupt smuggling networks and discourage spontaneous migration by sea, with Australia's (now defunct) 3:1 deal with Malaysia and the US 'dry foot, wet foot' policy with Cuba. Australia, Britain and Canada have all adopted special points systems to allocate work visas on the basis of educational attainment, language proficiency, flexibility and work experience. All of these countries – along with the US – have opted in recent years to resettle refugees directly from conflict areas while simultaneously tightening up procedures for asylum applicants. The Union will continue to poach ideas from, and compare best practices with, these counterparts, such as on the roll-out of biometrically-enabled automated border controls.

Undoubtedly, the EU would have a stronger hand in influencing global mobility if it adopted a common policy on legal migration into the single market area, especially from its surrounding regions. Some observers think that, by 2030, Europe and the countries of the Middle East and North Africa (MENA) may have a potentially ideal situation where the latter has a large supply of young, active workers, and the former is faced with a shortage of the young immigrants it needs to sustain its economic competitiveness.

Whether this 'demographic match' will result in a positive dynamic, however, hinges on a number of factors. First, the level of educational attainment in MENA countries will have to rise significantly, which depends on enlightened administration at home and ongoing help from partners abroad (including the EU itself). If it does not, future migration will likely entail a surplus of low-skilled workers that will be less welcome in Europe, along with a trickle of well-educated citizens that Europe will welcome but will constitute a 'brain drain' from sending countries that stymies economic progress at home. Second, labour migration is unlikely to be a panacea for Europe's demographic problems given most EU countries' limited capacity to absorb large numbers of newcomers and differing approaches to granting citizenship. European societies would have to evolve significantly in their capacity to integrate large numbers of immigrants in the coming decades. Current political developments both within the EU and the MENA region point away from a positive outcome, but these are by no means certain indicators of longer-term trends.

The EU and the US – although seemingly at odds over differing approaches to the role of intelligence services and data privacy – are in fact likely to become more intimate partners in the fight against terrorism, organised crime and irregular migration. This will especially be the case if negotiations on a Transatlantic Trade and Investment Partnership (TTIP) come to fruition over the next decade. TTIP is likely to trigger calls for the construction of a transatlantic mobility area with its

own security arrangements. The surge in radicalised foreign fighters experienced by the EU may help drive this development since it threatens the future of visa-free transatlantic travel. Around half of Europe's fighters are unknown to the authorities before they decide to travel to the Middle East, meaning they also potentially have visa-free access to the US.

Challenges and options

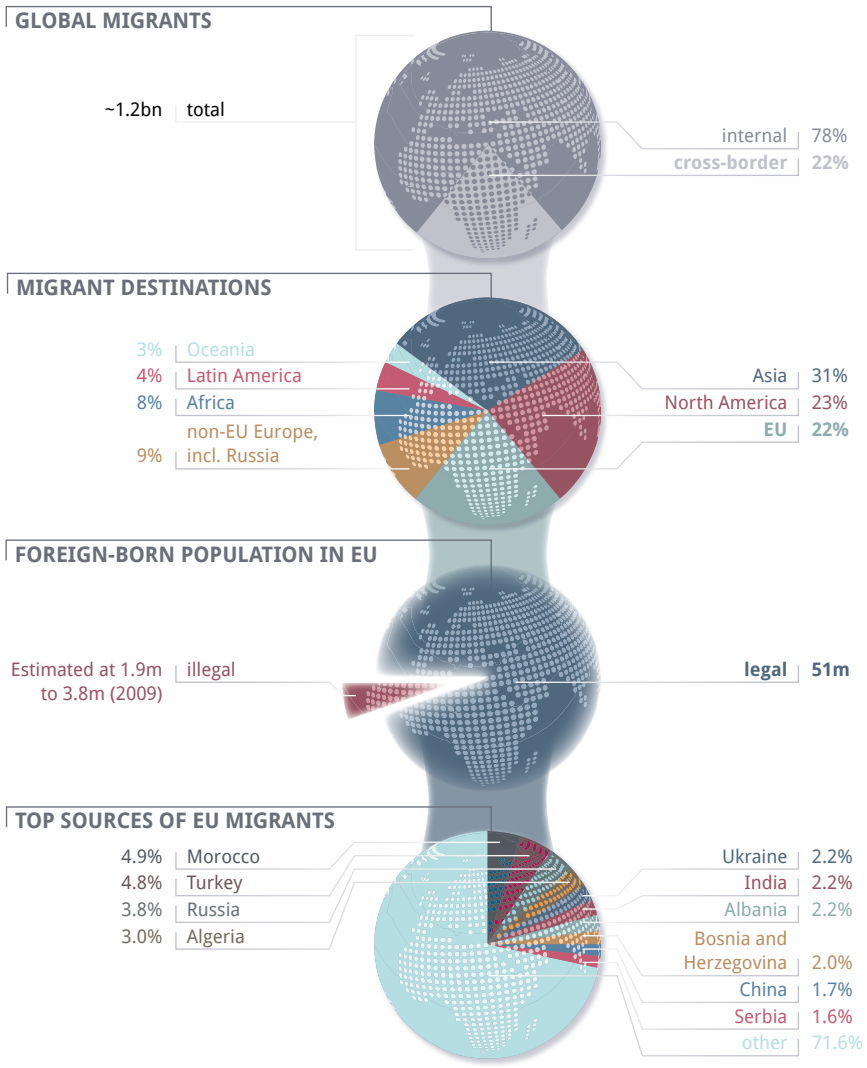
Visa diplomacy will become ever more important for the EU, partly because of the pivotal role that tourism will play in Europe's economic survival. But the promise of visa facilitation or full liberalisation will also – in the absence of major EU enlargement – become a larger element of the EU's international influence. A path to visa liberalisation will not be a practical incentive or response in all cases, but it has played a role in allowing the EU, for example, to direct border control and security sector reform – among other things – in the Western Balkans.

Liberalisation has brought with it some serious, albeit manageable, drawbacks, such as abuses of the EU's asylum system by Serbian nationals. Yet in Serbia as well, the Union has exerted its influence to extract local reform, as it may yet have to do with countries such as Moldova, a recent entrant to the visa-free regime. Unlike the promise of EU membership, the strength of visa liberalisation is that it is a 'retractable carrot'. Canada, for example, re-introduced visa requirements for Czech citizens in 2009 following large numbers of applications from Roma seeking asylum.

The impact of migration trends will also be shaped by the response of member states, and regional policies such as the successful development of the EU's smart borders project and Registered Travellers Programme. Migratory pressures are likely to force the Union to strike grand bargains that include mobility provisions with North African states and with Turkey, with which an accommodation on migration and security issues is strongly needed. The promise of visa facilitation – cheaper visas more speedily processed – may also be an effective tool to counter negative Russian influence in the Eurasian region. Countries such as Kazakhstan already enjoy a startlingly low rejection rate on visa applications to most EU countries.

All this might spur the further development of the EU's Global Approach to Migration and Mobility, which is still at the experimental stage of concluding 'mobility partnerships' with countries such as Morocco and Tunisia in an attempt to coordinate migration and development objectives. One aim of these partnerships is to surmount cultural and other barriers to integration by encouraging more 'circular migration', i.e. migrants moving back and forth between their home and host countries. This is a concept whose time has not yet arrived, however, since – despite greater mobility – most migrants still wish to move permanently given regional income inequalities and the difficulty in obtaining multi-entry visas for the Schengen area.

Figure 2: Migration to the EU



Source: UN Population Division – *Trends in International Migrant Stock 2013*

The EU currently spends approximately €375 million of its development funds on migration projects, including some related to border security. The Union's development policy tends to focus on long-term objectives while its humanitarian aid has a considerable impact on people flows in the short term by helping third countries care for refugees and displaced populations. But the clear links between poverty, oppression, terrorism and diaspora criminal networks, on the one hand, and mass migration on the other, may end up arguing for an even greater role for

development and humanitarian aid policy in efforts to stem irregular migration. A single ISIL attack near Kobane in Syria in 2014 led to the displacement of over 130,000 Kurds into neighbouring Turkey, for example. And the Eritrean migratory crisis was building for almost a decade before it became truly visible in Europe.

With its large, disgruntled youth population and stagnant economy and political system, Algeria is arguably another trouble spot in the making on the EU's Mediterranean doorstep. It already tops the list of countries whose nationals are rejected for Schengen visas. Migration pressures will also continue from countries and conflicts further away, such as South Sudan and Nigeria. Because most irregular migration to the EU comes in the form of secondary movements, the Union's priority is to build strong enough relations with its neighbours so that they act as *de facto* gatekeepers in migration management, a notable challenge when these countries are major migrant sources themselves.

Meanwhile, the EU could (and does) deploy aid and capacity-building missions directly to problem areas. While the majority of its overseas missions have dealt with anti-piracy, border assistance, police and judicial reform or capacity building in the security sector, these efforts, plus the EU's crisis management structures, already contribute indirectly to the Union's immigration and internal security policy priorities.

Chapter 2

The physical environment

As the global population has grown and become wealthier, demand for resources has increased at an astonishing rate. The latest UN world population projection (medium fertility variant) estimates that it could reach 10 billion around 2050, marking the second consecutive upward revision of this estimate. This correction of earlier – overoptimistic – estimates is an important reminder that efficient use of the world's resources will be essential to limit environmental damage and reduce the social and political disruptiveness of scarcity challenges.

A Europe that can rapidly enhance the environmental sustainability of its economy, without compromising its living standards or economic competitiveness, may serve as a model and source of expertise for other regions.

Recent developments

While the economic crisis of recent years has dominated the EU agenda, strong economic growth elsewhere has driven a global boom in demand for resources of all kinds. Resource prices – from energy to food to steel – fell in real terms throughout the twentieth century, but a 50% rise in the global trade in resources has led to rapid price increases in the new millennium. Surging demand from the developing world, particularly China, has renewed fears of resource scarcity.

Efforts to manage this scarcity and to avoid the volatility of resource markets have led some countries to try and bypass global resource markets or to manage them using the power of the state. Chinese state-owned enterprises, for example, have often focused on bilateral investments in land and production with partner countries rather than trusting to the vagaries of international markets. There has been growing suspicion of these deals in the West and, increasingly, among supplier states in Africa, where 'land-grab' deals are increasingly unpopular with the public (which has much more relevance in democratic than in non-democratic states). Fears of resource cartels or monopolies have also been raised, notably in connection with China's dominance of the rare earths market. However, the examples of an increasingly weak Organisation of Petroleum Exporting Countries (OPEC) and the complete failure of attempts to build a strong cartel of gas-exporting countries are

good indicators of how difficult it is to control the market for a single resource. As OPEC did for oil, China has profited from its dominance of rare earths markets, but the resulting high prices have led to a search for other sources and more efficient resource use, weakening Beijing's market dominance in the long run.

Rather than a new world of cartels and sweetheart deals behind closed doors, the key value of market-based pricing – the efficient allocation of limited capital – is increasingly recognised even by state-owned enterprises as the most cost-effective way to get resources. The economic challenges that have beset Europe since 2008 have raised flags about its model. Yet the mix of regulatory and market tools, backed by state support systems (emergency stocks, data sharing, and disaster insurance schemes) that the EU uses to constrain its resource use, protect its environment, and manage its import dependence are winning converts elsewhere, including in China.

Trade liberalisation has continued its decades-long and near-universal expansion despite fears that the economic crisis may push countries in the opposite direction. Nearly all UN states are members of the World Trade Organisation (WTO), including China since 2001 and Russia since 2012, indicating increased acceptance of impartial standards for international commercial relations, even if individual disagreements may still have the potential to lead to conflict. The 2007-08 and 2011 spikes in global food prices caused riots from Bangladesh to Cameroon, showing that markets do not always function well enough to solve local scarcity problems. And the 2011 spike has notably been pinpointed as a contributing factor in triggering the public unrest that led to the 'Arab Awakening'.

Assertiveness from citizens and local constituencies over environmental concerns is also growing, altering the balance of power for developing resource projects. Local communities – from China to Nigeria to Bolivia – are increasingly likely to challenge resource firms and governments over the impacts and benefits of resource development. This is welcome, but can slow investment and the capacity of markets to bring on new production when demand changes. While many states run roughshod over local rights – from Angola to China (which provides examples of both progress and regression in this regard) – global trends in communication, literacy and citizen rights are changing the narrative. In Africa, the old stereotype of poorly-governed states making bad deals with Western resource companies or Chinese state-owned firms is being challenged by gradual improvements in governance and transparency, supported by efforts such as the Extractive Industries Transparency Initiative.

Much has been made of resource development in previously inaccessible locations – e.g. the Arctic or deep seas or Central Asia – but the search for resources in distant areas is not new, and the definition of what is considered inaccessible is always changing. This is particularly true of the Arctic, where uncertainty over the rate of melting – and its impact on natural resource accessibility and shipping routes (let alone their governance) – is still high. The northeast sea route over Siberia is now open to a few ships every year and is expected to be a regular route

in 20 years time (the Northwest Passage over Canada could see regular traffic 20 years after that). While most known Arctic resources fall within accepted national boundaries, many uncertainties remain. Yet the success of shale gas development in the US and its potential in Europe also show that, with technological progress, resources can still be found and developed at home.

The shale revolution in the US, for both oil and gas, is just the latest nail in the coffin for the idea that the world is nearing 'peak oil' – i.e. the point after which production would fall as reserves become more difficult to replace. The global total of recoverable oil reserves has continued to rise for decades, even as the rate of oil production soars. Peak oil is giving way to the idea of 'unburnable carbon' – the fossil fuel reserves (oil, coal and gas) that the world must choose to leave in the ground if it is to avoid the worst effects of climate change. Rather than being forced to cut back on our carbon production by natural scarcity, we would need to actively develop policies to constrain our carbon use.

For Europe, however, domestic production has already peaked, leaving it dependent on imports of oil (and gas and copper and many other resources). While the European economy is increasingly dominated by services, thus relying less on raw materials, managing import dependencies will be a permanent concern. The European Commission, for example, has identified 14 critical minerals for which reliable and undistorted access remains problematic. As the continuing stand-off in Ukraine shows, concerns over sourcing of natural gas, in particular, will not disappear anytime soon. Domestic renewable energy sources (including hydroelectricity) can contribute to energy security, but despite Europe being a world leader in the field, renewables still contribute only 11% to its primary energy mix. Nuclear power is stalled at just above 4% of the global primary energy supply (14% in Europe), and expansion is only likely in a few large emerging markets.

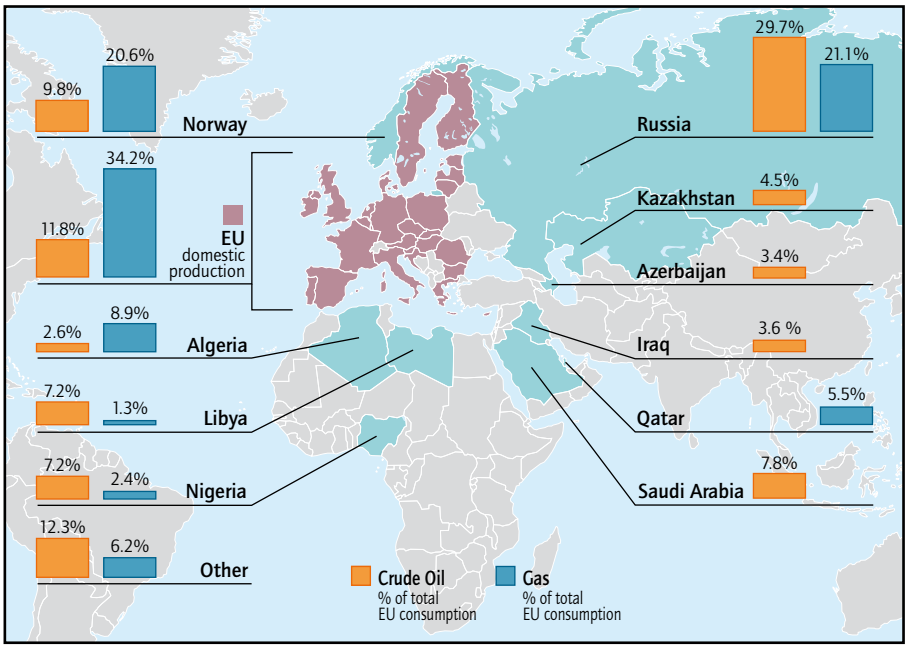
More worrisome than the cost and accessibility of non-renewable resources, however, may be the challenges associated with the natural environment: fresh water, clean air and healthy seas support us, feed us and perform valuable functions such as flood control and climate regulation. The challenge of climate change is particularly pressing, in light of the rise in extreme weather events (floods, droughts and forest fires have become recurrent even in Europe) but mankind is also beginning to push against other 'planetary boundaries' – notably those related to biodiversity loss and nitrogen pollution.

Trends and prospects

While Chinese economic growth is unlikely to match that of the last decade, global demand growth is likely to result in tight and volatile resource market conditions for the next decade. While new sources of oil and iron and aluminium

will continue to be found, they will not always be available in the right location at an affordable cost. Market volatility for many resources can be expected due to the trend towards just-in-time delivery and thin markets which can quickly transmit the shocks from local disruptions all around the globe.

Figure 3: Top EU energy suppliers 2012



Source: Eurostat 2014

Whether for oil, minerals or rare earths, Europe is increasingly dependent on imports for its non-renewable resources. This has become especially problematic for the supply of natural gas. While oil can be sourced from fungible world markets, continued dependence on Russian gas will require careful management for the next decade and beyond, both to protect gas supplies and to ensure that potential flow disruptions are not used to win political concessions. Concerns over uranium supplies are not significant for most countries as multiple suppliers exist, plants generally keep sufficient fuel to operate for long periods, and nuclear fuel represents a relatively small portion of the final energy cost.

Developing countries can be expected to rapidly increase their resource use, but Western states still exploit far more resources *per capita* – and will for decades to come. The challenge will be to close this gap by reducing our own ecological footprint and by helping emerging states develop in a manner that limits the expansion of theirs. Climate change impacts will affect resource supply calculations, but changes in demand, driven by population growth and economic development, are the biggest, fastest drivers of scarcity and its subsequent consequences. Expectations of massive population growth in Africa, in particular, will require increases in the

amount of land under cultivation and in agricultural yields. Africa will need to deploy the irrigation, improved crop varieties and improved cultivation techniques of the 'Green Revolution' – while avoiding the mistakes made by India and China in massively overdrawing their groundwater reserves. Food insecurity will continue to be a problem in many developing states which have insufficient resilience to easily handle supply shocks.

