

CENTRO SUPERIOR DE ESTUDIOS
DE LA DEFENSA NACIONAL



ANIVERSARIO 1964-2014

Strategic Panorama 2014

Spanish
Institute of
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Studies

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Introduction

Felipe Sahagún

Analysing the international changes of the past year and noting the immediate trends – the main purpose of the *Strategic Panorama* since its first edition in 1996 – might seem an easy task compared to studying the major upheavals of the past century, such as the First World War, whose first centenary is coming up in 2014.

The 75 years since the start of the Second World War and 25 since the fall of the Berlin wall make 2014 a historic opportunity to recall the best and the worst of Europe, especially the miraculous process of building a supranational community over the past half-century and the deep divides that still exist and prevent us from culminating the process and permanently banishing the spectres of the past.

At first sight it is difficult to find any parallels between what occurred in the months leading up to the assassination of Archduke Ferdinand in Sarajevo on 28 June 1914 and the salient events of 2013: the beginning of the end of the euro crisis, the war in Syria, the coup in Egypt, the change of leadership and new reforms in China, the worrying shifts in direction of North Korea's new leader, the territorial disputes in the South China Sea, the Pope's resignation, the typhoon in the Philippines, the death of Hugo Chávez, the re-election of Merkel and Netanyahu, the fall of Berlusconi, the markets' recovery, old and new armed conflicts in an Africa that bade farewell to Mandela, the French intervention in Mali and the Central African Republic with scant international assistance, the resurgence of the al-Qaeda galaxy in Africa and the Middle east, the continuation of citizens' mobilisations against their governments from Turkey to Brazil

and including Ukraine, and the conflict between freedom and security – privacy or protection of the community – triggered by the leaking of NSA documents.

Although Obama's presidential commission advised that reforms be carried out in the system of espionage and a federal court ruled that the indiscriminate recording, without court authorisation, of millions of US citizens' telephone calls was 'possibly unconstitutional', the Department of Justice chose to appeal against any decision against this practice and security chiefs closed ranks in defence of the system.

Following many of these particular events, movements were detected in what had seemed unshakeable tectonic faults or alliances: between the Vatican and conservatives after the election of Pope Francis, between Riyadh and Washington after the United States' deal with Iran, in energy geopolitics owing to the increased production of alternative sources to those of OPEC and Russia, and between the United States and its main allies over the abusive use of its espionage and security system.

After the reprieves and new attacks on Volgograd in December, Russia's President Vladimir Putin, intent on saving the Sochi Olympic Games, admitted in his end of year message that the country 'cannot continue along this path' – referring to the mass-scale flight of capital and the fact that the country's leading fortunes are taking refuge in havens to avoid paying taxes.

The images of chaos in Iraq, Syria, Lebanon and other parts of the Arab world as 2013 turned into 2014 seemed to herald the end of the regional map designed for the Middle East at Sykes-Picot after the First World War and a fast race to fill the power vacuums left by the Arab upheaval and the United States' new strategic priorities in the Asia-Pacific area.

If we examine the oldest known version on friends and enemies (the Arthashastra by Chanakya or Kautalya), what with so many common enemies in Syria, Iraq, Lebanon, Afghanistan and Yemen, the most surprising thing about the rapprochement between the United States and Iran in 2013 is that it has taken such a long time and that the reconciliation does not go even further.

However, there is no influential media or leader that cannot find similarities, differences, lights and shadows worth bearing in mind today in the events that led to mankind's first total war a hundred years ago.

Are our understanding of and response to terrorism and nationalism better than they were then? Is Europe prepared for the break-up of some of its oldest states such as Scotland as a possible result of the referendum, which the pro-independence Catalans are aiming for in Spain?

Are citizens' growing demands for a more democratic and transparent leadership than that which is still endured by a significant part of the world's inhabitants being met more responsibly and effectively for international security and stability?

Is the prevailing sensation among new generations that the times of economic prosperity are hardly worthwhile and that they are the main victims of the crisis and austerity being handled any better? Should we be surprised that many of them regard the technological revolution and new means of communication as tools for giving vent to their frustration at those who govern their countries, regardless of the political regime?

'Above all there was a sense that an explosion of new technology and unevenly distributed wealth was transforming the old order in ways that were impossible to control or predict', wrote John Lichfield in *The Independent* on 22 December.¹ 'Does that sound familiar?'

'Without going into the details of the Versailles Treaty of 1919, it is widely held that the conditions imposed on the defeated German people were a mistake with tragic consequences', wrote Araceli Mangas, professor of Public International Law and International Relations, on 6 January. 'But no less determining were Nazi and fascist nationalism, communist totalitarianism and (...) lack of representation in the League of Nations.'²

In its last Weekly Report of 2013, the team led by Darío Valcárcel at *Política Exterior* described the parallels between the two periods as 'worrying'.

'Today, as then, communications, transport, trade, industry and technology were/are enjoying a golden age and yet nothing prevented the outbreak of the biggest war the world had witnessed', they wrote. 'In 1914 the powers spoke of preserving their «honour». Today it is their credibility and prestige.'

And they went on to state that, 'all this should serve as a warning of the world's huge vulnerability to human errors, sudden disasters or mere accidents. But what is more, the commemoration of the centenary of WW1 is a delicate political issue for the EU. Germany, which has not planned to hold major public ceremonies in 2014, has proposed holding events of remembrance jointly with its European partners. This aim seems unfeasible. Commemorations are going to be strictly national'.³

¹ <http://www.independent.co.uk/news/world/world-history/the-gathering-storm-a-look-back-on-middleclass-europes-last-carefree-christmas-before-the-onset-of-world-war-one-9020184.html>.

² 'Europa, 1914-2014', *El mundo*, 6 January 2014, p. 19. mun.do/JXhH3R.

³ '¿Cómo conmemorar el horror?', *Informe Semanal, Política Exterior*, no. 872 30-12-2013, pp. 1-2.

'The contingent causes of conflict should not be confused with more deeply rooted tensions in international relations, or in the internal affairs of nations, that lead to war', explained the *Financial Times* in its editorial on 1 January.⁴

'Many seeds of the first world war were sown well before the killings in Sarajevo. Such acts of terrorism are notoriously difficult to prevent, in our era as in the early 20th century, but global military, political and economic tensions are matters that statesmen can and should address. It is their responsibility to act within accepted international rules and to ensure that competition among states and peoples remains orderly.'⁵

'Another lesson', the author states, 'is that the frictions of rival nationalisms, fuelled by pride, ambition, ignorance and lovingly nursed historical grievances, are no less capable of causing war today than they were in 1914. The risks are especially acute if the international system is being reordered by the rise of new great powers and the relative decline of older ones. One hundred years ago it was Germany seeking its place in the sun at the British Empire's expense. Now it is, increasingly, China and the US.'

'A third lesson is that it is foolish to go to war in the belief that it is bound to be short, inexpensive and with manageable consequences. In 1914 some European politicians and generals, their outlook shaped by the limited wars that had unified Germany and Italy half a century earlier, harboured this illusion. So did Washington and London when they invaded Iraq in 2003.'

'A final lesson is that, if war does break out, it is vital at its conclusion to construct a secure peace. The 1919–23 Paris peace conferences did not achieve this'⁶ and nor is it being done after the main wars today.

It is likely that the Obama administration will echo some of these lessons in its new National Security Strategy which, pursuant to the 1986 Goldwater-Nichols act, should be submitted to Congress in 2014. Whereas that of 2010 dealt with withdrawal from Afghanistan and Iraq and adaptation of the Pentagon's accounts to the priorities of national reconstruction, it is expected that the new document, now that the economy is recovering from the crisis, will develop a proper comprehensive conflict prevention and cybersecurity strategy to address more effectively new wars (none between states this year) and crises such as that which was triggered in 2013 by the publication of many secret NSA documents.

⁴ 'Reflections on the Great War', *Financial Times*, 1 January 2014
<http://www.ft.com/intl/cms/s/0/4b57a5fc-6813-11e3-8ada-00144feabdc0.html?siteedition=intl>.

⁵ Ibid.

⁶ Ibid.

Other lessons of the Great War

In *The War that Ended Peace: The Road to 1914*, Margaret MacMillan analyses the causes of the disaster in greater detail and extracts further lessons of interest to today's society.

The ruling minorities that led Europe to war a century ago did so without knowing very well where they were taking their countries and the world. They allowed themselves to be carried along by lessons learned from earlier crises and wars, by emotions and prejudices.

'Looking back, we can of course see the forces that were making war more likely', states MacMillan: 'the rivalries over colonies, economic competition, ethnic nationalisms which were tearing apart the failing empires of Austria-Hungary and the Ottomans, or the growth of a nationalist public opinion which put new pressures on leaders to stand up for their nation's perceived rights and interests.'⁷

How could Europe have been so blind and have so misinterpreted the new circumstances? Why were the military plans, the arms and trade race, the uncontrolled imperialism and the system of alliances that were supposed to guarantee deterrence and greater security such a resounding failure?

They did not understand the destructive forces of nationalism, anarchism, terrorism and the revolution. They were unaware of the dangers underlying the ambitions of the emerging powers (Germany and Japan), the fears of declining empires such as Great Britain, the desires for vengeance of France and Russia, and the Austro-Hungarian Empire's struggle for survival.

Nor did they understand the strong internal pressure, both old and new, to which rulers were subjected: a growing workers' movement that was challenging the established order and authorities; the demands for universal vote; many suppressed peoples' desire for independence; the class struggle; and the nature of the new weapons – the machine gun, the submarine and the tank above all – produced by the scientific and technological revolution of the nineteenth century.

Granted, these are important factors, but they fail to take into account the individuals (some authoritarian monarchs, others constitutional presidents) who then ruled the main powers. 'It was Europe's and the world's tragedy in retrospect that none of the key players in 1914 were great and imaginative leaders who had the courage to stand out against the pressures building up for war', concludes the rector of St Anthony's College, Oxford.⁸

⁷ MACMILLAN, Margaret, *The War That Ended Peace. The Road to 1914*, Random House, 2013, p. 28.

⁸ *Ibid.*, p. 25.

The historian warns that it would be dangerous to shrug one's shoulders and say that the Great War was inevitable, especially as our world is similar in some, though not all, aspects to that of the years leading up to 1914 – that is to the world that was ravaged by war with such a disastrous outcome: four empires destroyed, the old international order hanging in shreds, a weak and impoverished Europe, two new powers emerging on the east and west, twenty million dead, epidemics, famine, extreme left- and right-wing movements, tonnes of ammunition buried in battlefields and, to cap it all, a disastrous peace that harboured the seed of another, even more destructive war.

'Our world', MacMillan warns, 'is facing similar challenges, some revolutionary and ideological such as the rise of militant religions or social protest movements, others coming from the stress between rising and declining nations such as China and the United States'.⁹

Who was most to blame for the Great War? Tirpitz, Grey or Moltke? Berchthold or Poincaré? Perhaps we should blame institutions and ideas and not people? Too-powerful general staffs, absolutist governments over which the people or parliament had no control, social Darwinism, the cult of the offensive and inveterate nationalism? MacMillan does not dare to draw conclusions about the causes or those ultimately responsible for the war, but she is convinced that the absence of great statesmen such as Otto van Bismarck in the Germany of the first unification was a decisive factor.

If, a century on, there is still no agreement on the origin and on who is responsible for the disaster of 1914–18, then we cannot be too cautious when analysing the main challenges of the present time in such short periods and with so few elements as we have to work with each year in a strategic review like the *Panorama*.

As MacMillan acknowledges at the end of her study, the Great War shows the unavoidable need to always remain alert to risks, not to trust inherited security, to question all the dogmas and all the lessons of the past, and to step up daily efforts to gain a better understanding of the social, political, economic, geographic, religious, ethnic, informative and ideological background that can convert (in five weeks in 1914) an isolated attack into a widespread war.

2014 was welcomed with a certain amount of euphoria in Europe as the first year of the post-crisis – perhaps prematurely in many cases, as George Soros warns, unless Germany modifies the course steered by Merkel and backed by the majority of Germans in the recent elections, though as Andrés Ortega points out in his general review of the international events of the past year, this is unlikely.

⁹ Ibid.

'Prime Minister Aristide Briand's insistence on reparations led to the rise of Hitler; Angela Merkel's policies are giving rise to extremist movements in the rest of Europe', writes Soros. 'The current arrangements governing the euro are here to stay, because Germany will always do the bare minimum to preserve the common currency – and because the markets and the European authorities would punish any other country that challenged these arrangements. Nonetheless, the acute phase of the financial crisis is now over. The European financial authorities have tacitly recognized that austerity is counterproductive and have stopped imposing additional fiscal constraints. This has given the debtor countries some breathing room, and, even in the absence of any growth prospects, financial markets have stabilized.'¹⁰

The worrying thing, if Soros is right, is that 'future crises [such as that of 2008–13, we should stress] will be political in origin [...and] the EU has become so inward-looking that it cannot adequately respond to external threats, be they in Syria or Ukraine', unless – and what Soros finds hopeful is dangerous for many others – 'the revival of a threat from Russia may reverse the prevailing trend toward European disintegration'.¹¹

Soros's position has had considerable resonance since the crisis of 2007–2008, but most European leaders share a much more positive view of Germany and its contribution to Europe.

'European Germany has been the major driving force behind the deepening of integration from 1980 to 2007 and it gives us enviable strength in globalisation', points out Araceli Mangas. 'I know that the crisis makes us critical (...) But the trees do not prevent us from seeing the wood. Germany has been an exemplary power. Neither has history repeated itself nor has it returned to where it used to.'¹²

A century on

If any of the media has followed closely what James Rosneau described as 'permanent turbulence in world politics'¹³ it must surely be *Current History*, whose first issue came out in 1914 with articles by prestigious names such as Bernard Shaw, Rudyard Kipling, G. K. Chesterton and H. G. Wells.

For its first issue of 2014, this monthly journal commissioned twelve prestigious academics to analyse the main trends of the past century

¹⁰ SOROS, George, 'The world economy's shifting challenges', Project Syndicate, 2 January 2014. <http://xurl.es/joamy>.

¹¹ Ibid.

¹² MANGAS, Araceli: Op. cit. mun.do/JXHh3R.

¹³ ROSENAU, James: *Turbulence in World Politics* ed. Harvester Wheatsheaf. and Princeton University Press, 1990.

and how they could influence the coming years. An impartial reading of its text allows us to be confident of a brilliant, albeit complicated, future, concludes the publication's current editor, Alan Sorensen.¹⁴ A summary of these essays seems to us to be the best introduction to the 2014 *Panorama*.

For most of the world's population, life was much more difficult in 1914, points out Harvard lecturer Sheila Jasanoff, who is specialised in environmental issues. Starting with the 1918–19 pandemic, which caused 50 million deaths (between two and five times more than the war, including civilian and military casualties), she surveys medical and technical advances with their beneficial effects for mankind and the increasing price the sustainability of the system is having to pay for demographic, industrial and technological growth.

It is easy but irresponsible to deny the evidence (confirmed in the fifth global report of the Intergovernmental Panel on Climate Change, IPP, to be published in 2014) that we are destroying between 150 and 200 species daily (a thousand times faster than natural extinction processes) and that for the first time in at least the past three million years the planet is coming near to losing its arctic glacier and having an atmosphere that contains 400 parts of carbon dioxide per million.¹⁵

Leaving aside the most disastrous scenarios, Jasanoff dwells on the main national and international responses to the challenge of environmental sustainability. She warns that where we stand one century on will depend partly on how we interpret the moral duty to address the challenges of the planet and asks whether it will be viewed as a mandate for collective leadership and responsibility that transcends local interests or whether (as has been the norm so far) everyone will carry on trying to mobilise resources and acting on their own.¹⁶ If the second option is chosen, the future that awaits us will not be much different from that of the village of Macondo in Gabriel García Márquez's *A Hundred Years of Solitude*.

After surveying US hegemony in the international system since the two world wars positively, Michael Mandelbaum writes that the leadership that the United States is willing and able to exercise from now on will largely determine the prosperity and security of the planet. The main threat to its leadership in the most likely of the three possible futures – that in which Washington receives neither significant aid in maintaining the global economic and security order, nor serious and direct threats – he adds, will come from inside and not outside.

¹⁴ SORENSEN, Alan: *Current History*, January 2014, p. 3.

¹⁵ COLE, Juan, 'The sixth mass extinction: why climate scientists' hair is on fire', *Informed Comment*, December 18, 2013, <http://www.juancole.com/2013/12/extinction-climate-scientists.html>.

¹⁶ JASANOFF, Sheila, *ibid.*, p. 15.

Indeed, he explains that it will come from Americans' rejection and disillusionment with the immediate consequences of the United States' expansive foreign policy, including the wars in Afghanistan and Iraq. It will also stem from the growing cost of the country's main social programmes – Social Security and Medicare – as 78 million baby boomers (US citizens born between 1946 and 1964) retire and claim their share. Each of these domestic challenges – not to mention both combined – can undermine citizens' support for the political and economic services the United States provides to the rest of the world. And there is proof that this is happening.¹⁷

The two least likely futures in Professor Mandelbaum's opinion are that the rest of the world will show increasing support for US guidelines and hegemony in world governance or that China will openly challenge the hegemon and try to consolidate its position as the United States' global rival, as Condoleezza Rice feared in her controversial article in *Foreign Affairs* in 2000.¹⁸

From being a *rara avis* that was barely alive in the West a century ago, democratisation in the world, to quote Samuel Samuel Huntington, has moved in waves of progress and regression. Taking a long-term view, with hindsight, the progress is obvious. However, since 1999, the number of democratic ruptures or regressions in the world has speeded up significantly (especially since 2006 in Africa) in one out of every five democracies, states Larry Diamond based on the annual surveys compiled by Freedom House (FH).

Even so, around 79% of states meet FH's criteria for belonging to the club of liberal democracies and leaders' attempts to remain in power indefinitely in crucial countries such as Turkey (Erdogan), Argentina (C. F. Kirchner) and South Africa (Jacob Zuma) – all three of which, together with India, the European Union and the United States, are due to hold elections in 2014 and 2015 – or to win it back (the Thaksin in Thailand) are triggering growing rejection and mobilisations in a civil society that is increasingly critical of its governments and institutions, better organised and better informed thanks to globalisation and the digitalisation of information. Information and discontentment are leading to more and more street protests and greater questioning of the legitimacy of the different powers in both democracies and dictatorships.

The future of democracy depends on the resistance of three great walls – Russia, China and Saudi Arabia – that will be difficult to sustain without further and deeper reforms, and on the processes of change in the Arab world and sub-Saharan Africa.

¹⁷ Ibid, p. 7.

¹⁸ RICE, Condoleezza, 'Campaign 2000: Promoting the national interest', *Foreign Affairs*, January–February 2000. <http://www.foreignaffairs.com/articles/55630/condoleezza-rice/campaign-2000-promoting-the-national-interest>.

Upheaval and generational change – owing both to their origin and, probably, their duration – in the 16 Arab states of the Middle East and North Africa have been seriously complicated by the excesses of Islamic movements, the military reaction, repression and the terrorist response in Egypt, the wars in Syria and Iraq, which are increasingly interconnected, the lawlessness of Libya and tensions in Tunisia. Even so, economic progress, civil empowerment, technological changes and the fast spread of information lead Diamond to regard the current standstill in the democratic wave as a temporary pause more than a change of direction.

Despite the gloomy outlook, the most optimistic are confident of a positive surprise in the Middle East owing to the determination of Secretary of State John Kerry to promote an agreement between Israelis and Palestinians, and to the little time Obama has left to go down in History with a capital H for sealing an important foreign-policy deal. A lasting agreement with Iran and mutual recognition between Israel and the Islamic Conference (to which Iran and Turkey belong) would facilitate diplomatic progress in Syria and in many other regional conflicts currently blazing.

G. John Ikenberry, a lecturer at Princeton and Oxford, recalls the geopolitical and human disasters of the past century – the two world wars, the collapse of the old empires, fascism, totalitarianism, genocides, nuclear weapons, the existential terror of the Cold War and the 200 million victims of violence and deprivation – and recognises the extraordinary merit of having re-established world governance since the middle of the twentieth century, asking what it teaches us for the next one hundred years.

He explains that US-led global governance is changing and that the hegemonic basis of this governance is becoming increasingly complicated. It is not that the liberal order has failed – quite the opposite. The US brand of liberal internationalism has enjoyed such success that it has spurred the emergence of non-western developing countries and has facilitated new and complex forms of economic and military interdependence. The old order has been superseded.¹⁹

It is impossible to know what the world organisation will be like in 2114 or if it will have to overcome tests as destructive as or more so than those of the past century. What Ikenberry has no doubt about is that without a firm commitment towards opening up – to trade, to ideas and to people – and the multilateral institutions and rules that any government system needs to protect citizens, it will be more difficult to maintain stability and peace.

Fortunately, he concludes, what is being debated today is not opening up and multilateral cooperation, but the system of authority. He asks who

¹⁹ *Ibid.*, p.18.

decides, who sits at the table, and how we can solve conflicts between sovereignty and the responsibility to protect the population.²⁰

In the opinion of the director of the Cambridge Center for Rising Powers, Amirta Narlikar, one difficulty of rebalancing decision-making in the major multilateral organisations is that none of the aspirants to shared leadership provides a clear alternative. Another is the rift between some emerging powers and others and the deep divides within each one on the priorities, principles and limits that should govern the global system.

The agreement *in extremis* reached in Bali in December at the ministerial conference of the WTO following twelve years of failure to reduce bureaucratic trade barriers, import duties and farming subsidies is, in Narlikar's opinion, proof that progress can be made with patience and competent mediation such as that of the Brazilian Robert Acebedo, the organisation's director general.

She concludes that the first step towards building a balanced and coherent international order is to recognise the differences between emerging and established powers and points out that global institutions need to adopt transparency mechanisms that help share the burden that each one can take on or at least bear. The first of the mechanisms that Narlikar defends is to make the progressive reform of the institutions conditional on the new powers' growing responsibility in them: R4R or reform for responsibility.²¹

Bruce Russett, a lecturer at Yale – based on research by Goldstein²² and Pinker²³ on the past century's wars – certifies something that is well known: the reduction in the number of casualties and wars, despite all the ups and downs.

Returning to the three factors of Kant's *Perpetual Peace* (1795) – representative constitutions, universal hospitality and a federation of free states – he attributes this decrease in the violence of war to the spread of political democracy, economic liberalisation and interdependence, and global cooperation. If these trends are strengthened, he states, the risk of widespread confrontation will decrease. If not, it will increase.

Terrorism expert Marta Crenshaw recalls that the spark that ignited the great bonfire in 1914 was precisely a terrorist attack. She notes in connection with trends in terrorism since then its growth in parallel to that of non-state actors, changes in its nature, lethality and media impact, the increasing fear of terrorism using weapons of mass destruction and states' diverse responses to this threat.

²⁰ Ibid.

²¹ Ibid., p. 35.

²² GOLDSTEIN, Joshua, *Winning the war on war...*, Plume, Penguin Group, London, 2011.

²³ PINKER, Steven, *The Better Angels of our Nature: Why Violence has declined*.

The use by Assad's Syrian regime (so far unpunished) of chemical weapons against its own people in 2013 could spark imitation or reprisals, she warns. And the combination of volatility and nuclear weapons in Pakistan is potentially destabilising.²⁴

A military response is always an option, sometimes essential, but after examining the perpetrators and circumstances of the main attacks of the last century, Crenshaw reckons that it is imperative to address the ideas that inspire and justify terrorism and to bear in mind the political, social and economic conditions under which terrorism grows and spreads.

Crenshaw's reference to Pakistan is used by Professor Scott Sagan of Stanford to warn that even if John F. Kennedy's most pessimistic forecasts of 1963 on nuclear proliferation have not come true ('between 15 and 25 countries with nuclear weapons by the mid-seventies') or those of Albert Wohlstetter in 1975 on the 'nuclear armed crowd', mass proliferation has so far been avoided owing to political decisions that we should not forget.

These decisions have chiefly been the non-use of nuclear weapons by the major powers since 1945, the network of agreements on arms control and systems for verifying them since the sixties and the replacement of the strategy of mass response and first strike with a flexible response, giving priority to deterrent capability.

Will the nuclear future resemble the current scene and that of the past half-century?, he wonders. He replies that it will depend on how the processes of uranium enrichment or reprocessing are controlled, on which actors gain nuclear technology and on the major powers' ability to maintain and strengthen the non-proliferation regime based on the NPT of the seventies, which was renewed without time limits on its twenty-fifth anniversary in 1995.

If the conflict with Iran is settled peacefully through a negotiated agreement that sets strict limits on Tehran's enrichment capacity, the risk of proliferation in the Middle East will be reduced, he states. If Iran obtains nuclear weapons, this will considerably increase the danger of its regional rivals – Saudi Arabia and Egypt – also acquiring them.²⁵

Based on these lessons, at the end of 2013 French expert in international affairs Dominique Moisi referred to Vladimir Putin's handling of the Ukrainian crisis and Xi Jinping's in the China Sea as worrying examples of leaders who have not learned the lessons of history. Both conflicts remain open, but the balance of Europe and Asia in the coming years may depend on their progression and solution.

'In Ukraine Russia has to choose the kind of relationship it wishes to settle with Europe', Moisi adds. 'If Kiev winds up back in the lap of Moscow,

²⁴ CRENSHAW, Martha, *ibid.*, p. 42.

²⁵ SAGAN, Scott, *ibid.* p. 25.

Russia will almost automatically and mechanically risk repeating what France from 1643 to 1815 and Germany from 1870 to 1945 represented: the «European problem.»'

'Ukraine, with its 45 million inhabitants and a territory as large as France, is indeed the key that holds Europe in the balance. We cannot divide it, as it happened three times to Poland in the late 18th century: the western region joining Poland, the eastern region being annexed to Russia. Still, the Ukrainians are facing a «civilization choice» between the democratic European Union and the autocratic Russia, which portends major geopolitical implications for the future of the European continent.'²⁶

In the maritime and air spaces of the China Sea Beijing likewise seemed to be losing its sense of proportion at the end of 2013, acting with a haste and impatience that can endanger its own interests and those of the rest of international society.

