

Challenges for European Foreign Policy in 2011

After the crisis



FRIDE
A EUROPEAN
THINK TANK FOR GLOBAL ACTION

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Ana Martiningui and Richard Youngs (Eds)

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Contents

	INTO LISBON'S SECOND YEAR / Richard Youngs	13
1-	GETTING INTERNATIONAL ECONOMIC GOVERNANCE RIGHT / Pedro Solbes	19
2-	MOVING FORWARD STRATEGIC PARTNERSHIPS / Giovanni Grevi	27
3-	DESIGNING A NEW EUROPEAN SECURITY ARCHITECTURE / Jos Boonstra	33
4-	PREPARING FOR MIDDLE EAST SUCCESSIONS / Kristina Kausch	41
5-	IRAN: BEYOND SANCTIONS / Rouzbeh Parsi	49
6-	RECOVERING TURKEY / William Chislett	57
7-	HEADING OFF DISINTEGRATION IN THE BALKANS / Sofía Sebastián	65
8-	DIVERTING ANOTHER SOUTHERN CAUCASUS WAR / Natalia Shapovalova	73
9 -	PIVOTAL TURNING-POINTS IN AFRICA / Cristina Barrios and Oladiran Bello	83
10-	CONFRONTING FAILURE IN AFGHANISTAN / Anna Larson	91

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Acronyms

AKP	Justice and Development Party (Turkey)
ASEAN	Association of Southeast Asian Nations
CPA	Comprehensive Peace Agreement
CSDP	Common Security and Defence Policy
CSTO	Collective Security Treaty Organisation
DRC	Democratic Republic of the Congo
EaP	Eastern Partnership
EEAS	European External Action Service
ENP	European Neighbourhood Policy
EP	European Parliament
EPA	Economic Partnership Agreement
ESDP	European Security and Defence Policy
ESS	European Security Strategy
EU	European Union
EUPOL	European Union Police Mission
EUSEC	EU Advisory and Assistance Mission for Security Sector Reform
EUSR	European Union Special Representative
FSB	Financial Stability Board
GDP	Gross Domestic Product
IAEA	International Atomic Energy Agency

ICTY	International Criminal Tribunal for the former Yugoslavia
IMF	International Monetary Fund
IPRM	Incident Prevention and Response Mechanism
JAES	Joint Africa-EU Strategy
MDG	Millennium Development Goal
MENA	Middle East and North Africa
MERCOSUR	Common Market of the South
MP	Member of Parliament
NATO	North Atlantic Treaty Organisation
NDP	National Democratic Party (Egypt)
NGO	Non-Governmental Organisation
OHR	Office of the High Representative
OSCE	Organisation for Security and Cooperation in Europe
PIN	Pakistan, Indonesia and Nigeria
PSCD	Permanent Structured Cooperation in Defence
SAP	Stabilisation and Association Process
SCO	Shanghai Cooperation Organisation
SSR	Security Sector Reform
TRNC	Turkish Republic of Northern Cyprus
UK	United Kingdom
UN	United Nations
UNASUR	Union of South American Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNSC	United Nations Security Council
US	United States

Into Lisbon's second year

Richard Youngs

The European Union weathered a turbulent 2010. The first year of the Lisbon Treaty did not provide the break-through advances in European cooperation and influence that motivated its crafting. Rather, the euro crisis nearly tore the EU apart; rising powers were clearly ascendant in international debates; in-fighting persisted between member states on second order institutional questions; and indebted European governments drew back from foreign engagement.

Against the backdrop of such a disappointing and unsettling year, what are the prospects for 2011? Can we expect a calmer period of recuperation and rebuilding in Europe's external relations? Or are there even more serious and disquieting challenges over the horizon?

In this collection of essays, we look forward and offer ideas on the key foreign policy changes the EU will need to make during the forthcoming year. We identify what we think will be ten of the primary challenges requiring significant EU decisions during 2011. This is clearly not an exhaustive list of important topics; rather, it is our attempt to draw out a list of foreign policy priorities. In these ten areas, we focus on potential crunch-points likely to engender urgent policy considerations for the Union. We do not offer comprehensive

overviews of the state-of-play in each policy area; instead, we draw out the crucial events and trends that will require concrete responses. We aim here to predict the main challenges for which European foreign policy must prepare in 2011.

This is what FRIDE's team of researchers foresees for the European foreign policy agenda in 2011:

- The EU will need to articulate and follow a common vision for the reform of global economic governance. In 2011, the EU must ensure that continuing tensions linked to the internal governance of the euro-zone do not dilute such an external focus. European governments must work to reduce their disagreements in the G20 and respond to constant complaints at Europe's over-representation in international bodies. The G20's role needs clarifying, as it struggles to meet its commitments to galvanise broader multilateral economic governance. In 2011, the French presidency of the G20 will be an opportunity to confront these challenges – but may also increase the risk that narrower national objectives will cut across European unity.
- In 2010 the EU sought to advance its new instrument of strategic partnerships. In 2011 it must imbue this promising tool with real substance. It must also inject some order into what at present remains an ad hoc and inchoate list of 'strategic partners'. Strategic partnerships could be at the forefront of the EU's adaption to a reshaped world order. But if they are left to gestate as largely content-free signals of intent, in 2011 they risk joining a long list of good European ideas that never quite fulfil their potential.
- The EU will need to make more concrete progress on redefining the European security architecture. Debates on how over-lapping security organisations should relate to each other have been in limbo for several years. This situation cannot continue much longer.

After inconclusive NATO and OSCE summits in late 2010, more concrete decisions will be required during 2011. Governments must move from an EU to Eurasian security framework. The Common Security and Defence Policy must be synchronised with broader security institutions. The EU should not support a complete pan-European institutional revamp, but use existing commitments to deepen its security partnerships with non-EU partners.

- In the Middle East, a number of successions loom large. Some of these may take place during 2011; that in Egypt will be the most important. The transfer of power from an elderly generation of leaders will be managed in an opaque and semi-authoritarian manner; it will be replete with risk and uncertainty. The EU will need a proactive strategy for helping to temper the destabilising effects of these successions. At present, it is hopelessly unprepared and bereft of a vision for influencing the opportunities of this key moment of change in the Middle East.
- Iran is likely to press ahead with uranium enrichment in 2011 and its nuclear programme may well reach a crucial tipping-point. It will become apparent that the EU's latest round of sanctions will have no more than a limited and superficial impact. In 2011, the EU must devise a comprehensive, forward-looking policy for managing its relations with Iran, and not merely a set of forlorn tactical manoeuvres for containing the country's nuclear programme.
- Even if much comment on the West 'losing Turkey' may be exaggerated, continued paralysis of accession negotiations in 2011 will drive Ankara further along its path of self-help diversification in its foreign policies. With few new chapters in Turkey's accession negotiations left to open, 2011 could see the talks become well and truly stuck. With elections in Turkey likely to impact on the country's democratic reform process, the need for an EU response appears more pressing. It will become harder for opponents of

Turkey's entry to hide behind the Cyprus impasse. The costs will rise of flirting with privileged partnership-type arrangements short of full membership.

- Several power balances look increasingly precarious in the Balkans and may begin to unravel in 2011. To prevent serious backsliding in this region, the EU will need to remould its approach to provide more tangible rewards for reforms in the short-term, while keeping the longer-term prospects of accession on track. In 2011, the EU must finally reach a common line on Kosovo's status; do more to shore-up pro-European moderates in Serbia; press for constitutional reform in Bosnia; unblock the name dispute with Macedonia; and assist in resolving Albania's much-neglected political crisis.

- After a promising start, the EU's Eastern Partnership has atrophied. We predict that several security challenges emanating from the eastern neighbourhood will become more acute in 2011. Under two eastern-focused presidencies, over the next twelve months the EU needs to rescue the Eastern Partnership from oblivion. Rival influences, especially from Russia, will strengthen. The EU cannot assume a right to leadership in this region. It must show it has the tools, ideas and commitments to stem tensions that are simmering below the surface, in particular in the Caucasus.

- In Africa, key plebiscites in Sudan, Nigeria and the Democratic Republic of the Congo will test the EU's ability to marry its development, security and good governance programmes. The risk of violent spill-over from the referendum on independence in southern Sudan is especially acute. If the EU fails to stake out clear positions in respect of self-determination and democratic norms in these and other polls, its distinctive identity in Africa will be even more compromised.

- In Afghanistan, 2011 will see most EU member states draw down troop levels, even as the Taliban insurgency persists. To abate the sense of mission failure and avoid leaving the country in a profoundly parlous state, European governments must re-engage on a comprehensive state-building programme. The need is not just for more aid, but also for financial assistance that avoids shoring up the nepotism of an Afghan government whose governing style is doing much to foment instability.

Three overarching reflections emerge from our analysis:

First, in 2010 European governments and Brussels bodies have spent a disproportionate amount of time, effort, resources and political capital finalising the new institutional structures ushered in by the Lisbon Treaty. This was necessary and important, but unduly time-consuming and divisive. In 2011 internal EU debates must return to the big substantive questions. Our essays make it abundantly clear that global events are unlikely to wait for the EU to delve into another protracted period of institutional fine-tuning.

Second, 2010 was the year when all attention finally honed in on responding to the reshaped, multipolar world. Nearly every major ministerial speech, a plethora of new strategy documents and countless new dialogue initiatives came to centre in on the challenge posed by emerging powers. With the importance of emerging powers now firmly registered, in 2011 the EU must work towards a smoother and 'normalised' form of rebalanced multilateral diplomacy. And the rising powers question must not distract from other challenges to the EU's vital interests – a danger that did often appear to be materialising during 2010.

Third, in 2010 the EU was forced to begin adapting to the sobering and humbling reality that the financial crisis is likely to leave a long-term and deleterious mark on Europe's international projection. In

2011, the impact of the crisis will be fully internalised. It will become part of ordinary day-to-day politics and decision-making in foreign policy. This will force a concern with efficiency in foreign policy, as in domestic economic issues. This will be seen in proposals due in 2011 for the EU's post-2013 budget. From here on, 'doing more with less' will become the unenviable requirement of European external relations.

For analysts tracking the incremental deepening of European foreign policy cooperation 2010 was a hiatus. The economic crisis had a centripetal impact. Divergence prevailed on how the EU should position itself to navigate the reshaped world order. The improvements introduced by the Lisbon Treaty remained a future promise rather than operational reality. In 2011, there are internal opportunities and external challenges that should return the EU to its long-term path of a gradual Europeanisation of foreign policy. The worst ravages of the financial crisis may recede in 2011. And the shock of registering Europe's relative decline will settle into a new normality of secondary power status. But our essays show that there are many other developments requiring both EU unity and proactive commitment during 2011. The costs of insipid, fragmented and hubristic responses will rise significantly.

1. Getting international economic governance right

Pedro Solbes

Reform of global economic governance is a priority issue to be addressed in 2011. The economic crisis has exposed the inadequacies of the existing model and institutional balances. The prevailing structures of international economic governance are not capable of meeting the challenges of the twenty-first century. It is urgent that a new system be designed.

After the eruption of the global financial crisis, hopes focused on the G20. The G20 was charged with ensuring that multilateral cooperation and interdependence would lift the world out of the crisis. It has not fully succeeded in fulfilling this mandate.

European governments have used the G20 to attend to their own interests rather than to foment more extensive and balanced multilateral cooperation. Europe is overrepresented in the group. Systematic coordination among EU member states is still lacking. How can the EU expect other powers to apply the principles of multilateralism that it ignores?

Prior to the crisis, there were already concerns over the lack of adequate governance in Europe. In 2011, the Union must address these deficiencies while also defining common external policies towards the necessary redefinition of global economic governance.

Prior to the crisis

The EU's presence in global economic governance has not followed a well-defined and consistent model of integration and coordination.

The most integrated form of EU representation has been in the World Trade Organisation. Here a common trade policy has been delineated and the Commission acts as single negotiator in the name of the Union. This model represents what would in the future be an appropriate means of foreign representation in other areas of economic policy too – even if common commercial policies have often had to be pressed upon member states.

In contrast, in the Bretton Woods institutions – the IMF and the World Bank – the absence of a common European position is clear to see. Notwithstanding attempts to coordinate national positions, EU countries often decline to act in unison. This situation is aggravated by the system of 'seats' and the fact that nation states form the membership of these institutions. European countries have been reticent to cede seats and quotas to other parts of the world. With the crisis, this excessive European representation has become more evident. A solution must be found to this running sore in 2011. European governments must recognise that resisting reform will not prolong international influence.

Even more important for global economic governance is the participation of the EU in the G7 and G20. The presence of the principal members of the EU – and not all members of the euro-zone – reduces the role of the Union per se to that of an observer, albeit with a voice. Often, the dominant role in negotiations falls to national representatives. Efforts to fashion common European positions take second place. In the G20, each member state has acted with the flexibility requisite to advancing its own national economic interests. The siren call of short-term national interests must be more resolutely resisted in 2011.

The crisis and changing economic governance

The economic and financial crisis has affected the United States and Europe most acutely, but its reach has been global. Since its appearance, it was clear that the traditional instruments and models of governance would be inadequate. The impact of the crisis on emerging economies, and the weight that these have acquired in recent years, has made the need for broader networks of collaboration all the more urgent. It is crucial to find genuinely global solutions to today's economic challenges.

As the shortcomings of the G7 became more evident, attention began to focus on an 'enlarged G20'. Being an informal forum, the G20 was free of procedural rigidities. Furthermore, the group was considered representative – its members represent the majority of the global population and GDP. The countries worst affected by the crisis are members.

Many observers have criticised the G20 as lacking legitimacy and cutting across the United Nations. However, the urgency of the moment and the G20's ability to act with immediacy vindicated the body's rise to prominence. It was hoped that the G20 would broaden its legitimacy on the basis of its results. To some extent, this has begun to happen, but remains a priority challenge for 2011.

