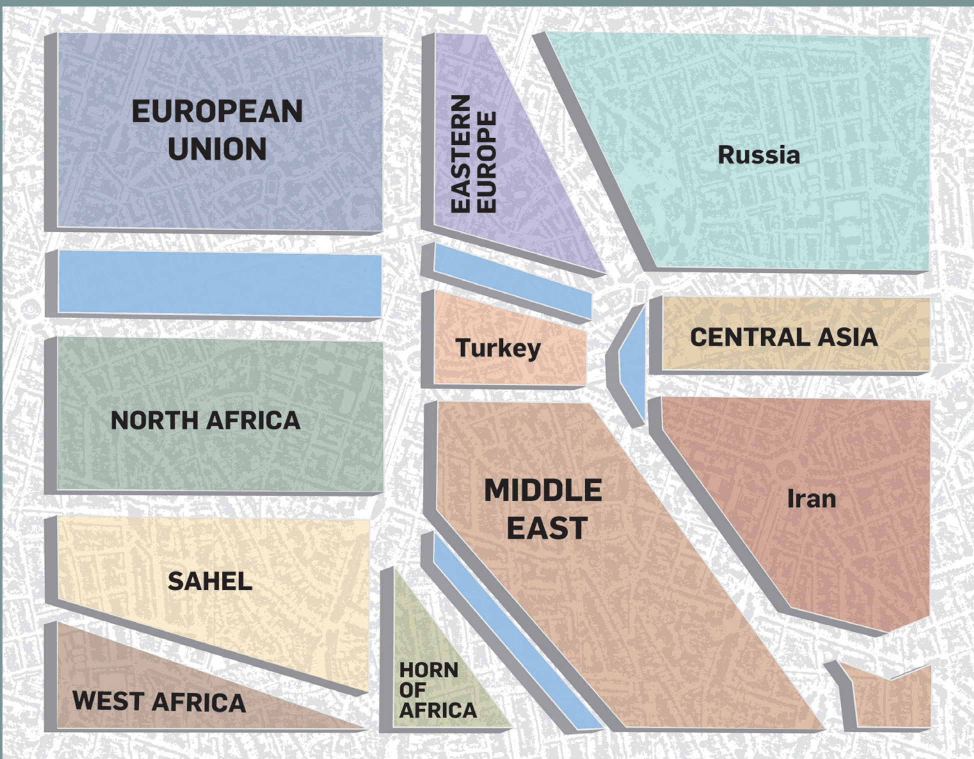
Challenges for European Foreign Policy in 2014

The EU's extended neighbourhood



FRIDE
A EUROPEAN THINK TANK FOR GLOBAL ACTION

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Giovanni Grevi and Daniel Keohane (eds.)

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Abbreviations

AKP	Justice and Development Party (Turkey)
AQAP	Al-Qaeda in the Arabian Peninsula
AQIM	Al-Qaeda in the Islamic Maghreb
BIPPA	Bilateral Investment Promotion and Protection Agreement
CHP	Republican People's Party (Turkey)
CRCC	China Railway Construction Corporation
CSTO	Collective Security Treaty Organisation
DCFTA	Deep and Comprehensive Free Trade Agreement
EaP	Eastern Partnership
ENP	European Neighbourhood Policy
EU	European Union
FDI	Foreign Direct Investment
FSA	Free Syrian Army
FTA	Free Trade Agreement
GCC	Gulf Cooperation Council
ISIS	Islamic State of Iraq and the Levant
KRG	Kurdish Regional Government
LNG	Liquefied Natural Gas
MB	Muslim Brotherhood
MDG	Millennium Development Goals

MENA	Middle East and North Africa
NATO	North Atlantic Treaty Organisation
NCSROF	National Coalition for Syrian Revolutionary and Opposition Forces
NDN	Northern Distribution Network
NOC	National Oil Company
NPT	Treaty on the Non-Proliferation of Nuclear Weapons
OECD	Organisation for Economic Cooperation and Development
OSCE	Organisation for Security and Cooperation in Europe
PJD	Justice and Development Party (Morocco)
PKK	Kurdish Workers' Party
SCO	Shanghai Cooperation Organisation
SIPRI	Stockholm International Peace Research Institute
TANAP	Trans-Anatolian Pipeline
UAE	United Arab Emirates
UN	United Nations
US	United States
WMD	Weapons of Mass Destruction
WTO	World Trade Organisation

Preface

The leadership of the institutions of the European Union (EU) will change during 2014. Whether that will coincide with a change of gear in EU politics and EU foreign policy remains to be seen. The elections for the European Parliament in May 2014 will be a stress test for Europe's political system. The results may show growing frustration and discontent with the slow progress out of the crisis and enduring social and economic hardship in many member states. The vote might strengthen anti-European forces across the Union.

The new presidents of the European Council and of the Commission, as well as the High Representative for Foreign and Security Policy, will take office in a difficult political context. They will also have the opportunity to work with EU member states to change it. Now more than ever, the status quo is not an option for Europe. Not advancing in strengthening the Union's economic governance and political cohesion, fostering growth and delivering jobs means running the risk of sapping the legitimacy of the European project and fostering nationalism. That would deal a serious blow to the very values at the core of the European project.

This is a risk that Europe cannot afford. Weakening the EU would not strengthen its member states or empower its citizens; it would leave them less capable to cope with an international environment that is simultaneously becoming more fragile and more competitive. It has become commonplace to warn that a fragmented, crisis-torn Union can hardly punch its weight on the international stage. It is equally the case that if Europe fails to do so, it will be at the receiving end of consequential international developments for its prosperity and security. The EU and its member states cannot insulate themselves from external challenges because they are open economies highly dependent on the security of trade flows and the supply of energy and other commodities.

Interdependence means that risks spread quickly at the global level, as the financial crisis has showed. But the neighbourhood of the EU presents it with unique challenges and opportunities. It is a highly diverse and volatile region, harbouring fraught political transitions and creeping geopolitical competition, but also a strong demand for change coming from the people. It is an area whose evolution will make a big difference to Europe and where the EU can have a distinct impact in promoting reform and stability in cooperation with regional and international partners.

FRIDE's 2014 annual publication argues that after years of turmoil in the neighbourhood, which has further intensified in 2013, there is a need to re-define the EU's approach to surrounding regions. This approach should reconcile strategic vision and flexible implementation. It should build on a broader definition of the scope of the neighbourhood, extending from West Africa and the Sahel to Russia and Central Asia through the wider Middle East. It is necessary to widen the strategic focus, because developments in the vicinity of the Union depend on trends that cut across sub-regions such as the Sahel and North Africa or the Gulf and the Mashreq. They also depend on the agendas of other important regional and international actors, whose priorities may or may not be in line with those of the EU.

The contributions collected here, written by FRIDE researchers and senior colleagues from other organisations, assess changes in the EU's extended neighbourhood and prospects for 2014 at three main levels.

First, the regional dynamics shaping Eastern Europe and the Caucasus, North Africa, and the Middle East (with a focus on the implications of the war in Syria) and the challenge of state fragility across these regions. Second, the evolution of the foreign policies of three pivotal regional players – Iran, Russia, and Turkey – in their own neighbourhoods, which largely overlap with the EU's. Third, the projection of China, India and the United States into the strategic space around Europe, which offers more options to countries in the region to diversify their economic and political partnerships with major external actors.

Dealing with momentous change in neighbouring countries and regions is not just a matter of choice for the Union. The humanitarian emergency of migration and refugee flows within the neighbourhood and towards Europe underscores that. Developing a common foreign policy towards the neighbourhood goes to the core of Europe's interests and values. There is no long-term security and prosperity for Europe if it is surrounded by conflict, human suffering and illiberal regimes. The influence of the EU is limited but it can partner with others to alleviate risk factors and leverage demand for reform in the neighbourhood.

At a time of crisis, Europe needs messages that win hearts and minds. The core message is about recovering a sense of common destiny within the Union, based on shared commitments backed up by solidarity. The EU needs to provide opportunity to its citizens if it wants to remain relevant in their eyes. But Europe's message of opportunity needs to go beyond its borders if it wants to remain a relevant player in the eyes of others. The EU's extended neighbourhood would be a good starting point in 2014.

Pedro Solbes

President of FRIDE

1. Re-defining the EU's neighbourhood

Giovanni Grevi

In the course of 2013, the neighbourhood of the European Union (EU) has moved from a fluid to an increasingly volatile state. Because of that, anticipating prospects for 2014 is exceedingly difficult. Following the twists and turns of the last few months, events in Ukraine, Syria or Libya could take very different directions. The same is valid for the outcome of negotiations with Iran on the nuclear file and, perhaps, related regional issues. Other factors of uncertainty include upcoming elections in Turkey and Egypt, and the positioning of Saudi Arabia and other Gulf countries concerning the conflicts and tensions in the Middle East. Russia's approach to many of these developments, from political turmoil in Ukraine to striking a deal to end the Syrian war, is yet another critical variable.

A range of stress factors – such as resource insecurities, demographic growth and poor governance standards – compound geopolitical turbulence across much of the neighbourhood. Developments there are of direct relevance for the interests of the EU; but the neighbourhood also matters for the EU's profile as an international actor willing and able to provide security and opportunity in its own backyard and beyond. All the more so when the United States' (US) engagement in the region is going to become more selective and perhaps less decisive.

There is a need to move beyond a definition of the neighbourhood as a region centred on Europe. But an alternative paradigm is not easy to define. It is proposed here that the neighbourhood should be framed as an extended strategic space stretching from West Africa and the Sahel to Central Asia and Russia, via the broader Middle East. This is an area where interdependencies run deep, geopolitical shifts are resetting power balances, and state fragility threatens regional stability.

The EU is a very important actor in the neighbourhood, carrying a set of values and interests that intersect with those of others. Europe's 'proposition' to surrounding countries and regions – its narrative, policy mix and terms of engagement – is increasingly challenged by competing offers from other regional and external actors. The EU's influence will depend, in large part, on its capacity to shape a new strategic approach to neighbouring countries and regions, and to implement it in ways targeted to their very different needs, demands, and aspirations.

New trends, old approaches

Multiple vectors of change in the EU's extended neighbourhood challenge the paradigm through which the Union has framed neighbouring regions. For the best part of the last 10 years, the definition of the EU neighbourhood built on two components – geographical and political. As to the former, it encompassed the belt of countries on the doorstep of the EU. As to the latter, it referred to a 'circle of friends' gravitating around the EU pivot and expected progressively to establish closer ties with the Union.

This definition of the regions surrounding Europe is losing relevance. First, the countries close to the Union belong to other regional systems or sub-systems, their connections to which may be more consequential than those to the EU. Second, the assumption of an incremental if bumpy convergence of neighbouring countries towards Europe, based on conditions negotiated with Brussels in exchange for economic and technical assistance, has been put to serious test. Third, other powers have extended their influence across the neighbourhood, whether a more assertive Russia, an emboldened Turkey, or Iran and the Gulf countries engaged in fierce geopolitical competition. In addition, alongside the traditional (but increasingly selective) US engagement, the presence and interests of China and India in the region have also expanded.

There is no overarching trend shaping the regions surrounding Europe. At a general level, however, two broad dynamics have been at play in 2013, both reversing earlier trends.

The first is the shift from attraction to transaction. In other words, most governments around Europe are asking what the EU can do for them, not what they can do to move closer to Europe. To the East, gambler regimes from Belarus to Ukraine, as well as in Central Asian republics, seek to play the EU and Russia off each other to extract maximum benefits. For most regimes in the Middle East and North Africa (MENA), the EU is relevant as a market (or a potential one) and as a source of investment and/or development assistance, not as a dispenser of advice or conditions to steer domestic reform.

Citizens may feel differently to their governments, as recent pro-European demonstrations in Ukraine powerfully showed. For many across the Eastern Partnership (EaP) countries, the EU continues to be a source of attraction, at least compared to alternative options. But throughout the Arab world, there is little (and perhaps shrinking) capacity to absorb the EU's soft power. And years of teetering over enlargement negotiations with Turkey have squandered much of Europe's political capital in that country.

The second dynamic at play in the EU's neighbourhood points to the drift towards relative political stagnation (across much of the region), consolidation of military rule (in Egypt) or conflict and chaos (in Syria and to some extent Libya). With a view to 2014, there is potential for democracy to take deeper roots in Tunisia, Moldova and Georgia, and developments in Ukraine will need to be watched closely, not least with a view to elections there in 2015. But the neighbourhood of the Union remains one of the least democratic regions in the world, compared for example to Latin America or much of rising Asia (except of course China).

This sobering assessment calls for a reappraisal of the EU's approach to surrounding regions. The European Neighbourhood Policy (ENP) is an important tool for engaging countries willing to enter the difficult path of reform. The revision of the ENP in 2011-2 entailed some innovation, although perhaps more in words (mutual accountability, more for more and the 3Ms – money, markets and mobility) than in deeds. There has also been some debate on strengthening relations with the 'neighbours of the neighbours'. And the EU has sought to implement a comprehensive approach to regions such as the Sahel and the Horn of Africa. But the ENP and separate regional strategies cannot be the placeholders for a common foreign policy towards the turbulent regions surrounding Europe, building on the strategic synthesis of all the instruments available to the EU and to its member states.

A paradigm shift

There is a need to define a new paradigm to guide the EU's relations with neighbouring countries and regions. This should be a central element on the EU foreign policy agenda for 2014, not least with the change of guard at the helm of EU institutions and the consequent opportunity to reset priorities.

Renewing the EU's approach to its neighbourhood should proceed on three tracks. For one, the conceptual expansion of its geographic scope, to take into account the interconnections between the regions surrounding Europe. For another, embedding EU relations with the neighbourhood within a complex range of other factors (such as demographic, energy and conflict trends) and actors shaping the future of the region. In addition, targeting policy measures to different countries and regions therein, so as to respond to distinct requirements and demands. Strategic vision and policy flexibility should go hand in hand.

The narrow geographic definition of the EU's neighbourhood – which includes the countries bordering the EU, littoral Mediterranean countries and the South Caucasus – should give way to a definition encompassing a broader geopolitical area. This strategic space would stretch from West Africa and the Sahel to Russia through the Southern Mediterranean and the Horn of Africa, the Middle East, Iran, Central Asia, the Caucasus and Eastern Europe. Any exercise in drawing lines between regions is somewhat artificial, as it inevitably privileges some interconnections over others. That said, framing the neighbourhood of the Union as a broader region of strategic relevance to Europe is plausible on various grounds.