Nobody questions the former Middle Kingdom's status of regional power with global interests any more but, as Moisi warns, 'showing off quite openly - not to say brutally - its regional hegemonic ambitions, China manages to unite against itself such disparate nations as Vietnam, the Philippines and Indonesia. These countries more than ever are looking to keep the United States as the greatest power in Asia, going beyond their historical disputes with Japan. They seem to be more tolerant of the perennial discrepancies with Tokyo than to the deterrent effects of Beijing.'²⁷

For the first time since the People's Republic of China was founded, the Peripheral Diplomacy Work Conference, with the participation of the seven members of the standing committee of the Politburo of the Central Committee of the CP and headed by President Xi Jinping, met in Beijing for the first time in October 2013. As may be inferred from the statements made by academics involved in the debate, this is reason for optimism.

Xi and his chief advisors seem very clear about the need to avoid open confrontation with the United States and to remain on good terms with neighbours in order to consolidate the country's position as a major regional power in the coming 10–15 years. To this end, the Chinese president stressed the priority of diplomacy and friendly relations with neighbours to ensure, in the best Bismarckian sense, that they feel secure and can prosper with the help, or in the shadow, of the new China as well as or better than they have done under the protective umbrella of the United States.²⁸

²⁶ MOISI, Dominique, 'Why Putin and Xi must be more like Bismarck', Real Clear World, 30-12-2013.

²⁷ Ibid.

²⁸ 'Diplomacy to focus on neighborhood', China Daily Europe, 2 January 2014, <http://xurl.es/chr0k>. See also the doctoral thesis by DELAGE CARRETERO, Fernando. La Repú-

Strategic Panorama 2014

A quarter-century after the fall of the Berlin Wall, global ideologies appear to have been superseded, but the two abovementioned wars, which are extensively analysed by Andrés Ortega in his chapter of this year's *Strategic Panorama*, provide many examples of the return to national interests and internal dynamics as driving forces of the external action of states, which often pay no heed, or turn a blind eye, to others' interests and perceptions.

The *Strategic Panorama* is an annual contribution to the ongoing efforts of the Instituto Español de Estudios Estratégicos (IEEE) to gain a better understanding of the most recent past and to help anticipate as best as possible the immediate future and its effects on Spain in the narrow twelve-month time period we have to understand such fast-occurring and deep international changes.

Following the guidelines of General Miguel Ángel Ballesteros, director of the IEEE, for the 2014 edition we have chosen – in accordance with the centre's priorities and lines of research and Spain's main defence interests – five themes: the internal and external dynamics at work in today's changing world; the breakdown of the regional system of the Middle East; the democratisation, regional integration and globalisation of Latin America; the old and new challenges faced by Africa; and the death rattle of the most serious economic and financial crisis the West has suffered in 70 years.

This year the IEEE is honoured to have the contributions of internationalist Andrés Ortega Klein, diplomats Juan Pablo de Laiglesia and Antonio Sánchez-Benedito, Colonel Mario Laborie, an analyst at the institute, and Manuel J. Díaz Corral, director of the Escuela de Hacienda Pública at the Madrid Instituto de Estudios Fiscales.

US-China-Europe

To analyse the imaginary strategic triangle formed by the United States, Europe and China, Ortega stresses that geoeconomics continues to prevail over geopolitics and underlines the decisive influence of internal dynamics on external dynamics, the end of the interventionist model of the early years of the century, the return of diplomacy and the UN to solve some of the most deeply rooted conflicts, the slowdown of the convergence of the emerging economies, Russia's comeback in its near abroad and in the Middle East, the United States' reluctance to act as leader, the gap between Europe and the United States when starting to negotiate an ambitious bilateral treaty, a stronger leadership in China, and a Europe that is beginning to emerge from the crisis.

blica Popular de China y la reconfiguración del orden asiático..., defended at the Faculty of Political Sciences of the UCM in December 2014.

'This leads to the consideration of a world without clear leadership, although the United States continues to be the predominant power', he concludes. 'There are three essential poles [...] – a triad that is still finding its feet and is furthermore challenged by what Parag Khanna called the «second world», consisting of states from the rest, which are increasingly active.'

Under the aforementioned headings he surveys the most important events of the past year, carefully documenting and analysing practically all the most recent information on the international agenda on tensions in the Arab world, the progress and setbacks of the EU, Obama's new priorities for a United States that is increasingly close to self-sufficiency in energy and the last steps in the military, economic and diplomatic rise of China following the renewal of its leadership.

- Together, China and the United States already account for 32% of world GDP and 48.5% of military expenditure. They both seek each other out and tend to pull away, as they know they will be major competitors or rivals.
- China would not feel comfortable in a G-2 with a superpower like the United States, but some time ago it ceased to see the EU as a partner with which to counteract US hegemony.
- NATO has lost its central position; it has been outgrown and is no longer the place where the West discusses geopolitics but a toolkit for possible interventions.
- The TTIP is a manner of adapting transatlantic relations to twenty-first-century needs for a West that needs to reinvent itself. The first negotiating sessions have underlined the difficulties, but also the wish to reach an agreement.

Who manages the world today?, Ortega asks. 'Politically speaking, in 2013 the world continued to be ungoverned, but no less dangerous for that reason', he replies. The G-20 became divided, the G-8 is limited as it does not include China and a G-2 is not in the interests of either of the two powers that could supposedly be part of it.

The world has become partly multipolar but less multilateral – it might be described as 'plurilateral', Ortega concludes, referring to Moisés Naim's concept of 'minilateralism'.

The Middle East

Unless progress is made in 2014 towards an agreement with Iran and the violence and flow of refugees in Syria is stemmed, it will be very difficult to maintain the increasingly fragile stability of Lebanon and prevent another widespread war in Iraq and the destabilisation of Jordan.

Taking as a basis the Arab upheaval, which almost from the outset has faded into very unequal transformation processes, Mario Laborie divides his

report into three parts: regional trends that have given rise to the changes of the past three years; the nascent regional order still surrounded by great uncertainty; and the most likely short- and medium-term future.

After surveying the regional trends based on the four change factors used in the latest Global Trends 2030 report – individual empowerment, diffusion of power, demographic patterns and the food, water, energy nexus – he shows how the different processes have ‘led without exception to the weakening of the Arab states and, accordingly, to the worsening of security conditions’.

‘As usual, the loss of the state’s legitimate monopoly on the use of violence is being taken advantage of by other players to benefit their particular interests. At the same time the ties that bind the different social groups through the state are breaking down and there is a return to pre-state political organisations – tribes, clans or families – that are vying with each other for power and economic resources.’

Like Henry Kissinger – ‘you can’t make war in the Middle East without Egypt and you can’t make peace without Syria’ – Laborie predicts that ‘the region will be plunged into instability until these two countries re-establish the lost political balance’ and the future of Iran’s nuclear programme is clarified.

The Syrian war, which according to the UN Secretary General, as the author points out, is much more than a civil war, is continuing to drag the whole region towards chaos. It seems that the Geneva 2 Conference, whether or not it is held, will be unable to change the brutal reality of a conflict dominated by sectarian divides, decreasing western influence, Assad’s stronger position after agreeing to destruction of his chemical arsenal to prevent US intervention, the fragmentation and radicalisation of the opposition, the risk of the country being torn apart and the difficulty of maintaining the borders imposed by the major European powers nearly a century ago.

Laborie states of the provisional deal reached with Iran in November that ‘Iran’s return to the international community for the first time since the fall of Shah Reza Pahlavi in 1979 is affording legitimacy to the regime of the ayatollahs and reducing their isolation; this is favourable to the cause of the Shia crescent as a whole’. What about the possibilities of a final agreement? ‘Although both Iran and the United States are interested in improving their relations, it is highly unlikely that all the prejudices and enmity accumulated over 37 years will vanish into thin air in a matter of six months’.

Recognising the central role played by Islam in the region’s present and future, he regards the overthrow of Mohamed Morsi as a clear questioning of political Islam’s rise to power during the previous two years and of the region’s continued deep divides over the place of religion in politics, the economy, education and citizens’ daily life.

‘The lessons to be learned from the case of Egypt could determine the future of the Islamist movements as a whole’, he concludes. ‘Whereas

the overthrow of Morsi has made some cautious of implementing their agendas too quickly, others have become more radical.'

Latin America

With presidential elections in seven countries (among them Brazil, Colombia and Uruguay), a football World Cup conducive to new social protests, major territorial disputes pending settlement by international courts and an Argentinian pope who will continue to be a talisman in favour of equality, 2014 does not look set to be boring.

The future of Latin America, in the opinion of Ambassador Juan Pablo de Laiglesia, should be in the context of a global economy characterised in 2014 by the slow but progressive recovery of the US, Japanese and European economies; a slowdown of the economies of the emerging countries; a fall in commodity prices; and the tightening of US monetary policy.

Although this context can be expected to affect each country differently, he adds, ECLAC identifies five major common challenges: keeping inflation in check, ensuring sustained growth, preventing unemployment from soaring, maintaining income levels, and reducing inequality.

The ambassador writes that 'of all these challenges, the biggest [...] is undoubtedly the impact of the slowdown on the area's 'middle classes' which have increased considerably following a decade of growth accompanied by significant reductions in poverty and progress in indicators of inequality'.

Surveying the latest data gathered by the Latinobarómetro and the election results in six Latin American countries from mid-2012 to the end of 2013, De Laiglesia recognises 'the consolidation of democracy in Latin America', but warns that 'the region therefore faces a series crisis of representation which can trigger protests and mobilisations', such as those of the past year in Chile and Brazil, where expectations are failing to be met and inequity is perceived in the distribution of the benefits of development.

'They include or entail the demand for new channels for allowing civil society to participate in political decisions', he writes. 'They are both a consequence and an expression of the lack of synchrony between economic and political progress [...], the growing distance between the political classes and citizens [...] - all in all, the mobilisations stem from democracy and growth, as summed up aptly by the president of Brazil'.

Despite recognising the deep roots of Colombia's armed conflict, he hails the negotiations begun in 2013 between the FARC and the government as 'by far the most important [event] of furthest-reaching significance' in the region. And he adds that 'after a year of talks there are plenty of grounds for optimism'.

The author predicts that 'in the immediate future Cuba's attention will be centred on internal reforms and that it will likewise continue its pragmatic, constructive and low-profile foreign policy'.

As for regional integration, he notes that the process has been at a standstill in recent years owing to diversification, disagreement and re-assertion of national identity, the lack of strong leaders following Hugo Chávez's death, and the ambiguity of the goals pursued. As the main novelty he stresses the Pacific Alliance, which 'has shown great vitality' in 'its short three-year existence'.

The author attributes this success to the fact that it has rescued the central role of the economy in the integration processes, breaking away from the predominantly political approach.

Africa

Afro-optimism, a general increase in GDP, life expectancy and per capita income, progress and regression in democracy, a high degree of penetration of mobile telecommunications, greater stability, a better political and security climate, a decrease in armed conflict, and for the first time more foreign investment than development assistance point to a promising future and huge potential.

These are some of Africa's 'lights', with which Antonio Sánchez-Benedito Gaspar begins his survey of the continent. As for the 'shadows', he stresses the high degree of unrest and high levels of poverty that remain in many countries of the continent, the rise of terrorism, food insecurity, uncontrolled migration, vulnerability to climate change, humanitarian crises and emergencies, institutional weakness, excessive dependency on natural resources and a demographic growth much higher than the economic capacity to create jobs.

Taking as a basis this chiaroscuro picture, Sánchez-Benedito analyses the continent's growing importance for global security, the energy sector and the fight against terrorism, China's huge presence since the mid-nineties and the appeal the eastern model of development holds for many African leaders.

'In the new race for Africa, Europe, unless it updates and reinforces the foundations of its relationship with Africa, can progressively lose its presence and influence', he writes.

To make up for lost time, he advocates concentrating talks on a small number of strategic issues, permanently abandoning the donor-receptor paradigm, a free-trade area within three to four years, active defence of triangular cooperation with the UN and African organisations, and a new funding instrument.

He goes on to state that Africa and Europe will continue to need each other owing to:

- their geographic proximity,
- their many shared interests, threats and challenges,
- their cultural and linguistic closeness,
- the colonial legacy,
- their energy dependence,
- their joint responsibility in managing migration, and
- the complementarity of an ageing Europe with capital and know-how and a continent with a huge amount of unskilled labour and an economy in need of investment and technology.

After assessing in detail the efforts made by Spain, spurred by migratory pressure, to make up for wasted time in its relations with Africa centred above all on security and cooperation, the author takes a look at the main current conflicts, the difficulty of responding to them with exclusively or mainly African means and the provisional results of the latest French interventions that take advantage of or attempt to fill the gap that the United States has not quite occupied.

Obama's 'African policy has not lived up to the high expectations created in a continent that in 2008 celebrated as its own the victory and the rise to the White House of the first president of African descent', he points out.

Sánchez-Benedito ends his report with an update on the conflicts in the Sahel, the Gulf of Guinea, the Great Lakes region, the Central African Republic, South Sudan and Somalia and a few proposals for overcoming the most serious threats:

- diversification and promotion of local production with higher added value,
- fostering intra-African trade, which still accounts for just 12% of the total for the continent,
- encouraging regional integration,
- an agrarian revolution, a green agricultural and livestock revolution,
- a more even distribution of wealth,
- more and better paid jobs,
- tax systems to be able to maintain minimum basic services, and
- the consolidation of a growing middle class.

The beginning of the end of the crisis and fiscal globalisation

The economic and financial crisis cited in recent years as the main threat to security, even more than the most entrenched regional conflicts and terrorism, has been relegated to a secondary position in 2014.

In its Annual Forecast 2014, published on 6 January, STRATFOR (Global Intelligence) devotes only four paragraphs to this issue, referring above all to Europe. 'Europe will be able to muddle through another year of stagnant economic growth and high unemployment, but the political and social pressures developing on the Continent will hobble the very structural reforms needed to manage the crisis in the long run', it points out.²⁹

After recognising that the situation has improved in Europe, in his analysis of 1 January for *The New York Times*, Nobel Prize winner Paul Krugman asked whether the euro crisis is really over. 'No', he replied, 'it's not over until the debt dynamics sing, or perhaps until the debt dynamics sing a duet with internal devaluation.'

We have not yet reached this point, he added, 'but as a europessimist, I do have to admit that it's now possible to see how this could work. The cost – economic, human, and political – will be huge. And the whole thing could still break down. But the ECB's willingness to step up and do its job has given Europe some breathing room'.³⁰

In his economic report in this year's *Strategic Panorama*, Manuel J. Díaz Corral notes the beginning of the recovery of the western countries that were hardest hit by the crisis, starting with Spain, and in the rest of the world; short- and medium-term forecasts; and the shift in the global productive model that witnessed the brewing of the crisis.

'If we had to stress a salient feature of the financial markets during the past months, it would no doubt be the monetary decisions made by the leading central banks with the main goal of maintaining the expansive nature of monetary policy', he writes. The forecasts 'for 2014 and 2015 point to a scenario where recovery will gradually become consolidated as domestic demand grows stronger'.

However, he makes it very clear that 'the expected recovery is apparently fragile and subject to risks, as it is conditioned by the high levels of public and private borrowing, the need for fiscal consolidation and financing conditions that are considerably stricter for the homes and companies of the countries of the area with greatest difficulties'.

He goes on to give an exhaustive account, drawing extensively on legislation and theory, of the fiscal policies of the main OECD countries, the impact of the crisis on multinationals' tax contributions to states, the factors that are eroding their tax bases and how governments and organisations such as the EU are responding. Without explicitly stating it, he touches a sore point – the dangerous erosion of one of the fundamentals of the welfare state.

²⁹ 2014AnnualForecast,STRATFOR,<http://www.stratfor.com/forecast/annual-forecast-2014>.

³⁰ 'The state of the euro in one graph', *The New York Times*, 1 January 2014 <http://krugman.blogs.nytimes.com/2014/01/01/the-state-of-the-euro-in-one-graph/>.

He ends his chapter by examining the fiscal map of Ireland, the Netherlands, Belgium, Luxembourg, Switzerland, Panama and Gibraltar in order to show, through a highly interesting comparative analysis, that we are still a long way from the G-20's commitment, from its first summits after the crisis, to putting an end to tax havens and clearing the undergrowth from the global financial system that made possible the most serious crisis of capitalism since 1929.

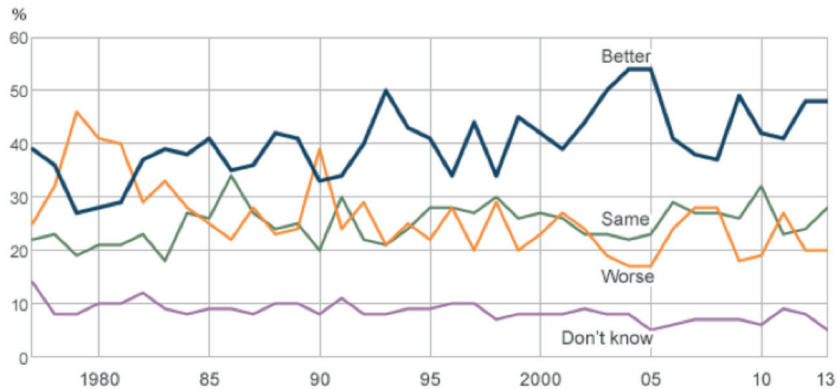
After listing the major reforms Gibraltar has been forced to make, Díaz Corral writes: 'The eradication of tax evasion and fraud will continue to be questioned as long as Gibraltar's current tax system remains. Despite the appearance of its legislation and its authorities' efforts to show the contrary, the reality precisely proves that there is still a long way to go before it is brought into line with the situation of the Member States' of the EU. More seriously in the opinion of the Spanish authorities, the Gibraltarian authorities are unwilling to do so for fear of losing their appeal – basically economic well-being underpinned by serious harm to others, which in the case of Spain could mean annual tax losses of nearly one billion euros.'

Threats and risks

According to WIN/Gallup's 37th End of Year Survey, for which some 68,000 people from 65 countries were interviewed at the end of 2013, the worst of the economic crisis, cited by those in charge of US security as the main threat in recent years, seems to be over (graph 1).

Is the world getting better?

Q: Do you think that next year will be better, worse or the same as this year?



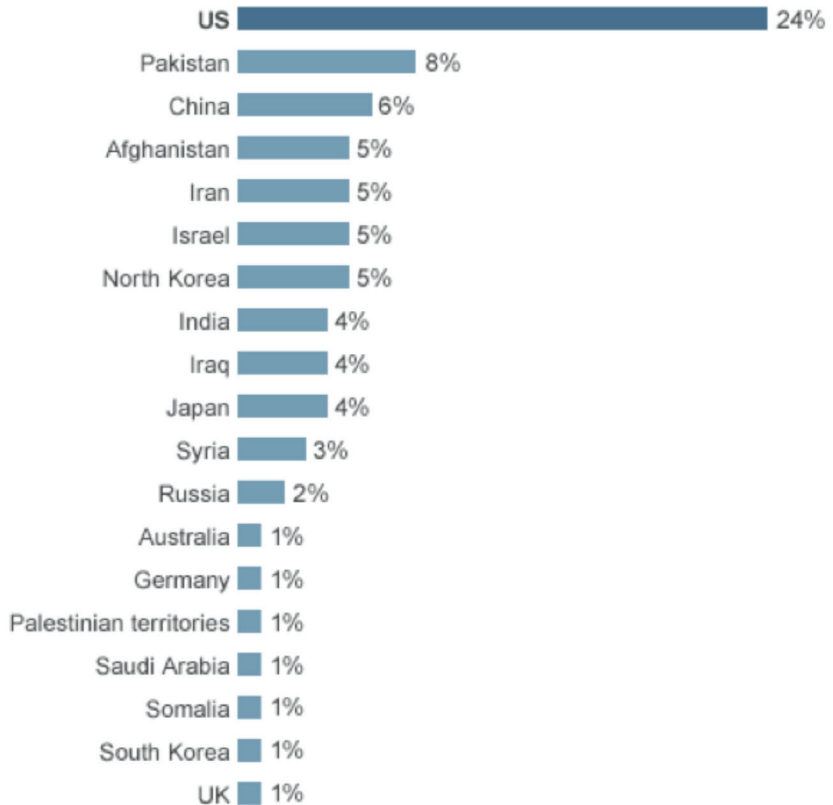
Source: WIN/Gallup International

Graph 1

Nearly 50% were more optimistic than a year ago. Many readers might be surprised that the United States was viewed, by far, as the main threat to world peace, followed by Pakistan and China (graph 2).³¹

Which country is the biggest threat?

Q: Which country do you think is the greatest threat to peace in the world today?



Source: WIN/Gallup International

Graph 2

'More bad, but not entirely surprising, news for the US', stated Paul Adams on the BBC. 'The world's sometimes eager, sometimes reluctant policeman is the subject of widespread animosity. Predictable in some areas (the Middle East and North Africa) but less so in others. Eastern Europe's

³¹ 37TH End of Year Survey 2013, WIN/Gallup International, http://www.wingia.com/en/survey/end_of_year_survey/.

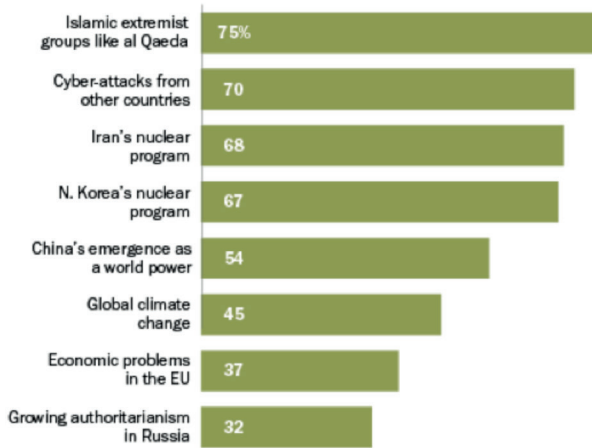
32% figure may be heavily influenced by Russia and Ukraine, but across most of Western Europe there are also lots of figures in the high teens.³²

No doubt more relevant to the immediate future is the fact that, according to Pew Research's latest polls on the United States' position in the world, most US citizens want their leaders to concentrate on home, are not very concerned by long-term economic and environmental difficulties and that, thirteen years on, they continue to be conditioned by 9/11 and the subsequent terrorist attacks.³³

According to a survey conducted between 30 October and 6 November – before the agreement in principle reached with Iran – 3 out of every 4 US citizens regarded Islamic groups such as al-Qaeda as the main threat to the United States, followed by cyber-attacks, the nuclear programmes of Iran and North Korea, the resurgence of China as a world power, global climate change, the EU's economic problems and Russia's growing authoritarianism (graph 3)

Security Threats Top Americans' Global Concerns

Percent saying each is a major threat to the U.S.



Source: America's Place in the World 2013

PEW RESEARCH CENTER

Graph 3

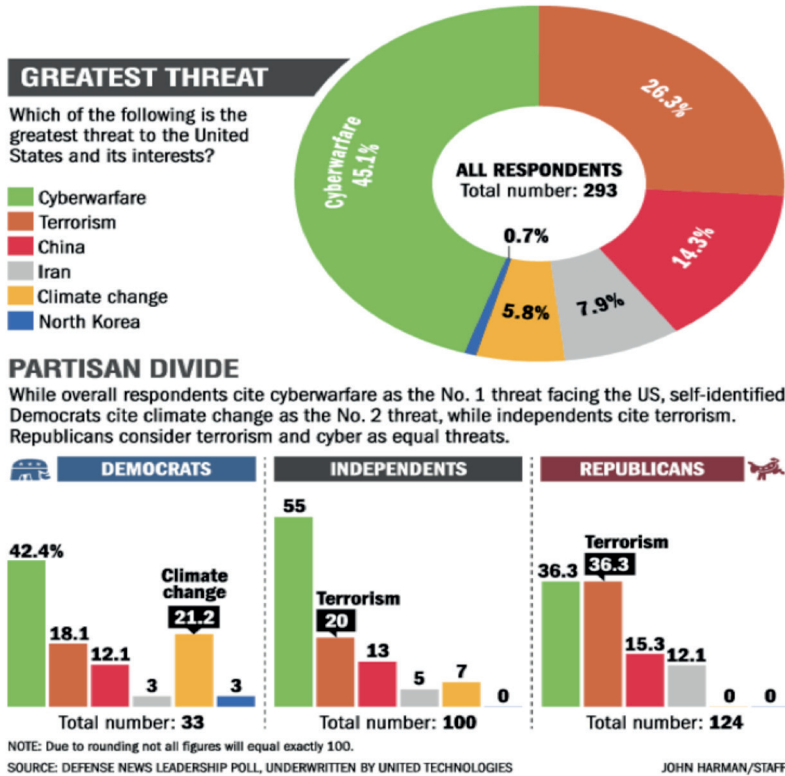
³² ADAMS, Paul, 'The world's getting slowly more cheerful', BBC News, 30 December 2013. <http://www.bbc.co.uk/news/world-25496299>.

³³ STOKES, Bruce, 'Extremists, cyber-attacks top America's security threat list', Pew Research Center, 2 January 2014. <http://xurl.es/a0wdn>.

At the end of 2013 the US magazine *Defense News* asked the security chiefs of the administration, Congress and the defence industry about the main current threats.³⁴

Nearly half (45.1%) of those polled cited cyber warfare, however ambiguous the concept is, as the most serious threat to the United States. The Republicans chose terrorism in second place, while the Democrats quoted climate change as the second option.

Iran was named as the being the main threat in the Middle East by 54.8% of respondents and China as the main threat in Asia by 47.6% (graph 4).