In November 2008 the G20's first emergency summit centred on stone-walling protectionism and launching a fiscal drive to mitigate recession. Central banks were given support for monetary policies aimed at confronting the crisis and it was decided to broaden the Financial Stability Forum into a more representative Financial Stability Board. The FSB was charged with reforming the financial system in order to avoid future repetition of the problems detected in the banking sector.

In the following meeting of the G20, which took place in London in spring 2009, there was continued pressure for fiscal stimulus. The FSB was given a mandate to define conditions that would guarantee the stability and solvency of the banking system. The Bretton Woods institutions were enjoined to modify their systems of representation to improve the position of emerging economies. A list of countries that should modify their legislation on banking secrecy was also drawn up. With this flurry of activity, the G20 seemed to have gained legitimacy as a forum with the capacity to decide on key imperatives in expeditious fashion.

But at the G20's autumn 2009 summit in Pittsburgh, doubts began to surface. It became clear that many of the commitments made were simply not being implemented.

Formally, G20 leaders managed to reaffirm the role of the forum in economic governance. They declared that the 'ambition is to enlarge the role (of the G20) to other questions of the reform of global governance'. It should serve to assist 'the transition from an "informal" to an "institutionalised" multilateralism'. The G20 would, it was proclaimed, confirm its status as the main body responsible for international financial cooperation. However, there were no decisions regarding the necessary modification of decision-making procedures of other institutions that would have to collaborate with or implement the measures agreed in the G20.

Doubts over the G20 deepened further at the Toronto summit in June 2010. This meeting was dominated by major disagreements over whether or not it was time to turn off the tap of expansive fiscal policy. Governments agreed to accelerate the rebalancing of public accounts, albeit somewhat loosely. There was no advance in the international trade negotiations of the Doha Round. The Toronto summit ended the G20's honeymoon period as the supposed panacea of international economic governance.

The November 2010 Seoul summit revived some hope that the G20 could increase its effectiveness and credibility as the most effective body for economic governance at the global level, and define its role for the post-crisis period. This summit had the novelty of being the first organised by a non-G8 member.

And indeed, confounding fears that the G20 would falter on the emerging challenges of currency wars and macroeconomic imbalances, results in Korea exceeded expectations. Not every declared goal was achieved, but there were positive outcomes. To correct imbalances, it was decided to carry out a very 'communitarian' style solution. An action plan is to be defined for each country, with indicators established by the IMF, which as an independent institution is also charged with monitoring compliance. The currency wars abated. More reforms proposed by the FSB were endorsed.

Beyond the debate over how to recover from the crisis, after Seoul new expectations were raised for the G20. Here the focus was on a broad agenda to finalise the Doha Round and improve its development agenda; drive forward the post-Cancun climate change agenda, aiming for an improvement on the Kyoto protocol; accelerate compliance with the Millennium Development Goals; and give special attention to the challenges presented by energy security and supply, migration flows, and many other questions.

More concretely, there has been an effective reinforcing of the IMF, which will define and watch over the correction of imbalances. And, most important with regard to governance, the so-called Seoul Consensus was agreed, centring on future aid efforts in developing countries.

Global economic governance in 2011

This evolution of the G20 helps contextualise the challenges for global economic governance in 2011.

The G20 has helped temper protectionism, impede competitive devaluations and generate a fiscal drive to avert the risk of a depression. But the G20 alone is not the optimal institutional solution for the problems of global economic governance, and much less the forum to resolve the enormous challenges that approach in 2011. Many governments have invested rather too much hope in the G20. They must correct course in 2011.

Despite the advances with regard to development aid achieved in Seoul, there has still been no progress on advancing the Doha Round or implementing FSB proposals. The way has been cleared to progress. But the forum has not demonstrated that it can resolve the problems of greatest short-term relevance. Indeed, it seems to have indicated the contrary. The G20 cannot completely substitute the G7; its competences do not entirely overlap. But nor can the G7 be utilised as a directive mechanism to condition decisions taken in the G20.

The G20 can galvanise initiative and political drive in some areas, but it cannot substitute other institutions. The implementation of solutions will fall to specialised organisms. Adequate interrelation with the United Nations system would avert criticisms regarding legitimacy and would also improve capacity for action in areas with high technical requirements. The reinforcement and better use of the IMF as agreed in Seoul is a good example.

The current informal model of the G20 has clear advantages, given its essentially political nature. Trying formally to institutionalise the

G20 would be a mistake and would accentuate problems of legitimacy vis-à-vis the UN system. The G20 can still provide an impulse to the reform of the international economic governance system, as an informal body. The recent decisions regarding the rebalancing of power in the Bretton Woods institutions represent good practice.

The economic crisis has exposed the shortfalls in the current model of global economic governance. The EU must contribute more productively to the design of a new system in 2011.

To play the role that corresponds to its weight, the EU must define common policies and streamline its external representation. If the EU fails to define clear lines of action, the mere fact of having more representatives in different institutions will not protect common European interests.

European governments were right to throw their weight behind the G20. But in 2011 they must move the attention back to broader multilateral institutions. The G20 will be one vital pillar of future international economic governance. But it must not be over-loaded. European governments must resist the temptation to rely too much on such informal, selective groupings to the detriment of more inclusive organisations. 'Minilateralism' will have a role to play in international economic governance; but it must not eclipse multilateralism.

The French presidency of the G20 has launched an ambitious set of objectives. In particular, it wants to see a fundamental restructuring of the international monetary system. This ambition is laudable. But France must be careful not to set the bar too high. International currency relations could at this stage in the recovery be destabilised by overly ambitious plans to micro-manage a whole systemic overhaul. And President Sarkozy should not let his need for a domestic political boost cut across the pressing need to tighten European unity in the G20.

A final challenge for 2011: the EU must reflect on the complexity and messiness of its own internal economic governance that inter alia complicates effective external action. The Eurogroup-Ecofin duality or rivalry not only affects the internal system of decision-making, but also muddies the external representation of the EU and the euro-zone. The Lisbon Treaty has not helped on this issue, given that it adds the post of president of the Council to those of Ecofin and Eurogroup presidents. During 2010 EU institutions have focused on the euro crisis; this has diluted efforts to boost the EU's external financial and economic reach. In 2011, stronger and more positive linkage between internal and external economic policies must be shaped.

2. Moving forward strategic partnerships

Giovanni Grevi

The ghosts of EU strategic partnerships are haunting Brussels. Invisible, intangible, uncatchable, these ghosts are sometimes evoked in esoteric summit sessions. But just when their contours seem to take shape, they dissolve again into mist. Those fortunate enough to have seen them claim that the European Union has up to nine strategic partnerships with Brazil, Canada, China, India, Japan, Mexico, Russia, South Africa and the US. But evidence is scarce and most experts remain sceptical about whether they actually exist.

If they don't exist, they should be invented. The acceleration of current trends towards the concentration of power in a new constellation of state actors will make strategic partnerships a paramount policy tool in 2011 and beyond. In a world where the balance of power and responsibility are in flux, the EU must develop strong links with the countries that can make a difference. Like Rome, strategic partnerships will not be built in a day. 2011 should be dedicated to laying solid foundations for effective partnerships between the Union and other major global or regional actors.

And these have to be based on lessons from the past. The conclusions of the European Council held in September 2010 provide the mirror

image of these hard lessons. EU leaders called for the Union to promote its interests and values more assertively and in a spirit of reciprocity. The EU negotiating posture has often lacked clout and flexibility, while member states have failed to agree workable trade-offs vis-à-vis strategic partners. The September summit reiterated that synergies need to be developed between the EU's and member states' respective relations with third partners. The disconnection between the EU and national policies has fundamentally undermined the credibility of European positions and the effectiveness of European initiatives. The European Council also stressed that a strategy towards key partners requires clear identification of the EU's interests and objectives and of the means to pursue them. The inference is that so far the EU has not been focused enough in identifying ends and means, at least not by leveraging all available tools to fulfil its basic goals.

Global governance

The three pillars of sound strategic partnerships are: reciprocity that delivers concrete mutual benefits; coherence between the EU and member states; and coherence within the Union. The basis of the partnerships are the Union's interests and values, which are intertwined.

The overarching framework for all of these partnerships is global governance. For a global actor committed to effective multilateralism, bilateral partnerships and multilateral frameworks should be seen as connected and not as alternative levels of engagement in building a new international order. In fact, when dealing with its strategic partners, the big challenge for the EU is to perform a double act, engaging in tough bargaining when needed and targeting win-win outcomes and shared norms when possible.

2011 will not be a make or break year for strategic partnerships, as their routine shaping is unlikely to be disrupted. However, it will

provide an important test of the EU's willingness and ability to devise a more effective approach to these partnerships. It will be a test of their disputed strategic nature. EU leaders have set the bar high with a series of statements in 2010 that have placed relations with key partners at the forefront of EU foreign policy.

The Union's priorities in connection to individual partners are well known, albeit not always consistently pursued. One could mention, for example, market access and the protection of intellectual property rights in relation to China as well as the security of energy supplies, rule of law issues and the stability of the common neighbourhood when it comes to Russia. The EU aims to finalise an ambitious free trade agreement with India, and perhaps one with Mercosur, in the course of 2011. Cross-cutting priorities, such as mitigating climate change, preventing nuclear proliferation and upholding human rights inform all the partnerships.

The 'perfect' partnership

It is understood that some partners are more 'strategic' than others, because of their size or distinctive assets. Leaving aside the US (the 'irreplaceable' partner given the many shared interests as well as transatlantic links and affinities), five countries surely stand out – Brazil, China, India, Japan and Russia. That said, establishing rankings between these and other countries would be misconceived. It suffices to look at the potential strategic relevance of the EU partnership with South Africa, the host country of the next conference of the parties to the United Nations Framework Convention on Climate Change at the end of 2011 and one of the key leaders of developing countries in these negotiations.

Instead, it would be helpful to establish six basic components of an effective approach to strategic partnerships, as a basis to assess the performance of the Union (and of its member states) from 2011 onwards.

The first and crucial requirement is that, in their bilateral dealings with third countries, national leaders show real ownership of EU strategic partnerships and act consequently. Team spirit and team play are needed if the EU is to be taken seriously. Orientation debates among EU member states at Council level are now foreseen before summits with major partners. These debates must result in shared, albeit not necessarily public, guidelines and be informed by substantial option papers prepared jointly by the high representative and the Commission. In addition, the possibility could be explored of setting up small ‘task forces’ of member states to take the lead on key political issues in relations with third countries, based on a Council mandate; these would act on behalf of the Union and in close cooperation with EU institutions.

Second, for strategic partnerships to help achieve agreement at the multilateral level, they must deliver at the bilateral one. The distinction between bilateral and multilateral issues is less clear-cut than often purported, but the fact remains that partners are more amenable to engage on global issues if they feel that their own interests are met. The EU should define targeted (bilateral) incentives for each dossier where it seeks multilateral convergence, such as, for example, facilitating relevant technological and financial transfers so as to create more political space for a new global emissions regime.

Third, the EU should take a more focused and political approach to inter-regional relations, both to support regional cooperation and to connect with strategic partners through a variety of platforms. From East Asia to South America, regional orders are in transition, not least given the investment of pivotal regional actors in frameworks for dialogue and policy coordination. The EU should deepen its engagement with, among other bodies, the ASEAN, ASEAN+3, the Shanghai Cooperation Organisation, Unasur and Mercosur beyond the traditional economic and trade agenda. It should address more pointedly issues such as the management of scarce resources, new approaches to development cooperation, disaster relief and crisis

prevention and management at the regional level. And it should aim to establish joint initiatives in these domains, consistent with the priorities pursued in its relations with individual partners.

Fourth, the EU should expand its diplomatic portfolio. Partnerships with major global actors are strategic but not exclusive. In addition to the list of aforementioned partners, 2011 offers the opportunity to upgrade relations with the ‘PIN’ countries – Pakistan, Indonesia and Nigeria. For all their differences, these countries play a decisive ‘swing’ role in respective regions and their geopolitical and geoeconomic relevance is set to grow. Regardless of formal definitions, the EU should devise a truly strategic approach to these countries, where overarching political goals inform the coordination of all instruments. In so doing, the EU will deepen its relations with the PIN countries at the same time as enhancing its strategic profile in the eyes of other partners.

Fifth, the EU should invest in multidimensional partnerships that go well beyond state-to-state relations. The wider the basis of a partnership, the longer it will last. The structural interaction between the business and expert communities of either side, as well as among civil society actors, should underpin sound bilateral relations. In 2011, there should be a renewed focus on boosting people-to-people contacts and exchanges and on engaging economic actors on a sector-by-sector basis with regular consultations, in addition to holding business summits alongside political ones.

Sixth, the EU has to develop the practical tools of effective diplomacy to deal with great powers, which are themselves highly strategic in pursuing their interests across the board. Effective partnerships require the capacity to craft one clear position and deliver it through the appropriate means at the appropriate level, with the necessary flexibility and authority to negotiate on that basis, mobilise the right mix of incentives and disincentives and be prepared to use them. In principle, the ongoing reform of the EU institutional framework for external

action points in the right direction. In practice, several hurdles lie ahead concerning the coordination between all relevant institutions and EU leaders.

While changes will not happen overnight, 2011 will be a decisive year to address and overcome these obstacles, as the new European External Action Service is progressively set up. From the very start, the objective should be to make the institutional framework more systemic and more flexible. It is a matter of adjusting to political conjunctures and complex agendas with a comprehensive and targeted approach, beyond business as usual. Such an approach should of course encompass both the EEAS and the other departments dealing with different dimensions of each strategic partnership, such as trade and climate change. Among other necessary innovations, one idea may be to appoint ‘focal points’ tasked with overseeing overall coherence, promoting joint assessments and initiatives, and reporting on this to the highest level in the institutions.