This geographical definition better captures the trends shaping the regions surrounding Europe than the narrower approach. These developments include, for example, the growing influence of Gulf countries throughout the MENA region, the spread of sectarian divides and radical networks from the Sahel to North and East Africa up to Syria and Iraq, as well as Turkey's projection both south, towards the Arab world, and east, towards the Caspian region. Russia's efforts to restore its sphere of influence in its near abroad, from Eastern Europe to Central Asia, while playing a key role on critical dossiers such as Syria and Iran, further underscore the interconnection of the politics of the EU's extended neighbourhood.

Besides, the extended neighbourhood is of critical importance for the Union as developments there directly impact Europe on many levels. As pointed out in a recent FRIDE-Chatham House report (*Empowering Europe's Future: Governance, Power and Options for the EU in a Changing World*) this broad region holds over 60 per cent of proven global oil reserves and about 80 per cent of proven gas reserves, mainly in the Middle East, Russia, and Central Asia. The EU already depended on oil imports for 85 per cent of its consumption and on gas imports for 62 per cent in 2010, and these shares are expected to rise in the coming years, with almost all external energy supplies coming from the broad neighbourhood.

While rapidly ageing populations in Russia and the Eastern partners affects the long-term economic prospects of those countries, population growth in some states in the MENA region and notably in the strip from West Africa to the Horn of Africa is going to be sustained. The overall population of the extended neighbourhood will grow from 1.2 billion today to between 1.6 and 1.7 billion in 2030 (the combined population of the current EU-28 is set to remain stable at just over 500 million). This trend is likely to compound factors of regional and state fragility to the south and southeast of Europe such as climate change, water/food insecurity, and poorly managed urbanisation.

These stress factors combined with poor political and economic governance across much of the neighbourhood, the spread of radical ideologies, and the prospect of geopolitical competition between regional powers suggest enduring potential for intra-state and inter-state conflict.

Assessing the vulnerability of the Union towards the regions surrounding it requires therefore extending the strategic horizon well beyond the belt of countries bordering Europe. The same goes for considering Europe's response to these challenges. Security in Libya and Tunisia also depends on security in the Sahel. The role of the Gulf countries is key to the political stability of fragile states in

North Africa and the Levant. The future of Syria depends on a deal including (among others) Iran, Russia, Saudi Arabia and Turkey.

Conceiving of the regions surrounding Europe as the EU's extended neighbourhood is not about the top-down or one-way projection of Europe's interests and ideas upon others. It is about taking stock of the geopolitics and geo-economics of the neighbourhood as a starting point for defining how best Europe can legitimately uphold its values and interests throughout those regions. It is also about fashioning a more flexible and political approach of the Union towards its interlocutors, whether partners or competitors. There is a need for the EU to shape its foreign policy towards the neighbourhood, including the ENP, as part of a strategic approach that accounts for the many local, regional and global factors that affect the influence of the European Union.

Conclusion

The EU has a lot at stake in its neighbourhood, chiefly its profile as a norms-based international actor and the credibility of its role in the world. While its neighbours may have more options for partnering and protection within and beyond their regions, the EU remains the primary partner for trade, investment, economic and technical assistance for many of them. Its diplomatic clout needs upgrading to match the breadth of its links to these countries.

Regimes to the east and to the south may seek to contain change, but societies in some countries are pushing for it, which creates opportunities for the progressive opening up of closed systems. The EU is well placed to help governments cope with state fragility through institution and capacity-building, and to help deal with humanitarian emergencies. The EU's positive contribution to negotiating an interim nuclear deal with Iran should be complemented by a stronger diplomatic role in bringing an end to the Syrian conflict.

The EU should not fall into the trap of geopolitical competition, whether to the east or to the south, but be alert to mobilising all the tools available to the Union and its member states to advance reform and prosperity where possible, and counter threats and challenges where necessary.

2. North Africa: back to the future?

Anouar Boukhars

After a brief historical interlude of revolutionary fervour and democratic aspirations, the mood in North Africa has turned sour. During 2013, the Islamist moment was aborted in Egypt and put on the ropes in Tunisia. Chaos beckons in Libya while Algeria remains in limbo, waiting for deliverance from political paralysis and economic stagnation. Even in Morocco, where the monarchy skilfully navigated the treacherous whirlwinds of the Arab revolts, popular dissatisfaction with economic inequalities are causes of concern. Where the region goes from here is uncertain. Comeback beckons for the old authoritarian order as political Islam struggles to deliver on its promises and the secular alternative remains woefully inadequate. The security outlook also remains clouded, as governments learn to deal with the new Salafist surge and the transmutation of transnational terrorism in and around North Africa.

Regional problems from the past have whipped up tensions just as North Africa needs urgent security coordination and political cooperation. The Western Sahara dispute remains a sore in the geopolitics of the region, with Morocco and Algeria battling each other for influence in the Maghreb and Western Africa. The geo-economic and strategic considerations of international actors, including Gulf countries, also complicate the outlook for the region. The excessive focus on religious extremism as the primary threat to democratic transitions and Western security has diverted scarce international resources and attention from the main economic drivers of popular discontent and radical Salafist growth.

From Arab spring to winter of discontent

The great exuberance that the Arab uprisings provoked in North Africa faded as quickly as it came. The democratic moment took its protagonists and outside observers into a roller-coaster ride of hope and expectations. But as in other waves of democratic transitions, the process of political change has been tortuous and punctuated by violence, squandered opportunities and dramatic setbacks. Attributing the transition difficulties in North Africa to cultural particularism or illiberal religious traditions is, however, misguided.

Those in Europe or North Africa itself who have given up on the region's dysfunctional politics not only ignore that political transitions are messy, but they also disregard the corrosive legacy of authoritarianism. The far side of social conflict, violence and volatility in much of North Africa today is the direct result of the culture of mistrust and fear that authoritarian governments perniciously fostered.

The major setbacks that Islamists have suffered in the aftermath of the Arab uprising are not due to their embrace of religious extremism, but rather to their failure to govern and provide enough reassurances to their secular sceptics. Their confidence-building measures were inadequate in Egypt to break the cycle of mistrust, and were unable to change the dynamics of their tumultuous dealings with the secular opposition. Even in Tunisia where the governing Islamist party, Ennahda, has made major concessions on ideology and politics, their efforts have fallen short of winning enough opposition support or leeway to govern a society troubled by economic hardship, rising Salafist extremism and regional turmoil emanating from Libya and Mali.

The end of the Islamist moment?

When they were swept into power, few Islamists could have predicted the intense distrust and enmity they would inspire among large swathes of society, the secular establishment and bureaucratic forces. Their inexperience in governance and resulting missteps reinforced doubts about their behaviour and escalated their clashes with non-Islamists to the point of intractability. In almost all cases across North Africa, their brand has suffered.

In Egypt, the Muslim Brotherhood (MB) is battling one of the worst crises of its 86-year existence. The organisation is not only again facing state brutality, but also the ire and anger of broad sectors of society given its inability to deliver on socio-economic expectations when it was in government. It is the first time that the Brotherhood finds itself battling both the state apparatus and a hostile public opinion.

Instead of identifying the opposition's needs and working hard to make the prospect of cooperation attractive to those amenable to compromise, the MB looked inward. It was convinced that the only way to thwart the machinations of their opponents was by solidifying its own internal ranks and using whatever government mechanisms at their disposal to beat their adversaries. In the end, the organisation's downfall had little to do with its democratic *bona fides* (though its interpretation of democracy was shallow) and more with its inexperience in governing and an inability to work constructively beyond the narrow confines of its insular networks.

The question now is what lessons the Brotherhood will learn from their fall from grace. Where this reflection leads in 2014 and beyond, however, is uncertain. The organisation's old stalwarts might very well conclude that despite their mistakes, Islamists never had a chance to succeed.

Meanwhile, the non-Islamist parties that supported the July 2013 military coup against President Morsi in Egypt are struggling to take advantage of the misfortune of their foes. Divided and disorganised, they lack clear political platforms that show political intelligence and social responsibility. As a sign of their drift and weaknesses, most are backing a potential presidential run by General Abdel Fatah al-Sissi, the coup's architect. In the near term, the prospects for political reconciliation and reintegration of the Muslim Brotherhood are dim, as are hopes for rebooting the democratic transition. The draft constitution scheduled for a referendum in January 2014 concentrates sweeping powers in the same institutions that controlled Egypt prior to the 2011 overthrow of Hosni Mubarak. It excludes Islamists from the political system, allows for civilians to be tried in military courts and shields the military and the security apparatus from any civilian oversight.

In Tunisia, the Islamists of the Ennahda party have so far fared better than their counterparts in Egypt. With its back against the wall, Ennahda has shown the most flexibility and willingness to embrace compromise to save the democratic transition, and spare the party the cruel fate that befell the MB in Egypt. They recognise that ordinary people are frustrated with lurching from one political crisis to the next. Many Tunisians are dismayed by both the performance of Ennahda in power – which has failed to contain the Salafist threat, reduce regional economic imbalances, and implement transitional justice – and the secular opposition, whose political opportunism and shady deals with elements of the old regime do not elicit much confidence. The failure of politicians to find common ground has sapped public trust in the political transition. But in contrast to Egypt, Tunisia has some advantages to help it overcome its crisis. The country has a fairly well-educated population, its army does not have a history of military coups and its political Islamists are more accommodating. Barring unexpected events, Tunisia should be able to finalise its constitution and hold free and fair elections during 2014.

In Morocco, the Islamist Justice and Development Party (PJD) has been more circumspect in exercising political power. Since it won the November 2011 parliamentary elections and hence the right to form a coalition government, the PJD has been conscious of the lopsided balance of power between the party and the royal palace. After the dramatic reversal of the Muslim Brotherhood in Egypt and the travails of Ennahda in Tunisia, the PJD has grown even more conciliatory in its dealings with the Moroccan monarchy. This does not augur well for a deepening of the democratic reforms that the king initiated in 2011, especially as the non-Islamist political parties remain weak and docile. Those that do call for immediate democratisation lack popular appeal. The only serious challenger to the monarchy is Adl Wal Ihsane, the largest and non-violent Islamist opposition group in the kingdom. But even they recognise that the monarchy remains popular and in firm control. The pace of democratic reforms will therefore remain slow and controlled by the palace.

In Algeria, Islamists remain weak and mistrusted. The military and security forces continue to call the shots in the country, while the rest of the political parties are plagued by corruption, disorganisation and internal conflict. Algeria is poised to remain relatively stable, though questions abound about how long a stagnant political system can endure in the face of sporadic rioting and mounting popular frustration with economic distress. For now, however, very few Algerians are willing to call for drastic political change. It looks increasingly likely that the 76-year-old president, Abdelaziz Bouteflika, will seek a fourth five-year term in the upcoming 2014 elections and a 'consensus' vice-president that has the support of the military-industrial complex (known as *Le Pouvoir* in Algeria) will be appointed to succeed Bouteflika if he cannot serve his full term in office.

Looming security challenges

The security outlook in much of North Africa will remain cloudy. In Egypt, any ruling alliance that emerges from next year's presidential and parliamentary elections will struggle to meet people's aspirations for economic security. Dissent against the resurrection of authoritarianism is starting to surface despite a massive media campaign to delegitimise opponents of the military-led regime and the enactment of repressive laws that outlaw protests, and militancy continues unabated in the Sinai Peninsula. In Tunisia, the major threat to the transition continues to be popular polarisation and economic insecurity, which foment both social unrest and radical Salafist growth.

The European Union (EU) and the United States (US) have immediate security interests in political stability in North Africa and should strategically deploy the means and leverage at their disposal to promote political, economic and security reforms. To be sure, there are other foreign actors that work to neutralise Western leverage. Saudi Arabia and the United Arab Emirates (UAE) have used their deep pockets to undermine US and EU attempts to press for political reconciliation and moderation in Egypt. There are also fears that Gulf countries are meddling to abort the democratic transition in Tunisia.

The most worrying security forecast concerns Libya, as growing lawlessness there has regional implications. The country is awash with weapons and militias, some of whom have connections with terrorist networks in Algeria and Mali. Increasing evidence shows that affiliates of Al-Qaeda in the Islamic Maghreb (AQIM) are starting to use Libya as a base of operations and a conduit for arms smuggling into neighbouring countries, including Tunisia and Mali. The weakening of state authority and the disorganisation of security forces has accelerated the growth of a plethora of groups derived from or linked to Salafist-jihadist organisations. Most of these groups and individuals share AQIM's ideology, but they are circumspect about the use of violence and their activities are primarily locally-driven.

This new phenomenon of Salafist jihadism is much more dangerous than al-Qaeda's old-style terrorism. Salafist-jihadists try to undermine the authority of the state without directly confronting it. In poor urban zones marked by social malaise and high unemployment, they are positioning themselves as agents of order and purveyors of justice. With a view to 2014, the challenge is how to take on the radical extremes in Salafism without falling in the trap of over-reaction, abuse of human rights, and indiscriminate repression.

Conclusion

The underlying causes of unrest in North Africa are complex and differ from country to country. But growing economic distress is by far the region's Achilles heel. The current crises that the region faces may worsen if Western economic support remains lukewarm in 2014. European engagement in Tunisia needs to be stepped up, as the country desperately needs foreign investments that spur job creation and targeted economic initiatives in marginalised regions. In Morocco, the king has recently announced an ambitious economic programme to promote human development in the Western Sahara. Such plan, if buttressed by judicial and police reforms, has the potential to address the grievances of the local population and the security concerns of Western powers.

In Libya, plans by the United States, the United Kingdom, Italy and Turkey to train and equip about 12,000 Libyan army personnel need to be expedited. But building the Libyan national army will not by itself restore security, nor force militias to disarm, demobilise and reintegrate into the army or civilian society. Sustainable peace and security will require broader reforms that include the professionalisation of the military, political reconciliation and writing a new inclusive constitution.

In Egypt, the difficult but necessary choice is to confront the military over its attempts to broaden its powers and enhance the status of its allies in the security services, police and judiciary. The EU and the US should speak out against the abuses of Egypt's security forces and the detention of activists. They should be alert at developments and prepared to anticipate or respond to them in a proportionate way, cutting or even suspending military assistance if the military-backed regime persists in its current trajectory.

Despite serious challenges across the region, properly targeted Western economic incentives, security assistance and diplomatic engagement can still be of tremendous help to several countries, especially those largely dependent on economic links with Europe and the US in terms of trade, investment and aid.