Graph 4

Inaptly asked about the ‘black swans’ to look out for in 2014 (a ‘black swan’ by definition means something unknown), James. J. Carafano, vice-president for defence and foreign policy studies at the Heritage Foundation, mentioned at the end of December negotiations with Iran, withdrawal

³⁴ FRYER-BIGGS, Zachary, Defense News Leadership Poll, 5 January 2014: <http://xurl.es/7j4ai>.

from Afghanistan, the risk of irrational behaviour by North Korea, the territorial claims of China, Japan, South Korea and other neighbours, the string of wars and conflicts in the Arab World, and the resurrection of al-Qaeda.³⁵

With scant faith in the ability and, above all, willingness of a West in withdrawal and/or decline following the wars and the economic crisis of the past decade, he underlined:

- the risk of an Iran with a nuclear capacity and without sanctions,
- the danger of a strong comeback of the Taliban and of new 'felled hawks' in Afghanistan following the withdrawal of all (if there is no agreement) or nearly all (if there is an agreement) the foreign NATO forces,
- the possibility of a military escalation or even worse surprises unless the sovereignty disputes over the islands of the South China Sea are steered through diplomatic channels,
- further nuclear tests, missile launches and/or military/terrorist provocations by the Korean regime,
- regionalisation of the Syrian war, which is already one of the most serious humanitarian tragedies,
- progressive destabilisation of Egypt despite the constitutional referendum and the new presidential elections,
- growing danger of new attacks by al-Qaeda or solitary followers in Europe and the United States as a result of the hundreds or thousands of western Muslims who have gained experience in the violent jihad of Syria and Iraq, a country which had not witnessed so many civilian deaths since 2008.

For the fifth year running the Center for Preventive Action of the Council on Foreign Relations (CFR) in New York asked more than a thousand experts on international politics to list in hierarchical order the 30 most serious sources of conflict, either real or potential, in accordance with two variables: the likelihood of their breaking out or worsening in 2014 and the damage they could do to US interests. With the results, as every year, CFR's team devised three tiers of contingencies to help US leaders provide a better response not only to immediate or urgent threats, but above all to those with the greatest security implications.³⁶

Having analysed their replies, Paul B. Stares, who was in charge of the project, underlined five priorities inherited from 2013 and five new ones,

³⁵ CARAFANO, James J, 'Black swans' to watch out for in 2014', Washington Examiner, 29 December 2013, <http://washingtonexaminer.com/black-swans-to-watch-out-for-in-2014/article/2541310>.

³⁶ Preventive Priorities Survey 2014, Center for Preventive Action, <http://www.cfr.org/conflict-prevention/preventive-priorities-survey-2013/p29673>.

all with a high or moderate impact and/or likelihood (tier I). The inherited priorities are:

- intensification of the civil war in Syria
- increased violence in Afghanistan
- the ongoing trial of strength with Iran over its nuclear programme
- the increasingly present risk of new terrorist attacks equally or more destructive than 9/11 and
- the danger of serious cyber-attacks against basic infrastructure

Notable among the new challenges or threats which, although dating from far back, were not included last year, are:

- deterioration of the situation in Yemen, owing largely to al-Qaeda's increased activity in the country
- spread of the war from Syria to Jordan
- new provocations of North Korea
- widespread war in Iraq between Sunni and Shia
- increased violence and instability in Pakistan

Tier II – contingencies whose impact and likelihood are moderate – includes:

- worsening of the situation in Egypt owing to domestic violence, especially on the Sinai peninsula,
- increased sectarian and political violence in Libya as a collateral effect of the war in Syria
- continuation of the conflict in Somalia and intensification of terrorist attacks by al-Shabaab
- greater political and military instability in Libya
- worsening of violence linked to drug trafficking in Mexico
- a serious confrontation between India and Pakistan caused by new terrorist attacks or clashes in Kashmir

In the same category, two are listed with very a serious impact or effects but unlikely to occur:

- armed clash between China and Japan in the South China Sea over the Senkaku/Diaoyu islands.
- armed clash between China and one or more neighbours who vie for sovereignty of the maritime and air spaces of the South China Sea.

Contingencies with low impact and likelihood in the same tier II are:

- increased sectarian violence and political instability in Nigeria
- an escalation of violence, with a risk of 'mass atrocities' or genocide in the Central African Republic, despite international intervention

Tier III, referring to contingencies with a low impact and likelihood, includes the rest: new border incidents between China and India, Mali, Sudan, Kurdistan, the Democratic Republic of the Congo, the intensification of sectarian violence between Buddhists and Rohingya Muslims in the Burmese state of Rakhine, sectarian violence in Bangladesh coinciding with the general elections, worsening of the political crisis in Venezuela and reactivation of the Nagorno-Karabakh conflict.

Of all the above-mentioned contingencies, Tom Wales, director of analysis at Oxford Analytica, regards a possible agreement between P5+1 and Iran as the most decisive or structural:

According to Wales, were it achieved, it could lead to a whole host of potential changes in the economic and strategic system of the Middle East, which has been so unstable for many years. There are many obstacles standing in the way of this goal, but if they are overcome, the normalisation process would begin between the United States and Iran, even though it would take years to be completed. But many years earlier it would trigger a seismic strategic movement with effects on the security of the Gulf, on the energy markets, on the civil war in Syria, on the tensions in Lebanon and on the Arab-Israeli conflict.³⁷

In Wales's opinion, contingencies that are less obvious but highly important are the measures begun in 2013 by the Chinese government to reform the national economy by giving priority to domestic consumption over investment and exports. If it succeeds, China would be able to cope with lower growth with a more solid economy than the present one and could become consolidated as the great global economy, he states. Otherwise, it will become increasingly volatile in the coming years.

Although nearly all prospective analyses for 2014 consider the economic and financial crisis of the past five years to be over, local and/or regional reactivations or manifestations of varying seriousness cannot be ruled out in the coming months. The increased cost of money owing to the shift in the Federal Reserve's monetary policy will force the central banks to follow its example to reduce capital flight and will cause serious distortions, particularly in developing countries.

'Good news about global growth risks pushing interest rates up and politicians' appetite for reform down', warned *The Economist* weekly in its first edition of the year.³⁸

The staggered end of the bail-outs, the improved growth prospects, the fall in the risk premium and the return of investment cannot lead us to forget, especially in Europe, the high unemployment rates especially

³⁷ 'Hinge Events in 2014', Oxford Analytica, <http://www.oxan.com/analysis/video/default.aspx?cid=1166604>.

³⁸ 'Why optimism may be bad news', *The Economist*, 4 January 2014, p. 8.

among young people the unacceptable levels of debt (public and private) and the slow pace of reforms (banking, fiscal and economic) necessary to prevent similar or worse relapses.

The challenge Europe faces lies in returning to sufficient growth (the rate forecast by the EU and the IMF is not) to substantially reduce unemployment and recover citizens' lost confidence in the institutions and their leaders. It does not seem possible to achieve this before the May European elections, hence the grounded fear that the position of most anti-European groups, parties or movements will be strengthened.

Strategic outlook for today's world: internal dynamics, external dynamics

Andrés Ortega

Chapter one

Abstract

Foreign policy begins at home. In a considerable number of events that took place in 2013, domestic dynamics have driven foreign dynamics. Significant diplomatic progress has been achieved, both in relation to Syria, Iran and Russia's comeback, and the reluctance of the United States to lead from the front. Europe has become stabilised but continues to lack sufficient weight in foreign policy. And China is gaining a foothold. A triad is emerging consisting of the United States, Europe and China, but it is insufficient to manage a world in which the so called Second World and greater regionalisation are gaining ground; a world in which plurilateral stances prevail over strictly multilateral ones, and in which the number of significant players has increased.

Keywords

Multilateralism, plurilateralism, minilateralism, diplomacy, regionalism, United States, China, Europe, European Union, Russia, foreign policy, domestic policy, Putin, Obama Xi Jinping, Syria, Iran, Mali, TTIP, TPP.

Introduction

2013 began with an armed intervention by France in Mali and ended up being dominated by diplomacy in Syria and with Iran. Over these past months, world politics has continued to be dominated by the economy, with geoeconomics taking priority over geopolitics as a result of the crisis that began in 2007–2008 and of globalisation. But, above all, many changes and processes have been triggered by the domestic policy of several of the actors. Domestic policy has marked the foreign policies of the main countries involved. This is as old as political history, since Nebuchadnezzar. Tip O'Neill, former speaker of the US House of Representatives, made famous the statement that 'all politics is local'. Foreign policy too. But there are periods in history in which internal dynamics prevail, and others in which it is external dynamics. In this case internal dynamics have given rise to a good many extremely important external dynamics. We thus have the characteristics of a period marked by the start of the end of the recession for the developed world.

Together with this renewed importance of domestic policy in foreign policy, the main factors that have dominated world politics are the following: the end of a certain interventionism, the return to diplomacy and the resurgence of the United Nations; the slowing-down of the convergence of the emerging economies; the renewed weight of Russia; the reluctance of the United States to act as frontline leader; the political differences between Europe and the United States when they are beginning to negotiate an ambitious bilateral treaty; the arrival of a stronger leadership in China; and a Europe that is beginning to come out of the recession, but is only half present.

This leads to the consideration of a world without clear leadership, although the United States continues to be the predominant power. There are three essential poles – the United States, China and the European Union – a triad that is still finding its feet and is furthermore challenged by what Parag Khanna called the 'second world',¹ consisting of states from the rest, which are increasingly active.

The predominance of domestic policy

Since time immemorial foreign policy has always begun at home. This is nothing new. But in the second part of the year certain triggers have marked this trend, which could become a proto-phenomenon: how domestic changes, in both developed and emerging economies, can affect

¹ KHANNA, Parag, *El Segundo mundo*, Paidós 2008.

an increasingly less predictable world in a non-linear manner.² Although events in the Middle East, where a major change is on the horizon, are analysed in another chapter of this year's *Strategic Panorama*, it may be said that in various societies domestic policy has marked foreign policy, even though other external forces have played a role. This is certainly the case in Egypt with the coup to topple President Morsi. Or in Iran's change of stance following the election of President Hassan Rouhani. Not to mention China, Europe and the United States, where internal dynamics have had a determining influence.

Even in the case of a transnational movement like the Catholic Church, domestic factors prevailed in Pope Benedict XVI's surprising renunciation and his succession by Pope Francis, a much more radical advocate of a return to sources and authenticity, which can in turn have repercussions on national organisations – above all episcopal conferences – in much of the world. The new pope has launched very clear messages on international issues such as his opposition to any attack on Syria or his drawing attention to the tragedies – which he described as 'shameful' – of immigrants who attempted to reach the Italian island of Lampedusa in small boats.

Where internal dynamics caused the most surprise was in the United Kingdom in connection with the possible military operation of the United States and a few partners against al-Assad's regime in Syria over the use of chemical weapons. In August Britain's prime minister, David Cameron, was willing to support and take part in the punishment operation announced by Obama, even without the backing of the UN Security Council. But when he asked for Parliament's endorsement, the latter – in a combination of Labour Party members and a few rebel Conservative and Liberal MPs (285 versus 272) – denied him it, causing confusion. The main reason was the lack of a Security Council resolution (which Russia and China were blocking), but also certain misgivings about Cameron's overall policy. It was the first time in the post-Cold-War era that the faithful British ally let down the US superpower, casting doubts on the United Kingdom's ability to preserve its position as a bridge between Europe and the United States.

The effects did not end with the United States' loss of support under these circumstances. Following this vote, President Obama undertook to seek the backing of the Senate. But he soon discovered that nothing was guaranteed, owing to the resistance not only of part of the Republicans but also of a sector of Democrat senators in a country weary of military adventures in foreign lands like Iraq and Afghanistan. This led him to seek a diplomatic solution that came with an apparent, only apparent, slipup

² ESPAS Report, *Empowering Europe's Future: Governance, Power and Options for the EU in a Changing World*, 31 October 2013, Mimeo.

by Secretary of State John Kerry, when he publicly declared himself willing to suspend the attack on Syria if the regime agreed to destroy its chemical arsenals. Russia took advantage of this open door to launch a diplomatic plan. Days earlier, the Russian president Vladimir Putin had directly interfered in US public opinion through an article in *The New York Times* in which, in order to dampen enthusiasm for an attack on Syria, he criticised the idea of an American 'exceptionalism'.³

In any event, Obama's gesture of seeking permission from Congress for a military operation of this kind may debilitate the future room for manoeuvre of presidential power, - for both him and for his successors were they to continue along these lines. US domestic policy is going to weigh even more heavily on the country's possible military actions.

But the United States' domestic constraints do not end there. The quarrel in autumn between the Republicans, who hold the majority in the House of Representatives, and the White House and Democrat-controlled Senate led in October to partial state *shutdown* that forced Obama to cancel two important trips to Asia, undermining the credibility of his announced 'pivot' towards the area and, as the president himself recognised, the United States' own credibility in the world. China's President Xi Jinping came away from the Asia-Pacific Economic Cooperation summit as seemingly the most influential leader. Even the United States was forced to postpone the second round of negotiations with the Europeans for the Transatlantic Trade and Investment Partnership (TTIP) to the beginning of October. And China criticised the fiscal confrontation in the United States, calling for progress towards a 'de-Americanised world'. China is the biggest foreign investor in US public debt with 1.3 trillion dollars or 60% of the total.⁴

The issue of an intervention in Syria as punishment against the regime for the use of chemical weapons also had deep domestic roots in Germany and France. Owing to domestic resistance and the fatigue of Afghanistan, Angela Merkel's government rejected outright taking part in any punishment operation, even though it later supported the United States' tough negotiating stance. As for France, the intervention in Mali at the beginning of the year secured President François Hollande a badly needed recovery of his popularity among his fellow citizens. This may have been a factor that contributed to drawing France to Obama's side with a view to possible military action against the Syrian regime, even if it was reluctant to put it through the parliamentary filter. And it undoubtedly influenced

³ PUTIN, Vladimir, 'A Plea for Caution by Russia', *The New York Times*, 11.09.2013. http://www.nytimes.com/2013/09/12/opinion/putin-plea-for-caution-from-russia-on-syria.html?ref=vladimirvputin&_r=0.

⁴ *New York Times*, 16.10. 2013, http://www.nytimes.com/2013/10/16/us/politics/china-rails-over-us-fiscal-crisis-seeing-its-own-money-at-risk.html?_r=0.

the harsh position initially adopted by the French government in the negotiations of the P5+1 group (the five permanent members of the Security Council plus Germany) with Iran on the latter's nuclear programme.

The return of diplomacy

The interventions in Afghanistan and Iraq have caused weariness not only in the United States but also in Europe. To this should be added an economic and financial crisis which has led to a reduction in the resources available for actions of this kind. The withdrawal from Afghanistan, which will probably be completed in 2014 and began noticeably in 2013, will probably mark a turning point and the end of a certain type of armed intervention that began after the 11 September 2011 attacks on the United States, although Iraq continues to be a breeding ground for sectarian and jihadist violence and there are no guarantees of the stability of Afghanistan.

The fight against jihadist terrorism has continued in many places. More than on governments or groups, the United States is increasingly cracking down on individuals – especially leaders of groups or cells, as in October 2013 in two operations in Libya and Somalia – using either CIA agents or special troops such as the Navy Seals, or precision guided drones. Drones were also used to end the life of the Taliban chief in Pakistan, Hakimullah Mehsud. Thanks to technology, although the requirements for going to war have been lowered, according to expert Mark Mazzetti 'it is now easier for the United States to conduct lethal operations at the outer limits of the earth than at any other moment in its history'.⁵

Interventions subsequent to those in Afghanistan and Iraq, such as that in Libya (2011), have been different. To start off with, in Libya the backing of the Security Council was sought and secured. And it was an air and sea intervention carried out under the Responsibility to Protect (but with the not officially declared aim of toppling Gaddafi's regime) that avoided any ground intervention and occupation. The principle of Responsibility to Protect has not been put forward again, not even in the blatant case of Syria. But the Libyan intervention was insufficient and limited – it destroyed a weak state, that of Gaddafi, without building another in its place, hence the subsequent chaos – and led instability to be spread southwards by people, such as the Tuareg, who fled with weapons towards Mali and other countries in the area after supporting Gaddafi; this plunged Libya into chaos and contaminated the area. Indeed, Libyan weapons have been sold in very different environments, starting with Syria and the Sahel.

⁵ 'La prioridad es la caza del hombre', *El País*, 8 October 2013. http://internacional.elpais.com/internacional/2013/10/07/actualidad/1381173059_807524.html.

The French intervention in Mali is studied in another analysis in this year's *Panorama*, and we will therefore not examine it in depth. It was also a very different operation which has led to elections and the presence of troops from European and African countries, all at the request – which is legal – of the Malian government and with an *ex post facto* Security Council authorisation. It is clear that the United States did not wish to involve itself, on the understanding that Mali was a territory for which Europeans had to take responsibility. Washington did not even show any signs of 'leading from behind', as in Libya. But nor did the Europeans make an excessively significant contribution, their defence expenditure strangled by the crisis and austerity – or, in the case of Germany, unwilling to act. Spain has contributed resources. And, incidentally, so has China. But in addition to Europe's reluctance stemming from the fact that several European governments considered that in Mali France was defending its own national interests rather than European interests, European solidarity was glaringly absent, as it was from the subsequent French intervention in the Central African Republic, for which France requested the EU for assistance.

Syria was another case of limited interventionism. Neither the United States nor Europe has really known what to do about a conflict that had all the ingredients of a civil war. But the United States' intervention (with France and the United Kingdom) following the regime's use of chemical weapons would also be limited, as remote-controlled cruise missiles were used. The aim was to punish the regime for using chemical weapons, not to topple it or even to trigger a process of change that would have altered the balance of powers in Syria – and all this without the backing of the Security Council, given the threat of Russian and Chinese vetoes. Russia was defending its own interests and had felt deceived by the West in Libya.

As pointed out, America's doubts gave way to a new diplomatic process. The speed with which it was reached might suggest that it did not take Washington by surprise, rather that it was prepared for it. Whatever the case, it managed to avoid intervention and again give a leading role to the United Nations Security Council, with the agreement of Russia and China, and to the international inspectors. And it also brought respite to al-Assad and marked the return of Russian influence to the chessboard. But it saved Obama from becoming involved in an operation of uncertain consequences and unpopular in his own society and Europe.

The other major diplomatic move, which has a lot to do with Syria as it is a key component with view to reaching a solution, was the diplomatic opening up of Iran to attempt to settle the nuclear issue and, above all, its return to the international and regional stage – the biggest change since the end of the Second World War or even before that, when the western powers designed the map of the Middle East. Iran's reincorporation into the concert of nations is not to everyone's liking – certainly not to that of

Saudi Arabia (owing to geopolitical and religious factors relating to the defence of Sunni as opposed to Shia Islam), which in protest against this rapprochement (and Syria) decided not to accept the temporary seat on the United Nations Security Council for which it had been chosen; or to that of Israel, which regards Tehran as its strategic enemy. The Geneva negotiations have helped things progress, with an initial rapprochement secretly arranged between the United States and Iran and later extended to the P5+1 forum plus Iran, which has led to a provisional agreement whereby Iran basically undertakes not limit its uranium enrichment to 5% and to allow new inspections in exchange for a partial lifting of sanctions. However, Iran has not yet renounced any of its installations. But the commitment is a deeper and more final agreement in six months.

It marks a return to diplomacy, supported not only by Rouhani but even by Ayatollah Khamenei, under pressure from an Iranian society that is calling for opening up and whose economy has been punished by international sanctions. But an essential requisite for a final agreement would be for the UN, EU and US to lift their sanctions. And while it is possible to lift those of the first two with government agreements, those of the United States depend on a majority in the US Senate, which will require the consent of part of the Republicans. This is not assured. Once again US domestic policy, which always has the Israeli issue at its epicentre, is involved. For America's interests regarding Iran may clash with its interests in Israel, especially given the fresh determination of Obama in his second term and of his Secretary of State John Kerry to renew negotiations between Israelis and Palestinians with a view to reaching an agreement.

All this has led to a certain revival of the United Nations, whose Security Council was considered stagnant and ineffective, and of the General Assembly as a forum for diplomacy, as proven in September 2013 when Rouhani used this platform to explain viewpoints and establish contact with leaders, especially those of countries that are negotiating with Iran, even though his contact with Obama was limited to a telephone conversation. Of course if the stalemate has been broken, it is due to the attitude of Russia and China.

Shortly before this about-turn in events, Richard Haass, a sharp analyst and author of *Foreign Policy Begins at Home*, stated that 'there is no international community'.⁶ Yet it only took a few moves for this community – taken to mean an agreement of the five permanent Security Council members and a few more – to re-emerge.

It should be stressed that in the long cycle we are perhaps experiencing a period of lesser relative violence of history, as Steven Pinker has argue-

⁶ <http://www.project-syndicate.org/commentary/the-broken-tools-of-global-cooperation-by-richard-n--haass>.

d,⁷ and in the short cycle interstate conflicts have largely disappeared, although a few remain in political and social systems, such as terrorism, which was powerfully present in 2013 in several parts of the world, from Iraq and Lebanon to Russia. As for the shortage of significant legal progress in the world, of major new international treaties – the last was the Statute of Rome for the International Criminal Court in 1998 – in April a Treaty on the Arms Trade was approved that will ban states from transferring conventional weapons to other countries if they know they are going to be used to commit genocide, crimes against humanity or war crimes or to facilitate such crimes being committed. But in general it is true to say that it seems that the law is being shunned, especially in the sense that no new global or international law is being devised to reflect new priorities and progress in a rapidly changing world.

Slowing down of the Great Convergence

The past three decades have been characterised by the historic Great Convergence between most of the backward and advanced economies, which has begun to mark the end of the Great Divergence that came about with the Industrial Revolution. This is probably the most fundamental change the world has witnessed in recent years. The western crisis that began in 2007–2008 speeded up this convergence with emerging economies, which continued to grow, closing the gap. However, the latest World Economic Outlook⁸ presented at the end of October by the International Monetary Fund (IMF) could indicate a slowdown in this process. Has 2013 perhaps marked a turnaround in the trend?

The IMF is often wrong. In its spring 2013 report it smugly presented its vision of a global economy progressing at 'three speeds': the emerging economies were still going strong, Europe was improving its outlook but was still limping along and the United States was starting to recover. What had changed by the autumn was that the emerging economies were no longer doing so well. This led Christine Lagarde to speak of 'new transitions'. Are we approaching the end of the Great Convergence, as Dani Rodrik suggested in view of the Fund's new outlook,⁹ or is it just slowing down, as Martin Wolf believes,¹⁰ as global growth finds a new balance? Whatever the case, the change in trend, if confirmed, would have not only economic but geopolitical consequences on world influence and would restore the United States (if it overcomes its current domestic po-

⁷ PINKER, Steven, *The Better Angels of our Nature*, Penguin, New York, 2011.

⁸ <http://www.imf.org/external/pubs/ft/weo/2013/02/>.

⁹ Dani Rodrik, 'The Past, Present, and the Future of Economic Growth', Global Citizen Foundation, Working Paper 1, June 2013.

¹⁰ <http://www.ft.com/intl/cms/s/0/51cfa916-2f4c-11e3-8cb2-0144feab7de.html#axzz2hCz3VVm1>.

licy problems) to the centre of world growth, maintaining it at the power centre, even if as a more relativized power, and pitting it only against China, which is gaining ground among the emerging economies and in the world. Indeed, of the emerging economies China, despite slowing down, continues to chalk up high growth rates, no longer two-figure but much higher than the rest; this can secure the country a very special position in addition to the clout it already enjoys on account of the size of its population and economy.

It was in 2003 when Jim O'Neill, a global economist at Goldman Sachs, coined the acronym BRICS to refer to the heterogeneous group of the biggest emerging economies (Brazil, Russia, India and China; some analysts also include South Africa). The crisis that began in 2007–2008 confirmed the importance of this group of countries along with others, as it was the emerging economies that basically kept the world economy growing. But 2013 may have marked a loss of relative importance. There is still convergence, but less, and it may decrease as a result of the technological revolution that leading industries to return to more developed countries from those with lower salaries. In 2013 Brazil's economy will grow by 2.5%, Russia's by 1.5%, India's by 3.8% and China's, granted, by 7.3% (apparently keeping the slowdown at bay). Out of the four it is China which, despite the slump, continues to grow by more than 5%, though it is approaching the danger zone (of around 6%) where its social and political needs are at risk. Although the outlook for 2014 is slightly better, perhaps 2013 may mark a standstill or the end of the central importance of the BRICS, even though they continued to meet at their 5th annual summit, this time in Durban (South Africa) in March 2013. On this occasion they decided to set up a New Development Bank and a contingency fund of 100 billion dollars. Although it remains to be seen whether both projects will materialise in practice, they are nevertheless a challenge to institutions like the IMF and World Bank, which are perceived as being excessively western.

This is not to say that the world is not undergoing a de-westernisation process, as pointed out by the latest Global Presence Index published by the Real Instituto Elcano.¹¹ The West, with its problems, was losing appeal compared to authoritarian systems such as that of China, although the paralysis that has gripped Washington recently is not helping project its political system as the best in one part of the world.

Whatever the case, the emerging economies have not just resigned themselves. In autumn the G-24, which brings together the main developing

¹¹ Índice de Presencia Global, Real Instituto Elcano, 2013, <http://www.iepg.es/documentos.php>. ILLIANA, Olivie, La des-occidentalización del mundo, Real Instituto Elcano 2013. http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/especiales/indiceelcanopresenciaglobal/olivie-desoccidentalizacion-del-mundo-iepg-2012.

countries, claimed to be 'the driving force of the global economy' and called¹² for greater weight in institutions such as the IMF.

Also worthy of note is the Shanghai Cooperation Organisation, which was created in 1996 to promote cooperation in security and economic matters, its members being China, Russia, Kazakhstan, Tajikistan, Uzbekistan and Kirgizstan. The latter hosted the summit in September 2013, a supplementary with plans for common development rather than an actual new geopolitical factor.