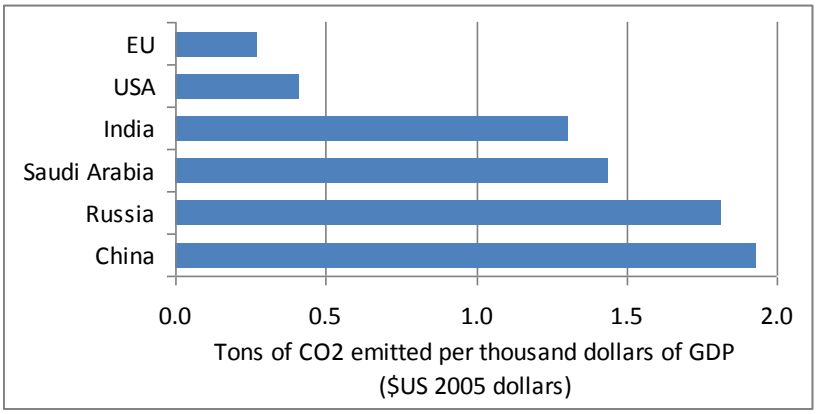
Expectations of scarcity could lead to raw material and environmental issues being viewed primarily through security lenses, providing a pretext for resource 'securitisation' and thereby inhibiting efforts at cooperation. Recent tensions over resource-rich waters in the South China Sea could be framed in this context. Trans-boundary water basins are also potential sources of tension, particularly where increased water scarcity and variability is met with quickly growing demand – from the Nile to the Mekong to the Indus. In the second half of the twentieth century, shared water basins were twice as likely to be managed by cooperative arrangements as by competitive ones, and there were no examples of violent interstate conflict over water. But conflict at local levels has not been uncommon, notably in the Sahel and the Middle East. And with climate change gradually making its presence felt and the pace of development increasing rapidly, more local conflicts over water and other resources cannot be ruled out, particularly if peaceful mechanisms for managing scarcity and sharing 'local commons' are slow to develop.

Combined with worries over resource scarcity, climate change is a stress factor which, if adaptation is handled poorly, may increase the likelihood of armed conflict. Droughts from Darfur to Mali have been analysed for their potential role in driving conflict, while future climate-related security challenges have been envisioned for the Sahel region, the Middle East, and the wide swathes of East and South Asia that rely on Himalaya-fed river systems for their agricultural production. Changing weather patterns may lead to more extreme weather events or disrupt rural livelihoods, negatively affecting food security and state fragility, and leading to conflicts over water and land. Climate change-induced migrations could also affect security as poor migrants flood across borders or into cities that lack the infrastructure or opportunities to accommodate them (something that is already causing problems at the Bangladeshi-Indian border).

The migration of Syrians away from drought-stricken areas since 2006, for example, may have contributed to social instability and popular unrest in the years before the war. The poorly-governed states of Central Asia may be particularly vulnerable, with experts predicting significant water access problems across a region plagued with weak and opaque governments, huge resource inequalities, separatist movements and extremist Islamist groups. While climate change impacts are becoming evident, however, adaptation efforts are already underway and the most disruptive effects are not expected until after 2050. And not all regions hit by climate change will have the same exposure to conflict. In the Arctic, belligerent political rhetoric and symbolic gestures win headlines, but Russia recently settled its maritime

border with Norway and is engaged in far more cooperative relationships with Western energy firms in this region than elsewhere. None of the potential conflict scenarios listed here are inevitable if smart adaptation and successful sustainable development policies are enacted.

Figure 4: Carbon intensity of leading economies 2011



Source: Energy Information Agency 2013

Challenges and options

As a leader on environmental and social issues, the EU is increasingly factoring these issues into resource development costs, as shown by the slow development of shale gas resources in Europe: many different constituencies need to be taken on board, and risks clarified and apportioned, before widespread drilling could be allowed. While this awareness of social and environmental costs must gradually be expanded at home and implemented abroad, it slows the pace of improving resource supply at home – one of the key tenets of EU resource policies. The other tenets underpinning these policies will thus require additional emphasis: seeking fair access to resources from a diversified mix of suppliers, successfully integrating domestic energy markets, and improving efficiency in resource use at home.

Domestic initiatives at improving resource efficiency could be made more palatable for the home audience and more beneficial for the planet if they were accompanied by similar efforts elsewhere. The spread of EU approaches to resources, however, cannot guarantee low prices or calm markets, much less sustainable use of the world's oceans or a carbon-free future. Solving these issues will require strong regulations, supported by international agreements for the protection of oceans and forests and the reduction in greenhouse gas emissions. As recent climate negotiations have shown, however, most states prefer strategies for decarbonisation, or management of other resources, that will not harm economic competitiveness. Leading up to the COP 21 climate negotiations in Paris in 2015, therefore, significant

investment in understanding the incentives and shaping the resource choices of partners such as China can thus pay important dividends. COP 21 will not be the end of the climate story, but it will be important for consolidating progress in the necessarily iterative process of forging consensus on emission reductions.

For climate negotiations, as for initiatives related to protecting the oceans and biodiversity, the competing interests of a widening array of stakeholders (reluctant to pay the costs of protection) will complicate efforts. Transatlantic differences on international treaties may require the Union to take the lead on environmental issues, particularly to ensure that progress is consolidated in binding agreements and supported with international institutional arrangements. And engagement with countries such as Russia – who manage their environment, resources and economies by personal fiat rather than relying on free markets backed by the rule of law – will involve efforts to extend EU norms and regulations while planning contingency options in case of political disruption. The potential that external leverage over European energy needs could unduly influence EU policy decisions a decade from now could be an important factor in decisions taken today over energy supply sources and routes. In the longer term, increasing climate constraints may reduce the strategic importance of control over fossil fuel resources, which we will not be able to burn anyway, but such a world is not yet here.

Even in the rosiest scenario for reductions in carbon emissions and increases in resource use efficiency, the world will face significant resource scarcity and environmental challenges in the coming decades. Reducing the likelihood that these situations will actually result in violent conflict will require that clear universal rules for managing resource competition, and improved local resilience to climate effects, can be developed before climate impacts make themselves tangibly felt. In particular, support for improvements in transparent, responsive governance and in education at all levels, particularly for women, can be important components of improving local resilience in developing countries. Rapid economic development can help provide the necessary resources to support resilience, but is also often a driver of environmental problems. Improved support for 'green' growth through well-designed sustainable development financing mechanisms will thus be essential both for the environment and for peace.

Chapter 3

The technological environment

New technologies can be game changers – in both war and peace. They provide tools both to defeat enemies and to generate solutions to pressing societal challenges, from energy efficiency to healthcare provision and disaster management. At the same time, new technologies can pose challenges to existing laws and norms such as those related to privacy, cybersecurity or the use of drones. They can also generate new vulnerabilities and disruptions, especially regarding critical infrastructure and non-proliferation issues.

Europe has long reaped the benefits of being a leader in natural sciences, engineering, and high tech innovation. However, the global spread of cutting edge technological expertise, coupled with aggressive efforts by many countries to catch up in these fields, mean that Europe may soon face technologically equal (if not superior) geostrategic and economic competitors. Meanwhile, Europe's closest ally and partner, the United States, consistently outspends Europe in research and development which, together with declining European defence budgets, means that transatlantic security and defence cooperation will become ever more lopsided. While addressing today's technology and capability shortfalls is clearly important, it is just as important for the EU to lead in developing the next generation of defence and human security technologies, while considering their implications for social and economic development.

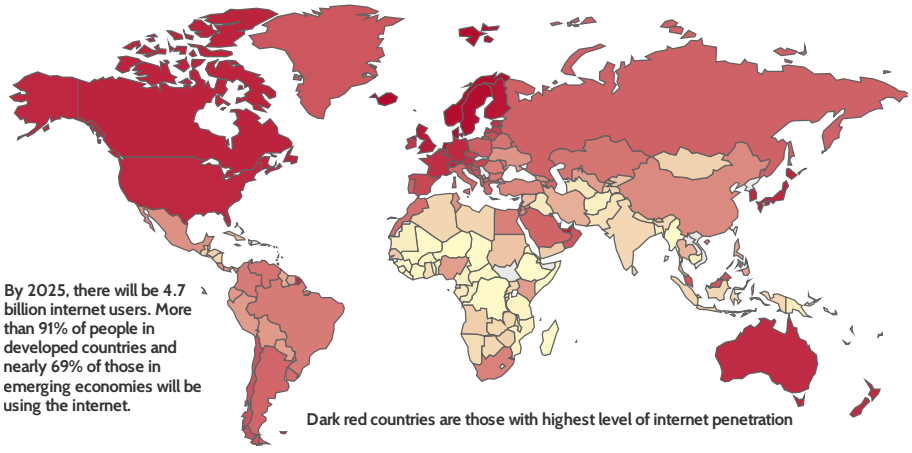
Recent developments

Achieving technological superiority (or at least minimising technological backwardness) remains a priority for all major powers. The United States is adamant that it should retain its lead in defence technology, continuing to spend more than all its allies and competitors combined. Moscow has declared that it will never allow another power to achieve military technology superiority over Russia and is in the midst of an ambitious defence modernisation process. China is investing heavily in new technologies able to destroy satellites and new weapons able to evade missile defences, while India has just demonstrated its high tech ambitions by successfully sending a probe to Mars. In particular, so-called 'area-denial' capabilities may not remain confined to major state-based actors and, combined with asymmetric field tactics, may end up denting the West's technological edge.

The Pentagon is now shifting more money to basic research and early stage development where truly new technology breakthroughs take place and where concepts are turned into prototypes. The trade-off is that the budget for system development and demonstration is being cut, meaning that many promising new technologies may never come to the field. Many new technologies in areas of vital importance to security and defence – such as satellites, communications networks and cybersecurity – are increasingly driven by commercial innovators rather than by traditional defence industry companies. Given that Europe's industry is quite advanced and competitive in some of these areas, there are still opportunities for Europe to remain competitive in defence technologies. However, over the past ten years, the aggregate defence expenditures of the 26 members of the European Defence Agency (EDA) has been about half of the US total. The difference is even more pronounced when it comes to research and development.

The expanding use of information and communications technologies (ICTs) over the past 20 years has resulted in the revolution of multiple policy areas of significance for security experts. Big data, the capability to collect, analyse and find trends and associations in huge amounts of unstructured data (from sensors, surveillance devices and various data feeds), has proved very useful in early detection and prevention systems, and for crisis management. For instance, the US Integrated Crisis Early Warning System draws on news feeds, economic factors and geospatial relationships to model and forecast the probability of political events (e.g. insurgency, civil war). Cloud technology is also becoming widely used by public institutions and military organisations to enable access to data at any time and place through a network of remote servers connecting services or resources. Cloud computing allows for reduced infrastructure costs, more economies of scale, improved manageability and less maintenance.

Figure 5: Percentage of individuals using the internet



Source: ITU data, 2013

The EU has invested in several large-scale IT systems for processing large amounts of data to help manage asylum applications (EURODAC) and exchange information between border management and law enforcement agencies (Visa Information System, Schengen Information System). The EU is also working towards the implementation of the 2008 smart border package, including the roll-out of the Entry-Exit System (EES) for non-EU citizens and the EU's own Passenger Name Record system.

Protecting European citizens in a complex security environment, with its mix of traditional and non-traditional security challenges, has driven the development of technologies that enhance the capacity to prevent, protect and respond in times of crisis. Unmanned aerial vehicles are highly appreciated in the security community by virtue of their relatively low cost for providing improved situational awareness for better decision-making. Though most familiarly associated with their combat capability – exhibited most recently in the fight against the terrorist groups in northern Iraq – and expected to one day replace piloted aircraft in many roles, drones also have civilian applications, primarily for surveillance purposes.

Governments are also forced to grapple with a continually evolving range of new technologies which, while not directly related to traditional security or foreign policy, significantly impact on human security and international relations. Progress in automation and advanced manufacturing technologies, for example, is changing production models, the shape of supply chains, the way resources are used, and global competition for markets. The repercussions of these changes are very different for service-oriented economies in Europe than for developing countries that rely on labour-intensive manufacturing to provide work for large populations. It may become more difficult for poor countries (notably in Africa and South Asia) to climb the same value added ladder taken by East Asian countries, most recently China, which provides a balance of jobs for low-skilled masses as well as opportunities for technological modernisation.

These processes will be further accelerated by progress in extending the capabilities of robots towards more automation. Water management appliances, progress in photovoltaics, energy storage technologies and genetically modified crop technology might offer more solutions in dealing with resource pressures. The development of these technologies will be particularly relevant for countries like Russia, China or India where access to resources – food, water and energy – might pose a particular challenge. New advances in resource and health technologies will clearly play a role in defining how important problems of resource access will be for questions of national power, as historical advantages for countries that are youthful or educated or resource-rich may cease to have the same meaning.

Trends and prospects

Technology can thus play an important role in addressing complex challenges, from climate change to resource scarcities, natural disasters, or the outbreak of pandemics. Properly designed technologies can even substantially improve human cognitive capacities. Unfortunately, many technologies in the wrong hands can be used to explore vulnerabilities or become tools for mass destruction and disruption. Therefore, it is important to understand both the risks stemming from developing specific technologies as well as those that can be mitigated by technological advancement.

The widespread availability of advanced and dual-use technology poses risks for the proliferation of weapons of mass destruction (WMD) and their delivery systems, as well as of advanced conventional and cyber weapons that can be used to destabilise societies and whole countries. The increasing use of commercially available dual-use technologies in these systems will pose major challenges to the control of trade in defence-related technology, but the phenomenon also highlights the importance of non-proliferation programmes in dealing with unanticipated threats. Currently, 25 countries possess weapons-usable nuclear materials – some poorly safeguarded – and there are no global mechanisms to secure them, as conventions in this field are not universal. Individual states, notably the US, have led multilateral efforts to reduce global stocks and increase physical control, protection and accountability measures – especially since 2010 – but the overall security environment (including the recent tensions with Russia) remains fragile. The Islamic State of Iraq and the Levant (ISIL), for instance, has and seeks additional expertise on the fabrication and weaponisation of chemical agents. And countries like Ukraine, Syria and Pakistan are home to WMD technology and agents, and are prime candidates for proliferation. While it is unlikely that terrorist and/or insurgent groups will manage to acquire fully-fledged WMD capability, radioactive material could nevertheless be used in 'dirty' bombs – explosive weapons that spread radiological, chemical or biological agents.

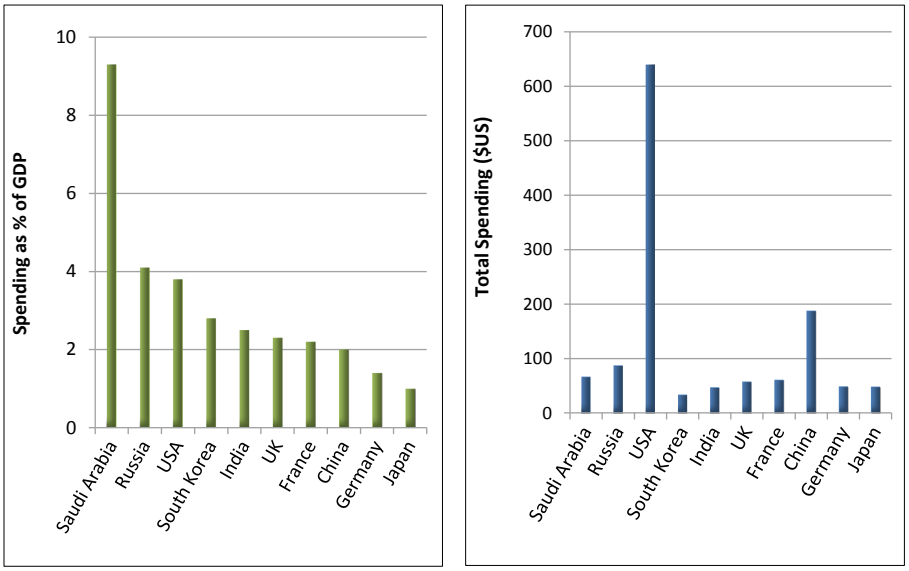
The changing balance in research and development spending – militaries are increasingly likely to find and adapt civilian technology rather than develop their own – means that the challenge of managing and controlling dual-use technologies will likely become more difficult in the years ahead. Controlling trade in (and use of) dangerous technologies is also made more complex by the increasing difficulty in maintaining control over information in any arena. An open digital environment is a necessary condition for reaping the social and economic benefits of now-universal access to the internet – but it will be a challenge to keep that environment secure. With the number of internet-connected devices expected to reach 15 billion by 2015, addressing the threats posed by malicious cyber activities – including cybercrime, cyberterrorism, espionage or 'hacktivism' – is a clear priority. Recent examples of the use of hostile malware (from Stuxnet to Snake

and, now, Regin) have abundantly shown the crippling effects of such attacks. This implies that secure and responsible use of ICTs is no longer a matter only for a small group of computer geeks, but is an issue that requires a comprehensive response from policymakers.

Law enforcement agencies openly admit that the many border management systems are simply unable to handle pressures stemming from increasing human mobility. Investment in new security and surveillance technologies is often seen as a move towards remedying the situation. The EU already devotes substantial resources to evaluating potential benefits – in terms of efficiency, cost effectiveness and accuracy – of wide-area maritime surveillance using remotely controlled airborne sensors, unmanned airborne platforms, and new algorithms. In the framework of the Horizon 2020 programme, the Union provides financial support (some €1.7 billion during 2014-20) for security-oriented research, including projects focused on building a common operating process for detection, localisation, identification and tracking of potential threats moving across borders. Even though the 'smart border' paradigm remains predominant in shaping border management policies, the whole system is increasingly under stress because of the economic and social implications of these new surveillance technologies.