3. The potential regional implications of the Syrian war

Barah Mikail

The Syrian war looks set to continue during 2014, and remain a source of regional instability. Syria shares borders with several countries (Iraq, Israel, Jordan, Lebanon and Turkey) that have concerns about how the war could affect their own stability and security. The growing degree of international involvement in the conflict has also exposed and amplified other rivalries. While Saudi Arabia and Iran consider that they are engaged in a decisive struggle for regional hegemony in Syria, the United States (US) and Russia are aware of how the outcome of the Syrian crisis will impact their international standing – including, but not only, in the Middle East. All the protagonists of the war in Syria have their own international backers, and links with external patrons have so far deepened their determination to continue fighting.

Instability across borders

There are three countries particularly vulnerable to the spill over from the Syrian war: Jordan, Iraq, and Lebanon. Officially, Jordan rejects any interference in Syria's internal affairs. However, the war has brought an additional burden on Jordan's economy with over 560,000 refugees settled in camps there by October 2013. Saudi Arabia's political pressure and financial contributions have convinced Amman to allow opposition combatants (and weapons) to reach Syria through their common border. The Hashemite kingdom fears that instability in Syria could further spill over into its own territory. But Jordan's economic needs are so great that it feels compelled to accept Saudi demands and money, even if this contradicts its official position of neutrality. This is unlikely to change in 2014, while unease with the impact of the Syrian conflict on the country grows. A recent poll shows that a majority of the public wants to close borders to further refugees from Syria.

Iraq's Prime Minister Nouri al-Maliki has also called for international non-interference in Syrian affairs, in part over concerns of the war spilling over into Iraq. The Shiite leader also fears that Syrian Kurdish autonomy could strengthen Iraq's Kurds, and wants to avoid the installation of a Sunni-led government in Damascus that could influence Iraq's anti-government Sunnis. The possible strengthening of the Iraq-based Islamist group, the Islamic State of Iraq and the Levant (ISIS), following the fall of Bashar al-Assad is also a source of concern for al-Maliki. The challenges to domestic stability in Iraq may well intensify in 2014. The prime minister is facing regular protests because of his authoritarian tendencies, while the attacks of ISIS against civilian targets are stressing his weakness.

Lebanon remains the most permeable country to developments in Syria. It is made up of 17 religious communities that are split between pro- and anti-Assad sentiments at both popular and political levels. Lebanon also fears that Syrian refugees could import the conflict into Lebanese territory. Since the start of the Arab spring in 2011, most bombings and violent clashes in Lebanon have almost certainly been linked to the Syrian conflict. Hezbollah and its allies remain the most powerful political players in Lebanon, which in turn is fuelling the radicalism of their opponents and challengers. The tension between these rivals can only grow in 2014 as long as the Syrian war continues, bringing possible repercussions on the country's stability. Growing popular resentment against Syrian refugees is also adding to the country's unrest. If Hezbollah and its rivals (notably the Future movement, supported by Saudi Arabia) do not show more restraint in their domestic struggle, they will add to Lebanon's ongoing sectarian and political confrontations and accentuate the polarisation of Lebanese politics.

Regional rivalries

Regionally, the Syrian war has exposed several levels of rivalry. The regional players that both contribute to conflict dynamics and are impacted by it are Saudi Arabia, Iran, and Turkey. The Saudi-Iranian rivalry is the most important regional factor shaping the Syrian conflict. Riyadh considers Assad's regime to be an Iranian satellite, and his fall would seemingly have the benefit of weakening Iran's regional influence. This is why Saudi Arabia has decided to back opponents to the Assad regime, such as the National Coalition for Syrian Revolutionary and Opposition Forces (NCSROF) and some Salafist and jihadist groups.

Iran fears that the fall of Assad could lead to the installation of a Sunni pro-Western and pro-Saudi regime in Damascus. This is why it has sent military trainers and allegedly weapons and money to support the Syrian regime, while its Lebanon-based ally Hezbollah is fighting with Assad's troops. The Lebanese movement's military engagement has been decisive for the survival of the Syrian regime. As a result, Tehran believes there is still a chance to preserve a Syrian regime that would be a reliable pillar for its regional influence. Nothing indicates that this attitude will change in 2014.

The Syrian war has showed the growing influence of two Gulf States in the Arab League: Saudi Arabia and Qatar. Of the two, Saudi Arabia has the greater influence and this will probably remain the case during 2014. Riyadh has managed to convince a majority of Arab countries to align with its approach to Iran, Syria, Iraq, and Egypt. In return, it has injected money into countries with severe financial deficits, such as Egypt, Jordan, Morocco, and Yemen. At the same time, the anti-Iranian, anti-Hezbollah and anti-Assad rhetoric of Saudi Arabia, coupled with tensions with Iraq's Shiite Prime Minister al-Maliki, have stimulated sectarian attitudes throughout the region. This growth of sectarianism will likely continue during 2014, which will only add to regional tensions, with the risk of widening the gap between Saudi Arabia, Iran and their respective allies.

Turkey has played an important role in backing anti-Assad Islamist and non-Islamist rebels (such as the Free Syrian Army, FSA), which explains why the so-called 'liberated zones' in Syria extend from the Turkish border. Having initially supported almost any anti-Assad militant group, Turkey ultimately decided to send a strong signal to one jihadist group (ISIS) by carrying out strikes against its positions in response to its shelling of Turkish territory. Ankara now fears that growing clashes among extremist factions and other opposition groups spill over the border into Turkey. At the same time, Ankara does not want the Syrian crisis to favour the ambition of Syrian Kurds for autonomy and/or any form of self-determination. A Syrian Kurdistan added to Iraq's on-going communitarian divisions could encourage the Kurds of Turkey to seek more political autonomy. With the chaos in Syria and no strong political alternative to Assad in sight, Turkey has become more cautious. Ankara currently insists on the necessity of reaching a ceasefire, a position it is likely to continue holding during 2014.

Though it is not directly involved in the Syrian conflict, Israel also has concerns. At the start of the Syrian war, Israelis seemed to favour keeping Assad in power, due to preoccupations with the stability of their shared border with Syria. Israel's strikes on Syrian territory since 2011 have not had the aim of weakening the Syrian regime; instead, they have been intended to destroy convoys of weapons that could pose a threat to Israel if acquired by Hezbollah.

During 2013, the Israeli prime minister developed a harsher tone against Assad and called for an end to the on-going bloodshed in the country. Nevertheless, there is no indication that Israelis would feel comfortable with a quick and brutal end to Assad's regime, since they fear a weak and/or Islamist-led government in his place. Plus, Tel Aviv is currently more concerned about the Iranian nuclear programme and how international talks will evolve during 2014, meaning Israel is unlikely to play much of a role, if any, in the Syrian crisis next year.

International impact

The Syrian war is an important factor in shaping US and Russian policies towards the broader Middle East and, to some extent, conditions perceptions of Washington and Moscow throughout the region. For example, US reluctance to engage in military strikes against Assad military targets after his regime used chemical weapons in 2013 has given many Arab countries the impression that Washington lacks the will (if not the ability) to impose its preferences on the region. Saudi Arabia, a major US ally, was very frustrated that Barack Obama ended up accepting a Russian proposal for the dismantlement of Syria's chemical arsenal. Saudis feel that the US is pursuing policies that could negatively affect the security of the region, such as negotiating with Iran the future of its nuclear programme while not showing determination to end Assad's rule.

The US does not want to damage its relations with the Saudi kingdom, while Saudis still cherish their privileged relations with Washington. However, Riyadh has developed better relations with Russia and China over the last decade. This suggests that the Saudis could start shifting progressively away from their alliance with the US during 2014, if they became disillusioned with Washington's policies, especially on Iran, and perceived a waning of US influence in the region at large. At the same time, Riyadh hopes that its pursuit of alternative diplomatic channels and international partners may help convince Washington to reinstate some of its former policies towards the region, such as adopting a more coercive approach towards both Iran and Assad in Syria.

As for Russia, its brokering of a deal on the Syrian chemical arsenal has confirmed its preferred image of a country that is able to stand up to the will of the US and its allies. But Russia also has an interest in preserving its last Arab ally in the region. Russians consider that letting Assad go would not win them sympathy and/or commitment from other Arab countries. By preserving a Syrian regime with an anti-Western stance, Moscow can maintain a presence in the region (and a naval base at Tartus). Losing Assad could mean that Russia would effectively be pushed out of the broader Middle East. To counter this possibility and expand its connections in the region, the Kremlin has been making efforts in recent years to reach out to Algeria and Egypt (mainly through weapons sales).

The outcome of the Syrian war will have a significant impact on both US and Russian policies towards the Middle East. A further factor will be Iran's policies. Tehran remains a strong ally of Assad, and has shown no signs of softening this stance since the election of President Rouhani in 2013. Similarly to Moscow, Tehran would prefer to keep their current Syrian ally in power than face the prospect of a hostile government in Damascus. As a result, even if nuclear talks between Iran and the P5+1 progress constructively during 2014, it should not be assumed that this may encourage an alignment of Iranian, US and Russian positions on the Syrian war, with a view to trying to help stop the fighting.

Conclusion

Europeans have contributed significantly to helping cope with the humanitarian crisis caused by the Syrian war. But their political reaction has been rather weak. Acting on their own initiative, France and the

United Kingdom have also failed to find any durable solutions to the Syrian crisis. The European Union (EU) is not immune from events in Syria. Many European individuals have joined armed Islamist groups in Syria. This has not only complicated the equation on the ground in Syria; these fighters are also capable of fuelling more radicalism on European soil in the future, with their potential eventual return to their countries of origin.

The EU can still exert a positive role that could help manage and end the Syrian war by operating at different levels. On the one hand, Europeans should maintain and increase their important contribution to address the humanitarian crisis unfolding within and outside the country. On the other (related) hand, they should seek ways of helping bordering countries such as Lebanon and Jordan cope with the shockwaves of the Syrian conflict, whether in terms of refugee flows, economic strains or domestic political tensions. Besides, on a diplomatic level, Europeans should open or pursue discrete political channels with both the Assad regime and its opponents based inside as well as outside Syria, with a view to help identify a compromise for a ceasefire, before discussing any scenario for a political transition.

Influence on the parties in the Syrian conflict will depend on their external backers converging around a common message, directed to stop the fighting. While a great deal of uncertainty surrounds prospects for the so-called Geneva II talks in early 2014, the EU should work in this direction together with the US and Russia, and engage Iran, Saudi Arabia and other key players in the Syrian crisis. None of these countries can unlock the stalemate on the ground operating on its own, but each of them can make peace much harder to achieve.

4. The Eastern partners: neighbours or roommates?

Jos Boonstra and Natalia Shapovalova

The European Union's (EU) Eastern neighbours are part of Europe. However, over 20 years of post-Soviet independence seem to have consolidated Eastern Europe and the South Caucasus as grey areas where regional heavyweights – the EU, Russia and, to a lesser extent, Turkey – set the pace and vie for influence. Will 2014 and beyond be any different? The EU should engage in an even deeper and broader eastern policy, while expanding bilateral ties with each of the countries and their societies. To do so, the EU will need to find ways to dovetail Russian policies, and intensify democratic and economic support for its neighbours. The basis for such policies should be the notion that Eastern partners are not so much neighbours but roommates sharing the same European house.

What can be expected in 'Eastern' countries?

The November 2013 Eastern Partnership (EaP) Summit in Vilnius offered little by way of concrete progress, but was a political game-changer as far as Ukraine is concerned. High expectations of concluding an Association Agreement and a Deep and Comprehensive Free Trade Agreement (DCFTA) with Ukraine had evaporated in the run up to the summit, but subsequent widespread popular protests have made of these agreements a litmus test for the future of EU-Ukraine relations. The good news from Vilnius was that the EU did initiate these agreements with Georgia and Moldova. But the negative side of the same coin is that the EU's offer for Armenia, Azerbaijan and Belarus seems to be fading.

Ukraine had been making headway toward the signature of an Association Agreement with the EU, although concerns remained over a backlash against civil and political freedoms and the imprisonment of opposition leader Yulia Tymoshenko. While expectations were high for Ukrainian compliance, a week before the Vilnius summit President Yanukovych announced his country's retreat from signing the agreement. The official reason was Russian pressure and the high costs of implementing the Association Agreement with the EU. Immediately after the summit, Yanukovych announced a new strategic agreement with Russia. Seemingly, he preferred to ally with Russia to ensure his grip on power after the 2015 presidential elections in exchange for a promise of prompt financial support for Ukraine's state finances that face insolvency. Yanukovych's shift away from the EU provoked a huge wave of protests in Ukraine, first demanding the signing of the Association Agreement and later also calling for the resignation of the president and the government. The Ukrainian public expresses growing support to integration with the EU over integration with the Russia-driven Customs Union, and a majority of Ukrainians believe that the government should continue talks with the EU.

In Belarus, President Lukashenka feels increasingly uncomfortable about the creation of the Eurasian Union. The next steps in political and economic integration with the Russia-led Customs Union may push him towards the re-establishment of a dialogue with the EU. The balancing game will become ever more difficult for Belarus: as the economic situation of the country is deteriorating and threatening the foundation of Lukashenka's grip on power, Russia's economic appetite in Belarus is growing, while the EU does not want to relax its conditions on human rights for a renewed dialogue.

In Moldova, the division between citizens preferring closer ties with Russia and those looking to the EU is most sharp. The pro-European government that has led the country since 2010 has made serious strides towards the EU and an Association Agreement is likely to be signed during 2014. Moldova also expects the EU to abolish visas for its citizens next year as the government has fulfilled all the necessary criteria. But the country will also be gearing up for parliamentary elections in autumn 2014, which could bring a victory to the Communist Party if the pro-European governing coalition is not perceived to be delivering enough or if it breaks up. A communist-led Moldova is unlikely immediately to switch from an Association Agreement with the EU to a membership in the Eurasian Union, but a policy shift closer to Moscow and a slow-down of EU-related reforms would be on the cards.

In the South Caucasus, three very divergent paths are likely to develop further. The election period of 2012-3 in Georgia is over, with the Georgian Dream party of former Prime Minister Ivanishvili having consolidated its power in the parliament and the presidential palace, now under Prime Minister Garibashvili and President Margvelashvili, respectively. Next year offers a chance to step up reforms while hopefully avoiding settling old scores with former President Saakashvili and government officials. The public wants to see results in solving social problems while normalisation of relations with Russia will also feature high on the government agenda. The outlook for Georgia will remain very much focussed on Euro-Atlantic integration, regardless of the long road towards this objective.