The return of Russia

To point out that the BRIC countries, except China, may lose sway seems contradictory given the diplomatic comeback made by Putin's Russia, partly with the room for manoeuvre it was accorded by the United States in the case of Syria and the chemical weapons and also in the case of Iran, and partly with its opposition to the Eastern Partnership some of its former Soviet partners have entered into with the EU; indeed, its pressure had its desired effect of pushing Ukraine and Armenia away from a partnership with the EU. Russia is perhaps the power that most clearly defends – the *Putin style* prevails – what it considers its national interests. And Putin manage to cause surprise with an amnesty that released the former *oligarch* Mikhail Khodorkovsky after 10 years behind bars, as well as two of the members of the Pussy Riot group. Even so, this did not indicate a change in domestic policy – it was more a move to avoid the boycotting of the Sochi Winter Olympics in February 2014.

The EU's third Eastern Partnership summit was held in Vilnius (Lithuania) at the end of November after much give and take from Moscow, which put pressure on several countries to prevent them entering this new cooperation framework, which he eventually achieved at least in the crucial case of Ukraine and in that of Armenia. Pressure was exerted openly, in declaratory terms, on all those taking part in this framework, such as Ukraine, Moldavia, Georgia and Armenia, as well as covertly. It was even exerted through strict controls on dairy imports in the case of Lithuania, a Baltic State that was then holding the rotating Presidency of the EU Council. The only ones that escaped this pressure were Azerbaijan, which is not keen to belong to this framework given its economic interests as an oil power, and Belarus, as the Europeans were not willing for its president, Aleksandr Lukashenko, to take part in the summit owing to his lack of democratic credentials. This public and private pressure led Ukraine's President Viktor Yanukovich to turn down the European offer of a Partnership Agreement including a Deep and Comprehensive Free Trade Agreement (DCFTA). Deep down the refusal to free former prime

¹² http://www.g24.org/Communiqués/G-24_Communicues_October2013.html.

minister Yulia Tymoshenko as part of the democratisation measures the EU was calling for – a Partnership is not based solely on economic and trade interests but also on ‘shared values’ – was merely an excuse. Only Georgia and Moldavia initialled (as a step prior to signing) the agreement.

Moscow is proposing an alternative: a customs union within a Eurasian Customs Union with Russia, for which it arranged an earlier meeting in Minsk. Belarus and Kazakhstan had announced their intention to take part in this Union, in which Ukraine would merely be an observer. The problem is that the EU, for legal and technical reasons (though nobody is unaware of the political reasons), considers membership of the Partnership to be incompatible with this Customs Union, forcing the countries to choose between the two. This policy could be a problem. Plus there is the added factor that the EU, which is suffering from enlargement fatigue and does not dismiss the idea of creating a buffer zone opposite Russia, is not in a position to offer these countries satisfying accession prospects that would contribute more conclusively to their internal reforms and to shaping a fully European identity. It only offers them a status halfway between the EU and Russia and for the time being is not prepared to take part in a three-sided dialogue between Russia, Ukraine and the EU.

But Ukrainian society is divided. And Yanukovich’s change of stance triggered large-scale demonstrations that had not been witnessed since the Orange Revolution in 2004. This time it was external dynamics that triggered the domestic dynamics of a country that has not yet decided what it wants to be, vis-à-vis a Russia that is also pulling itself together. But Putin ended up offering Yanukovich discounts on energy products (gas and oil) and loans to prevent the Ukrainian state from going bankrupt – i.e. a Russian bail-out of Ukraine. Like any bail-out with conditions, this time essentially geopolitical.

Russia is seeking to secure its periphery and somehow build a post-Soviet space. Even beyond, the crisis is causing Russia to gain influence in its environment. For example with Finland, where it is again presenting itself as an appealing market – in the 1990s the disappearance of the Soviet Union led the Finns to rethink their economy – and a source of investment, whether in nuclear plants, shipyards or sports clubs, something which has caused a certain amount of misgivings among the citizens of the Scandinavian country.¹³

The disagreement with Russia over the Partnership indicates that the continental issue has yet to be resolved, either through the EU or even through the more flexible NATO. One problem is that Russia is not renouncing a certain imperial character, and another is that the EU as such cannot take it in on account of its size and the fact that it still has a long

¹³ ‘Finns eye growing Russian presence with apprehension’, *Financial Times*, 29.10.13.

way to go towards democracy. A close institutional relationship between the EU and Russia is a major pending issue in the Old Continent.

Russia offered to grant residence to Edward Snowden, who has leaked so much information on how the NSA (the US National Security Agency) works – something that did not go down well with the Obama Administration and would not have been possible without the collaboration of China in allowing him to leave Hong Kong.

Russia has played a prominent role in the agreement with Syria on chemical weapons, but also regards as a diplomatic victory the fact that the United States and the United Kingdom have suspended their military (non-lethal) assistance to the rebels for fear that it could fall into the hands of jihadists, as this confirms its own ideas. A Russia that has made a diplomatic comeback to the international stage, especially with regard to territories not distant from it, has also been involved with Iran. In his address on the state of the nation early in December, President Putin presented his country as a moral and military power which 'aspires to be a leader', although it knows that it will not be. But it must also be taken into account for certain important questions in this world.

China's domestic overhaul

If 2012 was the year of the renewal of the leadership of the Chinese Communist Party, with Xi Jinping taking over as Secretary General – the advent to power of the so-called Fifth Generation since the revolution – 2013 was that of its consolidation in government. Xi Jinping was appointed president of the country and also of the powerful Central Military Commission. Xi Jinping appears to have shifted away from the collective leadership of previous years and towards a much more personalised brand. Bo Xilai's trial – broadcast by Weibo (Chinese Twitter) – which was used to mark a fight against this evil inherent in the Chinese system, corruption, but also the purported leftist tendencies, is over and done. The new ruler, who arrived after his predecessor Hu Jintao was criticised for failing to clearly govern the country and the world's most heavily populated society, has a domestic priority: to cool down growth and offset foreign demand with greater domestic demand and with deep economic reforms, especially greater competition in the private sector. As for politics, Xi Jinping does not wish to jeopardise the Communist Party's monopoly. The whole party allowed itself to be seen in November at a crucial meeting – albeit slow in effects – the third plenary of the 18th Congress of the Central Committee, which established the new roadmap for reforms, especially the liberalisation of certain sectors, easing the one-child policy and other measures, but none on political opening up except for dropping re-education policies.

Although the global rise of China and its interests is a basic fact, and its foreign policy is constantly gaining sway, it is nonetheless noteworthy that the relatively young (59) minister of Foreign Affairs Wang Yi is not even a member of the Politburo of the Communist Party of China, only of the large Central Committee. Nor indeed is the higher-ranking Yang Jiechi, his predecessor in the post and now Councillor of State. In fact, none of the seven members of the Standing Committee of the Politburo has a predecessor in the field of foreign policy. This does not mean much, as Xi Jinping himself, who studied in the United States and has travelled widely, is at the helm and a National Security Committee headed by the president has been set up to monitor both domestic and foreign affairs. Although its immediate task will be cybersecurity, Tibet and the Xijiang region, it may become the real machinery for the external action of an increasingly presidentialised China.

If anything, the trips made by Xi Jinping during his first year reveal his priorities: East and Central Asia, Russia, Latin America, Africa and the summits of the G-8 and G-20, the BRIC countries and Asia-Pacific Economic Cooperation, as well as a no-strings-attached meeting with Barack Obama in California in August for them to get to know each other, and receiving visits from many leaders in Beijing, among them Angela Merkel and François Hollande.

Xi Jinping's foreign policy is openly nationalistic and has continued to be influenced by interests regarding access to commodities and, above all, energy and markets. In 2012, according to the US government's Energy Information Administration, China had already become the leading oil importer in the world. This position or trend goes back a long way and makes China more interested in global security, including the Middle East and Gulf regions, as well as Africa and Latin America. Once again, domestic needs dictate its foreign policy.

Outwardly, China has clearly left behind what was described as its indifference, as had been noted since the beginning of the century. It should be remembered, in order to reflect this change, that in 1990 it abstained from the Security Council resolution that gave the go-ahead to the international coalition for ousting Saddam Hussein's forces from Kuwait. In 2002 it voted in favour of the so-called 'final opportunity' resolution for Iraq (though the United States did not achieve a resolution for an attack) and in 2013 it involved itself directly in the Syrian issue (and, of course, in the negotiations with Iran).

Xi Jinping's first trip as president was to Moscow, where he told Putin that Beijing and Moscow should 'resolutely support each other in efforts to protect national sovereignty, security and development interests'. Both belong to the Shanghai Organisation but Russia and China nevertheless continue to mistrust each other and both are interested in maintaining a

strong relationship with the United States and EU, and Washington therefore needs to regard them 'as neither enemies nor friends, but as significant powers with their own interests', as Gelb and Simes point out.¹⁴ The United States needs to realise that it will not be able to manage many security threats in the world without the involvement of China and Russia, as has been proven with Syria and North Korea.

China's policy on military spending also seems to stem from its own needs. Six coastal provinces where one-third of the population lives account for 80% of its export capacity. But the fact that it has publicly declared that its first fleet of nuclear submarines has begun to patrol the sea considerably further afield has aroused concern in the region. In this respect it declassified photos and, according to official agency Xinhua, stated that its submarines 'would gallop into the depths of the ocean, like mysterious forces which would issue forth the sound of thunder in the deep sea'

China continued its military rise in 2013 and is even involved in a space race with the first launch this year to send a robot to the Moon, and the ambition to be able to send a manned craft to the Moon by around 2020. Between 2012 and 2013, Asia outdid Europe in military spending and this increase is essentially due to China. Military expenditure rose steadily at a pace of 10.3% annually between 2001 and 2011 (15.6% in nominal terms, although the Pentagon states that the real figure could be double the official one), that is, at the same growth rate as the economy (10.4%). In dollars, military expenditure grew six-fold from the beginning of the century to 2013, to 112.6 billion, making China the second biggest spender on defence in the world, considerably behind the United States but ahead of Japan, South Korea and Taiwan together and with a growing interest in exports.¹⁵ Even so, China, unlike the Soviet Union, would not be capable of preventing US interventions in the world, and in the military environment it is not a structured power.

But the growth of China's military expenditure can trigger an arms race in the Far East. After years of reduction, at the end of the year Japan's prime minister Shinzo Abe announced a 5% increase in defence spending and a more assertive military security strategy. For its part South Korea is building a new naval base to house a fleet to monitor and patrol the shipping routes that are essential to its foreign trade. And all this is taking place in an area which, unlike Europe, lacks collective security structures.

¹⁴ GELB, Leslie H. and SIMES, Dimitri K., 'A New Antiamerican Axis?', *The New York Times*, 6 July 2013.
http://www.nytimes.com/2013/07/07/opinion/sunday/a-new-anti-american-axis.html?_r=0.

¹⁵ IISS, China's Defence Spending: New Questions, August 2013.
<http://www.iiss.org/en/publications/strategic%20comments/sections/2013-a8b5/china--39-s-defence-spending--new-questions-e625>.

The aggressiveness of China's sea and air patrols has increased to the point of questioning Japanese control of the uninhabited Senkaku islands – which China calls Diaoyu – in the East China Sea, which Japan has controlled for decades and which are claimed by both China and Taiwan. This, together with other disputes, adds to the possibilities of a clash with a Japan governed by Shinzo Abe, who was re-elected on a much more nationalistic platform. Nationalism is growing in East Asia, a region that continues to lack a security structure.

Indeed, the declaration of the East China Sea as an 'air defence identification zone' sparked tension not only with China's neighbours but also with the United States, which sent two B-52 bombers to fly over the zone to show Beijing that it would not be abandoning its allies and to stress militarily its status of Asian power for the first time since the announcement of the US 'pivot' to Asia. But all the airlines complied with this precept and during his trip to the area the US vice-president Joe Biden, although critical, carefully measured his words to China.

The United States, a reluctant leader at the global centre

Although evidently wearied by interventions such as Afghanistan – from which it will withdraw next year, though maintaining an important contingent for surveillance and training missions – and Iraq, the United States remains at the centre of world geopolitics; at the centre of economic growth; at the centre of the new trade agreements it is weaving in the Pacific and the Atlantic; and at the centre of advances in military technology and capabilities. In this respect no other country can match it, for example with drones – of which the Obama Administration has become genuinely fond, although it has promised to review their use given the excessive death toll of civilians – and the global surveillance system of the National Security Agency (NSA), which can make up for the reduction in military spending.

It is also at the centre of diplomacy, as no important moves are made without Washington. The United States continues to be what Bill Clinton and Madeleine Albright called an 'indispensable nation', and the only one with a truly global reach, although China is beginning to develop one. But it is a somewhat reluctant and low-cost leadership in a country that is temporarily tired of exercising it, as it is suffering from budget problems and the wars in Afghanistan and Iraq have left it morally and socially exhausted. In this respect foreign policy is consonant with a public opinion that realises that the United States' clout has diminished and advocates withdrawal, according to a survey by the Pew Center.¹⁶ And "indispensa-

¹⁶ 'Public Sees U.S. Power Declining as Support for Global Engagement Slips', <http://www.people-press.org/2013/12/03/public-sees-u-s-power-declining-as-support-for-global-engagement-slips/>.

ble' no longer implies 'self-sufficient'. The United States needs partners and tactical or strategic alliances even for leading from behind with remote control. Even so, it retains matchless power and intends to continue to be the number one or, at least, second to none.

Although less than before, the future of globalisation still depends on the United States, though as *The Economist* states,¹⁷ the drive for open markets is also affected by China and by America's own domestic policy. The Obama Administration has in mind the completion of the Trans Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), with the United States playing its role of hinge and fixer of these two agreements which, although different, represent two-thirds of world production, without China. It is part – so is the Transatlantic agreement – of what Obama has called the pivot', the United States' shift towards Asia, where China is the only power which can overshadow it in the medium term. But even if he achieves them, Obama will have to get these agreements approved by Congress – something which is not assured. Congress, domestic dynamics, holds much weight in the United States' foreign policy. Lastly, the Pacific Alliance made up of Chile, Colombia, Mexico and Peru must also be viewed in this context.

External action played a secondary role in the inaugural speech marking Obama's second term. 'America', he said, 'will remain the anchor of strong alliances in every corner of the globe. And we will renew those institutions that extend our capacity to manage crisis abroad, for no one has a greater stake in a peaceful world than its most powerful nation. We will support democracy from Asia to Africa, from the Americas to the Middle East, because our interests and our conscience compel us to act on behalf of those who long for freedom.' But it did not reveal a strategic vision.

What may be changing the United States' medium- and long-term vision is its energy situation, which stems from both a reduction in consumption, with more efficient use, and an increase in production. In 2011, for the first time since 1949, the United States became a net exporter of petroleum products. And its production of schist gas is increasing enormously. This means that it can envisage overtaking Russia as the biggest world producer of oil and natural gas. And in the not so distant future, by 2020, it can be self-sufficient in energy, which will lead it to view the world differently, especially the Middle East. Nevertheless, nor will it wash its hands of the area. For one thing is an assured supply and another is price (although a reduction in energy costs is an essential factor in the country's current reindustrialisation). The Middle East continues to be one of the hinges of global security. And the special and close link with Israel will be maintained. But as he made clear in his September address to the United Nations General Assembly, Obama does not intend to go the whole hog in

¹⁷ *The Economist*, 12.10.2013.

the Middle East; rather, he is going to give priority to relations with Iran and an agreement between Israelis and Palestinians. Syria might be the third priority. Meanwhile the Arab springs and the progress or regression of Egypt have receded into the background.

Europe, stable but fragmented

Despite its huge internal problems, the European Union is alive and kicking. 2013 was the year of enlargement to Croatia – perhaps marking a break before the next given the community's enlargement fatigue – and Latvia joined the euro in January 2014. It was also a year of consolidation for the European External Action Service (EEAS), although the EU's external action has not been outstanding, except in the Balkans and in conducting negotiations with Iran. And, as pointed out, it has failed in its attempt to draw Ukraine into an association with the EU, in the Eastern Partnership, vis-à-vis Russia's drive. As an analysis by the European Council on Foreign Relations (ECFR) indicates, 'Europeans seem to be losing power and influence in the world at a startling speed'.¹⁸ Indeed, Europe has lost influence in both its neighbourhoods: in the South with the failure of the revolution in Egypt, and in the East with a partnership that has yet to get off the ground.

2013 was above all the year in which the Eurozone recovered stability and growth, albeit extremely weak, and became less obsessed with austerity. Not that the future of the euro is fully assured. But a few months earlier, in the spring and summer of 2012, it had been on the verge of the precipice. Three factors basically prevented it from falling: the statement by Mario Draghi, president of the European Central Bank, in July 2012 that he would do 'whatever it takes' to protect the euro; Angela Merkel's trip to Athens to support Greece's continued membership against the public opinion of many Germans and members of her own party; and the launch of a Banking Union that was imperfect but sufficient, some of the essential points of which had to wait until the German elections of September 2013, in whose campaign there was very little talk of Europe despite being an essential issue for Germany and the other Member States. Indeed, much of the European agenda hinged on these elections, even though the only thing that was clear was that Merkel would be re-elected as chancellor. The results made it necessary to establish a new Great Coalition with the social democrats in a country that always seeks political stability and will strengthen Germany's position at the European negotiating table.

The pursuit of that stability at the Union level – this time an internal European dynamic – has sapped the EU's strength and political weight in the

¹⁸ DENNISON, Susi; et al., 'Why Europe needs a new global strategy', ECFR, November 2013, http://www.ecfr.eu/publications/summary/why_europe_needs_a_new_global_strategy302.

world. Though what appears to predominate over all the new scaffolding of the EEAS is that when there is agreement on political mandate there is agreement on diplomatic action. Not vice-versa. Its High Representative, Catherine Ashton, managed to chalk up the odd success by 'facilitating' (she avoided the term 'mediate') a rapprochement between Serbia and Kosovo with the April agreement that paved the way for beginning Serbia's accession negotiations in 2014 and for negotiating a partnership and stabilisation agreement – on political, social, economic and trade cooperation – with Kosovo. It must be a central element in normalising the latter state, which is not recognised by all EU Members (among them Spain). Kosovo managed to hold municipal elections that were, however, marked by a low turnout in the districts with a Serbian majority. Ashton also played a prominent role in coordinating the P5+1 talks with Iran, although this time the United States led the way. Nevertheless, Ashton managed to keep the rest united – including France, which expressed certain misgivings – with the United States, which had negotiated secretly with Tehran.

But in general the EU has been glaringly absent from world geopolitics. Unlike with Libya, there was no alignment of the three major countries (France, United Kingdom and Germany) in security matters with respect to specific challenges. France had to intervene in Mali on its own, and only afterwards was it followed somewhat by the EU, or at least a few of its Member States, including Spain. And in the Central African Republic too France was left to its own devices, although Hollande hoped to be able to transform his country's action into an EU mission. In Egypt its mediation between President Morsi and the military failed after a coup d'état that the Europeans did not dare to describe as such. It preserved its role of negotiating partner in Egypt – Ashton was the only international visitor who managed to interview Morsi after the coup – and above all in Tunisia. But in the first case, unlike in Tunisia, it achieved few effects in practice. And there was a clear divide over Syria, with Paris and London in favour of military intervention (before diplomacy took over) and Germany maintaining its characteristic aversion to any type of military involvement. The question arises of whether the foreign and security policy, despite all the institutional paraphernalia, might not be the last stronghold that European governments wish to keep in national hands.

For the first time since 2008 and since the Lisbon Treaty, the December European Council addressed the common security and defence policy (CSDP) from the approach of three complementary clusters: its efficiency and visibility, the development of military capabilities and the defence industry. In principle the time was right as close cooperation was needed in these areas to make up for the spending and military capability cutbacks each EU country is making (total military spending in the EU went from € 251 billion in 2001 to 194 billion in 2013). It should be remembered that

in June 2011, in his farewell speech to NATO, Robert Gates, the outgoing US Secretary of State, had warned that the transatlantic alliance risked a 'dim, if not dismal future' unless its members, especially the Europeans, undertook to increase their defence expenditure and contribute more to NATO operations. But despite US demands for greater effort from Europe, above all in its own neighbourhood, the Europeans are becoming demilitarised.

On the one hand there is no strategic urgency of an imminent threat to Europe. On the other, neither the Scandinavians nor the British want to risk a consequent weakening of NATO. Underlying this are also the major industrial interests of France, the United Kingdom and Germany. That is why the debate was focused more on this third cluster than on the other two, when the opposite would have been reasonable. Though the British debate on isolation or withdrawal from the EU is another influential factor. Because without the United Kingdom, the European Union would be lame in the military department and France could not compensate for shortcomings given Germany's reluctance to make new foreign military commitments.

At any rate, despite the previous reports and the final declaration, the summit has shown that the EU still has a long way to go before achieving a common security and defence policy. Its members agreed to 'deepen defence cooperation' to achieve a 'credible and effective CSDP (Common Security and Defence Policy)' with measures to strengthen battle groups that have never worked, and others. But there was nothing about a common fund and less still, as Britain's prime minister David Cameron boasted, a *European army*.

In contrast, the EU decided that the time had come, 10 years on from the first European Security Strategy then promoted by Javier Solana, to re-assess the situation from a global vision for 2015. That is, so that the new rulers of the institutions can decide. The first strategy – renewed in 2008 – was a constructive response to the United States following the Iraq war and a means of addressing the divides this war had caused between Europeans. The next one must be more of a response to the challenges of a Europe that has changed greatly in a multipolar world. It will not be so easy to achieve. In the short term, for 2014, it has undertaken to draw up two strategies: on cybersecurity and on maritime security.

With respect to its external borders, the 28-strong EU was reluctant to increase the funds allocated to Frontex, the agency that coordinates the management of external borders, despite the Lampedusa tragedy that claimed the lives of 274 illegal immigrants on a boat that caught fire. The Commission, the EEAS and the relevant agencies were entrusted with enhancing cooperation with the countries of origin and transit, together with another series of measures, by the time of the June 2014 European

Council. But neither was EU solidarity stepped up straight away nor did the Union really wish to touch the sensitive issue of immigration until after the May 2014 elections to the European Parliament.

These elections could mark a surge in the xenophobic and anti-European movements that have grown in a good many EU countries – such as the United Kingdom, Austria and France and, outside it, Norway – not only attracting votes but contaminating national policies as a whole and European policy itself with their discourse. It is the European Tea Party, and its pursuit of what Michael Skey¹⁹ has called 'ontological security'. Though it is still defined in national frameworks, with European consequences, as they can break the consensus on the euro and other matters. As stated by Nigel Farage, leader of the UK Independence Party, what is interesting about the European elections is not the effect they have on Europe but they effect they have on domestic policy²⁰. And precisely when Europe needs new progress or even a reform of the treaties, which these internal dynamics are preventing.

The triad and global management

Who manages the world? Politically speaking, in 2013 the world continued to be ungoverned, but no less dangerous for that reason. In 2011, Ian Bremmer and Nouriel Roubini²¹ claimed that we are living in a G-Zero world where nobody rules. The G-20, which functioned as an economic coordinating authority at the start of the crisis, became divided owing to its members' diverging interests and subsequently failed to meet the expectations it initially raised. It has not dealt with security issues, although it and the UN will no doubt be the starting point for world governance. And the G-8 is limited as it does not include China. Some have spoken of progress towards a G-2 – the United States and China – but this does not interest either of the two powers.

We have mentioned the *second world* whose importance and influence have grown. Even if we are not heading in the direction of a G-3 (US, EU, China), the triad has nonetheless gained importance in managing the global situation and specific situations. Indeed, this triad accounts for 57.8% of world GDP and 63.5% of global military expenditure. And the world also seems increasingly tripolar in terms of spending on science and R&D&I.²²

¹⁹ 'Belonging and entitlement – Britain's 'ethnic majority' and the rise of UKIP, LSE Blog, 5 June 2013, <http://blogs.lse.ac.uk/eurocrisispress/2013/06/05/belonging-and-entitlement-britains-ethnic-majority-and-the-rise-of-ukip/>.

²⁰ *Financial Times*, 16.10.2103 <http://www.ft.com/intl/cms/s/0/ad0d6aee-31ad-11e3-817c-00144feab7de.html?siteedition=intl#slide0>.

²¹ 'A G-Zero World', *Foreign Affairs*, March-April 2011, <http://www.foreignaffairs.com/articles/67339/ian-bremmer-and-nouriel-roubini/a-g-zero-world>.

²² ESPAS Report, op.cit.

However, as Theodore Caplow showed years ago,²³ triads are intrinsically unstable when their components are unequal. In this case not only that, but relations between Europe and the United States are highly stable, despite a few disparate interests and views. It is an alliance. The same cannot be said of the other two sides of the triangle. A balance of power system of the kind that governed Europe in the nineteenth century is therefore unthinkable. What is more, we are living in a much more reticulated, even plurilateral world that not even this triad could govern. Nor does the triad really invest in common institutions, and the divisions within it are obvious in real global issues such as combating climate change, maritime matters and cybersecurity and cyber-surveillance. There is no global agenda for democracy, nor has progress been made in human rights or, as stated, in major international treaties. And with respect to the region, it should be pointed out that the emerging countries belonging to the UN General Assembly have followed Chinese positions more than those of the United States.

The triad has functioned vis-à-vis financial crises through agreements of its central banks and main governments. However, this agreement has not been witnessed in the G-20, whose summit was held under the Russian presidency at St Petersburg in September 2013 and failed to achieve significant specific results, despite the long declaration. As on previous occasions, the problem is not the content but failure to put it into practice subsequently. The G-20 functioned well at the beginning of the crisis, but when its main members' interests began to diverge it lost effectiveness, even though it is the most representative (informal) framework after the UN. For a time it seemed that the G-8, meeting at Lough Erne (Northern Ireland), seemed to be awakening in its intention to combat tax havens, but its importance has waned as China is not among its members.

