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## Research Report

# Expect the unexpected: Ten situations to keep an eye on

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## **SWP Research Paper**

Stiftung Wissenschaft und Politik  
German Institute for International  
and Security Affairs

*Volker Perthes and Barbara Lippert (eds.)*

# **Expect the Unexpected**

Ten Situations to Keep an Eye On

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## Foreword

Crises are rarely triggered by “unknown unknowns”. In most cases, politicians and diplomats find themselves dealing with problems and difficulties produced by elements that are already well-known. It is their interaction that is unpredictable, and therefore not plannable.

Unplanned situations are increasingly becoming the norm, especially in the international context, as globalisation accelerates the speed of events and the number of actors exerting direct or indirect influence grows apace. Nor can the German Institute for International and Security Affairs (SWP), predict what situations in the foreign policy and security environment German politicians will have to respond and adapt to, above and beyond the dossiers that are already in preparation. At best we can point out constellations that are deserving of special attention because they could produce situations that would present great challenges to Germany and Europe.

In the following we present ten conceivable situations of this kind from different fields of foreign and security policy; situations that could foist themselves unplanned and unannounced on Germany, the European Union and the international community. Our selection is the outcome of a rigorous debating process hosted by the Institute for the second time in 2011. Together with partners from the spheres of politics and business we have filtered out – from a much larger number of possible situations and scenarios – those that appear especially relevant.

We begin with four themes relating to energy and climate: the possibility of major disruption of Saudi oil exports; the prospect of large-scale construction of nuclear power stations in the Arab world; the idea that the Americans or Chinese might apply enormously risky technologies to tackle climate change; and the potential collapse of the international climate protection process that Germany so decisively helped to launch. After that, we move on to examine four specifically European topics: the consequences of a deepening of the Euro crisis; the potential impact of secession movements within EU member-states; the likelihood of another round of border changes in the Western Balkans; and the repercussions of the Cyprus conflict coming to a head. Finally, we also discuss the risk of democratic transitions providing a new opening for terrorist forces in the Arab world, and possible trajectories for North Korea after Kim Jong-il.

Some of these situations will appear reasonably likely to our readers, others maybe less so. But all of them, we firmly believe, are in themselves plausible. All of the situations dissected here begin with a scenario. And of course, scenarios are not forecasts; they sketch out possible futures. They may come to pass. Or not. They may play out as predicted. Or in some other

way. They are not impossible but, as far as our selection here is concerned, are definitely undesirable. And one of the tasks of politicians and their advisers is to seek options for action in order to avert the occurrence of an unwelcome scenario, or if that is not possible, at least to limit the harm.

*Volker Perthes*  
*Barbara Lippert*

## **“Pumps Dry”: No More Oil from Saudi Arabia**

*Guido Steinberg and Kirsten Westphal*

In 2012 unrest ignites in Saudi Arabia, severely disrupting the world's most important oil exporter. The Shiites, who make up around 10 percent of the population, rise up against the rule of the House of Saud. In the course of the ensuing armed clashes the oil infrastructure is attacked and partly destroyed. Oil exports are reduced to just a couple of millions of barrels per day. A physical supply crisis hits the global oil market, trade flows are diverted, hoarding and enormous price hikes grab the headlines. The cost of oil spikes beyond the reach of many countries and consumers, and whole industries lose their feedstock and energy supplies. The world economy falls into a deep recession.

A second scenario follows hard on the heels of the first. In order to avoid the complete loss of oil supplies from Saudi Arabia, the United States and its closest allies decide to intervene militarily. In the best case, US forces succeed in protecting the oil infrastructure and helping the Saudi security forces to stamp out hostilities. In the worst case the invasion fails to calm the situation and the world economy collapses.

The “pumps dry” scenario is based on the observation that Saudi Arabia pumps about 12 percent of the world's crude (10 million barrels per day). Other producers stand no chance of making up for any major loss of Saudi production. Moreover, the Saudi oilfields and infrastructure are located almost exclusively in the Eastern Province, along the coast of the Persian Gulf where half of the population is Shiite. In other words, production, processing facilities and export terminals are geographically concentrated and correspondingly vulnerable.

### **The End of an Oil Power – Crisis of the Fossil-based Global Economy**

Simply by virtue of its enormous oil wealth, Saudi Arabia is a key state for the global economy and consequently also for international politics. But the uprisings of 2011 in the Arab world have altered the country's role. Although it has always been regarded as an anchor of stability by the United States and its allies, the confrontation in neighbouring Bahrain has revealed that the monarchies of the Arabian Peninsula are by no means as firmly in control as they long appeared to be. In Bahrain the Shiite majority took to the streets to protest against massive repression by the Sunni ruling house. But whereas Shiites make up 70 percent of the Bahraini population, they are much more weakly represented in Saudi Arabia, where they comprise just 10 percent of the population. Saudi Shiites suffer even harsher religious and cultural discrimination and worse political



marginalisation than their Bahraini brethren. The rather cosmetic reforms instituted by King Abdullah have done nothing to change that. In our scenario a new round of unrest in Bahrain provokes a Saudi Arabian intervention, as in March 2011, but this time flashes over to the Saudi Eastern Province. Saudi security forces answer sporadic individual attacks by Shiite youth with a wave of arbitrary arrests, provoking further demonstrations and clashes with police and paramilitaries. Protesters arm themselves and clashes spiral out of the control of the security forces. In order to close off the regime’s main source of income, Shiite terrorists repeatedly attack its oil infrastructure, largely stopping oil exports.

### **Oil Power Saudi Arabia**

This scenario highlights the importance of Saudi Arabia for the global energy markets. It is a close second only to Russia as the world’s biggest oil producer, and claims that its daily production capacity can be boosted from 10 to 12 million barrels. In other words, the Saudis have spare production capacity of 1.5 to 2 million barrels per day. The availability of such a volume of excess capacity has proven to be the decisive instrument for guaranteeing global security of supply, and makes Saudi Arabia *the* strategic actor on the oil market. It is the biggest oil exporter and can respond flexibly to market developments and price fluctuations.

When assessing risks and vulnerability, we must remember that Saudi reserves and infrastructure are heavily geographically concentrated. Half of the country’s crude, 5 million barrels daily, comes from a single oilfield, the Ghawar field. Only Russia and the United States pump more than that. The capacity of the oil processing facility at Abqaiq exceeds 7 million barrels per day, and more than 75 percent of the country’s exports are shipped through the world’s largest oil export terminal at Ras Tanura (capacity: 6 million barrels daily). Almost 5 million barrels daily could be transported via the East-West Pipeline to the port of Yanbu. It is not currently working to full capacity, but is important for exports to Europe.

As a direct energy supplier to the EU-27, Saudi Arabia is less important than North Africa or Russia, supplying a little over 6 percent of the Union’s imports (along with 9 percent of total US imports). Only about 4 percent of Saudi crude exports go to Europe, with Asia receiving the lion’s share of two thirds. Thus Asian markets would be hit quickly and directly by supply stoppages. But the knock-on effect would be to divert trade flows to the markets paying the highest prices.

### **Inelastic Demand**

The long-term trend for oil prices has been rising for years, and has remained relatively high throughout the crisis year 2011. Peak conventional production in the OECD countries has already been passed, and new production will have to come largely from expensive unconventional deposits. Even the loss of just part of Saudi Arabia’s exports – say about 5

or 6 million barrels daily – cannot be compensated. IEA strategic reserves are supposed to be enough to cover net imports for at least 90 days, and tapping them would avert short-term shortages of this vital raw material for transport fuel, energy production and the chemical industry. But such a move could boomerang when the stockpiles had to be replenished afterwards. Drawing on reserves would not fundamentally calm markets and prices. The elasticity of demand for oil is relatively small, because it is difficult switch quickly to other fuels. In such a scenario it would be impossible to respond quickly and decisively in the energy sector. And that would make political or even military intervention very probable.

Quite apart from physical events in the markets, the psychological importance of reliable Saudi oil deliveries would have enormous repercussions on the oil price. The impact on the global economy would be unpredictable. The oil price is set through a complex interaction of the fundamental market situation, expectations and financial market transactions. It is a leading currency for energy and agricultural commodities, meaning that food prices would shoot up quickly too.

### **US Response and Aftermath**

Given that Saudi oil is so crucial for the global economy, in our follow-on scenario the United States would intervene to keep exports flowing. Any caution Washington may have acquired through its experiences in Iraq and Afghanistan would be blown to the winds, because the loss of Saudi oil exports would have such dramatic economic consequences. If events took a positive turn, US forces might succeed in securing the oil infrastructure and helping to suppress the Shiite uprising. Even then we would have to expect a severe shock to the oil price and consequently the world economy. If things went badly, US intervention would not calm the situation but lead to a regional escalation endangering the internal stability of Kuwait and the United Arab Emirates. That in turn would risk the loss of further important oil and gas producers. The devastating energy supply crisis that would almost certainly follow would shake the very foundations of the global economy and financial system.

### **Options for Action**

As we have seen, there is a real possibility of Saudi Arabia become an unreliable partner in the oil markets, with unpredictable global economic and geopolitical consequences. The major oil-importing nations are in a state of denial, with scant public discussion of the threat within or between them.

As soon as the United States intervened militarily, Germany and Europe would be out of the action. They should therefore start much earlier. Saudi Arabia must soothe its internal political tensions, in order to prevent civil strife flaring up in the first place. Without fundamental political, social and economic reforms the House of Saud will sooner or later be toppled

like the other Arab dictators, leading to unrest that could endanger the very existence of the state. A first step to avoiding such developments would be to reduce the diverse forms of discrimination of Shiite citizens, whose suffering makes them liable to grasp any opportunity to throw off the Saudi yoke. Although Germany and Europe have little tangible influence here, European governments should continue to remind Saudi Arabia that internal harmony is a precondition for long-term stability.

In the global energy markets there would be, practically speaking, no short-term remedy in the event of loss of Saudi oil supplies. All that could be done would be to exploit all available spare production capacity, almost all of which lies in the Gulf region, and tap strategic and commercial reserves. Thinking preventatively, we must work towards more elasticity of supply and above all of demand. The risks involved in the existing crisis mechanisms must be discussed openly. Cooperation between producers and consumers in the International Energy Forum should also be deepened, primarily in the scope of the Joint Oil Data Initiative. Finally consideration should be given to maintaining reserve capacity outside of OPEC, something that would require an open dialogue with the major Asian consumers. In the longer term global climate change points the way: The transition from a carbon-based energy economy to a sustainable energy system must be advanced more energetically in the transport and heating sectors. We need cooperation and dialogue with oil-rich countries to identify post-oil perspectives and open the door to activity in the sector of renewables, such as Desertec.

## **“A Radiant Future”?**

### **Nuclear Power in the Arab World**

*Stephan Roll*

“Meltdown in North Africa: Radioactive Cooling Water Pours into Mediterranean Sea.” Such a headline could alarm the European public from 2019, the date by which Egypt hopes to commission its first nuclear power station. The planned site is two hundred kilometres west of the coastal city of Alexandria. But Cairo is not the only government planning to build reactors. If the pronouncements of several Arab regimes are to be believed, the region is set to experience a veritable nuclear power boom. Although no Arab country yet uses nuclear power to generate electricity, all – with the sole exception of Lebanon – have announced their interest in this form of energy. With Egypt, Algeria, Jordan, Morocco, Saudi Arabia and the United Arab Emirates (UAE) in just the past five years, six countries have already noticeably stepped up their efforts to begin the civilian use of nuclear power. Across the region plans exist for more than thirty nuclear plants to be built in the coming two decades, and the first construction contracts could be signed in 2012.