The six angles outlined here offer useful vantage points to look at the performance of the Union in devising strategic partnerships in the course of 2011. These partnerships are strategic not by definition but by result, if they contribute to achieving important objectives at all levels, including the multilateral one. If the Union does not shape up to the challenge of building truly strategic partnerships, there is a risk of a dramatic twist in the strange paranormal phenomena observed in 2010. The Union may realise at the end of 2011 that the real ghosts are not its strategic partners – very purposeful actors indeed – but rather itself.

3. Designing a new European security architecture

Jos Boonstra

The European Union faces several key challenges in the security sphere in 2011. These include coping with decreased defence spending, implementing the Lisbon Treaty, combating new threats and building stronger partnerships with Russia and Turkey. The EU will need to make choices regarding where it stands in the evolution of a broader European, Eurasian and transatlantic security architecture that comprises a host of organisations, including NATO and the OSCE.

The broader security architecture was debated at the OSCE summit held in Astana in December 2010. To a lesser extent, it was discussed at the NATO summit in November in Lisbon. The outcomes of these summits need to be synchronised with the Common Security and Defence Policy. Will the EU be open to new ideas for a broad pan-European security architecture? Will it be ready to re-invest in the OSCE as an overarching comprehensive security actor? Or will it once again put its weight behind NATO collective security?

These questions are important because traditional security challenges remain pressing across Eurasia. Lack of progress in Bosnia-Herzegovina and Kosovo in the Balkans, the war between Georgia and Russia over South Ossetia in August 2008 and the ethnic violence

in Kyrgyzstan have shown this sobering reality. The EU will need to step up its security efforts also because of the partial US retreat from European security. In doing so the EU will increasingly have to work with Russia, which seeks a more formal place in European security, as well as Turkey, which is developing into a key regional actor.

EU security and defence

The EU will need to address three challenges in 2011 in order to deepen the CSDP. First, post-Lisbon internal reform needs to be completed by firmly embedding the CSDP into the new European External Action Service. All security and defence-related aspects of EU policy need to be firmly placed in the EEAS as part of the high representative's portfolio. This will bring the Council and Commission together in a more holistic approach to security.

This also means that the EU will need to re-assess key documents, including the European Security Strategy, updated in 2008. It would do well better to define what kinds of missions fall within the remit of European responsibility. Although the ESS stands as the basis of the CSDP, the criteria for deploying missions remain unclear. To remedy this the EU could start by drafting a White Paper on security and defence that could set out criteria for deploying EU missions. This would help clarify why the EU chooses to act in one case and not in another. The success (or failure) of missions could then be more easily assessed. The EU will also need to work to bring Commission and Council policies into line in very concrete areas such as security sector reform – in SSR the two bodies currently run their own separate policies.

Second, the EU needs to find a way more systematically to engage Turkey in the CSDP. Without Turkish involvement EU-NATO cooperation and coordination will remain weak, as became clear at the NATO summit in November. The main stumbling block is the

Cyprus issue and, to a lesser extent, lack of progress on Turkish EU membership negotiations. Turkey will be unwilling to become more favourable to EU-NATO cooperation until it has some place at the CSDP table and possibly membership of the European Defence Agency. Turkish frustration is understandable since it was part of the now disbanded Western European Union. Turkey's importance for European security, both as a regional actor and NATO member, is too great to be held up by Cyprus. Increased EU-NATO cooperation and involvement of Turkey in Europe's security and defence would be beneficial to EU policy in the unstable South Caucasus and even the Middle East. It might also be a step forward in the process of Turkish-EU integration.

Third, and most urgently, the EU will need to take on a serious coordinating role in managing the impact of the economic recession on European defence expenditure. Most European countries will implement serious cutbacks in defence in 2011. This while European defence expenditure is already dwarfed by US spending and the capabilities gap in NATO continues to grow. In 2011 Europe will need to show that it can do more with less.

For this to be the case coordination at two levels is crucial. European countries need to become more active in bilateral cooperation or in small groupings of countries in order to deepen task specialisation. The 2010 Franco-British cooperation agreement is a good example. The EU also has to undertake serious work on the Permanent Structured Cooperation in Defence plan that was created under the Lisbon Treaty. This new mechanism should bring ministers of defence together on a regular basis to discuss their respective cutbacks and review options for cooperation and specialisation. If this is not done European (and NATO) defence will suffer.

The broader European security architecture

The pan-European security architecture has been designed by many hands. The states of North America, Europe and Eurasia have together built several grand edifices of regional security. These structures – the EU, NATO, OSCE, along with the Shanghai Cooperation Organisation and the Collective Security Treaty Organisation – co-exist in the same neighbourhood but they lack coherence. The Eurasia region now hosts different security houses that do not connect. The buildings mostly stand alone.

Russia wants to build a new house in the centre of this neighbourhood and has asked the other architects to join it in going back to the drawing board. There has been little enthusiasm among the US or European countries for drafting a legally binding European security treaty. This is because the proposed indivisibility of security could open a Pandora's box in which every country could open consultations on any security-related matter. This doesn't sit well with NATO or most EU members that already enjoy this provision and may not want to extend it to non-democratic states. Indivisibility of security could also be interpreted as offering veto power for all members. This may etch new dividing lines in Europe to the extent that any member state could block another country from joining a security organisation. So if the Russian proposals are not accepted, what then?

Here the EU needs to contribute by taking a better defined and more proactive position on the broader pan-European security architecture. While EU countries need to be united in the CSDP, in 2011 Brussels should follow up on initiatives undertaken by Germany and France in 2010. The Merkel-Medvedev idea of an EU-Russia security committee at foreign minister level, along with the 2010 October discussions between Merkel, Sarkozy and Medvedev on granting Russia an increased voice in European security matters, should now be taken

forward at the EU level. This could be achieved either by strengthening EU-Russia security relations or through broader security talks between the EU, the US, Russia and Turkey as the key players in European and Eurasian security matters.

The 2010 NATO summit agreed a new Strategic Concept that is realistic and modest. NATO's core tasks are preserved, while ambition is lowered on issues like energy security and the environment. The new Strategic Concept is largely silent on NATO's role in the broader security architecture and does not move beyond mentioning current cooperation with the EU and OSCE. While it was difficult for NATO to agree a position on this issue in a core document that needs to be valid for at least another ten years, it was disappointing that there was little new concerning the NATO partnerships that feed into this larger security architecture. The Partnership for Peace was successful in bringing non-NATO members (especially in the former Soviet space) to the table, but now needs reform to remain relevant.

NATO's relations with Russia may have entered a new phase. President Medvedev's attendance at the summit was taken as a sign of a changed Russian policy. Russia may now seek to work jointly with NATO in combating common threats instead of regarding the alliance as its main enemy. NATO and Russia decided they will increasingly cooperate on Afghanistan and missile defence, and a strategic partnership is said to be in the making. In this sense Russia seems keen to step up its involvement in European security through cooperation with the EU and NATO. The EU must seize this opportunity in 2011, in a way that extends beyond the now predictable, warm rhetoric.

The OSCE summit in December 2010 was something of a novelty given that no such summit had been organised since 1999 and most ministerial meetings since then had ended in disagreement among members. The summit was overshadowed by the more high-profile NATO event. It did not result in an overhaul of the troubled forum.

It amounted to little more than an effort by Kazakhstan, as chairman in office, to present itself as an increasingly important actor on the international scene. Meanwhile the OSCE's capacity in early warning and crisis management has been thrown into question due to the organisation's failure to foresee either the war over South Ossetia or the violence in Kyrgyzstan.

The good news from the summit was that a joint declaration was adopted. The bad news was that the text lacked substance. No progress was made on solving the pending conflicts over Abkhazia, South Ossetia, Nagorno-Karabakh and Transnistria. The agenda sought to re-energise the Corfu Process, that has dominated debates over security architecture for the past 18 months. This process was the OSCE's answer to the Medvedev proposals for a new European security treaty. OSCE heads of state argued that 'the time has now come to act'. But they proposed nothing concrete to push the Corfu Process forward.

The OSCE offers almost everything one could wish for in regional security. It addresses comprehensive security, touching on conflict prevention, economic cooperation, democracy and human rights. It incorporates all countries in the northern hemisphere from Vancouver to Vladivostok and has a track record of over 35 years of international cooperation. But it lacks legally binding agreements and consensus among its members over key issues like democracy and hard security. The summit failed to place the organisation back on the map. In 2011 EU states will need to decide whether it is worth trying to breathe new life into the OSCE or not.

The EU has a big stake in the OSCE. Nearly half the members are EU states and these countries account for about 70 per cent of the budget. Under the 2011 Lithuanian and 2012 Irish chairmanships the EU members will need to decide if the OSCE will continue to focus on its human dimension and offer a forum for low-key international

security debates, or play a more prominent part in filling the vacuum in pan-European security cooperation.

The way ahead

These two key late-2010 summits showed that the NATO and OSCE buildings are still standing but that renovations are necessary. The EU will now need to act carefully in further developing its own security apparatus while also remaining active in the OSCE and NATO and forging stronger security relations with Turkey and Russia.

It is necessary for the EU to acknowledge Russian wishes for increased participation in pan-European security matters. A new legally binding document will be difficult to agree upon, due to fears that it will undermine NATO, the OSCE and maybe even the EU's CSDP. However, regular consultations between Russia, the EU, the US and Turkey would be viable and certainly beneficial in tempering misconceptions and preparing joint policy and action plans that can then be taken up by the EU, OSCE and NATO. In 2011 the EU should push for an annual high-level meeting of these four powers to deliberate on pan-European security (with observers from the OSCE and NATO).

European thinking about the broader security architecture, and especially relations with Russia and Turkey, runs alongside the challenge of further developing the CSDP. Clearly the EU has found an important niche in combining military capabilities with an extensive civilian component. A track record of 28 missions since 2003 is impressive. If the EU is to continue on this track, however, it will need more tightly to define a strategy, pool resources in an effective manner and closely liaise with neighbouring organisations in which it plays a prominent role. EU defence and security capacity can only flourish if the environment allows it to and for that to be the case broader agreement on the pan-European security architecture will be imperative in 2011.

4. Preparing for Middle East successions

Kristina Kausch

The Middle East and North Africa will continue to exhibit serious fragility during 2011. The region stands before a wave of engineered successions. Due to age or sickness, a whole generation of strongmen is about to take their leave. These leaders have been grooming their sons or close confidantes to replace them, in order to perpetuate prevailing power structures and interests.

So far, Europe has been twiddling its thumbs. Western governments have largely disengaged and hoped for stable successions. But it is highly doubtful that these changes will proceed smoothly. Engineered successions are unlikely to guarantee Western strategic interests. New heirs will probably enjoy less public acceptance than their fathers do. Elites will battle for a share of the national cake. Public resistance against dynastic successions will continue to rise.

Who are the prospective new leaders? What impact might their rule have on the region's fragile power balance? What are the risks ahead in the MENA's reshaping? These will become vital questions in 2011. The EU must step up its efforts to devise a plan to influence these processes and respond accordingly.

Mubarak's final curtain call

Probably the most imminent of MENA successions is that of Hosni Mubarak in Egypt. Presidential elections are due in September 2011 and the prospect of real change after nearly 30 years has held the country in a tense stalemate for some time now. Mubarak's lengthy hospital stays and other recent signs of physical weakness underline the urgency of the succession issue. The stage for the presidential race is being set, and deep rifts will become much more evident in 2011.

Constitutional amendments in 2005 and 2007 now effectively bar anyone but Hosni and his son Gamal Mubarak and a few other leaders from the ruling National Democratic Party from running. Gamal was long seen as the certain heir. But resistance against him is growing stronger both in the opposition and within the NDP, and his candidacy can no longer be taken for granted.

Efforts by the National Association for Change coalition, led by Mohamed ElBaradei, to unite the opposition, have so far yielded only meagre results. And ElBaradei himself made his candidacy conditional on democracy-deepening constitutional amendments, and so is out of the race before even having entered.

Another name mentioned is that of intelligence chief Omar Suleyman. More of a consensus figure, Mubarak's chief negotiator for the Israel-Palestine dossier is often mentioned as an interim option should the president die suddenly.

A real possibility is that Hosni Mubarak himself stands for yet another term. Given Mubarak's age and precarious health, this last resort would be only a short-term solution to facilitate a de facto power transfer away from the electoral spotlight. Nine months ahead of the presidential succession, it is becoming clear that none of the possible contenders will get Egypt's presidency on a silver platter.

Table: Looming successions in the Middle East and North Africa

Country	Formal system of government	Incumbent ruler (age)	In power since	Prospective successor(s)	Other candidates	Succession horizon	Key elites
Egypt	Republic	President Hosni Mubarak (82)	1981	Gamal Mubarak; Hosni Mubarak	Omar Suleyman; Mohamed ElBaradei	Presidential elections in 2011 or president's death	State security apparatus; NDP
Tunisia	Republic	President Zine EL-Abidine Ben Ali (74)	1987	Sakhr EL-Materi; Leila Ben Ali	Zine EL-Abidine Ben Ali; Kamel Marjouni; Trabelsi brothers	Presidential elections in 2014 or president's death	Ben Ali, Trabelsi, EL-Materi families
Saudi Arabia	Islamic absolute monarchy	King Abdullah bin Abdulaziz Al Saud (86)	2005	Crown Prince Sultan bin Abdul Aziz Al Saud	Saudi succession line (agnatic seniority)	King's death	Al Saud family; Ulama
Algeria	Republic	President Abdelaziz Bouteflika (73)	1999	Abdelaziz Bouteflika; Said Bouteflika	Ahmed Ouyahia	Presidential elections in 2014 or president's death	Military
Yemen	Republic	President Ali Abdullah Saleh (64)	1978 (-1990, North Yemen); 1999	Ahmed al-Saleh	Hashed tribe	Presidential elections in 2013	Hashed tribe; military
Oman	Sultanate (Islamic absolute monarchy)	Sultan Qaboos bin Said al Said (70)	1970	To be chosen by Ruling Family Council upon Sultan's death	n/a	Sultan's death	Said family
Libya	'Socialist Arab Jamahiriya'	'Brotherly Leader and Guide of the Revolution' Muammar al-Gaddafi (68)	1969	Saif el-Islam Gaddafi; Mu'atasim Gaddafi	Gaddafi family	Unclear	Gaddafi family; tribes

Next in line

Beyond Egypt's imminent succession, others will soon follow suit. Slightly younger than his Egyptian counterpart, but reportedly in an equally fragile state of health, Tunisia's President Zine El Abidine Ben Ali has been ruling for the past 24 years. There are real chances of a sudden power vacuum in the country. An increasingly fierce power struggle has already erupted between the clans close to the president. Succession will secure substantial economic assets in Tunisia's Mafia-like political environment.