Europe–US: reinventing the Atlantic

Together the European Union and the United States account for more than 48% of world GDP, more than half of world trade, and 54% of global military expenditure. Most EU Member States have ties with the United States through NATO and bilateral defence agreements. The European Union itself and the United States are the biggest trade area and hold annual summits.

The Europeans' honeymoon with Obama is over. The start of the Democratic president's second term has not aroused the same enthusiasm the first one did in Europe. Europe faces a contradiction. For Obama's attitude of not leading outright should by rights give Europe more room for

²³ CAPLOW, Theodore, *Dos contra uno. Teoría de Coaliciones en las Triadas*, Alianza Ed., Madrid, 1974.

manoeuvre. Yet Europe regrets this. It looked on in amazement, together with the rest of the world, as the US state offices were shut down when the Republicans blocked the budget and level of debt. Guantanamo detention centre remains open. And in the field of energy, inequality is growing as the United States heads towards self-sufficiency while Europe is reluctant to exploit its shale oil. As for the issue of fighting global warming, Europe, much more in favour of harsh measures, is distancing itself from the United States. But even so, it is the closest relationship there is in the world, and it may become more so, not less.

For 2013 saw the start of negotiations on one of the most ambitious projects, the Transatlantic Trade and Investment Partnership (TTIP), which in many ways would be the most important free-trade area in the world. Though reciprocal investments would be just as important as bilateral trade.

An agreement of this kind would give the United States and Europe the ability to dictate universal rules, which is why the project is sparking misgivings among a few third countries, beginning with China. Although transatlantic, the TTIP is global in scope. On the contrary, the Trans-Pacific Partnership (TPP) is much more regional, above all because it excludes China. Though as the United States belongs to both, it has greater powers to ensure that similar and, accordingly, more universal rules are established at both forums. A few Latin American countries are also wary of the TTIP, such as Brazil, which is seeking a means of association, as well as Canada, which signed its own agreement with the EU in 2013, and Japan, which seeks a special formula.

On 19 June Obama, with Merkel, stated in Berlin that Europe and the United States are 'the engine of the global economy' and should see themselves as something bigger in their global quest for freedom, justice and peace. 'The underlying reason for bridging the narrowing «Atlantic Channel» is that power is shifting east, and there is a need to reconsolidate the West', according to political scientist Richard Rosecrance,²⁴ in whose opinion, 'paradoxically, closer ties with Europe will be the means by which Mr Obama carries out his «pivot to Asia». And indeed, the idea is also to create greater wealth and employment in both Europe and the United States.

In an era in which geoeconomics is taking over from geopolitics, and with things being wound up in Afghanistan, NATO has lost its central role in defining transatlantic relations, although its existence is partly stemming the development of a Europe of security and defence. The TTIP is a way of

²⁴ 'Want World Domination ? Size Matters', *New York Times*, 27.07.13. http://www.nytimes.com/2013/07/28/opinion/sunday/want-world-domination-size-matters.html?_r=0.

adapting transatlantic relations to twenty-first-century needs for a West that needs to reinvent itself, just as the Atlantic does, and not be limited only to relations between Europe and the United States but also including Latin America, which is looking in this direction, and Western Africa.

The first three negotiation sessions underlined the difficulties but also the willingness to reach an agreement that nonetheless, at the request of France for the sake of preserving its 'cultural exception', would exclude cultural goods and services – something that does not suit Spain given the importance of the Spanish-speaking population of the United States.

The importance Europeans attach to this project, for which negotiations should be completed in 2014 in order to leave enough time for ratification before the end of Obama's presidency, is clearly evidenced by the decision not to allow it to be affected by the dispute over the surveillance of the NSA (National Security Agency). But it is not certain whether this will be so.

Indeed, the scope of the NSA's espionage carried out on citizens, companies and politicians all over the world, beginning with the cybernetically more accessible European partners, has opened up a chasm of mistrust between Europeans and the United States following the leaks – based on information provided by former CIA and NSA consultant Edward Snowden – that began to be published *The Guardian* in June 2013, and, particularly, the news that US services had tapped German chancellor Angela Merkel's personal mobile years earlier.

Merkel herself warned her parliament in November that 'the relationship with the United States and the negotiation of a trans-Atlantic free trade agreement are currently, without doubt, being put to the test by the accusations that have been aired against the United States about the gathering of millions of bits of data'. This was the first time this short circuit was formally established between the two questions.

Nevertheless, it is clear that the European services collaborate regularly with the NSA on monitoring social networks, mobile telephones and other means of communication in which the United States holds a technological advantage. In October the European Council stressed that 'intelligence gathering is a vital element in the fight against terrorism', but also that 'a lack of trust could prejudice the necessary cooperation in the field of intelligence gathering'. It was France and Germany who decided to initiate bilateral talks with the United States – an initiative which other EU states are welcome to join – in order to seek 'an understanding on mutual relations in that field' that could include a new agreement on the gathering of this type of intelligence. The American protector has failed and it remains to be seen whether the situation will be resolved by following the way paved in 1945 or whether a new one will be established, with uncertain consequences for the alliance between westerners.

Not only do Europeans now mistrust the United States but Europeans are wary of each other, as the United Kingdom – which, it was discovered, also carries out surveillance in Germany – collaborated closely with Washington in gathering and analysing data and metadata through the Anglo-Saxon alliance commonly known as five eyes (US, United Kingdom, Canada, Australia and New Zealand), though it seems that they also spy on each other.

One actor on the European stage has gained greater importance and room for manoeuvre as a hinge country with respect to the Middle East: Turkey. Is this NATO member and eternal EU candidate becoming de-westernised? The EU stopped negotiations with Ankara following the violent repression of demonstrators in Istanbul and other cities, although as these events became more distant, talks were resumed in the autumn. The question is whether it might not be too late; whether Turkey has ceased to be interested in joining a Union that snubs it and to which it has only half-opened its doors.

As if to ratify this change, in autumn Turkey announced its intention to purchase air defence missiles from China, shunning US Patriot missiles or other Italo-French possibilities, much to NATO's chagrin.

Turkey, which geographically has one foot in Europe and the other in Asia, has been left in a key situation, but poorly positioned between an EU that has not got round to opening its doors and Arab revolution for which it might have been an example were they not failing internally. But it undoubtedly has a role of its own to play as a regional power, as may be seen in the case of Syria, where it nonetheless acts somewhat ambivalently.

But deep down the North Atlantic Alliance has been outgrown. It is no longer a place where the West discusses geopolitics but a toolkit for possible interventions.

Europe-China

Together Europe and China account for 35% of world GDP and 24.5% of defence expenditure. Their relationship is not conflictive. They are not geopolitical rivals and although they are trading partners (the EU is China's biggest) who are destined to become more so, they are also competitors in this field – and increasingly for the same type of products – and in that of commodities. They have in common a significant dependence on energy imports. The EU (or Europeans in general) is not a Pacific power and despite its colonial past it does not trigger misgivings in Asia, as it is perceived as a civilian and non-military power. These can be advantages for Europe, as recalled by Javier Solana,²⁵ who recommends that Europe

²⁵ SOLANA, Javier, 'Europe's Smart Asia Pivot', Project Syndicate, 17 September 2013, <http://www.project-syndicate.org/print/the-eu-s-strategic-advantages-in-asia-by-javier-solana>.

as such involve itself in Asia in three mutually beneficial areas: liberalising trade, with agreements that are being developed with several of these countries; regional integration, which is difficult as the area lacks an institutional and geographical architecture; and a partnership for a G-3.

Washington, for its part, wants Europe to involve itself more in Asia and also carry out a pivot – not only in trade terms but also with a strategic vision. Asia, and within it China, is the biggest trade market for a Europe that is progressively opening up markets through free-exchange agreements with South Korea and others.

China is interested in Europe, with which it is already interdependent²⁶ in terms of trade and two-way investments that do not cease to grow: between 2 and 3% of European external investments go to China, and between 5 and 6% of China's go to Europe. The 'strategic partnership' between Brussels and Beijing completed a decade of existence in 2013; it holds annual summits and since 2011 a High-Level EU-China Strategic Dialogue. Throughout its ten-year existence this partnership has not achieved concrete, significant results in the three basis areas of economy, security, and society and culture.

China would not feel comfortable in a G-2 with a superpower like the United States, but it ceased to see the EU as a partner with which to counter US hegemony some time ago – especially since the imposition of the embargo on the arms trade in 2005 – although it has used the euro to balance the domination of the dollar to an extent. Indeed, Europe has pressured China to purchase bonds to bail out Portugal, Ireland and Greece as part of the European Financial Stability Mechanism. And since 2011, China has been diversifying more rapidly its purchase of other countries' debt and 30% of what it currently owns is in euros, albeit chiefly German bonds.

But while China wants an EU that functions – including the euro as single currency – and is interested in its transformation, nor does not want a Europe that is too strong. It is gauging the Union's strengths and weaknesses and trying to make the most of them through bilateral relations with each Member State that are in turn encouraged by the latter, as they are rivals despite this being a strategic relationship for the EU. Merkel's trip to Beijing shortly before the German elections attests to this. And it is this rivalry between EU Member States in their relations with China that is preventing the Union from adopting a strong and strategic policy towards the Asian giant. In other words, China is not entirely to blame.

²⁶ CASARINI, Nicola, 'The EU-China Partnership: 10 years on', European Union Institute for Security Studies, October 2013, <http://www.iss.europa.eu/publications/detail/article/the-eu-china-partnership-10-years-on/>.

China–US

Together they account for 32% of world GDP and 48.5% of military expenditure. They seek each other out and also pull away from each other as they know that they will be major competitors or rivals – not enemies, as we are not dealing with a new Cold War – in the future, and this future represents part of the present. In some ways they resemble each other in that they wish to be excluded from some aspects of international law, and in this they both differ clearly from the EU.

'China is acting purely as China in its own national interests. It is not interested in changing the world', states Lee Kuan Yew.²⁷ The main difference is that the United States thinks that its ideas and ideals are universal, whereas China does not. In the opinion of the elderly leader of Singapore, the relationship is unequal not only in classical terms (military and otherwise) but also in cultural and other more specific terms, namely through the thousands of Chinese who go to study in the United States and later return.

The informal meeting between Barack Obama and Xi Jinping in California to get to know each other and discuss all sorts of things with no fixed agenda was significant. It is assumed that it took place essentially in English and with a Chinese partner who is familiar with the United States, as he visited it as a young man. But little was known about what the leaders of the world's two biggest powers really discussed.

Today China is the biggest foreign holder of US public debt. This is why, when the US state was paralysed by budgetary shortage and on the brink of ruin owing to inability to raise the ceiling of expenditure, voices were raised in China unofficially calling for the *de-Americanisation* of the world economy.

Both powers cooperate, but they also compete. China is fully aware that the Trans-Pacific Partnership (TPP) is directed against it. But China is also pulling strings from behind the scene to launch a free-trade agreement from the ASEAN (Association of South East Asian Nations). It is not directed against the 12 TPP members, but it is forcing them – especially Indonesia – to make a difficult choice, while Beijing is criticising the TPP for favouring the richest economies and most powerful companies.

Unlike Europe, the United States is a naval, air and even land military power (with forces in South Korea and Japan) in Asia and especially East Asia in an area that is much more multipolar than it seems. Though it is essentially a naval power and this partly explains the increase in Chinese military naval expenditure and capability. This in turn has led the United

²⁷ KUAN YEW, Lee, *The Grand Master's Insights on China, the United States, and the World* (Graham Allison ed.), Belfer Center Studies in International Security, 2012.

States to increase the proportion of warships deployed to the Pacific as part of Obama's pivot towards Asia.

There is also competition – this time more in the field of investment – over China's growing presence in areas such as Africa and Latin America, although western fears that China will end up buying the world are somewhat unfounded. And, naturally, there is ongoing competition in cyberespionage.

Plurilateralism

Despite the resurgence of the UN, the world has become partly neo-Westphalian in that ideas of respect for national sovereignty predominate over ideas of interference in domestic affairs or shared sovereignty, both in the United States and among the BRIC countries and other emerging economies. The world has become multipolar but less multilateral – it might be called 'plurilateral'. 'Over the longer term, all of the BRICs countries appear intent on reducing western influence in global institutions. Traditional multilateralism is, therefore, not a reliable basis for (European) strategy in a neo-Westphalian world', states the European Council on Foreign Relations (ECFR).²⁸ Though the world is not neo-Westphalian in that it has become more complex and, together with states, there are many non-state actors with considerable weight in what are still called international relations. And external interference in internal affairs is multiplying, such as the presence of European and US politicians together with demonstrators in Ukraine, or the constant opinions voiced by international organisations on what reforms each country should carry out.

It should be pointed out that the members of the triad are not investing in common or global institutions, perhaps with the exception of the IMF. And there is no distinction between bilateral issues in the triad vis-à-vis global issues such as climate change, maritime matters or cybersecurity.

Progress is also being made towards a multilateralism that is not global or general but plurilateral, involving only a few; indeed, it is what Moisés Naim²⁹ calls 'minilateralism'. This is what is functioning with Iran, with Syria partly, with the G-20 and with the different G formations. This *minilateralism* is also making progress in the field of trade, where the major global rounds such as Doha have failed, despite making slight headway in 2013, while regional agreements such as those mentioned earlier are advancing and gaining increasing importance in a globalisation that has given impetus to regionalism in a much more reticular world.

²⁸ DENNISON, Susi et al, *op. cit.*

²⁹ NAIM, Moisés, *El fin del poder*, Debate, 2013.

The triad – or at least some of its elements (Europe not always as such, but some of its Member States) – should play a prominent role in this situation. Its central banks are often coordinated, which is a symptom that this relationship is progressing. But, as pointed out, its members are often divided on global issues such as global warming, in which Europe is practically isolated in this triad whose joint action would be necessary.

Europe can interact with China without arousing the United States' misgivings. However, the other interactions – China with the United States and the latter with Europe – do arouse misgivings of very different kinds in the third component of the triad. The triad can become a reality, but it will lack flexibility – thought ultimately this could perhaps prevent problems

Towards a new order in the Middle East

Mario Laborie

Chapter two

Abstract

The present chapter sets out to identify the transforming forces that are common to the whole Middle East. Taking a cross-cutting approach, it examines some of the most significant aspects in order to explain its current situation and future prospects. It also analyses the changes that are being witnessed in all the Arab countries without exception and constitute the landscape in which the geopolitical processes occur. These trends are giving rise to a new regional order shaped by three factors: the need to define a new state model, with Islam as a backdrop; the growing influence of the Persian Gulf monarchies; and shifts in the balance of power and in global geopolitics.

Keywords

Middle East, regional order, Islamism, geopolitics, Arab uprisings.

Introduction

Three years on, nobody doubts that the Arab uprisings have changed the course of history in the Middle East. The dynamics that dominated the region for decades were shattered when the suicide of a young Tunisian at the end of 2010 became the epicentre of mass protests. The lack of political freedoms, the demands for socioeconomic reforms and the autocratic regimes' appropriation of state institutions and resources were the main reasons for the unexpected outbreak of rioting.

Rapidly spreading to most of the Arab countries, the uprisings paved the way for a transition to a new Middle East that is still being shaped. The almost peaceful changes in Tunisia, Egypt and Yemen were initially greeted with widespread enthusiasm. The term 'Arab springs' that was coined to define them reflects the positive expectations that these rapid changes initially aroused. But the deterioration of the situation into growing instability and volatility, both nationally and regionally, has led to a discouraging about-turn in the future of the Arab world.

The uprisings have posed a major challenge to all the governments in the region, although internal structural conditions are hindering greater political liberalisation. In countries whose authoritarian governments have been toppled, the weak state institutions are incapable of adapting to the population's demands. What is more, extremism and social fragmentation are preventing them from achieving the consensus needed to ensure that political transition is carried out peacefully.

Over time, international geopolitical consequences have been added to the undeniable domestic repercussions of the uprisings. The struggle for regional domination, the clash between the two majority strains of Islam – Sunni and Shia – the growing weakness of a few states, the presence of armed jihadist groups, the eternal Arab-Israeli conflict and the action of the global powers are subjecting the region to centrifugal or centripetal dynamics that are weakening it. The war in Syria is a compendium of all these factors. The UN secretary general has called the Syrian conflict a 'proxy war, with regional and international players arming one side or the other'.¹ With these words, Ban Ki-Moon made it clear that the Syrian conflict is much more than a civil war, as it appears that regional hegemony is being played out between Iran, Saudi Arabia and Turkey on this strategic chessboard; but others, such as the United States, Russia, Lebanon, Jordan and Israel are also involved. To all this should be added the recent provisional agreement on the Iranian nuclear programme

¹ 'Ban says Syria conflict has become proxy war', The Daily Star, 03/08/2012. Available at <http://www.dailystar.com.lb/News/Middle-East/2012/Aug-03/183309-ban-says-syria-conflict-has-become-proxy-war.ashx#ixzz240a3cU3C>.

which, if all goes well, has the potential to completely reconfigure regional geopolitics.

Within this general context, this chapter discusses some of what are considered the most significant aspects in order to explain the current situation in the Middle East and gauge the future prospects for the short and medium term. For this purpose we have sought a cross-cutting approach that allows the forces of change common to the whole region to be identified, though it is important to point out that, given their heterogeneous scope, there is not a single 'Arab spring' but a variety of them. The text is therefore divided into three parts. The first deals with the trends for change that are affecting all the Arab countries without exception and constitute the backdrop for the regional geopolitical processes. These trends are giving rise to a new regional order whose fundamental dynamics are described in the following section. Finally, by way of conclusion, we share some final thoughts on the present in the Middle East, which herald a very uncertain future.

Trends towards regional changes

according to the US National Intelligence Council,² over the next two decades the world will undergo a radical change as a whole, driven by four change factors or *megatrends* that will occur under any circumstance: individual empowerment, the dissemination of power, demographic patterns and the food, water, energy nexus.

The Arab uprisings have spurred the appearance of hitherto unseen challenges, to which state instruments are not providing a proper response and which are questioning the usual regional dynamics. All four megatrends are having a fundamental impact on the Middle Eastern states and their societies. The current landscape of the region is thus being shaped chiefly by the force of public opinion and also by the progressive weakening of the traditional security instruments.

Force of public opinion

Young people aged between 15 and 24 currently account for nearly one-fifth of the population of the Middle East and North Africa: the highest percentage in the history of the region.³ The Arab uprisings would not have

² 'Global Trends 2030: Alternative Worlds', National Intelligence Council, December 2012. Available at http://www.dni.gov/files/documents/GlobalTrends_2030.pdf.

³ 'A generation on the move', Issam Fares Institute for Public Policy & International Affairs, Beirut, November 2011. Available at : http://www.unicef.org/media/files/Summary_Report_A_GENERATION_ON_THE_MOVE_AUB_IFI_UNICEF_MENARO_.pdf.

begun without the drive of this huge mass of young people who do not have access to quality education or suitably paid jobs that would allow them to start their own families.

In the Middle East, economic resources generally continue to be controlled by tiny elites that furthermore control the state institutions. The deep causes that triggered the Arab revolts have thus not disappeared and nor will they in the medium term, as it is impossible to provide an immediate response to young people's demands. These circumstances are creating a high degree of latent unrest. Therefore, the transforming force has only just begun, and we cannot rule out the possibility that some countries that were hitherto immune to public demands will be subjected to the pressure of political activism. Nor are the new governments that arose from the transition processes free of pressure, and this is increasing their instability.

Together with population growth, the spread of new technologies is also posing fundamental challenges to the traditional order that has governed the Arab world for decades. In most of the Arab countries the corresponding press laws are designed to 'make independent publication difficult, to keep public debate in the hands of «responsible» elements and to provide an excuse for punishing those who stray over the red lines of permissible expression'.⁴ But mass access to the internet and social networks, together with the expansion of satellite television in Arabic, have called this paradigm into question and have broken the information monopoly exercised so far by the autocratic regimes. A youth eager for deep changes, and with powerful technological instruments for establishing relationships, is a force that governments cannot ignore. The *street* is thus the repository of a national sovereignty that is diffuse but capable of modifying government policies.

The fact that these dynamics remain open indicates that there are contradictions with respect to the aims that gave rise to the Arab uprisings. Contrary to what might be expected, the empowerment of the individual and civil society has been a cause of social fracture. As proven by the situation in Tunisia, Libya or Egypt, ideological division is failing to find mechanisms for channelling popular demands in an ordered manner through the institutions. In some cases, the challenge to opponents is to topple the regime – not only the government – and replace it with another model that is acceptable to the majority. And it is at this point that discrepancies appear between the different factions of the opposition, which are incapable of achieving the consensus necessary to establish a new government system acceptable to the majority of the population. In this regard there is no single 'Arab spring' but several, which are developing in different directions depending on the ideology and political and social model advocated. These models are often complete opposites. For exam-

⁴ WHITAKER, Brian, ¿Qué sucede en Oriente Próximo?, Aguilar, Madrid, 2012, p.162.

ple, in Egypt and Tunisia the struggle between the conservative forces of Islamic tradition and the nationalist lay sectors has triggered an evident social divide.

Weakening of state institutions

Without exception, the Arab authoritarian regimes have been characterised by their greater or lesser control over the security apparatus and the degree of repression exerted by the latter in all spheres. The chief purpose of these security systems was and still is to ensure the regime's survival;⁵ this is why they are directed by the autocrats' closest circle. At the same time, the loyalty of military or police chiefs to the regime is based on personal interests. If the regime is toppled and others come to power, these chiefs will also be replaced.

Accordingly, depending on particular internal factors, the uprisings are having a heterogeneous impact on the Arab states. They are only enjoying a peaceful victory in countries where the security forces are disobeying the established power, normally to preserve their predominant position in the state structure. By allowing the fall of President Mubarak, the Egyptian army secured considerable legitimacy so that today most Egyptians regard it as a patriotic institution that can be trusted to act in the interests of the nation.⁶ However, in nations where the security apparatus has survived the popular protests, it is more than possible that the security structures will be strengthened, as there are powerful forces prepared to do what it takes to preserve the status quo.

On the contrary, in countries where the security forces have remained united and submissive to the government, repression and violence have been unleashed. In this aspect Syria is an even more extreme case. There the Alawi minority, to which President Bashar al-Assad belongs, controls the state security forces and intelligence services, which have displayed unexpected cohesion and resilience during the three years the Syrian conflict has lasted so far.

Whatever the case, the wave of revolts has led without exception to the weakening of the Arab states and, accordingly, to the worsening of security conditions. The collapse of Libya, the next to become a failed state,⁷ is undoubtedly the paradigm of this situation. In this country the fall of

⁵ BISHARA, Marwan, 'The Invisible Arab: Excerpt from Chapter 1', Al Jazeera, 09.02.2012. Available at <http://www.Aljazeera.com/indepth/opinion/2012/01/201212584645463852.html>.

⁶ KORDUNSKY, Anna and LOKESSON, Michael, 'The Egyptian Military's Huge Historical Role', National Geographic, 05.07.2013. Available at <http://news.nationalgeographic.com/news/2013/07/130705-egypt-Mursi-government-overthrow-military-revolution-independence-history/>.

⁷ STAFFORD, James, 'Libya Is a Failed State', Worldpress.org, 16.10.2013. Available at <http://worldpress.org/Mideast/3986.cfm>.

Colonel Gaddafi and the collapse of his regime's fragile state institutions are causing a security vacuum that we are beginning to feel in Europe. As usual, the loss of the state's legitimate monopoly on the use of violence is being taken advantage of by other players to benefit their particular interests. At the same time the ties that bind the different social groups through the state are breaking down and there is a return to pre-state political organisations – tribes, clans or families – that are vying with each other for power and economic resources.

It should be borne in mind that in many cases the uprisings started in areas where the legitimacy of the state was being questioned or there were discriminated minorities. Under these circumstances certain groups, such as those that espouse the jihadist ideology, are jeopardising the very existence of the state and seeking to topple it. Therefore, although the success of some uprisings has largely discredited al-Qaeda's doctrine, widespread institutional weakness has provided fresh opportunities for this terrorist organisation and its affiliate groups. The 'free arms market' that emerged following the collapse of Gaddafi's regime, the crisis that broke out in Mali in 2012 and the weakness of the states on the southern shore of the Mediterranean and sub-Saharan Africa have made the Sahel an ideal territory for terrorist actions.⁸

At the same time, loss of control of state borders is facilitating illegal trafficking of all kinds. Weapons, drugs and people can move in an uncontrolled manner owing to the vastness of the empty spaces. The risks and threats arising from the arc of instability that stretches from the Middle East to the Atlantic coasts of the Sahel⁹ are directly affecting the European Union, granting Spain a new geostrategic position. Thus, 'Spain's security is unfailingly tied to the political and social stability of its neighbours and, accordingly, to that of its neighbours' neighbours'.¹⁰

Likewise, the Sinai Peninsula is also experiencing a dangerous security vacuum owing to the increasing weakness of the Egyptian security institutions. Above and beyond the demands the Bedouin population is making on Cairo government, reports on the growing crime rate suggest that the Sinai Peninsula has become a route for supplying Iranian weapons to Hamas and a base for Jihadist terrorist groups.

Regional dynamics

For decades the Middle East has been fought over by the conservative forces of Islamic tradition and nationalist secular regimes such as Egypt-

⁸ DIEZ ALCALDE, Jesús, 'Mali: decisiva y contundente reacción militar de Francia para frenar el avance yihadista', IEEEE, Documento de Análisis 06/2013, 23.01.2013.

⁹ MORENÉS, Pedro, 'Defensa en España y de España', Política Exterior, September 2013, p. 15.

