



CENTRO MILITARE  
DI STUDI STRATEGICI



CENTRO ALTI STUDI  
PER LA DIFESA

# GLOBAL OUTLOOK 2013



The Military Centre for Strategic Studies (CeMiSS) is an Italian MoD institute founded in 1987 that carries out strategic research for the CHOD. This activity allows the access to knowledge tools and analytical methods that help in tackling current and future scenarios in support of the security needs of the Armed Forces and of the national community in general.

Its mission derives from the imperative necessity of the Ministry of Defence to play effectively an active cultural and scientific role, interacting with the relevant communities in order to shape a positive social environment vis-à-vis opinion leaders and the public opinion.

In particular the Centre:

- carries out strategic, political and military studies and researches;
- develops the cooperation between the Armed Forces and the academia, Italian and foreign research centres and the civil service;
- trains military researchers;
- promotes the specialisation of young people in its research areas;
- publishes and circulates the most relevant studies.

The study and research activities have the primary goal to answer the cognitive and decision-making needs of the top MoD officials regarding relevant issues that affect the protection of the country, including military security.

The CeMiSS carries out its activity availing itself of civil and military experts (Italian and foreign), who enjoy academic freedom in their research. Therefore, the content of this volume reflects only the opinion of the research team and in any case not a position of the Minister of Defence.



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# GLOBAL OUTLOOK 2013

**Strategic Monitoring  
Global Outlook 2013**

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# Global Outlook 2013

ALESSANDRO POLITI

## EXECUTIVE SUMMARY

The next two years will be marked more by power vacuums and gaps than by a reassuring graceful degradation of the world order or by the rise of new power constellations. For this reason it is necessary to change the traditional geographic subdivision still built around the borders of nation states into a new vision more adapted to present and future realities. In fact one should conceive global relationships as wide area geopolitical and geoeconomic networks (i.e. geonetworks) crisscrossed by shaping flows.<sup>1</sup>

The **Pacific Geonetwork** is dominated by the shift of the strategic centre of gravity towards the Chinese Sea that is the focus of acute maritime controversies. The backdrop is provided by the ambiguous and controversial bond between China and the United States, who are interdependent through the dynamics of the economic global crisis. The banking sector is a particularly critical area because on one hand the US banks are still very vulnerable to higher interest rates (no stress tests have been carried out regarding this emergence) and because the US shadow financial system is practically still unregulated, with serious consequences on national debt as security risk. On the other the Chinese shadow lending system risks to cause another financial crisis with €1,4 billion outstanding wealth management products. There is a serious recovery effort by the USA in the Pacific Ocean, but for the time being military action will be ruled out (Korean crises apart, which remain a serious concern) because the whole American continent is witnessing major political reorganization in all leading countries (USA, Mexico, Venezuela and Brazil).

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<sup>1</sup> A geonetwork is a strategic theatre influenced by liquid balances and by the general global crisis: there are no more firmly delimited territories, no shared rules and credible strategic axes either. There are complex relationships, scarcely under control and without direction, characterised by multi-level copetitions (i.e. simultaneous collaborations and competitions). A shaping flow is a material or immaterial flow capable to structure the relationship among international actors. The whole group of the CeMiSS researchers has contributed to the text of this General Outlook. We thank Dr. Zora Hauser for her support in preparing the research material (annotated resumes, chronologies, proofreading, co-testing of the SWOT2 model) and revising texts.



The **Indian Geonetwork** is characterised by a strategic China-India rivalry that is moving away from the traditional confrontation along the mountainous arc of Himalaya; the fight for influence is now centred on increased air-sea presence in the Indian Ocean, despite the fact that Washington is the dominant naval power. At the same time a fluid relationship between China, India and the USA is emerging around a tangle of rather converging interests that could isolate Pakistan in the medium term, once the military part of the intervention in Afghanistan will end. The country itself will concentrate more on its internal transition after the 2013 parliamentary polls in May.

The **African Geonetwork** is marked by the paralysis of the three leading countries (Egypt, Nigeria, and South Africa) due to internal tensions or to post-revolutionary processes. This situation is contrasted with the diffusion of political and economic actions by China, USA, India, Brazil and Turkey. The continent is expected to grow (with an aggregated GDP in the Sub-Saharan area similar to a BRIC-country) and the conflicts in the Horn of Africa, especially Somalia, will probably wane. On the other hand it will be difficult to terminate the long conflict for the control of key mining resources in the Democratic Republic of Congo or the control about oil economies along the White Nile.

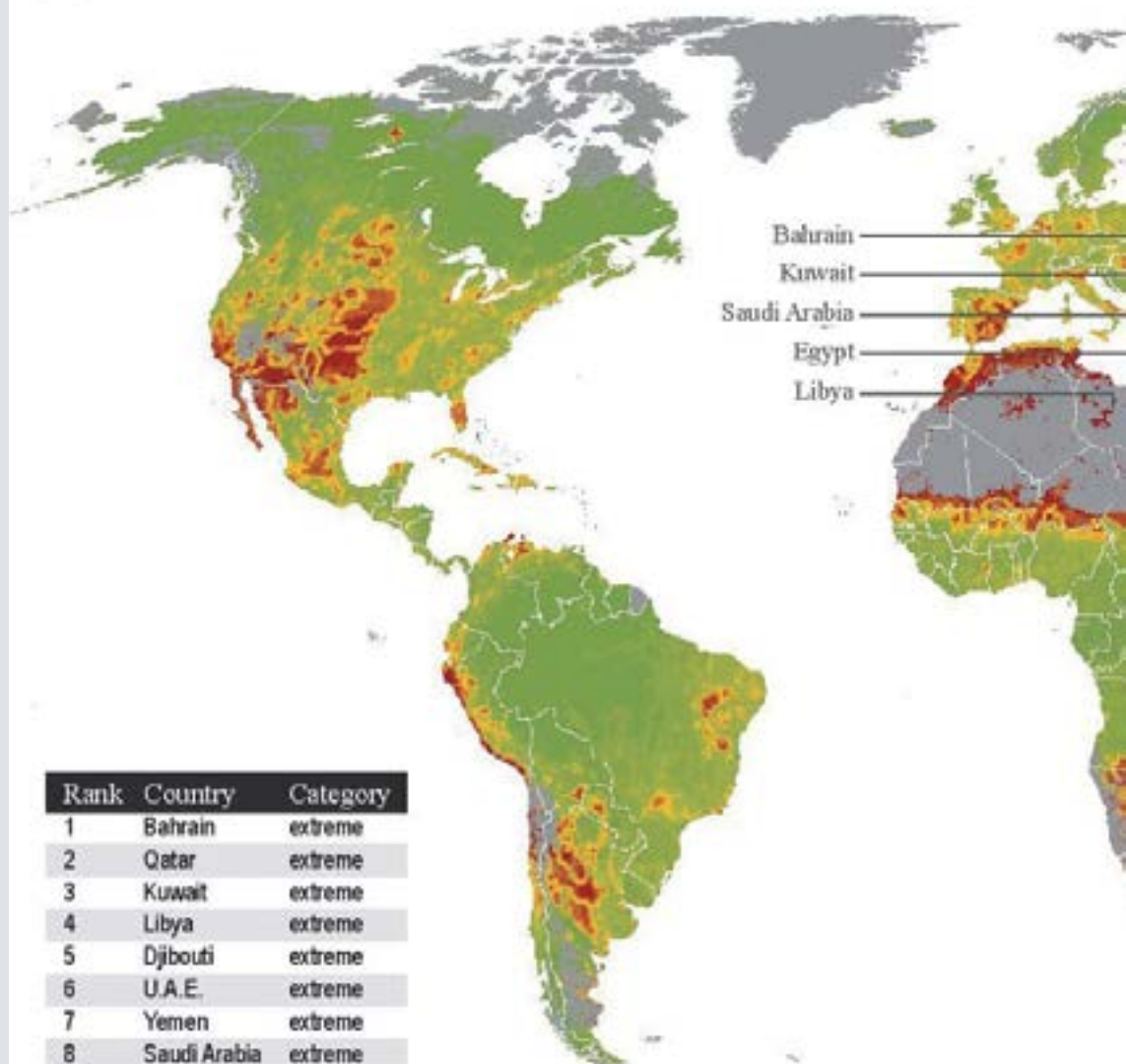
Regarding the **Atlantic Geonetwork**, one can clearly discern a double void of political and strategic initiative vis-à-vis the management of the global economic crisis and the possible choices in supporting the outcomes of the Arab Revolutions. It is clear that the two major actors, Europe and United States are very concentrated on their internal front. The EU is defending the Eurozone against a financial assault, that is one of the fronts of the global crisis (the other being the Pacific), whereas Washington was stuck until June 2013 in inconclusive negotiations within a paralysed Congress on the fiscal cliff. A possible deal could emerge by mid-June 2013. Also two main regional actors like Russia and Turkey have difficulties in playing a significant role due either to persistent internal deficiencies or to the loss of their primary foreign policy vectors. Turkey is also involved in a very delicate balancing act between peace talks with Kurdish rebels and the Taksim Square revolt.

# Water Stress Index 2012

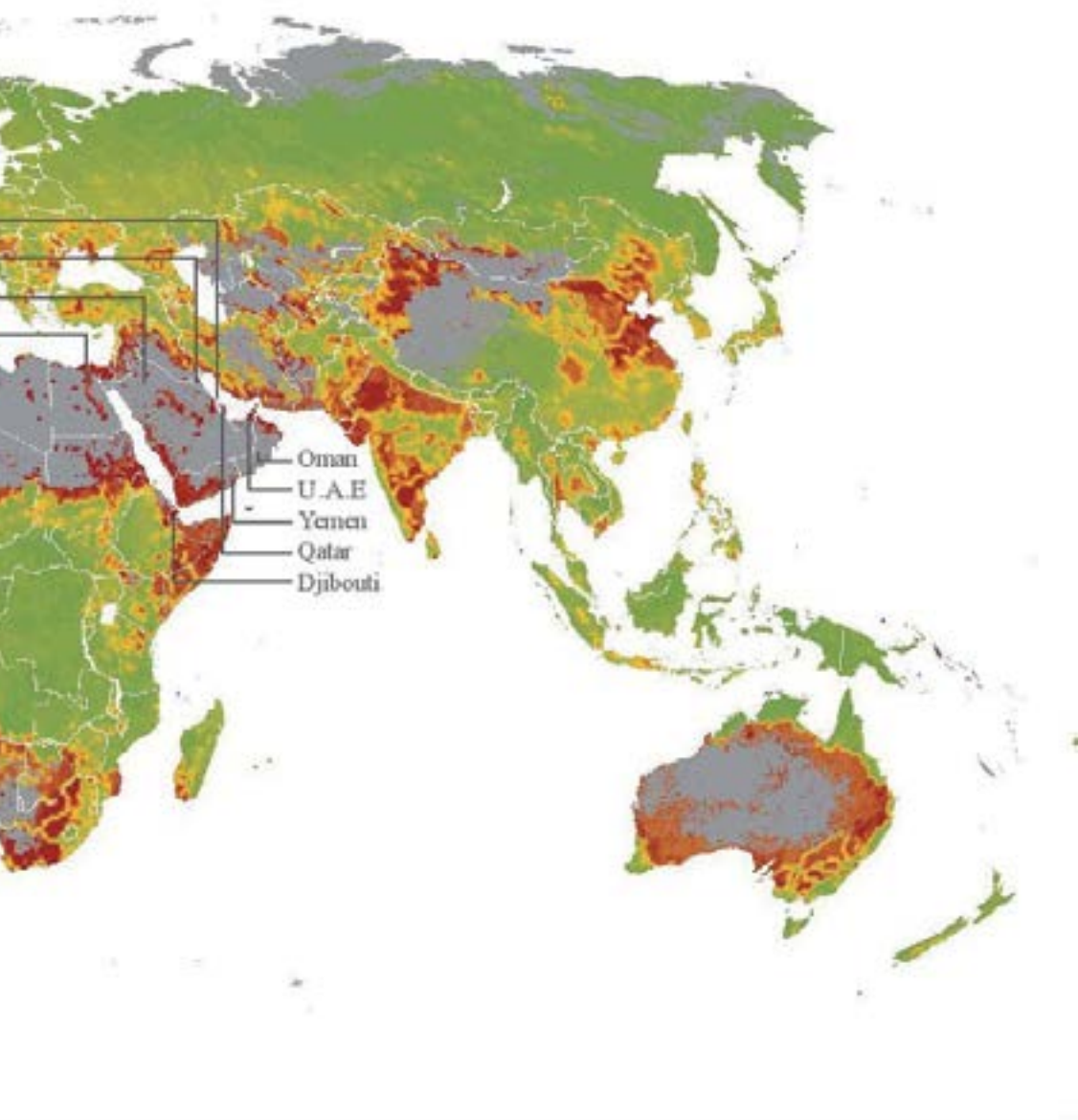
Rank



No data



Rank	Country	Category
1	Bahrain	extreme
2	Qatar	extreme
3	Kuwait	extreme
4	Libya	extreme
5	Djibouti	extreme
6	U.A.E.	extreme
7	Yemen	extreme
8	Saudi Arabia	extreme
9	Oman	extreme
10	Egypt	extreme

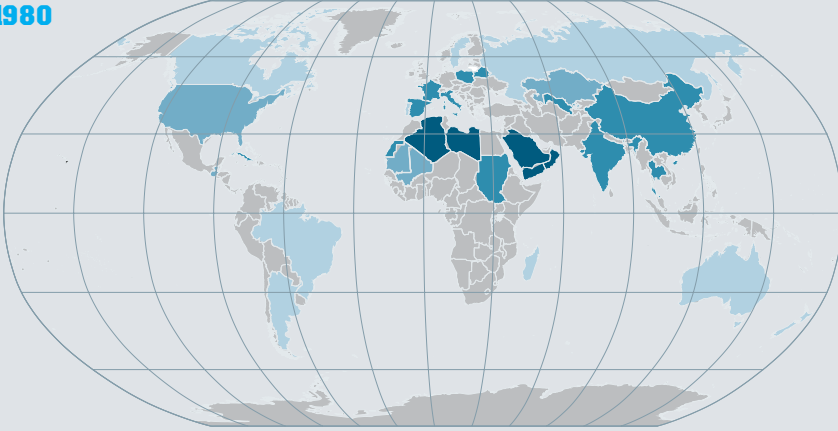


## AVAILABILITY OF DRINKING WATER

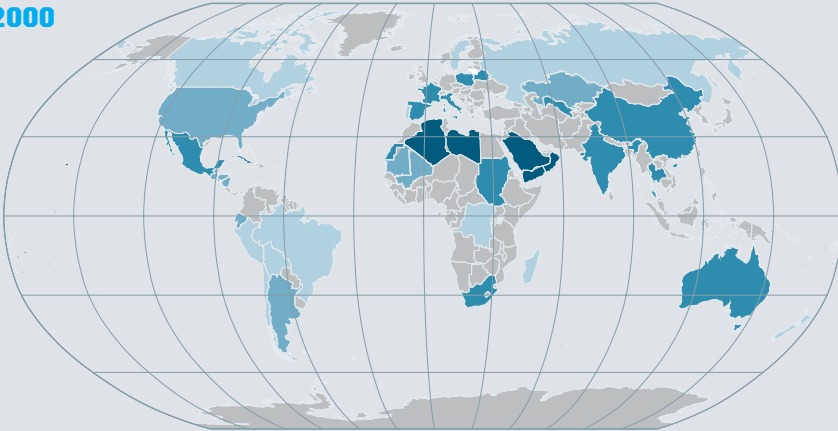
1,000 m<sup>3</sup> per person:

More 20 5-20 1-5 unless of 1 No data

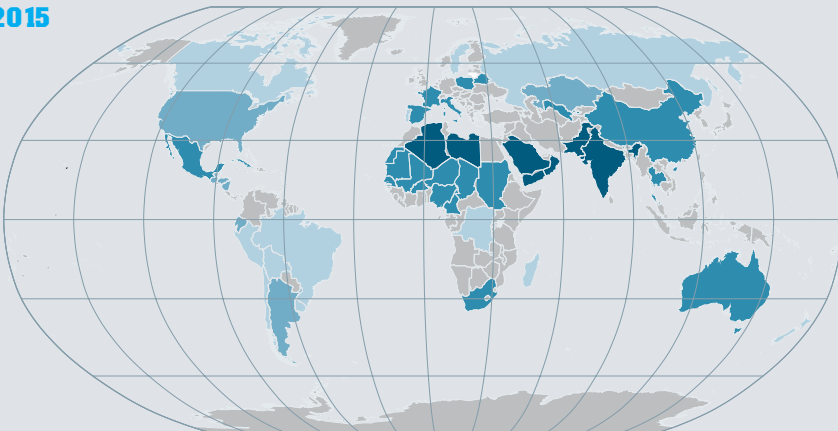
1980



2000



2015



## CROSS-SECTOR ISSUES

Each issue represents a shaping flow that influences geonetworks across the board, structuring relationships and power balances.<sup>2</sup> Although many of them influence the medium-long term, some of them can be used in the short-term as indicators of future developments:

**Ecosystem** – the accelerated melting of the Arctic ice cap opens opportunities (new alternative commercial routes, exploitation of fishing and mineral resources, countries enjoying the status of autonomous region or independence) and risks (rising of the seas, pollution, hard strategic competition). The same rapid melt could create water management problems in China, India, Pakistan and Bangladesh, due to their position vis-à-vis the Himalayan watershed. In general one should not overlook that the stress of the long economic crisis (2006–2018) could dangerously couple with an increased environmental stress, that would put under pressure public spending and the private sector due to heavy adaptation and recovery costs;

**Drinking water** – if in the short-term the long feared “water wars” are considered less probable, the global water stress, scarcity and unequal distribution remain critical and are well known. Less debated, but not without serious uncertainties, is the issue of the privatisation of water sources: 13% of the global population already depends from private services, whose prices keep generally rising;

**Food/Agrotech** – already during this decade a scarcity of arable land at global level is emerging. This is stimulating the so called land grab practice, that is affecting especially the territories of Sub-Saharan Africa and tropical Latin America;

**Real/Virtual Migrations** – In a seven billion people world, in the next 2–3 years, according to the most recent demographic and market estimates, two phenomena are unfolding that merit to be explored: 1) African populations will grow at a higher rate than the rest of the world, while illegal immigration will overtake legal immigration by a still unknown delta; 2) during the same period mobile internet will have more customers than fixed networks, bringing global connectivity to a total of 5,5 networked people. It is evident that both the provision of de-localised services and the inflow of people towards low-fertility

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<sup>2</sup> These issues are represented as material and immaterial flows that structure the global landscape. They were conceived in the same year as the UK MoD concept of Ring Road Issues, but are conceptually more dynamic. See UK MoD, Global Strategic Trends – Out to 2014, DCDC, 10/05/2011; benchmarked 12/01/2010; Working paper, Nomos & Khaos 2007 Inspirational paper, Liquid balance and shaping flows, 02.08.2007 10:00; grey literature; A. Politi (ed.), Nomos & Khaos, The 2008 Nomisma report on economic-strategic horizons, Outpost for Strategic and Security Scenarios, Bologna 2008.

countries will increase, especially towards urban areas. A sizeable part of human transfers will be carried out by transnational organized crime trafficking. Here one should take note of: the strong growth of Mexican narco-cartels, the penetration in the USA by the South American *maras*, the consolidation and expansion of Chinese triads through global diasporas and the entrenchment of Russian speaking mafias;

***Conventional/Non conventional Energy*** – in the short term a framework based on conventional fossil energies will persist, despite the fact that in different economies grid parity has been reached between renewable and fossil energies. The decision of some countries to exit the nuclear sector, counting initially on gas supplies, confirms this trend as well as the news regarding a possible strong production increase of shale oil and gas in the USA. This does not exclude major price fluctuation due to production volumes or speculations or political risks (Iran and Iraq). There is still room for the development of alternative nuclear thorium-based sources.

***Financial and invested capitals*** – there are the first signals that governments, under pressure to fill the deficits of the balance sheets in the banking sector, will combine three different approaches: the already ongoing “austerity”, in order to pump more guaranteed money into banks that have low value derivatives; higher inflation (2-4%) as indirect taxation and debt reduction means; reduction of the central banks independence, because their budgets are just too big to be left without political control. The overall scenario shows a strong contrast between advanced economies, that are heavily indebted and highly financialised, and emerged economies (typically BRICS and TIMBIS), that have often strong financial surpluses and sovereign wealth funds, but that in terms of transnational shareholding control are much less relevant. If the global trade system has lost some of its all encompassing impetus, the problem is not given by the possible investment opportunities in the three great real economy sectors. The substantial dilemma is if the advanced economies will decide to reduce and control the excesses of scarcely guaranteed financial leverages or induce the new global partners to take part in profits and losses of the financial system. Anyhow, without an effective control over the financial system, criminal groups will find new trafficking opportunities due to its successful infiltration. In the very end the question revolves around the sustainability of this financial system: most probably it is not and it could deeply change in the medium term.

***Knowledge in its wider sense*** – During the next two years decision makers have to face the issue of the race against time between the legal/illegal spread of **tech-**



**nologies** and the continuation of the “Western” technological edge. It is still strong in the Euro-Atlantic area and in the Western Pacific pro-American countries, but it has been constantly undermined by the economic crisis during which often R&D investments are being cut. The countries struggling to emerge are: China, India, Brazil, Turkey, Mexico, Indonesia, South Africa and Israel. One of the main fields of competition will be nano-technologies. One aspect of this technology diffusion in the **cybersecurity** domain are APT (Advanced Persistent Threats) which can be carried out by both private or public entities, in most cases in collaboration. Not surprisingly four out of five BRICS have established cyber-commands for defensive/offensive purposes, although it is difficult to ascertain if they are really useful to counter cybercrime, which is the real threat in terms of overall system reliability and commercial viability. Taking the view point of **religions**, while at a global level one can set aside the clash of civilisation, it is interesting to observe that after Christians (31,5%, 50,1% of which are Catholics) and Muslims (23,2%), the third biggest group is non-religious (16,3% unaffiliated persons) and that the majority of them are in China, while Hindus are 15% of the world population. According to data collected by 2010, there are few confessions that are keeping up with an estimated +1,19% demographic growth: Christian Independents (2,04%, 5,4% of world population); Protestants (1,48%, 6,1%), Muslims (1,79%). **Education and culture** are, unsurprisingly, experiencing major stresses in advanced and indebted countries. Higher education is still marked by a class cleavage in OECD countries like the USA, Italy, Portugal and Turkey, with low social mobility/education indicators. One response has been to move massively courses on line opening the era of “glocal students”. Moreover cuts in public expenditure push institutions to self-sufficiency, with all the attendant unknowns in matter of quality, equality, social sustainability and competence, as it is starkly shown by the Chilean case. This has also brought to three significant mergers in the so called cultural industry (Penguin’s-Random House, Universal-EMI, Walt Disney-Lucasfilm) that ensure business viability, but also tend to the creation of merchandising and potentially stifling oligopolies, entailing possible negative consequences for cultural freedom and diversity.

## OUTLOOK BY GEONETWORK

### PACIFIC GEONETWORK

The Pacific area is marked by an ambiguous and “copetitive” twinning of China and USA and by the shift of the strategic centre of gravity (Schwerpunkt) towards the Western Pacific and more precisely towards the Chinese Seas.<sup>3</sup>

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3 Copetition is the relationship featuring co-operation and competition at the same time. The Chinese Seas include (from North to South) the Yellow Sea (between the Korean Peninsula and China), East China Sea (marked off by Japan, North and South Korea, Taiwan and the Japanese Ryukyu Islands) and the South China Sea (located between Taiwan, Philippines, Indonesia, Strait of Malacca, Malaysia, Indochina and China). The Western Pacific is located East of the 180th parallel and laps all Asiatic countries and Oceania.

The group of contested islands (Spratly, Scarborough, Kuriles, etc.) is the symbol of a rivalry that was commercial and globalization-oriented and is now becoming geostrategic in order to gain control of the commercial and energy access points along the great Chindoterranean Belt.<sup>4</sup>

Among the containment actions vis-à-vis China's rise can be numbered also the political steps to revitalise ANZUS (Australia, New Zealand, US Security Treaty), a 60-year old pact.

The concrete risk is that during the next two years the stage may be set for an escalation that will be not financial, as now, but political. This may be caused by a combination of perceptions, errors, and reactions that could make credible even military scenarios featuring a China-US confrontation over the economic control of the Pacific theatre seen as an exit strategy from the long global economic crisis.

Until now, despite contingency plans and musings on a future conflict with Beijing, there is no political will from both sides to contemplate such possibility and, at least in the very short term, the policies regarding currencies try to defuse potential tensions. It is significant to see that the yūan appreciated at historic heights over the dollar that in turn continues to exploit the inflationary effects of its quantitative easings, injecting new money in the financial system.

The banking sector is a particularly critical area because on one hand the US banks are still very vulnerable to higher interest rates (no stress tests have been carried out regarding this emergence) and because the US shadow financial system is practically still unregulated, with serious consequences on national debt as security risk. On the other the Chinese shadow lending system risks to cause another financial crisis with €1,4 billion outstanding wealth management products.

The current year could be very difficult because the mismanagement of a number of negative factors (US fiscal cliff, possible recession of the Eurozone, China's sharp economic decrease and reduction in dollar reserves, a probable Israel-Iran conflict, among others) could bring to a new worsening of the situation and another economic storm.

In this context the increase of domestic consumption of the two Chinas (PRC and Taiwan) could have a double function: an economic driver for worldwide economic recovery (if the world trade system remains open and Beijing's protectionist lobbies do not gain the upper hand) or act as logistic reserve if the strategic situation deteriorates considerably.

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4 The Chindoterranean Belt is the flow of goods, people, capitals, and services going from China, India, Gulf, Africa through Suez to Europe (Gioia Tauro being the major container port for the moment). It has been a source of prosperity in the past decade and the major Chinese penetration route in the Euro-Mediterranean area.



Looking at the US side it is rather clear that the fiscal cliff can be reasonably avoided through a combination of progressive tax raises, defence spending cuts (already five important programmes are at risk), otherwise the risk of an economic and political tempest will increase. Defence cuts could affect in first line the civilian DoD staff, the Army, non-stealthy fighter/attack aircraft (and hundreds of stealthy ones, possibly) and the downstream economic system.

On the Chinese side, domestic consumption is more than just an economic measure, it is one of the strong appeals of the CPC (Communist Party of China) because its ideological position is much more fragile than in previously similar countries. Differently from Russia, where the collapse of Communism left a nationalist sentiment and an old identity reinforced by a national religion, China does not have any more a national religion as culturally reinforcing factor.

On the background one can observe important weak signals of erosion of the North Korean regime: unregulated internet access, temporary migrations via China, a 20-year development of semi-clandestine markets. These phenomena can prepare the collapse of the regime and offer either a fuse for a war or a precious “humanitarian” distraction vis-à-vis the mentioned Pacific storm, if no headlong drive towards war is undertaken by Kim Jong-Un.

However, no one in the short term is interested in the collapse of Pyöngyang, whereas the dynamics of the rapprochement between the Burmese generals and the United States are offering interesting fresh precedents for a political liberalisation under tutelage, similar to the Chilean in the late 'Eighties.

Changing to the Latin American area, the next two years will witness a general re-organization of all continental power arrangements since all four major powers are involved in an internal restructuring:

- The USA have to work to save themselves from the double deficit crisis and from the possible loss of the dollar's seigniorage;
- Mexico will probably enter a tacit agreement with a major criminal cartel (probably Sinaloa) in order to keep stable the inflow of white and laundered investments, favouring an economic recovery and a limited social reallocation;
- Brazil needs to reduce political and social costs while approaching the international sporting deadlines in 2014. It is a particularly complex operation because it needs on one hand an adequate state control (whereby the state is an effective impartial decision maker and not mere a laissez-faire regulator; a heresy for today's mainstream) and on the other a social redistribution policy allowing at the same time the inflow of much needed foreign investments
- And Venezuela where the two political camps have to face the post-Chavez era, but have in any case to balance the need for efficiency in the energy sector against widespread subsidies.

In the meantime three crises are at various stages of development: Argentina

(political, budget and energy policy credibility), Cuba (economic viability of the regime) and Colombia (opportunity to end by negotiation the long civil narco-war, if land reform will be implemented and other issues agreed).

### **INDIAN OCEAN GEONETWORK**

The strategic focal points from East to West are: Afghanistan and the Stan's Wedge; India-Pakistan; Iran-Arabian Peninsula; Iraq and the Levant.<sup>5</sup>

In Afghanistan the race for the division of the whole Central Asiatic space after the long US-UN-NATO interval has begun. All countries in the region are involved, while Iran, India, Russia and China are placing their geopolitical or geoeconomic assets.

Pakistan hopes to come back on the scene through the political weight of the Talebans in Afghanistan thanks also to a protracted stall in negotiations that is damaging NATO's interests and is favouring the idea in Kabul of realigning the government around the slogan of "reconciliation". These schemes are favoured by such an internal instability that it could lead to a multi-level civil war, fuelled by groups controlled from abroad.

India and Pakistan will continue their slow rapprochement, marked by propagandistic missile experiment. The real problems regard both the internal sphere and the relationship with China. Both countries indeed have to face the fragmentation of their political landscape, complicating any decision on crucial dossiers. The competition between China and India has shifted from the Himalayan divide (Tibet and Nepal, despite strong crisis signals, are not a bone of contention) to the more important Indian Ocean.

In this competition are included: the fight for influence over the Maldives (connected with the strategic Sino-Pakistani port of Gwadar) or the developments in Burma. Here the USA and, more discretely the UK, are scheming to reduce China's influence. At the same time India proposes the re-opening of the strategic Ledo-Stilwell Road from India to China via Burma. Beijing has reacted since 2008 by renewing and hardening its territorial pretensions over part or all the state of Arunachal Pradesh, supported from Taipei too.

Of course the ambiguous development of the Indo-American relationship can be seen essentially as anti-Chinese (following the normal China-Pakistan or India-USA dynamics). And yet one cannot fail noticing that when the three big partners are negotiating, even with more than a contradiction, Islamabad (the junior partner) risks to be marginalised and to become a pawn for much more important agreements precisely between India and China.

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<sup>5</sup> With the expression Stan's Wedge is intended the group of states including Afghanistan, Pakistan and the Central Asiatic Republics (Turkmenistan, Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan), that wedge themselves from the steppes in the Indian Ocean.

India itself will concentrate more on its internal transition due to the ongoing 2013 legislative assembly polls (followed by parliamentary elections in 2014) and to the necessity of passing the last reforms before a period of probable instability.

This year should be decisive for the denouement of the long Irano-American confrontation. There is a disquieting amount of indicators pointing at a probable Israeli attack against major nuclear sites of an alleged military programme: increase of Western air and naval fleets in the area, covert operations campaigns (recce, targeted assassinations, cyber attacks), preparation of air bases at striking distance; US military preparations in order to sustain eventually the consequences of an Israeli operation.<sup>6</sup>

And yet there are weak signals regarding a possible turnaround of the diplomatic situation (direct Iran-USA contacts for the sale of grain, new progress in the IAEA negotiations) that would benefit both contenders. Israel should take into account that there is a clear Chinese, Russian and Indian opposition to the strike, possibly together with the US aversion. In fact the American Jewish community is much more prudent on the matter and prefers to wait the Iranian electoral results (June 2013) and the US administration would have problems in offering satellite, logistic and intelligence support to Tel-Aviv.

Less visible is the Saudi Arabian unpredictable succession crisis and its cracks in the clerical-monarchic system (opening the Shura to women, limitations to the religious police and enlistment of Mutawwa'in policewomen). Anyhow the link between ar-Riyadh and Washington is more political than energy-based: major income derives from Asiatic customers, while less than 5% of crude oil is exported towards the United States.

Finally, beyond the still uncertain results of the Syrian civil war and looking forward to a more or less deep rearrangement of this state, a heavy competition is emerging around Kurdish political entities. At stake is a future network of cross-border Kurdish autonomous governments revolving around the resources of the Iraqi KRG. Behind the scenes the fight is between Baghdad, Ankara, Tehran and the Syrian Kurdish groups together with other diaspora groups, with the more or less discreet support of the powers involved in the Syrian crisis, who are in a wait-and-see attitude. The linkage between different Kurdish interests increases the risk of a new civil war in Iraq for the future of the Kurdish Regional Government.

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<sup>6</sup> In Afghanistan there has been an increase of manned and unmanned aircraft, especially in the great air base of Bagram. The use of air bases in Cyprus has been taken in consideration (Paphos possibly). There has been also much talk about the use of Azerbaijani bases: Baku Kala, Ganja, Kyurdamir, Nasosnaya (currently used by the local air force). There are also installations seemingly in disuse since the end of the Soviet Union: Dollyar, Nakhichevan, Sanqacal and especially Sitalcay, near the Caspian Sea. The 3rd of June 2013 Iraq issued an overt warning at Israel against any violation of the country's airspace in order to attack Iranian targets.

## AFRICAN GEONETWORK

The Black Continent is an area free of recession and finally there is the possibility to keep satisfactory growth rates (+4,1% of continental GDP, +7,9% of forecasted exports in 2013, but with a global competitiveness still rated at 0,1), while the aggregated GDP in the Sub-Saharan area is similar to that of a BRIC-country.

But it must be kept in mind that this is the place where local, regional and transnational interests will jostle using the unsolved questions of regional and state reconfiguration to their advantage. Therefore the Continent will have to face in the coming two years an accelerated rush for Africa.

The three traditional leading countries (Egypt, Nigeria and South Africa) will be paralyzed also this year by internal conflicts, be it to manage post-revolutionary processes, be it to rebalance the distribution of national wealth between Northern and Southern regions, be it for the explosion of long delayed sharp social conflicts in the mining and agricultural sectors.

The visible protagonists of this geopolitical and geoeconomic asymmetric competition continue to be China and the United States. The first expands in the energy, agro-business and infrastructure sectors, whereas the second bet on the reorganization of the strategic space and on energy security.

It seems that China has reached the zenith of its influence and thus one of its priorities is to keep the acquired positions, keeping the local elites and population consensus. The USA, despite the expansion of their activities during the long Bush presidency, exploiting the Global War on Terror and the creation of AFRICOM, must make up for the lost time vis-à-vis the Chinese competitors.

India is the third competitor, trying gradually to establish its own hegemony in the Indian Ocean, not just in the maritime spaces where the Chinese “pearl string” of bases has been put in place, but also opening new trade in Africa. New Delhi enjoys an advantage in Kenya, Tanzania, Uganda and tries to assert itself with other members of the Indian Ocean Rim - Association for Regional Co-operation (IOR-ARC, initially born in 1995 as Indian Ocean Rim Initiative). But India is behind China in coherence and organization of commercial and political penetration.