Algeria's incumbent Abdelaziz Bouteflika is in no better shape. Lately the president has faced increasing difficulties to buy public approval in the face of falling oil prices. The question mark of succession, nurtured by Bouteflika's ill health, looms over social unrest, which is fuelled by corruption, the lack of public services and widening rifts among the ruling establishment.

Libya's strongman Muammar al-Gaddafi sits comfortably on the state's vast energy reserves. He seeks to maximise leverage from Libya's position as a major transit country for immigrants heading towards the EU from all over Africa. While Gaddafi is still relatively young, speculation over his succession has been rampant in recent years.

Yemen, for its part, hovers on the brink of collapse due to conflicts, poor governance and economic fragility, and has become a breeding ground for terrorism. While Western attention focuses on the country's hard security problems, Yemen's President Ali Abdullah Saleh is said to be grooming his son Ahmed to succeed him.

To add to the West's troubles, approaching dynastic succession in strategically important monarchies such as Saudi Arabia and Oman bring further uncertainty to the Middle East's future security scenario.

Time to move

Given the magnitude of the upcoming power-shifts across the EU's immediate neighbourhood, Europe has taken surprisingly little interest. There are no signs of systematic efforts being made to encourage smooth pro-Western successions. The EU needs also to figure out how effectively to safeguard core values such as democracy and human rights in its relations with Southern Mediterranean governments.

In Egypt, Hosni Mubarak's death could bring a regime less favourable or even hostile to the country's traditional alliances. The unspoken European concern is the possibility of an Islamist-led government. Paralysed by their fears of a 'second Algeria' or Iran, European leaders have too readily accepted MENA regimes' portrayal of political Islam as a dangerous monolith.

An obviously engineered dynastic succession would clash dramatically and uncomfortably with European pledges to support its Southern neighbours' gradual democratic transformation. The EU's largely passive posture towards the Egyptian succession will result in a tacit acceptance of Gamal or any other 'heir'. But how well do EU policy-makers actually know prospective successors and their entourages? With its static posture, the EU fails to grasp many of the risks inherent in dynastic succession.

Several decisions await the EU in 2011 that may affect its approach to the Egyptian, and other upcoming succession scenarios.

The first stop is the upcoming Egyptian presidential elections. Whether the EU supports a competitive electoral process or turns a blind eye to a rigged succession will – after years of fence-sitting – reveal the EU's true colours on Middle Eastern democracy.

Second, the EU must decide whether it is willing to offer Egypt an Advanced Status agreement. This would entail a significant increase in economic integration, development assistance, and political and security cooperation. A similar decision is due with regard to Tunisia.

Third, the EU must seriously consider the upcoming power-shifts in the MENA from a larger perspective. Passivity and ad hoc approaches only show the EU's lack of an overarching game plan to prepare for this inevitable generational change. The Union needs to start devising a roadmap to locate successions within broader reform strategies. A thorough reflection is required on a larger European vision for the Southern Mediterranean during the next 10-20 years.

Game-changer for 2011

The Middle East is preparing for a new era of leadership, and so must the EU. In 2011, the big challenge for Europe in this regard will be to seize the upcoming momentum of successions to achieve a healthier balance between immediate security and longer-term sustainability. The EU must take its foreign and security policy in the MENA into a new era.

With regard to the concrete succession challenges in 2011, this means that:

1. The EU must clearly express its desire to see an inclusive democratic electoral process in Egypt, with international observers. It must stress the unacceptability of dynastic or any other engineered succession. Any major violations, including the repression of Islamist candidates, must be raised clearly and unequivocally with the Egyptian regime and, if necessary, in public.

Europe's fears of an Islamist take-over in Egypt are unfounded, at least for the time being. The Muslim Brotherhood was squeezed to the outer limits of mainstream politics at the November 2010

parliamentary elections and has already announced that it will not field a candidate for the presidential elections in 2011. The risks of public unrest and instability are at present much greater than that of an Islamist take-over.

2. During the electoral process, the EU must not pick favourites or directly meddle in any other way. It should work to keep public space open for media, associations and opposition parties, and to give systematic public backing to activists, rights defenders and opposition politicians who suffer harassment, across the entire political spectrum and beyond single emblematic cases.

3. With regard to the Advanced Status for Egypt and Tunisia, clear benchmarks must be set, including concerning political reform. A lack of minimum standards in terms of the rule of law, human rights and accountability, and in particular governments' active closing of political space ahead of succession, should be drawn as red lines against such an upgrade.

The EU's margin to support democratic change in these countries is greater than it admits. For example, the EU and Egypt share many key security interests, and the Mubarak regime is unlikely to stop cooperating because the EU seeks to uphold human rights. A little more personal courage and leadership from the EU's higher ranks would be of great value.

The constant switch between managed liberalisation and repressive crackdown among many MENA rulers is nurturing high levels of frustration among Middle Eastern citizens. This will become a high security risk for Western interests in the medium-term. Member states' assumption that 'stability equals continuity' is mistaken. The upcoming generational change among MENA leaderships provides a unique opportunity for the EU to reassess its approach towards the Southern neighbourhood.

4. The ongoing strategic mid-term review of the European Neighbourhood Policy under Commissioner Stefan Füle is a step in the right direction. The process will re-assess the ENP in view of the new provisions of the Lisbon Treaty and hopes to streamline and maximise the EU's potential in its neighbourhood. Part of this revision hones in on the question of the EU's long-term vision for its neighbourhood, which lies at the heart of the democracy-stability conundrum raised by republican dynastic successions. Based on this process, the Commission is due to produce a Communication to the Council and the European Parliament by April 2011. This must include concrete signals that the EU will not passively accept democracy-quashing dynastic successions.

In 2011 member states must decide what they want in the Mediterranean: to foster an illusionary and short-lived static stability or to push the inevitable transitions towards a respect for core democratic values. In its forthcoming ENP Communication, the Commission should clearly outline this dilemma. It must ask the Council to seize the singular opportunity of the upcoming generational power-shift in the Middle East to say goodbye to an out-dated security concept.

5. Iran: beyond sanctions

Rouzbeh Parsi

In 2010 the EU imposed two rounds of additional sanctions aimed at halting Tehran's uranium enrichment programme. The sanctions may have had a sobering effect on Iran; it is ever more difficult for the country to access international credit and foreign direct investment. But their overall effect has been limited. As Iran continues to enrich uranium and suspicions amount as to its intentions, the EU must rethink its approach.

Sanctions do not seem to be part of a long-term, comprehensive strategy and their limitations are likely to become more evident in 2011. The EU should move away from its narrow focus on containing Iran's nuclear programme to devising a far broader strategy that addresses the Islamic Republic's internal politics and its importance for regional security. The new round of talks that began in December 2010 does not move in this direction. Iranian President Mahmoud Ahmadinejad faces growing problems at home in 2011 – rampant unemployment, falling oil production, rising inflation and growing public discontent. The political and regional impact of these travails must be addressed.

Sanctions

The EU has been trying to convince Iran not to develop nuclear weapons since 2004. The Iranians have always insisted that their programme is entirely for peaceful purposes, but government officials have not been fully transparent in their exchanges with the International Atomic Energy Agency. There are too many unanswered questions. While there are legitimate concerns about the programme's eventual objectives, the EU runs the risk of trying to get Iran to prove a negative – the very kind of logic that led to the US invasion of Iraq in 2003.

As part of the attempt to force Iran fully to disclose the extent and nature of its nuclear programme (or more unrealistically, give up its uranium enrichment programme altogether), the United Nations Security Council agreed on a fourth round of sanctions against Iran in May 2010. In addition, the EU and the US are now implementing even stricter measures, which target Iran's ability to access the international banking system, making it ever harder for the country to engage in international business and trade. The sanctions regime is now so broad that it is directly affecting the population at large.

But the problem is not finding new ways to punish Iran. Rather, the trouble is that punishment seems ineffective in bringing about the desired changes in Iran's behaviour. Sanctions have had no impact on the country's nuclear programme. Indeed, one of the few issues where a consensus still holds in Tehran is the nuclear programme and the right to enrich uranium.

In 2011 it will become starkly evident that sanctions are merely a stalling tactic. For want of better ideas, the US and the EU have applied sanctions completely void of a comprehensive strategy aimed at a clearly defined end-state in their relationship with Iran. This is painfully evident in the context of the latest round of P5+1 talks on

the nuclear programme that began in December 2010. In the long run, it is Iran's domestic political development, however slow and uneven, that will have the largest impact on the future of the country and the stability of the region.

Problems at home

Domestic politics are a source of concern within Iran. Ahmadinejad's most important political challenge stems neither from the Green Movement, which attempted to bring him down after the 2009 Iranian presidential election, nor from gradualist reformers, but from other conservatives.

Conservative factions are beginning to turn against each other. One source of infighting is Ahmadinejad's unwillingness to return favours, a track record that goes back to his first presidential victory in 2005. The president and his faction are a different breed, and their own particular views of state ideology, the role of the clergy, and sense of entitlement to and ownership of the system are leading many Iranians who consider themselves religious and conservative to turn against the regime.

To make matters worse, the government also has to deal with long-term structural issues, which have been aggravated by the sanctions. The official unemployment rate is 15 per cent, but the real figure is thought to be much higher. The International Energy Agency forecasts that Iran's oil-pumping capacity will drop by 18 per cent to approximately 3.3 million barrels a day by 2015, nearly half of its production thirty years ago. Iran's falling oil output will mean less revenue. Real inflation is said to be three times the official rate of 9 per cent and the prices of essential items have increased dramatically. Iranians are getting weary and restless. The country's economic woes are coupled with a lack of investment in infrastructure.

But a riskier business for the government in 2011 is an issue that every single previous administration has strived to avoid and which Ahmadinejad has taken on with characteristic bravado and recklessness: subsidies on food staples, energy and gasoline. While cutting these subsidies is economically necessary to pull the economy out of stagnation, the ensuing fight in the conservative-dominated parliament over the bill's content and ambition indicate that there will be many barriers to overcome in the year ahead.

The government is at present unable to secure the unconditional support of its conservative friends. But to try to achieve complete victory against the other factions could be most dangerous. It would further narrow the regime's political base, which would face serious resistance from the intended targets. The big question is to what extent the fate of Supreme Leader Ayatollah Ali Khamenei is now inexorably tied to that of Ahmadinejad. While many inside the political elite are deeply dissatisfied with Ahmadinejad's brinkmanship, the parliament's recent failed attempt to impeach the president casts doubts over the capacity of these various groups to coordinate their activities sufficiently to dislodge the government.

This is not to say that the reformists and the Green Movement have disappeared. Their absence on the streets should not be taken as an indication that they have been defeated. The issues they raise remain salient and very much present; there is a functional need for their voice. In general, they will remain part of the political landscape by sheer virtue of being an ideological and social vehicle for important perspectives within Iranian society, but their active re-integration into political life remains unlikely for 2011.

In the near future

The Islamic Republic is likely to muddle through 2011, despite international sanctions and domestic mismanagement. But it will be a bleaker place and development in human, industrial and other terms will lag even further behind. If sanctions are retained over time, the country will get by, but at a much lower rate of productivity and at a much higher social cost to the population. A closed society, with degrading economic, industrial, welfare and education systems and an economy dependent on smuggling will have its resources overstretched and channelled by the regime towards loyalist elements, in particular the security establishment, which is vital for the survival of the system and its ruling elite.

On the other hand, if Iran were to implode in the near future, two scenarios are most likely to unfold. One possibility would be for the country to be held together by a group from within the old elite, probably with deep ties to the security apparatus. They would be best equipped to establish a monopoly on the exercise of power and violence. Considering their background and temperament, there is nothing to indicate that this group would be more transparent or any less intransigent than the current regime when it comes to the nuclear programme.

Alternatively, the ever-worsening living conditions and the social divide could lead to the collapse of central political power and a regional fragmentation of the country – similar to what happened in Iraq after the 2003 US-led invasion. The statist tradition and nationalist-modernist framework of Iranian society is strong and has been historically successful in inculcating a common identity in most of the population. There is, however, no shortage of grievances from the periphery – geographic and ideological – against the Persian-centric view that has held sway in the modern state project. Even if the

end result is not an outright break-up of the country, instability-driven regionalisation and a weak core, wedged between Iraq and Afghanistan, would not bode well for the future of the country or the Middle East.

Neither of these scenarios would bring the EU much comfort, whether from the perspective of settling the nuclear issue or trying to create a more productive relationship with Iran and a positive dynamic within the Middle East region.

Re-engaging Tehran

But the EU and the US are stuck in their own loop. This was most evident in regard to the deal on uranium enrichment brokered by Brazil and Turkey in 2010. The US saw this as a typical Iranian stalling tactic. The EU dismissed it for imposing insufficient obligations on Iran. But they seem to forget that the West itself had proposed something similar in October 2009 as a confidence building measure. An opportunity to re-engage the country was sunk by the weight of years of mistrust between Iran and the West.