For Germany and the EU this development contains three risks. Firstly, there is the danger of nuclear accidents, which would have direct consequences for Europe in view of the region’s geographical proximity. It is unclear whether the Arab nations are equipped to set up and maintain the complex safety infrastructure required to operate nuclear plant. Alongside operational safety, this is also a matter of protecting reactors from terrorist attack, as well as reprocessing and the question of how and where to dispose of the radioactive waste (over which advanced nuclear powers are still puzzling too). Secondly, civilian nuclear programmes could serve as a route to start nuclear weapons programmes. Although there would be great obstacles to such a programme and its success would by no means be guaranteed, the fundamental possibility cannot be excluded. That would mean a nuclear arms race in the volatile security environment of the Middle East. Thirdly, the enormous expense of constructing nuclear plants would determine the region’s energy strategy for decades, because the investment takes decades to pay returns. This would at least make it more difficult to implement the Mediterranean Solar Plan adopted by the EU and Mediterranean states in 2008, proposing the expansion of renewable energy in the countries of North Africa.

### **Why Nuclear Anyway?**

The motives for these different countries to seek to introduce nuclear power are neither unambiguous nor uniform. Increasing electricity demand is regularly cited as the official reason. And indeed, the region’s

current energy supply will not be sufficient to cover future demand, which the International Energy Agency forecasts could double by 2035. Although the governments in question often explain their rising energy demand in terms of growing economic output, strong population growth and the increasing construction of energy-intensive seawater desalination plants, the Arab countries – first and foremost the resource-rich Gulf states – have some of the world’s worst energy efficiency data, primarily because of their high and economically senseless subsidisation of energy prices. According to estimates by HSBC, for example, Saudi Arabia will spend more than \$70 billion on energy subsidies in 2011, or more than \$2,500 per inhabitant. For that cost they keep the price of petrol at just \$0.12 per litre, as well as holding down the consumer price of electricity. The inevitable consequence is wasteful use of energy. Given the great importance of these subsidies for the stability of the ruling system, it is unlikely that consumption-regulating measures will be introduced under the prevailing arrangements.

It is understandable that Arab countries increasingly wish to reduce their dependency on oil and gas for their own energy supply. Leaving aside the negative environmental impact of fossil fuels, resource-poor countries like Jordan and Morocco baulk at the growing cost of gas and oil imports. The resource-rich Gulf states, in turn, as well as Egypt and Algeria, are interested in acquiring the freedom to use their oil and gas reserves primarily to generate export revenues rather than for domestic electricity production. But these interests do not suffice to explain the choice of nuclear either. After all, the Arab world is absolutely predestined to generate electricity using solar and wind power. Although Arab governments mostly rebut such proposals with the argument that they are not technically viable on the required scale, it is conspicuous that there are no official studies to confirm that claim.

The suspicion is obvious that two other motives are decisive for the pro-nuclear course. Firstly, against the background of the Iranian nuclear programme Egypt and Saudi Arabia, especially, could be interested in starting a civilian programme that left them the option of expanding into military uses at a later date.<sup>1</sup> This scenario is less likely for Saudi Arabia than for Egypt, because Riyadh has no nuclear research programme of its own and would probably find it easier to acquire nuclear weapons via its ally Pakistan than through its own research. Egypt on the other hand possesses the oldest and largest nuclear programme in the Arab world, and has apparently already conducted experiments involving the irradiation of natural uranium in its two research reactors. Both countries would certainly be interested in setting up civilian nuclear programmes of their own to send a message of strength to Tehran. As the second factor, the profit-seeking of the ruling elites should not be underestimated. Extremely expensive projects like nuclear construction are associated with a high risk

<sup>1</sup> Oliver Thränert, *Von “Atomen für den Frieden” zu Atomen für den Krieg: Die Zukunft der Kernenergie und die Gefahren der nuklearen Proliferation*, SWP-Studie 15/2010 (Berlin: Stiftung Wissenschaft und Politik, June 2010).

of corruption in the contracting process, especially when they are handled opaquely “for reasons of security”. In the countries of North Africa, which score particularly badly in the corruption rankings, as well as in the Gulf region, leading businessmen and politicians will already be calculating what they could earn from a nuclear power programme.

### **How Likely Is the Construction of Nuclear Plant?**

At this point the UAE is the only case where the announced introduction of nuclear power will actually be carried through, after a contract was signed in 2009 for the construction of four power stations by a South Korean consortium by 2020. The UAE has sufficient resources to fund the project, and has promised the United States that it will not enrich uranium or reprocess used fuel rods. Therefore no such delays are to be expected. In the case of Saudi Arabia there is a real possibility that the contract for the first nuclear plant will be put out to tender in 2012. Riyadh has earmarked up to \$100 billion over the coming decades to build sixteen nuclear reactors, but any political instability affecting the Kingdom could delay the implementation of these plans.

In other countries in the region tight constraints on public spending make the situation a great deal more questionable. Contracts are most likely to be signed in Jordan and Egypt, each of which plans to start with a single reactor. Jordan has already shortlisted three consortia and intends to make a decision by the end of 2011. The Jordanian plant is to be financed through a joint venture with a private operator, which will be given a purchase guarantee for the produced electricity. This model could also be attractive for Egypt, whose efforts to introduce nuclear power have been noticeably stepped up since 2006. However, the tendering process for the first plant has been repeatedly postponed, initially because of unresolved funding questions and subsequently the domestic political transition. The military leadership in Cairo has, nonetheless, repeatedly reiterated that it intends to go ahead with its nuclear plans. Although Algeria and Morocco are unlikely to sign contracts in 2012, plans to produce their own nuclear electricity from 2020 have entered the critical phase in both countries.

### **What Options Do Germany and the EU Have?**

Despite the risks associated with the civilian use of nuclear power in the Arab world, it should not be assumed that the EU member states will be able to agree on a joint position. France’s nuclear industry, especially, hopes for business opportunities in Arab states, and Paris has already signed nuclear cooperation agreements with numerous countries in the region. Germany should therefore pursue a dual strategy at the EU level. One strand should be to argue against European financial institutions supporting nuclear projects, specifically preventing the European Investment

Bank from supplying funding. Such requests should certainly be expected, notably from the Egyptian government.

The second strand should be to work within the EU for more vigorous promotion of the expansion of renewables in the Arab world. Because of its own decision to phase out nuclear power, Germany is ideally suited to communicate credibly to the Arab countries that nuclear power is a technological dead end. Especially in the cases of Jordan and the states of North Africa it is conceivable that empty state coffers could open the way for appropriate incentives to influence energy policy. Such a move should build on the Solar Plan of the Union for the Mediterranean and the Desertec initiative, both of which aim ultimately to supply Europe with renewable electricity generated in North Africa.<sup>2</sup> These energy initiatives deserve to play a larger role in European efforts to support the political transformation process in the Arab world, for they have the potential to create urgently needed jobs in the region. Moreover, the technology transfer involved would open up numerous business opportunities for European industry.

In any case it is important not only to make energy policy proposals at government level but also to communicate them openly to the public. After all, especially since the Fukushima catastrophe, criticism of nuclear power has been growing in Arab countries. And now, thanks to the political transitions in the region, there is definitely a chance that public pressure could lead governments to rethink the nuclear question, especially if there are attractive possibilities for expanding renewables.

<sup>2</sup> Isabelle Werenfels and Kirsten Westphal, *Solar Power from North Africa: Frameworks and Prospects*, SWP Research Paper 3/2010 (Berlin: Stiftung Wissenschaft und Politik, May 2010).

# Geoengineering Looming: Climate Control the American or Chinese Way

*Susanne Dröge*

International efforts to reduce global greenhouse gas emissions drag on without tangible progress, and there is no prospect of a new global climate treaty capable of ensuring international cooperation. At the annual conferences of the United Nations Framework Convention on Climate Change (UNFCCC) the parties fail to agree action that could ensure emissions will peak by 2020. Unfettered global warming severely impacts the United States and China. In the United States tornadoes and dry spells of hitherto unknown severity increase in frequency, while China struggles above all with devastating droughts. This process ushers in a new phase of national climate policy in these two countries. In 2020 the two biggest obstructers of international climate negotiations decide to respond to climate change by applying geoengineering. Since geoengineering has been off limits, this development takes their neighbours and the EU completely unawares. They have no idea whether these unilateral interventions in the climate system will be to their advantage or detriment, nor how they should respond to the challenge.

## Geoengineering

The term geoengineering covers a range of large-scale technological processes designed to influence natural systems.<sup>1</sup> They can be divided into two categories: firstly, influencing the CO<sub>2</sub> cycle to absorb more CO<sub>2</sub> from the atmosphere, for example by ocean fertilization or artificial photosynthesis (carbon dioxide removal); secondly, solar radiation management to increase the reflection of sunlight, for example by introducing particles into the atmosphere, cloud seeding or expanding the area of reflecting surfaces (albedo effect).

The first experiments seeking to manipulate weather systems began in the late 1940s in the United States and the Soviet Union. The objective here was weather modification for strategic military advantage, for example through cloud seeding or reducing the intensity of tropical storms. In view of the risks involved, the United Nations Disarmament Commission prepared a convention prohibiting such practices in 1976.<sup>2</sup> But geoengineering has resurfaced in the climate debates of the twenty-first century. The initiative came primarily from the United States, spurred by new scientific ideas about how solar radiation could be reduced.

<sup>1</sup> A narrower term relating specifically to climate science is climate engineering.

<sup>2</sup> Convention on the Prohibition of Military or Any Other Hostile Use of Environmental Modification Techniques (ENMOD), in force since 1978.



Accelerating water shortages are the factor most likely to increase enthusiasm for “climate control”. Dimming solar radiation over a particular area could shield urban areas or agricultural land from excessive heat. During dry spells rainfall could be triggered over grazing and crop land by treating clouds with chemicals. China has been trying for years to increase precipitation over arid areas through “weather engineering” and could easily develop an enhanced interest in other versions of geoengineering.

The attraction of geoengineering is that it is apparently effective and cheap. It has been calculated that an increase of just 1 percent in the global amount of reflected sunshine would cancel out the temperature rise caused by increasing carbon dioxide emissions over the next century.<sup>3</sup> The costs for the process of launching reflective particles into the upper stratosphere described in 2006 by Nobel prize laureate Paul J. Crutzen would be comparatively small: according to some estimates just one hundredth of the cost of mitigating the corresponding amount of CO<sub>2</sub>.<sup>4</sup>

The argument against geoengineering is that it must be applied permanently and above all that it is risky. In many cases we are talking about theories or experiments whose success is unknown. The risks multiply where the effects are global and cannot even be restricted to large territories. Earth and climate systems follow complex natural laws, and interventions could have unforeseeable and uncontrollable consequences for the conditions of human life. Here action in the national context may easily affected neighbouring regions.<sup>5</sup>

### Driving Factors for the Use of Geoengineering

Without an internationally coordinated reduction of greenhouse gas emissions, the national repercussions of global warming will become more frequent (tornadoes, long droughts, repeated flooding), cause ever greater costs and spur the search for a unilateral response. The technical prerequisites for national action already exist in all developed economies and newly industrialised countries, or could quickly be acquired by intensifying research and development. Interventions in solar reflection would be cheaper than efforts to reduce the burning of fossil fuels or to restrict slash-and-burn forest clearance. In times of public debt crises and strained government budgets climate policy measures are hard to implement even in the leading states. Whereas few politicians in the China of 2020 would deny that climate change was manmade, conservative forces in the United States continue to believe only in natural causes. But if a rising China

<sup>3</sup> David G. Victor et al., “The Geoengineering Option: A Last Resort Against Global Warming?” *Foreign Affairs* 88, no. 2 (March/April 2009): 64–73.