¹⁰ Ibid., 16.

tian Nasserism or the Baathism of Iraq or Syria. Today the struggle between religion and secularism is an internal conflict within the political transitions that are taking place in the Middle East. However, it is crucial to realise that Islam is by no means questioned in these processes of change. What is in fact at stake is the design of a model of state able to cater to the different – and sometimes clashing – sensibilities and ideologies.

Furthermore, there has been a shift from a nationalist model – in some cases pan-Arabian – to another based on religion, in accordance with sectarian lines and divergent interpretations of Islam. This change has brought about a reshuffle in the alliances between the different countries in the region. In this aspect, the division between the *Sunni arc*, led by Saudi Arabia, and the *Shia crescent*, with Iran as its greatest exponent, has grown much deeper. And it is precisely in Syria where the abovementioned leading regional powers along with Turkey are exercising their regional influence. The religious struggle is thus exacerbated in order to defend geopolitical positions.

Bearing in mind the transforming trends pointed out in the previous section, the Middle East scene is shaped by three factors: the need to define a new state model, with Islam as a backdrop; the rising influence of the monarchies of the Persian Gulf; and the changes in the global balance of power and geopolitics.

Religion and state model

A study published by the Pew Research Center¹¹ in April 2013 pointed out that all over the world most Muslim believers are deeply committed to their faith and want its teachings to be part not only of their personal life but also of their society and politics. Many Muslims express their wish for the *sharia* – Islamic law – to be recognised as the official law of their country¹² and for religious leaders to enjoy some kind of influence in political matters.

Given these findings, there is no doubt that Islam occupies a central role in the current political debate in the Arab world. However, there are major doubts about the responses religion should give to the structural problems of Arab societies. Modernising and pragmatic views contrast with conservative views, sometimes violently, making for a landscape of social division and radicalisation. Issues such as the future of so-called political Islam, struggles among Sunni Islam between stricter and more lenient

¹¹ 'TheWorld'sMuslims:Religion,PoliticsandSociety',PewResearchCenter,30.04.2013.Available at <http://www.pewforum.org/2013/04/30/the-worlds-muslims-religion-politics-society-exec/>

¹² Expressed by 74% of Egyptians and 89% of Palestinians, *ibid*.

approaches and the socio-political adaptation of the minorities of other non-Arab creeds such as Kurds or Berbers are questions that remain unanswered.

The future of political Islam?

The overthrow of Egypt's President Mohamed Morsi has called into question one of the main outcomes of the popular uprisings: the advent to power of political Islam. Mumtazer Turkone, a Turkish political scientist, defines Islamism as: 'an effort to render Islam sovereign to all domains of life from faith and thought to politics, administration and law, and the quest for arriving at a solution to the problem of Muslim countries' underdevelopment in relation to the West by establishing among Muslims unity and solidarity.'¹³

With this ideology, and following the same trail blazed some time ago by Turkish prime minister Recep Tayyip Erdogan, the progress made by the Freedom and Justice Party in Egypt, the Justice and Development Party in Morocco, Ennahda in Tunisia and Hamas in Gaza, as well as their growing influence in Jordan, the Syrian opposition or even in the Persian Gulf countries, led to the conclusion that Islamists in general were the main beneficiaries of the abovementioned change processes.

Sympathy for the past years of repression; the non-existence of other organised political movements; and the belief that Islamists would better defend social justice are the factors that contributed to the rise to power of Sunni political Islamism, whose main group is the Muslim Brothers. Established in the Egyptian city of Ismaïlia by Hassan al-Banna in 1928, the Muslim Brotherhood emerged as a society whose aim was 'a total reform of the political, economic and social life of the country, by the government from the top and by the people from below'.¹⁴ On the basis of a strict interpretation of the *sharia*, its reformist and anti-western ideology rapidly spread through most of the Arab countries.¹⁵ Although the different communities are almost independent in their action, they 'maintain links that allow us to speak of an international dimension of the movement; that

¹³ TURKONE, Mumtazer, quoted by AKTAY, Yasin, 'The «ends» of Islamism: rethinking the meaning of Islam and the Political', *Insight Turkey*, vol. 15, no. 1., 2013, pp. 111–25.

¹⁴ MITCHELL, Richard P, 'The Society of the Muslim Brothers', Oxford University Press, New York, 1993, pp. 260.

¹⁵ Algora states that there are branches of the Brotherhood in Syria, Jordan, Sudan, Algeria, Libya, Tunisia, Morocco, Saudi Arabia, Qatar and Kuwait. ALGORA WEBER, M^a Dolores, 'Los Hermanos Musulmanes después de la «Revolución del 25 de enero»: de los ideales del pasado a los desafíos políticos del presente', *REVISTA IEEE* no. 0, December 2012. Available at: <http://revista.ieee.es/index.php/ieee/article/view/16> pp. 210.

is, of a Global Brotherhood that repeats the structured organisation [of Egypt's central society].¹⁶

After more than eighty years of persecution, the Revolution of 25 January 2011 in Egypt, the major Arab power, gave the Muslim Brothers a historic opportunity to implement their Islamist programme of reforms. In the June 2012 elections for president of the republic, the Brothers' candidate, Mohamed Morsi, narrowly beat Ahmed Shafik, an army general and Mubarak's former prime minister, becoming the first civilian president in Egyptian history.¹⁷ At the time political Islam was regarded as a reformist movement that was not necessarily democratic but willing to find a balance between Islamic law and social and economic reality.

However, its attempt to gain absolute control of the institutions, economic decline and growing 'mistrust of them by many Egyptians who viewed them as a closed Brotherhood centred on its own interests',¹⁸ led to the progressive deterioration of the Islamists' image. Morsi, paying no heed to other political and religious sensibilities or to the narrowness of his election victory, aimed to establish a new order based on the principles of the *sharia*. But this project was rejected by sectors that were calling for a more down-to-earth project that addressed citizens' real political, economic and social problems. The Islamists' discredit has thus arisen from their inability to provide a response to citizens' demands and to create a stable model of governance: 'People want to have food on the table, healthcare, education, all of that – and the government has not been able to meet expectations.'¹⁹

Despite the changes of the past years, the true problem of Arab societies continues to be the fact that the regimes, like the elites who control them – who are solely concerned with defending their own interests – take over state institutions and resources. The question is how to limit this phenomenon and open the state up to society. In this regard the case of Egypt has underlined the inability of political Islam to come up with pragmatic solutions unrelated to any theocratic conception of the state. Ultimately Islamists seek merely to replace one elite with another, not to modify the unfair social structure. In other words, 'in their transition to political action, whether by supporting, putting themselves forward, participating

¹⁶ Ibid.

¹⁷ Morsi achieved victory with 51.73% of the vote (13.230.131), compared to his rival's 48.27% (12.347.380). 'El islamista Mohamed Mursi gana las elecciones presidenciales de Egipto', *La Vanguardia*, 24.06.2012. Available at: <http://www.lavanguardia.com/internacional/20120624/54316264781/islamista-mohamed-mordi-gana-elecciones-presidenciales-egipto.html>.

¹⁸ AMIRAH FERNÁNDEZ, Haizam, 'Lecturas de la caída de Mursi', *Comentario Elcano* 45/2013, 9.07.2013. Available at <http://www.realinstitutoelcano.org/wps/portal/rielcano/>.

¹⁹ ELBARADEI, M. 'You can't eat sharia', *Foreign Policy*, July/August 2013.

or arbitrating, the Muslim Brothers use their social and preaching structures and acquired confidence to build or oppose political power, not to build and consolidate societies.²⁰

The exponential increase in crime, the constant clashes with the Egyptian judiciary and other state institutions, the hurried approval of a new Constitutions that was branded as sectarian, and Morsi's attempt to attribute himself almost absolute powers drove the country to a situation of widespread civil strife.

The harsh economic conditions caused by political instability and the decrease in tourism and foreign investment aggravated the social rift. Mass demonstrations organised by the Tamarod (rebellion) movement, in which as many as a million people took part, highlighted the Muslim Brothers' inability to achieve the consensus needed to govern under such conditions.²¹ 'The eighty-year prohibition has not done so much harm to the group [Muslim Brothers] as its leadership in a year of government'.²² The progressive deterioration of public order, with hundreds of deaths from clashes between supporters and opponents of the government and the security forces, drove the armed forces to depose Morsi on 3 July 2013.

Whether this military intervention constitutes a coup d'état or a second revolution is a controversial question. For his followers, Morsi enjoyed an unquestionable legitimacy gained at the polls and the action of the military can only be described as an anti-democratic coup. On the contrary, for the opponents of Islamism, the military had no choice²³ owing to the serious danger of the state collapsing. Given this state of affairs neither the US administration nor the European Union have condemned the military coup and have merely called for a peaceful settlement of the rivalry.

Despite being the fundamental pillar of the regime since the modern Egyptian republic was founded in 1952, the army has never governed the country directly, preferring to stay away from the political scene – with the exception of the year between Mubarak's fall and Morsi's election, when the Supreme Council of the Armed Forces governed the nation. This position in the wings, the fragmentation of the political forces, nostalgia for a social order lost after the revolution and the pursuit of political and economic security and stability are some of the reasons that made General Abdul Fatah al-Sisi, defence minister and main promoter of the

²⁰ GARAIBEH, I, 'El fenómeno del islam político y las sociedades tuteladas' (Translation Al Fanar), Al Hayat, 18.09.2013.

²¹ IMONTI, Felix, 'Egypt: an addiction to violence', ISN. 12.04.2013, available at: <http://www.isn.ethz.ch/Digital-Library/Articles/Detail/?lng=en&id=162667>.

²² YUSEF, Basern, 'Sobre la pérdida de la batalla (Egipto)', Al Shuruq, 01.10.2013.

²³ JONES, Sophia, 'Egypt's perfect storm', Foreign Policy, 26.07.2013. Available at: http://www.foreignpolicy.com/articles/2013/07/26/egypt_s_perfect_storm_showdown_in_cairo

3 July coup, the country's strong man and the military its most highly valued institution.²⁴

But six months on from the fall of the government of the Freedom and Justice Party – at the time of writing this contribution – the divide continues and there is no sign of reconciliation. The interim government appears determined to weaken the Muslim Brothers using all means and to cut off their funding. It is likewise attempting to leave the Islamist movement leaderless and has arrested dozens of its leaders on charges related to incitement to violence, attacks on public establishments or blocking public thoroughfares. The overthrown Morsi has been charged with alleged involvement in the deaths of demonstrators in the rioting that took place outside the presidential palace in Cairo in December 2012.²⁵ The new authorities have likewise erased the Brotherhood from the records of associations recognised by the Ministry of Social Solidarity, and this will prevent it from taking part in future elections. At the same time the interim government has implemented strict measures to seize control of the mosques from the Islamists' followers. Orders have been given to close unofficial religious centres and 55,000 imams have not had their authorisation to guide the faithful's prayer renewed with the excuse that they are not graduates of Al-Azhar university, the most prestigious theological institution of Sunni Islam.²⁶ Even the future Egyptian constitution that is currently being drawn up could ban Islamist parties, according to a draft published at the end of November 2013 by the country's state press.²⁷

The consequences of socio-political instability for the Egyptian economy are devastating. The rise in inflation and unemployment, the decrease in savings and monetary reserves and Egyptians' loss of confidence in themselves are driving the productive and financial system towards collapse. Only the huge support provided by Saudi Arabia, Kuwait and the Arab Emirates has saved the country from bankruptcy for the time be-

²⁴ DE LA GUARDIA, Julio, 'Egipto: el Estado contra los Hermanos Musulmanes', Real Instituto Elcano. ARI 35/2013, 30/8/2013. Available at:

http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/zonas_es/defensa+y+seguridad/ari35-2013-delaguardia-egipto-estado-contra-hermanos-musulmanes.

²⁵ Egyptian justice has postponed the trial of the deposed President Morsi, initially scheduled for 8 October 2013, to 8 January 2014. 'El juicio a Mursi, aplazado hasta el 8 de enero', Europa Press, 04.10.2013. Available at: <http://www.europapress.es/internacional/noticia-juicio-mursi>.

²⁶ GONZALEZ, Ricard, 'El Gobierno egipcio arrebató las mezquitas a los islamistas', El País, 17.11.2013. Available at <http://internacional.elpais.com/internacional/2013/11/17/actualidad/>

²⁷ PERRY, Tom and SALEH, Yasmine, 'Borrador de Constitución de Egipto fortalece al Ejército, conversaciones se alargan', Reuters (Latin America), 28.11.2013. Available at <http://lta.reuters.com/article/worldNews/idL>.

ing. The aid provided by these monarchies, estimated at around 12 billion dollars, can be viewed as an explicit defence of the military coup driven by the desire not to allow the Islamist opposition to ruin the fragile economy.²⁸

In this context, the rift between the two sides is growing and they have trapped in the middle the population sectors who once supported the revolution but now back neither the military nor the Islamists. It is evident that the Egyptian military enjoy very strong grassroots support; though it is also undeniable that the millions of Muslim Brothers are not going to disappear overnight,²⁹ despite the new Egyptian authorities' use of force – disproportionate in a few cases.

And so the interim government's spiralling repression may trigger the progressive radicalisation of Islamism.³⁰ Therefore, the most dangerous factor is the possibility of a shift towards violent stances. As commented earlier, the recent months have witnessed a steady increase in armed actions against police stations and other state facilities.³¹ But without a doubt the attempt to assassinate the Egyptian interior minister Mohamed Ibrahim on 5 September 2013 is the most worrying example of this shift towards violence. The well-planned operation against a heavily protected authority – a fact that saved his life – suggests that whoever carried out the attack has a terrorist training; and that the danger of new actions of this kind remains.³² Nevertheless, the fact that Egypt's interim government put an end to the state of emergency halfway through November may signal its growing ability to impose security and order in the street.

The lessons to be learned from the case of Egypt could determine the future of the Islamist movements as a whole. Whereas the overthrow of Morsi has made some cautious of implementing their agendas too quickly, others have become more radical and have reinforced their hard line.³³ If the Islamist experiment has failed in a stable nation, the possibilities of it triumphing in countries with difficulties are meagre. The failed attempt to reconcile political Islam with modern forms of government will

²⁸ 'UAE signs \$4.9 billion aid package to Egypt', Al Arabiya, 26.10.2013. Available at <http://english.alarabiya.net/en/business/economy/2013/10/26/UAE-to-support-development-projects-in-Egypt-worth-4-9-billion.html>.

²⁹ HELLYER, H.A., 'Egypt's revolutionaries: what do they stand for?', Al Arabiya, 07.10.2013. Available at <http://english.alarabiya.net/en/views/news/middle-east/2013/10/07/Egypt-s-revolutionaries-what-do-they-stand-for-where-do-they-go-.html>.

³⁰ GEORGY, Michael and PERRY, Tom, 'As Egypt's Brotherhood retreats, risk of extremism rises', Reuters, 28.10.2013. Available at <http://www.reuters.com/article/2013/10/28/>

³¹ KIRKPATRICK, David D., 'Egyptian Attacks Are Escalating Amid Stalemate', The New York Times, 07.10.2013. Available at http://www.nytimes.com/2013/10/08/world/middleeast/egypt-violence.html?_r=0.

³² 'In Egypt, an assassination attempt on the interior minister', Stratfor, 03.09.2013.

³³ SCHEMM, Paul, 'Egypt overthrow shakes Islamists in the region', AP, 07.07.2013. Available at <http://bigstory.ap.org/article/egypt-overthrow-shakes-islamists-region>.

undoubtedly have regional consequences and can serve to instigate the violence of the Islamists who feel let down by democracy and laicism.³⁴

In this respect, parallels have been drawn between the current situation in Egypt and the tragic experience of Algeria in the nineties.³⁵ The Islamists had won the 1991 elections democratically, but the army, with the support of the Algerian middle classes, prevented them from taking over power. The ensuing civil war caused more than 300 thousand deaths and its aftereffects are still evident in the country. But it is unlikely that the Egyptian Islamists will go for an armed uprising unless all means of political participation are barred.

As was to be expected, the terrorist organisation al-Qaeda, whose ideology was weakened by the initial success of the popular uprisings, has not taken long to capitalise on the failure of Islamism in Egypt. On 2 August 2013, Ayman al-Zawahiri stated, 'What happened is the greatest proof of the failure of taking the democratic path to reach power in Islam. [...] This time, the Brotherhood reached the presidency of the republic and the ministry, and they got the majority in the senate and Shura [consultative] councils, and despite all that they were removed from power by force.'³⁶ This message from al-Qaeda's leader shows the danger of the salafist-jihadist discourse recovering part of its lost sway. Whereas the central organisation of al-Qaeda seems to be in a situation of extreme weakness owing to the death or arrest of most of its leaders, the message of religious extremism and violence continues to be influential in much of the Islamic world.

Salafism is based on a more puritanical and fundamentalist interpretation of Islam than is upheld by the Muslim Brothers. It originates from the doctrines of the jurist Ahmad Ibn Hanbal (Baghdad, 780–855), which banned the use of reason when reading the Koran. It is more a philosophy or way of life than a political movement, as in its most extreme conception any form of government, democratic or dictatorial, is unacceptable: *for only God can be sovereign*. This is why its followers ruled out any political participation or claim, unlike political Islamism, and some authoritarian regimes allowed the action of salafist organisations.³⁷ Nevertheless, following the downfall of autocracy in some countries, the salafists have

³⁴ HUSAIN, Ed, 'Egypt Risks the Fire of Radicalism', International Herald Tribune, 03.07.2013. Available at http://www.nytimes.com/2013/07/04/opinion/global/egypt-risks-the-fire-of-radicalism.html?pagewanted=all&_r=0.

³⁵ CEMBRERO, Ignacio, 'Argelia (1992) frente a Egipto (2013)', El País, 16.08.2013. Available at http://internacional.elpais.com/internacional/2013/08/16/actualidad/1376674449_814375.html.

³⁶ ROGGIO, Bill, 'Zawahiri rebukes Muslim Brotherhood for trusting democracy', The Long War Journal, 03.08.2013. Available at: http://www.longwarjournal.org/threatmatrix/archives/2013/08/zawahiri_rebukes_muslim_brothe.php#ixzz2kouwxzfK.

³⁷ BAYOUMI, Alaa, 'Egypt's Salafi surprise', Al Jazeera, 14.01.2013. Available at <http://www.Aljazeera.com/indepth/features/2013/01/20131131335520463908.html>.

created political groups and have stood in elections seeking social representation and political power.

In the only legislative elections held in Egypt the salafist al-Nour party, established after the revolution of 2011, was the second most voted for after the Brotherhood, securing 25% of votes. During the following months it took part in the government coalition headed by Morsi and played a significant role in drafting the new constitution, which entered into force at the end of 2012. However, it surprisingly supported the military coup that toppled the Islamist regime and repealed the constitution it had helped draw up.

This support has several readings. On the one hand, the salafists may have learned a lesson in political realism and preferred to adapt to the changes rather than follow a path leading to a clash with the armed forces. And on the other, al-Nour may be attempting to benefit from the fall of the Muslim Brotherhood in order to become the country's leading Islamist force.

For their part, the new Egyptian authorities are trying to include the main salafist groups committed to the political process and to drafting a new constitution. The fact that there are now four salafist parties in Egypt shows the different strains of this ideology, although the most numerous and influential salafist movement in Egypt, al-Daiwa al-Salafeyya – Salafist Preaching – has shown its support for the al-Nour party.

Not all salafists are jihadists, although the latter, who defend the use of violence as the sole means of achieving their aims, find their ideology in the most extreme salafism. The issue at hand is therefore to put a brake on the radicalisation process, and maintaining non-violent salafism committed to political matters is therefore a crucial factor in keeping jihadism at bay.

This section would not be complete without expressly mentioning the case of Turkey. The Turkish model, in which a moderate Islamist government has proven capable of becoming integrated into a democratic state, has been very widely used as a pattern to be followed in the Arab transitions. Its policy of 'zero problems' with its neighbours, the international recognition it has secured, its undeniable economic and military might and the alliance with Qatar have earned Ankara significant influence in the region.³⁸ However, its evident support for the Muslim Brothers has discredited the Turkish model among non-Islamist sectors. Furthermore, the Syrian conflict has highlighted former Turkish-Persian rivalry. Indeed Ankara and Tehran hold opposite stances, as the former supports the rebels and the latter Assad's regime. If to this we add the recent resumption of relations with Israel, we may conclude that the Turkish model has

³⁸ AL LABAD, Mustafa, 'EL Egipto de los hermanos Musulmanes y el modelo Turco', Al Safir, 25.02.2013.

major flaws for it to be adopted by the Arab peoples. Likewise, Turkey is not alien to the struggle between secularism and Islam, as seen in the constant anti-government demonstrations staged in the country since May 2013. Amnesty International has accused Erdogan's government of serious human rights violations and of having made excessive and unnecessary use of force in quashing the protests.³⁹

The Sunni-Shia divide

The Arab revolts have underlined the depth of the sectarian divide between the two majority branches of Islam: Sunnism and Shiism. This historical rivalry currently has geopolitical repercussions, as we are in fact witnessing a clash of vital interests between the *Shia crescent*, headed by Iran, and the *Sunni arc*, dominated by Saudi Arabia.

The Shia crescent – a term coined by King Abdullah of Jordan in 2004⁴⁰ – describes the connection between Iran, Syria and the Lebanese militia Hezbollah, more recently joined by the central government of Iraq. However, its power lies not so much in religion as in its ideology of 'anti-western' and 'anti-Israeli' resistance.⁴¹ Iran has the sensation of being surrounded by the United States and its pro-western Sunni allies, particularly Saudi Arabia, which in the Shia view are attempting to trigger a change of regime in Iran. Iranian foreign policy and its nuclear programme are aimed at countering this threat through counter-siege actions.

The Sunni arc stretches from Mali through Libya, Egypt, Jordan, southern Syria, western Iraq and the Gulf monarchies. In these countries Sunnism has become tinged with fundamentalism in different degrees, promoted by the Wahabi doctrine originating in Saudi Arabia.⁴² In the latter country fear of Shiism has given rise to a repressive and discriminatory domestic policy against this minority;⁴³ at the same time its external action is always directed at keeping Iran in check.

Saudi Arabia feels threatened throughout its geography: in the north by the situation in Syria; in the east by Iraq with its new majority Shia government; in the west by instability in Bahrain; and in the southwest by

³⁹ 'Turquía: tortura en plena calle', Amnistía Internacional, 02.10.2013. Available at <http://www.es.amnesty.org/actua/acciones/turquia-tortura-policia-oct13/>

⁴⁰ WRIGHT, Robin and BAKER, Peter, 'Iraq, Jordan See Threat To Election From Iran', The Washington Post, 8.12.2004. Available at <http://www.washingtonpost.com/wp-dyn/articles/A43980-2004Dec7.html>.

⁴¹ FARMANFARMAIAN, Roxane, 'Redrawing the Middle East map: Iran, Syria and the new Cold War', Al Jazeera, 12.11.2012. Available at <http://www.Aljazeera.com/in-depth/opinion/2012/11/2012111311424048459.html>.

⁴² Ibid.

⁴³ 'Saudi Arabia: Treat Shia Equally', Human Rights Watch, 3.09.2009. Available at <http://www.hrw.org/news/2009/09/02/saudi-arabia-treat-shia-equally>.

the fragility of Yemen. In Saudi Arabia's view, all these threats originate from Iran.⁴⁴ In its strategic opposition to the Tehran regime, Riyadh's main priority is to maintain the alliance with the United States in order to guarantee security; though it is using its undeniable financial clout to gain influence in the region and reinforce its army.

In this context, there are two reasons that explain the current geopolitical dispute between Iran and Saudi Arabia. The first lies in the contradictory nature of both regimes. Whereas Tehran seeks to spread the Islamic revolution, Riyadh aims to maintain the status quo of the region. The second is related to the very different relations both countries have enjoyed with the West since the end of the seventies: of collaboration on the part of Saudi Arabia, and of confrontation on the part of Iran – though as we shall see this element may vary in the medium term. This antagonism has been witnessed above all in Iraq, Lebanon and Bahrain. The crisis in Syria has provided Saudi Arabians with an opportunity to spread the confrontation in Iran's closest allied territory.

Indeed, Syria has become the main battlefield of this sectarian struggle. In this country the Sunni majority (70% of the Syrian population) is at odds with the Alawis (11%) and Christians (10%), though the role played by the Druze (2%) and Kurdish (7%) minorities should not be forgotten. Both sides received unconcealed support from their foreign patrons: the rebels from the Gulf monarchies and the regime headed by Bashar al-Assad from Iran and the Lebanese militia Hezbollah. Owing to its central position in the Middle East and the significance of the existing interests, the region's future is certain to be defined by the outcome of the Syrian conflict.

Syria, the only Arab country that supported the Iranians in their war against Iraq, has provided Iran's link with the rest of the region. The Iranians argue that the war in Syria is an international conspiracy by the West aimed at breaking the Axis of Resistance and attempt to minimise the sectarian component. If the Syrian regime falls, Iran's regional position will be weakened from a geopolitical point of view, as a new Sunni government will undoubtedly be distant from Tehran's parameters. It therefore seems unlikely that the Iranians will cease to support Assad.

Saudi Arabia's backing of the Syrian revolution stems from the defence of three basic interests: to solve the problems with the Saudi Shia who live in the coastal region of Qatif, to show their clear involvement in supporting Sunni anywhere in the world, and to undermine Iran's influence in both Syria and Lebanon.⁴⁵ Therefore, as it lacks a military capability to intervene directly in Syria, Saudi Arabia is supplying the Syrian rebels

⁴⁴ AL LABAD, Mustafa, 'Obama y la crisis silenciada en Arabia Saudí', Al Safir, 11.03.2013.

⁴⁵ AL RASHEED, op. cit., p. 37.

with weapons and funds in order to ensure its influence in the country if Assad is toppled.

The sectarian nature of the war in Syria is having a destabilising effect on neighbours Iraq and Lebanon which, like Syria, have heterogeneous social structures. With the spread of sectarian clashes, cracks are appearing in the delicate religious balances of these countries.