Since 2009 Turkey is carrying out a strong expansion in the arc of Islamic countries that stretches from Nigeria to Senegal via North Africa by opening 14 new embassies. Brasilia was active even before that date and, beyond its obvious interests in the Lusophone area, it has expanded its presence in Southern Africa and in the group of countries between Guinea and Libya.

At the same time it is necessary to follow the shift of the conflict focus from the Horn of Africa strictu sensu (there are some chances for peace in Somalia)

to Central Africa for the control over strategic raw material (energy, precious minerals, rare earths).<sup>7</sup> There are two critical trouble spots: the enduring one in Congo (Kivu-Ruanda-Burundi) and the one that seemed to be peacefully solved between Sudan and South Sudan. The latter risks to worsen because of the persisting will of Khartoum to control the future of Juba (although a new oil and demilitarisation agreement has been finalised by mid March) and due to a serious internal political crisis in Sudan. The government is worn out and so its credibility and national cohesion, in fact during the past year there has been the possibility of a military coup d'état. The Mali crisis will be still an issue for the next two years because the mopping up of armed groups is more difficult than foreseen and because the state has to be rebuilt from its foundations. By mid-May 2013 the political situation featured a weak and not legitimised civil political élite under military tutelage with little interest of rebuilding Northern Mali. Nevertheless the push by France and the rest of the international community (Iran included) achieved an early date for presidential elections scheduled by the 28<sup>th</sup> of July and an impulse for more serious negotiations with the Tuareg population. The solution of this long-standing issue is critical for the stability of the whole Sahel region, including Western Sahara.

On the other hand, if Algeria's influence was reduced by the aftermath of this crisis, it could have some unpredictable effect on the perpetuation of the Algerian political system, already under pressure from the society claiming more political participation and fairness and shaken by political scandals that are preparing the end of the Bouteflika presidency.

### **ATLANTIC GEONETWORK**

The Atlantic area will have to handle a global crisis that will reasonably last in the medium term. The origin is in the structural blocking within the financial system, caused by a shadow monetary mass that is still incalculable and that is scarcely guaranteed by underlying assets. Despite liquidity injections in more or less indebted banks, this money is not put back onto the economic system, creating in turn a credit and liquidity crunch.<sup>8</sup>

There will be four actors (Russia, European Union, United States and Turkey) that will try to recover in the short-medium their stability term and strategic

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7 Among the concurring factors to the pacification of Somalia are also: the renewed Ethiopian will to restart the dialogue with Eritrea; the will of several countries to end their military engagement and the possibility to create new power balances around possible oil resources.

8 The Atlantic Geonetwork does not only include the traditional Euro-Atlantic area, but all the countries that are on the rivers of the Black Sea, Mediterranean Sea and Atlantic Ocean of the three continents. The crisis is the logical outcome of the global and uncontrolled financialisation of the economy, in which the shadow finance is a crucial component. During the next biennium the strategic decisions to arrive at an end state around year 2018 have to be taken.

initiative, indispensable to regain freedom of action and economic growth.

Russia, despite the re-election of Putin as president, is unable neither to get out of its “energy monoculture”, nor to solve its 12-year old socio-economic problems. Particularly worrying are: the delayed exploitation since September 2012 of the Arctic off shore fields (Shtokman oilfield, planned for the US market), the delayed study activity to exploit shale oil fields, the difficult rationalisation of the oil giant Rosneft and a 59% yearly increase in military expenditure.

If energy prices were to diminish significantly, due to the abundant inflow of conventional and non-conventional hydrocarbons into the market, Russia’s problems may become very serious in the medium term, forcing the government to dig deeply into the past financial surplus. Moscow is trying to offset these negative developments by re-orienting its exports towards China and Japan in order to get technology, investments and revenue, changing a relationship with Europe dating since 1982-1984.

The European Union is fully absorbed in defending the Eurozone against a highly co-ordinated financial assault led by private groups. Generally known under the “Euro crisis” misnomer, this is one of the two fronts of the global crisis together with the Pacific area.

Without a clear, consensual and unitary political direction at European level, the different austerity measures will exclusively work in favour of financial speculative schemes whose goal is to raise fresh money, guaranteed by governments and by the selling-off of common and public goods.

Starting from these premises the European Council of 2013 should give a concrete direction to the Common Foreign and Security Policy, which until now has been hampered by narrow national interests, the same that have jeopardised the European External Action Service. It appears rather unlikely that the Irish presidency will accomplish some concrete result.

The next 24 months will be crucial because Germany, seemingly the pivot of fiscal austerity measures, risks to be severely attacked in its political and economic credibility after having lost half of its European markets under the very same austerity measures. Moreover, banking oversight authorities have revealed that there are at least 12 great German banks that are at high risk if they do not redress their balance sheets within 2013. It is not by chance that Berlin, following the example set by the Chinese Dagong rating agency, is trying to set up its own rating company through the Bertelsmann publishing group.

The positive aspect in the European political landscape is ECB’s Single Supervisory Mechanism which provides an unprecedented degree of control over the great European banks. On the other hand, to be effective, it needs serious inspection procedures including also regional banks (Germany’s Achilles heel, and not only of this country) and a smooth co-ordination with the London-based

European Banking Authority.

Germany was also forced to slow economic contacts with Russia (exception made for energy) and to defer a tacit dream nurtured since the first Obama presidency. Berlin, while the UK-USA special relationship had become rather irrelevant, has tried to set up its own acting as a bridge between the USA and Russia.

In the meantime the Baltic, Nordic and Balkan states are holding off their accession to the Euro, waiting for better times, while UK is seriously considering to exit the European Union, a move that ironically could be supported also by so called “Continental” publics.

If Europe is in dire straits, the United States are similarly embattled because Washington was until May 2013 still paralysed in inconclusive negotiations on the fiscal cliff, whereas the need is to find a compromise between a cut in entitlements/defence expenditure and raising taxes with a progressive system. Signs of a deal were discernible afterwards, but no firm agreement was reached by the 6<sup>th</sup> of June. The leadership, despite being adequate, is divided between the schizophrenic management of the debt due to Beijing and the idea of containing, more or less strongly, its creditor. This will mean a relative power vacuum in the Euro-Mediterranean area with clear repercussions on the actual crises.

Fourth actor out of kilter is Turkey. Besides having to face serious anti-government protests in June 2013, Ankara has lost its “neo-Ottoman” foreign policy orientation and the possibility to enter the EU; now it is less effective in the area than other regional competitors or external powers. Countries like Iran, Qatar, Saudi Arabia, Russia, Iran and China are essentially extending the conflict to their advantage and Turkey has to defend its positions in the Levant and the Gulf, even against new competitors (Qatar and Egypt).

The war itself could possibly end by the year either with a negotiation supported by Russia or due to collapse of the governmental forces, but the post-war period could be long and unpredictable in terms of Syria’s and regional stability.

Unfortunately the next two years will have undesirable consequences for the countries along the Northern shore of the Mediterranean. One of the most dramatic consequences could be that, after witnessing a string of successful revolutions, Europe sees the gradual collapse of at least three “Arab Weimars”, reverting to populist and authoritarian regimes due to the general inertia in providing economic support to the new élites.

The double Euro-American power vacuum will leave much more space for rather unpredictable local developments among which can be counted a rather probable Israeli attack against Tehran’s nuclear sites, renewed tensions along the Sinai and the Lebanese borders and increased frictions created by an unsettled Turkish foreign policy, that must still find its balance between priorities and ambitions, particularly concerning its Islamic political vector.





# **Part I**

## **Regional Analysis**

# South Eastern Europe

Paolo Quercia

## EXECUTIVE SUMMARY

2012 was a year that witnessed a further worsening of the regional political crisis in the South Eastern Europe geopolitical space, because it is undergoing a further de-structuring of an area, that stretches from the Gulf of Rijeka (Fiume) to the Gulf of Iskenderun (Alexandretta), from the Central European Slovenia to Anatolian Turkey. Last year several centrifugal forces both internal and external to the region gained momentum.

During the last year, from the economic point of view, South Eastern Europe is experiencing a weakening of the European presence and influence compared to a decade ago, when the “New Europe” emerged as an area of strategic integration for Western European countries. The beginning of the first infrastructural work of the South Stream gas pipeline (that will run across Bulgaria, Serbia, Hungary and Slovenia), by the end of 2012 will strengthen Russian interests in the region and influence the energy security concepts of the most oriental members of the Atlantic Alliance.

Regarding the political level, the EU enlargement process showed little progress – including the concession of candidate country status to Serbia (March 2012) and Montenegro (June 2012) – and the integration process is evidently facing a political stalemate that reveals in many EU countries a lack of strategic interest in the future of the region. In the short term, no new improvements can be envisaged, except for the formal EU membership of Croatia scheduled for July 2013, if no political stop will come from the parliamentary ratification process.

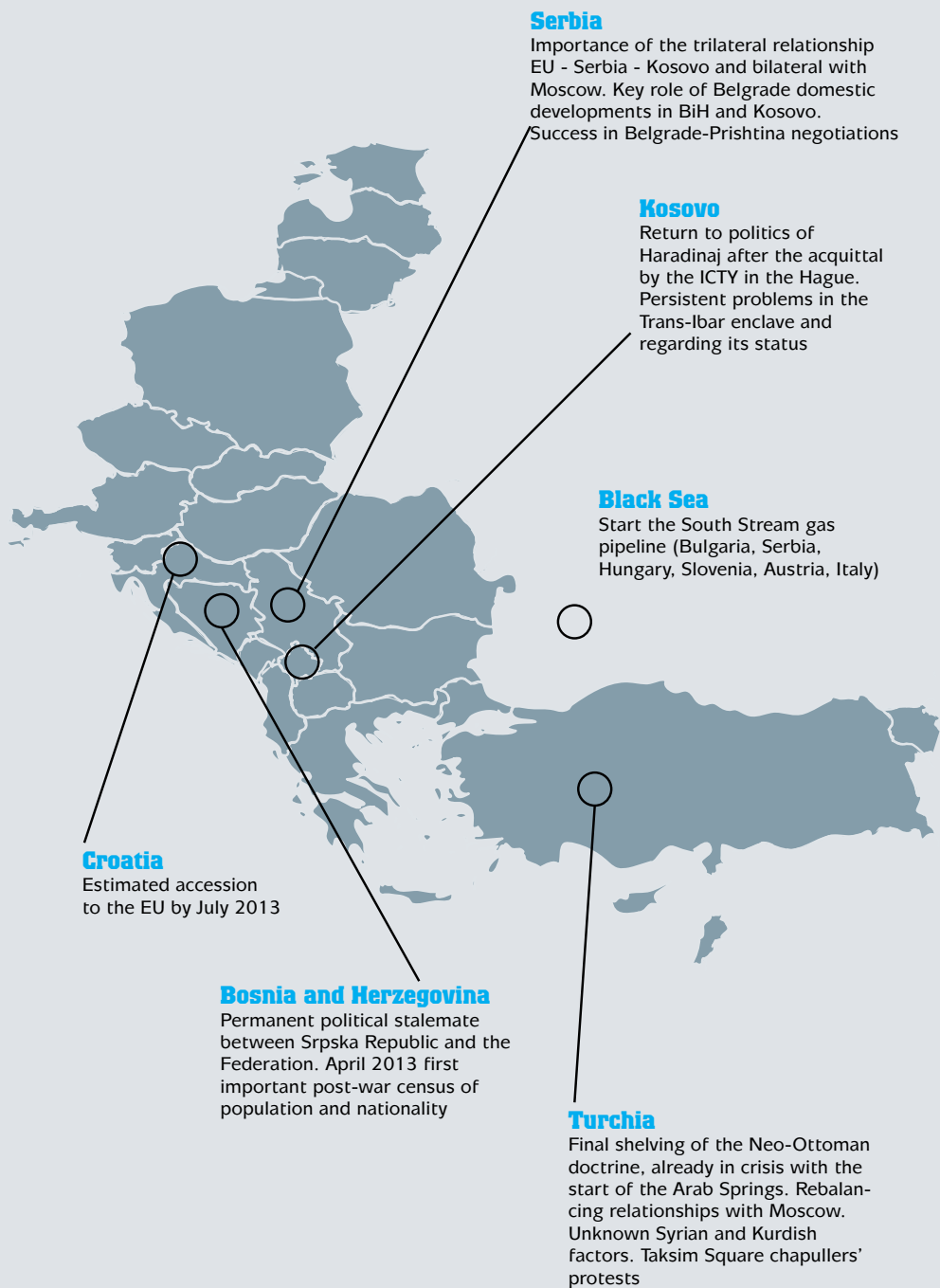
A very important change took place in Serbia, a key country in the region, with the defeat of the pro-Western president Tadic and the rise to the presidency of the new pro-Russia Serbian nationalist Tomislav Nikolic and of former Milosevic's aide Ivica Dacic to the premiership. The new political situation in Serbia will affect the developments in the still unsolved two main regional security issues: Kosovo and Bosnia Herzegovina. In fact with the power-sharing agreement reached between Serbia and Kosovo the 19<sup>th</sup> of April 2013 promises a tangible improvement in the North Kosovo issue, despite the final lack of recognition of Pristina by Serbia.

2012 has been for Bosnia Herzegovina a year characterized by the absence of a central government, due to the stalemate in the central political institutions. The block of the country's central government has been caused, as in the past, by opposed ethnically motivated national vetoes. This is a clear sign that, since almost 20 years after the adoption of the Dayton constitution, the three recognized nationalities are lacking the will of living in a common State.

Kosovo, the other area of instability of South Eastern Europe, showed mixed trends in 2012. On one hand, the riots, provoked by the Serbian communities living in the North who are still opposing the transfer of control to Kosovar authorities, continued during the year.

On the other hand, at international diplomatic level, the start of the EU-mediated trilateral discussions with the political representatives of Belgrade and Pristina, was an important step towards the normalisation of the relationship between Serbia and Kosovo.

At the other side of the South Eastern European geopolitical region, Turkey has witnessed a process of further alienation from the Euro-Balkan political space, becoming progressively magnetized by the Syrian civil war and by the resurgence of the PKK terrorist threat on its Eastern provinces. Thus the Turkish foreign policy felt the growing weight of its Middle Eastern dimension. In the same year the underground confrontation with Israel continued with a new chapter, involving also the Republic of Cyprus and the issue of oil and gas exploration in the Eastern Mediterranean. Also these reasons were behind a tactical reconciliation with Israel, following the apologies presented by Netanyahu (22<sup>nd</sup> of March 2013) referring to the Mavi Marmara incident (31/5/2010).



## SITUATION

The main developments of 2012 and first quarter of 2013 in South Eastern Europe occurred in Turkey, Bosnia Herzegovina, Serbia and Kosovo.

As far as Turkey is concerned, 2012 was marked by a growing involvement of Ankara into the Syrian civil war, openly supporting the policy of regime change and assisting the political and military opposition against Assad. This development strengthened the transformation process of the Turkish foreign policy from a neo-Ottoman approach, based on good neighbourhood relations, into a more global and pan-Islamist posture. The expansion of Turkey's foreign policy perimeter, on one hand, deteriorated the relations with regional powers such as Iran, Russia and Iraq and, on the other, widened the palette of common interests with Saudi Arabia, Qatar, and other Sunni Arab countries.

At the end of 2012 relations between Ankara and Moscow significantly improved, and this trend is characterising 2013 as well. The key strategic scenario that is going to shape the bilateral relations between the two countries will be the Syrian civil war and the future of the Assad regime. The mitigation of the position of both Turkey and Russia on the complex Syrian scenario at the end of 2012 contributed to weaken the tension among the two countries, as it was witnessed with Putin's visit to Ankara in December. On the Syrian dossier the two countries, knowing that the uncertain present situation in the country will be solved in the short term, have agreed to disagree, postponing the tuning of their interest to the settlement of the post Assad regime. Besides, the strong energy dependence of Turkey from Russia and its interest in the exploitation of Cyprus' energy potential are a further impulse to improved relations in view of developing Ankara's policies in this sector and in Central Asia through participation to the Shanghai Co-operation Organization.

Serbia, the principal geopolitical player of the Balkan region, has witnessed a 2012 full of relevant but contradictory changes. Belgrade obtained the status of candidate country to the European Union, a status that was refused to Serbia in 2011 for the opposition of Germany. At the same time, the political situation experienced a real earthquake at the political elections, with the rise to the presidency of the Radical Party (nationalist) and the return of Milosevic's Socialist Party of Serbia (SPS) in the government. This revolution in the geopolitical heart of the Balkans has radically shaken the decades-old political taboo that the international community had take for granted in Serbian post-2001 politics: no access to power for Milosevic era politicians and for radical nationalists.

The fact that both, Slobodan Milosevic and Vojislav Šešelj, respectively chiefs of the socialists and the radicals lost power and were put to trial in the Hague did not hinder their heirs from obtaining electorally full power in Belgrade. This political revolution in Serbia took place in a key moment for the Balkans and

South Eastern Europe, when the perspective of a regional euro-Atlantic integration is not anymore the only possible geopolitical outcome.

Before considering the EU capacity gap in shaping the political dimension of the region, what has to be noticed is that the European Union has lost most of its political interest in driving the integration process of South Eastern Europe, and in solving the pending geopolitical problems of the region. The political changes in Belgrade are both a consequence and an indicator of this geopolitical vacuum. By beginning of April 2013 the next round of Serbian-EU talks seemed to fail as many others, but by mid-month (19/4/2013) the EU, with US behind the scenes support, achieved the very important success of brokering a power sharing agreement by the two parties over the disputed territory of North Kosovo. This means that, although full normalisation will be in a rather distant future, the foundation for solving the confrontation have been laid down thanks also to the conditionality of EU access vis-à-vis both countries.

In the meantime there were few other developments, namely the closure of the International Civil Office (ICO) and the end of the period of the so-called “supervised independence”. Since 2012 Kosovo is a fully sovereign country without international checks or restrictions. The loss of control over the trans-Ibar area should not be considered as a lack of sovereignty but as a territorial conflict with a neighbouring country.

The green light given by Belgrade to Kosovo’s participation in regional international summits was a major achievement in 2012 for Pristina. Nevertheless, in Northern Kosovo’s villages, street violence, riots and roadblocks continue between Kosovo, Serbs and international peace-keeping forces. The violence was instigated by Northern Kosovo Serbs who opposed any form of transfer of authority from Belgrade, that is de facto controlling the territory, to Pristina. It is hoped that now Serbia will exert a moderating influence over the local population.

The acquittal by the International Criminal Court of the then Kosovo prime minister and the former UCK commander, Ramush Haradinaj, opened the door for his return into politics. Hashim Thaci, the actual prime minister, praised the acquittal, while by April 2013 Haradinaj was the chairman of the AAK (Alliance for the Future of Kosovo – Aleanca për Ardhmërinë e Kosovës).

His discharge – almost contemporary to that of the Croatian general Ante Gotovina – further strengthened among the Serbian public opinion the belief that international justice on war crimes had been biased by the international political agenda.

Bosnia Herzegovina, more than Kosovo, is going to be remembered as the ultimate troublesome area of the region, the main Balkan geopolitical headache where no progress can be consolidated and no real improvement happened in

the last decade. The conflicting ethno-national vetoes, are not only responsible for the paralysis of the functioning of the central state institutions and in amending the Dayton constitution. Local political elections in 2012 confirmed the strengthening of nationalist trends in all the three main ethnic groups.

Despite a visit paid by State secretary Hillary Clinton in several Balkan countries, jointly organized with the EU High Representative for foreign policy, the political interest of the United States in region appears to be diminishing as confirmed by the weak agenda and the timing of the visit, at the very end of the first Obama presidency. The visit sounded more like a conservative review of the American geopolitical positions shaped in 1998 and not really updated since then.

Russia, on the contrary, with the acquiescence of the EU and US, improved its regional position by completing its web of energy agreements. The signature of the gas agreement between Gazprom and Bulgaria allowed the start, in December 2012, of the South Stream pipeline, opening to the possibility of a new energetic integration among Russia, Turkey, the Balkans and the European Union.

## **PERSPECTIVE**

South Eastern Europe is entering a phase of economic stagnation that will fuel growing political conflicts and jeopardize the Euro-Atlantic integration, whose drivers are weakening. The only country that doesn't have to face this gloomy economic destiny is Turkey, but Ankara has been negatively affected by the Syrian civil war and, more than other South Eastern European nations, by the reverberations of the Arab Revolution.

The consequences of these developments can be seen in: the change of the region's barycentre, the transformation of its international placing and in the changing influence of extra-regional political powers. The South Eastern Europe region is in the middle of a deep politico-economic crisis that could undermine its rather shaky cohesion. According to available estimates, in the next biennium the majority of the economies of the region (Albania, Bosnia Herzegovina, Bulgaria, Macedonia, Montenegro, Romania, and Serbia) will remain under the minimum threshold of 1% growth of GDP, while Greece, at the same time part of the Euro and of the area, is in a severe recession.

Only Turkey and Kosovo will reach a >4% growth level, although the size of Ankara's growth is strongly reduced compared to the last years when it was marching at Chinese levels. Unemployment remains a severe scourge to several countries of the Balkans: exception made for Turkey, Romania and Slovenia, the rest of the region shows in 2012 an over two digits unemployment, with decreases in Serbia (25%; 2013 22,4%) and peaks/increases in Greece (24%; 2013 27,2%), Bosnia Herzegovina (27%; 2013 45,9%), Macedonia (30%; 2013 31,2%).

New Foreign Direct Investment (FDI) flowing both from the Western countries as well as from the new “emerging” or “returning” countries (Turkey, China, Qatar, Russia) that have arranged intense economic and diplomatic activity in the last years, remain low. Until 2015 the general economic forecast remains dark. This economic scenario is shared with most of the Western and advanced economies.

But, differently from the rest of Europe, the economic crisis in South Eastern Europe is hitting structurally weak states whose governments have generally a very scarce social legitimacy and are still troubled by the unsolved problems of the transition from Communism to liberal democracy, both at political and economic level. In the Balkans, the economic emergency has cumulated with Europe’s economic crisis, bringing to an impasse the same concept of “New Europe” and its “destiny” of integration with the “Old Europe”. In this environment, the reassuring *leitmotif* that the frozen geopolitical issues left open by the dissolution of Yugoslavia would have been solved by the thaumaturgic enlargement of the European Union is fading away.

The Western Balkans and South Eastern Europe “geopolitical fault line” has widened since 2008 with the unilateral declaration of independence of Kosovo, the economic collapse of Greece, the only EU member Balkan country, and the beginning of a period of deep incertitude over the future political dimension of the European Union. This geopolitical vacuum has been highlighted by the increased Russian activity in the region, especially after the conflict in Georgia. The 19<sup>th</sup> of April agreement between Serbia and Kosovo over power sharing in Northern Kosovo is an important sign of progress towards the accession to the EU of both countries, but it needs to be strengthened by other successes in the area.

In this environment, several of the unsolved geopolitical issues risk to become entrapped in an increasingly de-structured regional system where the substrate is made up by the relevant Euro-Atlantic paradigm but the political surface is moved by the interaction of two extra-regional powers: Russia and Turkey.

Both Ankara and Moscow will try to take the opportunity of this phase of weakness of the European integration process to strengthen their respective soft power. Russia will try to reinforce its Orthodox, linguistic and energy links with the region, while Turkey will count more on its Islamic historical heritage (both architectonic and cultural), its industrial and banking capacity in addition to its Atlantic membership.

Both countries will try to play a role in the unsolved border issues in the region, namely Kosovo and Northern Cyprus, as well as in the shaping of the future of a unitary or post-unitary state of Bosnia Herzegovina. The population



census of Bosnia Herzegovina, that should take place in between the 1<sup>st</sup> and 15<sup>th</sup> of October 2013 (instead of the originally foreseen April dates) could be a crucial turning point in the ethno-political agenda of the political parties.

Finally, in the past years there have been very few possibilities to improve the stalemate between Cyprus and the TRNC, since the political possibility to move the impasse is in the hand of the Greek side only. Yet, the presidential elections in Cyprus (25/2/2013) have changed the political momentum on the Greek side of the island. The outgoing president Christofias – that in 2011 used its veto power to block the entry of Cyprus into the PfP – has been replaced by the conservative Nico Anastasiades, who is both a supporter of the reunification of the island and of its NATO accession.

# Middle East

Nicola Pedde

## EXECUTIVE SUMMARY

In the Middle East, the previous evolutionary trends were confirmed in year 2012, i.e. the consolidation of new political élites and the scarcity of meaningful social changes. The nature of the underlying events, however, was quite heterogeneous and varied was the evolution in each of the affected. This is still leaving the main issues and phenomena substantially unaccomplished.

The Syrian conflict is, beyond any doubt, is the most relevant crisis in the region and it is marked by a constant increase of violence and a progressive hardening of the politico-military positions of Bashar al-Asad. The confrontation is between an evidently delegitimized authoritarian regime, undergoing a deep crisis, and fragmented and disparate coalition, incapable to take clear decisions and to carry out coherent actions.

The Salafite jihadi forces are stand out for their ability to wage war, even if they do not provide any guarantee for a balanced political solution or the stabilization of the crisis. In fact these cells tend to follow opaque intervention dynamics and answer to tangled international lines of command and support, often against the interests of the Northern hemisphere democracies.

The recent crisis in the Gaza Strip between Israel and the HAMAS, although widely commented on the press, was in the end an event of limited impact at regional level also because it was conducted following the tragically well known military schemes.

The responsibility of the event is attributable to the intransigence of some of the armed factions within HAMAS, which were complaining about the long deadlock in the talks between Tel Aviv and the Palestinian Authority, deciding to provoke a reaction through an increase of the rocket launches of towards Israel. This was an opportunity for Benjamin Netanyahu with a view to the next political elections in late January 2013 and to signal a possible attack against the Iranian nuclear infrastructures.

During the first half of 2013, the evolution of domestic political dynamics in Egypt and in the Islamic Republic of Iran, will be particularly interesting for Italy and for Europe.

In Egypt, president Mursi obtained the approval of the new Constitution with 57% of votes, but he must improve the relationship with the opposition, actually under severe stress. Even if the allegations that the president is trying to Islamize national politics may be delusive and unfounded, they are however an indication of a political and social fabric that can defined anything but dominated by a Muslim Brotherhood (al- Ikhwan al-Muslimoon) majority. Therefore Mursi should act sensibly and with pragmatically to prevent further explosions of unrest.

In Iran presidential elections will be held by June 2013 marking the end of the two highly controversial mandates of Mahmood Ahmadinejad and opening most probably a process of normalization that will lead to the election of a candidate who more close to the Supreme Leader, and less oriented to confrontational politics in the international arena.

The emerging of more pragmatic and moderate fundamentalist forces, together with the strong pressure of the economic crisis deriving from heavier sanctions, could contribute to open a dynamic of increased flexibility and openness in the dialogue with the West and the USA in particular, especially regarding the sensitive nuclear dossier.

Finally one should take note of the political and security dynamics in the Arabian peninsula. Especially among the Shi'ite minorities, both in Bahrein and in Saudi Arabia, a strong anti-royalist feeling is evident as well as a brutal repression of large and well attended demonstrations, without any special reaction by Western media.

Saudi Arabia is confirmed in its role of leading power the region, with an extraordinary influence dictated thanks to its huge financial reserves. Yet its political structures are highly worrying, given the serious state of health of the sovereign and the difficulty identify a correct peaceful successful mechanism between the first generation, now in extinction, and the second one of the royal family.

### **Palestinian Authority**

Still diverging positions between HAMAS and al-Fatah. Slow progress in reconciliation talks. The two states-two peoples solution become less and less feasible and so a unitary Palestinian state as well

### **Israel**

Benjamin Nethanyahu has won elections and retains the premiership, but with a smaller majority

### **Lebanon**

The Syrian crisis has already seriously deteriorated stability in the Northern part of the country, affecting a tense political domestic situation. There is a renewed risk of another civil war

### **Syria**

The civil war has entered its second year. The motley opposition forces are subjected to a violent loyalist offensive, that has captured al-Qusayr and threatens to re-conquer Aleppo. Possible negotiations about a future political solution are underway

### **Jordan**

Protests are intensifying in Amman and other regions, while the Syrian crisis risks to overwhelm the Hashemite regime's capabilities. The king's efforts to offer more freedom seem belated and ineffective

### **Libya**

Strong political instability and widespread presence of militias belonging to different political currents. The situation is worst in Cyrenaica, where more numerous are Salafi and jihadist groups

### **Egypt**

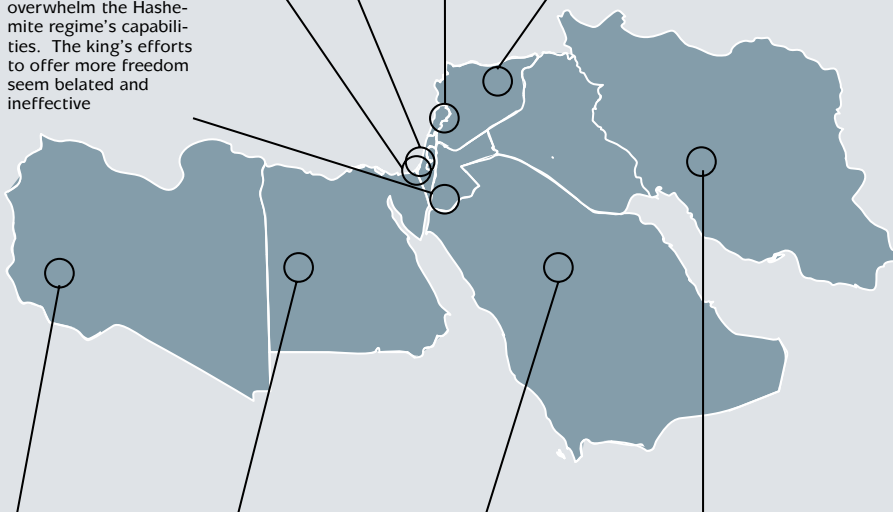
President Mursi achieved a long and difficult institutional reform through a new constitution and pluralist political framework. On the other hand problems persist because the Egyptian society is deeply polarised between secular and religious impulses

### **Saudi Arabia**

The health conditions of the king are said to be increasingly critical. The succession process remains a contentious issue among the three wings of the royal family. Riyadh plays an increasing international role, especially in countering Iranian activities and Shi'ite minorities

### **Iran**

Contested and crucial political and presidential elections were held last 14th of June. Hassan Rowhani has been elected president



## SITUATION

Among the events of major interest at regional level the evolution of the political framework in Egypt is certainly the most important throughout 2012. President Muhammad Mursi, on whose political skill most of the international and local press had negatively speculated in the aftermath of the election, has proven to be energetic and charismatic. In a few months, with calculated and carefully measured steps, Mursi was able to lead the difficult transition from the centralised bureaucracy of Mubarak to the new power system dominated by the Muslim Brotherhood within a quite heterogeneous political majority.

After having won the presidential elections by a narrow majority, Mursi had to face two political competitors: the secular and Nasserite opposition and the Salafite groups within the Ikhwan.

At the same time he redefined the relations with an obtrusive military system, that was imposing on the government, with a move that surprised the analysts and Egyptian public opinion. In mid August 2012, Mursi quickly removed the powerful marshal Mohamed Hussein Tantawi, rejuvenating the whole top of the Armed Forces.

Contrary to what has been said by too many foreign media, Mursi has not set an Islamization course for the armed services, but just ridden the long-standing latent dissatisfaction among the younger officers. In exchange for their tacit support, he offered the opening of concrete career prospects— once locked up by the system — and, above all, the opportunity to play again a dignified and appropriate role to the defenders of the national security, also exploiting the emergency in Sinai.

The problem is that, with an increasingly volatile social situation due to a severe economic crisis, the military have been forced to resume public order duties in support of the government, because the other security forces are demoralised, receive low wages and strike. Until the end of March 2013 it appeared that the political link between government and armed forces remained strong, despite efforts of the secular opposition to undermine it.

Another success was represented by the political and communication role played during the ceasefire between HAMAS and Israel, particularly regarding the Ezzedin al-Qassam Brigades, which had been invited to avoid dangerous and harmful actions against the interests of Egypt and of the Palestinian cause. This has happened also during Obama's visit to Israel and Palestine during the third quarter of March.

The Syrian crisis is even more complex and painful. After a first phase marked by the initiative of the opposition forces, the second phase saw during many months in 2012 a violent and systematic governmental reaction, especially in the areas where the threat to the authorities of Damascus was more severe. This

has created a highly confused situation where the regime controlled mainly the urban area and the opposition forces the peripheral ones during the uprising.

Only with a visible increase of foreign direct support (i.e. weapons, ammunition and combat equipment), the Syrian opposition was able to get back to the offensive over the last few months of the year, this time posing a concrete and real danger to the regime.

Nevertheless some Western countries supporting the opposition are concerned about the nature and composition of these forces, largely dominated by Salafite cells regarding operational capacity, revealing clear and serious jihadist infiltrations and the presence of Qaeda's cells. This concerns is even more acute considering the future of Syria after the fall of the Asad regime.

Equally serious in terms of potential risk, but in a less critical stage, is the situation in Iran. During year 2012 there has been a sharp increase regarding the sanctions adopted by the international community. This has effectively hit the economic capacity of the Islamic Republic of Iran, causing an unprecedented crisis and the emergence of an increasingly tense political climate.

Despite the mainstream Western vision of as a monolithic entity dominated by the role of the religious Supreme Leader, the political system, in fact, is sharply divided on a wide range of differing positions mediated by the Supreme Guide.

The two main components of the Iranian conservative political power system are openly locked in a hard confrontation where the radical policies of the ultraorthodox side, politically represented, but not completely controlled by Mahmoud Ahmadinejad, are under heavy attack by the fundamentalist conservatives, who are closer to the Leader, more pragmatic and surely less confrontational in the political arena.

Paradoxically the economic situation is so serious that, in spite of the ongoing disagreements, the two leaders will have to collaborate very closely in view of the upcoming presidential elections (June 2013) and Khamenei has to keep a moderate course if he wants to smoothly engineer his succession through a suitable candidate.

## **PERSPECTIVE**

Looking at the region between the Mashreq and the eastern shore of the Persian Gulf, one can forecast that in 2013 there will be different flashpoints in parts that are not necessarily linked at geographic level or by the same level of international interest.

In the first part of the new year, the crisis in Syria and Egypt will assume a special significance, while at the end of January, the focus will be directed to Israel, where Benjamin Netanyahu could be reconfirmed as prime minister on different types of majority. The prime minister's wish was a solid Likud majority,

but a rather dissatisfied and fragmented electorate indicated different balances.

Next, as we have mentioned, will come the Iranian presidential elections, where President Ahmadinejad will end his controversial second mandate. It is expected that the new president will be expression of the traditional, pragmatic area of the fundamentalist conservatives. This would remove a major source of attrition in domestic politics and may prepare new diplomatic developments.