<sup>4</sup> Paul J. Crutzen, “Albedo Enhancement by Stratospheric Sulfur Injections: A Contribution to Resolve a Policy Dilemma?” *Climatic Change* 77, no. 3–4 (August 2006): 211–19.

<sup>5</sup> On the other hand, in *Climate Engineering: Internationale Beziehungen und politische Regulierung* (Berlin: Wissenschaftszentrum Berlin für Sozialforschung, 2011), Michael Zürn and Stefan Schäfer discuss unilateral geoengineering as a deliberate strategy against global warming.

turns to large-scale technical solutions for its climate problems, such an interest could also grow in the United States.

The option of finding an alternative to an internationally negotiated solution therefore appears particularly attractive to the two big players, the United States and China. Even in 2020, the United States is still refusing to sign up to joint international climate protection efforts, and although China would like to reduce its emissions, its development interests preclude it doing so to the required extent. If the Americans succeed in applying geoengineering, that would radically shift their position in the climate debate, for they would have been able to prove that unrestricted emissions are possible without warming the atmosphere. China remains the world's largest emitter of CO<sub>2</sub> in 2020 and its national climate protection action is inadequate. With the help of geoengineering it would be able to demonstrate additional and effective efforts and present itself as a reliable partner in the fight against climate change.

### **A Technological Arms Race as the Motor of Geoengineering**

While there has been little research to date into manipulation of the CO<sub>2</sub> cycle, the variants of solar radiation management (such as introducing reflecting particles into the atmosphere) are already better thought through. Military infrastructure (rocket technology) would be needed if atmospheric injections had to be conducted regularly across large areas. Given that regularity would be necessary in order to achieve noticeable effects, such activities could not pass unnoticed internationally.

The obvious climate change risks have inspired domestic and foreign policy discussions, above all in the United States but also in China, that could encourage an “arms race” in this field. If the United States wishes to fight climate change, the climate effects must first be classified as a national threat. Strictly speaking this would make it politically irrelevant whether the underlying causes were natural or anthropogenic: in a national crisis with crop failures and heat-related deaths the conservative climate sceptics would be sure to come around. To American voters and interest groups that have always demanded a unilateral climate path outside of the UN process, unilateral action would signalise that the United States was deploying its scientific findings about stratospheric particle injection for the benefit of the nation.

If China goes for geoengineering on a grand scale this would be proof of its absolute determination to achieve technological advances. In strategic foreign policy terms China would be staking its claim to leadership in addressing the climate problem in the national frame without having to scale back economic growth driven by fossil fuels. And moreover, such technological developments create potential new openings for leadership. Competition with China could boost support for research and the application of new technologies in the United States, too. After years of economic crisis and withdrawal from the international process, successes in geoengineering could boost the image of United States as a leading power.

Integrating the respective military forces, which may even seize geoengineering for purposes of their own, will be decisive for this race.

### **A Foreign Policy Challenge for Germany**

Turning away from a climate policy that addresses the root cause of the problem is currently out of the question for Germany and the EU. So geoengineering as an answer to climate change is simply not an option for the foreseeable future. Research funding in this area is restricted to questions such as carbon dioxide removal or simple methods for increasing solar reflection such as creating light-coloured surfaces. If geoengineering is not more openly discussed and more intensively researched, we will have no political answer to American and Chinese activities in 2020. Germany should therefore take an interest in geoengineering and realise that interest in “climate control” could certainly arise outside of Europe if climate change gets worse.

The gradual approach already adopted in German research funding is the right way forward. Research activities should be regulated, coordinated and funded through the European framework. Failures should not be treated as the end of geoengineering, but as the proper way to eliminate unsuitable processes and methods. While this perspective would offer a basis for international political exchange, there is still no international consensus about risk assessment for the different methods and their possible ranking. This needs to be addressed quickly. Even the Intergovernmental Panel on Climate Change (IPCC) has taken until 2011 to deal with geoengineering, concentrating above all on technical options and research questions.

German government departments for the environment, for R&D and for foreign policy should deliberately force a discussion about the opportunities and risks of geoengineering. International coordination on research needs and priorities would make it possible to determine more quickly whether this road can be taken collectively, or whether Europe should restrict itself to a few low-risk measures. On the basis of the research results highly risky experiments and applications must be blocked or even outlawed. As long as it is not clear how sensible steps can be distinguished from dangerous ones and where individual states stand on “climate control” these decisions will remain outstanding.

# The End of Climate Policy as We Knew It

Oliver Geden

After more than two decades of largely fruitless debate and negotiation, international climate diplomacy falls into a deep crisis in 2015. At the decisive 21st session of the Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change (UNFCCC) any hopes of concluding and ratifying an ambitious and comprehensive climate treaty equipped with effective sanctions turn out to be illusory. Global greenhouse gas emissions have increased by 40 percent since 1990 and a turning point is nowhere in sight. This is a problem not only for the global climate but also for the European Union, which has invested a great deal of political capital in climate diplomacy and tied its own greenhouse gas reduction targets very closely to progress at the international level.

In the years following the failed Copenhagen Climate Summit, permanent stalemate at the UN talks and constantly rising global emissions lead step by step into a crisis of the hitherto hegemonic top-down paradigm led by Europeans and climate scientists. The top-down approach starts by defining a limit for tolerable global climate change, from which the world's remaining "emissions budget" until 2050 is calculated and shared out among the 194 states through the UN framework.<sup>1</sup> Confidence in the problem-solving capacity of this paradigm has dramatically collapsed by 2015 and climate policy enters a new phase where two fundamental options are conceivable.

In the worst case climate policy itself comes to an end, with decades of climate alarmism quickly flipping into fatalism. The EU cannot have any interest in such a development, neither wishing to see its role as global climate policy leader degraded nor its lead in building a green economy lost. After the failure of the "ideal" but politically unviable top-down approach the EU will have to present "second-best" solutions. The required paradigm change will break with some well-entrenched dogmas. It marks "the end of climate policy as we knew it".

## International Climate Policy in a Dead End

Ever since it first became institutionalised, international climate policy has been an unfulfilled promise on the problem-solving capacity of the international community. The United Nations Framework Convention on Climate Change of 1992 defined the problem and proposed a solution ("prevent dangerous anthropogenic interference with the climate system")

<sup>1</sup> United Nations Environment Programme, *Bridging the Emissions Gap: A UNEP Synthesis Report*, Nairobi 2011; William Hare et al., "The Architecture of the Global Climate Regime: A Top-down Perspective", *Climate Policy* 10, no. 6 (2010): 600–14.

while the Kyoto Protocol of 1997 agreed initial if rather modest targets for the industrialised nations. The first serious attempt to seal a comprehensive deal failed at the 2009 UN Climate Change Conference in Copenhagen (COP 15).

Canny expectation management contrived to make the subsequent Climate Change Conference in Cancún appear a success, especially the EU persuading all participants to agree to a two degree limit after years of trying. While there is now formal agreement that the threshold to “dangerous” climate change will be crossed if the global mean temperature rises by more than two degrees Celsius (compared to pre-industrial levels), there is no sign of any agreement about measures capable of preventing that.

Agreement on the two degree target appears to reinforce the dominance of the top-down paradigm by defining, for the first time, a consensus about the ultimate objective of international climate policy from which all ensuing steps follow logically. Paradoxically, however, the two degree consensus of Cancún will have the opposite effect, instead further exacerbating the crisis of the top-down paradigm. This is because a climate policy with an absolute goal of a two degree upper limit places itself under enormous pressure of expectations. The inertia of the climate system and the long persistence of many greenhouse gases in the earth’s atmosphere means that we will already know whether the goal can still be reached decades before the two degree line is actually crossed. Given the globally increasing emissions we should expect a growing number of climate researchers to report by 2015 that the goal is unattainable.<sup>2</sup> The progress of climate talks will give little grounds for optimism either. The negotiation roadmap agreed at the 2011 Durban Climate Change Conference will re-open a huge gap between very high expectations and meagre results. It is highly unlikely that the Climate Change Conference in 2015 (COP 21) will be able to deliver an ambitious global climate treaty, as stipulated in Durban. Climate policy will be entering its worst crisis so far.

Without a paradigm shift the path of climate diplomacy leads directly into self-inflicted irrelevance and “the end of climate policy”. The well-practised strategy of papering over current failures by announcing even greater future efforts cannot be maintained for long with the propagated target. Moreover, the vehemence with which the two degree marker has been communicated as the threshold to a “dangerous” level of climate change precludes raising it to 2.5 or even 3 degrees, which would take the pressure off the political process. And without a quantifiable consensus target, the top-down paradigm loses its constitutive element and will eventually fall apart. Confidence in the ability of international climate policy to produce solutions erodes away, as does the willingness for global cooperation. Fatalism spreads. Plans for ambitious emissions reductions fall off national political agendas and instead nations concentrate almost

<sup>2</sup> Oliver Geden, *What Comes after the Two-Degree Target? The EU’s Climate Policy Should Advocate for Flexible Benchmarks*, SWP Comments 19/2010 (Berlin: Stiftung Wissenschaft und Politik, 2010).

exclusively on increasing their own ability to adapt to climate change; some seek salvation in risky climate manipulation ventures (*geoengineering*).

For the EU this would be yet another foreign policy failure – in one of the few fields of international politics where it was long able to occupy a leading role. Worse still, it would also call into question the long-term economic policy of many western and northern European states, which combines the climate necessity of considerably reducing emissions with an economic modernisation strategy to seek a leading global position in “green technologies”. If the perspective of all industrial countries and NICs having to switch to an ambitious decarbonisation path in the medium term evaporates, and with it the prospect of new worldwide market opportunities, then the huge short-term costs of a pioneering role for Europe make little sense any more.

Since 2007 EU energy policy has been dedicated to the strategic goal of remaining within the two degree limit, which is the basis for its emissions reduction corridor of 80–95 percent by 2050 (compared to 1990). If international climate policy enters a massive credibility crisis around 2015 the EU will be bound change its internal plans. The challenge is unlikely to be restricted to the ambitious reduction targets for 2050; any willingness to defining binding climate and energy targets for 2030 will be greatly weakened. And the loss of legislative continuity in the threefold targets (emissions, renewables and energy efficiency) for the period after 2020 will create considerable planning insecurity for businesses. Investment will cease and the transformation to a European low-carbon economy will be interrupted if not terminated.