Technological progress also impacts on human development and the health of nations. With the global population growing wealthier and older, not only is mankind moving away from high fertility and high mortality towards low fertility (with the possible exception of sub-Saharan Africa), but an epidemiological shift is also taking shape – from infectious diseases associated with malnutrition, famine and poor sanitation to chronic and degenerative diseases associated with longevity, urban and industrial lifestyles. According to the World Health Organisation (WHO), non-communicable diseases are already the leading cause of death in the world, and now attract an increasing amount of funding for biotechnologies – including organ substitution and regeneration, stem cell research or even genetic engineering – which, in turn, affect intra-societal relations and risk increasing inequalities worldwide. Yet this does not mean that infectious diseases are a relic of the past, particularly in today's mobile, interdependent and interconnected world. Over the last few years, the rapid spread of SARS, bird flu, MERS and, now, Ebola – along with the growth of drug-resistant bacteria – has highlighted rising global vulnerabilities and the need for international cooperation based on shared understandings of the risks ahead.

Figure 6: Defence spending 2013



Source: SIPRI

Challenges and options

There is growing concern among both industry experts and security policy analysts that Europe is lagging behind in spending on research and development, particularly in high tech fields, a challenge that may become more critical in the years ahead. In particular, there is a concern that Europe is focusing too much on producing yesterday's technologies at the expense of basic research and development into future technologies. For instance, while more European air-to-air refuelling capacity will certainly improve Europe's military and crisis management capabilities, a failure to adequately fund truly future-focused research – such as non-lethal weapons, space-based protection system and future generations of drones (stealth, miniature, maritime or other) – might mean that tomorrow's game-changing technologies will be developed by others.

Without a stronger commitment to investing in science and technology, the EU not only risks facing technologically superior opponents; it may also face the prospect of becoming a less relevant security and defence partner for others. From a business perspective, new technologies can take a long time and significant investment, and economic risk, to develop, only to have an uncertain productive life span due to the rapid development of yet newer technologies. The rapidly changing technological environment can also place extensive powers of surveillance, investigation and

control into the hands of individual citizens and businesses, changing how states are able to exercise sovereignty, how they are held accountable by their citizens, how they are able to protect information and how they are able to maintain the trust that underpins the international system.

The internet is a tool that already allows citizens to pose a serious challenge to governments and to existing modes of governance, being managed by a group composed of governments, private sector and non-governmental organisations. Its growing relevance in social, economic and political life has led governments to show increased interest in regaining control over cyberspace. At the same time, the emergence of cyber-militias and hacktivists raises questions about the relationship between public and private actors and the responsibility for national security. In the absence of clarity about which norms apply to cyberspace, it is important to strengthen confidence-building mechanisms at the international level while, at the same time, minimising the risk of attacks being launched from – and especially against – any EU member state.

Figure 7: R&D spending (% of GDP)

Rank	Country	2001	2011
1	South Korea	2.5	4.0
2	Israel	4.5	4.0
3	Finland	3.3	3.8
4	Japan	3.1	3.4
5	Sweden	4.1	3.4
6	Denmark	2.4	3.0
7	Germany	2.5	2.9
8	Austria	2.1	2.8
9	United States	2.6	2.8
10	Iceland	3.0	2.6
11	Slovenia	1.5	2.5
12	Estonia	0.7	2.4
13	Australia	1.6	2.4
14	France	2.2	2.2
15	Singapore	2.1	2.2
16	Belgium	2.1	2.2
	EU Average	*1.9*	*2.0*
17	Netherlands	1.9	2.0
18	China	1.0	1.8
19	Canada	2.1	1.8
20	United Kingdom	1.8	1.8

Source: World Bank

It is impossible to ignore the role of new technologies as tools for facilitating political change beyond the EU's borders, but implications reach deep into the European territory. The use of social media during the uprisings in Tunisia and Egypt or around Kiev's Maidan Square is an obvious example of how new technologies have substantially reshaped the EU's strategic environment. But modern media

are effectively used also for disruptive purposes – for instance, by jihadists and all those engaging in 'hybrid' operations. Targeted investment in ICT projects, as well as efforts to shape the global legal and policy environment around high tech use, are ways to ensure that no country becomes a launching pad for attacks on EU countries. Consequently, there is a need to ensure that commitment to the security and openness of the internet guides the EU's international engagement, particularly its capacity-building projects and international partnerships.

Even though high tech tools may help improve the efficiency and speed of developing and implementing government policy, the ethical and societal implications of using these instruments must constantly be scrutinised to ensure that the fundamental freedoms of citizens – especially the right to privacy – are protected. While new technologies can be seen as solutions for many problems, there is also a risk of abuse which may in turn lead to 'function creep' and, consequently, undermine trust in technology in general. For instance, very few countries have legal frameworks regulating the use of drones. In the case of cybersecurity, the difficulty in attributing an attack, or distinguishing between offensive and defensive capabilities, challenges the applicability of existing international law instruments.

The EU is currently negotiating a number of international agreements – most notably with the United States – that would have significant implications for the protection of the rights of EU citizens in the territory of third countries. While promoting economic growth is clearly an important objective for EU citizens, it is essential that this is not achieved at the expense of civil liberties. In addition, the roll-out of new ICT systems by government and security institutions is increasingly questioned due to concerns regarding their economic and societal consequences. For instance, past experience does not bode well for the advocates of new border management technologies: by 2010, the implementation cost of the Schengen Information System (SIS II) had risen to €135 million – from the €23 million foreseen in 2001.

Finally, with societies increasingly relying on technology for social and economic development, there will be greater potential for exploring their vulnerabilities. This is borne out, for example, by the growth of cyber criminality. It is therefore essential that the expanding use of ICTs and new technologies is accompanied by efforts aimed at improving resilience across the whole spectrum of society.

Chapter 4

The systemic environment

Over the past decade, the global rule-based multilateral system – as embodied by the UN 'family' and a few other international organisations – has come under considerable strain. This is a result of the emergence of new powers, the increasing role of non-traditional and non-state actors, and the parallel evolution of ever more elusive and unconventional security threats. 'Power' is more diffuse and more difficult to exercise through ever more numerous layers of governance. Two main trends are emerging: increasing interdependence, which requires cooperation to guard against possible disruptions, and increasing competition (both normative and geopolitical), which instead hampers cooperation and fosters strife.

In the realm of international security, the UN remains one of the key crisis management actors and its Security Council is still the only accepted source of global legitimacy for international action. However, efforts at UN reform have so far fallen short of the need to adapt or reshape decision-making rules to reflect the evolving distribution of power towards emerging countries in Asia, Africa and Latin America. Established multilateral institutions (and regimes) are not only challenged: they are occasionally bypassed altogether. Given the increasing complexity of international security, states often resort to managing security issues through regional organisations as sub-sets of the global governance system. They also frequently turn to alternative, mostly *ad hoc* forms of selective multilateralism such as 'contact' groups or 'mini-lateral' groupings – i.e. coalitions of willing and relevant players – in pursuit of common objectives.

As a consequence, the global governance system has become increasingly multi-level and decentralised and, to some extent, also much less institutionalised than before. In this context, the EU and its member states face the challenge of crafting responses at the multilateral, regional and bilateral levels so as to be able to shape developments but also to react to emerging and protracted security challenges. This means re-investing in and strengthening the transatlantic relationship which has served as the cornerstone of Europe's stability and prosperity. But it also involves engaging rising global and regional powers – and empowering others to tackle common security challenges.

Recent developments

The current international system, based on a mainly 'Westphalian' and largely Western-dominated order, is being challenged. The rise of China and new formations such as the BRICS indicate both shifts in the global distribution of power and efforts, of varying success, to challenge the West when it comes to representation (and, therefore, influence) in international institutions and to developing and enforcing global norms and rules.

This is the case regardless of political systems: India and Brazil, although both democracies, openly contest the current set-up of the UN Security Council (UNSC) and diverge with Western powers more often than they align with them. This is reflected in voting patterns in the UNSC as well as the General Assembly but also within the Human Rights Council. Their refusal – along with the rest of the BRICS – to condemn outright Russia's annexation of Crimea and its intervention in Ukraine constitutes a case in point. But debates over the Responsibility to Protect (R2P) or, more broadly, international criminal justice further illustrate that not all emerging powers share Western concerns and ambitions. On top of that, also other 'mini-lateral' groupings – such as MIKTA, encompassing Mexico, Indonesia, Korea, Turkey and Australia (all of which are democracies and G20 members) – highlight the need for a more inclusive and balanced global governance system in which emerging 'middle' powers can play an adequate role.

Figure 8: IMF vote distribution

Country/Region	IMF Vote Share
EU member states	31.1%
USA	16.8%
Middle East & North Africa	8.0%
Japan	6.2%
Sub-Saharan Africa	4.4%
China	3.8%
Russia	2.4%
India	2.3%
Brazil	1.7%
Other	23.3%

Source: IMF 2014

In economic terms, the formation of the BRICS Development Bank reflects the quest for an alternative to established international financial organisations as well as the growing opposition to the current voting shares in the International Monetary Fund (IMF) and World Bank. Behind and beyond that, however, lingers also the broader question of whether Moscow and Beijing are pursuing a purely tactical or rather a more strategic convergence – their historical and structural divergences notwithstanding – on the global scene. And India's backtracking on the Bali trade deal has revived doubts over the long-term viability of the WTO's

consensus-based *modus operandi*, casting a shadow over the otherwise continuous expansion of its membership and implementation of its key principles. Even international summits on global issues, with ever more participants representing many divergent interests, risk becoming unwieldy and unworkable – as a simple comparison between the Rio Earth Summits in 1992 and 2012 indicates.

What risks being undermined (or just circumvented), however, is not simply the multilateral institutional system but also the legal regimes and protocols that support and accompany it. This has already happened, to different degrees, in the fields of non-proliferation and disarmament – especially on Russia's initiative – although the coming into force of international landmine and arms trade treaties in recent years may yet prove Moscow and other non-participants to be outliers rather than trendsetters. Similarly, while China's claims in the South China Sea and its ambivalent attitude *vis-à-vis* the UN Convention on the Law of the Sea (UNCLOS) may also serve to undermine adherence to international maritime law, the recent entry into force of the UN Convention on the non-navigational uses of international watercourses is a good omen for the optimists.

Outer space is another domain in which the combination of new technologies and new ambitions – in the absence of an updated common normative framework – can lead to destabilisation and conflict. The jury is still out on the efficacy of collective climate action, following the increasing institutionalisation of the UN Framework Convention on Climate Change. Taken together, these new challenges may put at risk the preservation and sustainability of regimes for managing the 'global commons' at a time of growing interdependence and declining influence of the 'West', which originally shaped these institutions and regimes.

Beyond a shifting power landscape among individual states, non-state actors are playing an increasing role in shaping global security. Al-Qaeda and its various offshoots have been the most tangible examples of this over the past decade. More recently, ISIL and other extremist groups such as Boko Haram show that these organisations extend across borders and regions – posing an increasing threat to civilians and governments abroad, as well as to Europe's own security. Not only do these players seek to undermine the state system and its ability to engage with, marginalise or defeat transnational terror groups. They also feed on the fragility of states, or lawless areas within states, where they operate; they take advantage of weak local governance structures to develop their own bodies and networks; and sometimes even set up parallel institutions and public services as substitutes for deficient national institutions.

State fragility can thus exacerbate other contemporary security threats, which themselves have become more diffuse: terrorism, different forms of radicalisation, pandemics (as epitomised by the recent Ebola crisis), natural disasters, and other transnational threats that directly impact on human security and jeopardise states' roles as security providers. The disruptive potential of malign non-state actors that take advantage of these situations of fragility can exacerbate (or be exacerbated by) pre-existing conflicts. This problem is made worse by the tendency of too many

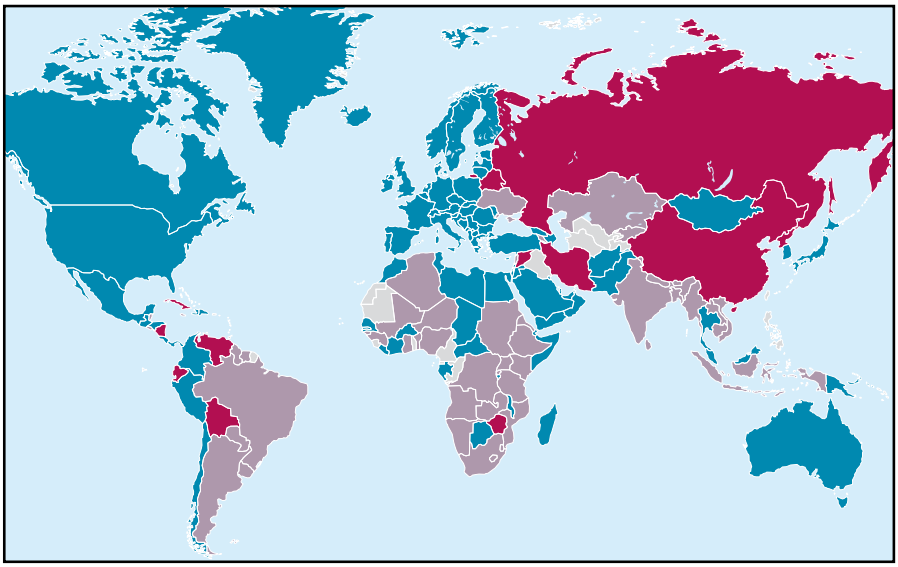
powers to provide protection to malign non-state actors or rogue regimes. Syria is perhaps the most striking case as it reflects great power politics and inter-state tensions over dealing with Assad (in particular between the West and Russia), and has since facilitated the rise of radical Islamist groups (especially ISIL). Transnational terror groups undermine the security both of their host states and of the external countries, institutions and individuals they target – a challenge that too many states and international organisations are, by and large, ill-equipped to tackle.

Trends and prospects

In an era where established multilateral institutions seem increasingly unable to offer viable and agreed solutions, states tend to rely on *ad hoc* coalitions or regional security organisations to formulate policy responses. This has led to a dilution of the structured UN-centred global system in favour of newer, less stable frameworks. While these frameworks may enable appropriate levels of response to specific challenges, they are unlikely to represent a substitute for a genuinely global response – or offer a forum where consensus (and, thus, legitimacy for action) can be reached on global security affairs.

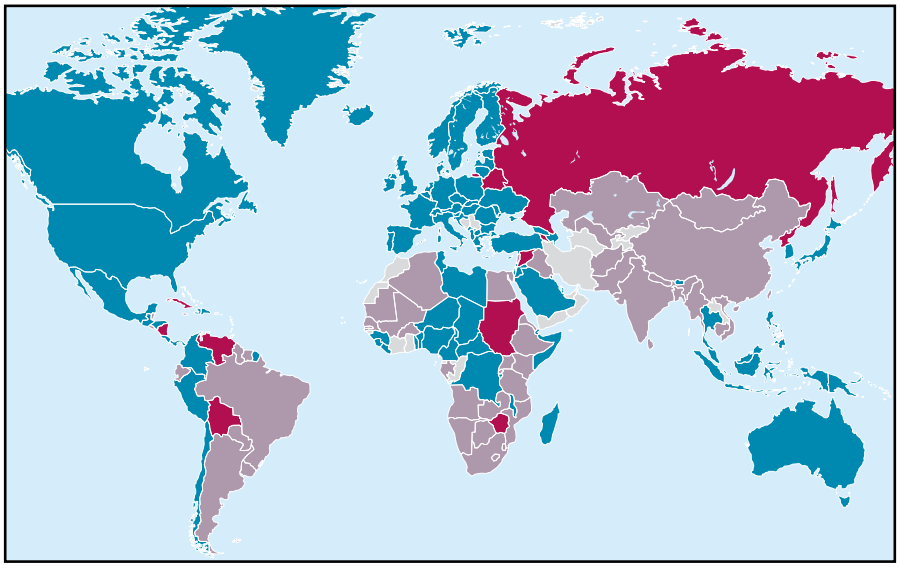
Current trends in great power politics may further chip away at the existing security order and aggravate international security threats. While established powers and bodies are being challenged in their regulatory role new powers do not seem to have an appetite for taking up global responsibilities, choosing alternately to explain their inaction as defence of the inviolability of state sovereignty (protecting the Assad regime) or as respect for the natural prerogatives of leading powers (ignoring Russia's predations in its neighbourhood). It is still unclear whether the emerging powers (and which ones among them) will be norm-setters, norm-followers or norm-breakers. Worryingly, recent developments suggest that building consensus on broad international issues may become increasingly difficult.

Figure 9: UN General Assembly voting – in search of allies on security issues



Resolution 67/262 (May 15, 2013) strongly condemned the Syrian authorities' actions during the civil conflict

Yes | No (Belarus, Bolivia, China, Cuba, Ecuador, Iran, North Korea, Nicaragua, Russia, Syria, Venezuela, Zimbabwe) | Abstain | Absent



Resolution 68/262 (March 27, 2014) affirmed the recognition of Crimea within Ukraine's international borders

Yes | No (Armenia, Belarus, Bolivia, Cuba, Nicaragua, North Korea, Russia, Sudan, Syria, Venezuela, Zimbabwe) | Abstain | Absent

Source: UN

The question of the future shape of the international system – and its implications for global governance – remains unanswered. In the context of a possible G-2 structure where the relationship between the United States and China is likely to shape the international scene – or, alternatively, a G-Zero world without a single overarching hegemon – the current multilateral institutions and their decision-making structures could prove less and less able to provide common goods and stability. In the medium to long term, the legitimacy crisis that the UN Security Council faces due to its lack of representativeness may lead to its progressive marginalisation by emerging powers that would contest its legal and political centrality. African leaders have already stated that some situations could lead the African Union to act (and resort to military force if needed) in the absence of authorisation from the UN Security Council.

The role of the United States, which has hitherto performed the function of rule-maker and enforcer, is bound to change as a result of both the rise of the 'rest' and an inward turn by the current US leadership – and possibly by the 'West' at large. Given that it is the EU´s most important partner, an isolationist US – along with an unravelling of the transatlantic compact – would have serious consequences for both Western interests and the ability to set and enforce global rules.

These prospects are particularly worrying because of the increasing likelihood of further instability at Europe´s borders and within its own territory. The EU now faces a revisionist power to its East (namely Russia, which had until recently played a greatly diminished role in the threat assessment exercises of most Western countries) and a range of diffuse non-state players to its South (AQMI, ISIL) that increasingly draw recruits from European countries. The overall result is an intricate combination of inter-state and intra-state conflicts that is very difficult to address. Western countries may also face a wave of acts of destabilisation and terrorism on their soil perpetrated by some of their own citizens – which raises the issue of how Western societies tackle the long-term challenge of radicalisation of their own youth through public policy programmes aimed at providing education, jobs, and social inclusion.