The problem is that many regional crises are linked to these events. It may be possible, for example that the new Israeli coalition government could lead to a worsening of the crisis with Iran, including a violent fracture, with probable repercussions to the whole region. On the other hand the Syrian crisis threatens to produce more violent spill-over in Lebanon and Iraq.

Iran apart, the situation in the Persian Gulf could become critical again because the crisis in Bahrain is anything but solved and where the protest could reignite also among the Shi'ite minorities residing in the Eastern regions of Saudi Arabia.

The matters in Iraq appear less worrying, although it is experiencing an extremely delicate security and political stability situation, as well as in Kuwait, where the traditional political balances are undergoing an important crisis.

Jordan instead could emerge as one of the most significant and dangerous flashpoints of the region King Abdullah's political, economic and social contradictions, plus internal and external pressures deriving from the Syrian crisis, are likely to threaten the social balance and political stability.

After the recent brief conflict in the Gaza strip, few are expecting in the short run a resurgence of the crisis between Israel and HAMAS, whereas the rift over the Palestinian cause between HAMAS and Fatah will increase, particularly after the stakes have been raised through the historic recognition by the United Nations and notwithstanding the multiple reconciliation gestures from both sides.

In Yemen although with less violent dynamics compared to the past, the situation remains unstable because the toppling of president Saleh was not sufficient to placate the tribal struggles and, above all, to increase the security and stability of a country that had divided armed forces and a weak central government.

Both Qatar and the United Arab Emirates, although worried for the overall evolutionary regional dynamics, remain stable. The first continues to play a particularly active role in the whole area, also by playing a direct role in Syria, one of the bloodiest conflicts, as in the case of Syria. On the contrary, the Emirates, with a low political profile, will continue on the line of economic development, remaining on the sidelines of regional events. Relatively stable, in conclusion, the situation in Oman, where some sporadic protests in the first part of 2012 were not followed by concrete threat to the sovereign and the stability of the country. The sultan felt secure enough to issue a royal pardon for jailed political

activists, but delays in implementing the promised aid and development continues to antagonize vast sectors of the population.

A special place deserves the analysis of the Syrian civil conflict. After a prolonged period of crisis, the regime of Bashar al-Asad seems to lose progressively the security control of the capacity territory, opening indeed the reasonable possibility of its fall in the short term.

The element that changed the balance of power on the ground, allowing the opposition to retake the initiative shifting combats to the main Syrian cities, is represented by the massive internationally co-ordinated support to supply weapons and military equipment to the rebels.

During the last months of 2012, the heterogeneous cores of the opposition succeeded in finding a compromise between their different positions, although temporary and fictitious, and to set up a single body providing a centralised point of conveyance for the funding and logistic requests vis-à-vis the international community.

That was the birth of the National Coalition for Syrian Revolutionary and Opposition Forces (November 2012), chaired by the former Imam of the Umayyad mosque of Damascus, Ahmad Mouaz Al-Khatib Al-Hasani, who resigned the 24<sup>th</sup> of March 2013 due to internal dissension. Known in the region more for its anti-Western and profoundly anti-Semite positions, Al-Khatib is on the contrary presented by the European press as a moderate, and a promoter of the religious dialog.

And it is precisely this aspect that constitutes the main unknown of the varied and divided Syrian opposition. The secular group of the diaspora, upon which the West had so insistently relied at the beginning, has been sidelined a long time ago, as well as part of the Free Syrian Army (FSA). The FSA has been fractured and the Salafist component of the militia appeared to emerge with a greater role and profile, supported by a constant flow of Saudi money.

Qatar, instead, focused on the Syrian component of the Muslim Brotherhood, which became increasingly distant from the positions of the Egyptian core-group and is showing a radical and interventionist stance in this very delicate crisis.

In this complex war context one can see the emerging of some independent jihadist cells, some of them connected with the Al Qa'eda matrix. Therefore it is clear why the United States are reluctant to support an increase of aid programmes to the opposition forces.

The fear is that, with Bashar al-Asad's fall, a radical Islamic regime may be established or, worse, the central and peripheral political system might collapse ushering a long period of instability. Moreover several sources underline the possibility that in Syria a third generation qa'edists could emerge (after the Af-



ghan and Iraqi generations), shaped by new ideals crafted in this conflict, and establish its command, operational, ideological, training structure on the ruins of the Syrian regime.

At that point the risk of a regional spread would be very high in nearby countries. A radical regime in Damascus would mean adding fuel to the growing instability in Northern Lebanon, Jordan and in Southern Iraq

Israel, despite the unwelcome change that features the loss of a well known and predictable interlocutor, is trying to accommodate its security policy to the new situation with some virtual buffer along the Golan Heights and will probably have to manage a somehow dangerous relationship with new radical and jihadists organizations on the northern border.

# AFGHANISTAN

## A PROSPECTIVE ANALYSIS: 2013-2014 POSSIBLE SCENARIOS

CLAUDIO BERTOLOTTI

### EXECUTIVE SUMMARY

If compared with a 'new civil war' scenario (consequential to the dissolution of the Afghan State and the Afghan National Security Forces and the victory for the Armed Opposition Groups), events during 2012 tend to suggest a 2013-2014 scenario characterised by: an increase of local level conflicts; a political and social instability of the Afghan state and an ANSF unpreparedness – partially counterbalanced by NATO's effort and support. The end result in the medium term is that Afghanistan will be kept in a condition of **unstable 'dynamic stalemate'**.

2013-2014 will be characterized by the implementation of the U.S.-Afghan Strategic Partnership Agreement which will guarantee the new formula of a U.S. military presence on the Afghan soil based on the medium-long term concession of strategic military bases.

The United States and the NATO, renouncing a real Afghan stabilisation, will proceed with the transition phase with a significant assistance and support to the ANSF (Afghan National Security Forces), at the moment unable to guarantee an effective control of the country.

The Taliban – formally and substantially undefeated – are military able, yet at the same time unable to defeat NATO-ISAF and ANSF troops on the battlefield. Therefore, the Taliban will try to limit significantly the ANSF operational potential (and thus the effectiveness of transition) through the 'trust-undermining' process between NATO-ISAF advisors/trainers and mentored ANSF individuals.

A direct effect of this process is the increasing phenomenon of the 'green on blue attacks' (Afghan soldiers who attack their advisors and mentors), contributing to a further acceleration of the disengagement from the country.

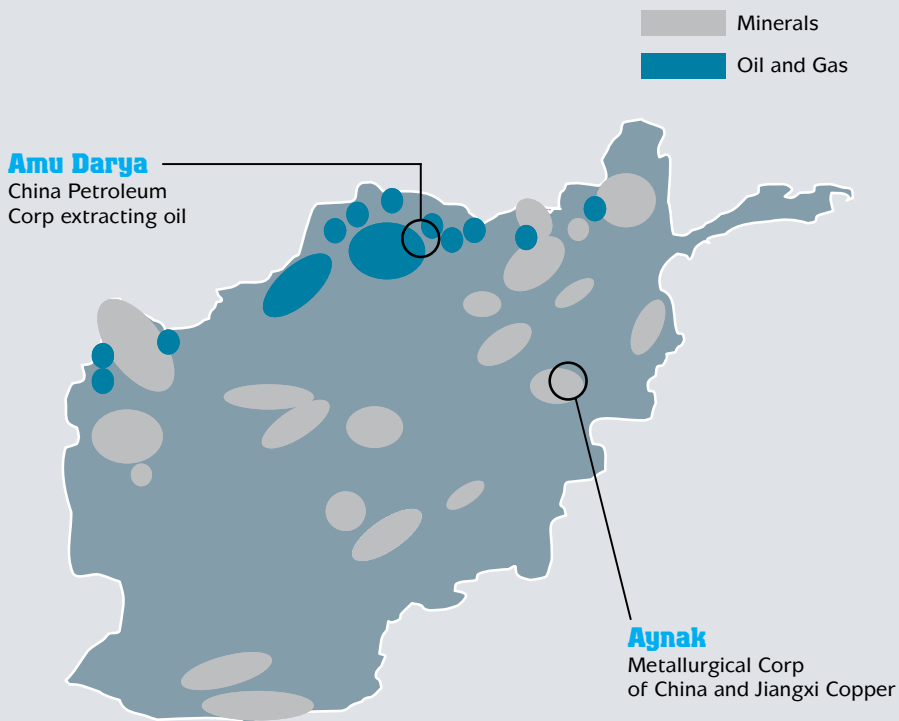
Internally, political and electoral processes (characterized by limited transparency and evident frauds) will be influenced by the AOGs (Armed Opposition Groups) especially in rural and peripheral areas, in particular the Pashtun-dominated ones.

Observing the current situation, we cannot exclude attempts of **political partition** of the country based on the willingness to obtain access to the economical advantages deriving from the mineral and energy resources. This would create 'fault line conflicts', amplified by the limited governmental administrative capabilities and its high corruption level.

A positive role will be played by regional actors, which will increase their political and economical involvement.

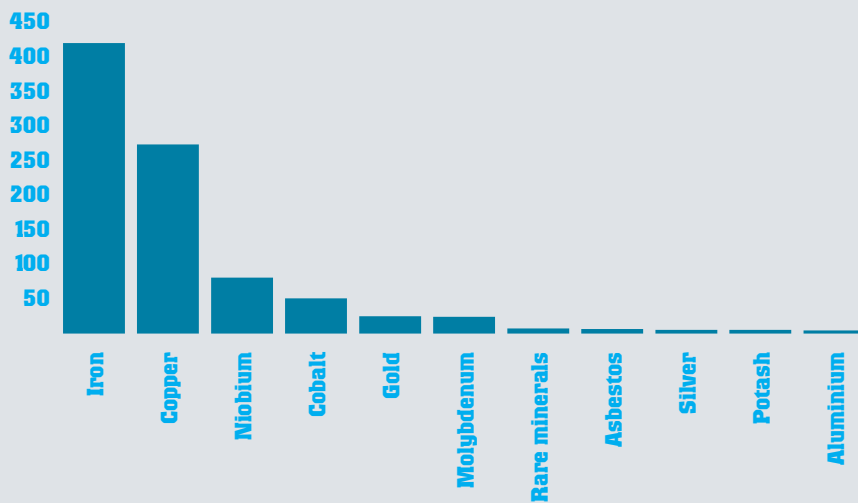
In brief, in the next two years Afghanistan is going to be:

- relatively **unstable** from a domestic political perspective and exposed to the risk of a reduction of the role of the central government (advantaging local and peripheral powers),
- seriously **precarious** regarding its security and governance,
- **inadequate** vis-à-vis the transparency required by the international community's economical support agreements due to an endemic corruption,
- surrounded by a **dynamic and flexible** environment regarding regional cooperation.



### Mineral deposits in Afghanistan

Total Afghan mineral deposits estimated at \$ 1 trillion



## **SITUATION**

### **POLITICAL PRIORITIES AND SECURITY**

NATO approved the strategic policy for the formal disengagement from the Afghan war by the end of 2014 (Chicago, May 2012) reducing one year in advance the conventional combat troops, in favour of special operations forces, UAVs and advisors. It is a 'reversal strategy' that will transform the current mission – through an accelerated transition – from a combat to a 'train-and-assist' mission. This means the implicit admission that the stabilisation is impossible. This strategy will also be characterised at the same time by talks and attempts of negotiations involving the U.S., the Taliban and the Afghan government (with Pakistan as a mediator). In this phase, the role of the mass media amplification and the psychological effects of the 'green on blue attacks' is essential; more than 60 attacks recorded in 2012 are the cause of the 'fatal breach' between NATO-ISAF and ANSF soldiers.

The United States and the Afghan government signed the Strategic Partnership Agreement (SPA) on the basis of which a long term relationship between the two sides has been established. A political result guaranteeing Afghanistan the status of U.S. non-NATO ally, and giving Washington the chance to maintain a military presence of about 10.000 U.S. soldiers until 2024 (plus the NATO deployment) and the management of important strategic military bases (Strategic Bilateral Agreement). In addition, the International Community is committed to support economically the Afghan government for a period of at least four year (Tokyo, July 2012). The Afghan government, stressed by domestic political difficulties (disagreement between the Afghan parliament and its government, corruption charges against Karzai, partial attempt of an 'administrative reform'), is establishing a policy of regional talks.

Domestically, the 2012's violent mass demonstrations and cultural misunderstanding between the Afghan and Western soldiers, (a cause contributing to the increase of NATO soldiers' killings), show the evolution of a political and social situation which is progressively deteriorating. Furthermore, the local discontent is growing in correlation with high corruption cases.

Finally, while the Afghan government is moving towards a negotiation with the AOGs, the Afghanistan's Independent Election Commission admitted the Taliban to the April 2014 scheduled electoral competition.

The ANSF, afflicted by structural and operational limits, are lacking in capabilities, effectiveness and cohesion and, as reported by the U.S. Special Inspector for Afghanistan reconstruction (SIGAR), will be not able to manage and protect the military bases which will be transferred from the NATO to Afghan units by the end of 2014. In the medium term, the ANSF will not be able to guarantee the

security and the control autonomously, in particular in the Southern and the Eastern rural areas. As reported by the U.S. Government Accountability Office (see the report '*Afghanistan security: Long-standing challenges may affect progress and sustainment of Afghan national security forces*'), only 7% – 15 out of 129 – of the Army battalions and the 9%– 39 out of 435 – of the police units are classified as operatively 'independent with advisors'. The AOGs increased the pressure hitting a fundamental pillar of the 'transition process' managed by NATO: the ANSF formation process, thereby obtaining a significant impact on a strategy-media level.

A green on blue attacks' strategy has been imposed; although not decisive at an operational level (limited damages and low number of enemies killed), this technique is psychologically destabilising for advisors/mentors and for the public opinion. Strategically, Taliban have shown their interest in gaining time so as to obtain more advantages in the negotiation process and in a possible political agreement. Regionally, following NATO's disengagement plan, new political and economical cooperation formulas have emerged; in particular for China which formalised with Afghanistan a 'new strategic level' relationship (Kabul, supported by Beijing, has been admitted as observer at the Shanghai Cooperation Organization). China declared itself willing to contribute to Afghan security with intelligence support, training and equipments. Following the Chinese access to Afghan mineral resources, the Chinese National Petroleum Corp (CNPC) obtained a 25 years oil extraction contract for the Amu Darya oilfield, in the Faryab and Sar-e Pul provinces (at a rate of 1.950 barrels/day).

Furthermore, the agreement between Pakistan, India and Afghanistan for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project is getting closer; an over seven billion U.S. dollars project from which also China will benefit. In terms of Chinese domestic dynamics, the Xinxiang Muslim minority issue still remains partially unresolved, with the possibility of a perilous cooperation with regional Islamic movements and the Afghan AOGs. The Chinese government should have established initial contacts with the Taliban thanks to the mediation of Pakistan, strengthening at the same time the political, economical and commercial relations with Islamabad.

## **PROSPECTIVE**

### **AFGHAN VARIABLES: A PROSPECTIVE ANALYSIS**

A prospective analysis of the Afghan situation imposes a look at the medium term taking in consideration some important and positive factors functional to NATO's disengagement. Firstly the political and economical support of the international community, sustained by the regional actors' large (but not total) collaboration. Secondly the civil society's role (limited to urban areas) and the

political inclusion process involving the Taliban. Lastly, on the long-term, the access to the energetic and mineral sources with potentially positive effects – depending on adequate economical benefits' redistribution. In contrast to these strengths, there are weaknesses. First of all, the progressive reduction of international involvement (even if financial support has been guaranteed in the medium-term) and secondly, the socio-economic instability (unemployment and poverty), the endemic corruption of the regional and local public administration, and the lack of a capable and representative political and administrative leadership.

Security: on one hand we have a low level operational capability of the ANSF and plaguing this accelerated transition and on the other the AOGs' ability to make inroads in the peripheral and rural societies and to infiltrate the governmental apparatus. The successes in this field are indirectly facilitated by the competitive attitudes of the political and local power groups.

Last weak spot, the increasingly strong connections between AOGs, regional and international criminality and drug-lords. The access to international funds and infrastructural development projects represents one of the opportunities available. A further opportunity is provided by the availability of regional states in support of a possible negotiated process. Particularly relevant is the participation of Pakistan to the dialogue and talk process in a role of mediator with the AOGs (split into pragmatic and radical factions).

The third opportunity is given by the availability of strategic military bases on the Afghan soil. Potential threats: the continuation of a medium intensity permanent conflict (potential cause of a possible economical crisis partially deriving from the NATO disengagement) in addition to a lack of results on the negotiation process. Domestic political situation: presumably characterized by a significant instability, deriving from the absence of political responses to the conflict; therefore a major role of the AOGs in the local conflict resolution processes is plausible. In fact part of the AOGs' strategy is oriented to obtain political advantages as well as a reversal of the social rights granted by the Afghan government.

To conclude we have some trade-offs, i.e. factors opening possible future developments. The antagonistic impulses of the regional states and the influence of China-Pakistan relations on the balance of power of the Afghan power-groups could aggravate the regional destabilization, which can be influenced by:

- the way in which the U.S. will equip the ANSF;
- the possible use of the strategic bases against 'third parties' in regional conflict resolutions or, more simply, as a deterrent.

As regards the domestic situation, there will be direct and indirect effects consequent to:

- the reconciliation process and the role of reintegrated individuals;
- the choices of the peripheral and rural communities regarding the political process;
- the level of the electoral frauds in the presidential election planned for April 2014.

On the topic of security, it will be shaped by the AOGs' willingness to gain time and the coincident ability of the government and allied forces to manage a medium intensity conflict.

### **DIVERGING IMPULSES**

A weak Afghan government, looking for a political and social stability, will try to survive through the economical support and the effort to maintain a minimal security level, not excluding talks and compromises with the AOGs possibly including partial revisions of political and social steps forward achieved in the past years.

AOGs will take advantage of NATO's disengagement when it will result into a significant reduction of troops and of military pressure. A favourable condition which, on the one hand, should facilitate the drug-trafficking activities and criminal trade and, on the other hand, this will drive the AOGs' effort towards its main targets: the ANSF members and the NATO advisors/trainers (Military and Police Advisor Teams – MAT/PAT). Finally they will strive to get the access to power, first at local and then at central level. These factors together will give AOGs the ability to operate and obtain positive outcomes at a media and propaganda levels, exalting the myth of 'unbeatable mujahidin'.

The regional states, regarding positively the reduced role of the U.S.A. in Afghanistan, will invest in activities connected with Afghan mining and energy resources and will look for solutions and guarantees through apparently schizophrenic simultaneous efforts of containing the conflicts and supporting common interest groups (both political, economical and cultural). Political and diplomatic dynamism, nourished by the competition between Afghan factions and their external supporters, will contribute to an intensification of low-level conflicts with a **'multiple civil war'** effect. NATO, responding to the public opinion oriented to end the expensive Afghan engagement, will reduce the costs of the war through a reduction of military efforts, while the United States will maintain troops in the medium-long term in accordance with the Strategic Partnership Agreement.

The U.S. will act on two different levels:

### **STRATEGIC-OPERATIONAL LEVEL:**

- Gradual but not total military disengagement (by the end of 2013);
- ANSF's training activity aimed to put the Afghan government in the condition of taking and keeping control of urban areas, in particular in the Southern areas (but not the rural and extra-urban region);
- Leading counter-terrorism operations and drone attacks;



- Availability of strategic bases functional to internal interventions (in support to ANSF) and external (regional) intervention.

#### **COMMUNICATION-MEDIA LEVEL:**

- Higher emphasis on the new role of non-combat advisers/trainers staying in Afghanistan;
- Mass media communication process directed towards the international public opinion, functional to redefine the concept of 'enemy';
- The Taliban would be progressively recognized as formal 'counterpart' and be involved in talks and political processes;
- The Haqqani network (Al-Qae'da linked group) would become the official 'terrorist', the 'designed target' for military operations; this solution will justify the presence in Afghanistan of over 10.000 U.S. troops beyond the 2014 timeline;
- Creation of a 'perceived end' of the Afghan war and concern.

### **2013-2014: POSSIBLE SCENARIOS**

#### **SCENARIO 1 – THE MOST DANGEROUS**

Disintegration of the Afghan State and of the ANSF; this would lead the power groups and the OAGs to a new civil war phase. NATO would be facing the choice to a further intervention or to abandon Afghanistan definitely.

#### **SCENARIO 2 – MORE PROBABLE**

Enhancing of the political and economical regional states' involvement, in particular China, Pakistan, Iran and Russia. An increase in local conflicts can be expected. Political and social instability and ANSF unpreparedness, partially balanced by the NATO support, should maintain Afghanistan in a condition of unstable 'dynamic stalemate' in the short term. Following the NATO disengagement the AOGs' increase of military pressure (improvised explosive devices, suicide attacks and green on blue attacks), will have an impact on military operational capabilities and troops' morale (both foreigners and Afghans).

The political and electoral processes will be influenced by the presence of the AOGs in rural and peripheral areas (prevalently in Pashtun dominated areas), in contrast with a limited and reduced influence in urban ones.

The hypothesis of possible agreements could lead to a partition of the country, possibly followed by an economical compromise based on the access to the economical benefits deriving from Afghan mineral and energy resources; a political partition that would facilitate 'fault line conflicts' boosted by the lack in governmental administrative capabilities and by an endemic corruption phenomenon.

In conclusion, this would result in a reduction of the international media attention which will place Afghanistan on a marginal position.

# Commonwealth of Independent States – Eastern Europe

ANDREA GRAZIOSO

## EXECUTIVE SUMMARY

The post-Soviet region remains unstable because practically all its political entities are more or less fragile. Russia, for her political posture and economic size, is certainly the main actor in the region and determines the general trend in the area.

The opening up phase with the adoption of Western-style economic and political systems, and thus of liberal-democratic institutions, is de facto finished. Nowadays, the opposite drive seems to prevail, namely a return to a closed system where any significant economic activity is put under central governmental control and, more important, any opportunity for a democratic change in power between competing elites is strongly discouraged.

As a consequence, an internal political struggle is ruthlessly fought by the ruling authorities, often availing themselves of the judiciary, to reduce the freedom of action of the opposition or competing elites. Typically the objective is to ensure the long term continuity in power with minimal internal frictions. This course of action proved to be tactically successful in recent months, as it enabled a number of conservative leaderships to preserve their role through potentially risky elections, while others were able to stage a comeback to power ousting reformers that were less coherent or determined than the old leaders. In the medium and long term however it is more than likely that this trend could produce significant problems.

First of all, Western countries might be less inclined to accept the political harshness of post-Soviet countries. This antidemocratic drift has been tolerated by a Realpolitik approach and by the simultaneous presence of new and more dangerous enemies of the international community, namely jihadist global terror. But such tolerance is not a given for the future due to the modest results obtained even in developing economic relations.

Secondly, it seems reasonable to see that the post-Soviet countries are exposed to the extraordinary transformation generated by the globalisation of knowledge and the social models disseminated by new media and social networks.

Actually, taking into consideration the problems of these countries, especially in terms of demography and society, an intelligent use of the opportunities offered by the globalisation could be the main way to secure a new phase of progress and economic development. However, it is clear that such an opportunity clashes with the political and economic conservative approach displayed by local governments which implies also a trend toward a closed society excluding external influences.

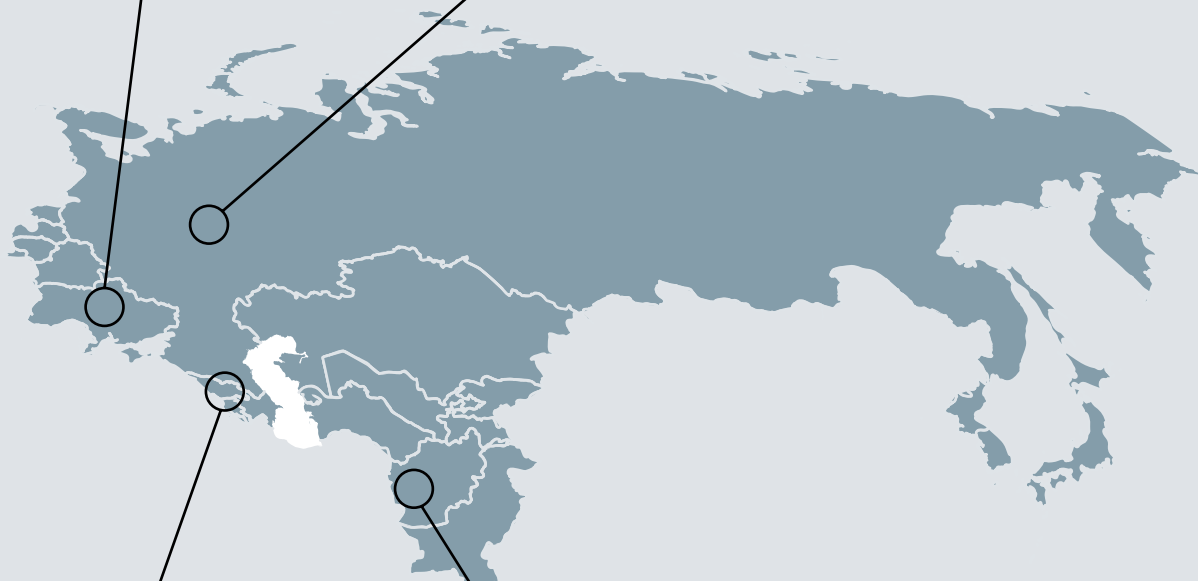
For these reasons, the new conservative elites, now by far prevailing in the post-Soviet area, may become a factor of weakness already in the medium term, not only for their national societies, but also for their smooth integration in the global system.

## Ukraine

Ukraine slips into a model of authoritarian politics, undermining the dialogue with the European Union

## Russia

The centralisation of political and economic power in the Kremlin produces a closing of Russia towards the opportunities offered by the globalization



## Georgia

With the change of government in Georgia, the whole political balance in the Caucasus is put into question again

## Afghanistan

The withdrawal of ISAF/UN forces from Afghanistan signals a future marginalisation of Central Asia. Russia and China will have to manage "in condominium" the instability in the region

## SITUATION

In the post-Soviet area, many states remain in a condition of domestic instability while the hypothesis of a political reorganization or re-unification of the region seems really rather unlikely.

The role of Russia as the dominant actor in the region was consolidate during the last year. The widely expected comeback of Vladimir Putin in the Kremlin has quickly shown a greater assertiveness by Moscow vis-à-vis both other former Soviet countries and other global powers.

Putin's Russia can count on strong revenues from the sale of energy commodities, tightly controlled by the Kremlin and devoted to precise political objectives. Russia moreover remains a great nuclear power, with a constantly updated operational arsenal with a size similar to that of the USA, and thus of an order of magnitude bigger than that of other nuclear powers.

The permanent membership in the Security Council of the United Nations, entailing a veto power, which Russia has managed to retain even during the most acute post-Soviet decline, remains, at least in the perception of the Kremlin, a tool of great importance for the global political balance and for the functioning of the international system.

The “new” Russia, that emerged after the deep crisis of Eltsin's period, can rely also on a strong, top-down political system that is able to impose its priorities and choices on economy and more broadly on civil society.

However, each of these strengths is matched by serious weaknesses. The economy, first of all, is healthy only in appearance. Every year, a huge amount of money leaves the country towards politically and fiscally safer places. On the contrary FDI (Foreign Direct Investments) are rather modest, also because of the business climate is very poor.

Actually, Russia can be considered in many ways the biggest energy monoculture economy, with little space for international trade and above all very little competitive margins too.

Political control of the economy and centralized power, overwhelming bureaucracy, corruption and scarce competition, have affected the country's social structure, which is substantially closed and impermeable to change.

Even the military dimension of state power has such shadows, that it can be considered a weakness of the country rather than a strength. The conventional component of Russian military power tends to be obsolete in terms of technology and doctrine. Most of all the Russian military system remains plagued by

the traditional problems associated with the poor quality of enlisted personnel, both conscripts and re-enlisted soldiers.

In this context, the removal from office of the minister of Defence Anatoliy Serdyukov, in favour of a far more popular and proven “apparatchik” like Sergei Shoigu, is widely seen as a decisive change of course in terms of military reform.

As a matter of fact, Serdyukov was the champion of Russian military transformation, through the planned simplification of structures and the overcoming of some entrenched traditions, like the extensive use of mobilisation forces in case of war. Unfortunately such an approach was never really accepted by neither the Russian military nor by the still powerful military-industrial establishment. The arrival of Shoigu, who immediately placed his cronies in all key posts, signals the beginning of restauration phase in this crucial sector of society and politics.

Finally, perhaps the single most important factor behind all the internal political dynamics, comes demography, featuring a sharp decline of the ethnic Russian component of the population and a more than proportional growth of the non-Russian ethnic groups, in particular from Caucasus and of Muslim faith. This historical change is deeply altering the political balance, not only in the Caucasus region but, in due time, even in areas historically populated by ethnic Russians, at least since the Eighteenth century, such as the Stavropol Krai or even Tatarstan, geographically in the middle of the Federation.

The increasingly strong centralization of political power and the control over natural resources, together with the consequent consolidation of an authoritarian model of governance, apparently borrowed from the czarist and Soviet tradition (including also the conspicuous presence of the *siloviki* in the power elite), is the natural outcome of the need to balance the centrifugal and potentially devastating trends produced by the aforementioned demographic development.

## **PERSPECTIVE**

Russia's posture in the international arena obviously reflects the two conditions of strength and weakness which characterize this country.

Some elements of Moscow's foreign policy are consolidated, apparently associated with that what can be defined as the natural and semi-permanent character of the nation. This country is bound, because of its size and history, to think about itself as a great global power. But it is also a nation that, for geographical

and cultural reasons, must constantly interact with a number of neighbours, some gigantic for economic or demographic dimensions, other tiny but, nevertheless, able to impose their agenda on the relations with Moscow.

Potentially, Russia could greatly benefit from globalization, particularly in terms of acquisition of knowledge (know-how, in its wider meaning). Unfortunately, the small demographic basis and the numerous internal problems are undermining the possibility of achieving an advanced and autonomous technological and industrial base. The acquisition of technology and knowledge from abroad is therefore a vital necessity in order to overcome the total dependence on the exploitation of natural resources, and become a real player in the world economy of the twenty-first century.

However factors like the mentioned internal weaknesses and the explicitly authoritarian political system may limit or perhaps even prevent Russia from a deep integration into the international system, as well as obtaining benefits from it. Indeed the most likely scenario is precisely that of an increasingly isolated Russia, with huge difficulties in communicating with the outside world.

The most explicit risk is that of a growing distance with the Western world. Moreover Russia is progressively distancing herself from the fast-growing societies of Asia, Latin America and Africa, because the lack of economic dynamism and a fast-aging population is leading Russia's policies towards choices which are diametrically opposed to those that are transforming for the better the vigorous new global powers.

The other countries in the post-Soviet space follow, more or less, Russia's trajectory. In Ukraine the semi-authoritarian posture adopted by the ruling elite makes the dialogue with the European Union, the premier economic partner, itself grappling with several internal difficulties, objectively much more difficult. The energy dossier for instance is likely to get stuck because of the increasing gap between the political style adopted in Kiev, after the relatively long, but not very fruitful "orange" interlude, and the founding principles of European Union.

It seems difficult to imagine a new reversal of the prevailing trend in the short term, with a return to the power of the reformists, as much as they might be considered supporters of Yulia Timoshenko. On the contrary, the most plausible hypothesis is that the current leadership, in the absence of a serious European interest to explore the road of broad economic agreements with Ukraine, will further solidify its control over economy and society.

Nevertheless, a quick return of the country into a closer orbit of Russia is unlikely because in twenty years of independence, a strong economic oligarchy has been established and it would not tolerate to lose its autonomy and its influence in favour of a Russian elite linked hand in glove with the Kremlin.

In Georgia a new swing of the pendulum is visible, with the return to power of an elite much closer to Moscow's interests. The progress in closing the gap with the Euro-Atlantic institutions, rather effective during the years of Saakashvili, has not completely and irreversibly transformed the country into a "Western democracy".

It is likely therefore that Georgia will probably retreat to a condition of substantial appeasement with its large neighbour. This implies a rapid cooling of relations with the U.S. and the EU, in the first case for obvious geo-strategic reasons, the latter because, again, Georgia is likely to shift away from best practices in terms of governance and, above all, in terms of relationship between government and opposition.

The restauration in Georgia will not fail to have an effect on the whole area of the Caucasus. The rehabilitation of railways and pipelines, created in Soviet times and abandoned or destroyed over the past two decades, could probably restore the North-South relationship. This could be done even at the expense of the East-West ties, which have been developed more recently advocating a future access to Central Asian resources, without intermediaries in Moscow.

In this case, Azerbaijan will, sooner or later, align again with Moscow, in order not to be isolated in the Caucasus while Russia will reaffirm her unchallenged power.

However, the great unknown represented by Turkey remains. Ankara may also appear on the Caucasian scene, with much greater assertiveness than in the past. In this case, Azerbaijan would ultimately become the pivot of a new friction between Russia and Turkey.

In Central Asia, the prospect of Western forces leaving the Afghan theatre of operation stifles any serious possibility of pursuing a balance in foreign policy between Moscow and Washington. Furthermore, precisely for this reason, the region is likely to see reduced its strategic importance and, accordingly, also its weight in the global relations. Russia will once again be playing a main role in terms of political and, to some extent, even military leadership.

On the other hand, China is likely to be the dominant player in economic terms, especially for the availability of technical capabilities and resources to invest heavily in projects for the exploitation of natural resources. These will continue to be sought after by several international players, but their relative importance will probably decline, due to the emerging revolution in the energy



market on the horizon, with the exploitation of new and huge fields in Africa and America.

Russia and China will probably manage this region in a sort of condominium, being able to offer the ideal blend of political and economic models to ensure, also to Central Asian rulers, the greatest opportunities to preserve their status for many years to come.

# China is at a crossroads

NUNZIANTE MASTROLIA

## EXECUTIVE SUMMARY

China hangs in the balance between:

- A return to the past, which would mean economic stagnation and political instability;
- A new phase of political and economic reforms that would enable a new era of economic development and political growth, while effectively interacting with an international and regional environment characterised by liquid balances.

The key to such development lies in the ability of the new leadership, emerged from the XVIII Congress of the Communist Party (CCP), to initiate the path for a political reform, which also means to widen the sphere of civil society and rebalance the concept of the State–Party with the following measures:

- Political pluralism;
- Guaranteeing and respecting the independence of the judiciary system;
- Separation of powers;
- Ensure constitutional rights to the Chinese citizen;
- Rule of law;
- Promoting welfare and social justice: i.e. setting up a welfare state;
- Fight against corruption, a by-product of a frozen political system.

Without these political reforms it will be impossible for this fifth generation of politicians to get also a grip on those economic reforms, which consists of:

- Giving a boost, also a financial one, to SMEs (Small and Medium Enterprises)
- Reducing the suffocating weight of SOEs (State-Owned Enterprises)
- Grounding economic growth on domestic consumption,
- Strengthening education in order to produce scientific research and technological innovation.