## Options for Action

Today the EU is only responsible for about one tenth of global greenhouse gas emissions and has few influential allies in its quest for a substantial, sanction-backed global climate treaty. It would take only one of the other top five emitters (China, United States, India, Russia) to derail the whole process agreed in Durban. The EU will be unable to prevent the crisis of international climate policy worsening in the coming years and therefore needs to prepare a “Plan B” in good time, before the top-down paradigm implodes spectacularly – and takes the EU’s climate policy ambitions with it. At the heart of a bottom-up paradigm, whose contours are only just emerging, would be the guiding principle “the less the better” (emissions/climate change).<sup>3</sup> Measurable progress on decarbonising the major economies will be weighted much more heavily than negotiations about comprehensive global climate treaties or agreement on fine-sounding long-term international targets. The shift from top-down to bottom-up is in essence a mental shift that reinterprets the problem definition and strategies for reaching solutions, but also manages to safeguard the legitimacy

<sup>3</sup> Steve Rayner, “How to Eat an Elephant: A Bottom-up Approach to Climate Policy”, *Climate Policy* 10, no. 6 (2010): 615–21.

of existing instruments (such as emissions trading). If the EU wishes to stay the course of economic transformation (upon which it has already embarked), remain relevant on the international stage, and at the same time contain global climate change, then it will first of all have to reconsider the conceptual framework in which it applies individual regulatory and diplomatic instruments.<sup>4</sup>

The hope for rational policy solutions on a global scale and the central role of the UN process in climate policy will have to be relinquished, as will the distinction between “safe” and “dangerous” climate change. We cannot reliably predict what average temperature will still be “safe”, and global thresholds obscure the decisive importance of the relative magnitude of climate change effects in different world regions. Drawing such a definitive line also blinds us to the way “safety” in a changing global climate will depend in the first place on how well individual societies are prepared to cope. Programmes for adapting to climate change will acquire greater importance, as will flexible and incentive-led cooperation regimes between individual industrial economies, NICs and developing countries.<sup>5</sup> Progress on reducing global emissions can only occur if the policies involved are integrable for key players like the United States, China and India. The challenge for the EU therefore consists not least in proving that climate policy is economically and technologically feasible, with co-benefits for energy security.

The EU will in future have to understand and present climate policy primarily as “politics”, and less as a matter of implementing scientifically defined objectives with maximum efficiency. Instead of succumbing to the pressure of the deterministic governance model of climate researchers and environmental NGOs, the EU must take the practical restrictions of the international system seriously and openly admit that “optimal” solutions cannot be realised in climate policy.

<sup>4</sup> Marcus Carson, Tom R. Burns and Dolores Calvo (eds.), *Paradigms in Public Policy: Theory and Practice of Paradigm Shifts in the EU* (Frankfurt am Main, 2009).

<sup>5</sup> David G. Victor, *Global Warming Gridlock: Creating More Efficient Strategies for Protecting the Planet* (Cambridge, 2011).

## **Eurozone Crisis: Danger of Blockade by Net Contributors**

*Daniela Schwarzer*

Spring 2012 will be the time for parliamentary ratification of the European Stability Mechanism (ESM) in the Eurozone states together with the Fiscal Pact. The ESM treaty, which was only signed in summer 2011, has been revised to account for the Eurozone summit decisions of 21 July 2011 and details renegotiated by particular member states. In this scenario, the adjustment programmes for Greece and Portugal fail to bring about tangible improvements while the recession becomes unexpectedly deep, leading to public discussion of the possibility of these states defaulting and leaving the euro. Massive bond purchases continue to be required to shore up Italy and Spain; the European Central Bank is forced to intervene again to avoid these two states having to refinance their debt on the open markets, after the European Financial Stability Facility (EFSF) reaches its lending ceiling.

In this scenario, the new ESM treaty fails to achieve ratification in one of the main contributing nations, leading immediately to demands for a renegotiation to institutionalise borrower securities following the example of Helsinki's demand for Greek collateral for Finnish loan guarantees. This makes a mockery of the idea of the bailout fund. Furthermore, in the course of the ratification process for the reworked treaty, certain national parliaments insist on additional rights that would allow them to prevent the crisis instruments being used.

Developments of this kind threaten to precipitate an uncontrolled escalation of the debt crisis, in particular if they come at sensitive moments when highly indebted member states are having to refinance debt by issuing bonds. Given that they already regard the ESM as inadequate and expect further action, the markets would interpret any setback in the ratification process or obstruction of the bailout fund as evidence of political weakness and a lack of determination to deal with the crisis.

### **The Causes of the Political Crisis**

Four factors increase the risk of an impasse, first and foremost the lack of success of the rescue plans and reform programmes instituted to date. Again and again governments of the main contributing nations have had to cross "red lines" they had only just set. This creates an impression of mismanagement and governments being repeatedly "taken for a ride". Trust between certain capitals is visibly in tatters, with two-faced commentaries doing the rounds.

Secondly, willingness to show solidarity is reaching its limits. The standing of the borrowers in the eyes of the loan guarantors and contributors is



deteriorating by the day, as opinion polls, general strikes and violent protests against bailout conditions appear to underline the recipients' unwillingness to institute reforms. The impression that the countries worst affected by the debt crisis are incapable of reform is received with incomprehension in the states of central and eastern Europe, which have had to survive their own massive economic and social adjustment process over the past two decades. Correspondingly small is their willingness to stump up cash for a southern European state that is richer in terms of per capita GDP. In Estonia, for example, there is growing criticism that the "poor" should not have to bail out the undisciplined "rich". The Slovak foreign minister argues, as he already did in connection with the Greek bailout in 2010, that the "responsible" should not be made to exercise solidarity with the "irresponsible".

Thirdly, the economic and social costs of the crisis are becoming increasingly noticeable in the contributing countries. After a brief recovery in 2010/11 the Eurozone has slid back into recession, with unemployment rising even in states not hit directly by the debt crisis. The contributing countries themselves are forced to slash national budgets, and the direct and indirect costs of Eurozone bailouts increasingly dominate the public debate.

Fourthly, resistance to giving any more aid is increasingly well-organised in the contributing countries. Established populist parties openly propagate the break-up of the Eurozone or at least the departure of their own country (the campaign run by the French Front National in advance of the presidential elections being a case in point). New parties such as the True Finns have discovered how to exploit the hot-button issue to reap parliamentary seats. And even moderate formerly pro-European parties are turning against any expansion of rescue measures, above all because of normative concerns about the conduct of crisis management. Even if criticism of the substance of the bailouts is not necessarily intended to be anti-European, it serves to legitimise anti-European currents, and can be counterproductive if it hampers crisis management enough to escalate the crisis. Against a background of increasing criticism of the EU and a general crisis of confidence in politics, public rejection of further transfers is growing across the Union. Proponents of a comprehensive Eurozone reform that includes steps towards a political union find it ever harder to gain a hearing. We can expect parties that mobilise against Eurozone solidarity to do well in national elections and to enter the European Parliament in greater numbers in 2014.

### Options for Action

In the maelstrom of rapidly worsening crisis, the Eurozone states have three alternatives. Firstly, they could reject taking any further action to manage the crisis or integrate the Eurozone. In view of the developments outlined above, this danger is growing. This would mean accepting that individual member-states might default without even necessarily having

poor underlying data, as market reactions could drive countries without fundamental liquidity or solvency problems into crisis.

Given that a process for orderly state insolvency has yet to be established, chaotic defaults cannot be ruled out. In such a scenario panic responses such as bank runs would be expected and the banking sector of the affected country would probably collapse. The domino effect would spread the pressure to other member-states. Direct contagion effects, triggered for example by the failure of banks holding bonds of the insolvent country or invested in its banking sector, would probably be relatively easy to deal with through recapitalisation. But indirect effects, for example transmitted through the bond markets, would be almost impossible to control.

The longer we sit and watch the crisis escalating, the more expensive it becomes to contain it. If the political response is delayed long enough, a point will eventually be reached where we would have to expect the abandonment of the euro in its existing form. Then there would be two options: giving up the euro altogether, or a smaller currency union possibly involving states giving mutual guarantees and seeking stronger integration of fiscal and economic policy.

The second alternative is for governments to push for solutions that largely bypass national parliaments and thus allow public debate to be constrained. Here the ECB would continue to lead the crisis management operation. It would be conceivable, for example, to expand the volume of the credit mechanisms without increasing the guarantees and capital contributions of the member-states. This could occur via an EFSF/ESM credit line at the ECB. While the member-states would continue to share liability in the existing framework (Germany with €211 billion in the EFSF), the default risk would continue to grow with the increasing credit volume. This solution could suffice to survive the next phase of the crisis, but at the price of governments losing political credibility in the eyes of their voters, confidence in the EU continuing to wane, and the polarisation between contributors and recipients worsening still further. In the medium term the ECB might need to be recapitalised. This approach would, however, be associated with greater uncertainties if the chosen EFSF bailout instruments required national parliamentary approval.

If this road were to be taken, all the aforementioned trends of loss of societal confidence are likely to be amplified, consolidating the public impression that politicians are incompetent to manage the crisis. Such a solution would be unpalatable from a normative economic perspective in certain countries, such as Germany, Austria or Finland, as it would institutionalise the ECB for the foreseeable future as the foremost crisis manager and curtail its autonomy; moreover, the monetisation of state debt could increase the pressure of inflation.

A third alternative would be to link short-term remedies more strongly with a fundamental discussion about future integration perspectives. In this obviously tricky debate nobody should argue that there is no alternative. Instead, the enormous political and economic costs of inactivity

should be pointed out. This would also be the point to explore what strategic options Germany would have with and without a common currency. Possible elements of a far-reaching solution would be a fiscal union (including mutually guaranteed bonds and joint public spending), a functioning crisis mechanism including an insolvency procedure, and the creation of structures for economic and budgetary governance which, after democratic legitimisation, would take the Eurozone back to the original idea of a stability union. Such a framework would offer the perspective of focussing the ECB back on its original tasks.

In the short term the finance sector would need to be stabilised, whereby it would be crucial whether this occurred at the European or national level. Europe could operate with temporary measures or a permanent bank rescue fund, the latter representing a sensible addition to the internal financial market and European financial regulation. The introduction of a European financial transaction tax or a European bank tax to finance such a fund would ensure that the insured themselves (i.e. the banks) bore the costs of funding future bailouts.

Germany would have an outstanding role to play in this scenario, for it would involve reforming the EU treaties, probably through a convention. Including ratification in the member-states, this process could take at least three to five years, so active crisis management would probably have to operate in parallel, especially in the initial period. Within member-states and between governments there would be fundamental debates to be conducted about the future shape of the Eurozone and the EU. But the end of this process would be a ratification procedure where a “no” to the new EU treaty would be tantamount to self-exclusion from the Eurozone and possibly from the EU.

# The Return of Moving Borders?

## Secession and Regional Independence within the European Union

*Kai-Olaf Lang and Nicolai von Ondarza*

The European Union, second half of the present decade: Scotland quits the United Kingdom after a successful referendum on independence and two years of talks with London. Already governed for some years by the Scottish National Party (SNP), Scotland's road to statehood is quick and relatively conflict-free. Unlike in Belgium, where protracted government negotiations, collapsing coalitions with up to seven parties, and successive constitutional reforms repeatedly postpone the break-up until the nation's paralysis persuades even the most die-hard supporters of a united Belgium to abandon a state that is clinically dead. A different situation again in Spain, where Catalan frustration after the election victory of the centralist People's Party in autumn 2011 transforms into calls for independence. The bitter opposition between Madrid's defenders of unity and Catalan supporters of secession provokes a deep Spanish constitutional crisis. Far-fetched as they may seem, scenarios of that kind could become reality sooner than we think if centrifugal and separatist forces lead to the disintegration of states and the borders in Europe are again set in motion.