Challenges and options

In this context, characterised by rising external challenges and declining internal resources, the EU faces different types of policy dilemmas. On the one hand, there remains a need and a demand to exhibit the 'EU model': the EU's record of regional integration is still admired – or at least acknowledged – in much of the outside world. On the other, the EU has to reconcile its post-Westphalian nature – whereby member states have pooled large chunks of sovereignty – with the Westphalian (or even pre-Westphalian) world in which it still operates. This dilemma finds an illustration in the EU response to the violation of the territorial integrity and sovereignty of a neighbouring state (Ukraine), raising the question of the Union's readiness to react to naked power politics.

While the EU's tools continue to centre on non-military measures, even such 'soft' power instruments can be perceived as part of power politics when an economic agreement can spark a geopolitical conflict. This highlights the need for the EU and its member states to define and understand its own power, how to exert it externally and for what strategic purposes – and to consider how these instruments and their application are viewed from the outside.

In the meantime, there is an obligation for the EU to address post-Westphalian threats such as terrorism, climate change or organised crime, to which all security actors struggle to respond. In theory, the broad spectrum of policy instruments that the EU can draw on should enable it to conceive of a comprehensive response combining political, economic and military action as required by a given contingency. Yet the role of the military within that range of options remains undefined, leading back to the debate on how best to support multilateralism when rules are broken or circumvented. This uncertainty applies to both how 'EU-ised' or member state-led the response can be, as well as to the role of the Common Security and Defence Policy (CSDP) in the broader security toolbox.

To be effective, the EU´s responses arguably ought to harness systemic, bilateral and regional levers. At the systemic level, the EU can work further to strengthen the UN system and in support of widely accepted international norms. Having a European appointed to the position of UN Secretary-General in 2017 would help in these efforts, as would collectively reconsidering a set-up in which the member states are at the same time over-represented (as Europe) and under-performing (as the EU) – a situation that may have to be addressed, sooner rather than later, within international financial institutions.

Figure 10: The EU in international organisations

Organisation	Status
Arctic Council	observer
Codex Alimentarius Commission	member
Council of Europe	cooperating partner
FAO	member
IAEA	EURATOM is member
IMF	observer
IMO	observer
ITU	observer
OAS	observer
OECD	non-voting *de facto* member
UN General Assembly	enhanced observer
UNCTAD	observer
UNDP	observer
UNEP	observer
UNESCO	full participant
UNHCR	observer
UNIDCP	observer
WHO	observer
WMO	observer
WTO	member

Source: Compiled by EUISS

Investing in bilateral relationships with key powers – both established 'strategic partners' and others – may also prove crucially important. In the absence of reform of the UN Security Council, emerging powers (and those that matter most for the solution of specific crises) may need to be drawn into Western initiatives with a sense of joint ownership, with a view to increasing both the legitimacy and effectiveness of such initiatives.

Further investment in the transatlantic partnership is also a key priority for issues ranging from climate change to counter-terrorism, cooperation within NATO (and between NATO and the EU), and economic integration. The successful completion of the Transatlantic Trade and Investment Partnership (TTIP) would send an important signal on the resilience and competitiveness of the transatlantic compact.

Finally, engaging with and strengthening regional organisations will be essential. As an example of a successful regional security arrangement in its own right, the EU may still have lessons to share on trust-building and unconventional cooperation. Relations with the African Union (AU) as well as with sub-regional African organisations are crucial not only for operational reasons (capacity-building and support of the African Peace and Security Architecture). They also help build legitimacy for the EU, both in Africa and beyond, especially where other regional organisations (such as ASEAN or the League of Arab States) have increasing levels of ambition and scope for action. Strengthening regional organisations will be a long-term investment towards global peace. As a regional power with global ambitions, the EU is compelled to find its own place in the evolving international system and to try and shape this system to its own benefit.

Section II:

Geographic perspectives

Chapter 5

The Eastern environment

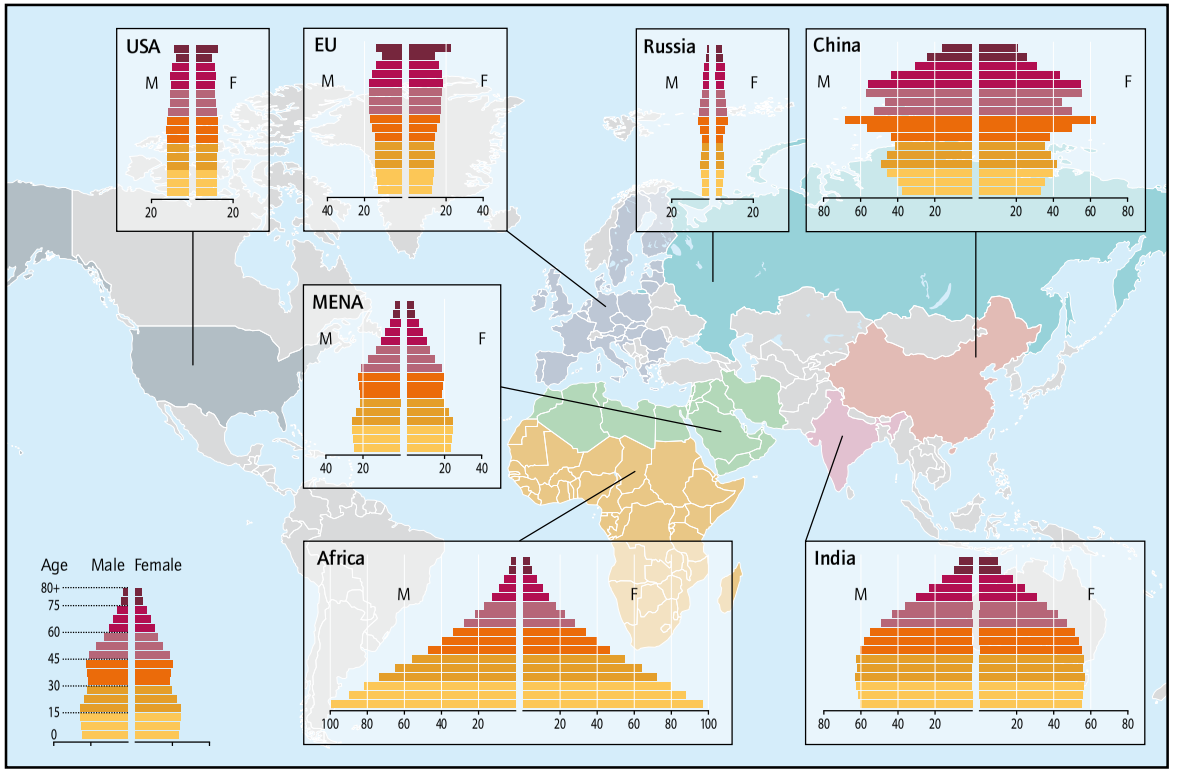
The European Union is tightly interdependent with its immediate Eastern neighbourhood (the former USSR and the Balkans) in terms of security, trade, energy and people-to-people contacts. In 2012, 43% of EU oil imports came from Russia, Kazakhstan and Azerbaijan; Russia is also the EU's main gas provider (accounting for 32% of imports in 2012, on a par with Norway) and third largest trading partner. Half of all Schengen visa are issued in Russia and Ukraine. And, through the Association Agreements, a few key countries in the Eastern environment are the most likely candidates for alignment with – and gradual inclusion into – the EU's single market.

These links, however, have not prevented the current crisis over Ukraine – nor have they played a major role in the Union's ability to shape events in the region. This might turn out to be only the beginning of a series of crises that mutate from heavy fighting into simmering underground conflicts – and back – involving constant tensions and disputes with Moscow over trade, energy and security, along with a risk of spreading civil unrest deeper into Ukraine and other neighbouring countries.

Recent developments

The Eastern environment includes a dangerous mix of weak states, Russian assertiveness and revisionism, and growing militarisation. All states in the region are essentially weak, although Russia and to some extent Azerbaijan have more (energy-related) money that allows them to hide their weakness behind a façade of military strength. In reality, they all have fragile economies, dysfunctional institutions, corrupt elites that use public office for private gain, and complicated demographics – both in terms of age structure and post-Soviet ethnic make-up. Moreover, most have a poor record of orderly leadership change. All these factors are potential sources of instability and conflict.

Figure 11: Global demographics by age group - 2030 projections



Source: UN Population Division - *World Population Prospects 2012*

Hard security issues are now at the heart of regional dynamics. This is unprecedented since the end of the Cold War: in the 1990s there were small-scale wars in Azerbaijan/Armenia (Nagorno-Karabakh), Moldova (Transnistria) and Georgia (Abkhazia, South Ossetia), but those were still Cold War aftershocks – closing chapters of the breakdown of the Soviet Union – and have since been 'frozen' conflicts where fighting has stopped despite the lack of peace agreements. The wars of the new generation – Georgia in 2008 and Ukraine in 2014 – are opening chapters of a new book, written by Russia's desire to review the post-Cold War *status quo* and create a new regional order where Russia is the indispensable and possibly dominant player.

Such wars are not limited to open conventional military conflict but encompass hybrid tactics including a wide range of hostile actions planned and carried out over time: covert operations by both unmarked special units and irregular forces; jamming of command, control and communications systems; probing of air and sea defence systems; cyber espionage; bribery and blackmail of political and economic elites, sometimes in cooperation with organised crime groups; foreign asset acquisitions; information warfare; local disorder in support of separatist claims; and, of course, direct economic coercion through energy and trade pressures.

This has set in motion a sudden militarisation of thinking in Central and Eastern Europe as well as throughout the entire post-Soviet space. Alliances are shifting as post-Soviet states are pressured to make a choice – which they often prefer to avoid – between East (the Russia-led Eurasian Union) and West (the EU and, to a lesser extent, NATO). Within Russia, President Vladimir Putin is using the current breakdown in relations with the West to further centralise power, weaken any potential opposition, and radicalise public opinion through (dis)information campaigns that have brought anti-American and anti-EU feelings to unprecedented levels and make constructive dialogue increasingly difficult. All this seems to corroborate the notion whereby Russia has evolved from Strategic Partner to strategic challenge – for the West at large, and especially for the EU.

This turn is having a tangible impact on other countries in the post-Soviet space – as well as further south, in the Western Balkans, where Moscow is using pan-Slavic rhetoric and diplomatic activism in an attempt to revive old allegiances (especially among Serbs) in a regional context characterised by political deadlock, economic stagnation, lingering ethnic tensions (especially with Albanians), and slow progress towards EU accession.

Further east, in Central Asia, political and leadership transitions are stalled as states struggle with persistent poverty, high unemployment, mass migration, poor healthcare and education. Islamic radicalisation is also a potential threat, especially in Tajikistan and Kyrgyzstan, as are simmering ethnic conflicts and wider tensions over contested borders and dwindling water resources – even in the apparently solid authoritarian regimes of Uzbekistan and Turkmenistan.

Russia's security sector and industrial-military complex may seem to be on the offensive, but its underlying economy is ailing. Lack of reform, bloated state spending, rampant corruption and bureaucratic mismanagement, political pressure on business, stagnating or declining oil prices, geopolitical uncertainties and Western sanctions are all converging towards a harsh squeeze on the country's economy. To date, sanctions may have contributed to preventing an escalation of the conflict in Ukraine – but the dire domestic situation might also convince the leadership in Moscow to raise the stakes militarily.

Ukraine's economy, in turn, is in free fall. An unreformed public sector and a rapacious oligarchy bent on state capture have led to near-bankruptcy, affecting trade and investor confidence across the entire region. A poor economy combined with separatist movements and turmoil in the East makes the country extremely vulnerable. Armed pro-Ukrainian volunteers, currently fighting on the front, might challenge Kiev politics, where oligarchic influence and endemic corruption remain high. And the potential for separatist unrest among minorities is not limited to the Donbas area.

The situation in Ukraine, however, can also be looked at more positively. For over two decades, the dominant narrative was that of a country split in half between an allegedly pro-Russian East and pro-Western West. That narrative has been proved wrong, as the absolute majority of Ukrainian citizens stood behind an independent Ukraine. Civil society is now stronger and more determined to hold authorities to account. Other positive factors include a substantial increase of Ukraine's exports to the EU since the unilateral liberalisation of the EU's trade regime, which compensated for losses on the Russian market. Last but not least, Ukraine – alongside Moldova and Georgia –has been through relatively smooth and successful transfers of power. Despite being weak and poor, these three countries have largely functional political systems that are not entirely dependent on single personalities – unlike Russia, Azerbaijan or Kazakhstan.

Trends and prospects

Moscow's geopolitical revisionism and hybrid war tactics are likely to continue to shape and destabilise the entire region. However, Russia lacks resources to rebuild an empire – through either economic attractiveness or military coercion. While it is still a popular destination for migrants from the former Soviet states of Central Asia (despite a poor record on integration, growing anti-migrant sentiment and aggressive anti-migrant policies), its neighbours remain hesitant about deeper economic ties. Shorter life expectancies and the young age of Central Asian migrants (where the median age is more than a decade younger) mean that Russia's old age dependency ratio will only be 28 in 2030, close to Europe's current level and well below the 36 predicted for Europe in 2030. But low fertility rates and significant outmigration mean that Russia's population is predicted to drop from 143 million today to 134 million by 2030 – a worrisome trend for a power-focused regime.

A full-scale war will most likely be avoided but a series of lower-intensity skirmishes and recurrent tensions may continue to dominate the Eastern political and security environment for years. Such tensions and the spectre of war in countries associated with the EU will probably prevent them from developing, fighting corruption, curbing unemployment and emigration and, more generally, fully benefiting from closer integration with the West – all of which can best be achieved in conditions of peace.

Russia has been in strategic decline for decades but is showing increasing great power assertiveness as it refuses to take decline gracefully. The risk exists that, if his presidency looks weakened, Putin will try to rebuild domestic support through external confrontation – even if this could ultimately weaken Russia even further, as has partially happened already as a result of the annexation of Crimea. Apart from Donbas (and adjacent areas), Transnistria and Abkhazia, other regions such as Gagauzia in Moldova, Javakheti in Georgia and parts of Kazakhstan may be targeted by Moscow's destabilisation efforts. Russia may even attempt to rock the boat in the Baltic states to either discredit NATO or mobilise nationalists at home. However, the worst-case scenario of a comprehensive Russian military challenge to NATO members remains improbable, though not entirely unthinkable.

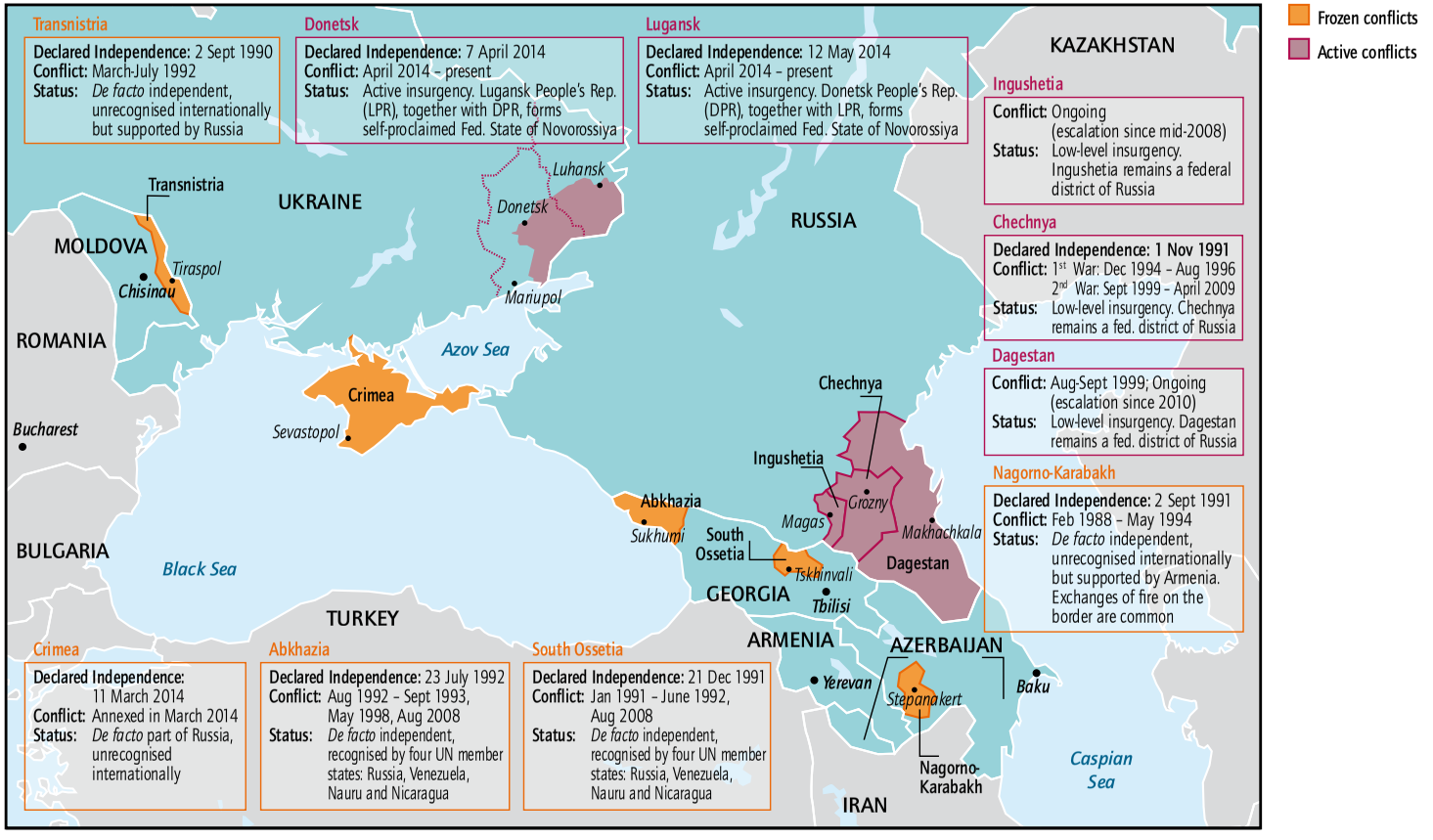
The economic crisis in post-Soviet states is likely to deepen. The growing securitisation of the environment will boost defence spending across the region, diverting already scarce financial and political resources from needed economic reforms. And the thickening web of sanctions – by the West against Russia, by Russia against the West, by Ukraine and Moldova against Russia – further complicates the outlook for the entire region.