The crux is entirely political. Will the current leadership be able start to limit its own role and power by itself and thus transform the monopoly of the Communist Party of China (CPC) into a somehow wider political pluralism? This is highly unlikely.

What can be expected realistically? Considering the profiles of the seven new members of the Politburo Standing Committee, we can suppose they were chosen because they are conservative in politics and innovators in economics. Their task, therefore, would be to retain the Party's power and at the same time re-boost the economy. The reasoning being that new economic reforms bring new growth and greater wealth translates into a greater political legitimacy of the Party.

The country's evolution has reached such a level that any reform, even the most neutral at economic or social level, affects the political sphere and thus reduces the influence/weight of the Party. This path, however, is fraught with difficulties. In the classical Marxist tradition, well-known by the CPC, there is no economic reform that is not also a political reform.

Since all the economic and political reforms that the country needs are in total contrast with the monopoly of the CPC, there is a serious risk that the Party might objectively become an obstacle on the path towards meeting the interests of much broader social strata, and therefore of China itself.

If one assumes that there will be no significant reforms, there will be less possibilities for growth and discontent will increase: a stalled political situation will be followed by a direct negative impact on the Communist Party of China.

### Taiwan

China considers Taiwan, separated from the Beijing's government since 1949, integral part of its territory

### Oriental China Sea

Beijing lays claims to the Diayou Islands, currently under Japanese control (Senkaku Islands)

### South China Sea

Beijing claims the Spratly and Paracel Islands

### Arunachal Pradesh

China claims Arunachal Pradesh, currently a state of the Republic of India

**0,61**

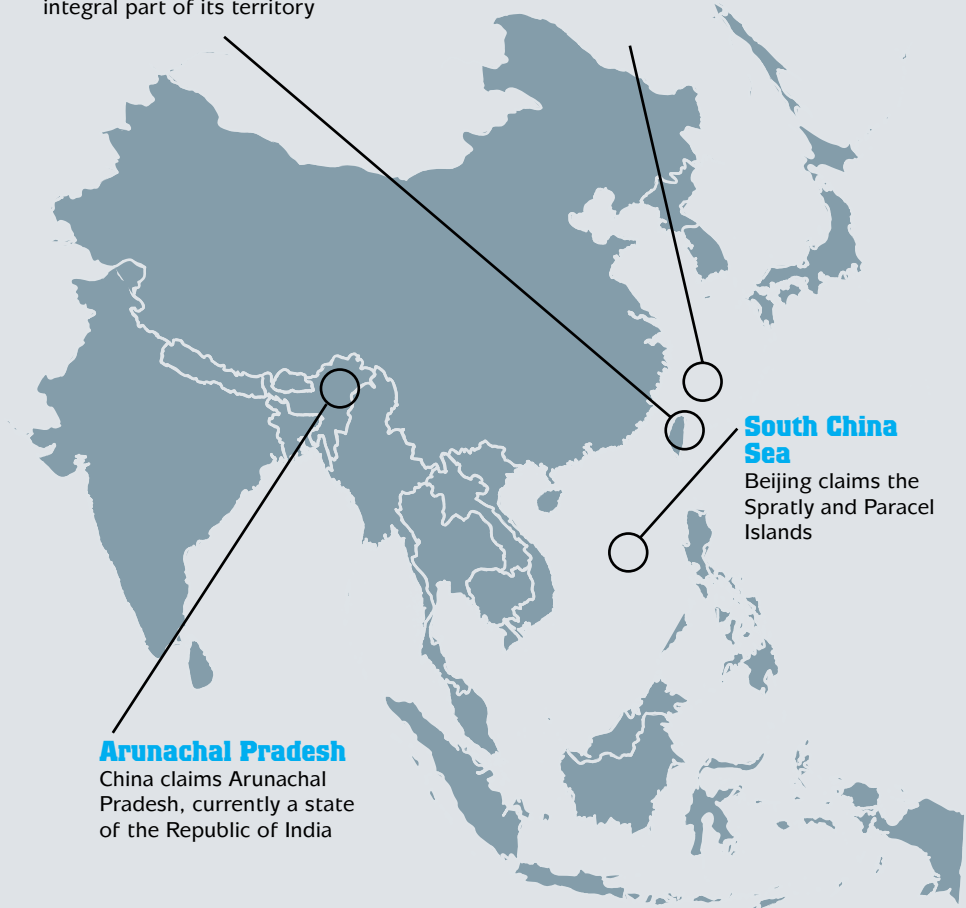
The actual Gini coefficient, expressing the very strong polarisation of wealth in the country. The figure is far higher than the 0,44 estimated by the World Bank  
Source: Finance Research Institute of the People's Bank of China e South-Western University of Finance and Economics

**24 million**

Citizen earning more than 3.500 Yuan (\$542) a year and that pay income tax.  
Source: ChinaDaily

**4.940 dollars**

Average gross income per capita earned annually by Chinese citizens  
Source: World Bank



## SITUATION

Institutional stability and economic growth are generally the product of a binomial: democracy and the market. In order come out of Mao's disasters, Beijing attempted to graft the market onto an autocratic institutional system that ensured the CPC the monopoly of power and at the same time achieved technical progress and economic development.

From a conceptual point of view, the CPC has to overcome three crises:

- a non self-regulated market,
- the erosion of the idea of democracy, previously proposed as a model to be eventually reached in a free market environment, by the very same market crisis,
- the tenet that political legitimacy is justified by economic results, a scheme now jeopardized by the global economic crisis.

The fact is that, to date, Beijing has not even reached half way through this process: under the leadership of the fourth generation (Hu Jintao, Wen Jiabao) the country experienced in fact a heavy socio-political regression, created by the Party itself.

An immense apparatus of control, surveillance and repression has eroded the few areas of freedom conquered by the civil society and, at the same time, the huge SOEs have pushed the Chinese private sector into a tight corner. Such institutional structure is increasingly proving to be a machinery serving the welfare of the very few who can brag about being CPC card-carrying members, or having strong political contacts, to the detriment of the majority of the population.

Continuing on this path means aiming straight towards economic stagnation.

In recent years, the Chinese leadership emphasized the need for the country's economy to transform, by leaving the lower end of the value chain in order to move into the creation of products and services with high knowledge content which should generate high-income jobs.

However, to date, the education system does not seem to be up to the challenge: the most promising youth (or more wealthy, including the children of members of the XVIII Standing Committee) leave the country to attend the best American and European universities. The fundamental flaw of this system, as recognized by the People's Daily, is that it does not produce critical thinking. Until now, Beijing, with its classic position of a newcomer, has been able to take advantage of the technological advances made in countries characterized by their advanced democracy. China, in order to continue its growth, has to start to develop its own technologies.

To achieve these results, empirical evidence suggests that China needs the immaterial factors of Western development that, however, are deemed incompatible

with the Chinese model, as restated by Hu Jintao in his speech to the XVIII Congress. The original sin committed by Deng (the same made by the Self-Strengthening Movement in the 19<sup>th</sup> century<sup>1</sup>) was to assume one could take from the Western model only what appeared functional to one's own interests: the market only, for instance. Deng would not even acknowledge that this model is holistic: the market cannot function without rights, in fact, it is in itself a bundle of fundamental rights including the freedom of information; rights themselves have little meaning without an independent judiciary system and without the participation of the majority in the elaboration of the rules for a common life.

Additionally, the market alone cannot produce prosperity for all. Hence the need for redistributive policies capable to provide those equal opportunities without which economic and social polarisation becomes increasingly strong.

Dazzled by the neo-liberal paradigm, also Western countries committed this error and this has been aggravated in China by the fact that the CPC card represents the best gateway for social advancement and enrichment. Today the Party counts 82 million members.

It is within this context that social and economic polarisation has reached alarming levels even for local authorities. Meanwhile, the corruption of public officials, a natural product of this stalled system, threatens to wipe out the CPC, as was frankly admitted by President Hu Jintao in his farewell speech to the Party's XVIII Congress. Hence the beginning of a confrontation between the élite and the population.

Increasingly fewer rights with lesser freedom and lesser economic welfare: the sum of all that threatens to provoke a huge discontent within China's civil society, which could turn into political unrest sooner than later, perhaps within the first term of the fifth generation by year 2017.

The country is backsliding also at global and regional level. Beijing's integration process into the international order, which is still widely perceived as an U.S. order, is stalled. Throughout the last decade China's grip on neighbouring countries has become increasingly tight in the name of an Eastern Rimland "Monroe Doctrine". The aim was to recreate, as in the imperial past, a Sino-centric area free from the influence of other great powers. For this reason we see the tensions in the South and East China Sea and hence the reactions by the United States and other regional countries, which appear to be the beginning of a US led roll-back of China.

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1 The movement of self-reinforcement (yangwu), developed in 1856, was intended to apply the Western technique and science in an instrumental way, while keeping the culture and traditional values. The experiment was defeated at the hand of the Japanese in 1895. Ironically the experiment succeeded in Japanese territory thanks to the Meiji reform that failed in China, except to lead to the catastrophe of the war in 1941-1945.

## PERSPECTIVE

There were years during which China aroused a mixture of admiration, apprehension and even envy in the West. Those days are gone and it has become increasingly difficult to argue that we are at the dawn of a new Chinese century. In fact, the leaders of the fourth generation have extended their influence into every corner of the country both with their control and repression apparatus, and through the monopolizing influence of SOEs and state banks.

The economic problems are growing, social tensions might explode due to an increasingly acute economic polarization and the visibly sharp tensions within the Party's leadership, breaking an old image of solidity and security. This is why the country is in urgent need of social and economic reforms if it doesn't want to take a path of retreat and stagnation.

It is expected that the fifth generation, which will lead the country for the next 10 years, will have to overcome major difficulties in its efforts to reform. A point is clear in today's China: there is no gap between economic and political reforms and so, wherever the scalpel of reform will lance, it will cut across solidly vested interests.

There is an inverse relationship between the spaces guaranteed to the civil society and private sector and the interests/power erosion experienced by individuals and companies that are hand in glove with politics. Ultimately, it is safe to say that all reforms necessarily imply political reforms.

The political reforms that the country needs are: the reorganization of the Party's monopoly into a broader political pluralism, rule of law, a more defined separation of powers and a pluralist political model that best suits the country's needs.

Despite all this, very little is known about the seven men of the Politburo Standing Committee that will govern the country. However, it is difficult to think one of their top agenda items will be moving the Party away from its position of absolute primacy.

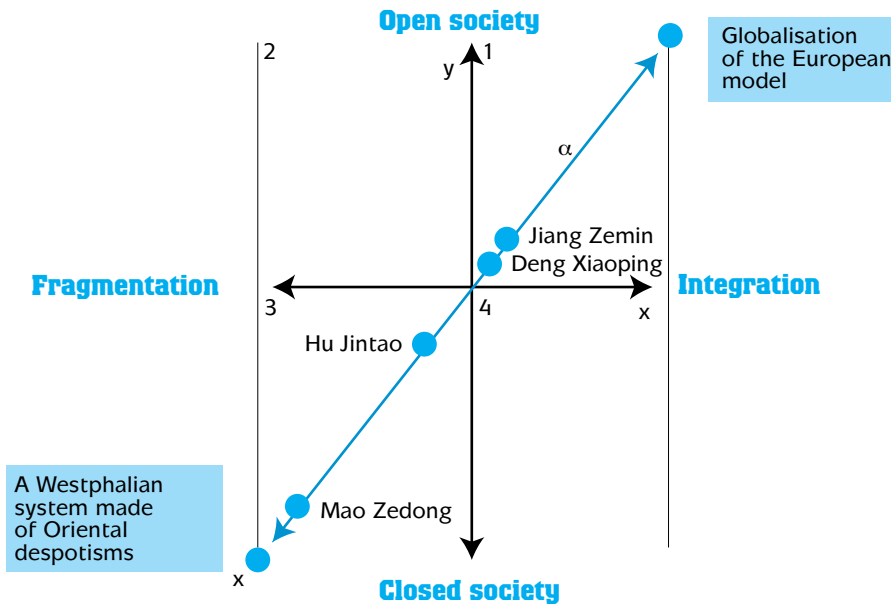
This means that, without reforms, the lights of the Chinese miracle could slowly turn off; lower growth, fewer rights, more instability. In such a scenario either the Party strengthens its ability to control by perfecting its impressive centralistic machinery and chokes the sources of wealth for good, or it will have to find a new balance under the influence of the civil society and the market.

That said, unlike the conservatives of the fourth generation, Xi Jinping and the other six of the Standing Committee might be the true reformers. Their profile is that of men born in the coastal areas, more open-minded and sensitive to economic issues.

Not only, but unlike 2002, this time Chinese "bipartisan" politics show a sharper transition of power between Hu Jintao and Xi Jinping (who immedi-

ately assumes the role of chairman of the Central Military Commission, unlike Jiang Zemin who held it until 2004). This time the mandate to govern is full.

This grid exemplifies the choices that will be made in Beijing in the upcoming years, thus allowing foresee the future flow of Chinese policies both domestic and regional ones.<sup>2</sup>



It can be argued that Hu Jintao's China is in the third quadrant, thus with negative values: reduced spaces at home for the market and civil society and international tensions with the United States and the coastal countries of the Pacific.

Now, if the country progresses towards quadrant n. 1 (more open society, more integration) it is possible to foresee a greater economic development and a peaceful international environment. Moreover, this might be the beginning of a regional integration process between Japan, South Korea and China on a model similar to that of Europe.

To do so Beijing must get the reforms going. But which ones? The answer lies in a joint World Bank-Chinese State Council publication: *China 2030*, which can be called a true manifesto of the Chinese reformers.

2 On a Cartesian plane an axis of x and one of y intersect, defining four quadrants. The vertical axis (open society-closed society) represents the domestic evolution of China, the x-axis (integration-fragmentation) is the process of integration or separation of the country vis-à-vis the regional and global status quo. The line  $\alpha$  represents the transition from a tightly closed society and fragmented relations with other countries to the maximum of an open society and international integration.



The strategy for the creation of a “modern, harmonious, creative and high-income” China passes through:

- The creation of new technologies: the report warns that innovation cannot be imposed by decree. It is the product of a free enterprise. Hence the goal to end direct state intervention and to keep a government preserve in policy frameworks: improving human capital (education), environmental protection, social welfare, public services (pensions, housing, health), rule of law, creating a national research network open to international networks and to private companies. Universities should be granted more freedom and autonomy so that they can carry out a rigorous research activity and be competitive;
- Economic reforms: the first step is to sever the links between the state and the companies or banks owned by it. The second is to open to private competitors the sectors that are today monopolised by SOEs. Then it is necessary to improve the access to credit for SMEs and to set up a public procurement system that is open, reliable and transparent. Finally there must be the freedom of assembly not only for employees but also for entrepreneurs;
- Improvement of production factors. Capital: the reform of the financial system; land: property rights that are clearly defined and legally guaranteed and a reform of the compensations for expropriation; work: the reform of the *hukou* system (residence permit), that denies social services, property, children education to those who migrate from rural areas to urban ones; eradicating black labour; increasing wages;
- International relationships: a first signal that should be sent to the international community is to give up the actual bilateral logic in the resolution of territorial/maritime disputes with the countries sharing borders by land and sea;
- Encourage popular participation in the management of public affairs: “*The government should (...) grant rights to individuals, households, enterprises, communities, academia, and other non-governmental organizations through clear rules that encourage broad participation. By doing so, the government can gradually transfer some of its previous functions to society at large*”.

Apart from this last quotation, the vocabulary of the entire report is almost always financial, but the substance is clearly political. It refers to a wider development: the State-Party has to retreat by giving space to the market and civil society. In other words, the culmination of a long revolution that has brought China from feudalism to become presently a main power is ... to trust its citizens, exorcizing one of the most deeply rooted fears of national political culture: disintegration in the absence of strict control.

# India: a difficult transition

Claudia Astarita

## EXECUTIVE SUMMARY

2012 was one of the most difficult years for India and moreover it may have laid the ground for an even more unstable and uncertain future.

The biggest challenge New Delhi is now facing are the general elections scheduled for 2014. This is not linked to the uncertainty of their result rather to the context in which these consultations will happen. For the first time in Indian political history the parties that will contest the leadership could be three: the Congress Party, the Bharatiya Janata Party (BJP), and a not yet defined coalition of regional leaders (generally called Third Front by May 2013).

Many elements hint that neither side, for various reasons, may be able to get the majority to approve the reforms that India needs to solve a set of internal economic and social problems and to redefine its regional foreign policy to face the consequences of the United States' return to Asia as well as the withdrawal of NATO troops from Afghanistan.

Even though these two foreign policy trends should be carefully monitored because of the impact they will have on Indian international relations, one can reasonably assume that at the moment national problems are the ones that can make Indian instability particularly acute.

As far as India is concerned, the international economic crisis and the following reduction of Western imports have struck a country already struggling because it is embedded by a development model that, despite the encouraging growth rates recorded by the '90 onwards, has not been able to solve a series of structural problems, such as energy supply and the upgrade of the infrastructure network, which, if neglected for too long, could significantly reduce the potential of a promising market.

This initial situation was further worsened by the reluctance of the Indian ruling class to adopt reforms. A trend that, in the context of the global crisis, has pushed many investors to withdraw capital from the country, and has enticed those who wanted to get in to consider moving to another destination, worsening Indian budgetary and development prospects.

This is why New Delhi government tried to quickly approve a series of reforms. With general elections approaching, fighting for the adoption of unpopular measures is risky, but it can be even more dangerous to passively observe the swift decline of the country.

The majority has bet on reforms: if in one year they will convince the nation that their impact is positive, they might ensure re-election. If not, they will at least compete with other political forces without risking being accused of having recklessly abandoned the country to its own fate.

### New Delhi

GDP 50-100 billions\$  
GDP growth >10%  
GDP per person 300\$  
Population 5-30 mil

**GDP: 1.850 billion dollars**

**GDP growth: 7%**

**GDP per person: 1.329 dollars**

**Population: 1.209 million**

### Gujarat

GDP 100-150 billions\$  
GDP growth >10%  
GDP per person 1000-2000\$  
Population 60-100 mil

### Arunachal Pradesh

GDP <50 billions\$  
GDP growth 7-8%  
GDP per person  
1000-2000\$  
Population <5 mil

### Maharashtra

GDP >200 billions\$  
GDP growth 9-10%  
GDP per person  
2000-3000\$  
Population >100 mil

### West Bengal

GDP 100-150 billions\$  
GDP growth <7%  
GDP per person  
1000-2000\$  
Population 50-100 mil

### Tamil Nadu

GDP 100-150 billions\$  
GDP growth 8-9%  
GDP per person  
1000-2000\$  
Population 60-100 mil

### Bihar

GDP <50 billions\$  
GDP growth 3-9%  
GDP per person 500-1000\$  
Population >100 mil

### Uttar Pradesh

GDP 100-150 billions\$  
GDP growth <7%  
GDP per person 500-1000\$  
Population >100 mil

## SITUATION

2012 was for India a particularly difficult year, from a political, economic and social point of view. The interconnection between these three areas is strong, but the current instability also depends on a number of external factors, namely:

- the consequences of the international financial crisis and its unclear and unreliable recovery forecasts;
- the confirmation of the United States intention to return to Asia and to play an active role in the region;
- the upcoming withdrawal of NATO troops from Afghanistan.

Internally, political challenges have inevitable social consequences. Among them, we can mention the credibility of the leadership of the major parties in India, the uncertainty of a two-year election period that started in early 2012 with the entailing fatigue of a permanent electoral campaign, and the political role that a large group of outsiders managed to carve out.

These issues are linked to economic difficulties in taking up the challenge of keeping the average growth rate of the last decade, in a country where 77% of the population lives below the poverty line.<sup>3</sup>

This report argues that the two previously mentioned foreign policy challenges have to be considered as independent variables that New Delhi has to accept passively. They will occur regardless of India's capacity to influence them, but they will also put government and opposition under even more pressure because of their desire to play an active role in both contexts.

It is argued that India will succeed in this plan only if the government will be able to rebuild a solid majority and unlock some of the brakes that have been stifling domestic growth for too long.

In 2012, India has suffered a lot from the economic point of view. Growth has continued to slow down, and estimates for 2013 have been repeatedly revised downwards. The causes lie in the increase in the inflation rate (over 7%) and the unemployment rate (about 4%), which gradually lowered the quality of life. This situation, combined with the consequences of the international financial crisis, led to a massive increase of social discontent, making Manmohan Singh's government wobble more than once.

General elections are scheduled for 2014, but the political campaign began in January 2012, when Uttar Pradesh, Uttarakhand, Punjab, Manipur and Goa voted for the renewal of their regional parliaments. 2014 consultations, in fact, will close a two-year election period in which people will be asked to express their political preferences at local and national level.

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<sup>3</sup> UNDP official poverty estimate is 37,2%. BBC reports talk about 77%.

In India there are two main political forces: the conservatives of the Congress Party, since ever guided by the Nehru-Gandhi family and the leader of the current majority coalition, and the nationalists of the BJP.

These are the groups that have always gained national competitions. However, at the local level they often had to deal with local politicians usually preferred by regional electors, to which they appear as better prepared to understand and accommodate their requests.

2012 elections have confirmed this trend, pushing regional leaders to consider the option of nominating their own representatives in 2014 national consultations. Although it is unrealistic that such a heterogeneous group of parties can reach a compromise on a shared program and a common candidate, regional leaders are not the only ones currently defying both Congress and BJP.

For instance, anti-corruption activists Anna Hazare and Arvind Kejriwal have transformed themselves into political leaders. The latter has even founded a new political party (Aam Aadmi Party – AAP) aimed at gaining votes under the cause of the struggle for honesty and transparency in politics.

National parties' crises pushed regional parties and outsiders such as Arvind Kejriwal to introduce themselves as alternative candidates for 2014. A crisis driven by the economic and social difficulties that political leaders have not been able to solve, and exacerbated by the limited success as well as the ambiguity of the new faces the two parties endorsed as their leaders for the forthcoming general election.

Rahul Gandhi lost the elections in Uttar Pradesh, and only towards the end of 2012 Prime Minister Manmohan Singh semi-officially introduced him as the new leader of the Congress Party. Gandhi was confirmed in his role at the beginning of 2013 by being appointed as vice-president of the party. The BJP seems having chosen to be guided by Narendra Modi, a controversial figure who, despite the excellent economic results obtained in Gujarat, where he maintained the power for more than one decade, is alleged to have played an active role in one of the worst ethno-religious massacres that took place in India (Naroda Patiya, Gujarat, 2002).

Aware that during any election time fighting for the approval of unpopular reforms is risky, Manmohan Singh believes that it will be even more dangerous to passively observe the swift decline of the country. This is the reason why he decided to bet on reforms, with the idea of moving forward even if this would imply losing the support of some components of the majority coalition. For the moment, this approach has led to some results, but the Congress Party has still six months more to convince the nation that the impact of reforms can be positive, and consequently secure its own victory.

## SCENARIOS

India is currently facing two foreign policy challenges: the return of the United States to Asia and the management of Afghanistan transition.

Both are forcing New Delhi to make a choice, i.e. assessing whether it is eventually time to abandon the ambiguous *middle-of-the-road policy* it is following since the Fifties, starting to define its new priorities in its current multilateral alliance system.

New Delhi needs to increase the credibility of its commitment at international level, in order to stop being perceived as a passive actor in Asia, becoming a power able to actively contribute to the redefinition of regional economic and strategic equilibriums.

To become a landmark for the region, India has to solve at least some of the internal problems currently damaging its reputation. That is why its future scenarios are primarily shaped by domestic policy factors.

At the moment it is possible to identify four scenarios.

The first one assumes that **the urgent need to boost economic growth** could lead the **majority and the opposition to reach a compromise** for the good of the country in the medium term. In this case, they will approve a strong reforms package able to deliver results quickly, while at the same time helping India to regain credibility at international level. In this way, the growth would be further enhanced, while the same foreign governments, employers and foreign rating agencies, currently arguing that red tape as well as the uncertainty of regulations and barriers with which the government continues to protect certain industries make investing in India totally inconvenient, might change their mind.

It is worth reminding that in most of cases these industries, although considered strategic, usually lack the resources needed to make them grow independently, thus they are condemned to a counterproductive stagnation.

Unfortunately this cooperative scenario is rather unrealistic because both Congress Party and BJP have shown a poor propensity for collaboration, and because with general elections approaching, the chances to arrange a coherent grand coalition to face emergency are limited.

The second scenario focuses on **maintaining the status quo**, and this is its main weakness. If the main political forces in India decide to wait until 2014, leaving to the population the responsibility of choosing the party that will have to save the country, India could have to face an inexorable and probably irreversible deterioration of its internal situation.

In this case, New Delhi may end up falling back to the times of the *Hindu rate of growth* that is when, before the reforms of the Nineties, the country was growing at a “stable” 3,5%, the industry struggled to take off, and poverty reached

an apparently insurmountable level. In such a context the 2014 election might witness a crushing defeat: that of a system where nobody is able to put personal interests aside, even when facing an emergency. This situation might leave more room to outsiders, if, meanwhile, they will propose consistent, sustainable and credible alternative programs.

The third scenario is equally bleak and apparently even more realistic. It is based on the idea that **the Congress Party will succeed in approving a raft of reforms**, but will not be able to adopt a well-structured reform package that can have a significant impact in the short or medium term.

This situation will inevitably increase the overall level of uncertainty and instability in the country, under an internal and international point of view. Foreign operators would continue to be discouraged from investing in India, fearing that the government will not be able to make the accessibility to the internal market more transparent and sustainable.

Domestically, India's decline would be slower compared to what the second scenario predicted, but equally inexorable and probably unstoppable. Greater uncertainty would inevitably influence the outcome of 2014 general elections, since no matter who wins between the Congress Party and the BJP, the government that will manage Manmohan Singh legacy will be weak, a forecast increasing outsiders' chances of success.

The fourth scenario is the most advantageous, difficult and eventually the one that is unfolding. Here **the Congress Party stops focusing exclusively on domestic politics** to break the impasse created by the opposition parties.

The Manmohan Singh government should find a way to push through reforms that could help him regain credibility in the international arena. This strategy can be positive from two different perspectives:

- re-establish good contacts with foreign investors to further raise growth;
- consolidate the internal consensus stressing the results obtained thanks to these foreign connections.

An indicator of the feasibility of this strategy is the positive feedback linked to the negotiations on civil nuclear cooperation that the Congress Party has recently started with South Korea, Australia and Canada.

The population is expecting the government to ensure that the country will not go backward, but most of Indians probably do not realize that only if they start supporting Manmohan Singh's initiatives the government can have the chance of satisfying their aspirations.

However, we must recognize that this is a dead end: limited results further reduce the confidence people have in the government and vice-versa.

In order to transform this scenario in a win-win strategy for both the govern-



ment and the population the Congress Party has to risk on reforms and Rahul Gandhi's endorsement. This would launch a strong signal of renewal which, if supported by the achievement of tangible results, could even ensure the election of the new representative of the Gandhi-Nehru dynasty.

# Far East and Pacific Region

CLAUDIA ASTARITA

## EXECUTIVE SUMMARY

The Far East and Pacific region is currently facing an important and delicate challenge: return to Asia of the United States. Barack Obama re-election has given further substance to the Asian reorientation of U.S. foreign policy. An attitude confirmed by the itinerary Obama chose for his first official trip of the second presidential term: Thailand, Cambodia and Burma.

U.S. interest in Southeast Asian smaller countries confirms that Washington:

- is not interested in strengthening its relationship with its historical allies in the region only, namely Japan, Australia, New Zealand and, to some extent, India;
- is also interested in being perceived as a beacon for all Asian countries as well as a more viable alternative to China.

The difficulty of predicting the geopolitical and economic evolution of the Pacific region depends on three factors influencing four different areas.

The factors are:

1. The U.S. return to Asia,
2. The new regional configuration of the PRC rise,
3. Internal factors with a potential influence on the regional balance of power.

The areas are: Australia, Japan and South Korea, ASEAN and regional international organizations (such as the East Asian Summit) and Southeast Asian smaller countries.

Since Australia is currently considered as the cornerstone of American reorientation in Asia, it will become even more urgent for Canberra to find a way to maintain its autonomy in terms of decision-making, in order to avoid displeasing his new partner as well as being involved in a dangerous political and possibly military escalation. The risk derives from the nationalist drift on the Japanese and the Vietnamese government and the way they are handling the territorial disputes that remain unsolved since decades.

South Korea and Japan have elected governments in which nationalist parties have carved out an important role. Their determination in tackling issues considered only today as strategic and unusually overriding (Korean crisis or the contested islands in the South China Sea), could affect both internal and regional stability, because these two nations are more struggling for the recognition as major powers than focussing on the economic and social problems linked to their current decline.

ASEAN will have to interact with a new organization, the Trans-Pacific Partnership (TPP), which has the potential to change the current regional balance of powers. Finally, Southeast Asia small countries may be forced to make a difficult and painful choice between the United States and China, at a time in which the first global economic power seems not able to fully replace or displace its main Asian rival.

## U.S. and Chinese influence in Asia



### U.S. MILITARY PRESENCE:

Isola di Okinawa - Japan : 40.000 soldiers  
 South Korea: 28.500 soldiers  
 Guam: 5.000 soldiers  
 Hawaii: 40.000 soldiers  
 Darwin, Australia: 2.500 soldiers

Source: <http://images.smh.com.au/file/2012/08/01/3518277/CSIS%2520Independent%2520Assessment.pdf>

## SITUATION

For the Far East and Pacific region 2012 represented a year of transition.

The need to develop a new strategy to address the American return has become acute because it is for Asia the most important and delicate challenge of the third millennium.

This new approach became clear by the end of 2011 and was further confirmed by Barack Obama's re-election.

United States choice to raise Asia's importance in their foreign policy has not gone unnoticed.

No matter if Beijing perceives it as an explicit threat to its regional consolidation or not, the impact of this change needs to be carefully monitored by all regional actors.

In order to better understand what these countries think, it is useful to divide them into four groups: Australia; Japan and South Korea; ASEAN and regional international organizations, especially the East Asian Summit (EAS), and South-east Asian smaller countries.

Australia has been officially recognized as the cornerstone of American re-orientation in Asia in 2011, when, during a speech to the Australian Parliament, Barack Obama announced that the United States would have soon started playing a stronger role in reshaping the Asia-Pacific balance, and that their regional military presence would have been reinforced by the deployment in Darwin of a US Marine Corps MAGTF (2.500 marines with air-ground support).

The new U.S. commitment has consequently pushed Australia to consider if, and to what extent, the American return to Asia could affect its decision-making autonomy.

A question the country has started answering with the publication of the White Paper on "Australia in the Asian century", a paper (October 2012) describing a twenty-five point strategy and vaguely defining the future of China and U.S. bilateral relations.

Seven months after, a new white paper clarified that Australia is an Asiatic or Indo-Pacific actor and that China is more a strategic partner than a military threat.

In 2012 uncertainties regarding the future of Japan increased significantly for two reasons.

To a context of enduring economic recession, the international financial crisis has further contributed to a reduction of the already limited space for recovery.

Even more dangerously, Japan has coupled an economic crisis, from which the country was unable to recover since two decades, an even more worrying political crisis.

2012 ended with prime minister Yoshihiko Noda calling for early elections,

in which his DPJ democratic party was defeated, offering an opportunity to the Liberal Democrats (LDP) and Shinzo Abe to return to power.

A few weeks later, the LDP Liberal Democratic Party, in coalition with the New Komeito party, won the elections gaining an absolute majority.

While Abe left in 2007 a poor image regarding his leadership, today he seems to be more able in governing the country.

South Korea's situation is much less problematic.

The financial difficulties of the country are exclusively related to the impact of the global crisis.

At the end of December 2012 the conservative leader Park Geun-hye, a daughter of general Park Chung-hee who came to power in 1961 with a coup, triumphed in presidential elections.

Asian regionalism is currently experiencing profound changes.

In a limited amount of time regionalism was forced to abandon its tenet that endured the last half century.

In 2012 the evolutions that had been anticipated during the preceding two-three years were further consolidated: the dismissal of a model based on Asian identity (Asianity), and the idea that the future of Asia would have been shaped by a new organization, the Trans Pacific Partnership, that was not including all Asian countries.

The idea of Asian identity had to be put aside when the United States and Russia were admitted to the East Asian Summit, an organization earlier including the ten ASEAN countries, China, Japan, South Korea, India, Australia and New Zealand.

Because of this enlargement the EAS will no longer be perceived as the most appropriate organization to deepen integration in Asia.

As far as small Southeast Asian countries are concerned, 2012 has confirmed the already anticipated trends linked to their regional strategies.

The U.S. return to Asia pushed some of these countries to rebalance their trade policies reducing their dependence from the People's Republic of China (Cambodia, Burma, Thailand), while others have become more assertive in protecting their local interests.

An evolution confirmed by the firmness with which Vietnam and the Philippines are managing the issue of sovereignty over South China Sea islands.

## PERSPECTIVE

The difficulty of predicting the geopolitical and economic evolution of the Pacific region depends on three factors influencing four different areas.

The factors are the U.S. return to Asia, the new regional configuration of PRC's rise, and other internal factors influencing regional balance of power.

The areas are: Australia, Japan and South Korea, ASEAN and regional international organizations (such as the East Asian Summit), and Southeast Asia smaller countries.

Many scenarios may be identified crossing factors and sectors.

Accordingly, it seems consistent to start describing the consequences of the impact of the three factors on the individual sectors, and subsequently try to connect them.

As far as Australia, North Asia and South East Asia are concerned, the PRC rise and the U.S. return to Asia pose similar challenges.

They all need to decide whether their foreign policy should try to maintain good relations while at the same time keeping distance from both powers.

This will be a difficult choice linked to the evolution of at least three more variables: the way Washington decides to consolidate its regional presence, the credibility of PRC's power policy and the role nationalist governments will play in the region, especially in Japan.

The reliability of the U.S. commitment in Asia can be measured referring to economic decisions, military deployments and the influence of TPP.

The expected U.S. economic recovery will allow Washington to introduce itself as the only alternative market to China for the region.

The size of the military contingent that will be deployed in Darwin and any agreement to proceed with further transfers will be read as a confirmation of U.S. commitment.

At the moment Canberra has been asked to accommodate 2.500 marines.

It is much less than the 19.000 ones currently hosted in the Japanese island of Okinawa, but still a remarkable force since a MAGTF (Marine Air-Ground Task Force) is a self-sustained, combined arms forces able to carry out the full range of operations.

The Trans-Pacific Partnership can be perceived by the countries that have been excluded (China, Thailand or Indonesia, but also a nationalist Japan) as a dangerous tool with which Washington wants to reassert itself as the only world power or as the new Asian hegemon.

The elements that will help the Pacific region to evaluate how sustainable China's rise is in the region are the official statements of the Communist Party of

China and the way in which the new leadership will focus on internal economic and social problems.