### Implications for the EU: Political and Institutional Consequences of "Internal Enlargement"

Indeed, political groups calling for regional independence have recently gained significant support in a number of EU member states. For instance, the SNP won an absolute majority in the Scottish assembly at the last elections and has announced a referendum on independence for the second half of the current legislature, most likely in 2013 or 2014. With its absolute majority it has no need to seek the agreement of other parties, but will need to coordinate the referendum with the UK government and parliament. In Belgium the Nieuw-Vlaamse Alliantie (New Flemish Alliance, N-VA), which campaigns for the division of the country, became the strongest party at the last elections in 2010. Since then, it was an obstructing factor in the already difficult coalition negotiations, which lasted for more than eighteen months. Far from mere fiction, the idea of the separation of an EU member state actually may become a realistic political option.

Although secession movements in individual regions are first and foremost an internal matter for the state concerned, the question of how the EU and its member states should relate to an independence process arises – at the latest – at the point when a declaration of independence is seriously being considered. Such a point would be reached if a Scottish referendum were to be scheduled or efforts to reform the Belgian state

definitively broke down. The EU and its member states would find themselves confronted with three challenges in particular.

Firstly, they would have to coordinate the process of recognising the new state and establishing diplomatic relations. The worst case would be disagreement between member states about whether to recognise the new state at all, as in the case of Kosovo. The foremost aim of all member states should therefore be to avoid division over the recognition of the new state. Even short-term disagreements, with some member states forging ahead while others adopt a waiting stance, could be disastrous for the cohesion of the EU. Instead, unanimous and joint recognition should be negotiated, with both the parent state and its seceding part equally represented at the table.

Secondly, transitional rules would need to be agreed for the application of EU law in the new state and to govern its relations to the EU. The new state would have to organise its international relations from scratch, having to apply for membership in all international organisations, including the EU, NATO and the United Nations. Although the Lisbon revision of the Treaty on European Union allows for the possibility of a member state leaving the Union (Article 50), there is disagreement over the extent to which these provisions can be applied to a withdrawal through secession or break-up into two or more equal states. It is also unclear whether a new state that was previously part of a member state would have to apply for membership, or would be incorporated automatically in the EU on the basis of the full *acquis* already applying in the new state. Arrangements like the European Economic Area or a bilateral association agreement could be used to make the transition as smooth as possible. As we saw in 1990 when the former GDR had to be integrated into the European Communities, the crucial prerequisite for a smooth transition is political agreement amongst the member states. In the necessary negotiations, it might furthermore be imperative that the parent state is prevented from using its veto over a “membership application” to acquire leverage against the new state and thus transporting domestic tensions into the EU.

At the EU level, thirdly, the emergence of a new state within the territory of the Union would require amendments to EU primary law and alterations to numerous secondary acts in order to adapt voting modalities and specific rules tailored to the state in question. In effect, this would be rather like an “internal enlargement” of the EU: the distribution of seats in the European Parliament (and at least until 2017 the weighted votes for qualified majority voting in the Council) would have to be altered to account for the new population figures. This requires a treaty amendment ratified by all member states.

Furthermore, country-specific peculiarities pose challenges for the international and European negotiations. In the scenario of Scottish independence this applies above all to the position of the United Kingdom in the EU. Under the present Conservative/Liberal coalition in London, we would have to expect that Eurosceptic politicians and media would urge for the

renegotiation of Britain's status in the EU as a whole. Notably, the recent British veto against a treaty reform in the EU was harshly criticised by SNP politicians as detrimental to Scottish interests, and could fuel calls for independence. In the case of a Belgian split the status of Brussels would be the most sensitive issue because of its great symbolic significance for European unity as the seat of most EU institutions. While the Scottish border is clear-cut, the affiliations of the suburbs surrounding Brussels, in particular, are disputed and potentially politically explosive. The Flemish and Walloons would also have to agree how to share the country's enormous debt. Under a heavy debt burden the economically weaker Wallonia could quickly turn into another endangered economy for the Eurozone. In fact, it would be uncertain whether such an "old new member" would even be allowed to adopt the common currency, because at the moment of "accession" to the EU it would most likely fail to meet the euro stability criteria.

### **Secondary Effects of Shifting Borders within the EU**

The emergence of new independent states out of existing entities would entail highly sensitive secondary effects in numerous member states. First of all, the principle of the inviolability of the territorial status quo in the Union would be called into question. So far, in most cases only radical nationalists have challenged border lines and state boundaries. Once borders start be moved again within the EU, other moderate forces that have previously been satisfied to push for autonomy or self-government might also envisage rewriting political maps. In the case of Spain, for example, calls for independence could be expected to intensify in Catalonia and in the Basque Country. Sharp conflicts and constitutional disputes (as already over Catalanian autonomy) could lead to a constitutional crisis or at least to a strong politicisation of the regional question and associated distribution conflicts. Such conflicts would further endanger the country's economic and financial stability.

Breaking the taboo on the border question would also lead inevitably to bilateral spats, for example in Hungary's relations with its neighbours. They are already reacting nervously to demands for more minority rights, since the government of Viktor Orbán initiated its discussion about a new national unity and Budapest began insisting on its special responsibility for Hungarian communities abroad.

Even forms of "independence" below the level of full statehood, such as confederation or maximum devolution, would spur old and new autonomy demands and devolution discussions in some member states, encouraging debates about transferring powers from the national to sub-state levels. In centralised member states this tendency would open up an opportunity for more self-administration, but also contains risks of intervention or power wrangling. On the other side, nationalists in majority populations could draw new vigour from a wish to defend state integrity against real or imagined separatism. In countries with strong unitary tra-

ditions a trend for recentralisation and “choking off” self-government reforms could emerge to weaken forces that supposedly undermine unity.

### **German Interests and Options for Action**

For all its interest in maintaining the status quo, Germany should respond flexibly to secessionist tendencies and avoid adhering to state unity at any price. If all the signs are that a EU state will face otherwise internal paralysis, then it makes sense to accept a separation. Germany and other member states should not encourage secession, but insist that it proceeds largely consensually and allows for future cooperation between the new states. The end or beginning of statehood in the EU need not necessarily destabilise the Union, but can generate a new equilibrium. What could endanger European integration is not a negotiated secession, but only an uncontrolled and hostile break-up.

If new states appear on Europe’s political map and the question of their diplomatic recognition arises, the EU and member states should pursue a coordinated approach. Member states and Brussels should send clear signals to “emancipating regions” that unilateral separation can only be the last resort and that recognition (or cooperation below that level) will be denied if a sensible negotiating process with the respective central state (or partner regions in the old state) has not taken place. Depending on how far the process has progressed, the German side should seek contact with new entities, and where autonomy already exists graduate and deepen the relationship. In the phase preceding statehood, for example, German federal states in coordination with the federal government could function as contact points for regions or autonomous territories. In dialogue with partner countries where centrifugal tendencies are operating, a federal entity like Germany could also report on its experience with vertical distribution of powers and its system of cooperative federalism. In such discussions, Germany must not act as the promoter of disintegration but should appear as the supporter of constructive and cautious change – coordinating such steps closely with its partners. Otherwise mistrust of the large and united Germany is likely to increase in certain member states, which still believe that Berlin’s unilateral initiatives accelerated the break-up of Yugoslavia.

## Border Changes on the Cards again in the Western Balkans

*Dušan Reljić*

Another round of border changes is in the offing in the Western Balkans. Kosovo and Bosnia Herzegovina are still fragile political entities lingering in the status of Western protectorates, as is the Republic of Macedonia. Ethno-political conflicts are coming to a head again in all three. During the past two decades, conflicts within the territory of the former Yugoslavia have generally been resolved by redrawing political borders, which rarely happened peacefully. This time too, there is reason to doubt whether new border revisions can occur without violence.

The place where the political map is most likely to be redrawn is the triangle composed of Kosovo, Albania and western Macedonia. This region is populated almost exclusively by Albanians, a great majority of whom would like to see their nation united in a single state. Opinion polls conducted in 2010 leave this in no doubt: in the parts of Kosovo with a majority Albanian population 81 percent want a Greater Albania, in the overwhelmingly Albanian north-west of the Republic of Macedonia 66 percent and in Albania itself 63 percent.<sup>1</sup> It took a warning from the US ambassador at the end of 2009 to persuade the Albanian Prime Minister Sali Berisha to suspend his public efforts pushing for unification of the Albanian nation.<sup>2</sup> The third-strongest and fastest-growing party in the Kosovo parliament, Vetëvendosje (Self-Determination), puts unification at the top of its list of demands. Conversely, the Serbs who make up a clear majority in the north of Kosovo reject living as a minority in an Albanian-dominated Kosovo and would certainly balk at a larger Albanian state.

Renewed ethno-political conflagration would shake Southeast Europe to the core and threaten the massive political and financial investments made by the EU and the United States over the past two decades. The Western Balkans are surrounded by EU member-states, so any instability would inevitably impact the Union, for example in the form of refugee movements. Political differences between individual EU states and the United States would be very likely to resurface. There is no sign of the five EU members that have not recognised Kosovo's independence changing their minds.<sup>3</sup> Russian and Chinese confrontation with the West over the latter's Western Balkan policy were never laid to rest, and would be certain to come into play again if hostilities re-erupted. NATO states have drawn down their military capacities in Bosnia-Herzegovina and Kosovo, so these

<sup>1</sup> Gallup, *Balkan Monitor*, <http://www.balkan-monitor.eu/index.php/dashboard>.

<sup>2</sup> "Berisha: Flirting with Greater Albania?", cable 09TIRANA686 from US Embassy in Tirana to Secretary of State, 15 September 2009.

<sup>3</sup> In the EU, Spain, Slovakia, Romania, Greece and Cyprus have still not officially recognised Kosovo. With the exception of Cyprus they are all also members of NATO.



would have to be replenished. After unrest in northern Kosovo in July 2011, 550 German soldiers were flown in as reinforcements. Germany provides the largest KFOR contingent, with 1,450 soldiers.<sup>4</sup>

### **No Link with Bosnia-Herzegovina**

Achieving lasting political stability in the Western Balkans will plainly have to involve making concessions to the nations living there and lead to a partial revision of the borders. This applies first and foremost to the areas north of the River Ibar, which are unlikely to be kept within Kosovo by peaceful means. Politically managed changes to existing borders would certainly cost fewer human lives, produce fewer refugees and require less military presence than the alternative of dogmatic denial.<sup>5</sup> The desire to preserve the status quo at any price is driven by the fear that dividing Kosovo would lead to uncontrolled disintegration, primarily in Bosnia-Herzegovina and the Republic of Macedonia. But the situation in those two former Yugoslav republics is not comparable with Kosovo, and there is no reason to presuppose that a chain reaction would be inevitable.

In fact, there are good grounds to believe that the repercussions on Bosnia and Herzegovina would remain containable. No serious political force in Zagreb or Belgrade supports the annexation of majority Croat or Serb regions in Bosnia and Herzegovina. Even more importantly, for all the power struggles between the political representatives of the Bosniaks (Muslims), Serbs and Croats, they speak the same language and share a great deal of cultural commonality. Albanian, on the other hand, is a completely different language from Serbian or Macedonian, and the culture and traditions of the largely Muslim Albanians have little in common with the overwhelmingly Orthodox Slavic ethnic groups. Nowhere else in the former Yugoslavia were there as many ethnically mixed marriages as in Bosnia and Herzegovina, whereas marriages between Albanians and Slavs remain the absolute exception.