Nevertheless, substantial economic cooperation with Moscow is expected to continue, both within the region and between Russia and the West. A 'back to the 2000s' scenario cannot be completely ruled out, with rocky political relations on some issues (shared neighbourhood, energy) and *ad hoc* cooperation on others (Iran, Syria, Islamic terrorism). It seems scarcely likely that Russia would give Crimea back; that Donbas would be reintegrated into the rest of Ukraine; or that diplomatic, trade and media pressures would stop. But military and security pressures on Russia's neighbours might well be scaled down.

EU energy security will remain a challenge as will EU efforts at diversification of energy sources. The tug-of-war between the EU and Russia over market liberalisation is set to continue – with Gazprom unwilling yet forced to comply with EU regulations. However, other countries in the region will continue to face uncertainty over gas supplies from Russia, and Moscow will use that as a tool to maintain its leverage.

In the Caucasus, by contrast, the main risks are domestic – stalled reform (Tbilisi) or even backsliding (Baku) – while the overriding security concern is a possible outbreak of war between Armenia and Azerbaijan.

Figure 12: Instability in the post-Soviet space



Central Asia will be a growing source of fragility and even instability in the wider post-Soviet space, with the evolving situation in Afghanistan representing a wild card for the whole region. Tajikistan and Kyrgyzstan may struggle to counter radical Islam, and the Fergana Valley spread across the three countries might well turn into a local hub for extremists. Prospects for development and modernisation in the region look uncertain but will surely have to factor in China's interests and initiatives and their potential interplay with Russia's. And question marks abound over the future of Kazakhstan and Uzbekistan, with the two countries' leaders ageing and no orderly system of leadership transfer in sight.

Russia's own project of the Eurasian Union – currently composed only of Russia, Kazakhstan and Belarus – may attract (or just fatally draw in) vulnerable Central Asia countries. This, along with military cooperation in the framework of the Collective Security Treaty Organisation (CSTO), will help Moscow retain its influence in the region, but will surely not boost local growth and development in the way that Beijing's economic dynamism and commercial penetration could. China is increasing its involvement in the area, moving from its strategically crucial Xinjiang province, which also makes it a major stakeholder of Central Asian stability. For its part, the EU is the most important trading partner for the region as a whole, accounting for about a third of its trade – and notably for oil-exporting Kazakhstan, an ostensible partner in Russia's Eurasian Union.

Challenges and options

The EU can neither choose nor ignore its immediate neighbours. In an increasingly demanding Eastern environment it will have to adapt and possibly customise its neighbourhood and foreign policies. Enhancing overall security and preventing the eruption of further conflicts is the ultimate and overarching priority – and a multi-faceted challenge.

The single biggest lesson from the crisis in Ukraine is that the EU's policy in its Eastern European environment will need a stronger security component. Before the EU can help transform its immediate neighbours into friendly and well-governed countries that meet high phytosanitary or environmental standards, it needs proper states to deal with. A state begins with well-functioning law enforcement, intelligence, border management and defence sectors that help it survive and thrive. In the Union's immediate Eastern neighbourhood, Moldova and Ukraine are in particular need of properly functioning security sectors. Ukraine needs to be strong enough – including in military terms – to prevent the loss of more territory. This may require finding a new balance in the EU's relations with Russia, namely between standing up to its revisionist and assertive conduct while keeping channels for political dialogue and settlement of conflicting interests open. A more stable and better governed Eastern European environment may be also in Moscow's strategic interest since a failed, anarchic and crime-ridden one could easily spill over into Russia itself.

As the EU continues engagement with all countries in the region, it may consider focusing its resources on those most willing to cooperate and where it has greatest leverage, i.e. the ones that have signed Association Agreements. Russia will maintain its pressure on Ukraine, Moldova and Georgia and try to undermine their closer integration with the EU. In Ukraine, Moscow can hardly score huge successes – but it can provoke huge disasters. Under the current circumstances, settling for an unsolved 'frozen' conflict would not necessarily be the worst-case scenario, as it would decrease regional tensions and allow Ukraine and the EU to concentrate on much-needed economic reforms, political consolidation, institution-building, fighting corruption and deepening trade. And the situation would be not much different than in Moldova or Georgia, which also suffer from Russia-driven 'frozen' conflicts within their borders.

To ensure the long-term success of the association process, it may prove important to compensate states for losses stemming from Russian initiatives and to contribute to tangible improvements in living conditions. For instance, allowing the citizens of associated states to truly benefit from the visa-free regime with the EU is essential: they would feel the value added of Agreements and be more likely to support and endure possibly painful domestic reforms. They would also become more resilient to anti-Western propaganda emanating from Russia.

Lower-scale engagement is nonetheless useful with the trio of countries that have chosen not to pursue association with the EU: Belarus, Armenia and Azerbaijan. For example, new openings in diplomatic relations with Belarus might be worth considering: the drastic regression in the domestic political systems and foreign policy behaviour of so many other post-Soviet states invites perhaps a reassessment of the role of Belarus and the way it is seen: Minsk is no longer the last and quintessential *bête noire* of Europe – it is just one among others.

It may also be useful to strengthen cooperation with Central Asian states, notably Kyrgyzstan and Tajikistan, as they look for support to combat radical Islam. The EU might thus consider options for deepening security assistance in the Fergana Valley and preventing an escalation of ethnic clashes between Kyrgyzstan, Tajikistan and Uzbekistan – strengthening its own presence in the region and exploring ways to contribute to its future development.

At any rate, in the short and possibly medium term, a grand strategic bargain or even *rapprochement* with Russia does not seem to be on the cards, regionally or globally. Pragmatic convergences on specific issues, however, may still be pursued – including on the regulatory trade interface between the Association Agreements and the Eurasian Union, with a view to preventing (or at least mitigating) new artificial dividing lines between East and West.

Various geostrategic differences notwithstanding, Russia is arguably not in a condition to launch a comprehensive ideological challenge to the West of the magnitude of that posed by the Soviet Union during the Cold War – nor does it

seem capable to carry out the much-needed modernisation and diversification of its economy without the foreign investment and trade that only the West (and in particular the neighbouring EU) can provide. Yet Moscow can still play the spoiler and disrupt EU and Western policies both in Europe and elsewhere.

Chapter 6

The Southern environment

From Nouakchott to Baghdad stretches a region which matters to the EU due not only to its geographic proximity, but also to its strategic value. The Middle East and North Africa (MENA) countries are close economic partners for the EU – 50% of Arab trade goes to Europe (62% for North Africa), while 11% of EU trade is with the region. Less than 30% of EU oil and gas comes from the MENA countries but it plays a central role in shaping the global energy markets on which Europe is dependent. There are cultural ties, too: 7 to 8 million Arabs and Europeans of Arab origin live in Europe.

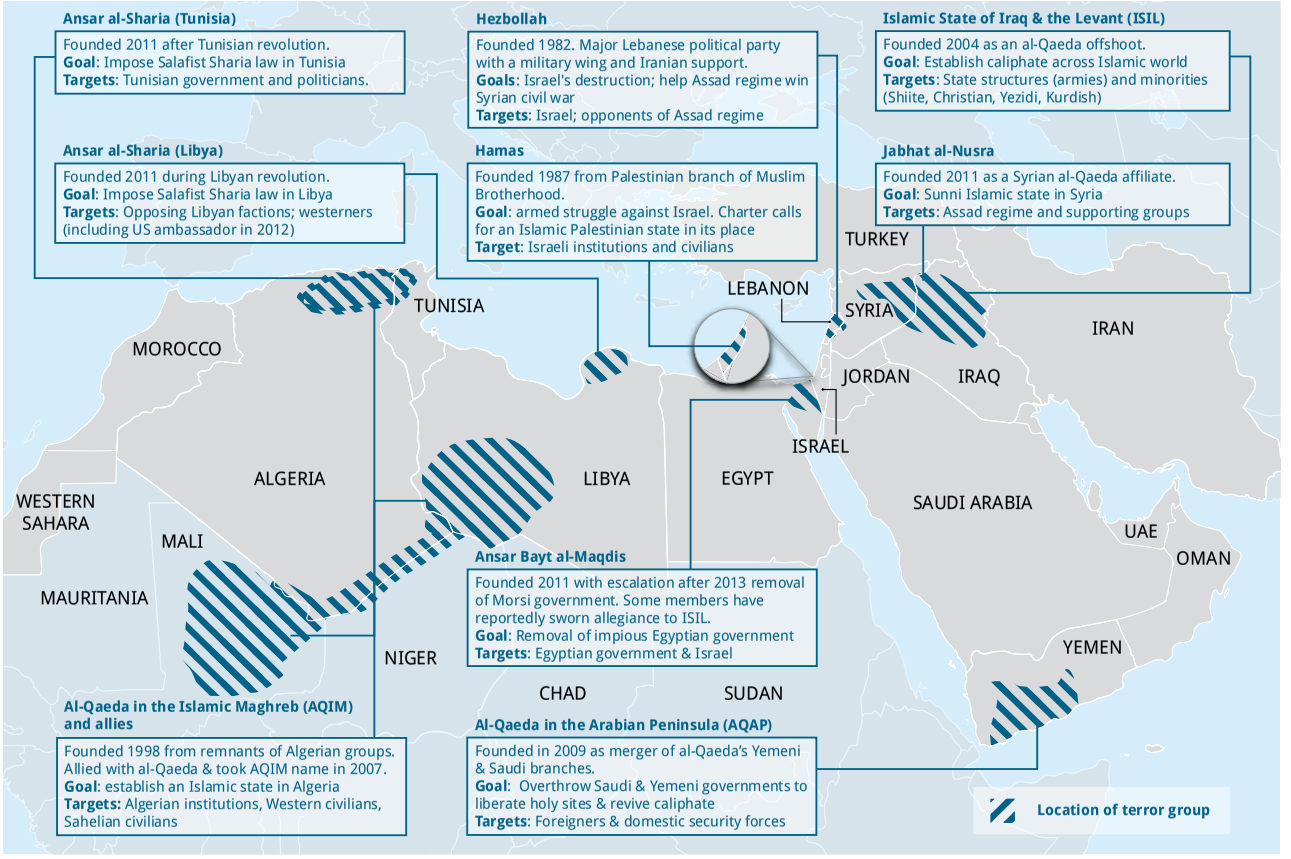
But, more worryingly, the MENA region is notoriously conflict-ridden, ravaged as it is by terrorism, *coup d'états*, and both intra- and inter-state wars. Disagreements over Iran and its nuclear programme only add to an already unstable environment. In integration terms, the region is the antithesis of Europe: almost all states in the region impose visa restrictions on each other; only 12% of Arab trade is regional; the Arab League is weak; and there are no effective regional conflict-resolution mechanisms.

Recent developments

The MENA countries are undergoing the worst series of crises since gaining independence from (European) colonial rule. What began as a movement for democracy and social justice in 2011 – the 'Arab Awakening' – has since transformed into a regional conflagration on all fronts, from security to domestic politics, intra-regional relations and the economy.

On the security front, all Arab states – to varying degrees – contain regions that are not fully under the control of their national institutions. While this has been the case for quite some time now, the situation has become acute in Algeria's south, Libya, Egypt's Sinai, parts of northern Iraq and, of course, Syria and Yemen.

Figure 13: Terror groups in the Middle East and North Africa



These regions have become security vacuums which are infested, even more than before 2011, by illicit networks of all kinds, especially jihadi terrorist organisations. Islamist terrorism has returned with a vengeance, rebranding and reshaping itself but always with the same goal: toppling Arab regimes and replacing them with a Caliphate. Although jihadism was not caused by the Arab Awakening, it is thriving on two outcomes of that awakening: the overstretching of security institutions and the fight conducted by Syria and Egypt against Islamist organisations – although these are both of a very different nature. The fate of the Muslim Brotherhood, not itself a jihadi organisation, serves for all Islamist terrorists as a call to arms against 'secular' leaders.

But terrorism is not the only security concern: criminal activity has skyrocketed, with its revenues sometimes contributing to finance jihadi groups; an enormous influx of Syrian refugees puts Lebanon at a high risk of civil conflict (amidst rumours of Christian militias rearming); Syria's civil war has killed close to 200,000 people, infected its neighbours, and set back the development clock by 30 years; while Libya's implosion contributes to terrorism and illegal migration to Europe, as well as destabilising global oil markets. Even conflicts that were thought to be 'frozen', such as the Israeli-Palestinian one, have recently reignited. For none of them (frozen or not) is a solution within easy reach.

Old fears of a nuclear Iran, heightened by prospects of an unsatisfactory nuclear deal with the West, are partly to blame for exploding Gulf defence budgets over the last decade, indicating the readiness for Arab military action (but also highlighting the quintessential security dilemmas affecting a region where Tehran, too, has felt threatened by its neighbours at least since the mid-1980s). The eventual outcome of those negotiations will probably shape both perceptions and realities of national security, power balances and alliances across the region, reverberating on Iraq, Syria, Lebanon and Palestine, and changing calculations in multiple regional conflicts. While Rouhani's election in June 2013 has had a positive overall impact on Iran's international relations, the situation in Tehran remains fragile, and the increasingly sectarian overtones of several of the regional crises are also a consequence of Iran's posture and its entrenched rivalry with other Gulf states, starting with Saudi Arabia.

Sectarianism is now used by all players to discredit opponents, both domestic and external, and has culminated in doctrinal clashes. Unfortunately, this masks the fact that neither Iraqi nor Syrian grievances are theological but are primarily socio-economic and political in nature. While Iran was instrumental in facilitating the necessary departure of Iraq's Prime Minister Maliki, and has assisted the Iraqi government in its fight against terrorism, it remains (and is perceived as) a threat to many states in the region.

Where domestic politics looked promising in many MENA states three years ago, hopes for liberalisation and democratisation have been suffocated by new and restrictive anti-terrorist legislation and laws clamping down on political opposition.

With a few notable exceptions (Tunisia, Oman, and perhaps Morocco and Yemen), many Arab countries have regressed on issues such as political rights, accountability and good governance. Under the pressures of terrorism and economic disruption, political liberalisation has taken a back seat.

At the regional level, the traditionally fragmented MENA region has atomised. State and non-state actors have switched alliances – sometimes more than once. Egypt, briefly part of the Islamists' Alliance in 2012, along with Turkey, Qatar, Tunisia and Hamas in the Gaza Strip, switched in 2013 to become the junior partner in a revisionist alliance consisting of Saudi Arabia and the United Arab Emirates (UAE). Qatar has since reviewed its position on the Muslim Brotherhood, under considerable Gulf pressure, but its foreign policy remains centred on revolutionary change. In Syria, rebel groups once considered democrats have splintered into Islamists and non-Islamists, neither able to topple the Assad regime. Hamas, suddenly bereft of its main ally in Cairo after President Morsi's fall (and its suspension of relations with Syria), is beginning to rekindle its relationship with Iran, but it has turned from being one of the Arab Awakening's winners to a significant loser.

Turkey, considered a role model for emerging Arab democracies only three years ago, is now deeply embroiled in Syria's civil war and concerned about security in its own territory. Its previous 'zero problems with neighbours' policy has been gradually and ominously replaced with a more abrasive and confrontational posture towards its neighbours. And its own domestic situation has evolved from leading by example to following the rest of the region in terms of repression. Rather than shaping the environment, Turkey is now being shaped by regional unrest.

Some actors who traditionally used to influence regional relations are so gripped by domestic challenges that they have ceased to play any active external role (Syria, Iraq, Libya) – just as other traditionally less influential ones are now completely paralysed (Jordan, Lebanon, Tunisia). The MENA game is therefore shaped by those few states which are relatively stable internally and have the ambition to take a leading regional role: Qatar, UAE, Saudi Arabia and, to a very limited extent, Egypt. Algeria, albeit in a position to act, is traditionally cautious in regional politics. As a result, Arab regional relations have entered a Gulf moment.

Consensus across a highly polarised region exists only when it comes to the most extreme versions of Islamist terrorism: the Islamic State of Iraq and the Levant (ISIL), first and foremost, but also its brethren such as Ansar al-Sharia in Libya, Ansar Beit al-Maqdis in Egypt and al-Qaeda in the Islamic Maghreb have managed to unite all Arab states. While these might disagree on Islamist political parties (some consider the Muslim Brotherhood a terrorist organisation, others do not), they all agree on the imperative to curb Islamist jihadi organisations.

All of this is occurring in a situation of economic decline. Although the 2011 demonstrations were largely motivated by economic considerations, almost all Arab economies have suffered from political turmoil and violence and have been unable to tackle the burning questions of economic reform and youth unemployment (currently

estimated at more than 27%). Libya's oil output has declined by 80% through 2014 due to fighting and internal strife; Egyptian unemployment is increasing; and foreign direct investment (FDI), vital for job stimulation, has decreased across the whole region. Even the Gulf States, traditionally in a better position, are now facing the prospect of tightened belts as they have vastly increased social spending and public sector wages to ward off potential social unrest since 2011.