If the CPC will be able to implement the reforms necessary to solve, or at least limit, the negative impact of the problems causing the current slowdown in domestic growth (regardless of the impact of the international financial crisis), China's strength as a trading partner will remain out of question in the region.

This evolution will hamper any realignment with the United States as all Asian countries will be aware that they will never be able to afford losing the benefits and opportunities offered by Beijing.

However, at a time in which the region is likely to be drawn into a military escalation as it seems unable to handle its territorial disputes in a peaceful way, gaining U.S. support might become crucial to protect the region from Chinese pressures.

The fact that, even more than Vietnam and the Philippines, Japan has taken such an intransigent position on the sovereignty of the Senkaku and Takeshima Islands (named also the Diaoyu or Tiaoyutai Islands) is particularly worrying.

Nevertheless one should remember that this attitude is not linked to any bet that the US will come back or that the PRC will become weaker, but to the current internal political crisis Tokyo is facing.

If it will remain unsolved, it could radically change Japan's foreign and domestic interests and priorities.

Japan's example could even inspire other governments in a neo-nationalist trend on other disputes in order to extract possible advantages in the Spratly or the Paracel dossier.

On the other hand, if Tokyo will be economically stronger, it could be perceived by the USA again as an important partner, especially vis-à-vis Australia.

In fact, the "White Paper on Australia in the Asian Century" (October 2012) has shown that Canberra is not ready to choose.

The executive summary mentioned the United States only five times, pushing analysts to argue that American foreign policy is only driven by Washington's desire to reassert its hegemony in the region.

Assuming that Tokyo will remain an appealing partner, it becomes possible to envisage a scenario in which the Asian powers can be mutually supportive in monitoring the growth of Chinese power without feeling forced to weaken their alliance with Beijing.

Finally, in case the United States choose to temporarily set aside the TPP project and invest on their integration in the Asian region, they might start being seen in a different and more positive way.



In a similar scenario, both Washington and the region might get several advantages: the former will be able to present itself as a reliable regional partner, while the latter will be able to further strengthen the existing model of regional integration and rely on a new world power to counterbalance China.

# Africa

MARCO MASSONI

## EXECUTIVE SUMMARY

For those players able to detect and seize them, the situation in Africa will provide rapidly evolving situations and many counterintuitive opportunities. Western Sahara, Algeria, Libya and Tunisia represent Northern Africa's focal points. The latter, despite several contradictions, has taken skilfully a step forward towards the transition by avoiding the primacy Sharia as source of law. Once again Algeria appears to have bolstered the legitimacy of its status quo with the latest election (05/10/2012). However, the actual proof must be provided by the next presidential elections in 2014, which may be no less surprising than the famous and tragic ones of 1991.

In Libya, the competition between secularists and Islamists has not been decided yet and it is still possible to go back to the same federal government that unified Cyrenaica, Tripolitania and Fezzan at the time of independence. The Maghreb quadrant is still showing a major unknown quantity regarding the potential role of the Sahrawi's Armed Forces that could be involved in the pacification of any future crisis across the Sahel, in order to set the conditions for a future claim to self-determination.

Between Northern and Western Africa, along the 16<sup>th</sup> parallel North (the so called African Belt) a new political-religious conflict is developing around the discourse of Islamism. This conflict is by far more ramified than local leaderships would like to acknowledge and it can involve the whole Sahel region through the dangerous identification of rebel Tuareg with jihadists or qaedists.

This entails that the status quo in Western Sahara begins to appear less and less sustainable, despite Rabat's determined stance. A brief US-Moroccan diplomatic spat on the Saharawi issue in April 2013 was just the symptom of a problem that needs swift solutions if regional stability has to be preserved. In Western Africa, the intertwined struggles for power and the weakness of several governments in the area risk to turn the Al-Qaeda Associated Movements (AQAM) into a stake of international ambitions and pivot for strategic influence operations.

We are referring to the cases of the still uncertain outcomes in the aftermath of the civil war in Côte d'Ivoire, the crisis within the Nigerian federal system (also due to Boko Haram terrorist activities) and of the partial governmental collapse in Mali. Regarding the latter, a poorly managed pacification attempt could have serious repercussions throughout the whole area populated by the Tuareg nomads.

In Eastern Africa, a new season of uncertainty, due to the death of the Ethiopian Prime Minister, Meles Zenawi, might be accompanied by the fear that, in the short term, Eritrea and Sudan could become seriously unstable. On the other hand, Somalia, in spite of huge difficulties, has undoubtedly entered a new phase of its long transition.

The Great Lakes region is experiencing the continuation of the War of Kivu within the Democratic Republic of the Congo (DRC). The March 23 Movement (M23) took Goma without any difficulty in November but then unilaterally withdrew, backed by Rwanda and Uganda.

Finally, what one has to notice is the growing success within the African Union and Southern Africa of Angola and South Africa (clearly a BRICS country). Luanda is engaged in a hard confrontation with Nigeria and Côte d'Ivoire for the influence over Guinea Bissau, in order to control the border between the Francophone and Lusophone areas. In the shadows powerful drug trafficking organizations are jostling for the control of lucrative transit points in Guinea Bissau and Ghana.

On the background, a fierce competition between China and the USA goes on. The former, through its simulated multilateralism, will try its best to extract value as much as possible until its African partners consider convenient a strong Chinese presence.

The latter's aim at a holistic strategy in terms of political presence, in order to set a comprehensive business-oriented strategy, changing the paradigm from Aid to Trade. Yet, the overall American approach to the African continent, despite the debate on the future base of the United States Africa Command (AFRICOM, opposed mainly by Nigeria and South Africa), rests on the notion that any form of preventive diplomacy shall be preferred to any crisis response.

## Sahel

Coup d'état (21/03/2012) in Mali and secession of its Northern territories, carried out by the National Movement for the Liberation of Azawad (MNLA) together with the Al-Qaeda Associated Movements (AQAM). Subsequent military French-led intervention (Serval Operation), to be followed by a United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA). A roadmap and an Action Plan are internationally sponsored to achieve a political dialogue and general elections to be held in July

## Nigeria

The attempt to destabilise the Federal Government, carried out by the Islamist sect Boko Haram, is escalating

## Horn of Africa

Some efforts are carried out for an effective resumption of the political dialogue between Eritrea and Ethiopia, while Somalia is slowly normalizing. Fragile relationship and persistent tensions between Sudan and South Sudan

## Guinea-Bissau

Deployment of the ECOWAS Mission in Guinea-Bissau (ECOMIB), in order to stabilise the country, after the coup d'état of 12/04/2012. In May 2013 the UN political assistance mission (UNIOGBIS) was extended for one year

## Senegal

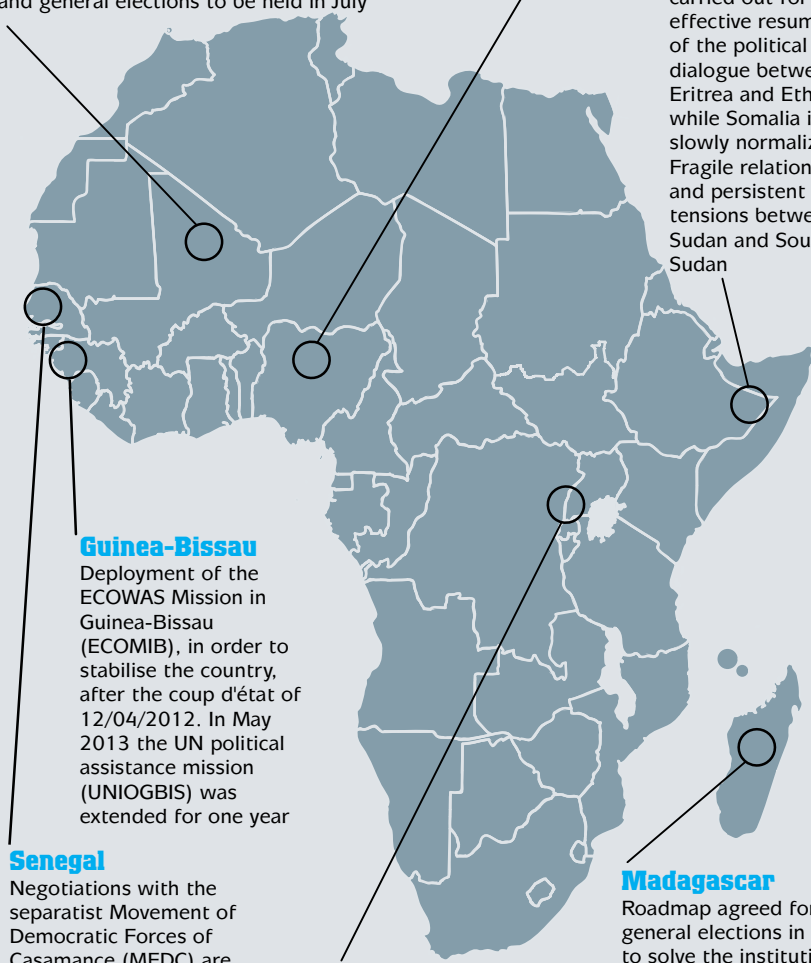
Negotiations with the separatist Movement of Democratic Forces of Casamance (MFDC) are currently underway, despite a multiple kidnapping in May 2013

## Great Lakes Region

Crisis in Kivu in the East of the Democratic Republic of the Congo (DRC) along the borders with Rwanda and Uganda, due to the presence of the March 23 Movement (M23) rebels. The UNSC has decided to deploy a UN intervention brigade with a robust mandate

## Madagascar

Roadmap agreed for the general elections in order to solve the institutional crisis that keeps stalling the country since 2009. In May the elections scheduled for July 2013 have been postponed by the interim government



## SITUATION

The most relevant fact regarding the Northern African quadrant, is that in Libya the General National Congress elections (GNC, 07/07/2012) were won by the secular party of the National Forces Alliance (NFA).<sup>4</sup> The tasks of this parliamentary body were to nominate a government and to draft of a new constitution. Thus Ali Zidan was nominated prime minister but the constitution is blocked.

Serious political dissensions and militia clashes scuttled a two year old timetable for a constitution and new elections should put in place a new body in place of the GNC, but there is not date in view. The budget is still very unclear although it appears that 10% will be dedicated to defence and security expenditures, while wages and subsidies continue to be paid in a haphazard fashion. Militias are still very numerous putting the country's stability at risk. The only positive note is that the relationship with Cairo has markedly improved after a \$2 billion deposit to guarantee the Egyptian economy.

In Tunisia, the Ennahdha government, headed by Hamadi Jebali, expressed the will to revitalize the Arab Maghreb Union (AMU) and the new elections, to be held in the period 15/10-15/12/2013, shall be the occasion to be further confirming this trend. Nevertheless the government was reshuffled under pressure of the opposition and five key ministries were given to members of opposition parties and independent personalities, while the new PM is Ali Larayedh. The essentials of the transitions seem to go forward, albeit hesitantly, but the political and social climate has visibly deteriorated.

In Western Africa, the normalization of the situation in Côte d'Ivoire continues, notwithstanding the difficult relations between the government and the opposition and the future tensions, due to the start of the trial of the former Ivorian President, Laurent Gbagbo before the International Criminal Court (ICC; 18/06/2012). In fact Gbagbo's party has called for the boycott of regional elections to be held in April (21/3/2013).

In Ghana, John Dramani Mahama, leader of the ruling party, the National Democratic Congress (NDC), won the 12/07/2012 presidential elections against Nana Akufo-Addo, of the New Patriotic Party (NPP). The Ghanaian context may have an impact on the stability of Côte d'Ivoire, because there is a rather strong community of pro-Gbagbo exiles, there could be the sanctuaries of some forces faithful to the old Ivorian president and there is still a territorial dispute over some oil fields.

On the 12<sup>th</sup> of April 2012, in Guinea Bissau, after the death of the President Malam Bacai Sanha and the first round of regular elections (18/03/2012), a

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<sup>4</sup> Given the vastness of the African continent, it has been divided, according to current geographical criteria, into the following four quadrants: Northern, Western, Central, Eastern and Southern.

military coup took place against the presence of the Angolan Mission of Support to the Reform of the Defence and Security Sector (MISSANG). The mission had to leave the country.

Two weeks later, the Economic Community of West African States (ECOWAS) decreed to deploy a stabilization mission to Guinea Bissau (i.e. ECOWAS Mission to Guinea Bissau – ECOMIB) in order to secure the country until new elections will be held. Unfortunately the civil transitional authorities have accused the Community of Portuguese Language Countries (CPLP) and Portugal itself of plotting the failed coup of the 21<sup>st</sup> of October 2012. By April 2013 mediation efforts to conclude the transition process are still underway, with an increasing role of the CPLP, in order to have new presidential elections by the end of the year. The main problem remains the militaries involvement in narco-trafficking.

At the same time, in Mali, a crisis has blown up. It began with a coup, followed by the creation of a de facto state (i.e. the Azawad of the Tuareg tribes) and a grey area controlled by the Ansar Dine jihadists, who sided with the Unity Movement for Jihad in West Africa (MUJAO – Mouvement pour l'Unité et le Jihad en Afrique de l'Ouest), connected to the better known Al Qaeda in the Islamic Maghreb (AQIM)<sup>5</sup>.

Luckily within the UN and the AU, a large consensus on a peace-enforcement mission was found (ECOWAS Mission in Mali – MICEMA), also because there is much less consensus regarding the effectiveness of local troops in achieving concrete military goals. By 2012 the pacification framework has been supported by a rather good French-Algerian co-operation despite past misunderstandings and colonial memories. In this context by July 2012, the EU deployed a civil mission, the EUCAP Sahel Niger (European Union Capacity Building), to increase both the police interoperability and the operation capacities first in Niger and later in Mauritania and in Mali.

At the end of the year the UNSC had authorised an international mission (AFISMA-African-led International Support Mission in Mali), but in January 2013 the rebels advanced beyond Azawad's de facto borders, prompting the French to set up an armed intervention with Operation Serval (11/1/2013) in order to repel the attack and regain control over the Northern part of the country.

Two months later the European Union Training Mission (EUTM) is operational, supporting local armed forces under French and Italian leadership. Successively (6/3) a Dialogue and Reconciliation Commission (CDR) is set up to facilitate the political process. The presidential elections are scheduled for the

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<sup>5</sup> Azawad means 'land of transhumance' or 'pasture land' in the Tuareg language. Ansar Dine means 'Defenders of the Faith'.

31<sup>st</sup> of July. In the same month the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA- Mission multidimensionnelle Intégrée des Nations unies pour la Stabilisation au Mali) will be deployed, following UNSC resolution nr. 2100.

The long conflict in the Horn of Africa is showing some positive signs. Eritrea, hit by the international isolation, ceased its support to Somali Islamist militias (Shebaab) and might negotiate with Ethiopia.

In March, Somalia applied to the East African Community (EAC) and, in August 2012, it adopted a new constitution, appointing a permanent government with President Hassan Sheikh Mohamud and Prime Minister Abdi Farah Shirdon 'Saa'id', hereby putting an end to the transitional period.

The situation of the civil war in Sudan is rather less positive. In Darfur, the Justice and Equality Movement (JEM) has split into two sections, one favourable to negotiation and one against.

Despite numerous treaties, the relations between Khartoum and Juba are still problematic, due to the strong will of Sudan to prevent by all means South Sudan's energy independence. Recently Kenya entered the fray as possible transit country for pipelines that could provide an alternative to the Sudanese ones, with the facilitation offered by the fact South Sudan is now member of the IMF and the World Bank.

In Central Africa, the rebel groups of the Convention of Patriots for Justice and Peace (CPJP) and the Union of Democratic Forces for Unity (UFDR) formed an alliance – Seleka – that, since mid-December, controls a big part of the Central African Republic (CAR). On the 24<sup>th</sup> of March 2013 Seleka overran the presidential palace in Bangui and deposed the President François Bozizé, forming a transitional government until 2016, when elections are scheduled. Chadian rebels could profit from new support provided by the Seleka-led government.

The M23 rebellion, operating along the border with Rwanda, is the most destabilizing factor in the DRC, where the situation is quite critical. On the 12/04/2012, the M23 retreated from the strategic city of Goma (North Kivu), also thanks to the support offered by the security services of the International Conference on the Great Lakes Region (ICGLR) member countries. An interposition force under either AU's or ICGLR's responsibility is missing, despite its acute need, since the EU and US have stopped all form of military cooperation with Rwanda, because they perceive it supports the M23 rebels.

In terms of post-colonial issues, it ought to be noted that the Comoros exacerbated the dispute with Paris regarding the sovereignty over the island of Mayotte.

Moreover, with regard to multilateral relations, it is important to observe that the former South African Minister for Home Affairs, Mrs. Nkosazana Clarise

Dhlamini Zuma, was elected new President of the African Union Commission (AUC), at the AU's 19<sup>th</sup> Summit of Heads of State and Government (Addis Ababa, 9-16 July 2012). She is a remarkable Anglophone public figure, who will manage an impressive political portfolio, for the first time ever assigned to a woman. During the successive summit in Addis Ababa (January-February 2013) the rotating presidency went to the Ethiopian premier, Hailemariam Desalegn.

Finally in June 2012, the United States revealed their four strategic pillars for the area: strengthening democratic institutions; spurring economic growth, trade and investment; toughen up peace and security tools/means; promoting opportunities and development. By spring 2013 the Obama administration has still to streamline its numerous assistance programmes in the continent and to concentrate the necessary resources to end war in the RDC.

## **PERSPECTIVE**

In North and West Africa, the stabilization process of the so called Arab Spring-countries saw compromises and political dynamics having the upper hand on clashes and protests.

However, the context is bound to change rapidly, if the new ruling classes will not adequately answer to the legitimate demands of their populations. The influence that old and new external actors can exert over the decisions of Northern African leaderships remains still a discriminating factor.

When it comes to regional stability, another trade-off element is given by the consequences of the armed intervention in Mali that can be felt through the porous borders of Algeria, Libya, Morocco, Mauritania, Niger and Tunisia. In this scenario probably ensuring security in large parts of Libyan territory will become even more difficult.

The will of the international community to stabilize the Sahara-Sahel area requires the continued engagement of Algeria in the resolution of the Malian crisis, if it does not want to be isolated.

Any foreseeable solution to the Tuareg irredentism on the one side, and to the need for integrated development of the Sahel on the other, cannot be but regional, and only in this context one can set the foundations for a similar breakthrough in the Western Sahara dispute, whose solution continues to remain elusive despite a short diplomatic US dash in April 2013.

As a matter of fact, Italy would be able to carry on a political dialogue, facilitating negotiation rather than confrontation, but it must continue to be deeply involved at political level in these countries. To this end Italy needs to focus on its bilateral and multilateral actions regarding governance, capacity building and humanitarian aid, in order to achieve the primary goal of protecting Southern Europe borders from the insecurity stemming from the South.



The internal subversion of some particularly vulnerable state, such as Guinea-Bissau, Ivory Coast and Nigeria, may dangerously blend into the galaxy of Qa'edist terrorism, shifting the operational theatre against the AQAM southwards and westwards.

In order to contain such phenomenon, unlike the rest of the surrounding failing states, it will be necessary to strengthen the relations with the most reliable, stable and democratic countries in the area, such as Cape Verde and Ghana for instance.

In the Horn of Africa (an area of traditional Italian presence) the new Ethiopian leadership launched *ad hoc* negotiations with Eritrea to eliminate any trouble spot inside and outside its borders. Rome – within the framework of its long-standing multilateral tradition – can help to facilitate a peace-agreement opting for a win-win strategy, that is to say sustainable solutions to the benefit of all parties.

The speculation about the future structure of Somalia (federal institutional framework or disintegration), seem to be mainly justified by the expectations of some external stakeholder rather than on the general and paramount interest of the Somalis. In present circumstances (African borders integrity apart, already reasserted by the AU), one should be absolutely clear about the fact that a fragmented Somalia, mired in long-term instability, serves only very particular interest be they political or aimed at resources hoarding. In this delicate phase all actors should avoid even the suspicion of serving special interests, if they want to achieve substantial results.

The Sudanese government is seriously running the risk to implode, because of its critical internal situation fuelled by the dissatisfaction among military and public opinion over the regime. Moreover, although some relevant agreements with South Sudan have been signed and there is progress on the matter, the normalization of the relations between the two countries cannot be given for granted yet.

In Central Africa, the Eastern provinces of the DR Congo are still a hot-spot, where the interests of regional powers, actually supported from abroad, will keep clashing.

A typical example of the situation regards the rebel M23 movement: as soon as a framework agreement on the stabilization of the RDC was signed in Addis Ababa (25/2/2013), the M23 started fracturing despite its strong ties with Rwanda (a UNSC non-permanent member) and Uganda.

Regarding Southern Africa, in Madagascar, the general elections, expected by the 24<sup>th</sup> of July 2013, should end the crisis begun in 2009 and provide the country with a renewed institutional framework.

Yet interests of the French-speaking block countries of the area collide with

those of the rest of the Southern African Development Community (SADC) member states, led by South Africa, Tanzania and Zambia. Behind these interests one can easily distinguish the profiles of Paris and Washington as main protagonists of the area.

Economic growth together with political stability in Mozambique will ensure ENI (the Italian oil company) the exploitation of more than 800 billion cubic meters of natural gas.

In Zimbabwe the a new constitution has been approved (19/3/2013) with a 94,5% majority in a ballot that has been considered free and fair to the point that the EU will lift all major economic sanctions. The 1980 constitution and the national unity government, dating back to 2009, are going to be shelved, while elections have to be held by the 29<sup>th</sup> of June theoretically and in any case at the end of October 2013.

Last but not least, in terms of cross sectoral issues, to be considered as part of the short-term perspective, international justice is relevant as well. Since 07/01/2012 Mrs. Fatou Bensouda, the former Gambian Minister of Justice, is the new ICC (International Criminal Court) Prosecutor. This did not happen by chance because the ICC has often been accused of being biased against Africa- And in fact the AU decided in the past not to heed the arrest warrants issued by the ICC against some African Heads of State and Government, as in the case of Qaddafi.

This last choice is a positive reaction to that charges.

However, it is hard to forecast whether the new African Union leadership will be able to be up to those deep and essential changes that are necessary to represent in the international arena the Africa's needs. Namely 14 relevant AU member states – such as Ivory Coast, Egypt, Ethiopia, Kenya and Nigeria among others – opposed the South African candidature to the African Union Commission Chairmanship, revealing a huge unhealed political rift. As a result, there is still the concrete risk of a fragmentation of AU's policies.

Ultimately, both the Sahara and the Sahel have turned out to be the crisis epicentre of unsolved African critical situations, whose consequences are trans-regional. The destabilization of Libya has facilitated the expansion of AQIM, encouraging its entrenchment in the West-Central Sahel and the destabilization of neighbouring countries, characterized by particularly fragile institutions.

This situation, worsened by the spread of weapons, mainly coming from Libyan arsenals and purchased with the profits of a variety of illegal activities, has led to the polarization of the conflict potential, under a growing international media attention.

Until the end of 2012 clashes were apparently put off. All of a sudden, the French military intervention in response to the advance of the jihadist troops

revealed the cluster of international interests that are increasingly converging on Northwest Africa.

The necessity of a comprehensive and integrated solution for the Sahel in general and for Mali in particular, is internationally agreed since the risk to leave in the hands of the Qa'edists a newly self-proclaimed state, such as the 'Azawad', is a transnational problem, which involves all levels, regional, national, continental and international.

# Latin America

ALESSANDRO POLITI

## EXECUTIVE SUMMARY

During the past year the strategic and economic challenges that regional élites had to tackle remained fairly constant: power vacuums at different levels entailing ungovernability or inadequate governance of events, processes and flows; threats of entrenchment and diffusion of Latin American narco-mafias (Mexican cartels and Central and South American maras); political risks of democratic regression within a number of countries (Haiti, Honduras, Paraguay and possibly Venezuela); economic risks due, on one hand to the global economic tsunami and, on the other, to the vulnerabilities of development models that had succeeded in the past years (Argentina, Brazil, Mexico).

A great strategic opportunity is emerging with the good start of peace negotiations in Colombia in order to end the 49-years old civil war.

During the current year and probably also during 2014 it is rather unlikely that Brazil and the USA will take decisions significantly affecting the whole continent. US president Obama has already given low priority to Latin America and will try to get results staking more on the Trans Pacific Partnership (TPP), than acting at regional level.

Nevertheless, the incoming Secretary of State, John Kerry, will give a stronger political impulse in this area, starting with the improvement of the relations with countries like Bolivia and Ecuador and the support to a transition in Venezuela.

Brazilian president Dilma Rousseff, lacking any genuine competition from Mexico and Venezuela, will continue to prepare the ground for the consolidation of a hegemony that is showing ambitions beyond the regional setting mainly in the direction Africa and, in the form of weak signal, vis-à-vis the Pacific.

In the short-term the concrete risks are not those characterizing a scramble to power, but are more likely to resemble selective strategic black-outs or brown-outs caused by temporarily eclipsed protagonists (Mexico and the USA), by protagonists presently on the rise (Brazil) and antagonists whose strong men are fading away or faded out (Cuba and Venezuela).

Paradoxically the USA are at the same time critical in decisions that deeply affect Latin America (launching the TPP, indirect support to the Alianza del Pacifico, strengthening of NAFTA and reform of the war on drugs), but suffer also a “liquidity of power”. This situation translates into the dilemma of how to regain supremacy in the Pacific, despite having a crushing commercial debt and domestic deficit.

If the United States concentrate on the TPP, they risk to clip the wings of the Alianza (i.e. their potential Latin American supporters in the Pacific) and to exacerbate the brush with their Chinese creditors. If they decide to be constructive partners of the East Asian Summit, they can better control the overall dynamics of the Pacific theatre, at the prize of accepting a rather restrictive polyarchy or multilateralism vis-à-vis their interests and their traditions of great power.

If Washington does not seriously handle the problems of the deficit and of the excessive financialisation within the economic system (especially concerning shadow finance), it will make its own power and business model unsustainable.

**95% of the cocaine trafficked  
towards the major global markets (USA and EU)  
is controlled by the Mexican cartels**



Source: US Congressional Service, 2010

## SITUATION

The Latin American sub-continent shows by the end of 2012 a geostrategic picture featuring relatively few positive aspects, some established threats and three emerging risks on a background of uncertainties and weak spots that reflect the liquid nature of global geopolitical balances.

From a purely political view, sometimes against mainstream perceptions, Cuba and Colombia reveal a strong evolution potential. Taking into account both the new relationship between Cuba and the Holy See and US pragmatism vis-à-vis entrenched dictatorships in the Asia-Pacific area (e.g. Burma), it is possible to envisage the external framework of conditions allowing at least a controlled transition from a single-party regime towards a democracy under military tutelage. The election of a Latin American pope could even more facilitate both the peace process and the transition. In Colombia, despite heavy structural factors that need to be tackled during negotiations, the peace process between the government and long term narco-guerrillas (FARC, ELN) has successfully passed its first hurdle during the talks. The civil society was in fact successfully included in the crucial consultations regarding land reform, thanks also to the selection of capable negotiators' teams and to the secrecy maintained over unsolved issues.

A first fruit was the beginning of the restitution of land properties illegally confiscated or acquired (March 2013), thanks to a special law, whereas an important hurdle is that the FARC negotiators insist that pragmatic compromise is not enough and that also the future economic model should be discussed.

Other opportunities in Latin America are represented by:

- The dismantling of partial monopolies (in Chile 10% of copper mining revenues was set aside for the armed services) or the opening of state monopolies to private capital, as it is happening with the Mexican Pemex state-owned oil company;
- The growth in importance of the Alianza del Pacifico, a commercial agreement between Chile, Colombia, Peru and Mexico.

The economy continues to be one of the strengths of the subcontinent. In this respect the main points are:

- The growth of FDI (Foreign Direct Investments) in Argentina, Chile, Colombia, Dominican Republic, Peru whereas in Brazil the influx was substantially stable;
- The possible opening of free-trade negotiations between Brasilia and the EU;
- The signature of a Mexico-USA agreement for the exploitation of cross-border oilfields.

From a geopolitical viewpoint the positive aspects consist in: a renewed awareness for international law, the preservation of multilateralism by Brazil and a further advance in the respect of collective human rights. Namely, the most surprising element is the impetus that Lima and Santiago de Chile are putting into the creation of the conditions for the resolution of an almost never-ending maritime border

dispute. In fact, after the verdict of the International Court of Justice in the Hague, it is probable that bilateral relations will significantly improve in accordance with the political will of both sides. The publication of the Brazilian Defence White Paper is a very positive signal for the constructive message it communicates regarding multilateralism, transparency, confidence building and deterrence and because it allows the comprehension of the strategic intents of this leading country.

The last country in order of time in granting collective rights to native populations is Panama with a law protecting the territory of the Ngöbe-Buglé population. It is another progress in solving a social issue festering in different countries of Latin America. Threats and risks derive from three power vacuums: the weakness of the state in Mexico and Haiti (with the possible return to power of dictatorship-friendly groups in the latter country), the lack of regional hegemony and the absence of governance in regulating global processes.

In Mexico the debate revolves around the choices of the new presidency vis-à-vis a less militarised approach and a more streamlined organization in the fight against the drug cartels. Other critical choices regard the issue of encouraging the reduction of drugs consumption in the United States and narcotics decriminalization in Mexico itself. Nevertheless security is not assured and the cartels, often fragmented, control the territory, opening thereby clashes in many Mexican cities. What can be defined as the First Mafia World War is the real threat to the continent and has taken a toll of 60.000 lives (mostly Mexicans), with intercontinental implications for criminal trafficking and the national security of very distant countries (e.g. infiltrations have been detected in Iraq). The picture of risks and critical situations can be completed with the following elements:

- The economic stability of Argentina and Mexico is at risk, whereas Brazil's growth is slowing and the sustainability of Venezuela's socio-economic model is in jeopardy. The backdrop is the currency war opposing Brazil against China, the United States and Germany (seen as the Euro's leader);
- Brazil has difficulties in managing social clashes created by acute agrarian conflicts (*carperos* vs. *Brasiguayos* – local squatters and immigrant farmers), the effort in re-establishing law and order in the favelas and re-developing them in preparation for the international sporting competitions of 2014 and 2016 and by the fight against powerful organized criminal groups;
- The risks of democratic stalemate or regression, as shown in year 2009 by the virtual coup in Honduras (a situation that should be solved by the primary elections held November 2012 and the general ones to be celebrated in November 2013). A similar situation happened in Paraguay with the impeachment of the president, followed by its suspension from UNASUR, whereas the OAS did not want to take sides. Equally unstable is the situation in Haiti where the elections were marred by violence. The result is that people connected with the past bloody Duvalier dictatorship could come to power.



## PERSPECTIVE

Going backwards in time, we see that the region has already been considered of secondary interest by three presidencies (G.W. Bush I and II, Obama I), the only relevant issues being trade and drugs. The only exception was the Clinton presidency, two decades ago. A conventional interpretation of Latin America might still be based on a mental map with Cartesian axes whereby the x represents Washington's degree of influence over a certain country (more/less) and the y the local government's political orientation (liberal/populist).

Following this school of thought, the forecast would be: ideology, especially populism (Castro and Chavez), is making a retreat due to biological factors; the Brazilian moderate alternative has feet of clay because of the widespread corruption and the reduced economic growth; economy is still shaping the continent thanks to the rising of the business-based Alianza del Pacifico and to a possible "gringo-latino" oil alliance where the main stakes would be the oil sector itself and the opening up of the US labour market.

The nominated State Secretary, John Forbes Kerry should be relatively more interested in Western hemispheric issues. His relevant political features are the drafting of the Kerry Report on the Iran-Contra affair (1985-1986), his inclination towards free market (especially vis-à-vis the South American countries of the Pacific coast) and the will to end the excessively fragmented war on drugs.

Setting aside conventional wisdom, a short-term forecast can be drawn looking particularly at the pivotal areas and factors in the continent:

- The crisis of the Cono Sur (South Cone), involving countries as different as Argentina and Chile in a common context of global crisis;
- The twists that the new Peña Nieto presidency will be able or unable to give to Mexican internal security matters;
- How and to what extent Brazil will have the ability deal with internal and external challenges;
- The risk of power vacuums in different parts of the Americas;

Last, but not least, the North American policies in the area and their much more important choices regarding the Pacific area (including deficit and financialisation).

Starting from the Canada-US couple, one could expect more of the same, foreseeably with a more systematic approach from Washington and a less systematic one from Ottawa. The USA would try to develop mainly their free market and security agenda, whereas Canada its mining interests, possibly assorted with the application of the Responsibility to Protect principle.

One major change in the medium term could be that, if the choices in energy policy made in 2012 would be upheld until the mid-term elections, a North American energy pool, able to support an orderly reshaping of economy and society in Canada, Mexico and the USA, perhaps even a renewed growth, could be

set up and based on non-conventional oil. Mexico plays a crucial role in ending its First Mafia World War, a result to be achieved in different ways, some of them well-known by Italian governments. The reasonable prediction is that:

- the war against drug cartels will be gradually de-militarised,
- police forces instead will be better co-ordinated and re-organized,
- the trend towards cartels' fragmentation will be encouraged
- and, in the end, a more or less tacit understanding will be reached with major cartels in order to end the violence, recover one point of GDP and reduce security expenses in favour of the strengthening of a rather fragile Mexican banking system.

Part of the deal could be the adoption by some cartels of a “submersion” strategy, like the one followed by Italian Cosa Nostra's boss Bernardo “Binnu” Provenzano. In that event the Sinaloa cartel could play a principal role in ending violence in order to get out of the radar screen of security forces.

Part of Mexico's possible economic revival is defined by the possibility of opening selectively to foreign interests the state-owned oil monopoly Pemex, a typical political preserve of the Partido Revolucionario Institucional.

This means not only re-negotiating political fiefs based on corruption and vote trading, but also guaranteeing an adequate oil revenue re-distribution in order to clear up at least some mafia-ridden areas, that started failing when the maquiladora model (small transformation industry) crumbled under the Chinese competition, opening the crisis of NAFTA.

Brazil has to manage the well-known sport challenges in 2014 and 2016 (Soccer World Cup and Olympic Games), but its main worry is the “currency war”. This war is lead under different labels (the defence of the Euro, Quantitative Easing, renminbi rate exchange) and for different reasons by Germany, USA and China, but it risks to undermine Brazilian exports and hence its social and economic development, despite the increases in energy production.