In Kosovo and the Republic of Macedonia different ethnic groups live in largely separate parallel worlds, if only because of the language barrier. Interaction is restricted largely to the political arena and the issue of dividing up political power and public posts. In Bosnia and Herzegovina, on the other hand, there is a shared public sphere marked by everyday cultural contact transcending ethnic and religious barriers. Fifteen years after the Yugoslav Wars, a broad intercultural communication has again taken root. Cross-border investment and trade are growing steadily and

<sup>4</sup> Ahead of the United States with 783, Italy with 583, Austria with 592 and Turkey with 357 soldiers. At the beginning of October 2011 KFOR was down to 6,240 men and women, from a strength of 50,000 at the beginning of the mission in 1999. NATO, *NATO Kosovo Force* (as of 5 October 2011), [http://www.nato.int/kfor/structur/nations/placemap/kfor\\_placemat.pdf](http://www.nato.int/kfor/structur/nations/placemap/kfor_placemat.pdf).

<sup>5</sup> See the convincing analysis by Michael Ehrke, *Der Norden des Kosovo – ein gewaltoffener Raum?* (Berlin and Belgrade: Friedrich-Ebert-Stiftung, August 2011), <http://library.fes.de/pdf-files/id/08444.pdf>.

economic reintegration is progressing apace. The same cannot be said for the Albanian areas in Kosovo and western Macedonia, which are instead growing together with Albania to create an ethnically, culturally and economically homogenous space. The “patriotic highway” currently under construction from the Albanian port of Durrës to the Kosovo capital Priština is one of a number of projects that pave the way for the emergence of a “common economic space” and “the removal of border and administrative barriers” between Tirana and Pristina.<sup>6</sup> Northern Kosovo, on the other hand, remains heavily dependent on Belgrade: if the massive subsidies provided by the Serbian state were to cease, most of the Serbs living there would be unable to make a living and would have to emigrate to Serbia.

Opposing demographic trends form another reason for the increasing gulf between Albanians and Southern Slavs. Again, this factor does not exist in Bosnia and Herzegovina. Whereas population figures for all Southern Slav groups are falling rapidly, the number of Albanians in the region is increasing steadily. Its low birth rate causes Serbia to lose almost to 40,000 inhabitants each year, whereas the Albanian population in Kosovo alone increases by about 30,000.<sup>7</sup> The states with majority Slav populations suffer from a lack of qualified workers, while the number of unemployed young people is rising dramatically in the mostly Albanian areas. Agricultural land is in short supply in the regions populated by Albanians and a good deal more expensive than in the surrounding Slav-dominated territories where the big trend is migration to the cities and a rapidly ageing rural population.

## Republic of Macedonia in Danger

If Kosovo is actually partitioned, Albanian separatism can be expected to strengthen in the neighbouring Republic of Macedonia. However, the idea that ethnic separation might offer better perspectives than permanent squabbling with an increasingly self-confident Albanian minority (that is on its way to population parity) could also take root among the Macedonians.<sup>8</sup> The national conservative Prime Minister Nikola Gruevski has been working persistently to construct an “ancient Macedonian” identity for his state, which exacerbates the growing alienation between Macedonians and Albanians. Monuments to Alexander the Great and other “ancient Macedonian forefathers” are popping up all over the place, their names appearing on roads, airports and other infrastructure. While Gruevski’s

<sup>6</sup> “Former Kosovo President Mr. Behgjet Pacolli Presented at EUT His Initiative for ‘a Common Economic Space between Albania and Kosovo’”, European University of Tirana, 9 July 2011, [http://www.uet.edu.al/\\_en/index.php?option=com\\_content&view=category&layout=blog&id=42&Itemid=385&limitstart=7](http://www.uet.edu.al/_en/index.php?option=com_content&view=category&layout=blog&id=42&Itemid=385&limitstart=7).

<sup>7</sup> Calculated using data from the EU’s annual progress reports on the Western Balkan countries. European Commission, *Enlargement*, [http://ec.europa.eu/enlargement/press\\_corner/key-documents/reports\\_nov\\_2010\\_en.htm](http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm).

<sup>8</sup> Albanians currently make up about one quarter of the population.

intention is to strengthen his position in the naming dispute with Greece, his concept offers no possibility of identification for the Albanians.<sup>9</sup> In their areas they in turn erect memorials to national heroes copied from originals in Tirana. In the opinion of Veton Surroi, one of the leading Albanian politicians in the region, Skopje's attempts to create a separate and different "Macedonian identity" are destroying the cultural base of the existing state.<sup>10</sup> If the already wide gulf between Albanians and Macedonians deepens further, it could take the Macedonian state over the edge. Ethnic division appears to be inching ever closer.

It could turn out to be politically costly and ultimately counterproductive for the West to continue throwing its weight against autochthonous movements in the Western Balkans seeking to complete the already advanced process of bringing political and ethnic borders into congruence with one another. It would seem to make more sense to explore the chances of a settlement between Albanians and Serbs in Kosovo. The means of discreet diplomacy should be used to the full, through intermediaries that are accepted as unprejudiced by all sides, for example Norway. Comprehensive economic aid and a reiteration of the perspective of joining the EU and NATO would make it easier for the parties to step back from their maximum demands.

<sup>9</sup> Geographically speaking, the term "Macedonia" also comprises regions in northern Greece and Bulgaria. Athens insists that Skopje designate its state "Republic of Macedonia" rather than simply "Macedonia".

<sup>10</sup> Veton Surroi, "Regression of Three Albanian Societies", *Südosteuropa Mitteilungen* 51, no. 4 (2011): 6–17 (10).

## Cyprus Divided: An Outcome of European Disunity and Turkish Strength

*Günter Seufert*

On 1 July 2012 the Republic of Cyprus begins its turn of the rotating Presidency of the European Union. Ankara immediately announces the suspension of all talks with the European Council, following through on its threat to reject the Greek-dominated Republic of Cyprus – which it refuses to recognise – as a representative of the EU. The very next day the chief negotiator of the Turkish Cypriots in Nicosia states that the reunification talks have failed and the Turkish Cypriot side will no longer be working towards a bi-communal and bi-zonal federal state for all Cypriots. The same week Khartoum, Tirana and Ramallah declare their intention to open diplomatic relations with the Turkish Republic of Northern Cyprus (TRNC), hitherto recognised only by Ankara.

In Turkey nationalists celebrate their government's decisive move. Egypt, Tunisia and Libya praise Turkish Prime Minister Recep Tayyip Erdoğan for standing firm against Brussels, Washington and Tel Aviv, all of which had lent the Republic of Cyprus diplomatic support in the months before, as Ankara ramped up its military presence in the eastern Mediterranean in general and between Cyprus and Israel in particular. This demonstration of military might is directed partly against the continuing Israeli blockade of Gaza, but also targets the exploratory drilling for natural gas begun by a US company in the exclusive economic zone of the Republic of Cyprus, which has recently been recognised by Israel, the EU and the United States. The issue remains unclarified for Lebanon, which never ratified a similar agreement with Nicosia and remains at loggerheads with Israel over this question. At the same time, Turkey seeks to persuade Egypt to suspend a similar agreement with Cyprus agreed upon back in 2003.

All that Brussels, London, Paris and Berlin can do is pour out words of condemnation for Turkey. Numerous uncoordinated attempts by the EU and its member-states over the preceding months failed to persuade Ankara and Nicosia to step back, as did efforts to restrain the Israeli and Turkish navies from risky manoeuvres around the drilling rigs. The EU is now forced to look on almost passively as a member-state loses part of its territory. At the same time, there can now be no doubt that one of EU's biggest expansion projects has failed: the accession of Turkey. And its Mediterranean policy is in tatters too, with the new opportunity to integrate the societies of North Africa in the Euro-Mediterranean Partnership following the Arab Spring buried as the Cyprus dispute now expands into a conflict involving the whole region. The constellation of Muslim once again pitted against non-Muslim unsettles all who believed that the

demise of the authoritarian regimes in the Middle East and North Africa also meant the end of political Islam.

There are certainly grounds to suppose that events could play out like that, or similarly. So far the Greek and Turkish Cypriots are continuing to pursue their practised politics of confrontation. What the Greek Cypriots and the EU, especially, appear to be forgetting is quite how much conditions in the region have changed.

### **The Same Old Cyprus Policy ...**

Certain member-states of the EU have been quite content to see the Cyprus conflict fester on as an impediment to Turkish membership, for it spared them the difficult choice between respecting the Union's joint decision or conceding to domestic pressure from opponents of Turkish accession. Otherwise the EU would certainly have found ways and means to keep the promises it made to the Turkish Cypriots after the Greek side rejected the Annan Plan in 2004: lifting their economic isolation and providing direct financial assistance for economy and infrastructure. The political class of the Republic of Cyprus, too, has avoided making any impression of great eagerness to overcome the division any time soon.<sup>1</sup> But the relaxed stance of the Greek Cypriots, aimed at extracting concessions in the frame of the unification negotiations, depended on Turkey continuing to push for EU membership.

That is another reason why the unification talks have not really made progress. In spring 2011 UN Secretary-General Ban Ki Moon proposed intensifying and accelerating them, while his Special Adviser on Cyprus, Alexander Downer, urged for agreement in principle to be reached by the end of 2011, to allow simultaneous referendums to be held in both halves of the island in May 2012.<sup>2</sup>

Instead, stalemate continues to prevail on the fundamental issues. Abstract commitment to a bi-communal and bi-zonal solution remains utterly at odds with maximalist demands such as the right for all Greek refugees to return to the now Turkish-settled north and the blanket claim for the return of all Greek property there. Satisfying the Greek demands in full would destroy any material basis for establishing a Turkish entity in the north, and in the process obviate the bi-communal and bi-zonal solution.<sup>3</sup> In order to up the pressure on the Greek Cypriots, Ban Ki Moon has already indicated the possibility of abandoning his efforts.

Until 2002 Turkey's Cyprus policy more or less officially followed the line that "the status quo is the solution". But the decision by Erdoğan's newly elected AKP government to reorientate towards Europe in order to

<sup>1</sup> Jan Asmussen, *Cyprus – Should the UN Withdraw?* ECMI Brief (Flensburg: European Centre for Minority Issues, April 2011).

<sup>2</sup> Stefanos Evrpidou, "Failure to Achieve Solution Would Be 'A Tragedy' Downer Says", *Cyprus Mail*, 19 March 2011.

<sup>3</sup> Mete Hatay and Rebecca Bryant, *Negotiating the Cyprus Problem(s)* (Istanbul: Türkiye Ekonomik ve Sosyal Etüdler Vakfı [TESEV], 2011).

gain the support of the EU and United States against the country's entrenched Kemalist elites meant pursuing a solution for Cyprus based on the Annan Plan. After the Plan failed and Europe's Cyprus policy ground to a halt, Ankara reinstated non-recognition of the Republic of Cyprus as the heart of its approach – insisting that it was the putsch by Greek officers that killed off the Republic of Cyprus founded jointly in 1960 by Greeks and Turks. Turkey has never recognised the re-established state in the Greek-populated south – founded after its invasion in 1974 – as a representative of all Cypriots, consequently refusing to include the Republic of Cyprus in its customs union with the EU and denying Greek Cypriot aircraft and ships access to its air and sea ports.