Armenia made a choice last September for the Customs Union and had to withdraw itself from Association Agreement negotiations with the EU. This is because of Russian pressure. Yerevan depends on

Moscow for its security and grip on the Nagorno-Karabakh region disputed with Azerbaijan. However, Armenia's economic interest in the EU has not diminished and Yerevan is likely to keep striving for a kind of 'Association-light' with Brussels. After the Vilnius summit, Armenians briefly took to the streets to protest against Russian President Putin's visit. President Sargsyan, re-elected in 2013, will need to carefully balance between closer ties with the Customs Union and Armenia's trade interests with the EU.

No change is expected in Azerbaijan during 2014. The dynasty of Alievs sailed through another election in 2013, successfully suppressing political and civil society opposition to the regime. Azerbaijan sees little interest in an Association Agreement with the EU and taking on any commitments for political and economic reforms. While an EU free trade agreement with Azerbaijan is not on the cards (the country is not a member of the World Trade Organisation – WTO), Baku aimed to conclude a so-called 'Modernisation Pact' with Brussels. However, it failed to do so in Vilnius since it did not accept EU-proposed 'democracy and human rights' language in the text and sought purely to stress energy cooperation.

While no big shifts or ground-breaking events are expected in 2014, two matters will increasingly come to the fore in Eastern Europe. First, countries that seek closer ties with Brussels will expect more recognition for their achievements. Moldova and Georgia see visa-liberalisation, which is the big carrot the governments can hand to their populations, as part of this. But these countries will also seek increased EU protection and concrete help in dealing with Russian trade embargoes. In Ukraine, the signature of the Association Agreement with the EU cannot be ruled out since the public seems resolved to support a European path. Second, Belarus and Armenia, feeling increasingly 'left behind', fear an irreversible dependence on Russia and will seek ways to cooperate with the EU as a way to keep Moscow at bay. Azerbaijan will not see it this way as it is building a multi-vector foreign policy based on bargaining with the regional players – Russia, Turkey and the EU – from a position of reasonable strength.

A continued grey zone?

In the coming years, the rivalry between the EU and Russia for the common neighbourhood is likely to increase. This may require the ruling elites in neighbouring countries to make a firmer choice between European and Eurasian integration, despite the fact that some of them would prefer a delaying strategy to ensure self-preservation. The geo-strategic choices made by the East European and South Caucasus countries will be a sum of their political, economic and security considerations.

Political: The lack of robust democratic governments in the region will remain the largest obstacle to the implementation of the EU's offer of 'Eastern Partnership'. The region is ruled by autocratic leaders (Azerbaijan and Belarus), small networks of largely corrupt elites (Ukraine and to a lesser extent Armenia) and inexperienced governments in fragile democracies (Georgia and Moldova). The ruling elites in the region not only suffer from 'neighbourhood competition', but also prosper from it, having become skilled in satisfying both patrons without making hard decisions.

Economic: Between one-third and a half of all trade of East European and South Caucasus countries takes place with the EU, while Russia remains an important market and energy supplier. Moscow extends support to undemocratic rulers in exchange for concessions. Russia's coercive tactics include: offering cheap gas in exchange for political loyalty; economic blockades on specific commodities; and possibly hampering the ability of migrants to work in Russia – this might even intensify after the Sochi Olympic Winter Games when Moscow will care less for its international reputation. The EU can help neighbours to minimise the impact of Russian policies by increasingly opening its markets or offering macro financial assistance, while not giving up on democratic conditionality.

Security: The two countries most firmly choosing EU integration, Georgia and Moldova, will also have difficulty escaping the grey zone as their development is partially stalled by the protracted conflicts of Transnistria in Moldova and Abkhazia and South Ossetia in Georgia. For these conflicts to be resolved, a change of attitude in Moscow is necessary, which is unlikely as long as these countries drift away from Moscow. Russia exerts pressure through its military that is still present in Transnistria and its forces in Abkhazia and South Ossetia that were recognised as sovereign states by Moscow. Given its deep involvement in the negotiation formats on the region's four protracted conflicts, Moscow can probably make but certainly break progress.

Most Eastern neighbours feel that they have little choice in the short term, though if free of external political constraints and pressure most of them would prefer to integrate further with the EU while maintaining good relations with Moscow. However, this is not on the cards for the time being. Lukashenka staying in power seems incompatible with a Belarusian policy shift from Russia to the EU. Moldova is likely to see further economic despair if Moscow extends boycotts and the EU fails to accommodate Moldovan losses. Ukraine has a clearer choice due to its critical mass, but at the time of writing, is still a hostage of its own leadership. Georgia made its choice already a decade ago but will need to relax tensions with Russia, which is still the greatest source of insecurity for the country. Armenia seems to be held captive by Russian dependence for its security and economic survival, while Azerbaijan remains exceptional in being able to talk with the EU, Russia and Turkey from a more powerful oil and gas fuelled base; one that is, however, unstable in the long-term due to its autocratic regime.

Conclusion

If the EU wants to further erase division lines on the continent and expand the ring of economic integration and democracies it will need to deepen the current Eastern Partnership while increasing flexibility to support countries where needed. In the East, the challenges are manifold with few quick fixes available. The most pressing questions for EU policy in the region lie in three areas.

How to deal with a Russia that sees Eastern Europe and the South Caucasus largely in zero-sum terms? Moscow is developing its own integration scheme based on EU templates, though for the time being incompatible with the EU's association and free trade area in the neighbourhood. The EU has little influence over Russia's political stance and regional integration ambitions, but will need to develop mechanisms – bilateral and multilateral, with WTO involvement if necessary – to avoid potential conflicts between the EU and Eurasian Union trade rules and protect the Eastern partners from Russia's trade embargoes.

To sustain the enthusiasm of the Eastern partners *en route* to economic and democratic reform, the EU has to develop a clear road map for those countries that want to deepen ties with Brussels quickly, ensure the full implementation of Association Agreements and provide assistance to these objectives. The EU should also invest in education and youth programmes and keep its promise of visa-liberalisation with the countries that have carried out all required reforms, as it will boost public support for European values in the Eastern partner countries.

Lastly, what does the EU want to achieve in its Eastern neighbourhood in the long term? The economic crisis has turned Europe inwards. So far, the EU's Eastern neighbours are only of a genuine interest for a handful of EU member states that are the main drivers of EU policy in the region. EU politicians need to visit neighbours more often, national debates on Europe's neighbourhoods need to be initiated, and civil society and education exchanges intensified.

2014 may be a decisive year for some Eastern partners to make progress towards closer association with Brussels. It can also provide the opportunity to renew debate within the EU on how the Eastern neighbours can become roommates in a shared Europe.

5. State fragility in the extended neighbourhood

Clare Castillejo

Europe's extended neighbourhood, stretching from West Africa to Central Asia and Russia, contains a large number of fragile states. In its report 'Fragile States 2013', the Organisation for Economic Cooperation and Development (OECD) identifies 21 fragile states within this broad region, including some major regional powers such as Nigeria and Iran. Meanwhile, in 2013 the US-based think tank Fund for Peace, in its annual 'Failed States Index', placed 33 states from the extended neighbourhood in the most serious categories of 'alert' or 'warning' of state failure. These include all countries in the Sahel and the Horn of Africa, and three of the five Central Asian republics.

The collapse of authoritarian regimes in the Middle East and North Africa (MENA), and the ensuing political and humanitarian crises, conflicts and insecurity across borders have all contributed to a highly fragile southern neighbourhood. Meanwhile, a significant number of states in West Africa, the Sahel, the Horn of Africa and Central Asia remain trapped in chronic fragility or low-level conflict. While there are few seriously fragile states in Eastern Europe and the South Caucasus, these regions do exhibit some aspects of fragility such as poor and corrupt governance and protracted conflicts over break-away regions.

2014 will bring further fragility risks. One obvious challenge will be the fallout from upcoming elections and NATO's drawdown in Afghanistan, which could increase insecurity in neighbouring Central Asia and Iran. Likewise, the on-going conflict in Syria could fuel further extremism and sectarian tensions across the Middle East, and threaten the delicate political balance in fragile neighbours such as Lebanon. The Sahel will continue to cause international concern, as its many fragile states – as well as some more stable ones such as Senegal – experience unrest, violence and extremism. However, some previously highly fragile states in the extended neighbourhood, such as Sierra Leone, should continue to make strong progress in 2014 and could provide important lessons on pathways out of fragility.

Diverse patterns of fragility

Fragile states are typically defined as those whose institutions lack accountability, capability, legitimacy, or a combination of the three. Fragile states with limited accountability or legitimacy can be found across the extended neighbourhood – from Turkmenistan to Eritrea. This in part reflects the fact that most fragile states within the neighbourhood are hybrid democracies or autocracies. Capability challenges, on the other hand, are most pronounced in the African neighbourhood. A number of African states, such as Chad, Somalia and Guinea, as well as Tajikistan in Central Asia, will continue to lack all three attributes, making them extremely vulnerable and in need of extensive support.

A small number of the neighbourhood's fragile states will experience full-blown armed conflict, including Syria, Somalia and possibly some Sahelian or North African countries. However, many more will face high levels of violence, whether or not officially termed 'armed conflicts'. This reflects global trends in the changing nature of violence. The MENA, Sahelian and West African fragile states are likely to experience particularly high levels of political violence, especially related to transitions, elections or elite power struggles, such as that seen recently in Egypt and Guinea. However, organised criminal violence, in the form of transnational crime or terrorism, will be a more widespread challenge across West Africa, the Sahel, Maghreb, the Horn of Africa, the Middle East and Central Asia, undermining the capability of states and the security of citizens in these countries.

Almost half of the world's fragile states are now middle-income countries and this trend will increasingly be reflected in Europe's extended neighbourhood. The distinction between low- and middle-income fragile states is important, not only for the types of challenges these states face, but also for the European Union's (EU) engagement with them. This is because of the EU's recent commitment to focus its development assistance on low-income countries, as well as to prioritise both fragile states and the EU's neighbourhood (laid out in the European Commission Communication 'Agenda for Change'). However, the growing challenge for the EU will be to use the full range of its external policies to address fragility in middle-income neighbours, such as Nigeria, where aid will play an increasingly marginal role.

Common drivers of fragility in the neighbourhood

Although fragile states within Europe's extended neighbourhood are highly diverse, there are some common factors that are likely to drive fragility across the neighbourhood during 2014.

Poor management of extractive industries. A number of fragile states in the neighbourhood, such as Iraq, Libya, Nigeria, Sudan and Turkmenistan, are established energy suppliers with a history of poor governance and conflict related to their extractive industries. In other fragile states, notably in West African and the Sahelian countries, such as Niger, previously untapped energy and mineral reserves are being newly discovered or exploited. In many of these states, there is a real risk that poor resource management will exacerbate fragility, as political elites compete for extractive rents, which tends to increase corruption. Plus, over-reliance on extractive rents rather than tax as a source of government revenue reduces accountability to citizens and erodes the legitimacy of the state.

Some low-income resource-rich fragile states, such as Chad and Sierra Leone, have begun to experience very high levels of economic growth. A pressing challenge for these countries will be to develop the policies and institutions required to both redistribute extractive wealth and harness it for economic development. Without such action, this growth is unlikely to provide economic opportunities for the wider population and may increase already high levels of inequality.

Transnational organised crime networks. These criminal networks are primarily involved in trafficking drugs, arms, people and stolen natural resources, both exploiting and exacerbating state fragility. In some cases, they have even co-opted the state itself, such as in Guinea Bissau and Tajikistan. Cocaine smuggling in West Africa and the Sahel and heroin smuggling through Central Asia will continue to be a major challenge over the coming year. Moreover, with Afghanistan's opium production currently at record levels and the country facing political and security transitions in 2014, it is possible that heroin trafficking through Eurasia could increase.

Along with drugs, arms smuggling may take greater hold in MENA fragile states where security institutions are already weakened by transition processes, as currently seen in Libya. The spread of these networks will continue to undermine basic security and rule of law, and may fuel political instability and conflict, increasing corruption and providing a latent source of funding for insurrection.

Incomplete transition processes. Many fragile neighbours are currently transitioning from authoritarian rule or out of conflict. For some – such as Egypt, Mali, Kyrgyzstan or Iraq – these transitions are proving highly challenging. They usually involve elite power struggles, the undermining of state institutions, high levels of political violence, the growth of polarising identity politics, and external or internal actors acting as 'spoilers' (think Iran in Syria or the military elite in Guinea Bissau). Unless progress can be made in building new, sustainable political settlements in these transition states, institutions will continue to weaken while grievances grow, and these countries will remain a source of insecurity in their sub-regions.

Extremist groups. The fragility of some states in the extended neighbourhood has created the conditions, such as insecure territories and deep popular grievances, which enable extremist groups to flourish. These groups in turn further undermine the capacity and legitimacy of some fragile states. Islamist militancy, in particular, will continue to affect many neighbourhood countries over the coming year. It is possible that nascent links between militant groups operating in North Africa, the Sahel, West Africa and the Horn of Africa will expand in 2014. There is also the risk of these groups fusing further with organised crime networks. The conflict in Syria could increase extremism and sectarianism across the Middle East. In Central Asia and the North Caucasus Islamist militancy is a severe threat, which authoritarian leaders use as an excuse to justify repressive policies. The NATO drawdown in Afghanistan could result in a spillover of militant activity from Afghanistan into Central Asia, as well as allow militant groups from Tajikistan to strengthen their presence in Afghanistan.

Climate change. Some of the EU's most fragile neighbours in the Sahel, the Horn of Africa and West Africa will be hit hard in the coming years by a combination of climate change, rapid population growth, environmental degradation and chronic food insecurity. For example, a recent United Nations' (UN) study identified 19 regional climate hotspots in the Sahel that urgently require adaptation measures, as well as detecting a temperature increase of between 1.5°-2° in parts of Mali, Chad and Mauritania since 1970. Moreover, in some fragile states in the Maghreb, Middle East and Central Asia – such as Libya, Yemen or Uzbekistan – water shortages will put states and populations under increasing pressure and could fuel conflict. Fragile states are inevitably the least able to adapt to changing climates, and their populations are the most vulnerable to shocks. The United Nations Climate Summit in New York in September 2014 will provide another opportunity for global action on climate change, and the impact on fragile states should be central to discussions there.

How the EU can help fragile neighbours in 2014

Addressing fragility in its extended neighbourhood should be a top priority for the EU in 2014. UN member states will negotiate the post-Millennium Development Goals (MDGs) framework during 2014, which is supposed to come into effect in 2015. This is a critical opportunity to place fragility centrally within the global development agenda, thereby strengthening international commitment, resources and accountability on this issue. Both the UN High-Level Panel's report on the post-MDGs framework and the 2013 European Commission report 'A Decent Life for All' suggest that issues related to fragility, such as governance and security, should be a priority. However, emerging powers, such as Brazil, China and India are strongly resisting the inclusion of a fragility agenda within the new global framework.