It is clear that Brasilia is unable to control the Chinese variable or the ongoing global financial wars; for this reason the Brazilian president, Dilma Rousseff, is introducing every orthodox measure aimed at cooling down the economy and limiting foreign financial inflows so as to keep some degree of autonomy in economic policies. Leaving aside the Falkland Islands-Islas Malvinas dispute, the South Cone is witnessing a parallel and concurrent risk of socio-economic crisis for Argentina and Chile.<sup>6</sup> Argentina, after its success in the 1982 default negotiations, squandered by political and economic mismanagement, risks to be assaulted 30 years later by the same transnational financial interests that she was able to fend off at that time. Chile instead, despite political cross-party consensus, risks

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6 Buenos Aires is directly involved in the dispute with the UK. Santiago instead has direct Antarctic interests and indirect links with London.

to lose its competitiveness margins. Ironically this is happening not because the economy did not extract enough value from its productive labour factors, but because the government was unable to adequately re-distribute value across the society. At stake is not just buying social peace per se, thus containing the strong political and social dissent, but a brutal contraction of the domestic market.

In other words, the ultra-free market model of the “Chicago boys” risks to collide with hard needs already recognised by both an enlightened entrepreneur like Adriano Olivetti and a shrewd conservative politician like Otto von Bismarck. Namely the need to allot a sizeable share of wealth to lower classes, stimulating productivity and consensus, the opposite being the hollow trickle-down theory. During this period, the combination of two Caribbean wild cards that needs a combined effort of smart power from the side of Brazil, Mexico and the United States rather than using the illusory tools of a mild governance, is emerging. Post-Chavism has arrived rather quickly with the dead of its founding leader (5/3/2013), while post-Castrism has already begun: these are two strategic power vacuums that have influence beyond the Caribbean and Southern American areas. At least two flows will be affected, namely the oil flow from the Orinoco oil blocks to Texan refineries and the cocaine flow across the Atlantic.

The United States themselves are at the centre of a contradiction. On one hand they are taking decisions that deeply affect Latin America, like the launching of the TTP, the indirect support to the Alianza del Pacifico, cementing the NAFTA and reforming the war on drugs. On the other they are the centre of a power vacuum, revealed by the uncertainty about how to carry out the “reconquest” of the Pacific while being crushed by the commercial debt and the internal deficit. Without a serious and durable solution of the deficit problem, the USA will not sustain their position as global power; worse, if they do not drastically reduce the financialisation of all advanced economies, by providing transparency and accountability to the so called shadow finance system, their very business model will be considered unviable and unattractive by countries who have real money to invest. At the level of regional strategy, if the USA concentrate their efforts on the TPP, they risk to clip the wings of the Alianza del Pacifico (i.e. their potential supporters) and to sharpen the confrontation with their Chinese creditors. If they decide to be constructive partners of the East Asian Summit, they could better control the overall dynamics of the theatre, but at the price of recognising a rather limiting polyarchy or multipolarism vis-à-vis their national interests in the area.

The two-year period of all dangers is made not by a race towards power, but rather by unforeseeable, temporary and selective political power black-outs caused by presently declining protagonists (Mexico and USA), by those who are temporarily rising (Brazil) and by antagonists who are losing or have lost their founding fathers (Cuba and Venezuela).



# **Part II**

## **Sectorial Analysis**

# Transatlantic Relations

LUCIO MARTINO

## EXECUTIVE SUMMARY

This post-election period seems marked by a string of initiatives which may lead to the approval of a series of measures with the potential to avoid altogether the impact of the Federal Budget sequester. The White House seems now strong enough to impose a fiscal compromise on its own party which could bring about a considerable increase in investment levels, and subsequently aid a kick start of the economy.

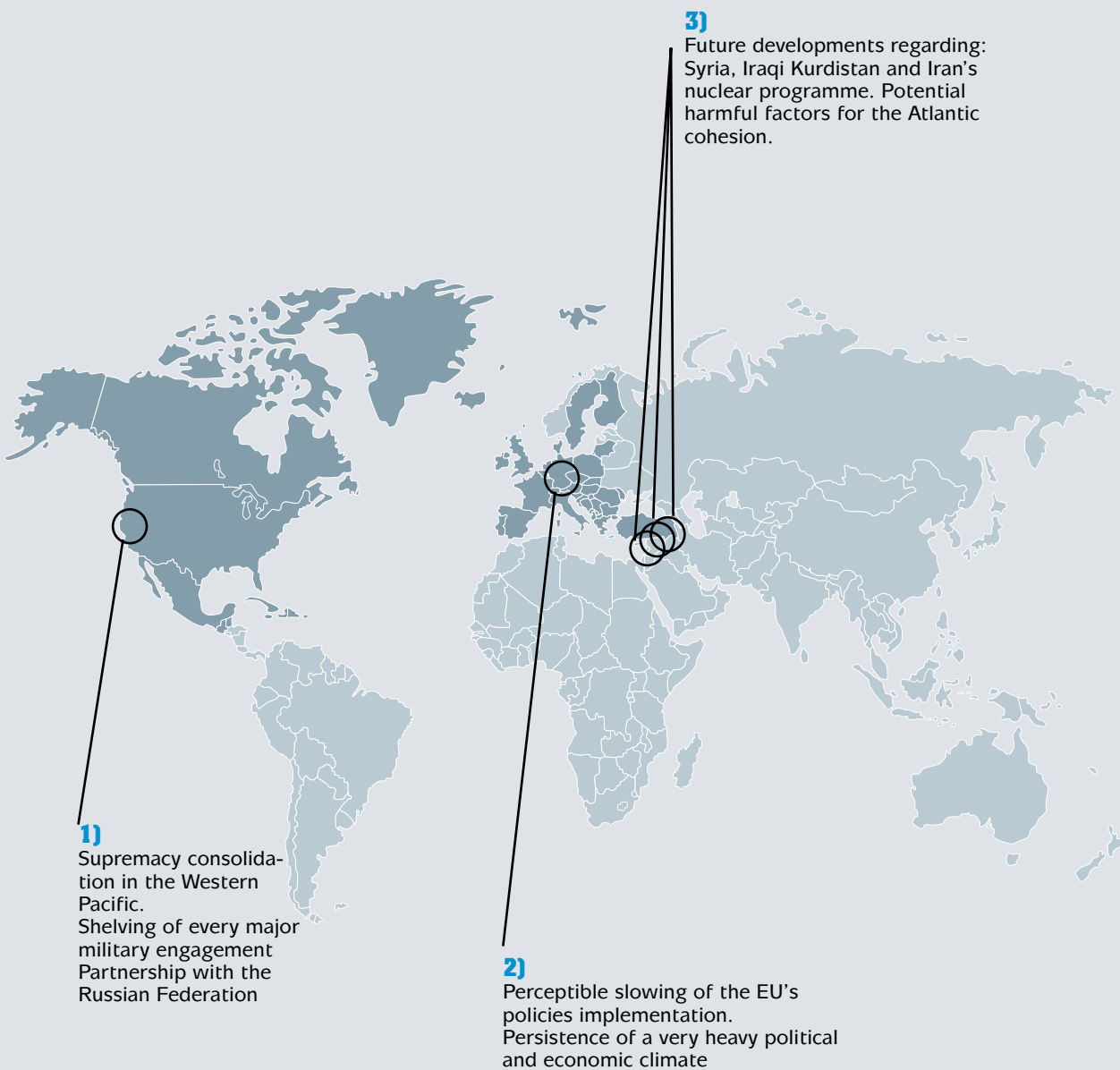
In the meantime, the strategic objectives of the current Administration continue to be the consolidation of the American political and strategic supremacy in the western Pacific, the winding down of what remain of the grandiose military engagements typical of the last decade, the restructuring of the military apparatus, and the initiation of new arms control negotiations with the Russian Federation.

On the other side of the Atlantic, the German General Elections programmed for around September 2013 represent the factor most likely to affect the dynamics of the European political stage, and, in particular, the strategies to be followed in the attempts to resolve the crisis which has plagued Europe for the last four years. In these circumstances, it should not be difficult for the German opposition forces to place pressure on a Government which, at least as far as the future of the Euro is concerned, no longer enjoys a majority.

This state of affairs must lead from one hand to slowing down of the process of implementing European policies and on the other hand new interventions directed at reining in the volatility of the markets in the Euro zone. The present political and economic uncertainties are, however, likely to characterize the next few years. As long as, of course, the general intolerance with present and future austerity measures displayed by the public on the outer fringes of the European Union does not penetrate the centre, affecting France as well.

Weighing on the shoulders of the Trans-Atlantic community, and others, is the possibility that the dispute regarding the Iranian nuclear programme may degenerate, resulting not only in another regional conflict but also in damage to the fragile Western economies. A confirmation of the current Israeli Government after the elections slated for the end of January would continue to feed fears of an Israeli attack, but all the evidence indicates that it would not be particularly difficult for the United States to continue to put sufficient pressure on Israel to prevent the attack becoming a reality.

There are other international issues which might compromise America's weak economic revival and, with it, create new problems for Trans-Atlantic cohesion. Prominent among them is the relationship between the Iraqi leadership and the Kurdish regional Government, potentially able to affect crude oil prices and, perhaps, the future of Syria, because there is a distinct risk that the crisis extends to infect Lebanon. Finally, given the mutation of energy patterns and the melting of the Arctic ice packs, the Atlantic Alliance will discover a new Front Line as its northernmost zone becomes a source of exploitation and friction.





## **SITUATION**

During the last four years, the Obama Administration has worked on reconstructing the international image of the United States. A great effort was spent on moving away from the unilateralism which had on several occasions alienated old and new Allies. Although there are undeniably elements of continuity common to his direct predecessor, the current President seems to have been effective in pushing the United States into a direction which differs from that chosen during the first years of the Century. With regard to international politics, route changes are particularly evident in at least two broad areas.

The first change of approach was seen in the confrontation with Iran. The new direction given to the American policy reflects the same principles, and the same dynamic, as that which characterized the long confrontation with the Soviet Union: a strategy of Containment, where periods of strong openness are alternated with moments of heavy confrontation, without ever arriving at any relevant use of force. Within the framework of this strategy, the Obama Administration has manoeuvred, and continues to do so, to create a compact international support, even at the cost of agitating the spectre of an alleged inability to influence Israeli decisions. The aim is to launch and sustain a series of economic and political measures in an attempt to feed a profound multi-sectorial transformation process, much more than a simple control of the Iranian nuclear program.

Although the recent divergences on the approach to be implemented against Iran seems more like a cynical game of the parts, the United States and Israel no longer appear to be aligned in a defence of a regional status quo in many ways the residue of an international dynamic of the past. The objectives of these two States seem to progressively diverge for structural reasons going way beyond a merely personal incompatibility of the two political leaders of the moment. The relationship between Israel and the United States has always had its moments of crisis and periods of tension. The problems of recent years do not therefore represent a previously unseen political dynamic. What is new, however, is their intensity and frequency of these problems due to the progressively diverging respective national interests. Even the so called Arab Spring seems to have had the effect of increasing the differences produced by the recent developments of the Palestinian issue.

The role played by the United States during the Arab Crisis reflected in many ways the prudent role played by President Bush the elder as the Soviet external empire collapsed during the fall of 1989. The Obama administration has reacted to the events which have gradually shaken Tunisia, Egypt, Bahrain, Libya and Syria, dividing these countries into two categories, distinguished one from another by the presence of a significant American strategic interest.

In the cases of Egypt and Bahrain, the first group, the Obama Administration

chose to limit itself to an almost exclusively rhetorical opposition to moves undertaken by the local authorities to contain the protests and avoid an eruption into instability. The United States needs Egypt's permission for fly-over rights and when passing through the Suez Canal, as well as the importance of the Peace Treaty with Israel. Bahrain represents the availability of a valuable naval base in the Persian Gulf. The possibility of mooring the Fifth Fleet of the U.S. Navy in Manama makes of this country one of the most important strongholds of the United States throughout the Middle East.

The United States has not demonstrated a similar inclination to protect conditions of stability and order in the case of the second group of countries, Tunisia, Libya, and Syria, preferring instead to support interventions of force both exogenous and endogenous in a clear acceptance of the risks attendant in any process of political or institutional transition, for the simple reason that there are no particular American strategic interests involved in any of these States. In other words, given that America was not part of the landscape, the American words and deeds simply coincided.

The other variation with the recent past can be seen in President Obama's intention to close for once and for all any connection to an inheritance from the Cold War in the area of nuclear arms. It was this stand which earned him the completely unexpected, and perhaps premature, Nobel Peace Prize. It is the clear and basic objective outlined in the last Nuclear Posture Review, which foresees a notable reduction not only in the role but also in the number of nuclear arms, as well as imposing a working doctrine that precludes their use from the outset under any condition, and limiting their intervention to situations so extreme as to reject their use even in response to chemical and bacteriological attacks. The approach followed here by the Obama Administration is in any case notable for its heavy dose of equilibrium. The steps made in the direction of a considerable reduction of the domestic nuclear capacities have always been accompanied by other, substantial, measures to defend the strategic supremacy of the United States.

## **PERSPECTIVE**

Despite the meagre progress made during the weeks that followed the general election in early November, it is highly probable that the Obama administration will be able to push through Congress a package of measures at the eleventh hour. This first agreement, spurred on by the incentive of dodging an otherwise unavoidable sequester of the Federal Budget that would particularly affect military spending, will be followed by a second and more complete packet of fiscal measures. According the expectations, this second text will completely redefine the terms of federal taxation. Such an agreement is now possible because the

White House finally seems strong enough to place its own party under a considerable amount of pressure. The prospect of this exercise of powers of persuasion already appears to be encouraging investors and, through them, an upswing of the economy.

However, independent of any new kick-start to the economy, the Obama Administration will attempt to address at least four major international problems before the next Mid-Terms.

The first is Iran. Here there has been a change from the initial policy of an out-stretched hand to one of strict isolation. In the coming months, the White House will continue to prevent a military strike that could lead to a new regional conflict and will persist to engage in a diplomatic offensive can handle even greater regional Iranian assertiveness.

Then China comes. During this forthcoming mandate, the Obama Administration will try to coagulate the entire gamut of relations with what is now the United States' third largest commercial partner, after Canada and Mexico, within a somewhat orderly architecture. One aim is to ensure a more effective defence of intellectual property, and the other is to work towards making sure that it will finally be the market which decides the exchange rate of the Chinese currency.

The Middle East follows close behind, imposed by the Palestinian participation in the United Nations. In the next months, the White House must decide how much pressure to apply on each part to get them back to the negotiating table. Not an easy task in a context where less than half of the American public is interested in being involved in a defence of Israel. Given that drop in crude oil prices before the November 2012 clash between the Israelis and the Palestinians seems to indicate how the financial markets assess the hypothesis of an Israeli attack against Iran as less and less credible, are other the regional tensions which could cause a rise in crude oil prices and, in consequence, weaken the renewal of the American economy as well as Trans-Atlantic cohesion. Syria is one, a State collapsing into deepest crisis with no solution in sight, and the weak foundations of a still-fragile Iraq.

Finally, the difficulties associated with continuing to sustain the current military system seem destined to throw the spotlight on that Revolution in Military Thinking which was reluctantly shelved in order to fight a now almost archived Global War on Terror, implying what it seems a difficult interaction between the White House and Congress. Within this context, it is very probable that a dialogue will be launched by the white House aimed at reaching new nuclear disarmament accords which, among other things, would have the obvious advantage of avoiding the expenditure necessary to maintain and modernise a more than redundant force. According to the Obama Administration, the national security of the United States no longer requires nuclear parity, nor a new strategy doc-

trine, and certainly not new weapon systems. The version implies that strategic stability may be guaranteed through maintaining only a minimum of the nuclear deterrence levels which were the basis of the decade's long strategy to contain the Soviet Union.

On the other side of the Atlantic, the German General Elections to be held around September 2013 seems to be considerably tightening the choices available to the current Government in Berlin, in particular as far as regards the future of the Euro-zone. Although it is improbable, a possibility still does exist that the opposition will make significant gains during the election, a possibility which could lead them through the next months to taking advantage of the debate on the Euro also in an attempt to weaken today's support for the Government. The impact of current German political dynamics on the European balance could mean a sharp decrease in the speed and scope of European policy processes, even regarding measures almost completely agreed to, such as the organization by the European Central Bank of a credible safety net through its unlimited bond buying commitment, the setting up of a single authority to resolve bank crisis, and renewed efforts to dampen the volatility of the Eurozone markets. In particular, it will be Spain and Italy who will be most affected by the present austerity measures, at least, so long as the discontent with the Euro which has for some time characterized the Mediterranean States is not shared by the French public. This combination of tensions could aggravate to the point of pushing the British authorities to hold a referendum that could lead first the exit of the United Kingdom from the European Union, and then, the formation of another supranational European entity.

Two distinct political formations seem to exist within Europe on the eve of 2013. The first, under the guiding hand of Germany, follows the objectives of financial rigour and of integration to be achieved via a progressive series of institutional reforms. The second, made up of the newer Members of the Union, continues to see the Russian Federation as a danger and not as an asset, appearing to trust more in the protection of the United States than in the European Union they have elected to enter.

Given climate changes, and a well underway transformation of energy patterns, the Atlantic Alliance will get a new life as its northernmost neighbourhood becomes a source of exploitation. Nevertheless, this same organization does not seem to be able to reverse its decline in the near future, a decline only partly the result of the inability of the United States to continue to sustain indefinitely the current high levels of mobilization and of expenditure.

For this reason, there will be no lack of initiatives presented during the next two years aimed at securing a greater European voice in the determination of Atlantic Alliance policies, and a more balanced division of any benefits which

result from a European involvement. The Obama Administration will continue to try to convince its Allies and partners of the inevitable advantages of dividing the strategic task burdens, burdens often viewed by them by no means necessary. The danger is that of a foreign policy rich in incentives but so poor in the ability to sanction that the impression is left of a relatively weak United States, a feeling which paradoxically reinforces the willingness of the United States to resort to military instruments.

# European Defence Initiatives

STEFANO FELICIAN BECCARI

## EXECUTIVE SUMMARY

“Crisis” is probably the best word to sum up the last year. This popular term is maybe overused, but it was the Leitmotiv of 2012, and almost certainly it will be the slogan of 2013.

The clear reorientation of US foreign policy, confirmed by the official visit to Burma of the newly elected president Obama, is the first effect of this situation. The choice of Burma sent a clear message, which underlined the new “Pacific approach” of the Obama administration. It is still uncertain if the ongoing reduction of US troops under EUCOM will be compensated by a more relevant European commitment to regional defence.

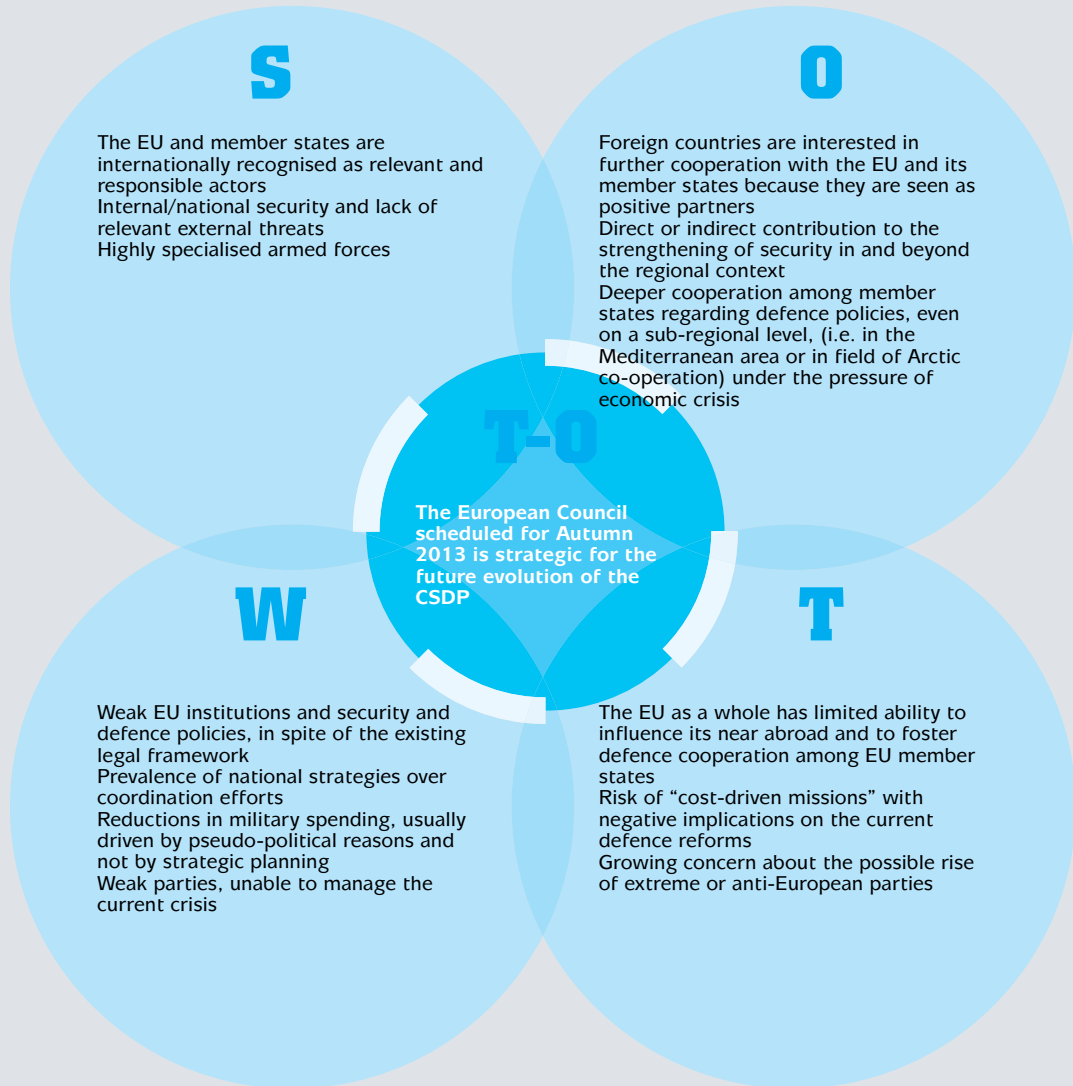
In 2012 the European defence trends were influenced by the financial crisis: they should be considered regarding two levels, politico-military level, (pol-mil) and the industrial one. The first confirms that on defence matters the European Union's remit is still weak, whereas conflicting interests of the different member states hold sway and paralyze any meaningful actions.

A robust export-oriented approach seems to be the only way to keep alive the European defence industry. Some successful examples are the Indian tender won by the French Rafale and the robust German export (especially regarding tanks) towards the Middle East and, more recently, Asia. These success stories confirm the remarkable competitiveness of some European companies, despite a fierce and fratricidal competition between them. The BAE-EADS merger collapse shows the difficulty to go beyond the model of the national champion and to achieve deeper synergies between important European companies in order to face the current competition in the global market.

2013 is a crucial year in which a special focus has to be dedicated to national elections in Italy and Germany, whose results will probably influence European elections of 2014. The rise of anti-European, populist or radical parties is a risk that should not be underestimated. Regarding this issue, the next decisions of the German Chancellor, Angela Merkel, will be important to set many elements of the future European politics, but they could risk to arrive late to influence significant developments in other countries.

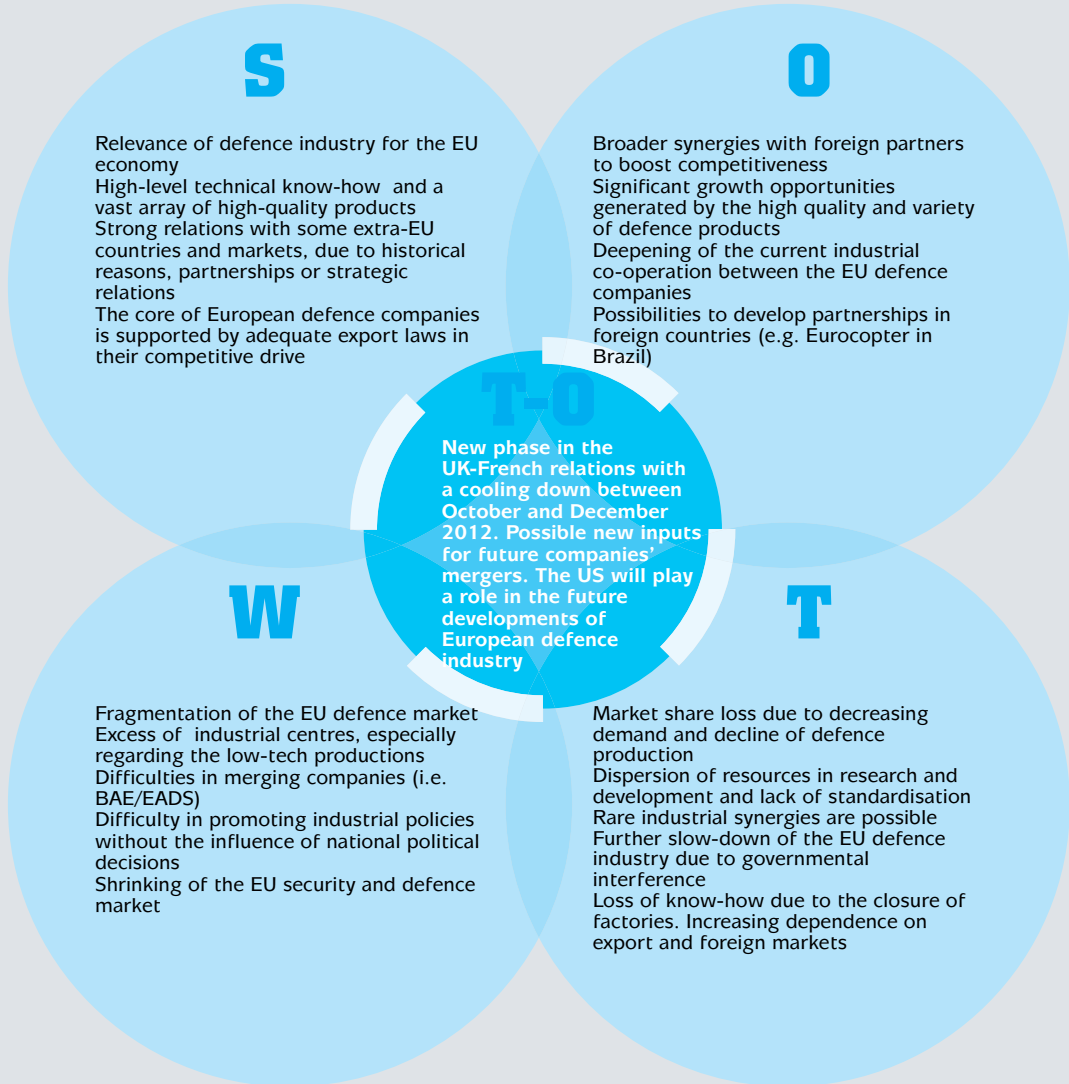
During next year, the European defence is not going to be the hottest political issue in continent, because the member states are still very jealous of their military assets. Despite the efforts of a weak European Defence Agency (EDA)

## POL-MIL LEVEL SQUARED SWOT



and the suggestions from European institutions, it is difficult to foresee radical evolutions in this field. The French operation in Mali (January 2013) confirms these problems. At the beginning France was left alone and only afterwards other EU members accepted the initiative, with different political positions and varying contributions to the ongoing European Union Training Mission (EUTM) in Mali. The Sahel could become a future EU responsibility, especially since the USA are more Pacific-oriented.

## INDUSTRIAL LEVEL QUARED SWOT



The continuing crisis and cuts in defence spending pose a serious dilemma for both the military and the defence industry. Classic remedies are: pooling and sharing (P&S), dual use technologies, export-led strategies, further industrial merger and cooperation programmes. On the other hand, the global economic tsunami, combined with the weakening of the international institutions and of the European integration, jeopardizes many explicit and implicit underpinnings of the usual mantra that justified worn out policies.



## SITUATION

In the past year the whole EU was affected by the economic crisis, with a relevant impact on the defence sector. In particular, this trend is forcing many countries to carry out a general reorganization of the military and of the defence industry, further handicapping an industry that is already in trouble.

On this basis one should consider the events in 2012 and according to two distinct but interacting levels of analysis. The politico-military level is directly related to the national and European choices made by the governments and the institutions in Brussels. The second, the industrial level, is related to the major trends of this business.

The politico-military aspect requires a further subdivision. The member states' defence policies rarely match those of the EU, and usually mismatches can be found between the two levels. While some areas of the European cooperation are currently well developed, the Common Foreign and Security Policy (CF-SP) still relies on intergovernmental procedures, limiting Brussels' room for manoeuvre in this field.

**The EU**, also through the EDA, focuses its attention on capabilities that should be jointly developed, such as air-to-air refuelling or field hospitals to be deployed in operations abroad. A big attention is devoted to pooling and sharing (P&S), yet despite being frequently mentioned the concrete initiatives are still very limited at practical level. Furthermore, doubts arise regarding the future EU-NATO relationship and the emerging of a more efficient European military command. The situation is better in the field of co-operation among national militaries in EU missions: many countries are supporting the European operations sending troops and assets. Also the EU Cyber security strategy (February 2013) shows that the issue is considered a common endeavour.

**The national level** in the politico-military sphere is still crucial to shape the states' security policies, but these have seldom been co-ordinated among member states. France and United Kingdom tried to strengthen their co-ordination some years ago, but the last French presidential elections (June 2012) crippled the "entente amicable" between Paris and London.

Also the Nordic countries (Iceland, Norway, Sweden, Finland and Denmark) are trying to foster regional security co-operation, but currently the only result is a project of joint air patrolling of area above and around Iceland, scheduled for 2014.

Inside the European Union many sub-regional initiatives exist, such as the "Visegrad Four", the "Weimar Triangle" or the "Weimar Plus", however no one has a relevant impact on the CFSP.<sup>1</sup> As for the member states, the widespread

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<sup>1</sup> The Visegrad Four involve Poland, Czech Republic, Slovakia and Hungary. The Weimar Triangle includes France, Germany and Poland, whereas the Plus configuration includes also Ukraine.

trend is strongly oriented towards a decrease in defence spending and an overall reduction in civil and military personnel. Cuts increased during 2012, usually in response to internal political pressures, with the exception of Poland. The main effects were relevant personnel reductions and a downsize of procurement and modernization programmes of the main European armies.

The cuts have affected especially the smallest member states. In a few years they risk to have their military assets strongly conditioned by budget constraints; this trend, while transforming the armed forces' capabilities, will also have a direct influence on national security policies. In other words there is a concrete possibility to have cost-driven armies/missions, with direct and de facto consequences on the militaries' assets and capabilities.

During the air campaign of the Libyan war, the difference between intentions and concrete results emerged dramatically. Twenty years of multilateral statements, agreements between top-spending countries and claims for regional leadership have produced precious few hard operational results. The operations that helped in overthrowing Qaddafi's regime have shown that the European CSDP (Common Security and Defence Policy) is still having some problems.

The main issues are well known:

- The campaign was planned and driven by economic considerations and some allies retired from operations as the costs were increasing.
- There was a limited deployment of units despite mission requirements: during the conflict there were only two air strikes per hour, half of the needed amount. The two European leading countries deployed only 55 aircrafts, an relevant but not decisive number. Data show that in August 2011 France carried out 33% of strike sorties, US 16%, Denmark 11%, and the other countries 10%, including UK and Italy.
- There was a constant reliance on valuable specialised US support. Its role was crucial. 80% of surveillance and reconnaissance flights and the 75% of the aerial refuelling missions were carried out by USAF units. The USA also provided a significant resupply of smart bombs after shortages in European stocks.

At regional level, in 2012 the interest in the North Pole and in its challenges (geopolitics, energy, sea routes) increased. In fact, in March 2012, the High Representative Catherine Ashton underlined the interests of the EU in the Arctic travelling to the Svalbard islands. Regarding year 2013, it seems that the attention of the EU is more concentrated on Southern shores of the Mediterranean and the Balkans (Serbia-Kosovo agreement, April 2013). But the crisis in Mali shows that there are other flashpoints and that member states cannot ignore the fragility of the Sahel area, despite their diverging views.

The industrial level is severely affected by a general decrease in investments

and by a rather strong protectionism within the EU defence market.

Today there are many synergies between defence companies, especially in high-tech sectors, such as space, C4I systems (Command, Control, Communications, Computers and Intelligence), maritime and aeronautical technologies, while in other sectors (such as low-tech and land armaments) the offer is still very fragmented.

The failed BAE-EADS deal, in October 2012, suggests that it is quite difficult to merge top-level companies. The EU defence market is currently in a recession, while European companies are expanding their business and opening new markets, especially in Asia, where many local and regional tensions are igniting a general rearmament process.

To be mentioned: the success of the French Rafale in India, the Swedish Gripen for the Swiss Air Force, the Eurocopter sale in Brazil (EC-275 helicopter) and Germany's strong export performance due to the Dolphin class submarines (sold to Israel) but, especially, "Leopard 2" tanks. The latter are going to be delivered to Saudi Arabia, Qatar and Indonesia (May 2013).

## **PERSPECTIVE**

The complicated scenario of the European defence should be analysed considering both the pol-mil and industrial levels.

In any case the future of European defence in the pol-mil level depends on the decisions taken by the European Union and the member states.

### **THE EUROPEAN LEVEL:**

In the next years the US commitment will increasingly be focused on the Asia-Pacific region, changing the geopolitical balance in Europe. Here it is necessary to face the difficult relationship between the (future) European defence and an evolving NATO.

The European defence is still weak and probably it will not take big steps forward in 2013. Despite many efforts made by the European institutions, the focus of the next year will be the beginning of the campaign for the elections of the European Parliament, expected to be held in 2014. It is hard to believe that the European parties will concentrate on security issues, they will instead probably focus their attention on other topics, in order to limit a possible rise of anti-European and populist parties.

A pragmatic approach to establish a European defence requires a common agenda among member states. As it is known, a coherent reflection about this topic still lacks, due to the diverging positions among EU members. To achieve concrete results, a "top-down" approach, rather than many sub-regional or "bottom-up" initiatives would be necessary. In December 2011 EDA and the mem-

ber states agreed on eleven areas of cooperation and it is possible that in 2013 some projects, among which air-to-air refuelling and medical field hospitals have received much attention, will be implemented.

The European Commission has a limited remit on defence issues. So far the rules set by the 2009 treaties, such as the enhanced cooperation or precisely the permanent structured co-operation (which “introduces the possibility for certain Member States to strengthen their cooperation in military matters”, according to article 42(6) of the Treaty on the European Union) lie still fallow. Probably the use of these tools could help strengthen the various sub-regional initiatives.

The worsening of the political situation and the security scenario in the Sahel will necessary force the EU towards a common reflection, despite the difficulties in forging a consensus. If the EUTM wants to achieve results, the co-operation of other African states involved in the area will be essential. This could open the possibilities for other joint EU-African initiatives.

There are many expectations for the European Council in December 2013. For the first time, the Council is going to deal explicitly with European defence as a whole. This is a positive message, which brings hope that future decisions will achieve effective results for the European defence.