### **... In a New Setting**

After years of convenient impasse for the EU, the issue has gained new momentum in recent months. Turkey is no longer a regionally isolated and politically unstable economic weakling on the margins of a prosperous EU, one-sidedly reliant on Brussels. The collapse of the Warsaw Pact has opened up a broad new Turkish hinterland in the west (Balkans) and east (Central Asia) brimming with political and economic potential, as well as making Russia into an important trading partner. Old front-lines have evaporated in the Middle East too, creating new openings for Turkish influence. Growing self-confidence, the democratisation of foreign policy and the temptation to play with the fire of populism have drawn Turkey into sharp conflict with Israel, making Erdoğan the most popular politician in the Middle East today. At the same time, Turkish/Israeli tensions have brought Tel Aviv and Nicosia closer together. The Agreement on the Delimitation of the Exclusive Economic Zone between Cyprus and Israel concluded in December 2010 is a direct outcome of the new constellation.

Turkey's immediate adversaries in the Cyprus conflict, the Republic of Cyprus and (in second place) Greece, for their part, find themselves facing existential problems. The loss of 50 percent of its electricity supply after an explosion damaged the main power station at Vassilikos will diminish the country's economic output by 10 percent. Even without that, Nicosia's financial situation is already grave because of its close financial and commercial ties with Greece, as well as structural problems, above all the high proportion of spending for public administration.

### **Options for Action**

A successful Cyprus policy will require the states of the European Union, as well as the United States, to find a joint position towards Turkey and the Republic of Cyprus. Alongside the reasons described above, the factor of disunity has greatly expanded the Turks' room for manoeuvre. The potential impact of a united American and European line towards Ankara was demonstrated in September 2011 when Turkey toned down its response to gas exploration in the Greek Cypriot exclusive economic zone. After

initially threatening military intervention, Ankara eventually settled for “seismic exploration” close to the Turkish south coast.

But a joint Turkey policy will only produce results if it takes into account the legitimate interests of the Turkish Cypriots on the island and those of Ankara in the Mediterranean. Given that not only Turkey, but also Lebanon and Syria are still without exclusive economic zones, there is a need for international mediation and guidance to bring about comprehensive negotiations to define borders in the Mediterranean. The current position of the United States and EU – to one-sidedly bless the Cypriot/Israeli agreement – might give succour to Israel and EU-member Cyprus, but would block the way to a negotiated solution.

In order to overcome the division of the island, the EU member states should work jointly for the creation of a bi-communal and bi-zonal state, and cease to instrumentalise the Cyprus problem as a lever against EU membership for Turkey. Instead of insisting on the fulfilment of maximum demands (for example that Ankara expand the customs union to include the Republic of Cyprus), the EU should support a graduated policy of reciprocal confidence-building steps. One important intermediate goal would be to gradually lift the international isolation of the Turkish Cypriots while Turkey gradually reduces its military presence in the north of the island and Northern Cyprus expands its material and political autonomy from Ankara.

In today’s situation there is indeed only one alternative to a joint state for Greek and Turkish Cypriots. That is to accept the division of the island and a “Taiwanised” Turkish Republic of Northern Cyprus. Many Cypriots on both sides of the green line would perhaps be able to live with that. But the loss of credibility for the European Union would be immense.

## The Arab Spring: A Golden Opportunity for Global Jihad?

*Asiem El Difraoui*

In many Arab countries, as well as in the Sahel and at the Horn of Africa, jihadist and Salafist groups are making the most of the completely new opportunities created by historic change.<sup>1</sup> By mid-2012, political vacuums, instability, imploding states and socio-economic crises sweep waves of new supporters into the arms of the jihadists. Al-Qaeda, too, grasps the “golden opportunity” offered by the historic transitions in the Arab world. Bin Laden may be dead, but the ideology of jihad lives on.

In the worst case new Jihadist strongholds emerge within just a few years, for example in Yemen or in the Sahel, training a new generation of terrorists. Bases of disintegrating armies are plundered and modern weapons systems looted. High-ranking officers defect and join the jihadists, and their capacity to conduct new spectacular attacks in Europe and the United States grows apace.

Within less than a decade, alliances between the “Jihadist emirates” and like-minded terrorist organisations drag whole regions into civil war. Interstate conflicts erupt. A renewed confrontation between Israel and Syria or Egypt looms. The consequences for the global economy are dramatic. Oil prices soar and trade routes are cut off. Hundreds of thousands flee to Europe.

Of course, this scenario contradicts the premise that the Arab Spring, launched by mass protests of a more secular-minded youth and not by terrorists, has weakened al-Qaeda and jihadism. But it is not inconceivable if the post-revolutionary transformation processes fail and the concerned countries slide into permanent political and socio-economic crisis. This scenario should be prevented from the outset.

### A Jihadist Wildfire

The risks of jihadism flaring up differ from country to country.<sup>2</sup> But a conflagration could occur almost anywhere.

<sup>1</sup> Jihadism is the most extreme interpretation of Sunni Islam. The term “jihad” has many meanings in Islam, including “inner struggle”. In the present discussion it is reduced to its sense of armed struggle as religious duty, which for al-Qaeda includes “martyrdom” through suicide bombing. Salafism stems from the concept of the “Pious Forefathers” (Salaf) of the earliest days of Islam. Strongly influenced by the Saudi state doctrine of Wahhabism, Salafism sees the Koran and the teachings of the Prophet Muhammad as the sole true sources of Islam. Salafism can represent a dangerous precursor on the way to Jihadism. Salafists frequently regard other Muslims as unbelievers, which can make them into “legitimate” targets of jihadi attack, along with Christians and Jews.

<sup>2</sup> Jihadist movements in Afghanistan and Pakistan are not discussed here.



Posters bearing the image of Bin Laden appeared in Egypt for the first time after his death. The Egyptian nationality of al-Qaeda's new leader, Ayman al-Zawahiri, could bolster the organisation's recruitment efforts there. Some Salafist groups hitherto regarded as apolitical and non-violent have participated in violence against Christians. These currents are to some extent supported by Saudi Arabia, and have numerous supporters above all in the rural areas of Egypt where the socio-economic crisis is most grave. If matters were to get any worse a potentially violent mass movement could emerge. Ongoing clashes with the security forces could radicalise Salafists into jihadists. In Egypt popular anti-Israeli sentiments can easily be instrumentalised, as the storming of the Israeli embassy in Cairo demonstrated only too clearly. The neglected Bedouins of northern Sinai are said to support jihadist Palestinian groups. An otherwise unknown group named Jihadi Resistance claimed to have carried out the attacks near Eilat on 18 August 2011 with the assistance of Egyptian Bedouins. Further attacks originating from Egyptian soil could provoke Israeli retaliation and spiral into a full-blown military conflict.

In Tunisia, like Egypt, Saudi-sponsored Salafist currents could grow rapidly if the socio-economic crisis worsens and Islamists are excluded from the political process. The Salafists could foment unrest, turn to jihadism and torpedo the transformation process. The murder of a Roman Catholic priest and an arson attack on a synagogue have already been attributed to jihadists.

In Syria the brutal repression by the Assad regime could swell the ranks of the jihadists. They, who have been able to count on support in the Sunni majority ever since President Hafez al-Assad bloodily suppressed an Islamist rebellion in 1982, killing tens of thousands. If the repression increases further or a power vacuum appears, Syrian jihadis could incite an all-out civil war by attacking Alevis and Christians. The Assad regime is already claiming that car bomb and suicide attacks in Damascus in December 2011 and January 2012 were the work of al-Qaeda.

Extremists could use their close contacts with Iraq and Lebanon to further destabilise those countries.

Above all, jihadists could drive Syria into a new confrontation with Israel with catastrophic consequences for the whole region. Syrian jihadists could initiate their own attacks on Israel to undermine Assad, or they could be manipulated by the intelligence services to commit such attacks in order to present the regime internationally as a guarantee for stability.

Jihadists have profited greatly from the power vacuum in Yemen, where the southern town of Zinjibar was controlled by al-Qaeda for several weeks in summer 2011. The organisation also succeeded in plundering arms depots in southern Yemen. If Yemen turns into a fully failed state in the coming months, al-Qaeda might bring whole swathes of the country under its control. This in turn could allow the group to step up its attacks on Saudi Arabia and thus destabilise the entire peninsula. Any alliance between al-Qaeda in Yemen and the Somali al-Shabab militias could increase piracy around the Horn of Africa to levels where world trade

could be seriously disrupted. Al-Shabab members are already reported to have hijacked ships.

In Libya die-hard former members of the now defunct Libyan Islamic Fighting Group might seek to sabotage any form of secular democratic state through violence. If the majority of the former Libyan jihadists, the group with most combat experience, becomes disappointed with or even excluded from the transformation process it might drag the country into prolonged and bloody civil war.

The situation in Libya increases the risk potential in Sub-Saharan Africa. Al-Qaeda in the Islamic Maghreb, which originally consisted mainly of Algerians, is reported to have looted Gaddafi's weapon stores, stealing among other things modern portable anti-aircraft missiles. In recent months attacks against the military in Algeria have increased again, while in Niger and Mali foreigners have been kidnapped and killed. Al-Qaeda is also recruiting among the impoverished Tuareg tribes of the Sahel.

The most threatening development is the suspected cooperation between al-Qaeda and the Nigerian group Boko Haram ("Western education is a sin"), a name previously known only to experts. In August 2011 Boko Haram killed twenty-three in an attack on the UN headquarters in the Nigerian capital Abuja, for which al-Qaeda is reported to have trained the suicide bombers. Boko Haram was also responsible for large-scale attacks on Christian churches in December 2011. The situation in the Sahel has become so alarming that several security and terrorism summits were organised in 2011 in Algiers, uniting the countries of the regions but also with the participation of the French and other European countries. If al-Qaeda in the Sahel joins forces with other jihadist groups, developments there could spiral out of control and turn the region into the world's biggest crisis zone.

## Policy Recommendations

In order to avert the worst-case scenario – a jihadist wildfire in the region with catastrophic consequences for Europe – Germany and the EU must act rapidly. As yet the jihadists are still weak. Al-Qaeda and other jihadist currents must not even be given the chance to regroup. Jihadism must be countered simultaneously at the economic, security, political and civil society levels.

Above all, immediate but long-term economic aid is crucial, backed by a transformation partnership that must be expanded to cover all EU member-states and all countries affected by transition. The economic aid already promised must be supplied within months and tangibly improve the socio-economic situation of large parts of the population. The aid effort must specifically target and reach marginalised groups such as the Bedouins in the Egyptian Sinai, the Tuareg in the Sahel and the generally neglected rural populations of the Arab world. This is an imperative to avoid extremist ideologies taking root again and new flashpoints emerging.

If the reform processes lead to greater political participation, especially of the youth, they offer a historic chance to extinguish jihadism for good. The innovative culture of communication that was so decisive for the transitions offers completely new possibilities to offer advice in support of the reform processes. The elections in Egypt and Tunisia have been accompanied by intense discussions in the new media about the significance and function of democracy and the rule of law. Political foundations, think tanks and NGOs now have their first chance to enter into direct contact and dialogue with the Arab youth directly, even in rural areas.

Dialogue with Salafist and jihadists who are willing to renounce armed struggle should also be promoted, in order to durably integrate them into the political process and to persuade them to renounce violence for good. Giving them their share of political responsibility is an effective means to demonstrate that extremist and violent ideologies cannot resolve economic and political problems. In Egypt Salafists and former jihadists have already created political parties. Libyan ex-jihadists already play important roles in the transformation process. On the one hand, NGOs like political foundations must pursue their advisory work in these milieus too, even if they are uncomfortable with some of the more radical Islamist parties. On the other hand, the EU states should start an intense critical dialogue with Saudi Arabia, which as one of the most important regional powers needs to stop supporting extremist Salafist groups in the transition countries. Saudi Arabia should also be encouraged to help to stabilise Yemen, in order to extinguish the flames of jihadism there.