The OECD predicts that over half of all fragile states will experience a significant drop in aid by 2015, in part due to aid cuts in some EU member states. This could undermine efforts to address fragility in some of Europe's low-income neighbours, with already underaided countries such as Niger at particular risk. In an environment of reduced aid, it is especially critical that the EU prioritises addressing the most pressing drivers of fragility and supporting the most important sources of resilience in each country. These factors may include: addressing governance-related grievances that make populations vulnerable to extremist messages; strengthening state capacity to manage natural resources and external investors; fostering regional responses to transnational organised crime; or supporting adaptation measures to reduce vulnerability to climate shocks.

The increasing engagement of emerging powers in the neighbourhood's fragile states – from China in Ethiopia to Turkey in Somalia – will provide both challenges and opportunities over the coming year. Emerging powers have the potential to undermine EU influence and international pressure for reform in fragile states, as well as to fuel violence through conflict insensitive investments and the transfer of weapons, as China allegedly did in Sudan. However, they can also provide much needed economic opportunities and development investments in these fragile states. Emerging powers are generally reluctant to discuss third countries with the EU. However, the EU should make all possible efforts to strengthen political dialogue with them regarding fragile states in its neighbourhood, taking as a starting point common interests in relation to these countries, such as stability, growth or development.

Non-state actors play an important role in many of the neighbourhood's fragile states. This includes actors who fuel fragility, such as armed insurgents, criminal networks, extremist groups, and external investors whose practices promote bad governance. It also includes actors who play a positive role, helping to promote reform and build resilience within state institutions and society, such as citizen activists, civil society organisations, media, philanthropic organisations and external investors whose practices promote developmental growth. It is important that the EU recognises this complexity and engages with a broader range of actors in its neighbouring fragile states, despite the risks this can involve. Changes to EU development assistance in 2014 – including developing and implementing new Country Strategy Papers, an increase in joint EU-member state programming, and the possibility of a larger EU development presence in low-income fragile states – could all offer opportunities to do this.

Conclusion

For Europe's fragile neighbours, ending fragility requires taking risks – to negotiate new political settlements, build peace and invest in growth. If the EU wants a resilient neighbourhood it must be prepared to share risks with its neighbours, whether by providing security, underwriting investment or offering more sustained political engagement. Given the current risk-averse mood within Europe, it remains to be seen if there will be political courage for such risk-taking in 2014.

6. Russia: the limits of assertiveness

Marlène Laruelle and Eleonora Tafuro

Russia conventionally defines itself as straddling Europe and Asia. Moscow conceives itself as a power of global dimensions, but has attached particular importance to its relationship with the European Union (EU), both for its economic inter-dependence and for reasons of prestige, recognition and self-projection. However, a progressive shift towards Asia and especially China is also noticeable among Russian elites, some of which consider that the idea of Europe as a legitimate model of development is fading. In June 2013, President Putin criticised European countries for losing control of their economies and allowing the rise of a 'dependency mentality'.

Since Vladimir Putin became president in 2000, Russia has become more assertive. The Putin administration has tried to overcome the trauma of post-Soviet collapse and the feeling of being relegated to secondary power status, in particular in the face of the perceived risk of a Sino-American partnership dominating the 21st century. Russia's foreign policy aims to preserve its position as a global power in what it regards as a competitive, zero-sum international system. As such, Moscow's posture simultaneously combines a defence of the status quo and the strengthening of its position in its so-called 'near abroad', with initiatives to challenge the primacy of the United States (US) and the West at large. These priorities will likely continue to drive Russia's foreign policy for the near future, making engagement with the EU, the US and others highly issue-dependent.

Russia's policy in its so-called near abroad has become more offensive, based on a divide and rule strategy. In Eastern Europe, at the time of writing, a lack of cooperation with the EU was quickly moving towards unbridled competition, especially in Ukraine. In the Middle East, the Syrian crisis has provided Russia with an opportunity to regain some influence in the region. These trends are likely to accelerate in 2014, on the back of Russia's diplomatic success in Syria, its (at least temporary) ability to sway Ukraine away from the path of closer association with the EU, and Moscow's strategic design to forge a new Eurasian Union.

The Eurasian Union: the poster child of Russia's 'grand strategy' in the neighbourhood

The Eurasian Union reflects Russia's attempts to (re)gain a regional hegemonic position in its neighbourhood, and to build an economic and political pole able to counter the weight of influential neighbours like the EU and China. The project was partially a response to the launch of the EU's Eastern Partnership in 2009, which deeply irritated Russia, and has since become Vladimir Putin's personal priority for his third term as a president.

The Russian authorities present the Eurasian Union – which would build on the current Customs Union between Russia, Belarus and Kazakhstan, and the Eurasian Economic Union to come in 2015 (which will integrate Armenia and probably Kyrgyzstan and Tajikistan) – as based on the EU model. However, the planned supranational mechanisms for the Eurasian Union would clearly put Moscow in a hegemonic position over the other members. This will likely fuel already-rising resentment in Belarus and Kazakhstan, and hamper foreign investments and technological modernisation across the Eurasian region. Russia has been the only Customs Union member to see overall trade gains, while Kazakhstan and Belarus have experienced a notable trade diversion, with imports from the EU and China increasingly pushed out by imports from Russia. Nonetheless, this will not disrupt China's growing trade domination throughout Central Asia. Moreover, because of Russia's membership of the World Trade Organisation (WTO), Belarus and Kazakhstan have to adjust their tariff policies to align with those signed by Moscow in the WTO framework, even if they are detrimental to their economies.

Moscow's re-assertive aims in the Eurasian space are also visible in the sector of collective security via the Collective Security Treaty Organisation (CSTO), which includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan along with Russia (Uzbekistan suspended its membership in 2012). The main goal of the CSTO has been to offer an alternative to Eurasian countries to joining NATO (all CSTO members had previously joined NATO's partnership programme, the Partnership for Peace). Today Russia hopes to foster CSTO military integration, pushing for collective defence mechanisms, especially a single air defence system. So far, Russia is the only country to offer the region an overall security arrangement, a consideration that should probably push the West towards exploring the scope for cooperation with the organisation.

Russia's policies towards neighbouring countries that are included in the EU's Eastern Partnership programme – Ukraine, Belarus, Moldova and the South Caucasus countries – constitute an important bone of contention between Brussels and Moscow. Georgia and Moldova initiated Association Agreements and Deep and Comprehensive Free Trade Agreements (DCFTA) with the EU at the Vilnius summit in November 2013, but they will need help to soften the potential negative economic impact of Russian coercive policies. But the main point of contention will be Ukraine, where the rivalry between Russia and the EU is displayed on the streets with people demanding a European course and a new government in Kyiv. Moscow perceives the EU's growing influence in its Western neighbourhood as a deliberate anti-Russian policy coming from EU institutions, as a form of geopolitical competition.

If Russia's policy in its Western neighbourhood contradicts EU aims for its Eastern neighbourhood, the relationship is less conflictual in Central Asia, where the EU has far lower ambitions. Russia's 'grand design' in Eurasia is focused around integration with Kazakhstan and a secure military presence in Kyrgyzstan and Tajikistan. Even if the EU has been Kazakhstan's main trading partner for some years, it does not aim to pursue deeper integration with Astana and is not competing with Moscow, except in terms of its normative agenda (promotion of human rights and good governance). For Kyrgyzstan and Tajikistan, the EU is mainly a provider of economic and humanitarian aid, with no prospect of becoming a determining external actor. There is more room, therefore, for Russia-EU cooperation, at least on paper, in Central Asia than in Eastern Partnership countries. NATO's drawdown from Afghanistan during 2014 could encourage some joint EU-Russian projects in Central Asia, in particular in the border security sector. However, defining and implementing broader joint strategies remains hard, mainly due to Moscow's disinterest in encouraging greater EU involvement in Central Asia.

Russia's opportunism in the Middle East

After a decade of quasi-absence, Russia reappeared on the Middle Eastern scene in the second half of the 2000s, with several high-level trips by Russian officials, including Putin, as well as a revival of trade exchanges. Russia considers it important to be present in the Middle East, not only because it is a critical area in the US's grand strategy, but also because events there can affect Russia directly (such as Iran potentially developing a nuclear weapon and/or jihadist links with North Caucasian separatists). However, it has lost its traditional authoritarian allies, Saddam Hussein in Iraq and Muammar Gaddafi in Libya; and the relationship with Iran has become more difficult. Moscow has sometimes broken with Tehran on the nuclear dossier (it slowed down the Bushehr reactor development and supported Western sanctions imposed on the Iranian nuclear programme in 2010) and halted military sales (cancellation of the S-300 surface-to-air missile contract in 2010).

After losing its traditional allies, Russia has focused on its last remaining bastion, Syria, and managed to accrue some influence during 2013 by maintaining an unbending stance on the issue. Russia scored a diplomatic victory over Syria in September 2013, averting a US-led intervention against the Assad regime following the use of chemical weapons against civilians. This move conforms to Moscow's opportunistic strategy in the Middle East and North Africa (MENA) region, directed to boost the country's international stature. But this strategy is costly. Russia has again frozen its relations with the Gulf countries, and in particular with Saudi Arabia, which hoped to see Bashar Al-Assad deposed. It also found itself in an awkward position with Turkey, even though the rapprochement between both countries had been gathering pace in recent years. Plus, Moscow has jeopardised its partnership with Israel, based on cooperation in the security domain, economic exchanges, and a recent deal potentially allowing Gazprom to market Israeli liquefied natural gas (LNG).

The hesitant US approach towards the Arab spring upheavals and later developments have contributed to generate a climate of distrust and growing dissatisfaction with Washington, opening up potential niches for Russian involvement. However, Moscow's design to gain from dissatisfaction with the US in the Arab world faces considerable obstacles, and will depend on future US engagement in the region.

Russia does target energy deals in the eastern Mediterranean Levant basin, but its chances of success are limited. More traditionally, Moscow is active in the field of defence: according to the Stockholm International Peace Research Institute (SIPRI), nearly 30 per cent of the total Russian arms exports in the period 2008-12 were directed to the MENA region (Syria, Iran, Libya, and some new clients like Bahrain). Renewed cooperation with Egypt in particular is awakening much interest. For example, the Russian defence and foreign affairs ministers visited Egypt in November 2013 to enhance defence assistance, especially through a potential $2 billion arms deal. However, it is still unclear if Russia's newly acquired visibility in the Middle East will translate into real influence, or if Moscow is just benefiting from a perception of waning US influence in the region.

Despite several political differences, the Russian-Turkish relationship is a solid one. The EU is Turkey's largest trade partner but trade relations with Russia are very intense, especially when it comes to energy (Russia provides over half of Turkey's gas supplies). Both countries have a complicated relationship with the EU and have huge influence in the European neighbourhood. Whether Moscow and Ankara will be able or willing to form a closer partnership is difficult to predict. Plus, if the EU were to re-launch membership talks with Turkey in 2014, as the opening of a new chapter in accession negotiations in November could suggest, that would surely have an impact on Russian-Turkish relations.

The importance of the Middle East for Russia's security interests (avoiding the proliferation of radical Islam is essential to prevent possible spillovers to sensitive regions, like the North Caucasus) make a larger involvement in the region highly probable in 2014 and beyond. While Russia can be a difficult partner in the Middle East, it remains a necessary party to the solution of a number of conflicts or tensions in the region, notably Syria and Iran.

Conclusion

The EU has to learn to deal with a more assertive Russia throughout its extended neighbourhood. With the Eurasian Union project, Russia has stronger coercive economic mechanisms towards its post-Soviet neighbours due to their economic weakness and dependency on the Russian market. However, the sustained mobilisation of Ukraine's pro-Western constituencies during and after the Vilnius summit, protests in Armenia during Putin's early December visit, and decreasing enthusiasm from Belarus and Kazakhstan for the Eurasian Union project signal to Moscow that its reassertion in Eurasia and its underlying political motivations raise growing concerns and resistance from its main neighbours. 2014 will be a test year for Moscow's ability to cope with this dissatisfaction. In the Middle East, Russia will try to pursue an opportunistic policy scoring international points by providing an alternative to US and European positions if given the chance. However, its room for manoeuvre is limited and much will depend on the evolution of the conflict in Syria, as well as the negotiations on the Iranian nuclear issue, in 2014.

To be a credible choice for the Eastern Partnership countries, the EU needs to offer a more elaborated economic support that could compensate for Russia's retaliation measures. Brussels should also stress that it offers a long-term commitment, which outlasts potential setbacks, while Russia's approach is short-term, based on the contingent convergence of interests between Moscow and local elites. In Central Asia, cooperating with Moscow following the NATO withdrawal could be used as a test space for a more constructive EU-Russia relationship. Russia's future prosperity and international profile will depend on the modernisation of its economic and political system. Despite creeping competition in the common neighbourhood, the EU should continue to explore ways of contributing to domestic reforms that over time could pave the way to better cooperation with Russia.

7. Turkey's troubled neighbourhood policies

Diba Nigar Göksel

The foreign policy objectives established by the Turkish government a decade ago remain largely unfulfilled. These included Turkey becoming an 'order setter' in its neighbourhood and having 'zero problems' with neighbours. Ankara enters 2014 with a blurred vision of the future of the neighbourhood and few levers to shape events therein. Furthermore, the intertwined nature of domestic politics and neighbourhood relations complicates Turkey's role.

There is a newfound recognition in Ankara of the need for a more prudent, pragmatic foreign policy. However, what the place of the Euro-Atlantic bloc will be in Turkey's evolving posture in its neighbourhood and beyond remains an open question. In 2014, resisting populism or ideological tendencies will be a challenge, particularly given the fact that foreign policy is being conducted under the strong influence of the prime minister, often sidelining the foreign ministry.

Despite distinct failures, Turkey remains a strong regional actor that continues to integrate with its wider neighbourhood. It retains the potential to have a positive influence, both due to its economic and cultural vibrancy and its relative political maturity.

Domestic politics

With local elections scheduled for March 2014, presidential elections in July 2014 and parliamentary elections in early summer 2015, national politics are bound to play a significant role in Turkish foreign policy throughout 2014. For the governing Justice and Development Party (AKP), presenting victories and downplaying international challenges will be important for domestic consumption. Likewise, the Turkish government will be making an effort to portray domestic political strength externally – and downplay internal vulnerabilities. The main opposition party, the Republican People's Party (CHP), is set to challenge the government's foreign policy moves, advocating for a stronger Euro-Atlantic anchor.