#### **THE NATIONAL LEVEL**

EU member states will keep cutting defence expenditures without any co-ordination or agreement among the different governments. If the ambitions of member states will remain the same, it will be necessary to go ahead with a deeper integration among the different national armed forces, fostering multinational co-operation and taking advantage of some tools such as P&S and the co-operation frameworks provided by the European treaties. Otherwise capabilities will be woefully insufficient.

The crucial challenge really consists not in cuts and savings, but in more efficient spending and procurement policies. With a defence strategy driven by mere profit and implemented by economic institutions, without any adequate political decision, it will be difficult if well nigh impossible to ensure an efficient allocation of resources. Twenty years of bitter experience are sufficient proof of this failure. It would better to establish a serious and long term co-ordination among governments, underpinned by a comprehensive reflection about the capabilities to keep and develop. This approach must consider the future development of the armed forces capabilities, looking beyond pure numbers or short-time political goals. The core of the European defence should be an analysis including political goals, strategic scenario, chain of command and future capabilities.

Before the 2014 European elections polls have been held in Italy (February)

and will be held by September in Germany. The new German leadership should play a decisive role in Europe, not limited to the economic sphere, whereas the Italian one has not formed a government by mid-April 2013.

The industrial level in 2013 will be seriously hit by the decrease of the European procurement, forcing the companies to consider future mergers, especially in the low-tech sectors.

Expanding exports in extra-EU emerging markets will strengthen the companies' presence. While following the strict European regulations in arms trade, the growing tensions in Far East Asia could favour European exports in the area. Future industrial developments should consider protectionism in the European defence market and the often conflicting governmental policies. For the next year some hypotheses can be drawn:

The shrinking of the European defence market will inevitably affect existing industrial policies. In other words, companies should focus on keeping and developing some areas and capabilities, even through joint programmes. This might require to sacrifice some enterprises and to decrease the supply of some defence goods, notably land systems. This option could allow to concentrate the limited resources on fostering some strategic sectors, especially the Research and Development (R&D) branches. R&D investments are crucial to stay competitive in a market characterized by monopolist or oligopolistic barriers, fast-growing technology and a global monopsony put into question by sovereign debts, except for some virtuous and financially sound cases.

The investments reduction will foster the need to develop joint programmes to share R&D costs between partners. Governments, as a prior condition, need to commit themselves to follow a common path, the only way to improve production and logistics.

European companies will insist on promoting strategies for penetrating foreign markets, since a solid export-oriented approach is the only way to keep business alive. The SIPRI latest data for 2010 show that among the top ten world exporters, six are EU member states. Their global market share is 30%, as much as the US, while Russia holds 24%. Moreover, under Merkel's administration, German exports have increased by 9% at global level. The development of exports will be coupled with an increase of partnerships with local companies. Usually, the set up of factories in new markets is a condition imposed by local governments. This approach is the way to strengthen the role of European companies in local markets, provided that they keep a constant technological edge.

# UN and international organizations

VALERIO BOSCO

## EXECUTIVE SUMMARY

The UN action in 2013 is likely to follow the path already charted in the course of 2012. These new developments will be in line with the main points outlined by the UN Secretary General (SG) among the key priorities of his Five Year Action Plan, namely:

- Sustainable development;
- Support to political transitions;
- Strengthening of UN conflict prevention mechanisms; and
- Consolidation of partnerships between the UN and regional organizations in the fields of peace and security.

Besides the laborious definition of the post-Millennium Development Goals (MDG), the political agenda of the UN will focus on the ongoing political transitions in Libya, Tunisia, Yemen and Egypt.

While the UN Support Mission in Libya (UNSMI) will continue to play a crucial role in coordinating the international assistance to the economic reconstruction and state building process in the country, the UN Development Program (UNDP) will intensify its action for the promotion of good governance, political freedom and human rights, electoral assistance, as well as fighting against corruption, in all the countries which were affected by the Arab Revolution.

Concerning the Middle East, the solution to the Syrian crisis will be continuously hampered by the persistent deadlock within the Security Council (UNSC), where China and Russia keep opposing the adoption of UN targeted sanctions against the Assad regime. With regard to the Israeli-Palestinian crisis, the historical decision to provide Palestine with a UNS representation with the Non-Member Observer status, adopted by the UN General Assembly on 29/11/2012, might have less relevant implications than those originally expected.

The emerging role of the Arab League, partially linked to the above-mentioned issues, is likely to further revitalise its reform process aimed at creating new mechanisms and institutions for crisis management. A report to be issued by the SG in the upcoming months will provide specific recommendations on how to strengthen the cooperation between the UN and the League of Arab States for promoting peace and security.

2013 will also open a quite intense period for the UN peacekeeping missions, which will face several reorganizations processes in its missions in Haiti, Liberia, East Timor, Darfur, and in the Democratic Republic of Congo. Furthermore, new interventions will be planned (Mali) and those already undergoing – such as AMISOM, which has been deployed through a comprehensive UN support package - are supposed to be reviewed. Since 70% of the UN peacekeepers are deployed Africa, the emerging partners of the UN, such as the African Union, ECOWAS (Economic Community of Western States) and ICGLR (International Conference of the Great Lakes region), are expected to play an increasing role in this process.

The financial cost of the UN peacekeeping is expected to remain unchanged compared to the period 1/7/2012-30/6/2013. The budget for the fiscal year 1/7/2013-30/6/2014 might slightly exceed the amount of \$ 7,33 billion.

Finally, the detailed Secretariat report on the failure of the UN system in ensuring the protection of civilians during the final phase of the civil war in Sri Lanka, is likely to open a new phase of reflection and reform on the strengthening of UN capacities to promote an effective implementation of the controversial Responsibility to Protect principle.

## Comparison UN-AU partnership and UN-Arab League

	UN-UA: a partnership emerging	UN-LA: "work in progress"
<b>Agreement of Cooperation</b>	UN ten-year program for reinforcing African Union capacity (2006)	No formal agreement of cooperation; this hypothesis is being studied
<b>Reports of the Secretary-General devoted to the two regional organizations</b>	i) The September 2009 Prodi report draws the coordinates of a strategic partnership about peace and security matters and proposes reforms to ensure sustainability and effectiveness to the financing of peacekeeping operations deployed by the AU on the basis of an authorization of the Security Council From the late 90s, the Special Adviser Office of the Secretary General for Africa prepares periodic reports on NEPAD , promoting peace and sustainable development in Africa,	The First UN report on reinforcing of the Arab League and on cooperation between the two organizations will be released in the first trimester 2013
<b>Resolutions of the Security Council about the partnership</b>	There are many resolutions adopted by the Security Council on AU-UN relationship: i) Resolution 1809 of 16 April 2009 asked two Secretariats to prepare detailed plans for strengthening the capacity of the AU in the area of peacekeeping. ii) 2033 12th January 2012 Resolution asked the SG to formulate detailed report about lessons learned of cooperation with the AU in the area of peacekeeping iii) On the operative field the 1769, 31st July 2007 Resolution created the first hybrid mission UNAMID	nothing
<b>Statement of the Security Council</b>	Between 2007 and 2012 the Security Council approved 7 presidential declarations on reinforcing of ONU-UA cooperation in the matter of peace and security,	In September 2012 the SC approved the first declaration on reinforcing of the UN – Arab League cooperation,
<b>Meeting and consultation between UN and ROs Organizations' institution</b>	From 2007 to 2012 there were seven joint meetings between the Security Council and the Peace and Security Council of the African Union,	In January 2012, for the first time, the Secretary General of the Arab League intervened during a debate at the SC



## **SITUATION IN 2012**

Year 2012 at the UN was opened by the confirmation of Ban Ki-Moon as UN Secretary General. At the end of January, the SG unveiled its Five Year Action Agenda that is centred around sustainable development, conflict prevention, enhanced international security (essentially through peacekeeping, and increased nuclear non-proliferation efforts), support to nations in transitions, as well as improved youth and women's participation in the political systems of member states.

Support to democratic transitions and the latest African peace and security issues have been the main focus of the work of the UN Secretariat and the Security Council for much of 2012. Since the first weeks of 2012, the Syrian crisis has been the main issue under review by the Security Council and the UN Secretariat. Nevertheless, the Chinese and Russian vetoes in February and August 2012 prevented the UNSC from adopting targeted sanctions against the key members of the regime in Damascus.

However, the Syrian issue has opened up interesting opportunities for a renewed and more ambitious role of the Arab League in the field of crisis management. In particular, the historical speech delivered by the Secretary General of the Arab League, Nabil El-Araby, at the Security Council meeting (31/01/2012), clearly indicated the willingness of the organization to assume a leading role in the resolution process of the Syrian crisis through the promotion of a peaceful and inclusive political transition. These efforts, together with Russian diplomatic initiatives, seem to have borne some fruit with the recent declaration by the Syrian government indicating in principle the willingness to participate to a peace conference (26/5/2013).

The 25<sup>th</sup> of September, at the margins of 67th session of General Assembly, a Foreign Ministers Meeting of the Security Council discussed the increasing role of the Arab League in the field of peace and security. In that occasion the UNSC reviewed several options for the strengthening of cooperation between the two organizations and asked the UNSG to prepare a detailed report and recommendations on this issue.

The summer 2012 has also witnessed important developments of the situation in Somalia, where the end of the transition opened the way for the creation of a new and more legitimate government. Moreover, an increased stabilization of the areas outside Mogadishu and in the southern part of the country was facilitated by the pro-active role played by the African Union Mission in Somalia (AMISOM), whose forces received a crucial support by the Kenyan and Ethiopian troops.

By June 2013 a new phase will begin because the new U.N. Assistance Mission in Somalia (UNSOM) will replace the long-standing U.N. Political Office in

Somalia (UNPOS), active since 1995. It will be lead by Nicholas Kay, a former British ambassador and Africa director at the UK Foreign and Commonwealth Office, appointed in April 2013 as the secretary-general's new special representative in Somalia.

In 2012 the United Nations also devoted increasing attention to the stabilisation of Libya and the crisis erupted in Mali within the broader context of the unstable Sahel region. In Mali the March 2012 military coup was followed by the declaration of independence of the Azawad region issued by the local Tuareg groups. The Council authorized the UN Secretariat to support the African Union and ECOWAS for planning a regional force with a mandate to help the authorities in Bamako to regain control of the northern areas of the country (13/10/2012).

In autumn 2012, the United Nations finally revitalized the diplomatic process aimed at promoting a multi-dimensional strategy for the economic and political stabilization of the Sahel region. In early October, Romano Prodi was appointed Special Representative of the Secretary-General. The situation precipitated with the jihadist capture of the city of Douentza and in January 2013 of Konna.

By January 2013 France decided to intervene on invitation of the local government and chased the main body of the jihadist forces out of the towns. The 25<sup>th</sup> of April 2013 an UNSC resolution established the MINUSMA (Mission multidimensionnelle Intégrée des Nations Unies pour la stabilisation au Mali -United Nations Multidimensional Integrated Stabilization Mission in Mali) to support the political process and to carry out some essential security-related stabilisation tasks, under robust rules of engagement. A political road map, approved by the Malian parliament in January 2013, has detailed the necessary steps for stabilisation, including legislative and presidential elections in July.

The last few weeks of 2012 have been marked by three important events, namely the new escalation of violence in the Eastern area of the Democratic Republic of Congo, the issuance of the Secretary-General report documenting the UN failure in Sri Lanka and the General Assembly vote assigning the status of non-member observer to the Palestinian Delegation at the United Nations.

First, in relation to the DRC, where the movement M23, probably backed by the Rwandan forces, seized control of the city of Goma, the UN Secretariat is required to intensify its diplomatic pressure on the countries of the region in order to promote a large consensus on effective measures aimed at ending the conflict. The option of restructuring the UN stabilization mission (MONUSCO) in order to deal more effectively with the new crisis is currently under review. The main proposal is to establish an intervention brigade, able to conduct offensive operations also without the local armed forces.

Secondly, the detailed account by the SG over the UN system failure in ensuring the protection of the civilian population during the civil war in Sri Lanka has opened a new debate on the need to assign a prominent importance to the protection mandate within a renewed and more coordinated UN agencies' action in crisis and conflict situations.

Finally, the decision on Palestine, taken by the General Assembly (29/11/2012) marked the success of the Palestinian president Mohammed Abbas and partially compensated his last year failure in acquiring the full UN membership. Following this decision, the Palestinian authorities are now able to fully participate in a large number of UN agencies and may also join the Statute of the International Criminal Court, which would allow them to propose judicial actions against Israel.

### **FORECAST 2013**

The main events of 2012 show the possible directions the UN action may take during the second half of 2013.

The need to agree on new targets for sustainable development and a comprehensive post MDGs agenda will eventually concentrate the debate on issues related to international economic cooperation. Developing countries, supported by China, India and Brazil, are particularly keen to establish a new set of post 2015 millennium goals in order to promote an increased commitment from the international community to support their development needs. This action will probably face deep political resistance by the United States and the Euro-zone countries that are deeply sceptical about the possibility to take on new and greater commitments on official development assistance in a scenario of persistent global economic crisis.

MDG's have achieved unequal success; more needs to be done in the crucial fields of: gender equality, famine and malnutrition, family planning.

The UN support to transitions taking place in North Africa and the Middle East will remain the central topic of the international political agenda. UN stabilisation and post-conflict reconstruction activities in Libya are likely to be further intensified. In the broader Middle East and Northern Africa region, the United Nations Development Program will keep playing a crucial role. UNDP has an in-depth knowledge and grasp of the transformative changes taking place in the area: its Human Development Reports published in recent years (2003, 2004, 2005 and 2009) clearly identified the root causes of social and political unrest that would have later exploded with the Arab Spring.

These reports, which produced much more effective analysis and forecasts on the developments of the region than those carried out by Western intelligence services and research centres, do still position the UN developmental arm as one

of the most relevant actor to support political transitions in the region.

UNDP engagement in Northern Africa and the Middle East will be guided by the “*Strategy for complex response to transformative changes in the Arab region*”.<sup>2</sup> Support to transitions will be based on the facilitation of national dialogue on institutional reforms and constitutional assistance, the promotion of democratic governance as well as social and economic policies for youth and women, the reform of the judiciary and the security forces, the fight against corruption, and the protection of rights human rights and political freedoms. The emerging role played by the League of Arab States in matters related to the maintenance of international peace and security is clearly linked to the political transitions in the Middle East. A report of the Secretary-General on the issue of strengthening relations between the UN and the Arab League is expected during the first half of 2013. This report will outline specific steps for the creation of a strategic partnership between the two organizations in the field of crisis management, and will also propose a long-term UN support package aimed at strengthening the capacities of the Secretariat of the League.

A political office of the UN might be soon established in Cairo, Egypt, in order to act as liaison unit entrusted with the mandate to strengthen exchange of information and cooperation between the two organizations on crisis prevention and mediation, as well as the reform process of the League’s mechanisms for crisis management.

With regard to the situation in Syria, despite the continued paralysis of the Council, the United Nations Secretariat is likely to intensify the preparation of contingency plans for the deployment of a UN force in case a cease-fire occur after a peace conference, eventually followed by a UNSC decision to be adopted on the basis of the Chapter VII of the UN Charter. Size and mandate of such a force will have to be discussed in-depth at a later stage when the above-mentioned circumstances will materialise.

Regarding UN peacekeeping, 2013 will open a period of rationalization, consolidation, and possibly see the launching of new operations or support packages.

The planned reductions in the military component of the blue helmets’ missions in Haiti (MINUSTAH Mission des Nations Unies de Stabilization en Haiti), Liberia (UNMIL, UN Mission in Liberia), East Timor (UN Mission in Timor-Leste, UNMIT, to be liquidated by the end of March 2013), and in Darfur (UN-AU Mission in Darfur, UNAMID), are not expected to impact on the overall budget of the UN peacekeeping.

The above-mentioned reductions are likely to be balanced by the reorganization of MONUSCO in DRC, the design of a possible UN support to the

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2 See: [http://204.200.211.31/Update\\_April%202011/UNDP%20Strategy%20of%20Response%20to%20Transformative%20Changes%20in%20the%20Arab%20Region-Final%20%282%29.pdf](http://204.200.211.31/Update_April%202011/UNDP%20Strategy%20of%20Response%20to%20Transformative%20Changes%20in%20the%20Arab%20Region-Final%20%282%29.pdf), (8/1/2013).

ECOWAS-AU force in Mali and the restructuring of the UN support-package in Somalia for the AMISOM. The budget of the UN peacekeeping for the fiscal year 1 July 2013 to 30 June 2014 may reach an amount around \$7,33 billion.

The first major challenge for the UN peacekeeping in 2012 is the reorganization of the longest presence of blue helmets in Africa. In DRC, MONUSCO is required to enhance its role to facilitate the dialogue between the countries of the area with a view to the promotion of an effective and long-term solution to the crisis in Goma and in the Eastern region of the country. The reconfiguration of MONUSCO's civilian component along with the possible deployment of an international intervention brigade with a more robust mandate will be discussed by the Security Council.

An additional challenge will be linked to the design of an effective UN or international support package – with a crucial role to be played by the EU – for the Africa-led International Support Mission in Mali (AFISMA). The provision of operational and logistical support, the organization of training programs for administrative and military officers, as well as the supply of military planners, will create the necessary conditions for an accelerated deployment of the African contingent in the very complex and chaotic context of Northern Mali. Furthermore, it will be probably up to a major international conference of donors to indicate in details the forms of support to be given to the above-mentioned force. It should be noted that the deployment of a UN political presence in Mali might also be envisaged. Its profile could be centred on the support to the political transition and the national reconciliation process in Mali, and eventually focus on the preparation of new elections, as well as on the promotion of democratic governance and human rights.

In the meantime, the instability in Sudan will be closely monitored by the three peacekeeping missions deployed in the country, namely the UN-AU hybrid force in Darfur, the UN Mission in South Sudan, UNMIS, and the UN Interim Security Force for Abyei (UNISFA). The government of Omar al-Bashir, which has been so far able to neutralise or avoid “the Arab Spring contagion”, should be appropriately encouraged by the UN and AU to undertake the necessary reforms in order to avoid the risk of a violent transition, and open a new and more constructive phase in its relations with the South Sudanese authorities.

Finally, in relation to the 29/11/2012 historic vote on Palestine, the new non-member observer status will not have an immediate impact on the work of the UN. In fact, the Palestinian delegation at the UN already enjoys high visibility and negotiating power within the General Assembly and its Fourth Committee (Special Political and Decolonization Committee). The birth of the Palestine State will more realistically pass through direct negotiations with Israel.

# Energy Sector

ANGELANTONIO ROSATO

## EXECUTIVE SUMMARY

The year 2012 has been by marked some “silent revolutions”, in three relevant directions:<sup>3</sup>

- The II Great Energy Revolution,
- The Globalization of Energy Markets by the demand side,
- The accelerated melting of Arctic ices, caused by global warming.

The II Great Energy Revolution is a mixture of prospecting and extractive technologies and techniques which allow recovering fossil energy from conventional and unconventional fields, at attractive prices.

The consequence in the short/medium term will be a massive supply of conventional and unconventional hydrocarbons, often with projected prices that are more convenient than today. Today, shale gas represents almost 25% of the total natural gas output in the USA, and, according to forecasts, it could increase up to 50% by 2030 (IEA, Annual Energy Outlook 2013 Early Release). These events have created what can be called the “New Energy Frontiers” with the caveat that the sustainability of shale gas has still to be confirmed.

Considering market inefficiencies in self-regulation and the inability of national states to solve cross-cutting issues, the globalization of the energy demand will require unprecedented political planning efforts at both regional and inter-regional level.

Two apparently contradictory questions should be considered:

- Given the increasing energy demand all over the world, and in particular in the BRICS, will there be enough energy for everyone?

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<sup>3</sup> A silent revolution is the opposite of a “noisy” revolution (i.e. the classic revolution involving the use of force like in France, Russia, Iran, and Libya).

- Is the diversification of energy policies (exiting nuclear power in some countries, strengthening the nuclear option in others, production increase of conventional and unconventional hydrocarbons, investments in renewable energy, the reduction in consumption due to the global economic crisis, etc.) likely to create an excess of poorly distributed production and with unpredictable ecological consequences?

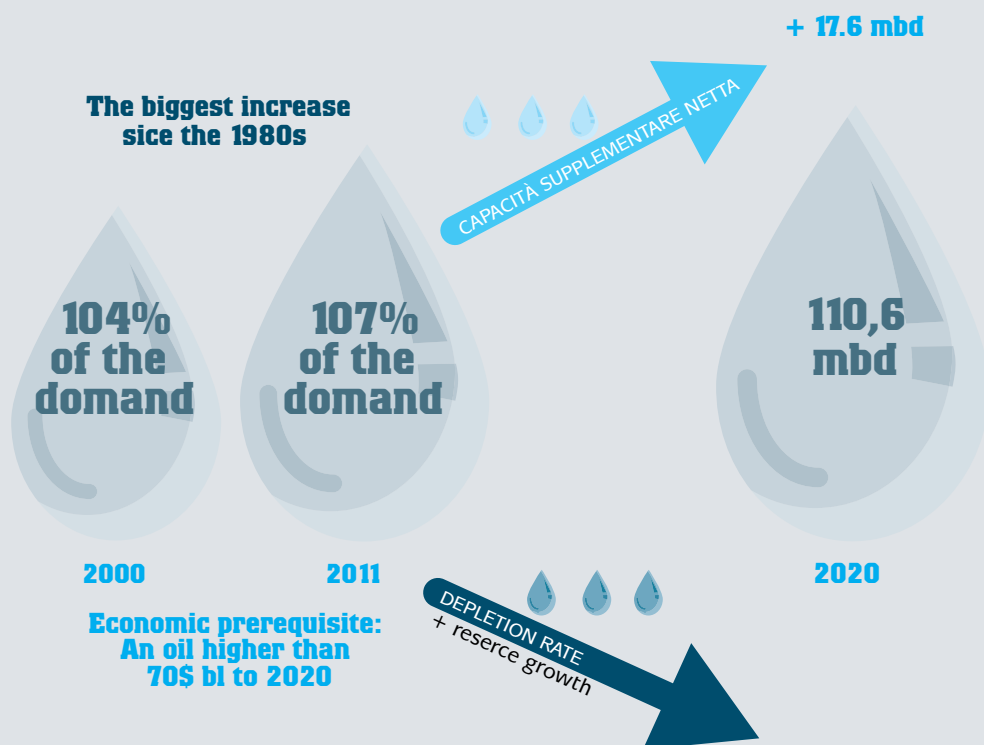
As hydrocarbon supply will gradually meet consumption needs, so far drastically reduced in the advanced economies, state subsidies for the development of the so-called renewable energy will be contracted, while final prices will depend on fiscal policies with the important exception of the BRICS economies where the growth rate will decide hoarding and consumption on the global market.

Unfortunately, in the short term oil prices are, and will be, increasingly volatile, in other words subject to rapid, sudden, unexpected changes, with important similarities to the current financial dynamics. Given that a large part of the trade is only virtual, it is possible to speak about a financialised oil market.

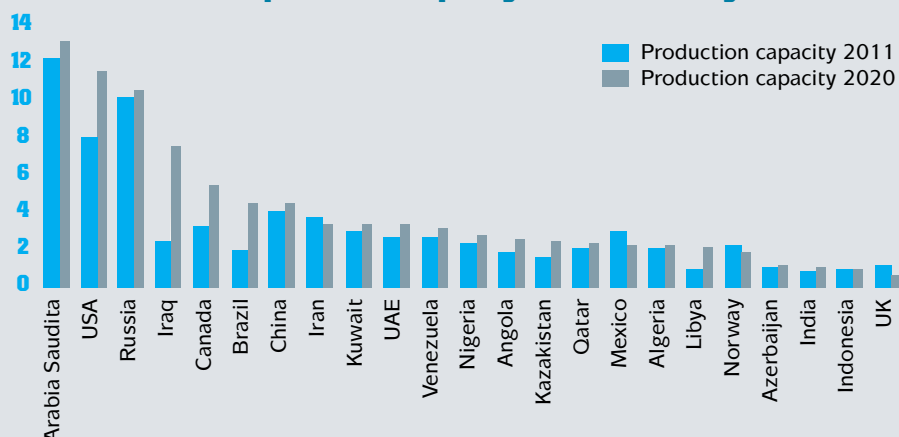
The possible Israeli attack against Iran is another factor of instability which could create temporary tensions in the global energy markets. Less visible, but not less concrete is the risk associated to the possible re-emerging of the badly managed Kurdish issue. The safety net, represented by the traditional Saudi strong swing capacity, should not make us forget that in the next two years crucial decisions have to be taken at every level: global, European and thus national.

Finally one of the consequences of the melting of the Arctic polar cap could be far reaching, going beyond new areas of energy production. Namely Russia could shift its geopolitical function from the traditional heartland state to a maritime state pivoting around the Arctic Ocean with fascinating implications for new global power balances.

## World Oil Production Capacity from 2000 to 2020



## Evolution of oil production capacity for each country in 2020



Source: Leonardo Maugeri, *Oil: The Next Revolution. The unprecedented upsurge of oil production capacity and what it means for the world*, Belfer Center for Science and International Affairs, John F. Kennedy School of Government, Harvard University, June 2012, pag. 1.



## SITUATION

Year 2012 was a particularly complex one since it represented the junction between the assessments regarding short term impacts and developments initiated five years ago, that will bear fruit in the short- medium term.

The short-term assessments regard:

- The start of the laying of the South Stream gas pipeline and the postponement of its branch to Apulia via Greece;
- The investment in five years of more than \$26 billion by the state-owned Saudi Aramco in order to ensure a constant flow of oil to the market and, if necessary, to cover, for a certain period of time, a share of Iranian oil frozen by force majeure circumstances, such as embargoes and or a short conflict.

The continuation of the debate on carbon dioxide cuts, whose current levels are actually considered insufficient (PwC study, November 2012). Despite the IEA stating that CO<sub>2</sub> emissions will never come back to the alarming levels of 2005 (-9% of emissions), the debate is far from academic judging by the first effects of the introduction by 2011 in the of the CAFE standard (Corporate Average Fuel Economy) in the USA, but also by the creation of special European coalitions for a low-carbon energy policy.

The beginning of the construction of the world's largest offshore wind farm (1 GW) in the UK.

The link between CO<sub>2</sub> emissions and the fast Arctic ice melting: the higher the concentration of carbon dioxide, the faster the melting, according to the "On thin ice" study of the MIT, that substantially indicates that melting may be much faster than imagined. Evidently during the next two years it is necessary to act in order to forestall this global and anything but predictable phenomenon.

The signature of the agreement (October 2012) for the Trans-Adriatic Pipeline (TAP), scheduled to start in 2014-15 in order to reduce European dependency from Russian pipelines.

The serious friction between the European Commission, the European Union and Russia regarding Gazprom's network management, that is considered to be monopolistic and undermining free competition in the WTO (World Trade Organization). Moreover, Gazprom is the third global company by tangible assets.

The gas game, apparently dominated by the Russia, Algeria, Qatar trio, is being reopened by two Anglo-Saxon countries: the USA with its shale gas investments and Australia with \$175 billion invested to beat Qatar as the largest LNG exporter (Liquefied Natural Gas).

This apparently heterogeneous group of facts allows to understand the correlation among three important phenomena: the II Great Energy Revolution, the Globalization of Energy Demand and the accelerated melting of Arctic ice.

The I Great Energy Revolution took place between the late Eighteenth-early Nineteenth centuries with the coming of the steam engine; it was fuelled by coal, the then revolutionary energy source. Afterwards, oil and gas set in, and these resources are experiencing today a second youth, thanks to unconventional hydrocarbons.

The energy revolution of shale gas and the parallel one of shale/tight oil are localized regarding extraction processes almost exclusively in the American continent and are unlikely to spread over Europe in the short-medium term.

In the same lapse of time, the consequence will be a massive inflow in the market of these unconventional hydrocarbons, usually at competitive prices. Today shale gas represents already about 25% of natural gas supplies in the USA and, according to forecasts, it could reach 50% by 2030 (IEA, Annual Energy Outlook 2013, Early Release).

As a word of caution vis-à-vis these promising perspectives, one should nevertheless take into account that by May 2013 only one shale gas formation (Marcellus) was increasing its production, another was still stable (Eagle Ford) while other areas were in decline. Rediscovering another giant gas field like Marcellus is considered by specialists rather improbable.

The Globalization of Energy Demand is a revolution that will require unprecedented political planning efforts at both regional and inter-regional level, in order to compensate the inability of market regarding their self-regulation and nation-state handicaps in tackling transnational problems.

In fact, it will be necessary to tackle two apparently contradictory issues:

1. Will there be enough energy for everyone, given the rushing demand by BRICS and by rest of the world?
2. Is the diversification of energy policies (exiting nuclear power in some countries, strengthening the nuclear option in others, production increase of conventional and unconventional hydrocarbons, investments in renewable energy, the reduction in consumption due to the global economic crisis, etc.) likely to create an excess of poorly distributed production and with unpredictable ecological consequences?

In the meantime, Italy is still depending on Russian and North African gas pipelines (about 2/3 of industrial power generation, as well as heating and cooking). So far, the drastic reduction in consumption and the forecasts of a slow recovery expected by 2014 and in the worst case around 2018 help in deferring difficult decisions.

That said this situation does not exempt the Italian government from beginning to study alternatives offered by shale gas and LNG, even if a realistic ten years horizon before arriving to full production has to be taken into account.

However, strong environmental oppositions against shale gas are growing in Europe, especially in France, and also in some US States. Criticism focuses on the hydraulic fracturing (also called fracking or hydrofracking), the technology that is used to release the gas from the shale in which it is trapped, cracking them with water and lubricants under high pressure. The consequences on the environment are fairly intuitive.

But since energy variables can no longer be considered in isolation, it is necessary to start thinking about the implications of the Italian National Energy Strategy. Italy risks losing its control on the routes to the Mediterranean for the well-known logistical inefficiencies of the Gioia Tauro container port in Southern Italy and the fierce competition among Mediterranean ports, including Tangermed in Morocco. Furthermore, in these years, the reduction of the polar ice cap may facilitate LNG exports via Arctic.

The first unknown regards the possibility that the United States take the strategic decision to structure NAFTA as an energy self-sufficient block, directing exports to Canada and Mexico (see IEA, Annual Energy Outlook 2013 Early Release), and leaving their BRICS competitors depend on other countries.

The LNG issue immediately recalls the long saga of the regasification terminals in Italy. It is a fact that it took 11 years to let fail the strategic project of a regasification plant in Capobianco (Brindisi, Southern Italy) and in March 2012 British Gas finally waived every investment after numerous legal battles. It is also clear that Italy's one and only regasification terminal in Rovigo satisfies only 10% of the country's gas needs.

It is true, as already told, that the sharp drop in demand reduces also the impact of negative decision. But it imperative that during the current Letta government strategic energy parameters have to be redefined, otherwise the next government (and possibly parliament) will be unable to take an actionable decision taking into account the long time frame required by a large infrastructure project in Italy. This becomes even more important because, since the end of last summer, the melting of the Arctic ice is accelerating: time frames to decide in political and operational terms about new polar routes or exploitation of mineral resources are likely to shift from 5-10 years to 3-5 years. Moreover since 2012 the Arctic power constellation is changing: Russia is the top contender, expanding and modernising its fleet of icebreakers. It also led several seabed missions under the North Pole to evaluate the new routes, mining and economic opportunities. The United States instead are lagging behind in the race to the Arctic while other actors, first of all Canada, are pressing on.

Current international arrangements for the Arctic Ocean are still inadequate regarding territorial and economic disputes, but a first basis for settlements is provided by the Ilulissat Declaration of 2008.

## PERSPECTIVE

Besides the American Revolution of shale gas (and of shale/tight oil), a conventional oil boom is looming in the near future: the production from conventional fields is growing worldwide at an unexpected rate.

Summing the effects of conventional and un-conventional oil production, a situation is developing in which Canada, Brazil, Iraq and the USA show the highest potential in terms of effective production capacity growth. Only Iraq belongs to the traditional oil industry centre of gravity (and crisis), the Persian Gulf, while all the other countries are in the Western Hemisphere.

In the Americas, the explosion of the hydrocarbons production is promising a new oil and gas Eldorado, although it is difficult to foresee the duration of this upsurge.

This oil revival is due to massive investments, started in 2003 and peaking in 2010, with a three-year cycle worth over \$1,5 trillion, in exploration of new fields and in the production of oil and gas. In particular, the United States could get to produce by 2020 up to 11,6 mbd (million barrels per day) of crude oil and NGLs (Natural Gas Liquids), thus becoming the second world oil producer after Saudi Arabia, also heavily investing in exploration and technology.

The repetition of the Shale Gas American Revolution in Northern Europe is, at least in the short term, less sure due to structural and environmental problems, despite the strong enthusiasm in Poland.

In the short term oil prices are, and will be, increasingly volatile with important similarities to the current financial dynamics. Given that a large part of the trade is only virtual, it is possible to speak about financialised oil markets. This trend has been shown in 2008 when in a few months prices fell down from 141 \$/b (dollars per barrel) in July to 35 \$/b in December – with interesting similarities to the current dynamics of the financial market.

This increased volatility is brought about by real, psychological, geopolitical and financial speculation motivations. The traditional game of supply and demand, therefore, is not enough to explain the fluctuations in current prices. Moreover, changes, which could be extreme in both directions, will be even more difficult to predict in the near future.

In fact, after 2015 the majority of the exploration and oil development projects, started in previous years, will be well under way and may thus contribute to a substantial drop in oil prices, perhaps even to a collapse in prices, due to the injection of a massive amount of conventional and un-conventional hydrocarbons on the market *ceteris paribus*, which will worsen the current stagnation in demand for energy and the persistence of the global financial and economic crisis.

To give an idea of the entity of this expected oil overproduction, it is interesting to remind that by 2020 the net additional production capacity could reach

17,6 million barrels per day, thus leading world oil production capacity to 110,6 million barrels per day, the largest increase in production ever recorded since the 80s.<sup>4</sup>

This amazing growth of global oil supply may well favour the cut of governmental subsidies for the development of renewable energies, particularly in some European countries such as Germany. It will also pose concrete dilemmas in terms of grid parity (i.e. the equal share of fossil and renewable energy put in the electricity network); such dilemmas can be only partially solved by the dynamics of plastics and petrochemicals production.

The most disturbing factor in the short term is related to the possible worsening of the crisis linked to Iran's nuclear program: if Israel attacks Iran, and if Tehran consequently implodes or decides to close the Strait of Hormuz as a consequence of the attack as well as of sanctions, a temporary unbalance in world energy markets could happen. The same could happen if the Kurdish issue is not solved in a wise and negotiated way.

This would be a salutary warning regarding the aforementioned need for regional and international planning, even if the Saudi reserves, the area's alternative pipelines and the relative capacity to compensate of African producers, could provide a useful buffer.