In Lebanon, radicalism and the arrival en masse of Syrian refugees are fuelling economic and social tensions.⁴⁶ The World Bank estimates that by the end of 2014 there will be 1.6 million Syrian refugees in Lebanon – 37% of the country's total population – and this will force the country's government to spend millions of dollars on social services and to increase its fiscal deficit. With this economic outlook, 1.2 million Lebanese will live beneath the poverty threshold.⁴⁷

For months now the 8 March and 14 March political parties have been incapable of agreeing on forming a national unity government and are driving the country towards an institutional crisis. Beirut's official policy is to abstain from taking sides in Syria and to prevent the war from spreading to the country. Nevertheless, this policy is increasingly difficult to maintain, as any internal issue is linked to the crisis in the neighbouring country; especially after the Shia militia Hezbollah announced it would support Syria 'at all levels'.⁴⁸ The Syrian conflict is exacerbating friction in areas where Shia and Sunni populations coexist, now also with thousands of Syrian refugees. But more importantly, this friction is also being felt in the Lebanese state institutions. The allies of the Syrian regime in Lebanon identify its army as an instrument of the Sunni groups that back the Syrian rebels; whereas the latter point out that Hezbollah controls the Lebanese intelligence services.

Since 2006, the Shia militia have been a key cog in the country's institutional machinery. But their support for the Syrian regime has dented the legitimacy of their political and military position and has given the more radical Sunni groups reason to mistrust their leadership.⁴⁹ As a result, Lebanese salafist movements and parties are on the increase, and

⁴⁶ 'Syrian refugees in Lebanon: And still they come', *The Economist*, 27.03.2013. Available online at <http://www.economist.com/>.

⁴⁷ 'Lebanon Bears the Brunt of the Economic and Social Spillovers of the Syrian Conflict', *The World Bank*, 24.09.2013. Available at <http://www.worldbank.org/en/news/feature/2013/09/24/lebanon-bears-the-brunt-of-the-economic-and-social-spillovers-of-the-syrian-conflict>.

⁴⁸ 'Hezbollah ayudará a Siria a recuperar los Altos del Golán', *RT Actualidad*, 09.05.2013. Available at <http://actualidad.rt.com/actualidad/>.

⁴⁹ According to the director of military intelligence of the Israeli Defence Forces, Hezbollah is currently training 50 thousand militiamen to fight against the rebels. BARZILAI, Yair, 'IDF Intelligence Chief: Terror organizations on the rise', 14.03.2013, IDF web. Available at <http://www.idf.il/1283-18532-en/Dover.aspx>.

are very likely to play a bigger role in Lebanese political life in the short term.⁵⁰ In April 2013 sheikh Ahmad al-Assir, one of the most prominent figures in Lebanese Sunnism, issued a fatwa calling for a jihad in Syria.⁵¹

The outbreak of sectarian violence is now unquestionable. In recent months Tripoli, Lebanon's second most populated city and the stronghold of conservative Sunnism in the country, has been constantly rocked by armed clashes. The support they are lending to the Syrian rebels has radicalised the Lebanese Sunni, who are accusing their Alawi neighbours of backing the Syrian regime.

Nor is Beirut, the capital, immune to sectarian violence now, as proven by the terrorist attack of 19 November 2013 against the Iranian embassy complex in Lebanon. The embassy, located in the district of Jnah – one of Hezbollah's strongholds – suffered a double suicide attack that killed at least 23 people and injured more than 140. Although, as is customary, the Tehran authorities immediately blamed Israel, responsibility for the attack was claimed by the Abdullah Azzan Brigades, a Lebanese radical group linked to al-Qaeda.⁵² The political implications of this action are undoubtedly directly related to what is going on in the neighbouring Syria.

The Syrian conflict is likewise complicating Iraq's domestic situation. Since the US forces withdrew from the country, sectarian clashes between the Shia majority and the Sunni minority have become the norm. The lukewarm attempts at reconciliation between communities have not been successful as, instead of promoting a unified state, Iraqi politicians have used the religious divide to favour their own interests.

A consequence of the sectarian tension is that terrorist attacks have become much more frequent all over the country,⁵³ reaching levels that had not been recorded since 2006. According to a report published in October 2013, half a million Iraqis have died as a result of violence since the US intervention in 2003.⁵⁴ Groups linked to al-Qaeda, which are playing a prominent role in the Syrian rebellion, are operating on both sides of

⁵⁰ ABDU, Geneive, 'The New Sectarianism: The Arab Uprisings and the Rebirth of the Shi'a-Sunni Divide', Brookings Institution, Analysis Paper no. 29, April 2013, p. 34. Available at <http://www.brookings.edu/~media/research/files/papers/2013/04/sunni%20shia%20abdo/sunni%20shia%20abdo.pdf>.

⁵¹ 'NEW-cheikh Ahmad al Asir - fatwas pour l'obligation du Yihad en Syria', YouTube, 22.04.2013. Available at <http://www.youtube.com/watch?v=MSFLT8iOUEk>.

⁵² SACRISTÁN, Juan Manuel, 'Dos atentados ante la embajada iraní en Beirut causan 23 muertos', El Mundo, 19.11.2013. Available at <http://www.elmundo.es/internacional/2013/>.

⁵³ RAHEEM, Kareem, 'Bomb attack skill more than 70 Shi'ites across Iraq', Reuters, 20.05.2013. Available online at <http://www.reuters.com>.

⁵⁴ Ibrahim, Marwan, 'Iraq war-related deaths near 500.000', Arab News, 17.10.2013. Available at <http://www.arabnews.com/news/467967>.

the border between Syria and Iraq and are fighting against the pro-Shia regimes of both countries.

The visit paid by Iraq's prime minister, Nouri al-Maliki, to the United States at the end of October 2013 highlights the difficulties this Arab country is experiencing. During his stay, Maliki asked Washington for help in fighting al-Qaeda in Iraq and in purchasing advanced weapons: 'I plan to propose a deeper security relationship between the United States and Iraq to combat terrorism and address broader regional security concerns.'⁵⁵

Northwest Yemen is also being torn by sectarian clashes between Zaidi Shia groups – one-third of the country's total population – and salafists. During the first ten days of September 2013, more than 40 people lost their lives in clashes between members of the Zaidi Houthi clan, which has traditionally been opposed to Yemen's central government, and Sunni radicals.⁵⁶ In the past former president Ali Abdullah Saleh – a Zaidi – enlisted the salafists to stem the complaints of discrimination made by the Shia and accused them of receiving aid from Iran.⁵⁷

The Houthis have maintained a relationship with Bashar al-Assad's regime since long before the Syrian war started, as they have used the country as a 'way-station' through which to travel to Tehran and southern Lebanon for their combat training. Hundreds of Yemeni Shia are currently believed to be fighting in Syria alongside the regime's forces and Hezbollah's militiamen.⁵⁸

The minorities' difficulties fitting in

The revitalisation of Islamism and the consequent sectarian radicalisation is threatening the precarious balance that has existed for centuries between the majority Sunni population and the religious or ethnic minorities.

The Middle East is the region where Christianity was born, and the place where the oldest Christian communities reside, although this fact is not preventing their situation from deteriorating to unsustainable limits. In

⁵⁵ KUTSCH, Tom, 'Obama to meet Iraq's Maliki, an uncertain ally of the US', Al Jazeera, 31.10.2013. Available at <http://america.aljazeera.com/articles/2013/10/31/the-state-of-us-andiraqrelations.html>.

⁵⁶ 'Yemen Sunni-Shiite clashes «leave 42 dead in 10 days»', France24, 09.09.2013. Available at <http://www.france24.com/en/20130909-yemen-sunni-shiite-clashes-leave-42-dead-10-days>.

⁵⁷ ESPINOSA, Ángeles, 'La guerra de Siria dispara las luchas entre suníes y chiíes en toda la región', El País, 16.11.2013. Available at http://internacional.elpais.com/internacional/2013/11/16/actualidad/1384626448_157748.html.

⁵⁸ BEN SOLOMON, Ariel, 'Report: Yemen Houthis fighting for Assad in Syria', The Jerusalem Post, 31.05.2013. Available at <http://www.jpost.com/Middle-East/Report-Yemen-Houthis-fighting-for-Assad-in-Syria-315005>.

the Muslim world as a whole, Christians are thus suffering harassment and repression,⁵⁹ and, as a result, many of them must abandon their countries of origin. 'Every Sunday [...], groups of Christians who attend Catholic or Protestant religious services are assassinated in some part of the world. [...] The governments involved and the international community do not intervene as energetically as they should vis-à-vis a blatant violation of a human right as elementary as freedom of worship.'⁶⁰ According to sources from the Catholic church, in the past 15 years the Christian presence in the Middle East has dwindled by at least 30%, as it 'seems that among terrorist groups attacking Christians gathered on Sunday at their places of worship has become a method considered particularly effective at spreading hatred and fear'.⁶¹

Iraq, a country where the Christian presence dates back to the second century, is the best example of this religious violence. Whereas there were 1.4 million Christians ten years ago, there are currently thought to be only 400 thousand,⁶² and the exodus towards Europe and America continues. According to the World Watch List,⁶³ which classifies the 50 countries where Christians are under greatest pressure for their faith, this creed is on the verge of extinction in Iraq. There a great many of them have been forced to flee abroad or to what was until only recently the more secure Kurdish region, where they face unemployment or insufficient education, medical care and housing.⁶⁴

In Egypt religious violence against the country's 10 million Coptic Christians – approximately 10% of the total population – has grown, apparently in reprisal for Morsi's overthrow. Several Copts have been murdered for their religious leanings. According to Amnesty International, as of 20 August 2013, 38 churches had been set fire to and a further 23 had been

⁵⁹ LOZANO, Javier, 'La inacción y complacencia de la Policía egipcia ante los ataques islamistas a los coptos', Libertad Digital, 29.04.2013. Available at <http://www.libertaddigital.com/internacional/oriente-medio/2013-04-29/>.

⁶⁰ 'Limpieza étnica de cristianos', Informe Semanal de Política Exterior, 23.07.2012

⁶¹ 'La violencia contra los cristianos golpea en Kenia', L'Osservatore Romano, 03.07.2012. Available at <http://www.osservatoreromano.va/portal/>.

⁶² HANNA, Bassem F, 'Decade of Violence Threatens to Uproot Iraq's Christians', Al Monitor, 13.08.2013. Available at <http://www.al-monitor.com/pulse/culture/2013/08>.

⁶³ According to this source, Iraq is fourth in the Christian persecution ranking, behind only North Korea, Afghanistan and Saudi Arabia, in that order, The World Watch List. Available at <http://www.worldwatchlist.us/>.

⁶⁴ Iraqi Kurdistan was considered a safe zone for Christians fleeing from violent persecution in the central and southern regions of Iraq. But several attacks in recent months have caused panic and many of them are abandoning the country for good. Al-Qaeda has claimed responsibility for several of those attacks, stating that Christians 'should not be in Iraq because it is Muslim territory', 'Christians Fleeing Iraq Area Once Considered Safe', CBN News, 23.10.2013. Available at <http://www.cbn.com/cbnnews/world/2013/October/Christians-Fleeing-Iraq-Area-Once-Considered-Safe/>.

partially damaged all over the country. What is more, dozens of homes and businesses had been sacked or set fire to.⁶⁵

As for Syria, most of the Christian community has traditionally supported Assad's regime. This backing stems from their mistrust of the Sunni majority and the belief that a lay regime such as Baathism provides insurance against any fundamentalist excess. In view of the situation of the Christian minorities in Egypt or Iraq, these concerns do not seem misguided. In January 2012, Ignatius IV, patriarch of the Orthodox Church of Antioch and of the whole of the East, stated unhesitatingly that 'Bashar is a president who is not to be found in the whole Arab world. A different future does not offer us guarantees, therefore we are happy with this government'.⁶⁶ The violence of the Syrian war has thus fully reached the Christian community and caused many victims among their communities, driving thousands of families to flee the country and seek exile in Turkey or Lebanon.

In Lebanon the Syrian war is affecting the Christian population, as fear of Sunni radicalism has spread among the community. 'There is fear in my community that salafis will install themselves here [...] No one trusts them because they kill Christians who have nothing to do with the war ... No one wants to go back 500 years'.⁶⁷ However, it is important to underline that, as before, Lebanese Maronite Christians, whose former predominance was the real reason for creating the country, are politically divided. Whereas the sector headed by General Michel Aoun's Free Patriotic Movement holds a clearly pro-Syrian position, aligned with Hezbollah, other Maronites such as Samir Farid Geagea and Amine Gemayel have joined the 14 March Alliance, which is anti-Syrian.⁶⁸

Furthermore, the changes in the regional outlook for the Middle East have triggered the Kurdish people's demands for greater political autonomy. The approximately 30 million Kurds, who are Persian-speaking Sunnis, live mainly in a region between the borders with Armenia, Iran, Iraq, Syria and Turkey. Since the end of the First World War Kurdish pro-independence claims have been a constant source of friction with the countries that hold the territorial sovereignty of what is

⁶⁵ 'Egypt: Government must protect Christians from sectarian violence', Amnesty International, 20.08.2013. Available at <http://www.amnesty.org.au/news/comments/32516/>.

⁶⁶ Ayestaran, Mikel, 'Los cristianos no tenemos miedo', ABC, 29/01/2012. Available at <http://www.abc.es/20120129/internacional/abcp-cristianos-tenemos-miedo-20120129.html>.

⁶⁷ TAYLOR, Stephanie d'Arc, 'Lebanese Christians «prefer» Assad victory', Al Jazeera, 20.10.2013. Available at <http://www.Aljazeera.com/indepth/features/2013/10/lebanese-christians-pray-assad-victory-2013102083955862360.html>.

⁶⁸ 'Lebanese Christian leader says Hezbollah will destroy Lebanon', Al Arabiya, 29.05.2013. Available at <http://english.alarabiya.net/en/News/middle-east/2013/05/29/Lebanese-Christian-leader-says-Hezbollah-will-destroy-Lebanon.html>.

called Kurdistan. Their wide-ranging autonomy in Iraq, the Syrian war and the realignment of powers in the Middle East are exacerbating tension over this issue.

In Iraq, under the presidency of Masud Barzani, the Autonomous Region of Kurdistan, whose capital is the city of Arbil, enjoys wide-ranging political autonomy that verges on independence. Turkey favours the aspirations of the Iraqi Kurds and supports a political alliance between them and the country's Sunni minority, who have been banished from the power organs by the Shia. Barzani supports the efforts of the Turkish prime minister,⁶⁹ Recep Tayyip Erdogan, to achieve a peace agreement with the Kurdistan Workers Party (initials PKK in Kurdish), the driving force of the Kurdish pro-independence movement with an extensive violent track record in Turkey.⁷⁰

But the links between Barzani and Erdogan also have economic ramifications. Turkey is directly importing oil and gas from the Kurdish-Iraqi autonomous region, without Baghdad's authorisation. At the beginning of November 2013, Arbil reached an agreement with Ankara to build oil pipelines to transport hydrocarbons to the world markets. The agreement, which is bound to have geopolitical consequences of far-reaching importance for the region, will allow the Iraqi Kurds to export some 2 million barrels of oil per day and at least 10 billion cubic metres of gas per year to Turkey.⁷¹

The Syrian Kurds are the largest of the country's ethnic minorities and are reckoned to account for between 7 and 10% of the total population. Since the 1950s, the Syrian governments have quashed Kurdish demands for greater political autonomy by arresting opponents and forming associations with certain Kurdish tribal leaders. For several decades the rich oil-producing region of Qamishli in the northeast, the capital of the Kurdish region, was a source of conflict with the Damascus government, which confiscated land in order to 'Arabise' it.

However, the war in Syria has radically changed this situation. The Syrian Kurds view the war that is ravaging their country as an unprecedented opportunity to attain the freedoms that their Iraqi relatives already enjoy. In May 2011 President Bashar al-Assad granted more than 100

⁶⁹ 'Líder kurdo iraquí apoya esfuerzo de paz de primer ministro de Turquía', Europa Press, 16.11.2013. Available at <http://www.europapress.es/latam/economia/noticia-lider-kurdo-iraqui-apoya-esfuerzo-paz-primer-ministro-turquia-20131116172538.html>.

⁷⁰ The Kurdistan Workers Party is considered a terrorist organisation by both Turkey and the United States and the European Union.

⁷¹ PAMUK, H and Coskun, O, 'Turkey, Iraqi Kurdistan clinch major energy pipeline deals', Reuters, 06.11.2013. Available at <http://uk.reuters.com/article/2013/11/06/uk-turkey-iraq-kurdistan-idUKBRE9A50HN20131106>.

thousand Kurds Syrian citizenship, of which they had hitherto been deprived. What is more, owing to the lack of military forces, Assad granted control of the main cities of the northwest of the country to the militias of the Party for Democratic Unity (PYD, in Kurdish), a group close to the PKK. The PYD claims to support the rebellion against Assad's government, but in fact it has not fought against the regime since the Syrian army withdrew from the Kurdish areas, and it is therefore accused of collaborating with the Alawis.

During 2013, jihadist groups linked to al-Qaeda, such as the al-Nusra Front and the Islamic State of Iraq and the Levant, which aim to take control of the Kurdish territory, staged frequent actions. As this is undoubtedly a key concern to the Turkish authorities, it is possible that Ankara is supporting radical salafist groups in an attempt to destabilise the situation in the border areas between the two countries.⁷²

In the early autumn of 2013, the PYD achieved a number of victories over the jihadists on the battlefield, consolidating its geographical and political presence. In the middle of November the PYD accordingly announced the autonomy of the Syrian province of Hassaka, where Kurds account for 70 % of the population. This declaration angered not only Turkey but also the Syrian rebels headed by the Syrian National Coalition (SC), the main group that opposes Assad, which described the PYD's announcement as a 'hostile act'.⁷³

The Kurdish National Council (KNC), an alliance of more than a dozen small Kurdish-Syrian political parties that opposes the PYD, expressed its opposition to the announcement. The KNC, which receives the aid of Masud Barzani and has a cooperation agreement with the CNS, appears to be in favour of wide-ranging autonomy within a federal Syria. Barzani himself has stated that the PYD has strong ties to the Syrian regime and that its declaration of autonomy is a 'dangerous game', as it could have consequences on the Kurds of Turkey and Iraq.⁷⁴

In this context it seems feasible for Iran, Iraq and Assad himself to be supporting the PYD. While the Syrian regime's intentions are to weaken the rebels, Tehran appears to support the PYD's aspirations of guaranteeing a certain amount of control over the areas near the

⁷² 'Turkey's support for Syrian rebels in Kurd killings may backfire', RT, 08.08.2013. Available at <http://rt.com/op-edge/turkey-kurds-rebels-killing-203/>.

⁷³ DETTMER, Jamie, 'Syrian Kurd Self-Rule Declaration Raises Concerns', Voice of America, 15.11.2013. Available at <http://www.voanews.com/content/syrian-kurd-self-rule-declaration-raises-concerns/1791120.html>.

⁷⁴ 'PYD has authority only on regions «given by the Al Assad regime»: Iraqi Kurdish leader Barzani', The Hurriye Daily, 15.11.2013. Available at <http://www.hurriyedyaily-news.com/pyd-has-authority-only-on-regions-given-by-the-al-assad-regime-iraqi-kurdish-leader-barzani-.aspx?pageID=238&nID=57956&NewsCatID=352>.

Turkish border and of bolstering its interests there. It should be remembered in this connection that Iran, a firm ally of Damascus, has ceased to crack down on armed groups affiliated with the PKK in its territory.⁷⁵ What is more, the central government of Iraq would be interested in creating an autonomous area in Syria to separate the Iraqi and Syria Sunni groups.⁷⁶

Rise of the Persian Gulf monarchies

Cairo, Damascus, Beirut and Baghdad have traditionally been considered the cultural centres of Islam. For generations Muslims from all corners of the Middle East have flocked to these cities in search of jobs or academic or religious education. However, in recent years, while these cities have been shaken by the uprisings of the 'Arab springs', it has become obvious that the capitals of the Persian Gulf states are the new power centres of the Arab world. Although Riyadh, Abu Dhabi, Dubai, Kuwait, Sharjah and Doha are still not capable of competing in terms of political dynamism, their huge economic might makes them appealing to hundreds of immigrants, including academics, artists, businessmen and professionals. The Gulf likewise attracts the financial markets as well as the most prestigious business schools and universities in the world.⁷⁷ The fact that Paris's Sorbonne and New York and Georgetown universities have opened centres in some of these cities is a reliable indicator of their strength.

According to the latest United Nations Human Development Report,⁷⁸ Qatar and the United Arab Emirates (UAE) are among the countries with a 'very high human development' level – ranking 36th and 41st respectively – whereas Bahrain, Kuwait, Saudi Arabia and Oman are among those with a 'high human development' level – 48th, 54th, 57th and 84th, respectively. And their outstanding economic might is unquestionable. These countries' sovereign funds have amassed considerable assets in recent years, and a growing portion of the wealth from hydrocarbons is invested in local

⁷⁵ MCELROY, Damien, 'Syria and Iran «backing Kurdish terrorist group», says Turkey', The Telegraph, 03.09.2013. Available at <http://www.telegraph.co.uk/news/worldnews/europe/turkey>.

⁷⁶ SOLOMON, Erika and COLES, Isabel, 'Syrian Kurds' military gains stir unease', Reuters, 11.11.2013. Available at: <http://www.reuters.com/article/2013/11/11/us-syria-crisis-kurds-idUSBRE9AA0E620131111>.

⁷⁷ AL QASSEMI, S.S., 'Thriving Gulf Cities Emerge as New Centers of Arab World', Al Monitor, 08.10.2013. Available at <http://www.al-monitor.com/pulse/originals/2013/>

⁷⁸ 'Human Development Report. The Rise of the South: Human Progress in a Diverse World', United Nations Development Programme, 14.03.2013. Available at <http://hdr.undp.org/es/centrodeprensa/kitsdeprensa-informessobredesarrollohumano/informe2013/>.

and regional markets.⁷⁹ This allows the rich monarchies to influence the political affairs of other Arab states such as Egypt, Jordan and Tunisia. As a result of all these factors, power is now concentrated in the hands of the rich Sunni monarchies of the Gulf states.⁸⁰

Nevertheless, the popular movements, although different depending on the case, have put all the reigning families on the defensive and have forced them to take measures to keep the changes in check. So far none of the six Gulf monarchies has been overthrown by popular pressure and, more significantly, so far only in Bahrein have the opponents called for the overthrow of the regime. There are several possible reasons for this circumstance.⁸¹ On the one hand, their deep-rooted cultural and in some cases religious legitimacy has caused them to be traditionally well accepted by their subjects. At the same time, the monarchs have carried out a few reforms, albeit more cosmetic than real, or have granted a certain amount of power to prime ministers or parliaments. What is more, the distribution of benefits among the population – subsidies, bonds or lower prices for staple goods – has largely calmed social demands.

Likewise, since 1981, the six states have belonged to the Gulf Cooperation Council (GCC): a regional organisation whose aims are to enhance the coordination, integration and interconnection between its members. In December 2012 the six countries approved a Security Agreement aimed at improving the exchange of information and the implementation of the law. The idea is to cooperate in monitoring 'criminals and violators of the law' regardless of their nationality. The agreement also allows countries to take measures against their citizens and foreigners who try to interfere in their domestic affairs.⁸² Increased restrictions on political freedoms in these countries thus seem assured.

However, as described below, there is a palpable divide between Qatar and the rest of the monarchies when it comes to addressing the popular uprisings.

⁷⁹ According to the SWF Institute, the sovereign funds of Saudi Arabia, the UAE, Kuwait and Qatar Rank 2nd, 3rd, 6th and 11th among the largest in the world in volume of funds. Information available at <http://www.swfinstitute.org/fund-rankings/>.

⁸⁰ They are all Sunnis, with the exception of Oman, which follows the Ibadi sect: one of the oldest and most traditional branches of the Muslim religion. The term Ibadi can be translated as: defenders of the basic law of Islam. The Ibadi principles are puritanism and idealism. HORRIE, Chris and CHIPPINDALE, Peter, ¿Qué es el Islam?, Alianza Editorial, Madrid, 2005, p. 228.

⁸¹ BANK, A, RICHTER, T and SUNIK, A, 'Long-Term Monarchical Survival In The Middle East: A Configurational Comparison, 1945-2012', GIGA working papers, WP 215/2013, Feb 2013. Available at http://www.giga-hamburg.de/dl/download.php?d=/content/publikationen/pdf/wp215_bank-richter-sunik.pdf.

⁸² «GCC security pact endorsed». Arab News. 17.09.2013. Available at <http://www.arabnews.com/news/464913>.

Saudi Arabia

Saudi Arabia responded to the popular uprising in accordance with the interests of the Saudi royal family, which gives priority to security and maintaining the status quo above any other consideration.⁸³ The Royal Household's age-old arrangement with the country's religious authorities has proved to be a highly valuable instrument for limiting the scope of the protests. The Grand Mufti, the highest religious authority of the state, accordingly issued a fatwa against the demonstrations, which he has condemned for being contrary to Islam.⁸⁴

The official Saudi interpretation of Islam is Wahabism, a fundamentalist Sunni current that considers other Islamic schools of thought and other religious communities to be heretical.⁸⁵ In this regard one of the constant concerns of the Saudi authorities is the demands of the large Shia minority living in the country, which have been described by the Saudi government as 'protests at the service of foreign interests'.⁸⁶ This is a critical factor for the country's security owing to its struggle with Iran.