Various domestic constituencies, defined by political identity, sect or ethnicity, have strong and sometimes incompatible positions on relations with neighbours. During the 2014 election campaigns, their demands and expectations will contribute to framing Turkey's neighbourhood policies. The Kurdish-Turkish peace process is perhaps the most critical issue as such, and has a direct impact on policies towards Iraq and Syria in particular. The Armenia-Azerbaijan and Georgia-Abkhazia frozen conflicts also have reflections in internal politics, in ways that can either incentivise or curb foreign policy initiatives related to the Caucasus.

Ankara's positions regarding the domestic politics of neighbouring countries impact its influence. Whether Turkey has a democracy-promotion agenda in its neighbourhood remains ambiguous. In its approach to some countries, Ankara has ignored human rights and focused on fostering relations with the regimes in power (such as with Iran and Azerbaijan), while towards other countries in the region, it has taken strong positions to support democratic electoral processes (like in Egypt), or focused on the rights of an ethnic or religious minority (for example, in Iraq and Georgia). During 2014, it can be expected that Ankara will be under increasing pressure to clarify its position on democracy promotion, and to justify its discrepancies.

The southern neighbourhood

The strategic value vested in Turkey as a *model* for the Arab world, which gained new impetus with the Arab spring, and the related ambitions of the AKP regarding the region have shaped Turkey's recent policies towards the Middle East and North Africa (MENA) region. Post-Arab spring, the AKP government put its weight behind Muslim Brotherhood (MB) affiliates across the region, arguably counting on the rise of a dominant Sunni bloc in the Middle East. While the dramatic upheavals in Arab countries left all players scrambling for strategic ground, in light of Ankara's aspirations for regional leadership, its policy zigzags have been under particular scrutiny. On balance, enthusiasm for Turkey's role as a leader in the region has considerably dimmed.

Syria is currently Ankara's main foreign policy concern. After developing close relations with Bashar al-Assad, since August 2011 the AKP government has been at the forefront of efforts to oust him. The extended civil war in Syria has revealed that Ankara underestimated Assad's staying power, undergirded by his allies in Tehran, Baghdad, and Moscow in particular. Ankara's support of extremist Islamist rebels in Syria has tarnished its international image, and arguably compromised the country's security. Accordingly, Turkey is likely to continue back-pedalling in its unconditional support of radical anti-Assad forces. The challenges posed by the massive inflow of Syrian refugees can be expected to affect Turkey's foreign and domestic politics in 2014.

Ankara's policies toward Iraq have also taken some sharp turns. Concerns of a united Kurdish entity on its southern border have traditionally shaped Ankara's Iraq policies. As part of its efforts to pursue energy interests in northern Iraq and end its domestic conflict with the outlawed Kurdish Workers' Party (PKK), in recent years Ankara has developed strong relations with the Kurdish Regional

Government (KRG). As a result, Ankara-Baghdad relations have suffered, particularly in the past two years, due to what the Iraqi Shiite leadership perceives as an AKP effort to undermine them, coupled with sharp divergences on the Syrian dossier. Relations with Baghdad remained highly strained as of December 2013, due to Turkish energy cooperation agreements signed with northern Iraq without approval by the central government. Ankara is currently pursuing a tripartite arrangement that draws Baghdad in.

Turkey-Iran relations are another critical dimension for Turkey's regional influence. Despite Turkey's 2010 attempt to mediate a solution to Iran's nuclear standoff with the West, Ankara-Tehran relations have been soured by the Arab spring, the Syrian civil war, and Turkey's agreement to host NATO missile defence radars on its territory. If the interim US-Iranian nuclear accord succeeds in enhancing stability in the region, Turkey will benefit politically and economically. However, if normalisation between the US and Iran proceeds, Ankara's room for manoeuvre to diverge from the West banking on its strategic value in 'counter-balancing Iran' could narrow.

Turkey's loss of strategic ground, at least over the short term, in the MENA region has been particularly apparent in Egypt. The poor performance of the Muslim Brotherhood, which was supported by the AKP leadership, once in office and its eventual removal from power, dealt a blow to Ankara's credibility. In November 2013, Cairo expelled the Turkish ambassador on grounds of interference in Egypt's internal affairs. Nevertheless, the Turkish government may continue to see its long-term interest to lie in supporting the Muslim Brotherhood cause in Egypt.

Ankara's post-2008 hard-line position towards Israel increased the popularity of the Turkish prime minister across the Arab world, delivering temporary dividends. However, cutting diplomatic ties with Israel has brought about challenges for Turkey on other fronts

– such as regional intelligence and relations with Washington. While regional dynamics may call for a limited and low profile improvement of relations with Israel, political expediency considerations by the Turkish prime minister entail that the normalisation of relations between Turkey and Israel remains unlikely in 2014.

Turkey ended 2013 with no diplomatic representation in Egypt, Israel or Syria. Having lashed out at the US and European powers, as well as the Gulf countries and Israel, over their positions *vis-à-vis* Egypt, and taken harsh stances against Moscow and Tehran over Syria, by summer 2013 it appeared that Turkey had opened fronts against too many countries at once. Towards the end of the year, the government had however started to make tactical adjustments to its policies, which may develop further in 2014.

Russia and the Caucasus

In the 2008–10 period, Ankara's designs to achieve win-win solutions to conflicts in the Caucasus – the normalisation process with Armenia and the proposal of a Caucasus Stability and Cooperation Platform – did not yield the intended results. These initiatives brought into question not only Turkey's capacity to influence regional dynamics, but also the traditional role attributed to Turkey to counter-balance Russia in the region.

Azerbaijan is set to remain central to Turkey's Caucasus policies in 2014. This position is fortified by Baku's investments in infrastructure, media, civil society, energy and other sectors in Turkey. By economically integrating with Georgia and Azerbaijan – and as such, bridging them to Europe, particularly as it relates to European energy security – Turkey plays a unique and largely positive soft power role. The most significant initiative in this regard is the Trans-Anatolian Pipeline (TANAP), which will transport Azerbaijani natural gas to the border of the EU. This project is expected to get underway in 2014 and is essential for both Turkey's Caucasus strategy and its aim to become an energy hub.

The Nagorno-Karabakh conflict remains the single most important obstacle to Turkey's influence in the Caucasus. Widespread Turkish sympathies for Azerbaijan and geostrategic interests obstruct initiatives towards the normalisation of relations with Armenia. Meanwhile, nationalists are likely to blame the AKP for Turkey 'losing face' due to commemoration activities in Western capitals in 2015 (the centenary of the 1915 ethnic cleansing of Armenians from Anatolia). The assumption is that only progress in the resolution of the Karabakh conflict can enable Ankara to improve relations with Armenia while also containing Turkish nationalist reactions and protecting energy-related interests which are intertwined with Azerbaijan.

Efforts are in the making to forge a new initiative that would enable the Armenia-Turkey border to open in return for a step by Yerevan, such as withdrawing from two occupied territories adjacent to Nagorno-Karabakh. There are hopes vested in the 2014 Swiss OSCE chairmanship to this end. However, it remains doubtful that Armenia is willing to take such a step that would be perceived as a compromise, particularly in the run-up to 2015 when its leverage will supposedly peak.

Turkey is not represented in the Geneva talks launched in October 2008 to mediate a solution to the Abkhazia and South Ossetia conflicts but, due to its large Abkhaz diaspora and economic links, Turkey does have the potential to play a positive role regarding the de-isolation of Abkhazia. There is a prospect for restarting talks that have been frozen for two years between Turkish and Georgian diplomats towards 'legalising' Turkish trade with Abkhazia in ways that would not violate Tbilisi's red lines.

While in the long term Moscow's competitive edge is expected to fade, a re-assertive Russia will continue to be a reality during 2014.

Tension in the Caucasus could rise if Moscow uses the February 2014 Sochi winter Olympics as a justification to increase 'security measures' that further affect Georgia's sovereignty. This would strain the 'balancing act' that Turkey pursues in the Caucasus. While their strategic interests do not necessarily converge, maintaining economic cooperation and avoiding confrontation with Moscow will remain important in Ankara's regional policies in 2014.

Conclusion

Efforts to foster cooperation between Turkey and the EU in their shared neighbourhood are undermined by the perceived lack of prospects for Turkey's membership aspirations. So far, Ankara has not made a clear strategic choice in terms of an EU orientation and the EU is unable or unwilling to integrate Turkey in its foreign policy instruments.

Given instability in the southern neighbourhood, there is a renewed understanding in Turkey of the importance of the Euro-Atlantic link and the 'strategic reassurance' that it brings. However, Ankara arguably extracts considerable dividends from foreign policy 'autonomy', in other words, not being associated with the West in its projection towards the Middle East. Turkey's permanent balancing act between these two factors has led to a seemingly contradictory, unpredictable policy towards the neighbourhood.

West-bashing remains a populist argument in Turkish politics, and right-wing parties are expected to gain ground in the EU in 2014. To guard against backsliding in Turkey-EU relations, there are on-going efforts to inject momentum to Turkey's European vocation. One positive development to this end came in December 2013, when Turkey agreed to sign a readmission agreement with the EU in return for a roadmap for visa-free travel for Turkish nationals. There is also a possibility that a few of the frozen accession chapters will be opened for negotiation in 2014.

The extent to which Turkey can reconcile its domestic polarisation and overcome its democracy deficits is decisive in its ability to strike foreign policy synergy with the EU. Performing well domestically – to which Turkey's European integration pattern contributes –, renders Turkey a positive force in the neighbourhood.

Unlike most other regional powers in Eurasia and the MENA region, Turkish influence does not thrive on oligarchic economies, authoritarian regimes, or conflicts among its neighbours. In the long term, it is in both Turkey's and the EU's interest that the neighbourhood moves in the direction of free markets and economic integration, good governance, rule of law and democratisation, the resolution of conflicts and stability. However, in terms of realising this potential, a rocky period can be expected in 2014. As Ankara sometimes appears to hedge its bets on the declining role of the West, the extent to which the EU develops its strategic credentials will also influence Turkey's incentives to collaborate in the neighbourhood.

8. The Persian pivot? Iran's emerging regional role

Walter Posch

The foreign policy of the Islamic Republic of Iran combines revolutionary attitudes with hegemonic aspirations. There is no official strategy or doctrine explaining the principles driving Iran's foreign policy. That said, there are four ideological 'pillars' and three geographic 'circles' framing Iranian external action.

The four ideological principles are: political Islam (according to the interpretation of Ayatollah Khomeini, the first Revolutionary Leader of Iran), traditional Shiism, third-worldism and Iranian nationalism. These principles are contradictory: political Islam and third-worldism are revolutionary in nature, whilst traditional Shiism and nationalism are conservative and inward-looking positions. In practice, however, Iranian foreign policy elites have been able to reconcile them by mixing different aspects, depending on the geographical focus. In its *immediate neighbourhood* (the first circle), Iran pragmatically defends its national interests. The second circle is the *wider region,* namely the Middle East, where Iran aspires to be the leading Muslim power. Finally, the *far abroad* (third circle) is where Iran views itself as the champion of the 'oppressed of the world' (which is beyond the scope of this chapter).

In all three geographic zones, Iran tries to oppose US designs politically and ideologically. That said, even during the ideological heydays of the Iran-Iraq war in the 1980s, Iranian decision-makers understood that ideology alone is not enough to prevail; hence, ideological purity has often been abandoned in favour of pragmatism. Khomeini has personally ruled that the survival of Iran and the regime has priority over ideology. This idea has been called 'expediency of interests of the system' (*maslahat-e nezam*) and undoubtedly has a moderating influence on some of the ideological zeal underpinning Iranian foreign policy.

The immediate neighbourhood: defending the national interest

In its immediate neighbourhood Iran's economic interests dominate and Tehran aspires to become a transport and energy hub linking Europe and Russia with India, and Central Asia with the Arabian world by erecting a network of rail lines and gas pipes. But Iran faces several important challenges in the region, which will most likely continue to strain relations with its neighbours for the foreseeable future. Amongst them are ethnic and sectarian tensions related to Iran's minorities and their kinsmen in neighbouring countries, especially the Kurds, Balochis and, to a lesser degree, Arabs.

Regarding the Kurdish issue, Iran cooperates with neighbour states to prevent the establishment of an independent Kurdish state, whilst at the same time supporting certain Kurdish groups it hopes to influence. This holds true for the Barzani led-government in Erbil in northern Iraq and for the Kurdistan Workers' Party (PKK) in Turkey. Iran was able to conclude a ceasefire with the PKK in 2012. Whether this ceasefire will hold through 2014 depends largely on the situation in Syria, where the Syrian branch of the PKK maintains a delicate relationship with the Syrian regime, Iran's main ally. A similar pattern applies to Balochistan in south-eastern Iran. Here, the combination of radical Sunni-jihadi fundamentalism of the al-Qaeda type, Balochi nationalism, and drug smuggling poses a particular challenge, which Tehran tries to tackle via security cooperation with its eastern neighbours Afghanistan and Pakistan.

All of these ethnic challenges predate the Islamic Republic (founded in 1979), as do unresolved border issues, such as with Iraq. The main reason for the Iran-Iraq war, the precise delineation of the border on the Shatt el-Arab river, remains unresolved to this day. In Afghanistan, Tehran is concerned with the envisaged erection of dams for energy production on the Hari and Helmand rivers, which would affect the flow of water for oasis irrigation downstream for the eastern Iranian cities Zabol and Zahedan. This remains an irritation with any Afghan government, which, in turn, needs Iranian development aid in the west of the country. Tehran views the retreat of NATO forces from the Hindu Kush during 2014 with mixed feelings. A possible reassertion of Taliban power in parts of Afghanistan poses a serious security threat for Iran. Tehran will thus try to stabilise the Karzai government for as long as possible during the year ahead, whilst at the same time solidifying and extending its influence in the country.

Another issue is the exact delineation of the borders in the Caspian Sea, where the Iranians have to act carefully so not to alienate Russia. Border issues are only one of the factors straining relations with Azerbaijan. Iranian support for the Armenian position in the disputed Nagorno-Karabakh region, and the suspicion that Baku is trying to stir up Iran's Azeris (the second largest ethnic group after Persians), are permanent bones of contention. In the Persian Gulf, Iran's possession of the Tunb islands (also claimed by the United Arab Emirates) situated close to the Strait of Hormuz, alongside the presence of the US fifth fleet in Bahrain, have elevated those contested islands to a potentially key geopolitical flashpoint.