It seems that the EU simply expected the new guard in Washington to pursue engagement and lead the way in Iran. While not an unreasonable expectation, the Obama administration's ability to pursue this policy was always going to be limited. And such limitations are likely to become more pronounced in 2011 now that the House of Representatives is controlled by the Republican Party and anti-Iranian, pro-Israeli sentiments in the US Congress will constrain Obama's room for manoeuvre even further.

In the meantime, the Turkish government has taken the reins and has been pursuing a much more productive route that comprises both a tactic (all-out engagement) and a strategy (interdependence and cooperation aimed at securing stability and detente). This goes to

show that reciprocal engagement is workable while voicing criticism. This is how the Soviet Union was dealt with. Through patience and sustained engagement with Iranian officialdom at all levels, Turkey gained sufficient trust with Tehran to bring the Iranian political elite to the table and make them commit – even if only partially to cede control over uranium stocks.

There are some hard lessons for the EU in all of this. The on-off approach to everything but the nuclear issue is counter-productive. In 2011, the EU must move to outline for itself and its Iranian interlocutors an end goal, a comprehensive approach on what the long-term relationship with Iran should look like. Following the Turkish lead, the EU's approach should return to its own history as a peace project. In the end, the commitment to democracy and human rights is best served by Iran's re-integration into the regional and international system.

In today's multi-polar world, it is not within the power of the EU and the US to deny or integrate Iran of their own accord. But it is clear to all parties that Iran stands to benefit greatly from a less confrontational and more functional relationship with the West. It is easy to lose sight of this end goal as spoilers on all sides cling on to a zero-sum approach where any opening with Iran is seen as a downgrading of other regional ties.

In 2011, the doomsday predictions of a 'nuclear clock' ticking inexorably will have to be confronted. So far, Iran has not agreed to freeze its nuclear enrichment programme. Hence, during 2011 Iran will come to possess an ever-growing amount of low enriched uranium. For its own credibility the EU will have to signal whether it can live with this *fait accompli* or stubbornly continue insisting on something it has very little leverage over. In fact, it is no longer a question of whether Iran should have a nuclear enrichment programme but rather at what level of enrichment it can be capped. These are the negotiating parameters with which the EU must come to terms.

If sanctions cannot stop Iran, the inevitable question is where to go next. There is a danger that those who seek a military confrontation will use this 'failure' to push for war. Even if a US-Israeli attack on Iran is confined to air bombing campaigns, the political repercussions will be immense. Despite the rumours of tacit approval for such a move by Arab countries in the region, Iran's neighbours fear both its capacity to hit back through asymmetrical warfare as well as the spill-over of the inevitable humanitarian catastrophe.

A European re-engagement with Iran must be persistent and patient with no illusions of quick fixes or painless victories. Issues such as regional security, the drug trade from Afghanistan, the stability of Iraq and Afghanistan, and Europe's need to diversify its energy sources should be high on the agenda. On many of these issues, cooperation would be of great mutual benefit and act as an incentive for Tehran to re-think its own role in the relationship. Inevitably, some of these initiatives will fail. But a broader policy base will be more likely to succeed over the long term than the narrowly drawn tactics currently employed.

It is time for the EU to exercise new leadership, because in Washington more sustained and imaginative efforts will continue to be sacrificed on the altar of domestic politics. The Iranian regime is always going to be suspicious and divided over engaging with the US, some preferring a stable enemy than an uncertain thaw. But the EU can provide the much needed assistance for building the confidence required for serious negotiations.

The long-term development and stability of the region and the hope of a more liberal trajectory for Iran's population requires the kind of soft power that the European Union prides itself on possessing. The EU must show its support for this in 2011 as key challenges emanating from Iran ratchet up.

6. Recovering Turkey

William Chislett

After nearly five decades waiting in Europe's ante-room, Turkey is getting impatient. The country's stalled membership bid will put a further strain on EU-Turkey relations in 2011.

Europe still accounts for nearly half of Turkish trade and Turkey needs the EU to modernise. As for the EU's interests, Turkey is a founder member of NATO and a rare example of a predominantly Muslim state that is also a secular and pluralist democracy, albeit not yet a fully functioning one. Turkey is also a key part of a transit energy route from Central Asia to Europe. With a growth rate of nearly 6 per cent in 2010, Turkey is the fastest growing G20 economy after China and is slated to be the second largest economy in Europe by 2050.

Economic prosperity will probably bring about another victory for Prime Minister Recep Tayyip Erdogan and the Islamist Justice and Development party in the summer 2011 general elections. And the new prime minister may embark on a constitutional overhaul, after having already won a referendum on constitutional changes in September 2010. The EU will need to respond to domestic changes in Turkey and assuage the country's growing hostility towards the Union's prevarication.

In the ante-room

Turkey was officially recognised as a candidate for full membership at the Helsinki summit of the European Council in 1999 and negotiations started in October 2005. But after more than five years of talks, the country has only opened 13 of the 35 ‘chapters’ or areas of EU law and policy needed to complete its accession process. It has closed just one of them (science and research). About 18 chapters are still blocked, by the EU as a whole, by France or by Cyprus.

In December 2006, the European Union unanimously suspended eight chapters because Turkey refused to extend its customs union with the EU (in effect since 1996) and allow Greek Cypriot vessels access to its ports and airports. Ankara will not budge until the European Council fulfils its promise to ease the economic isolation of the internationally unrecognised Turkish Republic of Northern Cyprus.

The arguments for letting the country into the EU if it fulfils the conditions are well known and regularly trotted out by Ankara’s supporters, particularly the UK, Spain, Sweden and Italy. But it is the opponents, principally France and Germany, who are making all the running. Meanwhile, the well-reasoned reports of the Independent Commission, headed by former Finnish president and Nobel laureate Martti Ahtisaari, and the Reflection Group, led by former Spanish prime minister Felipe González, both in favour of Turkey’s EU membership, fall on deaf ears.

At the current snail’s pace, negotiations will soon grind to a complete halt. But the EU needs Turkey and Turkey needs the EU. During the course of 2011, the EU needs to overcome the lethargy in its relations with Turkey. It needs to find ways to regain momentum and unblock progress on what is arguably the EU’s most important foreign policy challenge.

The Cyprus problem

All of Cyprus joined the EU in 2004, but the *acquis communautaire* only applies to the Greek Cypriot southern part of the island. This is because the northern part (36 per cent of the territory) has been occupied by Turkey since its military intervention in 1974 (under the 1960 treaty of guarantee which gave it the right to take action), following inter-communal strife between Greek and Turkish Cypriots and an attempt to incorporate the island into Greece through a coup. The Turkish Republic of Northern Cyprus is only recognised by Ankara. After the 2004 referendum in which Turkish Cypriots voted overwhelmingly ‘yes’ for the Annan Plan to reunify Cyprus (Greek Cypriots massively rejected it), the European Council promised to alleviate the TRNC’s economic seclusion. The first action of a divided Cyprus as an EU member was to block this gesture, and since then Cyprus has become a single-issue member state, vetoing Turkey’s every move.

Meanwhile, further negotiations to reunify Cyprus drag on: reuniting the country is not a *sine qua non* for Turkey’s entry into the EU, although it is difficult to believe it would happen without a settlement. It was already a serious mistake to admit Cyprus to the EU before resolving the dispute with Turkey. Yet, the Cyprus issue is sometimes a convenient fig leaf for countries to mask more profound objections to Turkey’s EU membership.

The Lisbon Treaty appeared to offer a way out of the stalemate, by granting the European Parliament a voice in the direct trade matter. But hopes were dashed when the EP’s legal affairs committee questioned the legal basis on which the Commission had proposed direct trade between the EU and TRNC. Yet again, Cyprus was vindicated.

Also, the tension between Cyprus and Turkey has become a barrier to closer links between the EU and NATO. While Turkey, with NATO’s second-largest army, vetoes any attempt at allowing Greek

Cypriot authorities to access classified NATO documents, Cyprus blocks Turkish participation in EU defence bodies. Turkey has no access to EU documents relating to military missions (even those in which it participates), and is not even allowed as an observer in relevant decision-making processes. It is absurd that Turkey is the only NATO member not to have signed a security agreement with the EU.

In 2011 the EU should override objections and incorporate Turkey into its foreign and security policy – that is, not waiting until it is a full member to do so. Turkey's contribution to the European Security and Defence Policy already surpasses that of several member states. It is the second-largest troop contributor to Operation Althea in Bosnia-Herzegovina, despite the decision-making body – the European Defence Agency – being completely off-limits to Ankara. Turkey also has more peace-keeping troops in Afghanistan than most EU countries, such as Spain, and is the only Muslim country to participate in the NATO-led mission.

Looking eastward

France's blocking of chapters related to economic and monetary union, on the grounds that this opens the door to full EU membership, is outrageous. Candidate status gives Turkey every right to expect full membership if it closes all the chapters, as has been the case for all other applicants. President Nicolas Sarkozy and Chancellor Angela Merkel have offered Turkey a 'privileged partnership' without even defining what this means. Ankara has rightly adamantly rejected the offer.

As a result, unsurprisingly Ankara's foreign policy is more assertive and increasingly looks towards the east. Since the end of the Cold War, when Turkey ceased to be the sentinel on the front line, it was only natural that the country should choose to forge a more independent foreign policy towards its backyard that reflected its own interests,

as well as its burgeoning economic strength. Now, given the pace of accession talks, Ankara is understandably even keener to keep all options open. The Turkish intelligentsia, at least, has not forgotten the words of European Council President Herman Van Rompuy, when in 2004 he declared, then as Belgian prime minister, that Turkey 'is not part of Europe and never will be'.

There has been a lot of silly talk about Turkey turning its back on the West in favour of re-engagement with the lands once ruled by its sultans during the Ottoman Empire. Many of the steps it has taken are clearly positive: mending fences with Syria (the old risk of war has given way to visa-free travel); signing a landmark deal with Armenia to open the shared border (yet to happen) closed by Ankara since 1993 in support of its ally Azerbaijan (in conflict with Armenia over Nagorno-Karabakh); hosting talks between Afghanistan and Pakistan; and liaising with Sunni militants in Iraq.

Turkey is becoming an influential actor with considerable 'soft power' in the Western Balkans and the Middle East. This can only benefit European security and clearly enhances Turkish claims for EU admission.

Nonetheless, European capitals and Washington still fret over two policies in particular: the standoff with Israel (which for long saw Turkey as its only Muslim ally), following the Israeli raid on a Turkish-flagged aid flotilla seeking to break the Gaza blockade, in which nine Turks died; and Turkey's friendly relations with Iran.

Turkey voted against the UN Security Council's additional sanctions on Iran, after the international community ignored the Turkish-Brazilian-Iranian deal to transfer part of Iran's stockpile of uranium to Turkey. Prime Minister Erdogan may have been naïve in believing Tehran had good intentions, but had his confidence-building measure won wider support, it could have led to broader negotiations and perhaps a comprehensive solution. Moreover, Erdogan kept US

President Barack Obama informed and did not go behind his back. As regards Israel, Erdogan's public outrage over Gaza's blockade is shared by many EU leaders in private.

Ankara's new focus on the Middle East enjoys increasing support among Turks, having doubled to 20 per cent in the last year. This was accompanied by a nine-point decline in those who said Turkey should cooperate with the EU (see Figure 1).

Figure 1. With whom should Turkey act in closest cooperation?

	2009	2010
Turkey should act alone	43	34
Countries of the European Union	22	13
Countries of the Middle East	10	20
United States	4	6
Russia	3	5

Source: Transatlantic Trends 2010, German Marshall Fund of the United States.

Kick-starting negotiations

Turks' support for EU membership has plummeted since 2004 as more and more people feel that the negotiations are not proceeding on an equal footing. The door to full membership seems forever-closed (see Figure 2). This provides no incentive for the government to push through the reforms required for membership. Why should Turkey open up its public-procurement market (one of the few remaining chapters that can be opened) to greater competition from European countries if there are no guarantees of fully joining the European club?

Figure 2. Turkey joining the EU would be a good thing (%)

	2004	2005	2006	2007	2008	2009	2010
Turkey	73	63	54	40	42	48	41
United States	43	37	35	40	32	41	38
European Union*	29	22	21	22	21	20	23

(* EU7 for 2002-2006 and EU11 for 2007-2010.

Source: Transatlantic Trends 2010, German Marshall Fund of the United States.

The 'yes' vote by a significant margin in Turkey's constitutional referendum in 2010, in the face of entrenched secularists' claims that the religiously conservative AKP is seeking to introduce theocracy, shows there is broad support for more reforms. Turkey's EU supporters should build on this opportunity in 2011.

But what can be done really to kick-start negotiations? EU governments should come clean and start 'talking Turkey'. So far, there has been little more than double-talk and evasiveness, even among its supporters. For example, the day after championing Turkish membership in Ankara, UK premier David Cameron said that the number of immigrants coming into Britain from non-EU countries should be sharply reduced. This just sends a confusing message.

Turkey's sheer size, with a population of 75 million, does make it a difficult fit into the EU. Perhaps the time has come to face up to the question of complete free movement of persons and tell Ankara that this would not happen for many years, if at all, even after Turkey joined. However, the country would enjoy the many other advantages of EU membership. It is possible that Ankara would accept this in return for greater visa facilities. It is absurd that citizens of Serbia,

Albania and Bosnia-Herzegovina all enjoy visa-free travel to Europe, whereas Turkish businessmen are often denied visas to attend trade fairs and students cannot study here. Turkish entrepreneurs in Europe already run 40 billion euros worth of businesses and employ around half a million people.

A re-engagement with Turkey might help galvanise a credible and electable social democratic alternative to the AKP in the 2011 elections. The euro-sceptic and rigidly secularist Republican People's Party, established by pro-European and reformer Mustafa Kemal Atatürk, the father of modern Turkey, is a pale shadow of its former self and an insult to its founder.