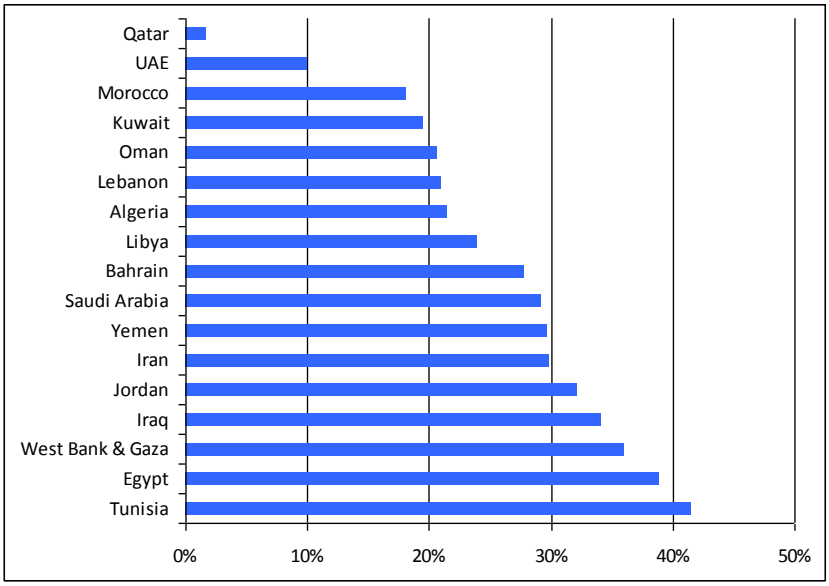
Trends and prospects

The MENA region faces so many problems simultaneously that prioritisation will be key. Although efforts have focused on critical issues such as Islamist terrorism, Syria's civil war and Libya's security implosion, there are other, structural challenges simmering in the background.

The first, youth unemployment – one of the root causes of the Arab Awakening – is getting progressively worse. It has been predicted that it could reach 30% by 2020 (and only if GDP continues to grow at a yearly 4%). Just as in 2011, this trend will hit the highly educated the hardest. The problem is endemic and concerns even the Gulf States: in Saudi Arabia, 42% of university graduates are unemployed – a problem made worse by the professional constraints suffered by women, who make up 60% of new graduates. Within five years, Arab states need to create 18 million jobs just to prevent current levels of unemployment from rising further – or they will face the likelihood of more unrest and terrorism.

The second structural challenge, terrorism, is endemic across the region. Both social unrest and terrorism have been met with repression in most countries; but repression is not wholly efficient in eradicating either, and it comes at a high political and economic cost, deterring foreign direct investment (essential for job creation) and delaying reform. Terrorists continue to thrive in states that lack transparent, responsive governments that allow their citizens a voice in their own economic and political future. These groups have grown increasingly media-savvy, penetrating even Western societies and projecting messages that appeal to a broad spectrum of potential recruits across and beyond the region.

Figure 14: Youth unemployment in Middle East and North Africa (2013 estimate)



Source: ILO, *Global Employment Trends 2014*

In addition, all Arab states are vulnerable to swings in global food prices, depending significantly on cereal imports – the prices of which are influenced by global oil prices. Any surge in the price of oil can hurt food-importing countries like Egypt, Algeria or Jordan. In late 2010, prices for staples like bread and cooking oil tripled within weeks, fuelling discontent. Given the volatility of the global oil and food market, Arab states must be prepared to absorb price shocks – but few are.

In sum, Arab states display three crucial vulnerabilities, all of which are very likely to create more unrest and insecurity: youth unemployment, terrorism and food import dependency could threaten the success of Tunisia's new democracy, as well as undermining stability and growth across the region.

Challenges and options

While many observers call for a complete overhaul of the EU's approach to the region, the basic premise underpinning European thinking is still valid: a ring of prosperous and well-governed states ultimately creates stability. But while this approach makes sense for the long term, current challenges are so pressing that further deterioration of today's crises must be averted – without abandoning European visions of good governance and the rule of law.

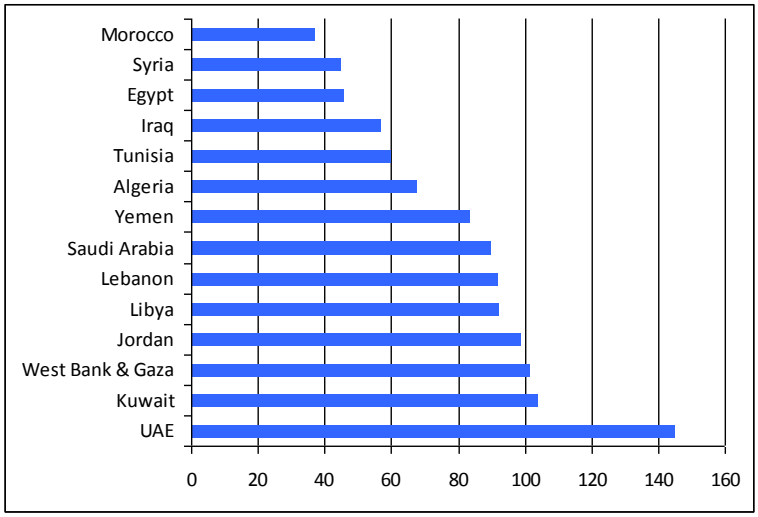
In the immediate term, key issues like youth unemployment, terrorism and food import dependency require a regional rather than bilateral approach. Moreover, humanitarian support to Jordan and Lebanon will be necessary to contribute to a continued relative containment of the Syrian crisis. In the medium and long term, however, the EU may consider concentrating efforts and resources on the two fragile democracies in the region: Tunisia and Iraq. With regard to the ongoing conflicts in Syria or Libya, the EU has little room for political manoeuvre.

Concerning the three most pressing issues of youth unemployment, food import dependency and terrorism, the EU might try fostering regional solutions. In the first instance, this could entail supporting a comprehensive Arab economic integration package: merely lowering trade barriers, though an essential step, may not create enough jobs. New research indicates that trade initiatives could be combined with investment in regional transport systems, the replacement of some non-Arab labour in the Gulf States with non-Gulf Arab nationals, and full implementation of the 1997 Greater Arab Free Trade Agreement (GAFTA) to reduce unemployment by a significant margin across the region.

The EU could choose to actively press for implementation of these initiatives, particularly as an Arab free trade area would also be to its own advantage. It is also safe to assume that GAFTA would attract more European foreign direct investment, which is notoriously low in the region and goes primarily to those states which are either economically stable (such as in the Gulf) or to endeavours which are capital- but not labour-intensive – hence creating limited numbers of jobs. Supporting FDI for the region would in turn bolster the EU's long-term objectives in the MENA region more than traditional aid could.

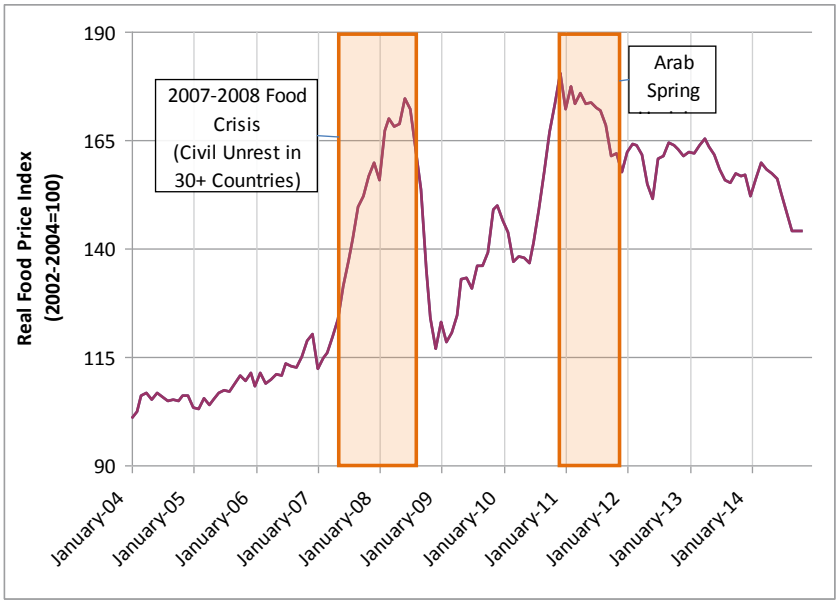
Secondly, the EU could foster measures to alleviate the region's vulnerability to food price volatility: projects in Jordan and Tunisia have shown the effectiveness of technical programmes which help reduce triggers of political instability. And, thirdly, the EU could try and seize the rare moment of Arab agreement on the common threat of Islamist terrorism to support more security (and particularly police) cooperation across the region. While comprehensive security sector reform, as called for during the Arab Awakening, is currently not a priority for any Arab state (with the exception of Tunisia), the EU could nevertheless still encourage and promote enhanced cooperation (and perhaps sharing of best practice) among Arab states through the Arab League – a measure that the League itself called for in 2003, but without any impact. The common challenge of terrorism might provide a window of opportunity in a notoriously unintegrated region, and even serve as a stepping stone for more political and security cooperation. A body similar to the Club of Berne, where intelligence chiefs meet informally, could be a useful starting point.

Figure 15: Cereal import dependency ratio (2009-11)



Source: FAO

Figure 16: FAO Food price index

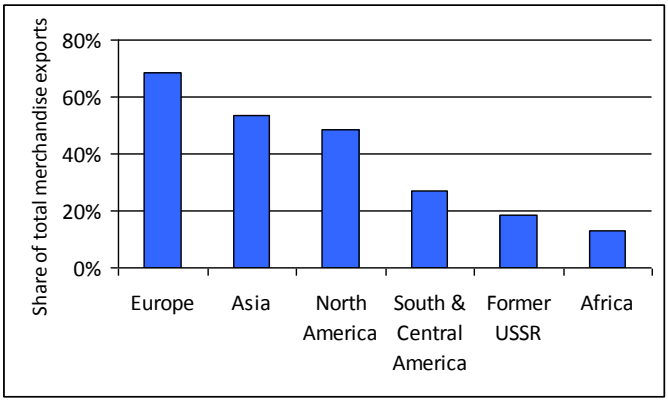


Source: FAO

As for the EU's long-term objective of making good governance a regional brand, long-term support for Morocco, Jordan and, especially, Tunisia and Iraq could be crucial. Currently emerging from a parliamentary election and presidential campaign whose results have reassured secularists, Tunisia is tackling a terrorist problem and

will face an even bigger one upon the return home of the many young Tunisian fighters who have joined the jihad in Syria. The defeat of Tunisia's democratic project is in the interest of several regional spoilers. But should Tunisia succeed, this could have significant positive repercussions for the entire MENA region.

Figure 17: Intra-regional merchandise trade – 2012



Source: WTO

Iraq, albeit not an immediate EU neighbour, also needs international backing to save its formally democratic political system. In order to do so (and to deplete ISIL of its supporters), systemic reform is necessary to ease Sunni frustrations and make democracy a permanent feature of the region. In both cases, EU support could be more focused on capacity-building of the carriers of democracy (such as political parties and parliaments) rather than on its procedural dimensions (such as elections).

Finally, a solution to the Israeli-Palestinian conflict does not seem within reach, as the conditions for peace have deteriorated: the Palestinian leadership is divided, Israel continues with the settlements in the West Bank, and several attempts to come to a negotiated solution have failed in the last few years. Although the conflict seems to have lost its centrality as the main driver of conflict in the region, it remains a sore wound at its centre, and provides radical groups with the necessary narrative to refuse disarmament and states with a convenient scapegoat. Solving the conflict in a sustainable manner would therefore most certainly contribute to regional stability.

Chapter 7
Further South

The Southern shore of the Mediterranean is no longer – if it ever was – a self-contained 'neighbourhood' of the European Union. It is also a temporary destination and a transit point for activities – economic, political, legal and illegal – that originate further South, including a rising number of migrants and refugees. This starts with the sliver of instability that stretches from Mali to Somalia and its combination of state fragility, local grievances, cross-border terrorism, poverty, underdevelopment, and criminal networks trafficking in arms, drugs and people. In a region where borders are virtually impossible to monitor and protect, too many ungoverned spaces are open to actions that risk undermining both local and global security.

Sea routes, too, remain an issue, with cocaine traders from South America using West Africa as a gateway to Europe, and the Gulf of Guinea – now that piracy in the Horn has been brought under control by the concerted action of the international community – has become a new hub for illegal activities (off and onshore) with serious implications for European interests.

The recent Ebola outbreak in West Africa has further highlighted the potentially global repercussions of local vulnerabilities, bringing back an image of Africa as the heart of darkness and trumping its underreported (economic and political) success stories of the past decade. The three states at the heart of the Ebola epidemic – Sierra Leone, Liberia and Guinea – depend heavily on international assistance (still primarily focused on containment) but the economic impact of the health crisis in the region is still unravelling and will continue to be felt for some time.

Over the past few years, first China and then, to a lesser extent, other emerging powers such as India and Brazil have increasingly made their economic and political presence felt on the continent, rivalling Europe's traditional influence. More recently, the US has also developed a more assertive Africa policy, albeit driven primarily by security concerns. And with a number of African countries – from South Africa to Nigeria, from Angola to Ghana – becoming sizeable regional and international players, a new complex sub-regional dynamic is taking shape.

Recent developments

For much of Africa, half a century has passed since independence from (European) colonial rule, and a quarter since the end of the Cold War, which contributed to shaping conflicts across the continent. The majority of sub-Saharan Africa's 48 countries have experienced armed conflict since the 1960s. Yet both the scale and nature of civil wars on the continent have changed significantly since the 1990s, when their number and intensity peaked. Major wars for state control – like the ones that long plagued Angola, Mozambique and Ethiopia – are now rare.

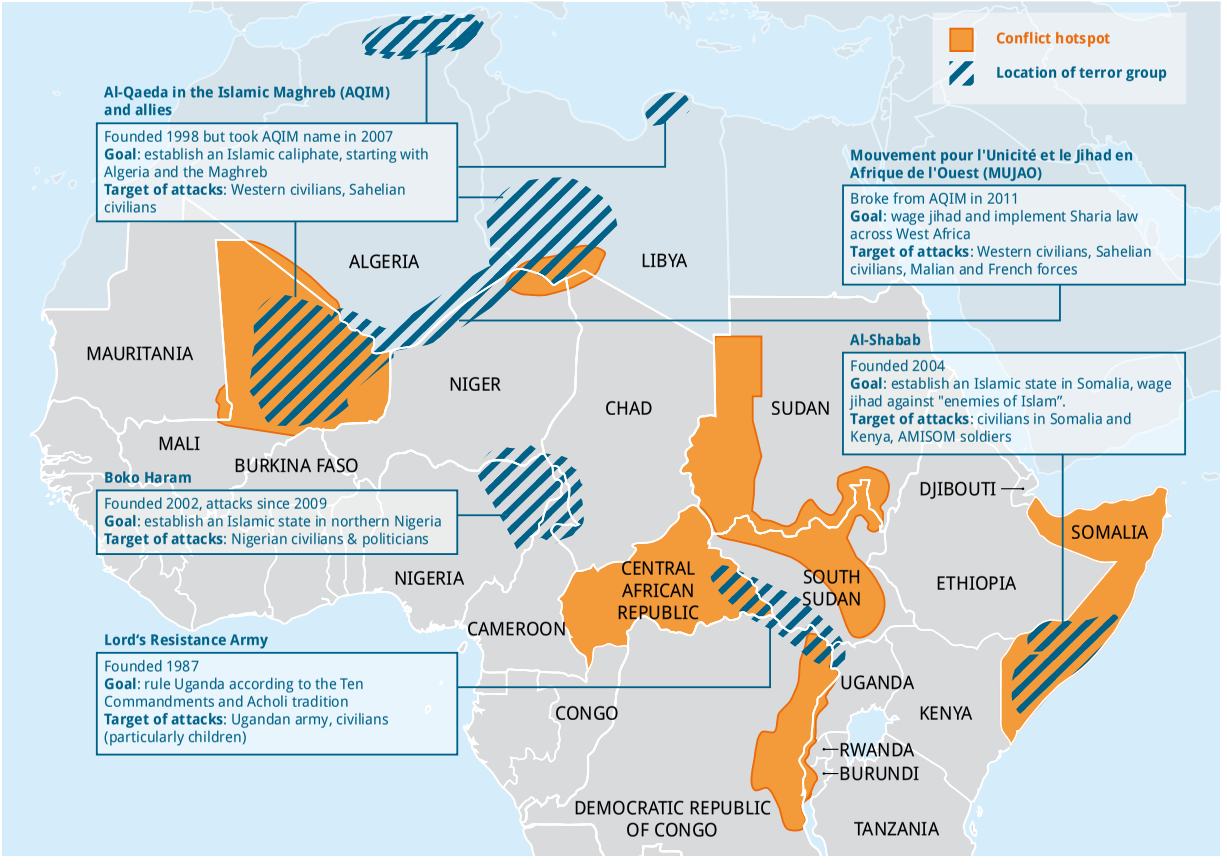
Since the late 2000s, low-level insurgencies have been the norm, as rebel groups with transnational outreach (Boko Haram, Al-Shabaab, AQIM) and separatist groups in Senegal, Uganda and elsewhere fuel conflict on the peripheries of states. These groups capitalise on pockets of fragility and establish safe havens from which to carry out their actions, but without ever getting to control large chunks of territory. Yet despite the much lower levels of conflict across the continent since the 1990s, instability in Sudan/South Sudan, the Horn and the Great Lakes remains acute.

While India is home to the world's largest concentration of poor people, Africa contains most of the remaining countries that still have high levels of water stress and food insecurity. These challenges affect livelihoods and can fuel local conflict, including between indigenous groups and migrants. Disputes over access to land have also been major sources of intra- and inter-state tensions and communal violence – as within Kenya, Zimbabwe and Cote d'Ivoire, or between Chad and the Central African Republic.

Africa also boasts the ten countries with the highest fertility rates in the world: Nigeria is projected to become the third most populous country after India and China by 2050. Uncontrolled urbanisation is rampant, with slums multiplying on the outskirts of mega-cities as migrants flee poor rural areas for the economic opportunities of urban centres. Lagos, Luanda, Dar es Salaam and Bamako are among the fastest-growing cities in the world.

Africa also hosts many countries ranked at the bottom of human development and governance indices: even after the overthrow of Burkina Faso's Blaise Compaoré, too many older leaders, in power for decades (sometimes since independence), continue to rule over ever younger populations. Amidst widespread poverty and malnutrition, as well as the persistence of deadly diseases (including malaria, but especially HIV – 68% of the world's HIV-positive population are in the region), the validity of the 'Africa rising' narrative may be waning.