The Middle East: from a leadership vision to the Syrian quagmire

For Tehran to play the role of a regional power, the Arab world is the geopolitical stage where it has to succeed. This has two inter-related challenges. First, Tehran has to downplay its Shiite identity and stress its pan-Islamic nature. Second, the easiest way for Tehran to do so is to present itself as the champion of the Palestinian cause by reframing the issue as an Islamic (Muslims against Western aggressors/colonisers) rather than a nationalist (Arabs against Israelis) one.

More generally, according to Tehran's view, ailing pro-Western autocrats across the Arab world will eventually lose power: by elections or by revolution. All Iran has to do is hold its ground by organising a framework for regional cooperation and underpin its strategic position with a nuclear programme. A nuclear arms capability (not a device), adherence to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), and support for a 'weapons of mass destruction (WMD) free zone' for the Middle East, would be instrumental to outmanoeuvre Saudi Arabia's regional hegemonic aspirations and to put pressure on Israel. Hence, Tehran will continue to support European diplomatic efforts for the establishment of a WMD-free zone during 2014.

The 'axis of resistance' (*mehvar-e moqavemat)* consisting of Syria, Hezbollah and Hamas is another vehicle of Iran's influence in the region. The axis is directed against Israel (explicitly) and Saudi Arabia (implicitly). It had its heyday in 2006 when Hezbollah succeeded in repulsing an Israeli attack. Back then, Tehran and its allies were popular among the Arab masses. Tehran saw the Arab spring a few years later as a confirmation of Iran's strategic vision, since pro-Western regimes were washed away.

Iranian hopes were highest with Egypt, as any alliance with an Egypt led by Islamists would reduce the importance of Saudi Arabia. However, the Muslim Brotherhood (MB) did nothing to foster a strategic relationship with Iran. Worse, because of the Morsi government, Hamas defected from the axis of resistance, thus weakening Tehran's credibility for the 'Palestinian cause'. For Hamas, which traces back its origins to the Palestinian branch of the MB, a Brotherhood-led Sunni Egypt was always going to be the preferred partner. This change of alliances of Hamas explains why Tehran only mildly protested over the military coup against the elected president Morsi. In 2014, Tehran will likely hedge its bets on Egypt. On the one hand, Iran will try to normalise bilateral relations with Cairo. On the other, it will test whether the Muslim Brotherhood, which has been driven underground, would be susceptible to help from Tehran. For sectarian reasons, however, the prospects for this seem rather dim.

There are many reasons for the rise of sectarianism in the region, but Saudi threat perceptions rank among the most important ones. Riyadh has opposed the axis of resistance. It did so by reframing it as 'Shiite crescent' and thus mobilising centuries-old Arab prejudices against the Persians. Instrumentalising sectarian divides is standard practice for Iranian and Saudi foreign policies; however, both sides were always able to prevent escalation. This was not the case with the Assad regime in Syria, which manipulated the multi-confessional fabric of its own society to silence and intimidate Syria's opposition, who started to protest against Assad's authoritarianism.

The Iranian regime knows very well that even if it holds its ground in Syria, it will be stuck in a long-lasting sectarian conflict, which will be impossible to win militarily. What started as support for Assad against Syrian insurgents with the aim of saving the axis of resistance became a fight against globally active al-Qaeda networks. These networks challenge Iranian interests worldwide and the regime regards them as one of its main security threats. There are two main interests that Tehran will pursue in Syria in 2014. First, to be included in any diplomatic solution on Syria, which should begin with a ceasefire. Second, to mend fences with Saudi Arabia.

The first signs in this direction already appeared during the second term of President Ahmadinejad and gained traction after the Saudi intervention in Bahrain. This intervention confirmed the assessment of those in Iran who always bemoaned Tehran's underestimation of Saudi Arabia's capacity to checkmate Iranian influence. The appointment of Admiral Shamkhani to the position of general secretary of the Higher National Security Council is a clear sign of Tehran's will to engage with Saudi Arabia. Shamkhani is not only an esteemed expert on the security of the Persian Gulf; he is also Iran's only ethnic Arab in a leadership position.

Regional repositioning

The rise of sectarianism (and in particular of al-Qaeda) in regions adjacent to Iran, plus the biting sanctions against Iran's nuclear programme and their dire economic consequences have forced Iranian elites to become more responsive to discontent among its own population. These factors created the premise for the election of President Rouhani and for engaging more constructively with the international community (renewed negotiations with the E3/EU+3) in 2013. Any progress on either of these fields in 2014 will largely depend on an amelioration of US-Iranian relations.

There has always been a camp of political realists in Tehran who understand the need for a change in relations with the US. Even a hard-liner like Ahmadinejad towards the end of his term tried to reach out to Washington, albeit with no success. However, the influence of the pragmatic realists has been consistently curtailed by a network of well-connected ideologues sceptical of a more pragmatic approach. Their argument ran that for ideological reasons the US would oppose Islamic Iran and therefore support the enemies of Iran.

US behaviour over Syria during 2013 has changed this attitude: originally, Tehran took the existence of an al-Qaeda-Saudi Arabia-

US axis in Syria for granted. US reluctance to intervene in Syria and a converging assessment of the risks posed by al-Qaeda have changed attitudes in Tehran. This in turn has strengthened President Rouhani's position on the nuclear file, so that no disruptive domestic opposition should be expected for the foreseeable future.

Rouhani's foreign policy towards the neighbourhood will be much more in sync with pragmatic realism (*maslahat*) than with ideology. While it would be premature to anticipate drastic shifts, this may well be the beginning of an Iranian foreign policy increasingly framed by national interests, especially economic interests, among others. In other words, prospects for European engagement with Iran might improve.

Conclusion

A diplomatic solution on the nuclear file would unlock much potential for engagement between the European Union (EU) and Iran. Lifting sanctions based on a nuclear deal with Iran would mean that punitive measures remain a tool in the EU's foreign policy arsenal, but would no longer constitute the main paradigm of its approach to Iran. Pursuing engagement with Tehran in 2014 is clearly in the EU's interest. The 2001 European Commission's findings on Iran are still valid: cooperation in the fields of economy, regional security and energy would benefit both sides. Iran's oil and gas resources matter too much for energy-hungry Europe to be ignored, and Europe needs Iran as a partner in fighting on-going drug smuggling from Afghanistan, as well as in fostering regional stability.

Regionally, the re-emergence of al-Qaeda poses a serious common security threat for Europe, the US and Iran. This new 'terrorist international' is preparing itself for a 'post-Sykes-Picot' world and has chosen Syria as its new battlefield. In a certain way the experience of Afghanistan applies for Syria too, namely that Iran can either spoil stabilisation efforts or contribute positively. Therefore, Iran should be included in a regional solution. The main initiatives for pacifying and stabilising Syria have to come from the region: Saudi Arabia, Egypt, Turkey and Iran all share responsibility for the situation. But Tehran is aware that the pursuit of current strategies by the main regional actors would ultimately lead to the destruction and possible break-up of the country. A ceasefire as suggested by Iran and Turkey is the only option to start a constructive process towards a solution for the Syrian quagmire.

If Iran shows openness to dialogue and cooperation on issues of common concern in the course of 2014, the EU and its member states should seek to deepen their engagement with Tehran.

9. The United States: the parsimonious power

Ana Echagüe and Daniel Keohane

In January 2012, the United States (US) Department of Defence announced that 'while the U.S. military will continue to contribute to security globally, *we will of necessity rebalance toward the Asia-Pacific region*'. That announcement has since caused much debate and discussion in Europe. Will the US pivot to Asia-Pacific mean US disengagement from European security, or that Europeans will have to take on much more responsibility for security in their neighbourhood?

Washington's re-balancing of its diplomatic and military resources towards the Asia-Pacific – alongside negotiations over a trade deal, the Trans-Pacific Partnership – does imply that Europeans should take much more responsibility for most of their immediate neighbourhood. Considering the US non-responses to the 2006 Lebanese-Israeli and 2008 Georgia-Russia wars, its initial reluctance to intervene in Libya in 2011 and minor supporting role in Mali in 2013, Washington would probably be happy to leave most future Eastern and Southern neighbourhood crises to the Europeans.

However, more selective US engagement should not be confused with withdrawal from Europe's broad neighbourhood. The US still has very significant security and economic interests throughout the

EU's extended neighbourhood. For example, the 2012 Pentagon guidelines also emphasised the importance of Gulf security and that Washington '*will continue to place a premium on US and allied military presence in – and support of – partner nations in and around this region*'. The US Secretary of Defence, Chuck Hagel, re-asserted this commitment to Gulf security in December 2013 at the Manama dialogue, adding that the US still has some 35,000 soldiers stationed in and around the Gulf, and would maintain its considerable naval presence there during 2014.

The Middle East: back to basics

President Obamas's speech to the United Nations (UN) General Assembly in September 2013 gave vocal confirmation of a more modest, pragmatic and realist US policy towards the broader Middle East, which will guide Washington's approach during 2014. Far from the ringing pledge of support for 'democracy from Asia to Africa, from the Americas to the Middle East' that President Obama delivered during his second inaugural address, the focus is on securing US 'core interests in the region'.

The president defined a narrower field of action that confines the use of military force to the defence of traditional priorities: the protection of allies, the free flow of energy, counter-terrorism and nuclear non-proliferation. Gone is the normative imperative 'to act on behalf of those who long for freedom'. Democracy and human rights are listed as aspirational and ancillary interests, which the US cannot be expected to pursue single-handedly. Geographically, efforts are to be focused on Iran and the Arab-Israeli conflict.

Conspicuously missing from Obama's speech was any proposal for coping with the long-term implications of the current instability in the Levant. The priority in Syria is to achieve the destruction of chemical weapons and minimise the blow back from terrorist groups. Likewise, in Iraq, engagement has been reduced to cooperation on counter-terrorism issues, without much consideration on how to stem the increasing violence. In Iran, the objective is to curtail the Islamic Republic's nuclear programme.

The narrower US focus on issues such as arms control could yet yield unexpected rewards. The Joint Plan of Action signed with Iran in November 2013, and the subsequently announced peace conference on Syria planned for January 2014, have the potential to unlock geopolitical possibilities that could deliver a more stable region. Although the agreement signed with Iran is only for six months, with the possibility of another six-month extension – and the road ahead is paved with difficulties – the US deserves credit for doggedly pursuing a diplomatic breakthrough with Iran after 34 years of estrangement and in the face of fierce Israeli opposition.

Back channel negotiations during the past year, the abandonment of any aspirations to regime change and a tacit, though not explicit, recognition of Iran's right to nuclear enrichment paved the way for the accord. Reducing the tensions surrounding Iran could contribute to stability in the region and might, in the longer term, persuade Iran to be more 'helpful' in other places such as Lebanon, Syria, and Afghanistan. In Syria, with Assad holding ground, and the 'moderate' opposition losing ground to extreme jihadist groups, there are more and more questions regarding the feasibility and effectiveness of the peace conference slated for 22 January 2014.

However, progress could be scuppered domestically if the US Congress insists on imposing additional sanctions against the express wishes of the White House. Already, under pressure from lawmakers, the Obama administration has added new names to the list of companies blacklisted for evading sanctions. The move angered Iran and prompted the withdrawal of the negotiating team from talks in Vienna in December 2013. While talks are expected to continue, further moves like this could jeopardise the negotiations.

The agreement with Iran carries far-reaching regional ramifications. Relations with Gulf States have been strained by concerns over the rapprochement between Iran and the US, as well as by disagreements over policy towards Egypt and Syria. The Gulf's concern over Iran is not limited to the nuclear issue, but rather extends to its rehabilitation as a legitimate power and the potential implications for the regional balance of power. In addition, they perceive the deal as symptomatic of US intentions to downsize its regional presence. US Secretary of State Kerry's visit to Saudi Arabia in November 2013 reflected belated efforts at relationship management that will be further required as negotiations with Iran proceed during 2014.

The perception in the region is that Washington's policy is indecisive and reactive. Over the next year, the US will have to address the perceived lack of commitment to the interests and security of its allies. The US will face a difficult balancing act: trying to reassure its allies that it is not attempting to skirt its leadership role, while simultaneously taking the opportunity provided by the potential resolution of the Iranian nuclear issue to move towards a role as 'off-shore balancer' in the area. The US will have to emphasise the benefits that could accrue to the Gulf States from a more normal relationship with Iran.

As to the Arab-Israeli conflict, notwithstanding John Kerry's determination, few harbour significant hopes of a breakthrough. Progress during 2014 remains unlikely, since the US shows no indication of finding the political will to impose consequences on Israel for its settlement policy. Considering Washington's need to assuage Israel's concerns over what Tel Aviv considers to be excessive leniency towards Iran, the nine-month deadline for a comprehensive peace agreement at the end of March is unlikely to be met.

In Egypt, the focus will be on maintaining a 'constructive relationship with the interim government' to protect core interests such as the Camp David Accords and counter-terrorism. Judging by Kerry's visit to Cairo in November 2013, the half-hearted measures to 'recalibrate' aid to Egypt in response to Washington's displeasure at the 'coup-like-event' that took place in July will have a short shelf life. The hold on weapons delivery has been portrayed as a mere technical issue, and efforts are underway to try to circumvent legislation that bars the US from providing funds to governments that come to power through force.

With most lawmakers in favour of continued assistance to Egypt, barring some outsized blunder by the Egyptian authorities, military and economic aid will likely continue in 2014, most probably through a legislative waiver. Kerry has already started making approving noises regarding the path the generals are following towards the 'restoration' of democracy. Plus, this is also one area where the US can appease Israel and the Gulf States, to compensate for its policies towards Syria and Iran. The focus on traditional diplomacy and the *realpolitik* approach driving US policy towards the Middle East is likely to continue in 2014. Confronted with intractable political issues and on the receiving end of accusations of both meddling and disengaging, Obama has doubled down on his cautious approach.

Sub-Saharan Africa, Central Asia and the Eastern neighbourhood

The US will continue to try to counter al-Qaeda allied terrorist groups across Sub-Saharan Africa during 2014, some of which have links with terrorists in other regions across the neighbourhood. Al-Shabaab in Somalia, for instance, depends on illegal charcoal sales to Gulf countries for its funding and has close links with Al-Qaeda in the Arabian Peninsula (AQAP, which is primarily active in Yemen and Saudi Arabia). US counter-terrorism efforts will likely come in two forms: supporting local or other international actors in fighting terrorist groups, such as the 2013 French military intervention in Mali; or targeted US actions against terrorists – for example, in October 2013 US Special Forces captured terrorists in Libya and Somalia. Furthermore, in November 2013 the US State Department designated the Nigerian militant group, Boko Haram, as a 'foreign terrorist organisation' (meaning US law enforcement and regulatory agencies must block business and financial transactions with the group), in part because of its links to Al-Qaeda in the Islamic Maghreb (AQIM).