In 2011 the EU should give Turkey a firm target date for accession. This should be 2023, to mark the 100th anniversary of the founding of the republic. Turkish disillusionment and EU prevarication are creating a vicious circle that needs to be broken in 2011.

7. Heading off disintegration in the Balkans

Sofia Sebastián

The EU's Stabilisation and Association Process was introduced in 2000 to help the Western Balkans advance from post-conflict instability towards EU integration. Progress has been limited owing to local obstruction, a failure to adjust to EU norms and unresolved conflict management imperatives. Croatia is the only Balkan country that has broken free from the cycle of instability. Following a groundbreaking agreement to resolve pending border disputes with Slovenia, it could join the EU in 2012.

The EU's challenge in the Western Balkans in 2011 will be to spearhead the region's transition from persistent fragility to EU membership. The EU will have to balance the role of a traditional third party player in conflict management with the requirement of imposing conditionality in the process of European integration. This balance will be delicate, particularly in ongoing negotiations between Serbia and Kosovo.

The ethnic divisions in Bosnia have served to undermine the integration process. If they are not addressed in 2011 Bosnia risks

being relegated to a political and economic backwater. In addition, political engagement must be strengthened in Albania and Macedonia, which have been neglected.

The challenges in the Balkans are far-reaching. The financial crisis and confusion surrounding implementation of the Lisbon Treaty cast doubt upon the EU's leadership during this critical transitional period. The EU reaffirmed its policy framework in the Balkans at the October 2010 European Council. But, in 2011 a heightened level of engagement will be required to resolve protracted problems in the region. Failure to tackle these lingering issues will jeopardise the EU's future conflict management and stabilisation efforts.

Kosovo conundrum

The July 2010 non-binding decision of the International Criminal Court stated that Kosovo's unilateral declaration of independence did not violate international law or UNSC resolution 1244 (the legal framework under which Kosovo remains an international protectorate). This resolution has significant implications for the question of Kosovo's statehood, which Serbia continues to contest. As a result of the ruling, Serbia adopted a more flexible stance. With the EU, it drafted a UN resolution calling for dialogue on technical matters and dropping the demand for status negotiations to be reopened.

This compromise is significant and represents a tangible achievement for European diplomacy. Ensuing negotiations in 2011 will require the EU to weigh the application of EU conditionality carefully against the need for regional stability. This will be so particularly in relation to the arrest of the indicted war criminal General Mladic. The EU will also have to consider whether or not to fast-track Serbia's EU candidacy in order to prevent nationalist parties from undermining support for President Boris Tadic in the country's 2012 elections.

Serbian Progressive Party leader Tomislav Nikolic has accused the moderate Tadic of ceding too much ground on Kosovo and insists on re-engaging on the question of 'status'. While 60 per cent of the Serbian population currently supports EU integration, economic conditions could create a political climate more favourable to nationalist rhetoric as 2011 progresses and the elections loom larger.

At the October 2010 Council, following intense negotiations with the Dutch delegation, the EU opted to suspend strict conditionality in relation to Serbian integration. The Commission was given a mandate to assess Serbia as a potential candidate for EU membership. Serbia is still required, however, to arrest General Mladic, at least prior to the Commission submitting its final report. If Serbia fails to demonstrate its commitment to Mladic's capture or to comply with the remaining criteria, then ICTY prosecutor Serge Brammertz may deliver a critical report. This would create an awkward dilemma in relation to Serbia's candidacy, possibly in the middle of delicate negotiations surrounding Kosovo.

In early November 2010, the government that led Kosovo to independence from Serbia in 2008 fell and early elections were held in December. Despite Prime Minister Hashim Thaci's victory, Kosovo will not get a new government before 2011. A delay in negotiations over Kosovo's autonomy seems probable at this juncture. The EU should insist on initiating dialogue on these political trends. The longer this discussion is postponed, the more tenuous Tadic's position will become, and the more his capacity to accommodate EU requests will be compromised.

Reforms pending

Bosnia's transition to full sovereignty also represents a critical challenge to EU diplomacy. Discussions concerning the replacement of the Office of the High Representative – the international envoy responsible for monitoring the implementation of the Dayton peace

agreement – with the Office of the EU Special Representative have dragged on for years. The EU is at least partly responsible for the delay, in light of its failure to offer a comprehensive post-OHR roadmap. The EU has also failed to convince the US of its ability to deliver tangible reforms in the absence of the OHR and the underlying Bonn Powers. On the ground, local actors still perceive the US as the only actor capable of providing security guarantees.

Bosnia's political parties are currently in the midst of post-election discussions. Once the government is formed in early 2011, the EU will need to act quickly in order to promote key reform initiatives and expedite the process of EU integration. Garnering momentum will be crucial in light of the political intransigence that has marked the past four years. Once the Kosovo impasse is settled, regional European approximation should move at a faster pace in the region. Bosnia cannot afford to be left behind.

Further delays in the Bosnian reform process could serve to undermine the country's long-term stability, given the rampant ethnic divisions surrounding the nature and structure of the Bosnian state. The new government will likely be comprised of the Social Democratic Party along with the three major ethnic-based parties. Their respective approaches to key reforms vary greatly, especially in relation to constitutional changes aimed at complying with the rulings of the European Court of Human Rights. How the EU balances competing local views on state-building with EU accession prerequisites will determine its leadership potential in Bosnia. Unfortunately, the EU's engagement in Kosovo could drain resources and potentially weaken such a leadership role in Bosnia.

Shepherding Kosovo's state-building endeavours and keeping both Serbian and Bosnian integration on track represent clear priorities for the Balkans in 2011. But the EU must also be mindful of the potential for instability in Albania and Macedonia.

Macedonia has been waiting to open accession talks for more than five years and represents a particularly complex case of volatile ethnic conditions. 2011 will mark the tenth anniversary of the EU-sponsored Ohrid Agreement, which helped avert further ethnic conflict and established a constitutional framework that included autonomy and power sharing rights for the Albanian minority. Despite significant progress in recent years, the provisions outlined in the Ohrid Agreement have not been fully implemented and many fear a resurgence of ethnic violence. Disruptive episodes in April and May 2010 – which included shootouts with police near the border with Kosovo – and recent demonstrations in Skopje over alleged discrimination against Albanians have heightened concerns within international circles. Progress on EU integration will be essential in 2011 if these gathering tensions are to be contained.

Disgracefully, policy on Macedonia is still paralysed, pending a resolution to the name dispute with Greece. Herman Van Rompuy, president of the European Council, was recently in the country and encouraged the two sides to compromise. But statements like these have failed in the past to entice the parties into conciliation. The EU must soon decide how much longer it can afford to wait before engaging more deeply with Macedonia, against a background of precarious ethnic balance in the country. The Commission stated in 2009 that Macedonia 'sufficiently fulfils' the political criteria necessary to begin accession talks.

The situation in Albania is also of serious concern. Albania submitted an EU membership application in April 2009. But controversies over the June 2009 election results and the opposition's boycott of the parliament have damaged prospects for the country's EU integration. While resolution of the current political quagmire is a pre-requisite to continuing reform, Albania is plagued by significant problems in the judiciary, rampant corruption and restrictions on media independence. These issues threaten to undermine the democratic process in Albania. They demand a more tailored EU approach.

Current economic conditions will serve only to exacerbate existing concerns. Despite a steady 5 per cent growth in GDP in recent years, Albania suffers from high unemployment and widespread poverty, especially in the rural areas that host almost 60 per cent of the country's population. The EU will need to intensify diplomatic and political pressure to keep Albania on track in 2011.

Recovering influence

EU authority in the Balkans has been widely discredited in recent years. This is largely due to a lack of consensus surrounding the enlargement process. Even if the Lisbon Treaty has introduced long-awaited reforms, the financial crisis now tests the enlargement commitment. France's stated reservations with respect to visa liberalisation for Bosnia and Albania are one recent signal of this.

Challenges in the Balkans are paramount to European stability, and the EU cannot afford to turn away from its responsibilities. In 2011 the EU must further engage in the region through proactive ground-level diplomacy. The EU should define and effectively use concrete sticks and carrots in lieu of the intangible lure of distant accession. The creation of an incentive framework for Serbia will be critical. Kosovo should be encouraged to comply with strict conditions to protect the rights of its Serb minority. Time is of the essence, as the next round of Serbian elections threatens to undermine Tadic's ability to compromise.

More effective diplomacy will also be required in Bosnia, Macedonia and Albania. All of these countries face significant internal and external challenges that will not be assuaged by the application of a purely technical approach. In 2011 the EU will need to exert more influence in the ongoing talks between the Albanian government and the opposition. It should also engage further in the name dispute between Macedonia and Greece. Mediating between the different

ethnic groups in Bosnia will require more tact than has previously been demonstrated, and the provision of a comprehensive roadmap for EU integration following closure of the OHR.

In the past the EU has focused primarily on the delicate regional balance centered on Serbia and Kosovo, while neglecting other priorities. Ensuring that Bosnia, Albania and Macedonia receive adequate resources and support will be critical to a successful regional strategy during 2011.

8. Diverting another Southern Caucasus war

Natalia Shapovalova

The current situation in Georgia satisfies no-one, including Russia. Tension is increasing as after 16 years of peace talks there are still no signs of progress in this conflict between Armenia and Azerbaijan. Insurgent violence in the Russian North Caucasus is contributing to growing insecurity in the 'big Caucasus'. There are many complex challenges facing the EU in the Southern Caucasus in 2011, but also several opportunities. It is time for the EU to redirect its focus and efforts towards its Eastern neighbourhood, where it has both influence and responsibilities.

Russia-Georgia post-war

It is unlikely that 2011 will bring reconciliation between Georgia and Russia, who severed diplomatic relations in August 2008 after a five-day war. Russian President Dmitri Medvedev has said that normalisation of relations between both countries is impossible as long as Mikhail

Saakashvili remains in power. The latter's second presidential term expires in 2013.

None of the parties involved is happy with the status quo in Georgia. Around 232,000 ethnic Georgians from South Ossetia and Abkhazia remain forcibly displaced. Lack of freedom of movement between the two breakaway regions and the rest of Georgia, as well as regular border detentions, make life harder for the population and poison inter-ethnic relations.

The border blockade and ongoing militarisation impede the economic development of the breakaway regions and border territories. The small Ossetian economy has been reduced to little more than a service provider for the Russian military and construction personnel. Abkhazia's potential as a tourist resort remains largely unexplored. Worse still, other than the International Committee of the Red Cross, no international humanitarian, development or monitoring organisation operates in the region. Since they are dependent on a single unreliable road to Russia, inhabitants are isolated. After the economic decline caused by the dual shocks of the August war and the global financial crisis, Georgia's economy is finally starting to show signs of recovery. But growth remains vulnerable. Post-war international aid is running out, while foreign investments have not returned to pre-crisis levels and external debt is on the rise.

The two years of Geneva talks with Russia, Georgia and representatives from South Ossetia and Abkhazia, co-chaired by the European Union, the OSCE and the United Nations, have produced very limited progress. The one concrete result was the decision in February 2009 to put in place Incident Prevention and Response Mechanisms. But as late as October 2010, the South Ossetian IPRM was still blocked due to local authorities' obstruction.

The irreconcilable positions of the conflicting sides make it impossible to reach a non-use of force agreement. The Georgian president has made a unilateral non-use of force announcement, but this has not been reciprocated by Russia, as it does not consider itself party in the conflict. Recently, tensions have been mounting and Georgia has even accused Russia of organising the terrorist attacks in Tbilisi in November 2010.

There have been no advances regarding the implementation of the EU-mediated six-point agreement between Russia and Georgia either. The only visible success was the Russian military withdrawal from Perevi village, located in 'Georgia proper', in October 2010. But even this looks insignificant compared to the reinforced militarisation of South Ossetia and Abkhazia. Russia is spending nearly 500 million dollars to refurbish existing military installations in Abkhazia. Ignoring international criticism, in August 2010 Russia deployed a mid-range air defence system in Abkhazia.

Moscow claims to have fulfilled the six-point agreement, as the Russian army that fought in August 2009 has withdrawn. The new military forces based in the 'independent states' of Abkhazia and South Ossetia, on the basis of bilateral agreements, have a different status.

The role of the EU Monitoring Mission, deployed shortly after the outbreak of war, is positive as it allows for impartial investigation of the border conflicts and human rights violations. It has contributed to the prevention of new violence. However, the mission keeps peace on the Georgian side of the border only and cannot operate on the other side.

As EU and US support has weakened, Georgia seems ready to fashion a much more independent policy and is currently trying to build new regional alliances – for example through the introduction of visa free travel for the Northern Caucasus and Iran. The implications for European interests are uncertain.

Nagorno-Karabakh

2010 witnessed an escalation of violence in the Nagorno-Karabakh conflict between Armenia and Azerbaijan. Bellicose rhetoric from Azerbaijan is growing, as is the country's military budget – in 2011 this will account for around 20 per cent of public expenditure. The process of border liberalisation between Armenia and Turkey initiated in 2009 has stalled. Baku has pushed Ankara to make the bilateral rapprochement conditional upon progress in the Nagorno-Karabakh talks.

Frustration will increase in 2011 as there continues to be a lack of progress after 16 years of peace talks led by the OSCE Minsk group. The EU is much less engaged here than in other frozen conflicts in the Eastern neighbourhood. The EU special representative for the South Caucasus, Peter Semneby, has never even been to Nagorno-Karabakh.

The security and mediating role of regional organisations such as NATO, OSCE and the UN has weakened in the South Caucasus. Meanwhile, the influence of powerful states has grown. Russia exerts its dominance in both Georgian conflicts and has a strong position in the resolution of the Nagorno-Karabakh conflict. Turkey has an increasingly active engagement policy. This is unlikely to bring about positive changes in the region due to Russia's pro-Armenian and anti-Georgian stance, and the Turkish bond with Azerbaijan.