## End Game in North Korea: Will Kim III Endure?

Hanns Günther Hilpert

The year is 2012 – twenty-one years after the collapse of the Soviet Union. Cold War, nuclear arms race and Stalinism are all a thing of the past. No, not quite. One small country in north-east Asia, populated by indomitable Koreans, still holds out against globalisation and the imperial might of America. Foreigners have often – mistakenly – prophesied the end of the totalitarian Democratic People's Republic of Korea (North Korea). Although the population suffers under shortages, hunger, rampant corruption and despotism, the Kim dynasty's grip on power appears unchallenged.

"Dear Leader" Kim Jong-il dies unexpectedly on 17 December 2011. His chosen successor, the twenty-nine-year-old Kim Jong-un, is swiftly installed as the new Supreme Leader of the party, the military, and the country, and becomes the object of an intense personality cult. Initially he is guided and supported by his aunt, Kim Kyung-hui, her husband Jang Song-taek and army chief of staff Ri Yong-ho. While the regime is plainly working hard to create a semblance of continuity and stability, beneath the official choreography and rhetoric it is impossible to pretend that nothing has changed. After all, Kim Jong-un does not possess the absolute power held by his father. Clearly lacking support and contacts in the military and the party he is left dependent on the protection and support of the aforementioned regents. And they lack the powerful backing of their former mentor.

Generally speaking, we simply cannot know whether North Korea's political system and state apparatus are resilient enough to cope with the current change of leadership. It lies in the nature of undemocratic states that succession is an existentially critical event. This applies all the more to a thoroughly totalitarian regime with no sustainable economic base, where the personalised cult of leadership represents a significant source of power and identity.

It would be short-sighted to dismiss – from a distant European perspective – the Stalinist fossil occupying the northern part of the Korean peninsula as a problem that will go away on its own sometime. That hope ignores the concrete dangers to international peace and stability that emanate from North Korea. Firstly, North Korea is a proliferation state that willingly sells nuclear and missile technology to third states willing to pay, and could in future supply nuclear material too. Secondly, North Korea presents a very real threat of conventional war, as demonstrated in 2010 by its sinking of the corvette *Cheonan* and artillery bombardment of Yeongpyeong Island. Thirdly, the regime in Pyongyang threatens the stability of the Asian balance of power. Fears that North Korea could be the spark that ignites a Sino-American war might be exaggerated. But there can be no doubt that North Korea's threats and provocations destabilise

north-east Asia and devalue the security guarantees America extends to its East Asian allies. South Korea could feel forced to counter with its own nuclear arms programme one day. Fourthly, China and South Korea both fear the massive refugee movements and ensuing economic and social upheaval that would inevitably follow a North Korean collapse.

### **Four Possible Scenarios**

Now that the regime has declared itself a nuclear weapons state, diminishing the leeway for resolving the nuclear crisis and the security conflict on the Korean peninsula, the external circumstances for regime continuity and stability in Pyongyang are anything but favourable. Internally, too, the wind has turned against the dynastic ambitions of the Kims. A regime that builds its resilience on totalitarian power, the militarisation of politics and society, and a credible external deterrent may be able to ignore hunger and poverty, disintegrating state structures and even protests in the provinces. But it must be able to rely on the ideological and physical support of the apparatus. After the demise of the Dear Leader, this support can no longer be taken for granted.

Under such difficult circumstances North Korea will not necessarily be characterised by totalitarian political stability. It is quite conceivable that there could be a conflict-led shift to a new collective leadership or an escalation into civil war that drags in North Korea's neighbours in a military capacity. While these variants differ dramatically in their implications for peace and stability in north-east Asia, the decisive question in all of them is: What constellation will follow in the long run? Four different scenarios are fundamentally plausible: the dynastic hand-over succeeds in a context of totalitarian consolidation; a new leadership sets out on a path of peace and liberalisation; North Korea becomes a Chinese protectorate; or internal turmoil leads to reunification of the two Koreas.

### **I "Juche" Restoration**

Kim Jong-un and his regents force through the dynastic succession against resistance from party and military. The new "Supreme Leader" is ceremonially enthroned on 15 April 2012, the one hundredth anniversary of the birth of the state's mythically venerated founding father and "Eternal President" Kim Il-Sung. On this occasion the grandson and dynastic heir is bestowed with the main levers of power, the dual chairmanship of the National Defence Commission and the Workers' Party of Korea. A cult of leadership and militarisation crowned by the development of the country's own nuclear bomb form the perfect frame for a Confucian legitimisation of the Kim dynasty. Possibly another attack on South Korea follows. Kim Jong-un cements his grip on power using the tested tools of the totalitarian Juche ideology: control of information, propaganda, leadership cult, repression and terror. Although Kim Jong-un succeeds in establishing himself as ruler, North Korea's structural problems remain unresolved: popu-

lation and army suffer under chronic shortages; whole regions are wracked by starvation and poverty. Consumption of capital and erosion of the state proceed apace. To shore up internal stability the regime maintains its confrontative foreign and security stance towards the United States, South Korea and Japan. China, primarily interested in regime stability, tolerates this.

## II The Gorbachev Turn

The power struggle establishes a reform regime that seeks a radical path out of the economic and security impasse. The new leadership overcomes its fear of losing control and implements the economic liberalisations demanded by China. A rapprochement is reached with the United States: the two countries open diplomatic relations and conclude a peace agreement. North Korea implements the points agreed at the Six-Party Talks in September 2005 and February 2007, ending its nuclear weapons programme and missile tests, and in return receives comprehensive financial and economic assistance from South Korea, Japan and the international community. North Korea permits foreign investment and joins the global economy through trade and foreign-financed cross-border transport infrastructure. International tensions subside, permitting the United States to reduce its military presence south of demarcation line. This political swerve serves the wishes and expectations of North Korea's neighbours but liberalisation is not good for its internal stability. The new freedom of information reveals to the people of North Korea the failure of their societal and economic model. A new commercial elite emerges and begins to exert political influence. While the people can express their dissatisfaction ever more openly and vociferously, revisionists and reformers battle over the course. In the meantime North Korea's dependency on foreign inputs grows because, like in the Soviet Union, the early phase of the transformation process requires huge outside support with food, capital and know-how. Behind the ideological struggles, the outside influence of Beijing and Seoul can be seen at work. One side will prevail in the end.

## III China's Protectorate

The side backed by China wins the power struggle. This could be Kim Jong-un, his older brother living in Chinese exile, Kim Jong-nam, or a new military junta. Ultimately China settles the succession question by its deliveries of food, other aid supplies, energy and arms, by troop deployment, by exerting direct influence in the army and party or if need be through military intervention. Beijing cares little who exactly heads the North Korean state. What matters is that its political dependency is reinforced and it agrees to stabilise its foreign policy and introduce economic reforms. The establishment of a China-friendly regime is Beijing's reward for many years of tireless effort building decisive influence in North Korea – a region regarded historically as the “gateway to China”. With no possibility of com-

petition from Russia, Japan or South Korea, China has systematically revived an alliance dating back to the Korean War (“as close as lips and teeth”) through bilateral summits, expansion of media and cultural contacts and intensification of party and military contacts. In its responses to the *Cheonan* affair and the Yeongpyeong incident, China’s state and party leadership made it abundantly clear that Beijing could be relied upon to stand by Pyongyang against foreign pressure. The volume of bilateral trade has almost doubled since 2007, and in 2010 two special economic zones were set up. While North Korea’s economic dependency increases, China profits from cheap labour, resources and new transit routes to the Sea of Japan. But China’s influence runs into limits and resistance. North Korea’s introverted nationalism does not mix well with dependency on a foreign power. Getting too close to China would discredit and delegitimise any North Korean leadership. Too much pressure from its powerful neighbour could lead to a military conflict with South Korea or to regime collapse, and thus exactly the destabilisation Beijing seeks to avoid. In neither case can China have any interest in becoming a regime of occupation.

#### IV Reunification

The power struggle turns ugly. Kim Jong-un encounters open resistance in the military and the party. On the surface political differences over ideology, security policy and economic reform fester; in reality refusal to obey the Supreme Leader’s instructions amounts to an open power struggle. Eventually violent clashes break out. While the Kim regime manages to hold Pyongyang, forces concentrated along the demarcation line follow a breakaway fraction. Realising that he lacks the time to establish and legitimise his rule, Kim Jong-un gambles on a “great” military victory over the “traitors” in South Korea to settle matters. However, his attempts to restore the unity of army and party by attacking South Korea are stymied by Seoul’s level-headed response. In the meantime growing insecurity, hunger and economic shortages force increasing numbers to flee to China. Under increasing internal and external pressure, Kim threatens a nuclear strike. Satellite images confirm that rocket launchers have been readied at Musudan-ri. In view of the threat posed by North Korea, the UN Security Council authorises South Korea, the United States and the People’s Republic of China to do whatever is necessary to secure or restore peace and security in north-east Asia. However severe the subsequent armed conflict gets, military defeat will eventually force Kim Jong-un to accept a Chinese offer of exile. North Korea’s newly constituted national defence commission agrees a cease-fire with the United States and starts negotiations with South Korea about forming a confederation. The reunification of the Koreas begins.

## Scope for External Influence

If China, the United States and South Korea have failed to stop North Korea acquiring nuclear weapons through diplomacy and sanctions, no foreign power can hope to exert any influence over internal power struggles. Much would be gained if China, or perhaps China working together with the United States, could succeed in persuading North Korea's closed leadership to prevent its internal disputes from spilling over into military attacks on its neighbours. In any case a Sino-American dialogue will be crucial to a peaceful transition, to create transparency for both sides about foreign and security priorities, perceptions of North Korean politics, and respective contingency plans. The goal of the talks must be mutual assurance.

Berlin has, realistically speaking, no foreign policy or security influence in north-east Asia. However, Germany's very distance from the arena and its reputation on all sides as an uninvolved actor does create foreign policy opportunities.

- ▶ Berlin has history as a venue for American/North Korean talks, Korea dialogues and Korea initiatives. Germany could certainly make more of its locational advantage, for example hosting negotiations with North Korea or semi-official Korea dialogues.
- ▶ Even if historical and political differences mean that Germany cannot simply be taken as a template for Korean reunification, the real, accomplished reunification of Germany remains the only real point of reference. To the Koreans, German partners possess unique credibility and authenticity on questions of reunification.

Germany will have even less scope than North Korea's neighbours to create positive or negative incentives. Not until the North Korea has reformed internally and ceases to endanger regional and international peace can it receive German development aid. The few plausible options for positive incentives that remain are therefore in the areas of humanitarian aid (food and medicine), training and education. Student bursaries, for example, would counteract the isolation of North Korea, and could be seen as an important investment in the country's future human capital.



## Appendix

### Abbreviations

AKP	Adalet ve Kalkınma Partisi (Justice and Development Party; Turkey)
EC	European Community
ECB	European Central Bank
EFSF	European Financial Stability Facility
ESM	European Stability Mechanism
EU	European Union
HSBC	Hong Kong and Shanghai Banking Corporation
IEA	International Energy Agency
IPCC	Intergovernmental Panel on Climate Change
KFOR	Kosovo Force
NATO	North Atlantic Treaty Organisation
N-VA	Nieuw-Vlaamse Alliantie
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of the Petroleum Exporting Countries
SNP	Scottish National Party
TRNC	Turkish Republic of Northern Cyprus
UAE	United Arab Emirates
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change

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