The US approach to Central Asia during 2014 will be mainly driven by the drawdown of international military forces from Afghanistan (which is not part of the EU's extended neighbourhood as defined in this book), which has to be completed by the end of the year. In particular, one of the logistics routes out of Afghanistan, the Northern Distribution Network (NDN), which runs through Central Asia to ports on either the Baltic (via Russia) or Black Sea (via the Caspian Sea), may be used more frequently during 2014. Exiting via Pakistan is much quicker, but sometimes that route is closed due to instability in that country. The NDN, therefore, will remain an important back-up option for US military planners during 2014 (although it has been disrupted by volatility in Uzbekistan in the past). In addition, the Pentagon is due to finish its operations at the Manas airbase in Kyrgyzstan by July 2014, which has served as the main regional hub for flying US military personnel in and out of Afghanistan, and may move some of these operations to Romania.

US-Russian relations have moved from a 'reset' to cold partnership (at best) in recent years, and this is likely to continue during 2014. Discussions on missile defence and nuclear weapons reductions have stalled, with little prospect for major progress in the coming year. But Washington will have to work with Moscow on trying to find solutions to the Syrian crisis and the Iranian nuclear file in the coming months. While Americans may support the pro-democracy protesters in Kyiv, the US government is very unlikely to intervene heavily in events there. This means that the European Union (EU) will be Russia's main competitor for Ukrainian hearts and minds during 2014 and beyond.

It cannot be ruled out that the prospect of Georgian membership of NATO will be on the agenda of that organisation's summit in September. However, as with Ukraine, the US may give vocal support to pro-Western orientations in Georgia, but it is very unlikely to back up such words with actions that go against Russia's core interests. This is because, in regional terms, Eastern Europe is no longer a security priority for the US on a par with East Asia or the Gulf, and this seems unlikely to change during 2014.

Conclusion

During 2014, the US will likely remain the leading external power in the Gulf and the Levant. But Washington will probably have a more parsimonious approach to North Africa (with the exception of Egypt), Sub-Saharan Africa, Eastern Europe and Central Asia – regions where, in turn, the EU may be expected to play a greater role. There is scope, therefore, during 2014 for the EU and the US to re-assess their cooperation in the broad neighbourhood.

The NATO summit hosted by the United Kingdom in September will be another opportunity to reset transatlantic relations, including joint cooperation throughout the EU's extended neighbourhood. By then, NATO will have almost finished its drawdown from Afghanistan, and there will be a new (incoming) leadership of both the EU institutions and NATO.

However, by that time President Obama will also be in the midst of a Congressional election campaign, the results of which may show increasingly isolationist sentiments in US politics. Opinion polls, such as a 2013 survey by the Pew Research Center, consistently show that a majority of Americans think the US 'should mind its own business internationally and let other countries get along as best they can alone'. If those sentiments are strongly reflected in the November US elections, Europeans should probably expect the US to become an even more parsimonious power in the EU's extended neighbourhood beyond 2014.

10. China and India: will the flag follow trade?

Gauri Khandekar and Ted Liu

While China and India are not part of Europe's extended neighbourhood, they are increasingly present throughout the regions within it. Some of the countries in Europe's broad neighbourhood are also part of the Chinese and Indian neighbourhoods (think Central Asia). Chinese and Indian trade with countries in North Africa, the Middle East, Sub-Saharan Africa and Central Asia is growing rapidly, which is hardly surprising since they are both energy-hungry rising economic powers. Looking to 2014, one key question is: will their increasing commercial presence start to show signs of translating into more political activism throughout Europe's neighbourhood?

China

The Middle East and North Africa (MENA) region has traditionally been important to Beijing as China's most important supplier of oil and gas. However, recent Chinese activities in the region have shifted from the previous focus on energy extraction to broader commercial engagement to sell consumer goods and construction services. To protect its investments, China is also expanding its diplomatic activities in an attempt to develop closer relations with governments across the MENA, and this will likely continue throughout 2014.

With Middle East sources accounting for more than 60 per cent of Chinese oil imports, Beijing is focused on maintaining the region as a secure source of energy. Aside from Saudi Arabia, China's other top oil and gas partners are situated in Iran, Oman, and Iraq. International sanctions have compelled Chinese national oil companies (NOCs) to divest some of their holdings in Iran, but the country has been China's third biggest crude oil supplier for the last decade. As a result, China seeks to manage its economic interests in the Persian Gulf through diplomacy. China and the Gulf Cooperation Council (GCC) have launched a strategic dialogue in 2010 (although the 2013 round has been postponed). Besides, as a participant of the P5+1 format, China will continue to be engaged at the highest level in the Geneva nuclear talks on the Iranian nuclear programme. Chinese investments in Iraq – including major oil fields such as al-Ahdad, Halfaya, and Rumaila – have made that country China's fifth-largest crude oil supplier.

Although Chinese foreign policy is based on mutual non-interference, stability in the MENA region is Beijing's top priority. China has responded pragmatically to the Arab spring. It strongly backed President Mohammad Morsi and the Muslim Brotherhood (MB) in Egypt, and abstained from blocking United Nations (UN) authorisation for NATO bombing raids against the Gaddafi regime during the 2011 Libyan crisis. However, China has thus far reaped few lasting benefits from its political investment.

In Egypt, Chinese efforts to develop a working partnership with the Morsi government initially saw the expansion of bilateral trade from $8.8 billion in 2011 to $9.5 billion in 2012, but backfired when the Egyptian military removed President Morsi from power in June 2013. Beijing perceives the Egyptian military's deep ties with the United States (US) as an obstacle to smoother relations. With Egyptian politics highly unstable and Beijing still sore from its wager on the Morsi administration, China will likely make no hard commitments in the country until the political scene stabilises.

In Libya, the infrastructure contracts the former Libyan regime had signed with Chinese companies were suspended. Prior to the war, Chinese firms invested up to $20 billion and employed 35,000 Chinese workers in the country. Since the end of the 2011 conflict, Chinese diplomacy quietly worked to recover the pre-war ties with Libya, especially the $12 billion 3,170km rail network contract the Gaddafi regime had awarded the China Railway Construction Corporation (CRCC). With Chinese firms yet to recover fully their pre-war contracts and Chinese workers still absent from Libya, Beijing will likely try to improve its relations with Tripoli during 2014 (it appointed one of its top diplomats, Li Zhiguo, to Libya in 2013).

Although China ranks well behind the US and Russia in arms transfers to the MENA region, Beijing does seek to establish closer ties to the region's military institutions with arms exports. But Beijing continues to prefer the use of soft power, deploying its military in the region only as a part of the anti-piracy joint task force at the Gulf of Aden. For the Chinese navy, these deployments offer valuable logistic training experience that is otherwise unavailable in waters closer to home.

Chinese policy on Syria reflects its uneasiness with international military interventions on humanitarian grounds, after France, the United Kingdom and the United States 'used' the UN Resolution 1973 in 2011 to oust the Gaddafi regime. This, along with its principal concern of maintaining stability in the Middle East, explains why it will likely continue to join Russia in blocking authorisation for military strikes against the Assad regime in Syria during 2014, seeking instead a political solution.

Africa and Central Asia

Similar to the MENA region, China originally went to the Sahel in search of energy, but has broadened its commercial interests and engaged in multilateral security cooperation in the region. With Beijing's plan to build as many as 30 nuclear reactors by 2020 to power its economy, Niger's large uranium reserves are crucial for China's economic growth. Nigeria also originally attracted Beijing with its large oil reserves, but is now China's second favourite destination for foreign direct investment (FDI) in Africa; the country's 170 million inhabitants are also an attractive market for affordable Chinese goods. Similar to its Gulf of Aden operations, China is using its contribution to the UN peacekeeping mission in Mali – the first time Beijing has sent combat troops to an international peacekeeping mission – as a valuable testing ground for its soldiers. With the region rich in natural resources but its politics unstable, China may increasingly compete with the US and France for influence in the Sahel.

In Central Asia, another energy-rich region, Beijing sees enhanced relations with the region's governments as part of its westward strategy. Land-based natural gas pipelines from Kazakhstan and Turkmenistan to China have just become operational, and China is already the largest trading partner of four out of five Central Asian countries. Even though China continues to take a backseat to Russia when it comes to security in Central Asia, Beijing is increasingly using the Shanghai Cooperation Organisation (SCO) as a forum to discuss regional security concerns.

India

With the Middle East in flux, the Gulf – a sub-region strategic to India's domestic and foreign policy interests – will be a top foreign policy priority for New Delhi in 2014. The drawdown from Afghanistan will amplify India's role in the region and boost its relationships with Iran and Central Asia. Yet, India will continue to balance relations with Israel, the Shia and Sunni countries. New Delhi will actively seek stability in the Middle East, including via cooperation with Russia and China, but take a backseat to the West on events in the Maghreb.

India considers the Gulf, separated by the Arabian Sea, as its neighbourhood and a top priority. New Delhi has major stakes in this region: economic, commercial, diaspora, and security, among others. In terms of regional trade blocs, the GCC is India's largest trading partner. GCC-India bilateral trade touched $158 billion in 2012-3, growing 9 per cent in one year. In comparison, EU-India trade stood at $103.7 billion, falling 5.5 per cent from the previous year. The United Arab Emirates (UAE) also replaced China as India's number one trading partner with $75 billion in 2012-3 compared to $68 billion traded with China. India is Dubai's largest trading partner. The UAE and India will soon sign a Bilateral Investment Promotion and Protection Agreement (BIPPA), while India negotiates a free trade agreement (FTA) with the GCC. India's imports from the region are strategically significant for the country – crude oil, petroleum products, gold and silver. The fourth-largest global energy consumer, India imports 79 per cent of its oil needs: around 63 per cent from Arab countries; 18.3 per cent of total oil imports come from Saudi Arabia alone, India's largest supplier.

The diaspora also plays an important role. India's large domestic Muslim population and Islamic culture works in its favour: for instance, the world's oldest mosque outside the Arabian Peninsula is situated in India. India tops the list of foreign remittance recipient countries, with $71 billion in 2013: 40 per cent of which comes from GCC countries. Remittances from the GCC are just about equal to what India pays it for oil purchases. There are around 6.5 million Indians in the GCC, constituting 35 per cent of the GCC's total expatriate population, and the largest Indian community abroad. More than 500 weekly flights link the UAE and India, and flights between India and GCC countries amount to about half of the total flights between India and the world. India is also keen on enhancing maritime and defence ties with the sub-region, balancing China in the Indian Ocean and the Arab world's political support to Pakistan. Doha hosts the Taliban's political office, of great interest to India.

Four Indian naval ships of its Western Fleet paid goodwill visits to the region in 2013.

Increasingly, Iran and Israel will play important roles in the Indian foreign policy matrix. India will continue its long-held international policy of non-alignment, and New Delhi will continue balancing conflicting countries into 2014. An improvement in the West's relations with Iran will signify a win-win for India and Iran could possibly become India's largest oil supplier. Despite the Saudi king's offer to satisfy India's oil demands provided it stops imports from Iran, India will pursue links with Iran for five reasons: first, to diversify its dependence on the Arabian Peninsula. Second, Iran offers more stability than Iraq, which replaced Iran as India's second-largest oil supplier in 2012 (and is integral to the long-envisaged Iran-Pakistan-India gas pipeline). Third, Iran can provide crucial land access to Afghanistan and Central Asia. Fourth, competition with China, especially regarding Iran's energy resources and its strategic Chabahar port. And lastly, amidst competition from China and Pakistan, India will want to fill the void in Afghanistan post-international drawdown in 2014 and will need Iran's cooperation since the security and economic interests (i.e. political stability) of the two countries converge.

According to the Stockholm International Peace Research Institute (SIPRI), a think tank, in 2013 India remained the world's largest arms importer. Soon, Israel will overtake Russia as India's largest defence supplier. However, this will not disrupt India's pro-Palestinian policy. More broadly, India will actively seek stability in the Middle East with like-minded partners Russia and China, opposing any Western-led intervention especially in Syria. War in the Middle East could double fuel prices to $150 per barrel, which could signify an up to 70-80 per cent hike for India if the Rupee continues to depreciate (during 2013 the Indian currency depreciated by over 20 per cent against the US dollar). Like many other international actors, Indian policy-makers are particularly perturbed at any prospect of jihadist extremist networks seizing power in Syria.

North Africa and the Sahel

India has not defined a clear foreign policy line towards North Africa, in part because of volatility throughout the region. During 2014, New Delhi will work with the governments of the day in North African countries but largely take a back seat to the West, especially on political developments. The significant energy deposits in the region, especially in Algeria and Libya, shape India's outlook on North Africa. The removal of Islamists from power in Cairo is a welcome sign for India's foreign policy circles but for most, India's relations with North Africa will remain dominated by its private sector rather than political considerations.

In the Sahel, energy interests, security and geopolitical balancing with China will drive India's manoeuvrings in 2014. India has overtaken the US to become Nigeria's top crude oil client. Overall, India is Nigeria's second-largest trading partner, while Nigeria is India's largest African trading partner. Around 100 Indian companies operate in Lagos alone, with total Indian FDI in Nigeria totalling more than $10 billion. India also extended support to international efforts on Mali in February 2013, offering $1 million to upgrade Mali's army, and pledged a further $100 million for reconstruction once the situation stabilised. New Delhi is interested in ensuring that the forces affiliated to al-Qaeda in the Sahel (including militants with links to the 'Af-Pak' region) are contained.

South Sudan, which controls 80 per cent of undivided Sudan's oil reserves, is another country of priority interest for New Delhi. Thirty-six hours after South Sudan's new cabinet was sworn in, India's special envoy to the two Sudans was the first international diplomat to meet South Sudanese government ministers. India was the first Asian country to open a consulate in Juba as early as 2007, where India is competing with China for influence and energy.

Conclusion

Along with their rapidly growing commercial presence, China and India are slowly becoming more politically active in parts of Europe's broad neighbourhood, and this trend is likely to continue during 2014. The EU will continue to work closely with China (as a permanent member of the United Nations Security Council) on Iran's nuclear programme, and has operated with Chinese and Indian ships in the western Indian Ocean to counter piracy. During 2014, Brussels should try to build on those experiences to encourage more cooperation with China and India on issues of joint concern in Europe's broad neighbourhood.

FRIDE

A EUROPEAN
THINK TANK FOR GLOBAL ACTION