The 'big Caucasus'

Although the North and the South Caucasus are geopolitically separate, security threats increasingly blur this divide. An enlarged security space of 'the big Caucasus' is increasingly referred to.

Deadly insurgent violence, kidnappings and disappearances are an everyday reality in Russia's North Caucasus republics. Problems have

leaked from Chechnya to other republics: initially Dagestan, Ingushetia and North Ossetia and, more recently, Kabardino-Balkaria, which used to be the quietest republic in the region. In recent months escalating hostilities have culminated in a suicide bombing at the market of the North Ossetian capital Vladikavkaz, an attack against the Chechen parliament and a raid on the home village of the unpopular Moscow-appointed Chechen President Ramzan Kadyrov. Since the lifting a year and a half ago of the counter-terrorist regime, which had lasted for nine years, the Chechen situation has increasingly deteriorated.

The roots of the violence in the Northern Caucasus are mostly economic and social, with alarmingly high unemployment rates, poverty, corrupt and oppressive rulers, insurgent and government violence, and human rights violations. Although ethnic and religious lines in this highly multinational and mostly Islamic region cannot be neglected, social despair is the most fertile ground for militant fundamentalism.

The security situation in the region seems beyond Moscow's control. The Russian government has offered a plan for economic revival, but this is based on heavy social engineering and does not work. President Medvedev has already recognised that it is unlikely that new investments to create jobs will flood into the region.

The 2014 Olympics in the Russian Black Sea resort of Sochi could propel economic development. Unfortunately, it looks more likely that they will lead to new tensions. Georgia is leading a boycott campaign as Sochi is just 20 km from the Abkhazian border. The Circassians, a Muslim Caucasian people spread over the North Caucasian republics and around the globe, have been pressing through their diaspora in Turkey and Western countries for the Olympics to be moved to another site. They demand that Russia acknowledges the nineteenth century genocide that wiped out about 1.5 million of the Circassian population in the Sochi region. They seek autonomy within Russia.

As security in the North Caucasus is an internal affair for Russia, the international community does not get involved.

An increasing number of voices coming from international NGOs and some EU countries call for greater European involvement in the human rights situation in the North Caucasus. An example is the 2010 report by UK parliamentarians on Chechnya. Following the attack on the Chechen parliament building on 21 October 2010, the European Parliament adopted a resolution on the human rights situation in the North Caucasus, calling on Russian authorities to enforce international human rights obligations and the rule of law. Human rights in the North Caucasus are also the subject of EU-Russia consultations, but these do not seem to be working. As European humanitarian aid to the region is phasing out, new ways of engagement and assistance should be sought.

Decisions awaiting the EU

2011 will be a year of opportunities for the EU in the South Caucasus. They should not be missed.

First, in 2011 the full introduction of the Lisbon Treaty's external policy arrangements will be completed, potentially awarding the EU ambassadors to all three South Caucasus states more clout. However, the fate of the two EU special representatives in the region, and what authority they will have if they remain in post, is still unclear. The mandate of the EUSR to the South Caucasus, who currently deals with regional political and security developments and the Nagorno-Karabakh conflict, expires on 28 February 2011. The mandate of the EUSR for the Georgia crisis, who also represents the EU at the Geneva talks, runs until 31 August 2011.

The mandate of the monitoring mission in Georgia, effective until 14 September 2011, is likely to be continued as both Georgia and Russia

judge it beneficial. Gaining access to Abkhazia and South Ossetia will remain the main challenge for the mission's operations.

Second, in 2011 the EU's main policy frameworks for its relations with South Caucasus countries – the European Neighbourhood Policy and the Eastern Partnership – will be reviewed. The EU will further differentiate between Eastern and Southern neighbours and a division of the European Neighbourhood and Partnership Instrument, the current aid tool, will be on the agenda. The Eastern Partnership will gradually turn into the EU's fully-fledged policy for the European neighbourhood. In turn, this will allow for further differentiation between the Eastern European and the South Caucasus sub-regions, with the focus on security issues especially crucial for the latter.

The second Eastern Partnership summit in May 2011 will be a chance to take stock of the EaP's first two years and set priorities for the future. The lack of a security component has been recognised as the EaP's main weakness by several member states and the European Commission. This shortcoming must be corrected.

Last but not least, two Eastern member states will chair the EU in 2011. Although the rotating EU presidency is no longer set to focus on foreign policy, many in the EU believe that their new foreign policy leaders are not fully coping with the task. Both Hungary and Poland will include relations with Eastern partners among their presidency priorities. In its May 2010 resolution, the European Parliament called on EU actors to pursue a strategy for the South Caucasus, focusing on three areas: conflict resolution, democracy promotion, and economic and social development. This call is likely to find support from the 2011 EU presidencies.

The Caucasus 'survival guide'

The situation in the Eastern periphery shows that the business of making Europe an economically prosperous and democratically governed region free from war is far from finished. The EU should direct its focus and efforts towards the Eastern neighbourhood where it has both influence (due to geographical proximity and economic, political and cultural ties) and responsibilities (including those assumed within regional mechanisms such as the OSCE or the Council of Europe).

Furthermore, the EU should revert to the value of democracy in its security policies. Resolution of the security issues in the Caucasus depends on democratisation. The insurgent violence in the North Caucasus finds local support due to the disastrous record on governance, rule of law and human rights. Lessons should be drawn from the Russia-Georgia war: more democratic decision-making in Georgia could have led the course of violence along a different path. Georgia's prospects for full democratic consolidation are further receding with President Saakashvili's plans to stay in power using the Putin president-to-prime minister scenario. The South Ossetian and Abkhaz governments cannot be representative actors in any peaceful resolution process as they look to Moscow for political and economic support, and not to their home citizens who are suffering the consequences of war.

Unresolved security issues make regional democratisation extremely difficult. South Caucasus regimes consolidate their authoritarian rule due to existing external security threats. These are used to legitimise the restriction of political freedoms and human rights. In extreme cases, such as Russia's Dagestan, elections cannot be conducted without a greater level of security.

Against this background, four recommendations for EU policy towards the region can be drawn:

- **Strategy.** The EU should set out a clear vision of what it aims to achieve in the Caucasus and by what means.

- **Increasing diplomatic presence and engagement in conflict resolution.** The EEAS provides an opportunity to strengthen EU missions in Armenia and Azerbaijan. The EU should seek creative solutions for peaceful conflict resolution in the South Caucasus. Europe's experience of 'mini-states', shared sovereignty, regional cooperation and referrals to binding international arbitration may provide important insights into how to approach these difficult issues more effectively. This will also involve ensuring access for EU officials to the conflict areas in question. The EU should also monitor more closely security developments in the North Caucasus.

- **Future funds** as well as those already provided to Southern Caucasus countries should be made more conditional upon reform progress. The EU should also increase support to non-state actors in peace-building, conflict resolution and democratic governance. In 2011 work on the EU's financial framework for 2014-2020 will provide such an opportunity.

- **Relations with Russia.** The security situation in the Caucasus largely depends on Russia. The EU should be clear with Russia about the link between the future European security architecture and progress in the Caucasus. European security cannot be reduced to questions of Russia's place in this order; it must also deal with the actual conflicts and emerging security challenges in Eurasia. The West's rapprochement with Russia should be better used to lever Russia to cooperate on the frozen conflicts in the common EU-Russian neighbourhood. Both NATO-Russia cooperation and the OSCE as a comprehensive security organisation in the region should be much better exploited by the EU. The 2014

Olympic Games may also be used by the EU to convince Russia to let EU observers into Abkhazia.

The existing security threats in the South Caucasus are likely to remain on the international agenda in 2011. Their potential for turning into 'hot conflicts' remains high. Quick fixes are unlikely but 2011 brings positive opportunities for the EU. The EU should upgrade its involvement in the Caucasus to provide positive input into the region's security dynamics as well as new momentum to conflict mediation and settlement.

9. Pivotal turning-points in Africa

Cristina Barrios and Oladiran Bello

Cliff-hanger plebiscites are due in 2011 in at least three systemically important African states – Sudan, Nigeria and the Democratic Republic of the Congo. These will test the EU's preparedness and have wider implications for EU-Africa relations. Firmer EU action will also be necessary in other key areas including the implementation of a second action plan on the Joint Africa-EU Strategy and the conclusion of so far unsuccessful Economic Partnership Agreement negotiations. Given Africa's rising geopolitical importance, the EU's ability to respond to new rivals like China, Brazil and India will be complicated by protracted economic slowdown and Europe's declining power.

Responding to emerging challenges in Africa in a way consistent with overall EU external ambitions will be vital. In 2011 the EU will need to accelerate the reform of European development cooperation instruments and capabilities in a context of ongoing institutional adaptation under the Lisbon Treaty. The challenge – and ultimate yardstick for success – remains the extent to which hitherto disconnected policies can be

reworked into mutually-reinforcing pillars of a more strategic approach to EU-Africa relations.

Elections and regional stability

In Sudan, implementation of the Comprehensive Peace Agreement between the North and South has been halting. The outcome of the January 2011 referendum on Southern independence promises to be momentous. The EU has waited passively in the shadow of US policy and its blinkered focus on the January plebiscite. Washington expects the vote to deliver an independent South Sudan. But there is heightened possibility of renewed, drawn-out violence amidst unresolved border demarcation, competition for oil revenue and difficult negotiations over Abyei province.

Given the powerful forces ranged on either side of Sudan's divide, there will be no inherently good or bad policy options for the EU. But Europe will need to fashion a better contribution to damage limitation in an already unstable environment. The potential fall-out could reach as far as Sudan's other troubled peripheries, which would unhinge the EU's strategy for stability in the western region of Darfur. To be effective, the EU must free its own hand. It must carve for itself wider room for manoeuvre in relation to the different parties in Sudan's complex conflict. This must entail foregoing the all-too-easy temptation to kowtow to the US position as happened during the discredited general elections of April 2010.

The EU should be capable of defining an independent role and filling niches where it can help galvanise cooperation between the different factions at the grassroots level. Non-elite engagement at the level of Sudan's different peoples has for too long been neglected in favour of a US-backed accommodation between elites at the centre. This is the unfulfilled aspiration of the CPA, and a key explanation of the many

deadlocked negotiations that may make the referendum's aftermath destabilising and violent. The EU and key international actors' attention must turn towards the grassroots if Sudan is to be stabilised in 2011.

The general election scheduled for April in Nigeria is arguably even more significant for regional stability given the size and regional role of the West African giant. The EU has not maximised its potential leverage in Nigeria. This is seen in its comparatively modest aid funding. Nigeria-EU development cooperation remains superficial, lacking in the depth that characterises Brussels' engagement with other key sub-regional players like South Africa - which enjoys a strategic bilateral partnership - or even Uganda and Ghana. This needs remedying. It is often claimed that Nigeria's oil wealth negates the potential influence of external aid in shaping government decisions. But this reading misses the point. Nigeria's robust civic society activists fiercely criticise EU disinterest. Given the succession of discredited elections since the country's return to civilian rule in 1999, there is a groundswell of local demand for external engagements to help solidify the democratic system.

Current EU policy is obtuse on election-related issues. Nigeria will require at least five successive peaceful power turnovers before any sense of democratic consolidation takes root. Sharp regional tensions have already opened up around the April 2011 presidential polls. So far, the EU has failed to express a clear view on this even though European officials regularly pronounce on some of the equally contentious national questions such as conflict in the oil-rich Niger Delta. The EU must adopt a proactive and unequivocally pro-democratic line before and after the April elections.

The DRC's second free elections will take place in November 2011, five years after the presidential elections that consolidated Joseph Kabila's power. Back in 2006, the international community devised a strategy to put an end to protracted conflict in the country. This concentrated on the East, involved Rwanda and other regional actors, and pushed a

political process that included elections. The European Union was the main provider of financial and logistical support. It now needs to regain its influence in the run up to the 2011 election. The strategy needs to be maintained, as conflict is latent and the state fragile. The whole region of the Great Lakes, which has suffered some of the world's worst violence since the end of the Cold War, depends on Congolese stability. The DRC is not yet democratic. Unfree elections in 2011 would throw the strategy back to square one.

EU policy in the DRC faces two main challenges. The first challenge is the fragmentation of EU action and lack of European leadership in the country. EU development cooperation has been managed by the Commission delegation, but without strategic coordination with European member states' bilateral aid. Instead of the EU, the World Bank acts as coordinator, while the UNDP oversees many multi-donor projects. EU initiatives on police training and security sector reform (EUPOL and EUSEC, respectively) are run separately under the Common Security and Defence Policy, with no input from the Commission and minimal supervision by the EU special representative to the Great Lakes. They do not dovetail with other bilateral efforts on demobilisation and army reconstruction. EU electoral missions are expressly kept separate from other tasks. 2011 must witness greater EU coherence under the frameworks of the new European External Action Service and the JAES.

The second challenge is to maintain neutrality. The EU's policies in the DRC are ostensibly impartial. But in the 2006 elections, the EU more or less openly supported Joseph Kabila as the man most likely to consolidate the democratic transition. As President Kabila runs for re-election, he will face the difficult task of finding allies in an incendiary domestic political context. He is likely to use his incumbency to control economic resources and media coverage of the campaign. The EU should avoid pro-Kabila politicisation more robustly than in the last elections. If it is serious about democracy, it must denounce irregularities and contribute to a free electoral process, rooted in DRC civic action.

In these three and other cases, the EU must be more proactive in shaping longer-term political trends. The unpredictable nature of these contests and the atmosphere of open distrust surrounding them underline the urgency of more effective election assistance. The adequacy of election-day monitoring is also increasingly called into question, with growing demands for early involvement going even as far back as voter registration and negotiation of the election ground rules.