One of the consequences of the melting of the Arctic polar cap could be far reaching, going beyond new areas of energy production: Russia could shift its geopolitical function from the traditional heartland state to a maritime state pivoting around the Arctic Ocean with fascinating implications for new global power balances.

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4 See. Leonardo Maugeri, *Oil: The Next Revolution*. The unprecedented upsurge of oil production capacity and what it means for the world, Belfer Center for Science and International Affairs, John F. Kennedy School of Government, Harvard University, June 2012.

# International Organizations and Central Asiatic Co-operation

LORENA DI PLACIDO

## EXECUTIVE SUMMARY

Year 2013 is for the Central Asian space crucial in preparation of December 2014, when the of NATO/US forces will withdraw from Afghanistan and the ability of regional actors to be security providers will pass its acid test.

Different vectors are acting in that theatre, most of them attributable to Russia, such as the Shanghai Co-operation Organization (SCO) and the Collective Security Treaty Organization (CSTO), while other belonging to significant local actors (Uzbekistan, Kazakhstan).

In the course of 2012, Russia has consolidated its position in Central Asia, strengthening its presence in the military field. The signals that Russian interest is certainly alive are represented by agreements that have come into effect, assistance that was promised and rapprochements that were made with some Central Asian states. Anyway, Russia is currently acting through rather traditional political tools instead of entering the fray in this volatile environment, characterized by cross-border trafficking from Afghanistan. This framework will become even more dangerously dynamic after the withdrawal of the multinational forces.

Nevertheless it is not very clear whether Russian interests represents the need to play a role in an increasingly uncertain security environment or whether it is a way to consolidate its presence in the region by force of habit.

In 2012 the SCO has further focused on the fight against three evils (terrorism, separatism, extremism) and cross-border criminal trafficking. A new element has emerged from the decision to accept as new dialogue partner Turkey and as new observer Afghanistan. From the widening of the SCO horizons do not appear to arise, however, new guidelines for the development of the Organization.

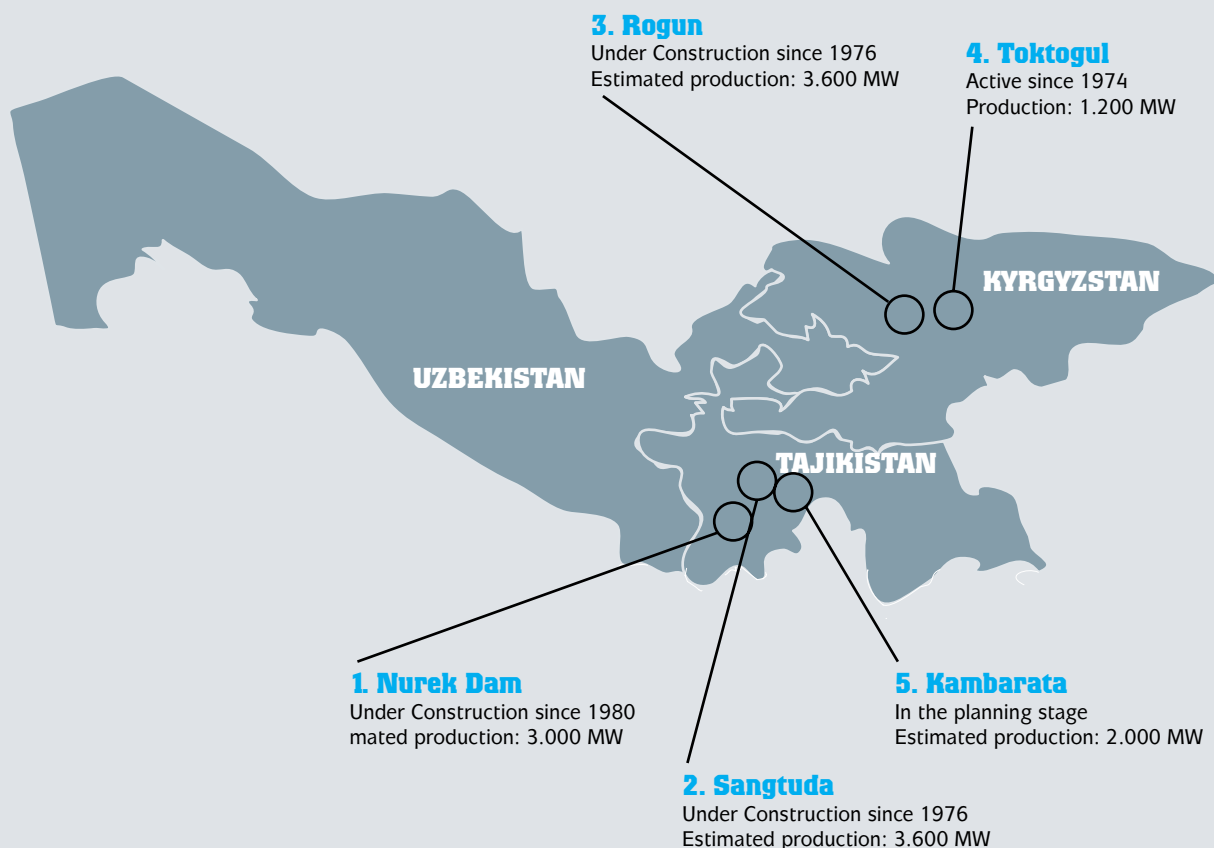
The CSTO still keeps potential a rather undeveloped potential; moreover the Organization is under pressure due to the self-suspension of Uzbekistan. This does not affect its operational dimension, but surely the strategic-political one.

Taking into account the substantial immaturity of regional organizations and the desultory bilateral relationship between Moscow and some Central Asian republics (Uzbekistan and, to a lesser extent, Turkmenistan), Kazakhstan could emerge as a credible candidate - for its geo-strategic importance, political stability, economic capacity and resourcefulness - for a leadership role in the Central Asian complex environment. This development could be facilitated also by its multi-vector foreign policy, i.e. it is oriented to maintain good relations with an established partner like Russia, while it is also open to new regional and extra-regional ones.

In the background there are also the prerogatives of China and the United States, which in different ways take part in the dynamics of the Central Asian space. China maintains a lively interest in economics and in the exploitation of energy resources, while United States add to economic interests also security ones. Both will continue to exert in the years to come an influence in regional dynamics.

Unresolved issues that affect the bilateral relations among Central Asian republics since independence from the Soviet Union will probably make the regional framework even more uncertain. The still open dispute over water resources between Uzbekistan and Tajikistan, the difficult management of the energy grid and the issue of regional borders (some parts of which are still mined or unmarked) remain a constant critical issue the area. Instead of existing reasonable margins for a solution in the short to medium term, the prevailing conditions point to an exacerbation of ongoing tensions that could end in an open confrontation.

## Map of the main hydroelectric power plants in Kyrgyzstan and Tajikistan



### TADJIKISTAN

#### Oil

(thousands of barrels per day) (2011)

Total production: 0,22

Consumption: 43,00

Import/export: - 42,78

#### Natural gas

(billion cubic feet) (2011)

Production: 0,02

Consumption: 0,13

Import/export: 0,16

#### Electricity

(Billion Kilowatt-hour) (2010)

Net production: 16,22

Net consumption: 13,60

### KYRGYZSTAN

#### Oil

(thousands of barrels per day) (2011)

Total production: 0,95

Consumption: 17,00

Net export: - 16,05

#### Natural gas

(billion cubic feet) (2010)

Production: 0

Consumption: 0,45

Net export: - 0,45

#### Electricity

(Billion Kilowatt-hour) (2010)

Net production: 11,19

Net consumption: 7,33



## **SITUATION**

### **THE CRISIS BETWEEN UZBEKISTAN AND TAJIKISTAN COULD IMPINGE ON REGIONAL SECURITY**

Even during year 2012 the bilateral crisis between Tashkent and Dushanbe continued with periodic blockades against Tajikistan's communications and electricity's distribution. Besides degrading an already parlous economic situation, such a state of perpetual crisis is a powerful distraction for national authorities away from serious security threats (trafficking, religious extremism), whose reverberations are significant in the short to medium term in the whole area.

### **NATO-CENTRAL ASIAN STATES AGREEMENTS**

During 2012 NATO signed agreements with Kazakhstan, Uzbekistan and Kyrgyzstan in order to facilitate the withdrawal of troops and equipment from Afghanistan. The routes through Central Asia have acquired a special importance after the temporary closure of those via Pakistan. The countries of transit may receive a part of the American military equipment transferred from Afghanistan. The withdrawal of NATO/US forces from the theatre would seem to pave the way (at least in the short term) to a limited continuation of a partnership with coalition forces.

### **THE PROSPECTS OF SCO**

The 6-7<sup>th</sup> of June 2012 the annual summit of the Organization of Shanghai for Cooperation Organization (SCO) was held in Beijing. The December 2014 deadline calls for the SCO member states to become aware of a situation of great uncertainty in their area of responsibility. So far member states are strictly oriented in favour of fruitful bilateral relations rather than carrying out successful initiatives at a regional level. This attitude projects unfortunately an image of collective inertia and political flimsiness. In 2012 Turkey was allowed among the dialogue partners of the SCO and Afghanistan among the observers. However, these changes do not substantially alter the balance of the Organization. They represent instead for Turkey the creation of an additional access to the Central Asian business opportunities and for Afghanistan the attempt to achieve a deeper integration into the regional context. Conditions seem not yet mature enough for an evolution of the Organization towards a greater and active involvement in the most critical issues of its area of interest.

### **UZBEKISTAN'S WITHDRAWAL FROM THE CSTO**

The 28<sup>th</sup> of June 2012, Uzbekistan announced its intention to suspend its par-

ticipation in the CSTO (Collective Security Treaty Organization), triggering speculations about possible repercussions in a post-2014 scenario. Such choice has been the final result of the determination, many times expressed in the past by Tashkent, free itself from external (i.e. Russian) influences. From a practical point of view, there should be no major changes in the CSTO area of responsibility: with Russia or the CSTO bilateral relationships will continue and the same will happen with each single Central Asian republic. The game is readiness to cooperate with Moscow in order follow individual national interests, but without ignoring agreements with Western countries in the wake of the withdrawal from Afghanistan.

#### **NEW RUSSIAN-TAJIK BASING AGREEMENT**

The Defence ministers of Russia and Tajikistan have signed an agreement that allows Moscow to keep in the country 7.000 soldiers of the 20<sup>th</sup> motorized division, located near Dushanbe and in the southern cities of Kulob and Qurgon-Teppa until 2042 (5/10/2012). Russia confirms an intention to strengthen its military presence in the region defending the traditional privileged relations in the military field.

#### **AFGHANISTAN AND CHINA AGREE ON ENERGY AND SECURITY**

China and Afghanistan concluded a number of economic and security agreements during a visit to Kabul by Zhou Yongkang, the first prominent member of the Chinese leadership to go to Afghanistan in the last half century (23/9/2012). China is already an important presence in the Afghan mining sector with investments in the Logar and others provinces along the course of the Amu Darya basin. Beijing has now decided to support Afghanistan also in the security sector, providing training for 300 policemen during the next four years. The value of this measure given the situation in Kabul cannot be underestimated. The economic sphere is one of Beijing's prerogatives in the area and the agreements with Afghanistan represent a further step after similar ones with other countries, while security activities may be a new co-operation trend. It remains to be seen whether this activity will be complementary or competitive vis-à-vis other partners in Afghanistan.

#### **PERSPECTIVE**

The Central Asian region presents a substantially crystallized situation, which is unaltered since independence to date. The long-standing disputes originated in the nineties remain on the floor, creating a growing tension that could escalate into open conflict. Regional actors seem to be immature and unprepared for the post-2014 fluid scenario. Once left alone, Afghanistan is likely to become even

more problematic for regional stability and security perspective is substantially negative. Without adequate national and regional structures and equipment, the Central Asian republics are overall vulnerable to cross-border criminal trafficking emanating from Afghanistan. Russia remains anchored in a post-Soviet vision of the relationship with the former periphery of the empire, traditionally based on military presence and political support to local leadership. Though this attitude seems to be functional to the pursuit of national interests, it doesn't lead to the maturation of a scenario capable of positive developments. Here are some relevant issues.

#### **SCO: NEW DEVELOPMENTS AND PROSPECTS FOR SECURITY**

The year 2012 ended with the summit of the prime ministers of the SCO (4–5 December). During the summit, Russian Prime Minister Dmitri Medvedev has proposed the establishment of a rating agency within the Organization; Pakistan and India have shown interest in full membership (supported, respectively, by China and Russia) and infrastructure projects were discussed. The organization strengthened the development lines of the recent years, focused on the interests of regional powers: economic and financial consolidation, simplification of trade, regulation of spaces and zones of influence. Although Afghanistan has been accepted as an observer in the 2012 Beijing Summit, the SCO is far from an engagement in the security sector, although it is crucial for the stability of the country and the region around it. A possible expansion of the membership will probably remain frozen so far. Actually, it would imply the search for a new balance within the Organization, between the regional powers themselves and between them and the other members and observers of the SCO.

#### **THE CSTO, BLUNT WEAPON OF MOSCOW IN CENTRAL ASIA**

Uzbekistan's withdrawal from the CSTO requires a reflection on the effectiveness of the organization in its area of responsibility. The participation of Tashkent has been inconsistent over the years, as the interest of the local leadership has focused on its independence rather than on the decisions induced by supranational bodies. So far, CSTO has never been involved in regional crises, limiting its activities to military exercises in which the Russian force was dominant over the others. Therefore, with or without the membership of Uzbekistan, the CSTO seems to be a useful tool in order to keep the Russian military influence on the post-Soviet republics rather than a necessary tool to effectively intervene to safeguard regional security.

## **THE EU AND THE LIMITS OF ITS APPROACH**

Since 2007 the EU has structured relations with each of the Central Asian republics as part of a specific strategy for Central Asia and appointed a special representative for the region (from 1<sup>st</sup> July 2012, the German Patricia Flor). Although EU has understood the potential of economic and energy cooperation offered by the Central Asian states, its strategy lacks structured actions. Even with attractive growth prospects and mutual benefit, the bilateral approach of individual European countries is more effective than concerted action at EU level.

## **UNITED STATES: SO FAR, SO CLOSE**

Arguably, the end of coalition NATO / U.S. operations in Afghanistan, scheduled for 2014, will not result in a net outflow of the United States from the region. Actually, the agreements concluded for the transit of men and equipment from Afghanistan implicate an upgrade of bilateral relations with the U.S. In the case of Uzbekistan, an agreement for the creation of a new support structure seems to be on the way. It should be a “sleeping”, low-profile base without stationed troops, even though, officially, the country does not want foreign bases at all. Due to security and economic reasons, this perspective is connected with the strong presence of U.S. companies operating in Kazakhstan, especially in the energy sector. Therefore, they will continue to operate in the region and represent an element to be taken into due account for the determination of regional balance.

## **CHALLENGES TO CHINA'S PRESENCE IN CENTRAL ASIA**

Over the years, China has become an important trading partner of the Central Asian republics, playing a special role in the exploitation of energy and mineral resources. This trend is likely to progress and mature, albeit with some exceptions. Over the past two years a climate of hostility towards Chinese companies has been consolidating in Kyrgyzstan, which could affect FDI in the country. However, in Afghanistan and Kazakhstan investment opportunities are growing.

## **GETTING CLOSER TO A CLASH ON WATER RESOURCES**

Management of water resources in Central Asia confirms a destabilizing trend in regional security. The projects of construction of hydropower plants in Kyrgyzstan and Tajikistan (mainly Kambar Ata and Rogun) dramatically deplete the flow of the Syr Darya and Amu Daya rivers and downstream countries – Kazakhstan, Turkmenistan, Uzbekistan – receive much less water for agricultural purposes. Particularly critical are the relations between Tajikistan and Uzbekistan and an escalation of reprisals by the authorities in Tashkent cannot be ruled out.

## **PERSPECTIVE**

The Central Asian region is substantially a crystallized situation, which is unaltered since the fall of the USSR to date. The long-standing disputes originated in the Nineties with independence remain open, nurturing a growing tension that could escalate into open conflict. Regional actors appear to be immature and unprepared for the post-2014 fluid scenario. Once left alone, Afghanistan is likely to become even more problematic for regional stability and the security outlook is substantially negative.

Without adequate national structures and lacking regional frameworks, the Central Asian republics are on the whole vulnerable to cross-border criminal trafficking emanating from Afghanistan. Russia remains anchored in a post-Soviet vision of the relationship with the former periphery of the empire, traditionally based on military presence and political support to local leaderships. Although this attitude seems to be functional to the pursuit of national interests, it doesn't lead to the evolution of positive scenarios. Following are some relevant issues.

### **THE SCO: WHICH NEW DEVELOPMENTS AND SECURITY OPPORTUNITIES?**

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### **THE CSTO: MOSCOW'S BLUNT WEAPON**

Uzbekistan's withdrawal from the CSTO questions effectiveness of the organization. The participation of Tashkent has been inconsistent over the years, as the interest of the local leadership was focussed on its independence rather than on the decisions induced by supranational bodies. So far, CSTO has never been

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### **WATER RESOURCES AND THE IMPENDING CLASH**

Management of water resources in Central Asia continues to destabilize regional security. The projects of construction of hydropower plants in Kyrgyzstan and Tajikistan (mainly Kambar Ata and Rogun) dramatically reduce the

downstream flow of the Syr Darya and Amu Daya rivers with Kazakhstan, Turkmenistan and Uzbekistan receiving much less water for agriculture. Particularly critical are the relations between Tajikistan and Uzbekistan and an escalation of reprisals by the authorities in Tashkent leading to open conflict cannot be ruled out.





# Methodological Appendix

ALESSANDRO POLITI

## THE SQUARED SWOT MATRIX (SWOT<sup>2</sup>)

There are many analytical methods applied in analysing international developments or strategic matters, but, more often than not, notwithstanding the insight of the individual researcher, they are heavy. Their complexity and dependence from many parameters, variables and assessments proves them to be difficult to use and handle. Moreover they require often proprietary software that is a barrier to entry useful for the specific business, but not for the diffusion of knowledge and awareness.

For these reasons, it may be worth borrowing from business a tried and tested tool and employ it in the field of international and strategic affairs with an important modification. Nothing of course can replace the culture, the experience and the sensitivity of the analyst or the researcher, but an aid to marshal ideas and to keep under control relevant aspects can facilitate the exploration of different scenarios, the out of the box thinking or the insight in data that had been collected but not fully exploited.

The SWOT matrix is a business analysis technique credited to Albert Humphrey, a management and busi-

ness consultant deceased in 2005. It is based on the idea of arranging in a synoptic fashion factors like:

- Strengths
- Weaknesses
- Opportunities
- Threats (or Risks)

It is easy to understand that these factors follow a horizontal divide in the scheme, distinguishing between internal factors (regarding a company, a product, an economic actor) and external ones (market opportunities, competitors' mistakes, technology).

And it is also easy to understand that who has the responsibility to classify different data as specific factors is the manager who finally takes the decision.

**Figure 1** shows how a SWOT matrix is drawn.

From this matrix is it possible to derive standardised strategies combining internal capabilities and external environment, like the following one, adapted to a Pakistani oil company in an unspecified period of time. This matrix is also called with the TOWS anagram, see **figure 2**.

Nevertheless the business world is much simpler than politics in general and international politics and strategies in our case.

Businesses are in general internally complicated structures that have to confront only in part external complexity, whereas international analysts and researchers are constantly immersed in complex systems.

## 1. SWOT ANALYSIS

	Helpful to achieving the objective	Hermful to achieving the objective
Internal origin attributes of the organizations	<b>S</b> <b>Strengths</b>	<b>W</b> <b>Weaknesses</b>
External Origin attributes of the organizations	<b>O</b> <b>Opportunities</b>	<b>T</b> <b>Threats</b>

Therefore the simple square dance SWOT mechanism needs to be suitably modified and conceptually subverted. The solution consists in the introduction of a new conceptual category called T like **Trade-off**. Trade-offs are factors, phenomena, situations, signals that in first instance cannot be put in the well known four squares.

The empirical rule is rather simple at the end of the day: a factor that cannot be clearly put into one of the traditional squares is a Trade-off. One can always rearrange the disposition of factors, but already when one does not know when and how a risk could become real, then one can consider it a Trade-off.

## 2. THE SWOT MATRIX FOR PAKISTAN STATE OIL

	<b>STRENGTHS-S</b> <ol style="list-style-type: none"> <li>1. Largest Oil marketing Company in Pakistan</li> <li>2. Financial Position</li> <li>3. Marketing and Advertising</li> <li>4. Information Systems</li> <li>5. Retail department</li> <li>6. Trainings and development</li> <li>7. Employee Capital</li> </ol>	<b>WEAKNESS-W</b> <ol style="list-style-type: none"> <li>1. High Operating Expenses</li> <li>2. Low profit per share</li> <li>3. 50% old design outlets</li> <li>4. Old staff unfamiliar to IT</li> </ol>
<b>O-OPPORTUNITIES</b> <ol style="list-style-type: none"> <li>1. Globalization</li> <li>2. Penetration</li> <li>3. Deregulation</li> <li>4. Upstream/ downstream</li> <li>5. Integration</li> </ol>	<b>SO-STRATEGIES</b> <ol style="list-style-type: none"> <li>1. Increase supply to Afghanistan (S2,O1).</li> <li>2. Move into untapped Areas (S3,O2)</li> <li>3. Increase number of retail Outlets (S5,O2,O4)</li> <li>4. Information exchange with supplier and retailers (S4,O4).</li> </ol>	<b>WO-STRATEGIES</b> <ol style="list-style-type: none"> <li>1. Hire more IT oriented people (W4,O3).</li> <li>2. Increase efficiency in business process and supply Chain of company (W1,O4).</li> </ol>
<b>THREATS</b> <ol style="list-style-type: none"> <li>1. Strong Competitors in industry</li> <li>2. Product substitution</li> <li>3. Induction on New Players</li> <li>4. Government Policies</li> </ol>	<b>ST-STRATEGIES</b> <ol style="list-style-type: none"> <li>1. Penetrate in CNG and LPG market (S1,S2,T1,T2)</li> <li>2. Introduce new products and services (S5,S7,T1).</li> </ol>	<b>WT-STRATEGIES</b> <ol style="list-style-type: none"> <li>1. Benchmark with Strong competitors (W1,T1).</li> </ol>

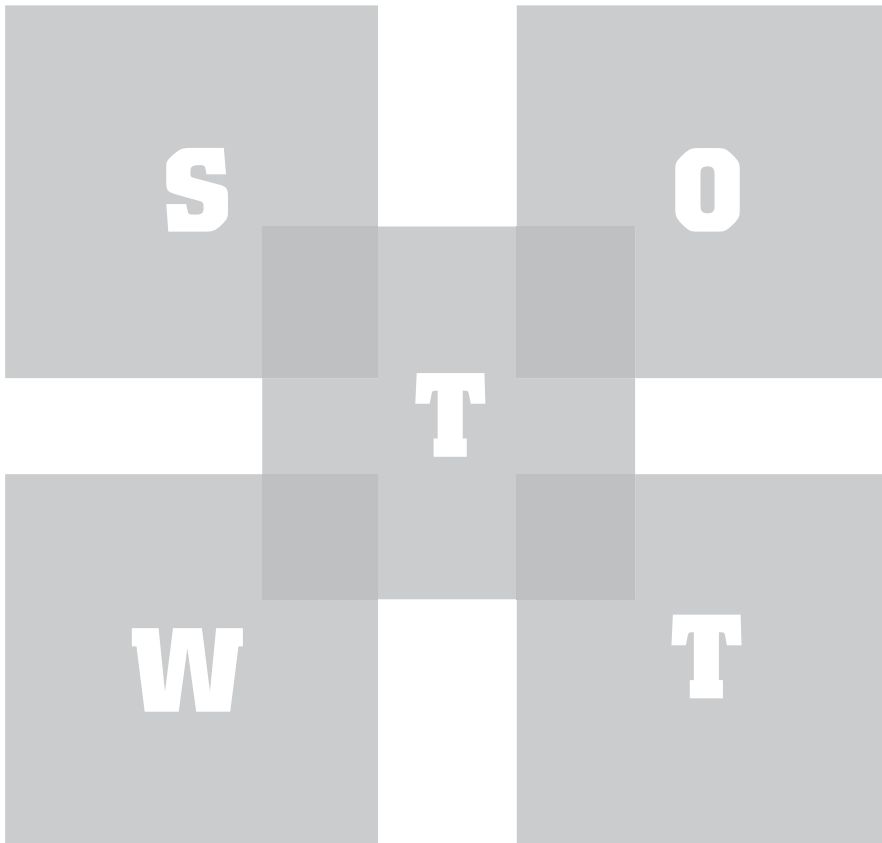
Source: <http://www.soopertutorials.com/business/strategic-management/489-the-matching-stage-swot-matrix.html> (17/11/2012)

Far from being a residual category or a simplification, the fifth square is a means to induce awareness and critical sense when filling the other four squares and to help open mindedness in order to include elements apparently incoherent with the rather fix order of the old SWOT.

Looking at this scheme with an Italian mentality (one of the most suited to form awareness about complexity), it appears rather evident that the Trade-off represents the ambiguous, undefined, uncertain component that is present in every complex situation that undergoes analysis.

It is the factor that elicit an “It depends” answer, when a precise question is put.

### 3. SWOT<sup>2</sup> DIAGRAM



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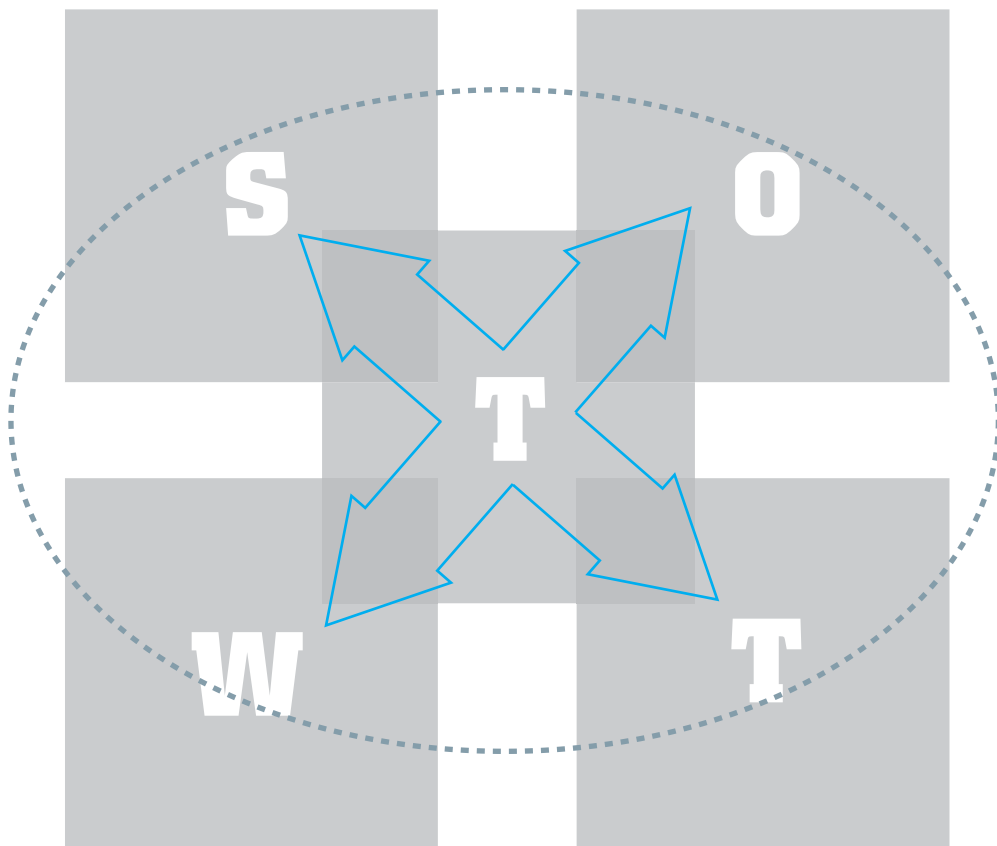
It is also a factor that is familiar to the Italian mind regarding the intuitive, emotional and cultural aspect and that may not be so present in cultures that tend to impose their own pre-ordained scheme (pragmatism, Cartesianism, Realpolitik, scientific post-Socialism, etc.).

Thus the matrix appears like the five pips on the facet of a die. Trade-offs are clearly at the centre of the diagram (see **Fig. 3**).

One can see here the static representation of the diagram with its squares ready to be filled, but this is only a hint at the potential of the tools. The logic behind the SWOT<sup>2</sup> is better illustrated by the following **Figure 4**.

Trade-offs are the destabilising and dynamising element regarding the a number of factors whose nature and evaluation changes while exploring the effects of trade-off factors.

#### 4. THE DYNAMIC SWOT<sup>2</sup> DIAGRAM



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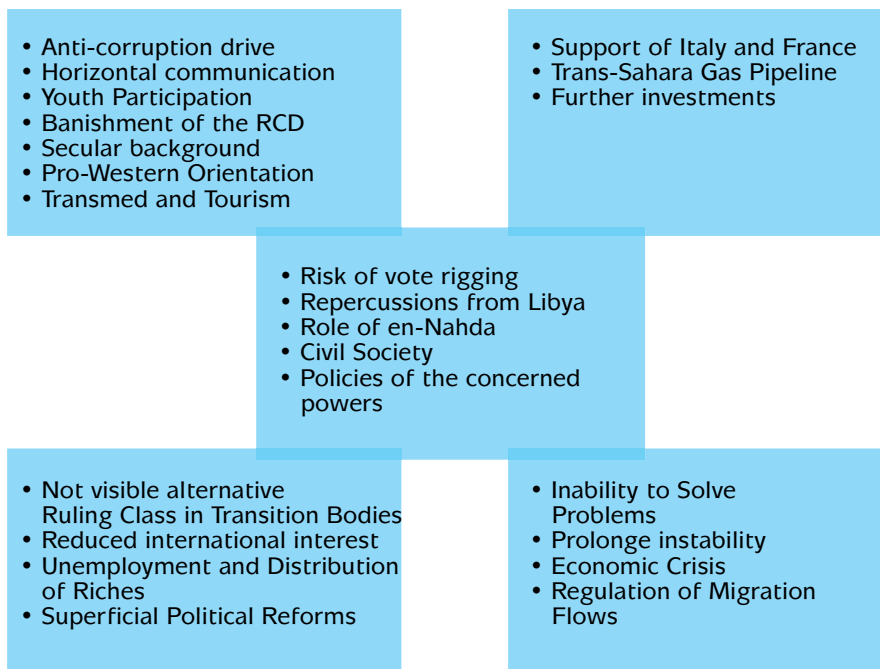
A practical example is offered by a briefing of the situation and developments regarding revolutionary Tunisia for a group of Italian investors (14/6/2011, **figure 5**).

In the end the Squared SWOT or SWOT<sup>2</sup> is a tool structurally simple and easy to use, but sufficiently sophisticated in the hands of a reasonably experienced analyst, helping her/him to resume in a synoptic and concise way different elements that can take different directions due to instable factors or that need time to take shape. It can be considered a minimal mental map to draw scenarios on the fly and quickly.

## THE SEVEN SHAPING FLOWS APPROACH

Different studies of strategic analysis and about international policy have tackled in the past the problem of the so called cross sector issues, that have been in turn discussed among ministerial staffs since ages under the label “geographical division vs. functional division”. By proposing the shaping flows we intend to provide another tool to organize events, factors and situations following a global and holistic logic. The seven flows are classified in an ascending order following the correlation with needs that first are basic and later on more complex (partially correlated with the Maslow pyramid, see **figure 6**).

### 5. TUNISIA



The order of the factors can be inverted or modified if one considers an advanced economy.

The flows are considered shaping because they structure the relationships within a specified complex geopolitical space (called geonetwork precisely due to the nature of its liquid balances, typical of our time), flowing through conventional and/or political barriers.

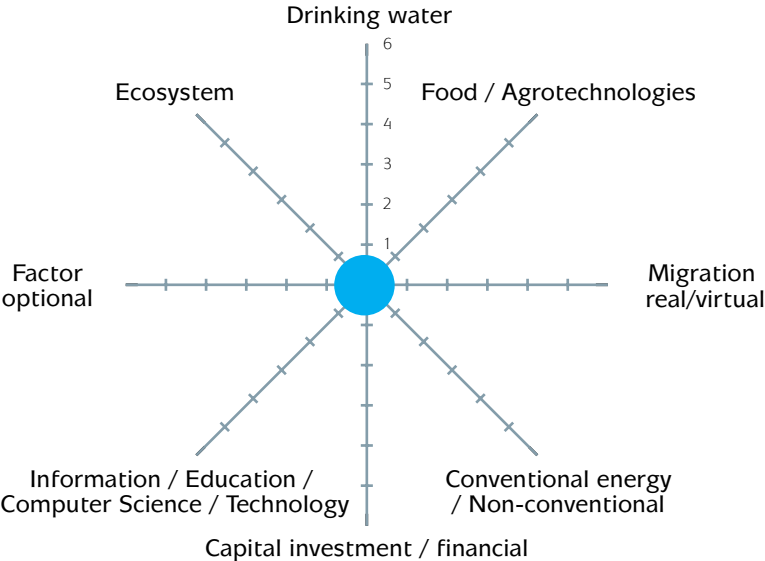
It is also possible to create, using pre-determined values, radar diagram to evaluate from a qualitative (and quantitative one, if data are sufficiently defined and disaggregated) point of view the impact of these flows on a specific geographic area. If necessary, another variable, deemed useful, can be added to the diagram (fig. 7).

6. THE SHAPING FLOWS METHOD

**The 7 Shaping Flows:**

- Ecosystem
- Drinking Water
- Food/Agrotech
- Real/Virtual Migrations
- Conventional/Non Conventional Energy
- Financial and Invested Capitals
- Knowledge in its wider sense

7. THE SHAPING FLOWS RADAR







The “Global Outlook 2013” completes the annual collection of the Strategic Monitoring 2012 series, of which it is an integral part. This volume summarises the monitoring carried out during the year and formulates short-term predictions, scenarios and analytical hypotheses on the basis of events, indicators, warnings and innovative tools.

The Strategic Monitoring is a monthly series that puts together analyses and reports of the Military Centre for Strategic Studies, prepared by a team of specialised researchers. The areas of interest monitored during year 2012 were:

- Adriatic – Danubian Region
- Middle East – Persian Gulf;
- The Afghan Theatre of Operations;
- Commonwealth of Independent States and Eastern Europe;
- China;
- India;
- Far East/Pacific
- Africa;
- Latin America;
- Transatlantic Relations;
- European Defence Initiatives;
- UN and other International Organizations;
- Energy;
- International Organizations and the Central Asia Co-operation;

The essence of the “Strategic Monitoring” is made by the different contributions (structured into main events and analysis) regarding the mentioned areas. The most relevant results are published in the English “Quarterly”, published each March, June, September and December.