Figure 18: Terror groups in Africa



Luckily, however, there are still reasons to see the glass as half-full. Africa has rightly been portrayed as the land of economic opportunity, with annual average growth rates above 5% in the last decade – even if official figures, which failed to register informal economic activity, tend to underestimate the magnitude of the change – and these are expected to be sustained over the coming years. In many cases, growth has been boosted by the commodity 'super-cycle' that benefited resource-rich economies such as Angola, Mozambique and Ghana. Some countries, such as Guinea and the Democratic Republic of Congo (DRC), are key mineral suppliers to the world market. But Africa is also a rising consumer market: with 650 million mobile phone subscribers, for example, it is a larger market than Europe or the United States. Moreover, although reliable data are scarce, intra-African trade is on the rise – notably within trade blocs such the East African Community (EAC) and the Economic Community of West African States (ECOWAS) – and so are business opportunities for an emerging middle class that increasingly operates across borders, often in partnership with European, Indian or Lebanese companies.

Africa's changing demographic situation, with child mortality falling and literacy levels rising, is the continent's economic hope, as well as a major worry. With 200 million Africans aged 15 to 24 – plus an additional 15 million arriving on the job market every year – Africa will struggle to provide sufficient jobs, which inevitably makes Europe worry about the prospect of illegal migration. Moreover, this unemployed 'youth bulge' is convincingly correlated with civil unrest, radicalisation and conflict. This is why it would be in Europe's interest to promote concerted efforts to address both economic and security risks – the main push factors of migration.

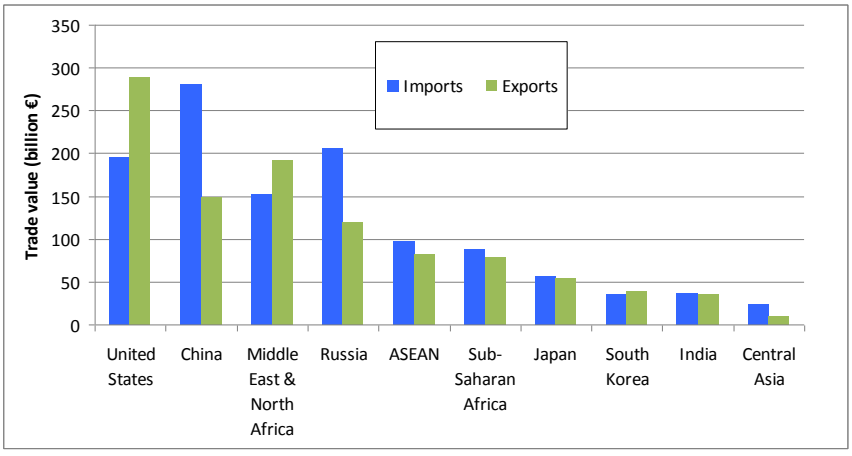
Africa has moved in sync with the rest of the world in terms of both conflict reduction and democratisation, although some leaders may not be moving as quickly as civil society demands: Freedom House measured a decade and a half of improving democratic systems across the continent from 1990 to 2005, although continental progress has stalled since then. Progress is also being made with the empowerment of women (Rwanda and Sierra Leone are cases in point), and their distinctive role in post-conflict reconstruction is widely recognised.

Acting on the principle that 'African problems require African solutions', the continent is slowly assembling the building blocks of an African Peace and Security Architecture (APSA) with structures and operations that have already demonstrated a degree of success, including with robust military action and political support for the federal government in Somalia. The AU's Peace and Security Council is an increasingly reliable partner for action, despite the limits to its decision-making and information-sharing procedures among the 15 member states. In theory, this African PSC could approve armed intervention in cases of human rights violations and 'unconstitutional changes in government', but the politicisation of such issues usually inhibits action.

The African Union (AU) and some Regional Economic Communities (RECs) are fairly dynamic, notably the South African Development Community (SADC) and the EAC. Yet the principles of non-intervention in internal affairs, consensus in decision-making and subsidiarity often make action either impossible (AU in Cote d'Ivoire in 2010) or too slow (ECOWAS in Mali in 2012). Furthermore, the strained finances of many states, and the current state of traditional donors such as Libya, have left these organisations with limited resources: the whole AU Commission, while significantly larger than it was a decade ago, still employs only 700 people and has very limited administrative capacity.

The AU and RECs notwithstanding, 'heavyweight' countries drive the dynamics in their sub-regions, where they tend to act both as economic engines and pugnacious neighbours. Nigeria's economy dominates West Africa and is the largest in the continent thanks to its huge population and oil revenues, while Kenya has moved up to lower middle-income status following a recalculation of its GDP. South Africa faces internal economic problems, but its companies prosper abroad and its representatives (military or diplomatic) are present and active from the Great Lakes to the Horn of Africa. Similarly, Angola has growing influence in the Lusophone world, and its armed forces are among the most capable in Africa. Angola, Nigeria and Chad will be Africa's voices in the UN Security Council throughout 2015.

Figure 19: EU trade with main partners 2013



Source: European Commission

Trends and prospects

The future looks very different for crisis-stricken countries – like the Central African Republic (CAR) – than it does for countries like Botswana or Mauritius that strive to surpass middle-income status. Over the next five to ten years, Africa will continue to face security, governance and development challenges. Three priorities could be highlighted.

First, terrorism is a wild card: with diverse causes and a wide range of groups, nobody knows how terror activities may develop and the international community will be hard pressed to counter it. One example is Boko Haram, which emerged in 2002 as an extremist sect in northern Nigeria and now controls multiple towns and has sympathisers in Cameroon and Chad. The creeping internationalisation of Boko Haram derives from its Islamist rhetoric, building upon references to ISIL and al-Qaeda. Recent trends towards more ambitious targets and typically jihadist tactics – including suicide attacks – are worrying. An African jihad is consolidating through terrorist groups whose claims were initially grounded in local grievances and then framed in a sectarian discourse. In this perspective, Libya is a worrying hotspot nearby, from which violent extremism can spread dangerously.

Figure 20: Longest-serving African leaders

World Rank	Leader	Country	Years in Power
1	Paul Biya	Cameroon	39
3	Teodoro Obiang Nguema Mbasogo	Equatorial Guinea	35
4	José Eduardo dos Santos	Angola	35
5	Robert Mugabe	Zimbabwe	34
8	Yoweri Museveni	Uganda	28
11	Omar al-Bashir	Sudan	25
12	Idriss Déby	Chad	24
13	Isaias Afwerki	Eritrea	23
16	Yahya Jammeh	The Gambia	20
19	Denis Sassou Nguesso	Republic of the Congo	17

Source: Compiled by EUISS

Secondly, political transitions, including electoral processes, present a major source of instability. Elections are necessary for democracy to function, but leaders and parties too often manage them though corruption and violence, in a context often marked by divisive electoral contests (based on a winner-takes-all logic) and polarised politics. While African countries have made progress with democratisation, and authoritarian regimes are under pressure, a number of countries due to have elections in the next few years are experiencing mounting tension as ageing incumbents try to hold on to power. Constitutional changes to extend tenure (as recently in Burkina Faso), repression of the opposition, control over civil society, and use of the armed forces may be part of many upcoming

scenarios, starting with Nigeria in 2015. CAR and South Sudan need an electoral jumpstart, which may only materialise with international assistance. Elections in Congo-Brazzaville, Cote d'Ivoire and, further down the line, Cameroon will prove challenging, while the DRC, Chad and Rwanda may witness resurgent violence. The personalised regimes of Zimbabwe, Angola and Equatorial Guinea will also eventually have to undergo transitions.

Thirdly, uneven development trends may be leaving too many behind. Economists have warned about the gap between those developing countries that are expected to get richer still (as China is) and countries that host the poorest 'bottom billion' who are stuck in poverty and conflict traps – most of which are in Africa. This presents a challenge for traditional official development assistance (ODA) policies that fail to tackle structural weaknesses and widespread corruption in recipient countries.

Figure 21: 2015 African elections calendar

Country	Election	Date (tentative)
Burkina Faso	President & National Assembly	November
Burundi	President & National Assembly	July
Chad	National Assembly	
Comoros	National Assembly	January
Côte d'Ivoire	President	October
Egypt	National Assembly	March
Guinea	President	
Lesotho	National Assembly	February
Niger	President & National Assembly	
Nigeria	President & National Assembly	February
South Sudan	President & National Assembly	July
Sudan	President & National Assembly	April
Zambia	President	January

Source: IFES

Challenges and options

While a fragile, unstable and underdeveloped Africa would harm the EU, a stable and prospering Africa would be a boon for it, mitigating the spread of risks and fostering economic opportunity. Africa holds enormous potential in terms of resources – both natural and human – and its trajectory is increasingly intertwined with Europe's. Risks emerging from Africa can only be tackled sustainably by enabling and equipping African partners to develop their full potential – both collectively and bilaterally.

Africa's economic dynamism depends heavily on external partners. Remittances and ODA still represent crucial financial inflows, and foreign direct investment is rising. Europe is important for all three, and it could further support local policies

targeting industrialisation, job creation and sustainable growth. The EU has tools to promote this, from investment facilitation support to development aid and trade arrangements. In development cooperation, it is in the EU's interest to continue streamlining procedures and improving coordination between international stakeholders and sources of funding, linking the post-Millennium Development Goals debate with the upcoming post-ACP discussion. Moreover, while the EU remains the leading donor and has signed preferential trade agreements bilaterally, it has yet to realise its full potential as a partner for Africa's growing private sector. In this regard, the bitter disagreement over maintaining African countries' privileged access to the EU market has sadly prevented a more meaningful discussion on the Economic Partnership Agreements (EPAs) launched years ago by the European Commission.

Development cooperation, both multilateral and bilateral, will need refocusing to address inequality as much as economic development – targeting both rural areas and the urban poor – and to find locally-tailored solutions to the typical dilemma of whether to work through governments (thus feeding corruption and stabilising unwelcome regimes) or around them (thus giving up on the possibility of building local capacity). In addition, efforts to improve governance of natural resource exploitation may have to be mainstreamed, as happened with the Extractive Industries Transparency Initiative and the Kimberley Process. African countries will not adopt Norway-type modes of resource management spontaneously, but there would be more options if countries move towards transparency, legality and accountability. This could be assisted further by installing mechanisms that can help countries withstand resource price shocks and by encouraging international financial institutions to make better use of their leverage with African governments.

Conflict prevention and post-conflict reconstruction remain the main focus of EU security policies – in general, and across Africa in particular. Still, intervention during conflict is highly appreciated too, not only through ECHO's mobilisation in crises but also through post-crisis CSDP missions (as in CAR) and support to AU-led operations (as in Somalia). Efforts to empower African actors and build local capacity are fully in line with Europe's enlightened self-interest and shared values. Providing training for African security forces has become a notable priority, even though the 'train and equip' approach requires improvements in addressing fundamental questions about good governance that are central to security sector reform.

Issues of good governance and the rule of law are at play in the current dispute over the role of the International Criminal Court (ICC) in Africa. The ICC, strongly supported by the EU, has been criticised by African rulers for its focus and activism on the continent. The cases of African leaders under investigation in The Hague may come to represent an indication of how the corruption and violence connected to fledgling democratic processes may need to be addressed through a constructive and inclusive approach aimed at promoting accountable government and the rule of law across the continent.

While maintaining a principled approach to rule of law issues, the EU will still need to build support from African governments for international diplomatic efforts. Within international organisations, most notably the UN, Africa as a whole 'weighs' 53 countries and is hence crucial for multilateral diplomacy – the true pillar of EU foreign policy. However, the EU has often hesitated or failed to rally African support for UN action: when Russia annexed Crimea, a UN resolution condemning the move was opposed by 11 states, with 58 abstaining – among them Mali, a country itself liable to secession and heavily reliant on European support. Still, 70% of current UN peacekeeping deployments are in Africa, and troops from 39 African countries serve in such UNSC-mandated operations.

Among 50-odd states, multiple regional economic bodies, and the AU itself, the EU will have plenty of potential partners to work with in advancing its interests both in Africa and globally. To date, however, only remote South Africa is considered as a Strategic Partner. Closer relations with other emerging regional shapers such as Nigeria, Angola, or Kenya may thus need to be fostered too.

Chapter 8
Further East

For centuries, Europe's trade with and expansion towards the Asian continent followed a primarily maritime vector – through the 'Indo-Pacific' space stretching from North East Africa to South East Asia and, later on, from Suez to Shanghai. The Indo-Pacific region is now swept by dynamics largely driven by the rise of its two economic powerhouses – China and, to a lesser extent, India – which are shifting the global strategic balance eastwards. By 2020, China is set to overtake the US as the world's largest economy and, by 2030, China, India, Indonesia and Japan together will make up half of global GDP. China is Europe's largest trading partner after the US and by far its greatest source of imports. Conversely, the EU has become China's first and Asia's second-most important economic partner – behind China, but well ahead of the US and Japan.

In demographic terms, Asia accounts for two thirds of the global population, with China and India together accounting for one third of mankind. Yet China's working age population has already peaked and, with birth rates well below replacement levels, China will eventually join Europe and Japan as ageing societies. The relatively slower decline in India's fertility rate means it will surpass China in population by 2025 and still have a growing working age population in 2050, but also that it will struggle to provide sufficient jobs and reduce poverty levels.

Despite high and rising levels of economic interdependence, security tensions continue to multiply in the region. Sovereignty disputes, military modernisation programmes, and a variety of more or less traditional threats (ranging from local insurgencies and terrorism to energy, human and environmental security issues) are all the more worrying in light of the lack of an effective cooperative security framework in Asia. The rise of China is undoubtedly the greatest catalyst for the region's changing security environment, triggering apprehension in its immediate neighbourhood and beyond. This dynamic is reinforced by the perceived decline in the US's capacity or determination to ensure regional security, despite its rhetoric over 'pivoting' to Asia. Finally, nationalism has become a defining domestic feature for most countries across the region, thus exacerbating the climate of mistrust and rivalry.

As the contours of the region's security architecture are being redrawn, there is also growing eagerness from Asians (from ASEAN countries to South Korea) to explore unconventional paths to securing their environment through new avenues and

partners. This could open up a window of opportunity for the EU to demonstrate its added value and comparative advantage as a security and diplomatic partner in a region that is bound to become the engine of global economic growth in the twenty-first century.

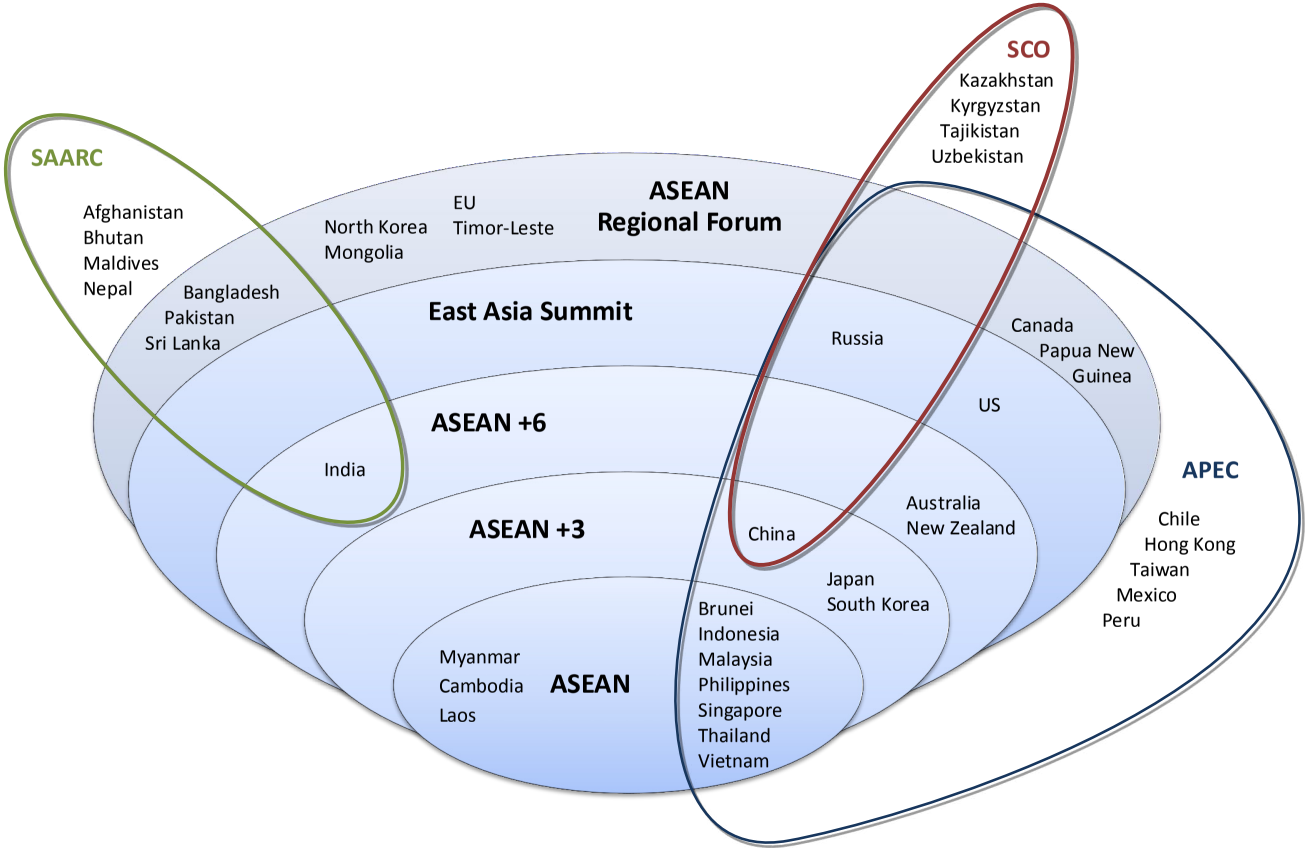
Recent developments

The Indo-Pacific region is home to some of the world's most burning security hotspots. From insurgencies in Afghanistan and Pakistan, sovereignty disputes in the East and South China Seas, and the remnants of the Cold War on the Korean Peninsula, the number of issues that are of direct or indirect concern to European security is high.

At the doorstep of Europe's Eastern neighbourhood, Central Asia is becoming a major point of intersection between the two Eurasian great powers: Russia and China. As it needs to secure reliable energy sources, Beijing has been increasingly engaging with its 'front yard' in Central Asia, locking in advantageous gas deals, offering generous loans, and investing in infrastructure. The 'New Silk Road Economic Belt' project aims to secure access to Central Asian energy resources (while bypassing Russia) and at the same time to develop an inland trade route connecting Beijing directly to Rotterdam. Fostering ties westwards also allows China to secure the separatist Xinjiang province through cooperation on transnational crime and terrorism. Besides bilateral agreements, multilateral cooperation has also been pursued through the Shanghai Cooperation Organisation (SCO) or, more selectively, even the BRICS framework. While fundamental differences of interest, attitude and behaviour persist between Moscow and Beijing, especially in terms of policy instruments and time scales, a coalition between them based on anti-Western political convergence and complementarity of economic assets cannot be ruled out.