The EU must redress this void if it wishes to be a credible electoral referee contributing to stable political transition. Ivory Coast's stolen election of December 2010 provides a salutary lesson of how years of international inactivity can lead eventually to explosive instability. The EU will also have to help manage the aftermath of this crisis in 2011, as well as working for the consolidation of a democratic process in the longer term. Important lessons should be distilled from Brussels' commendable coordination with regional organisations, which enabled a timely, unequivocal declaration of support for the election winner as declared by the Ivorian independent electoral commission and the UN special representative.

Development cooperation post-crisis

The Fourth High Level Forum on Aid Effectiveness will take place in South Korea. The EU must prove that implementing 'coherence for development' is possible. Commissioner Andris Piebalgs still has to put in place the means to improve the European Consensus on Development that is supposed to deliver more and better EU aid. The most pressing challenge for EU development, political and security cooperation in Africa in 2011 is how to do better with less.

It is vitally important that policymakers eschew the temptation to self-defeating short-termism in negotiations on EPAs with African states. Developing world producers say hopes of economic prosperity

are weighed down not only by the deadlocked Doha Development Round but also by the backward-looking aspects of European demands in the EPAs. Many African Regional Economic Communities question EU trade demands in low-value-added production – hardly the sectors where Europe needs to drive hard bargains to maintain market advantages and competitiveness. Unbalanced EPA negotiations are poisoning other areas of potential cooperation.

In 2011 China will continue to increase its clout as development aid provider and direct economic competitor at the EU's expense in Africa. European development and trade bureaucrats are currently considering instruments such as blended aid – a mix of loan and grant elements – to boost aid effectiveness. This policy review also seems designed with European competitiveness in foreign and emerging markets in mind. But closer investigation of Beijing's recent activities suggests that the European initiative is already well behind China's more dynamic trajectory. Tax-exempt Chinese manufacturers make up the bulk of operators in new free trade zones developed through joint ventures between Chinese and African investors. Recent agreements in Nigeria and Tanzania are only the latest examples of this growing trend.

Overhanging wider EU-Africa discussions is the negotiation of a second implementation plan for the JAES. The Strategy requires clearer linkages between development cooperation and the wider dimensions of European external action. Europe's own core security interests are compromised by inchoate approaches. Trans-Saharan migration flows, narco-trafficking and terrorist threats in ungoverned spaces in the Sahel region demonstrate increasing spatial and thematic inter-connections. Notwithstanding the integrated vision outlined in the Joint Strategy, in practice EU-Africa relations perpetuate the divide between North and sub-Saharan Africa.

In a fast evolving development and strategic landscape, 2011 may offer only a limited window in which to rescue the Joint Strategy – before this becomes the latest in a line of largely-forgotten initiatives

designed to inject coherence into EU-Africa development cooperation. Following the disappointing and content-lite November 2010 EU-Africa summit, 2011 must see some more concrete moves in actually implementing a coherent, continent-to-continent partnership.

Conclusion

The new EEAS and Office of the High Representative must avoid the EU obfuscation of the past. In 2011 they must express clear positions on the important polls due in Africa; be more flexible in EPA negotiations; and proactively push a development agenda with a strongly African perspective within the G20. The risk of violent spill-over from the referendum in Sudan is particularly serious. The EU will need all its early-warning, security, economic, diplomatic and development tools aimed at this potential flash-point.

Agreement will be needed on imaginative new approaches to development financing. Ideas must be fleshed out for new responsibility-sharing between traditional and emerging donors, including increasingly assertive ones like China and South Korea. While previous EU efforts to forge strategic cooperation with China have been unsuccessful, new partnerships must be sought with the implicit acknowledgement that seismic shifts in the global economic landscape are transforming thinking on development.

For Europe, there is little to be gained from swimming against a growing tide. If Policy Coherence for Development is to win wider multilateral acceptance, then renewed interest in the aid efficiency agenda in the wake of the global financial crisis must be combined with a greater devolution of decision-making powers, as well as responsibilities. More broadly, the European narrative must move discussions of aid away from the quintessentially humanitarian. It must emphasise equitable trade relations. It must take heed of reformist state-

builders in developing countries, who often complain that European donors still prioritise high visibility projects as opposed to the local ownership of development agendas. There is a need to shift longer-term development priorities towards those identified by local stakeholders.

In 2011 debate will sharpen on the Millennium Development Goals. On the MDGs and the wider design of cooperation instruments the EU must more systematically take into account developing countries' improving economic prospects. It must broaden its approach to development beyond MDG-type handouts towards more sustainable, self-help strategies attuned to a global economy in transition. This will also help longer-term recovery in Europe. A bolder, broader approach which prioritises support for economic growth in poorer regions could use the economic upswing in poor and emerging regions as a motor for recovery and modernising change.

10. Confronting failure in Afghanistan

Anna Larson

2011 is likely to be an even more critical year for Afghanistan. US President Barack Obama has promised a drawdown of troops from July 2011 and a number of European governments will probably follow suit throughout the year. At the same time, donors professed a renewed commitment to aid at the London and Kabul conferences to support the Afghan government's national priority programmes. This decision to begin (albeit slowly) military withdrawal but simultaneously increase funding allocations to Afghanistan attests to a paradigm shift in donor relations with the country. The West has made a move which is a tacit acknowledgement of failure to date.

But the future of the international intervention – both military and non-military – in Afghanistan ultimately depends on how European donors respond to these developments in 2011. Mitigating the effects of failure requires a long-term commitment to political institution-building in the country. But it also invites a cautious approach to funding to ensure that institutions are not flooded with resources that

cannot adequately be monitored or end up unaccountably dispersed. It is still not clear whether there is enough political will or energy among donors, their own constituents or indeed the Afghan government to make such commitments. The sense of fatigue on all sides will be a recurrent danger throughout 2011.

Dangers ahead

As the US and its allies begin to abandon ship, in the absence of a clear exit strategy they must first devise a coordinated approach to troop departures. A hard task, as individual European donors take their own decisions about when and how to withdraw their military presence. It seems that much depends on how the US decides to play its strategy. However, at this point all we know is that the reduction of troops will be gradual, with July 2011 likely to see the peak of international military presence in the country. Without a clear lead to follow, many donors appear to be in policy limbo.

And there are no easy answers. The dilemma resides in the context of escalating insecurity on the one hand, and the lack of a political peace settlement among all parties, on the other. While President Hamid Karzai's government is apparently talking to the insurgents, no official statements have been released about how these actors might be incorporated more successfully into an agreement for sustained peace. In the summer of 2010, the government acknowledged a need to re-integrate 'upset brothers' through its Peace and Reconciliation Plan. But it has erred in assuming that the majority of insurgents are not ideologically motivated and can be won over with financial provisions and immunity from prosecution.

It is time to anticipate the possibility of a troop drawdown in the absence of a political settlement and the potential for an insecurity surge. Even if, as some prominent opposition groups have promised,

violence decreases as troops begin to leave, temporary peace is no substitute for a lasting understanding between the many actors involved in the conflict. As Afghanistan's post-Soviet history has demonstrated, removing a common enemy can leave little to prevent degeneration into full-blown civil war. In 2011, international actors must make use of this critical policy window and come up with a strategy for long-term non-military engagement.

Secondly, something has to be done to counter Afghanistan's widespread corruption. In recent months, donors have obsessed over reassuring the Afghan government, their citizens at home and each other of their plans to continue providing assistance to state-led development in Afghanistan. However, they seem to have turned a blind eye to corruption within the Karzai administration. There are no mechanisms to ensure that new funds are distributed accountably. The newly-established High Office of Oversight has already become another partial, pro-government entity with little reach or influence, particularly at the sub-national level. Yet, it receives millions of dollars of donor funds. As European donors plan to increase their funding in 2011 – in some cases to compensate for their military withdrawal – the problem of corruption is likely to worsen.

Thirdly, following the parliamentary elections held in Afghanistan in September 2010, European governments will need to agree on how to react to and build relationships with the new Wolesi Jirga. Initial results indicated a significant proportion (perhaps as high as 161 out of 249 seats) of new MPs, with a number of donor 'favourites' having to abandon their seats. But there are still widespread disputes over fraudulent results. Reports of fraud flooded the Electoral Complaints Commission in late 2010 (and now fewer observers believe that these elections represented an improvement compared to the polls in 2009). If these are in fact resolved, and the scheduled electoral calendar is followed, early 2011 will see the inauguration of a new parliament. Although donors have never really taken the Afghan parliament seriously as a decision-making

body in critical matters, a new round of relationship-building will need to take place, amid increasing concerns that the legislature might become an extended arm of the executive, consolidating the control of Karzai and his family over the administration in general.

Decisions awaiting the EU

It is crucial that the EU critically assesses its prioritisation of programmes and methods of providing non-military support to Afghanistan in 2011. By the end of 2010, it had already committed to taking the lead among donors in Afghanistan on rule of law programming, and was likely to announce a doubling in funding for this field to a total of 40 million euros in 2011. Other focus areas include public administration reform; expanding the EU's current activities in police training; and electoral reform. These activities have already been broadly outlined in the European Commission's 2007-2013 Country Strategy Paper for Afghanistan.

But key decisions are needed with regard to how much, when, for how long and through which mechanisms funding should be allocated. A likely route will be to continue funding the 'Justice for All' initiative – one of the Afghan government's identified national priority programmes. But this in itself emphasises a central dilemma: how can the EU simultaneously support the institutions of the Afghan state without fuelling the corrupt and personality-driven characteristics of the Karzai administration? The EU must set conditions on which to base a lasting commitment to funding state institutions. It must also hold a firm line on the Constitution: if any attempts are made by the executive to make amendments to reinforce its control over government, the EU needs to be ready to respond actively against such efforts. Essentially, the EU needs to outline the parameters for its engagement with the president: while remaining committed to principles of state sovereignty and the potential for long-term financial support, it must also emphasise the

designation of funds to improve democratic governance, and not the consolidation of authoritarian control.

Concerning its relation to other donors, the EU must define its role vis-à-vis the United States. Whether it chooses to follow the US lead in an (ill-defined) exit strategy, or stand against it in favour of an alternative approach, is yet to be determined. This will depend to some extent on member states' individual troop withdrawals. But it is also dependent on the development of the new European External Action Service, and on whether the restructuring of EU foreign intervention through this new mechanism can contribute to a more streamlined approach to policy in Afghanistan. A coordinated stance and a clearly defined policy position for Europe's role in Afghanistan would go a long way toward improving its credibility as a player in critical exit-strategy decisions.

To make a difference

2011 will not bring any dramatic reduction of instability in Afghanistan, even in the unlikely event of a political settlement that accommodates the interests of disenfranchised actors. As one of the largest donors in Afghanistan, the EU must keep its focus on mid- to long-term goals that could contribute to sustained stabilisation, rather than commit to short-term increases of funding only. Indeed, this may be an approach which the EU, as a multilateral donor, can take more easily than individual member states or other bilateral partners present in Afghanistan, simply because it is less confined to national electoral calendars. This longer-term perspective must necessarily include a renewed emphasis on institution-building, as it is through accountable and functioning institutions that public confidence in the government could be at least partially restored.

The EU has already contributed significantly to the building of state institutions – from police reform programming to support for the elections. However, this contribution must be reconfigured to go

beyond 2013 and towards commitments that are actively implemented and enforced. This is not just a case of funding more bureaucratic and essentially wasteful United Nations Development Programme projects that have little impact on the way in which government functions. Particularly relevant in this regard is a focus on electoral reform.

Following highly fraudulent elections in 2009, international actors (and the UN in particular) had threatened not to fund subsequent polls planned for 2010 unless significant reforms were carried out. Some half-hearted concessions were made by the Afghan government in this regard and a four-month delay was scheduled to allow time for reforms. But very little was done to meet donor 'requirements'. And yet, the elections in 2010 were still largely funded by international actors. Legitimate elections – but more importantly, the long-term, consistent strengthening of the institutions that implement them – are critical to the establishment of a publically-endorsed state. But in their current form, elections in Afghanistan serve to compound and increase instability rather than offer a peaceful alternative to conflict. Addressing electoral reform should be paramount and prioritised within EU programming and diplomacy objectives in 2011, in order to allow electoral institutions to accommodate and publicise substantive changes before the next round of polls.

Further to this, the EU should play a more active role in donor coordination in Afghanistan and take steps towards the greater harmonisation of donor priorities. As a key player among donors in the country, it carries the political weight to do this. Nonetheless, aligning the agendas of some donors – namely, those of the United States with those of other bilateral partners – is not only difficult to achieve but also politically problematic. It is clear, however, that the divisions between donors at present threaten to weaken messages sent to the Afghan government (and also to armed opposition groups). Greater coordination and consistency on key issues must be achieved and communicated if donors are to have any influence on the trajectory of events in Afghanistan in 2011 and beyond.

Mitigating the effects of failure

Success in Afghanistan has been continually redefined since the initial intervention in 2001, with objectives becoming gradually less comprehensive over time. It has become clear that a functioning democratic state is somewhat optimistic as an end-goal in the short-term, and that donors will now settle for a lot less.

In 2011, the increasing pressure to find a way out of Afghanistan appears to be prompting injections of funding as the means for donors to reassure the Afghan government of their continued support. Without credible mechanisms to counter administrative corruption, however, this could contribute to instability.

In order to promote a lasting peace, donors now need to reconsider their definition of the long-term, looking beyond 2013 and adopting institution-building as a continued commitment that extends past the withdrawal of military presence. This is arguably more feasible for the EU than for other donors. This engagement would not necessarily involve a dramatic increase in funding. In fact, less funding, over a sustained period of time and with stronger mechanisms to ensure accountable government spending, would have a far greater impact on the strengthening of institutions than efforts to date.

Essentially, engagement now is no longer about success, but about mitigating the effects of failure. Failure, however, does not signify the end of responsibility. The superficial, politically expedient approach to strengthening governance that donors have adopted since 2001 in Afghanistan has arguably caused more harm than good. Now it requires urgent rectification through sustained commitment.

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