In Northeast Asia, the secretive North Korean regime probably represents, with its nuclear capability, the most acute security threat. Driven by the need to foster economic development, Pyongyang recently started to show interest in easing tensions on the Peninsula and seek dialogue with Europeans while marginally improving relations with Seoul and Tokyo. Its actions and intentions, however, remain unpredictable. While the South dreams of true reunification, the North is rather in favour of a federation with a dual political system. Any potential opening in either direction, however, would have to be handled with special care so as to avoid major disruptions and humanitarian crises.

Figure 22: Regional security architecture in Asia



Maritime sovereignty disputes in the East and South China Seas can seriously affect the functioning of the global economy as well as undermine the core tenets of a rules-based international order – as freedom of navigation and overflight belong to the 'global commons'. Clashes involving patrol boats, warships, fishing or research vessels have become more frequent in both basins, heightening the risk of accidental conflicts. In order to prevent any possible escalation, countries will need to agree on a common interpretation of navigational rights and duties and set up a functional conflict-avoidance regime.

The South China Sea today remains one of the most complex regional security puzzles due to extensive and overlapping sovereignty claims. While Vietnam, the Philippines, Malaysia, Brunei and Indonesia base their claims on principles of proximity and international law now anchored in the UNCLOS, China's 'nine-dash-line' is based on vaguer definitions of historical usage. Beijing's recent deployment of oil rigs into the Vietnam-claimed waters close to the Paracel Islands, depletion of marine life and harassment of foreign fishing and marine scientific research vessels are a clear indicator of China's ambition to make the rules in the region. China's refusal to negotiate in any of the relevant multilateral fora or to support international dispute settlement mechanisms further complicates achieving any sort of arrangement in the foreseeable future.

The East China Sea, for its part, has become the theatre of major tensions between Beijing and Tokyo, especially since the purchase of the Senkaku/Diaoyu islands by the Japanese government in 2012. These tensions escalated with China's unilateral establishment of the Air Defence Identification Zone (ADIZ) above the Japan-administered territory in December 2013, followed by skirmishes between fishing vessels and coast guards as well as dangerous manoeuvres at sea and in the air. After over two years of diplomatic standoff, both parties recently resumed high-level consultations on maritime issues, and Japan's PM Shinzo Abe even acknowledged the existence of China's claim over the islands. In fact, both countries share an interest in restoring bilateral investment levels and separating economic relations from diplomatic disputes.

Diverging priorities and attitudes towards China's rise have also contributed to dividing the Association of Southeast Asian Nations (ASEAN), the continent's only integrated sub-regional organisation. On the one hand, countries with claims in the South China Sea (especially Vietnam and the Philippines) push towards a common position against China's assertiveness. On the other hand, Laos, Cambodia and Myanmar – largely dependent on Chinese investments – cannot risk antagonising Beijing nor do they wish to be dragged into a conflict they do not perceive as their concern.

Further southwest, relations between India and China have been thawing after years of political stalemate due to disputed borders along South Tibet as well as China's ties with Pakistan. The election of PM Narendra Modi in May 2014 promises a more forceful Indian stance in regional and perhaps also global security matters. In geopolitical terms, Delhi seems to pursue potentially contradictory goals, such

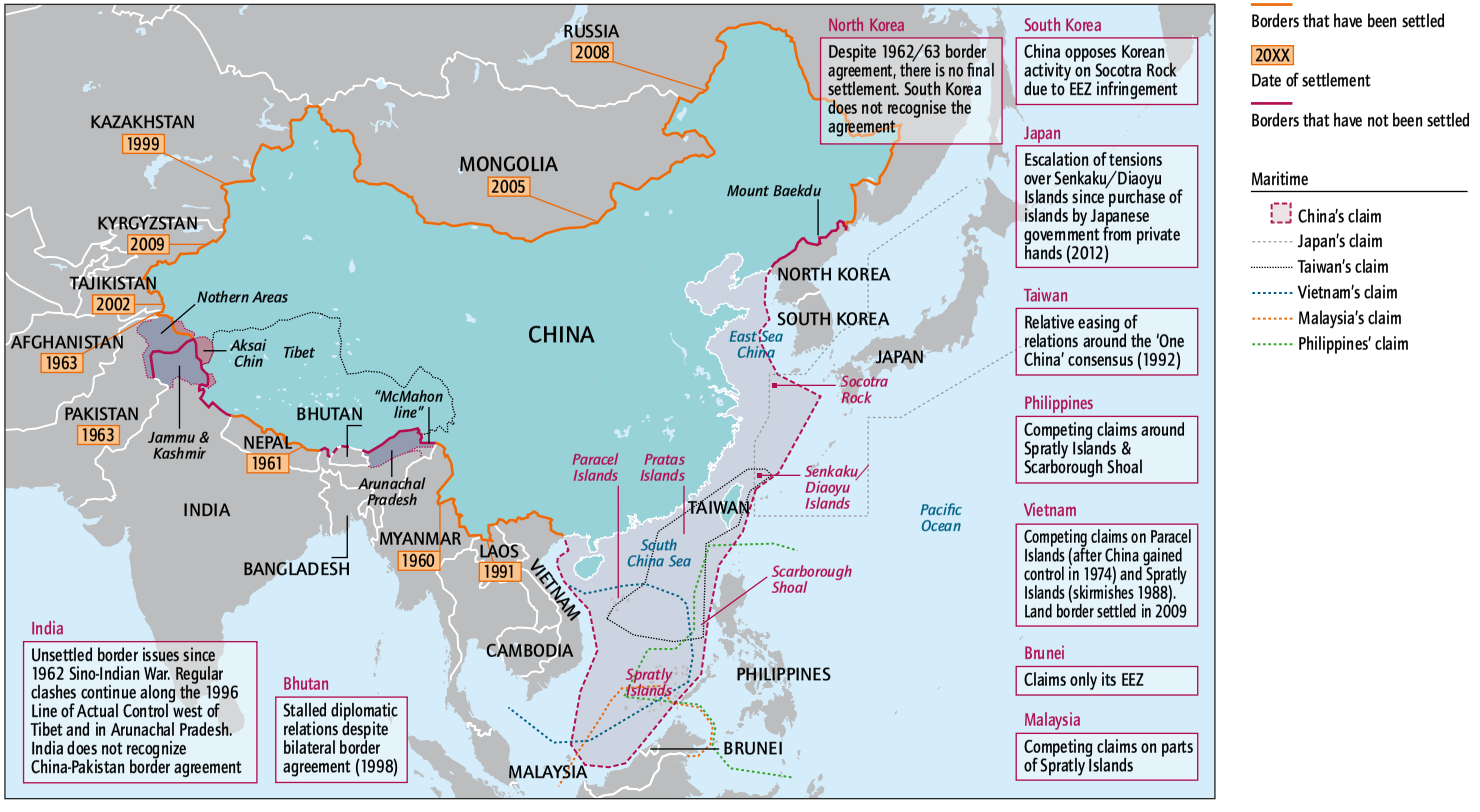
as emphasising closer relations with Japan while pursuing economic cooperation with China. And, while reaching out to all neighbouring South Asian Association for Regional Cooperation (SAARC) countries, including Pakistan, its relations with Islamabad continue to be tense. The main focus of India's policy, however, is to hedge against growing Chinese influence in the Indo-Pacific, notably visible in its assertive actions in the South China Sea. In that respect, Delhi appears sympathetic to the US 'pivot' and Japan's wider regional posture – which is certainly not received in Beijing with much enthusiasm.

India's policy *vis-à-vis* its own neighbourhood and China also has implications for an emerging regional balance of power. A possibly resurgent conflict between India and Pakistan over Kashmir, for instance, would not merely have bilateral implications but also reverberate on both countries' engagement in nearby Afghanistan. The impending withdrawal of Western forces from Kabul, coupled with ongoing uncertainties over the stability of the Afghan government and the strength of the Taliban insurgency (including its Pakistani sponsorship), add a further regional challenge to the list already facing the international community.

Trends and prospects

The future of the whole region depends largely on the evolution of its core players – China, India and Japan – as well as on the United States. Key factors to bear in mind will be the shape of China's rise and its readiness to embrace domestic reforms; how security agendas play out in Japan and India; and the level of engagement of the US in Asia. Another, often neglected security issue is the fragile balance among ethnic and religious groups in many countries – including Myanmar, Thailand, Indonesia and the Philippines – which often affects domestic politics and may lead to outbreaks of inter-communal violence, possibly with international implications. The conflict in southern Thailand, once driven by ethnic and religious issues, has turned into a fully-fledged insurgency, costing thousands of lives – adding an additional factor of instability to a once exemplary democracy, now politically divided and struggling with a too powerful military. The growing influence of radical Islamist and jihadi networks (such as the Abu Sayyaf in Southern Philippines or the Indonesian Jemaah Islamiyah) also complicates the security situation.

Figure 23: Resolving China's borders - at land and at sea



Source: Compiled by EUISS

The evolution of China's domestic politics seems to be both the root of and the answer to many regional security issues. China's own future will depend on the capacity of its leadership to address domestic challenges: recent events in Hong Kong and separatist tendencies in Xinjiang suggest that the central government risks losing its grip on the periphery. Doubts also surround the future of Taiwan, where Beijing has carried out an economic takeover. The liberalisation of the Chinese economy, the growth of a middle class and popular use of social media are creating an environment that is increasingly difficult to manage for the communist regime. While a visible endeavour to introduce more transparency into the political system (popular polls, anti-corruption campaigns, and meritocracy) may suggest a more liberal trend, recurrent criticism of the Western model seems to indicate Beijing's determination to seek an alternative route.

Japan has substantially reviewed its national security strategy and regional posture. Considering the perceived external threat from the mainland and the growing domestic support for a harder line, the pressure to step up the country's security role in the region will grow. In capability terms, Japan's Self-Defence Force is arguably the technologically most advanced and best-equipped military in the region (after the US). Tokyo has already announced the development of amphibious deployment units by 2016, clearly aimed at defending its disputed islands. A more assertive but democratic Japan may indeed be reassuring for regional security but it also triggers strong reactions from the two Koreas and China. The resurgence of a militarily strong Japan will almost inevitably translate into more nervousness and further military build-up on the Asian continent.

Asia represented only 14% of global military spending in 1992, but this jumped to 18% in 2002 and 22% in 2012, surpassing Europe for the first time. China's defence spending is even more opaque than that of other states, yet it is estimated to amount to about 11% of the global total and 2% of GDP, a percentage it has stuck near to for more than 20 years. While China's economy has boomed over that period, its GDP remains smaller than that of the US, which still spent about 4.4% of its GDP on defence in 2012. China's need to spend a huge amount on domestic security may limit how much it spends on its military, but targeted investments in submarines, satellites, and cyber systems can mean successful 'area denial' progress without coming anywhere near US spending levels. Although one cannot talk of an arms race, there is a strong action-reaction dynamic behind military modernisation in Asia.

The climate of mistrust and rivalry in Northeast Asia, perpetuated by painful historical memories, growing nationalism and a long history of competition among 'civilisations', indeed provides a fertile ground for future tensions and is also likely to hamper dialogue and cooperation within regional multilateral frameworks such as the ASEAN Regional Forum or the East Asia Summit.

Finally, the withdrawal of ISAF forces and the end of training missions by 2016 is very likely to render Afghanistan (and to a lesser extent Pakistan) more of an 'Asian' than a quintessentially 'Western' problem – although it will also remain a

global one. China´s evolving position – in terms of both its traditional relationship with (and leverage on) Islamabad and its willingness to engage in Afghan stability – will reveal much about its readiness to positively contribute to security beyond its borders, and not only in the Asia-Pacific basin.

Challenges and options

To substantiate its growing political interest (and economic interests) in the Indo-Pacific, the EU may still need to build up its reputation and to prove its value added for regional stability, *inter alia* by adopting consistent positions on key security issues as well as *vis-à-vis* its four Asian 'Strategic Partners' (China, India, Japan and Korea). Attitudes towards China, in particular, continue to divide European countries, complicating consensus on common policies.

Rather than picking sides in regional disputes, Brussels has an overriding interest in the promotion of international law and regimes, including the recourse to available legal mechanisms for the management and settlement of disputes. Moreover, consideration could be given to forms of external mediation and arbitration that could help accommodate (rather than exacerbate) the contrasting interests of the parties involved. Emphasising rules-based modalities for conflict prevention and resolution would also make it possible to focus on the security problems as such, rather than on the individual countries. And the whole region would only gain from a relatively 'neutral' external player with sufficient credibility and relevant know-how but comparatively few vested interests.

In order to be fully accepted in the Indo-Pacific area, the EU may also have to somewhat differentiate its approach from that of its transatlantic partner. While sharing the same goals of maintaining peace and stability, Europe and the US could tacitly operate in a complementary fashion, each playing to its own strengths, with Brussels focusing on 'softer' issues and methods – multilateralism, rule of law, mediation, sub-regional integration, civilian crisis management and capacity-building – while leaving more traditional 'hard' security tasks (starting with deterrence) to Washington.

The Strategic Partnerships with China, India, Japan and the Republic of Korea are rather weak in substance, varying from trade agreements to sheer political frameworks. More clarity and direction deserve to be put into these partnerships, as was the case recently with the Framework Participation Agreement signed with the Republic of Korea. Focusing on practical aspects of security – such as in disaster management, action on climate change or cybersecurity – could also offer additional ground for convergence and cooperation. Development and human security-related issues (such as the food-water-energy nexus) may also call for EU contributions.

People-to-people contacts and exchanges, for instance in the educational and cultural field, are also to be intensified, with a view to fostering mutual trust and historical reconciliation – across countries (especially in Northeast Asia) as well as within and across borders (in Central and especially Southeast Asia).

Figure 24: EU relations with Asia

<table>
<tr><th></th><th>Strategic Partnership</th><th>Free-trade Agreement</th><th>Partnership and Cooperation Agreement</th><th>Framework Participation Agreement</th></tr>
<tr><td>South Korea</td><td>Yes</td><td>Yes</td><td rowspan="4">No</td><td>Ratification pending</td></tr>
<tr><td>Japan</td><td>Yes</td><td rowspan="2">Negotiating</td><td rowspan="6">No</td></tr>
<tr><td>India</td><td>Yes</td></tr>
<tr><td>China</td><td>Yes</td><td>No</td></tr>
<tr><td>Kazakhstan</td><td rowspan="5">No</td><td rowspan="5">No</td><td>Yes</td></tr>
<tr><td>Uzbekistan</td><td>Yes</td></tr>
<tr><td>Kyrgyzstan</td><td>Yes</td></tr>
<tr><td>Tajikistan</td><td>Yes</td></tr>
<tr><td>Turkmenistan</td><td>Ratification stalled</td></tr>
<tr><td>ASEAN:</td><td rowspan="10">Negotiating</td><td>Case by case:</td><td>Case by case:</td><td>Case by case:</td></tr>
<tr><td>Singapore</td><td>Ratification pending</td><td>Negotiating</td><td rowspan="10">No</td></tr>
<tr><td>Vietnam</td><td rowspan="3">Negotiating</td><td>Yes</td></tr>
<tr><td>Malaysia</td><td rowspan="2">Negotiating</td></tr>
<tr><td>Thailand</td></tr>
<tr><td>Indonesia</td><td rowspan="5">No</td><td>Yes</td></tr>
<tr><td>Philippines</td><td>Ratification pending</td></tr>
<tr><td>Brunei</td><td>Negotiating</td></tr>
<tr><td>Cambodia</td><td rowspan="2">No</td></tr>
<tr><td>Myanmar</td></tr>
<tr><td>Laos</td></tr>
</table>

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Finally, the overall European experience in regional integration, institution-building and cooperative security is increasingly appreciated on the Asian continent – although it cannot be automatically transferred eastwards – and may constitute an entry point into parts of the regional security architecture. Interest in working with the EU on these matters has been growing in ASEAN as well as South Korea, which seeks inspiration in the functionalist model for soothing tensions in Northeast Asia. And ASEAN is the main driving force in the Indo-Pacific for multilateral security initiatives, such as the Regional Forum (ARF) and the East Asian Summit (EAS). The EU can certainly provide relevant expertise and support cooperative efforts throughout Asia while keeping a relatively low and modest, but still distinctive, profile.

Annex

Abbreviations

APEC	Asia-Pacific Economic Cooperation
APSA	African Peace and Security Architecture
AQIM	al-Qaeda in the Islamic Maghreb
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
AU	African Union
BRICS	Brazil, Russia, India, China and South Africa
CAR	Central African Republic
CSDP	Common Security and Defence Policy
CSTO	Collective Security Treaty Organisation
DRC	Democratic Republic of Congo
EAC	East African Community
EAS	East Asian Summit
ECHO	Humanitarian Aid and Civil Protection (formerly known as the European Community Humanitarian Aid Office)
ECOWAS	Economic Community of West African States
EDA	European Defence Agency
EEZ	Exclusive Economic Zone
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
GAFTA	Greater Arab Free Trade Agreement

GDP	Gross Domestic Product
ICC	International Criminal Court
ICTs	Information and Communication Technologies
IMF	International Monetary Fund
ISAF	International Security Assistance Force
ISIL	Islamic State of Iraq and the Levant
IT	Information Technology
MENA	Middle East and North Africa
MERS	Middle East Respiratory Syndrome
NATO	North Atlantic Treaty Organisation
ODA	Official Development Assistance
OPEC	Organisation of Petroleum Exporting Countries
PSC	Political and Security Committee
RECs	Regional Economic Communities
SAARC	South Asian Association for Regional Cooperation
SARS	Severe Acute Respiratory Syndrome
TTIP	Transatlantic Trade and Investment Partnership
UAE	United Arab Emirates
UN	United Nations
UNCLOS	UN Convention on the Law of the Sea
UNSC	United Nations Security Council
USSR	Union of Soviet Socialist Republics
WMD	Weapons of Mass Destruction
WTO	World Trade Organisation

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