In recent years the Riyadh authorities have implemented certain reforms, such as granting women the right to take part in municipal elections. However, these measures have been considered too limited by some critics, as they do not amount to fundamental changes.⁸⁷

In foreign policy, Saudi Arabia has expressed a constant wish to spread Wahabism and has accordingly backed Islamist movements against the secular regimes. However, one of the main concerns of the Saudi leaders, who do not want a political alternative to the monarchy to emerge, is precisely the success of political Islamism, which may endanger the supremacy of the monarchic political system and undermine its legitimacy.⁸⁸ With respect to the Syrian issue, Riyadh has thus managed to control the opposing National Coalition by reducing the influence of Qatar and its

⁸³ AL RASHEED, Madawi, 'Saudi Arabia: local and regional challenges', *Contemporary Arab Affairs*, Vol. 6, no. 1, 2013, pp 28-40.

⁸⁴ ANDRÉS, Francisco de, 'Fatua del Gran Mufti de Arabia Saudí contra las manifestaciones', *ABC*, 29.11.2012. Available at <http://www.abc.es/internacional/20121129/abc-mufti-arabia-201211281242.html>.

⁸⁵ AYUB, Fatima, 'The Gulf and Sectarianism', *European Council on Foreign Relations*, 13.11.2013. Available at http://ecfr.eu/publications/summary/the_gulf_and_sectarianism217.

⁸⁶ .AL OMRAN, op.cit.

⁸⁷ AL OMRAN, Ahmed, 'Saudi Arabia: A new mobilisation', included in 'What does the Gulf think about the Arab awakening', *ECFR*, April 2013. Available at http://ecfr.eu/page/-/ECFR75_GULF_ANALYSIS_AW.pdf.

⁸⁸ ATAMAN, M, 'Turkish-Saudi Arabian relations during the Arab uprisings: towards a strategic partnership?', *Insight Turkey*, Vol. 14/no. 4 / 2012, pp. 121-36.

protégés the Muslim Brothers. It is furthermore backing the most radical salafist movements.⁸⁹

In the near future, given the advanced age of the king and the crown prince, the Saud family is due to face a generational takeover that does not seem easy *a priori*.⁹⁰ Despite the traditional secrecy of the family, there appears to be a rift between the members of the ruling dynasty who are in favour or against making further reforms, and the result of the succession process will therefore determine how willing the country is to open up, although increased social unrest could hasten the arrival of the situation.⁹¹

United Arab Emirates, Kuwait and Oman

Like Saudi Arabia, the UAE have attempted to quash political Islam. In recent months numerous members of the al-Islah party, a franchise of the Muslim Brothers, have been imprisoned for political reasons. At the beginning of July 2013, 66 Islamists were handed harsh prison sentences for allegedly conspiring to overthrow the government.⁹² At the same time, the UAE have strengthened their military relations with the United States, France and the United Kingdom.⁹³

However, the authorities of the seven emirates that belong to the union face growing criticism from young people who are using the social networks to challenge the government. If popular pressure increases, it is likely that the emirs will be forced to carry out deep reforms to allow the country to open up politically.

Constant protests have taken place in Kuwait against corruption, and the struggle between parliament and emir Jaber al-Ahmad al-Jaber al-Sabah has not ceased to grow. Although the political opposition, consisting of a variety of groups with different ideologies, has repeatedly failed to achieve a common front, the country's political instability is growing. Al-

⁸⁹ DALACOURA, Katerina. 'The Arab Uprisings Two Years On: Ideology, Sectarianism and the Changing Balance of Power in the Middle East', *Insight Turkey*, vol. 15, no. 1, 2013, pp. 75–89. Available at http://file.insightturkey.com/Files/Pdf/20130107111947_insight_turkey_vol_15_no_1_articles_01_dalacoura.pdf.

⁹⁰ RIEDEL, Bruce, 'With Prince Muqrin's Appointment, Saudi Succession Crisis Looms', *The Daily Beast*, 3.02.2013. Available at <http://www.thedailybeast.com/articles/2013/02/03/with-prince-muqrin-s-appointment-saudi-succession-crisis-looms.html>.

⁹¹ 'Succession of the House of Saud', *Jane's Islamic Affairs Analyst*, 23.01.2013.

⁹² « 'UAE Islamists convicted for plotting government coup', *BBC News*, 02.07.2013. Available at <http://www.bbc.co.uk/news/world-middle-east-23142248>.

⁹³ For example, in July 2013, the UAE signed a contract with EADS Astrium and Thales Alenia Space to build and launch two surveillance satellites. CHUTER, A and OPALL-ROME, B, 'France, UAE Reignite Defense Ties', *Defence News*, 27.07.2013. Available at <http://www.defensenews.com/article/20130727/DEFREG01/307270007/>.

though a revolution is unlikely, it is possible that the emir will find himself forced to initiate a political transition.

The policy of Oman is conditioned by its economic dependence on the other GCC countries. Only the funds contributed by Kuwait and the UAE are able to cover the budget of a country with an unemployment rate higher than 24%. For this reason, the resources Sultan bin Said al-Said is able to allocate to pacifying the situation using economic means are limited. Therefore, the future stability of the sultanate will depend on its ability to find a response not only to the demands for greater political opening but chiefly to the people's pleas for economic and social improvements.

Bahrein

Bahrein, which hosts the Central Command HQ of the US naval forces and its 5th fleet, is a very different case to those described above. Since 2011 the capital, Manama, has been witnessing almost daily sectarian clashes between demonstrators and police. Although most of the population is Shia – nearly 70% belong to this creed – the country is governed by the Sunni al-Khalifa family. The Shias' requests for greater representation in political life have been harshly repressed. However, given the seriousness of the rioting, only the armed intervention of the Peninsula Shield Force, the military arm of the GCC, has allowed the ruling family to hold on to power.

Whatever the case, the situation in the small kingdom is highly precarious.⁹⁴ Bahrein is accusing Iran of being behind the uprisings. In October 2013, a criminal tribunal sentenced four Shia activists to life and another six to 15 years' imprisonment for connections with the Iranian intelligence agency and for conspiracy.⁹⁵

Qatar

The monarchies and emirates of the GCC do not constitute a monolithic bloc, as proven by the fact that the Doha government has made an effort to achieve an independent policy with respect to its neighbours. Unlike them Qatar, which houses the US Central Command forward headquarters and the Combined Air Operations Center, has its own interests and foreign policy, and has shown its support to the Muslim Brothers and to

⁹⁴ GENGLER, Justin, 'Who needs the Bahrain Grand Prix?', *Foreign Policy*, 19.04.2013. Available at http://mideast.foreignpolicy.com/posts/2013/04/16/who_needs_the_bahrain_grand_prix.

⁹⁵ KHALIFA, Reem, 'Bahraini opposition leader charged with insulting authorities', *The Christians Science Monitor*, 03.11.2013. Available at <http://www.csmonitor.com/World/Latest-News-Wires/2013/1103/Bahraini-opposition-leader-charged-with-insulting-authorities>.

the Palestinian Hamas group,⁹⁶ and this has earned it criticism from the other GCC countries.

Since the advent to the throne of Hamad bin Khalifa al-Thani, father of the current emir Tamim bin Hamad Thani, the emirate of Qatar, one of the richest countries in the world, has earned huge international prestige. The success of the television channel Al Jazeera, which was established by the emir in 1996 and is based in Doha, has contributed considerably to the change processes carried out in the region.⁹⁷ The past contribution to the Libya campaign, the support it currently provides to the Syrian rebels and its attempt to mediate in various conflicts have increased Qatar's influence in the region. As for internal affairs, the country has been largely unaffected by the rioting that is common in other places.

One of the centrepieces of the emirate's foreign policy has been its alliance with Turkey. This country, where a moderate Islamist government has been capable of becoming integrated into a democratic state, has been widely used as a model to follow in the Arab transitions. However, the fall of Morsi in Egypt and the loss of control of the Syrian National Coalition have underlined the vulnerability of Qatar's project and also show that its ambitions are far greater than its international influence.⁹⁸

Changes in the power balance and in global geopolitics

American political scientist Ian Bremmer reckons that for the first time in seven decades there is no individual power or alliance of powers capable of addressing the challenges of world leadership.⁹⁹ A generation ago, the United States, Europe and Japan took on that leadership and governed the world political and economic order. But today the West is struggling simply to keep up with the pace of new powers. The emergence of those powers thus marks the birth of a volatile world order that Bremmer describes as a G-zero and involves global changes of an extraordinary magnitude.

Over the past decade the United States has been carrying out what some have called a 'foreign-policy revolution', in which American intervention-

⁹⁶ ROBERTS, David, 'Qatar: domestic quietism, elite adventurism', in 'What does the Gulf think about the Arab awakening', ECFR, April 2013. Available at http://ecfr.eu/page/-/ECFR75_GULF_ANALYSIS_AW.pdf.

⁹⁷ MULCHINOCK, Niall, 'Qatar: A Rising Player in Middle Eastern Affairs', Atlantic-community.org. 12.03.2013. Available at <http://www.isn.ethz.ch/isn/Digital-Library/Articles/Detail/?id=159207>.

⁹⁸ MCDOWALL, A.; DOHERTY, Regan, 'Mursi's fall in Egypt comforts Saudis, disconcerts Qatar', Reuters, 11.07.2013. Available at <http://www.reuters.com/article/2013/07/11/us-egypt-gulf-idUSBRE96A0L820130711>.

⁹⁹ BREMMER, Ian, *Every Nation for itself*, Portfolio/Penguin, New York, 2013.

ism was evident chiefly through military operations in Iraq and Afghanistan. However, developments in the world strategic context and the fears arising from America's huge financial deficit indicate that this period of expansionism has come to an end.

Halfway through 2012, President Barack Obama stated that after a decade of major sacrifices in both human lives and economic resources, 'it is time to focus on nation building here at home'. The words of the White House tenant showed the weariness not only of the US government but also of public opinion and its armed forces when it came to carrying on playing a hegemonic role in global security. The Americans seem to be prone to what Paul Kennedy calls 'imperial overstretch' – in other words, 'the sum total of the United States' global interests and obligations is nowadays far larger than the country's power to defend them all simultaneously'.¹⁰⁰

To these circumstances should be added the discovery of America's major gas and oil potential, as according to some sources, in the coming years the United States is set to become the biggest exporter of hydrocarbons in the world.¹⁰¹ This is another factor that affects strategic decision-making at the White House and will modify the world outlook in the coming decades.

In this environment, the Obama administration has established new domestic economic priorities and has reoriented its geopolitical interests to the Asia-Pacific area, identifying China as the major rival for the coming decades.

In Europe, whose security remains inextricably linked to the United States, community policy remains caught up in a process of growing *renationalisation*, and this is seriously affecting the nature and fundamentals of the European Union (EU).¹⁰² As the Eurozone crisis has shown, states are not willing to give up new areas of their sovereignty for the advancement of the common project. Budgetary restrictions thus dominate the security and defence policies of all the European countries without exception, and this is making most states more vulnerable. The result is that the EU is very far from its objective of becoming a global actor on the international stage.

All these issues have far-reaching implications for different areas of the world, such as the Korean Peninsula, the South China Sea, Central Asia or

¹⁰⁰ KENNEDY, Paul, *Auge y caída de las grandes potencias*, Plaza y Janés, Barcelona, 1989.

¹⁰¹ BAWDEN, Tom., 'US to become world leader in oil and gas thanks to fracking', *The Independent*, 13.11.2012. Available at <http://www.independent.co.uk/news/business/news/us-to-become-world-leader-in-oil-and-gas-thanks-to-fracking-8307372.html>.

¹⁰² LABORIE IGLESIAS, Mario, 'Más dilemas europeos a la vista', *Esglobal*, 08.10.2013. Available at <http://www.esglobal.org/mas-dilemas-europeos-a-la-vista>.

Afghanistan, where the major powers' interests are divergent. But without a doubt it is in the Middle East where the birth of a new G-zero order is revealing essential changes in the regional balance of powers that are not necessarily conducive to peaceful political transitions.

The United States' foreign policy in the Middle East has traditionally had four aims: first, to ensure access to oil and protect communication lines; second, to guarantee the peaceful settlement of conflicts and the regional balance of power; third, to promote stable and pro-western states; and fourth and last, to guarantee Israel's territorial integrity. These objectives have given rise to contradictory policies, as it is not easy to reconcile the proclaimed western commitment to democracy, individual freedoms and human rights with economic and security interests. The result has been that for the past decades the region's governments have shown a pro-western attitude that was at odds with Arab public opinion, as political interferences were considered imperialist. What is more, support for Israel is considered an offence to the Arab cause.

Nevertheless, the unrest that is now rocking the countries in the area and has led to the fall of some of their closest allies and the overall weakening of government institutions has undermined the position of the United States and Europe in the Middle East. Beset with the abovementioned internal and external problems, western governments in general are less willing to use their time, efforts and resources to help maintain the region's stability. This situation has two direct consequences. On the one hand, Russia and China are gaining influence, although without endangering the traditional power balance, at least for the time being;¹⁰³ and, on the other, the progressive reorganisation of the Middle East issues, determined by the rise of local powers, Saudi Arabia, Iran and Turkey.

In this general framework three issues currently dominate the international and regional agenda of the Middle East: the Iranian nuclear issue, the Syrian crisis, and the future of Israel's security and its repercussions on the Palestinian-Israeli peace negotiations. These three questions are soundly interrelated and cannot be separated from each other or isolated from the other matters dealt with earlier, hence the huge complexity of the situation. Therefore, it cannot be a coincidence that the three abovementioned factors have developed in recent months.

Iran's nuclear record

Iran's geostrategic position, together with the fact that it is a leading actor in energy, cultural and political terms, is a key to understanding its nuclear record. This country has never admitted to developing a military

¹⁰³ JEFFREY, James F. 'Intervention Escalation'. *Foreign Policy*. 24.04.2013. Available at http://www.foreignpolicy.com/articles/2013/04/24/intervention_syria_russia_china_iran?page=0,1.

nuclear programme but it has claimed it is entitled to use this type of energy for peaceful civilian purposes under the Non-Proliferation Treaty – to which Iran has been a signatory since 1970.

Nevertheless, the undoubtable strategic connotations of this programme are exacerbating geopolitical tension in the region. Complete mastery of the uranium cycle would provide Tehran with all the components and technology needed to make a nuclear weapon,¹⁰⁴ and this would not only secure it a considerable deterrence capability but would also boost its regional influence. Israel and Saudi Arabia, traditional US allies in the Middle East, are vigorously opposed to this possibility and are calling for the programme to be completely dismantled.

Therefore, the provisional agreement reached on 25 November 2013 by the G5+1 – the five permanent UN Security Council members and Germany – and Iran was been considered by many to be a 'historic mistake'¹⁰⁵ and by others a major opportunity for peace and stability.

To reach this agreement both parties have had to make important concessions. Iran has undertaken to limit the development of its nuclear programme and to allow a stricter regime of international inspections of its nuclear facilities. In exchange, the six major powers will unfreeze \$4 billion worth of assets and will ease some of the sanctions the Iranians have been suffering for years. And more importantly, under no circumstances will Iran's right to uranium enrichment be questioned. Until May 2014, when this non-binding treaty will be reviewed, both parties will implement confidence-building measures. Although the agreement signed at Geneva is only a first step towards a peaceful settlement of the Iranian nuclear dispute, a lasting arrangement will have the potential to radically transform the geopolitical outlook of the whole Middle East.

The first results are already evident. From a political viewpoint, Iran's return to the international community for the first time since the fall of Shah Reza Pahlavi in 1979 is affording legitimacy to the regime of the ayatollahs and reducing their isolation; this is favourable to the cause of the Shia crescent as a whole. It is also conveying a message to America's traditional allies – Israel and Saudi Arabia – that the Obama administration is willing to act independently of their opinion, and this is consistent with his pivot towards the Pacific. At the same time, the possibility of increased supplies of crude oil coming onto the world market has triggered

¹⁰⁴ GREENWOOD, Phoebe. 'Iran «Has All Ingredients» To Build An Atom Bomb', The Telegraph, 04.02.2013. Available at: <http://www.telegraph.co.uk/news/worldnews/middleeast/iran/9848541/Iran-has-all-the-ingredients-necessary-to-make-a-nuclear-weapon.html>.

¹⁰⁵ SHERWOOD, Harriet. 'Israel condemns Iran nuclear deal as «historic mistake»', The Guardian, 24.11.2013. Available at <http://www.theguardian.com/world/2013/nov/24/israel-condemns-iran-nuclear-deal-binyamin-netanyahu>.

a fall in Brent prices.¹⁰⁶ For the oil and gas producing countries, whose domestic stability depends on these revenues, a sudden drop in the price of hydrocarbons could have disastrous consequences.

Nevertheless, although both Iran and the United States are interested in improving their relations, it is highly unlikely that all the prejudices and enmity accumulated over 37 years will vanish into thin air in a matter of six months. The agreement must therefore address crucial challenges. The Israelis have already announced that they do not feel committed by the Geneva agreement and that they will remain wary of everything concerning Iran's nuclear record.

'Fear that Tehran has deceived Washington prevails' also among the Gulf nations,¹⁰⁷ which are frustrated by an agreement that is clearly damaging to their interests. Saudi Arabia is the world's leading oil producer and balances supply and demand in the global crude oil market. What is more, its trade agreements with the United States, including purchases of weapons worth hundreds of billions of dollars and its essential contribution to fighting al-Qa-eda, suggest that the Sunni world would not be impassive to a geopolitical change of unforeseeable consequences for the future of the Gulf monarchies.

Finally, the governments of the United States and Iran will have to address the criticism levelled by the most radical political leanings. The US House of Representatives, which is dominated by the Republican party, has already voiced its discontentment with the easing of the sanctions on Iran,¹⁰⁸ a country where the 'hardliners', opposed to any commitment to Washington, continue to hold huge sway.

For all the above reasons, a final agreement is unlikely to be reached within the stated six-month period and more time will be required for the confidence-building measures to bear fruit. In addition, the whole process will depend on other questions such as the future of the Palestinian-Israeli negotiations or the war in Syria and its influence on the neighbouring countries.

The Syrian conflict

Although the Iranian foreign minister has stated that only his country's nuclear programme was dealt with at Geneva, he is aware that both Russia and

¹⁰⁶ 'El acuerdo nuclear con Irán desinfla la cotización del petróleo', *Expansión.com*, 25.11.2013. Available at <http://www.expansion.com/2013/11/25/mercados/1385363164.html?cid=FCOPY33701>.

¹⁰⁷ ESPINOSA, Ángeles, 'La cautela de los árabes del Golfo ante el pacto nuclear revela su recelo hacia Irán', *El País*, 01.12.2013. Available at http://internacional.elpais.com/internacional/2013/11/29/actualidad/1385751805_758156.html.

¹⁰⁸ BALL, Sam, 'Could US Congress derail Iran nuclear deal?', *France24*, 25.11.2013. Available at <http://www.france24.com/en/20131125-could-us-congress-derail-iran-nuclear-deal>.

the United States want a prompt solution to be found to the Syrian conflict.¹⁰⁹ The war in Syria is dragging the whole region towards a situation of chaos and confrontation which the major powers are attempting to bring to a halt.

After several delays, on 25 November Ban Ki Moon, the UN secretary general, announced that the peace conference on Syria, called Geneva 2, will take place on 22 January 2014 and it is hoped that Bashar al-Assad's regime and the rebel forces that are fighting to overthrow him will be capable of negotiating a ceasefire agreement that leads to a political transition. However, the situation on the ground is not optimistic. It does not appear that the Geneva 2 political process will be able to change the harsh reality of a war dominated by sectarian division in which all the parties involved have shown their mistrust in the use of diplomatic solutions.

Whatever the case, the Syrian crisis has highlighted the West's impotence when it comes to imposing a unilateral solution. On the contrary, over the months the United States has approached the stances of Russia and China; this is definite proof of the weakness of the United States and its allies and of the change in the regional balance of power. The agreement on the destruction of Syria's chemical arsenal, which the Damascus regime accepted in order to avoid an international attack but which subsequently gave Assad a new lease of life, is the definite consequence of the situation described.¹¹⁰ In this respect it is noteworthy that the deal on Iran's nuclear programme has been described by the regime as 'historic'.¹¹¹

This context has global repercussions of far-reaching significance, as the old paradigms that underpinned the world order have ceased to be prevalent. The doctrine of 'humanitarian intervention' – the well-known 'Responsibility to Protect' – that is upheld solely by westerners but which Moscow and Beijing view simply as interference in states' internal affairs, may be considered extinct. In short, the Middle East is proving that the incipient world order is increasingly less western.

Israel's security and the Palestinian-Israeli peace negotiations

Defending its borders by means of conventional military deterrence has become the main constant feature of Israel's foreign and security policy. Its military might is the greatest in the region and it now stands apart

¹⁰⁹ SAMAAN, George, '¿Cómo cambia el acuerdo con Irán el rostro de Oriente Próximo?', *Al Hayat*, 25.11.2013.

¹¹⁰ MCDONNELL, Patrick J, 'Push to eliminate Syria's chemical weapons may extend Assad's rule', *The Angeles Times*, 24.10.2013. Available at <http://www.latimes.com/world/la-fg-syria-assad-20131015,0,3098365.story#axzz2mDY9D6l1>.

¹¹¹ BLACK, Ian, 'Iran nuclear deal: Saudi Arabia and Gulf react with caution', *The Guardian*, 24.11.2013. Available at <http://www.theguardian.com/world/2013/nov/24/iran-nuclear-deal-middle-east-reaction-saudi-arabia>.

from its neighbouring countries more than ever – a circumstance that President Obama has undertaken to maintain.¹¹²

Although US-Israel relations are very close, there is no doubt that America's so far timid rapprochement to Iran is disrupting the foundations of Jerusalem's foreign policy. For years the Israeli government has opposed outright any agreement that would allow the Iranians to keep their nuclear programme. Therefore, the pact reached in Geneva has badly dented Israel's position, as well as further isolating it from the international community.

For Israel, the immediate effect of instability in the neighbouring states is their growing weakness. Today these countries, without exception, are more vulnerable to the penetration of radicals and the new (and old) governments are not risking maintaining an openly collaborative attitude towards Israel. In this landscape two issues are monopolising Israel's security agenda: the permanent threat from the Axis of Resistance – formed, we should remember, by Iran, Hezbollah and Syria – and the future of peace negotiations with the Palestinians.

In March the director of military intelligence of the Israeli Defence Forces (IDF), General Aviv Kochavi, identified Iran as the greatest threat to the security of the Jewish state.¹¹³ Therefore, from Israel's point of view, the essential danger to its security stems from how the changes in the region will upset the power balance and, in particular, the influence of Iran and its ally Hezbollah. It should be remembered that the role Hezbollah is playing in Syria, together with the possible transfer of advanced weapons systems from the Syrian regime to the Lebanese Shia militia, are issues of crucial importance to Israel. Israel's various air strikes on targets in Syria should be viewed in this context.¹¹⁴ The Sunni struggle to curb the strength of the Shia is thus making Saudi Arabia an unexpected ally of Israel.¹¹⁵

¹¹² During his official visit to Israel in March 2013, President Barack Obama guaranteed Israel's qualitative military advantage in the Middle East whereby it can 'defend itself, by itself, from any threat'. Full transcript of Obama-Netanyahu joint press conference, Haaretz, 20.03.2013. Available at: <http://www.haaretz.com/news/diplomacy-defense/full-transcript-of-obama-netanyahu-joint-press-conference-1.510879>.

¹¹³ BARZILAI, Yair, 'IDF Intelligence Chief: Terror organizations on the rise', IDF website, 14.03.2013. Available at <http://www.idf.il/1283-18532-en/Dover.aspx>.

¹¹⁴ STARR, Barbara, 'Israeli planes strike Syrian military base, U.S. official says', CNN, 01.11.2013. Available at <http://edition.cnn.com/2013/10/31/world/meast/syria-civil-war/>.

¹¹⁵ This fact is demonstrated in one of the diplomatic cables leaked by WikiLeaks at the end of 2010. The cable states that King Abdullah of Saudi Arabia had urged the United States to 'cut off the head of the snake', referring to Iran's nuclear programme. MOHAMMED, Arshad and COLVIN, Ross. «Saudi King urged U.S. to attack Iran: WikiLeaks». Reuters. 29.11.2010. Available at <http://www.reuters.com/article/2010/11/29/us-wikileaks-usa-idUSTRE6AP06Z20101129>.

All these questions will undoubtedly influence the direction of the current Palestinian-Israeli peace negotiations that are being promoted by Washington. The Axis of Resistance has made the Palestinian cause and its hostility towards Israel the basis of its official discourse. However, to avoid jeopardising the abovementioned progress on Iran's nuclear record, Shia demands on Palestine could be reduced. At the same time, it is unlikely that Israel's prime minister, Benjamin Netanyahu, will be tempted to make concessions to the Palestinians, which could be observed by Israeli citizens as a further compromise that undermines their security. It is therefore highly likely that the Palestinian problem will be shelved again until further notice, leading to greater despair, radicalism and violence in Gaza and the West Bank.

Conclusions and final thoughts

It is debatable whether the changes underway in all the Arab states without exception will lead to democratic models of governance that foster greater social wellbeing and the peaceful coexistence of citizens; or whether, on the contrary, authoritarianism and radicalism will establish their own rules. The weaknesses and internal contradictions of the long-slumbering Arab civil society are major challenges for the implementation of stable social and political models. In particular, in an age of technological revolution and globalisation, with a growing young population, progress and stability will depend on whether the Arab peoples manage to harmonise their different approaches to modernity and tradition. The status and role of women in society, how religion can be compatible with politics and the development of democratic models of coexistence are essential issues for the Muslim world as a whole.

Furthermore, the causes that triggered the Arab uprisings have not disappeared. Chronic instability will be the dominant characteristic of a Middle East that is witnessing a growing process of institutional weakening, increased sectarianism and social and economic decline. The high expectations aroused about the future may give way to frustration, which can cause tribalism and the most reactionary salafism to recover their appeal as alternatives to other failed options, including the Islamist movements. The challenge will be particularly acute in states where sectarian tension was previously repressed by autocratic regimes but is now exacerbated by political reasons. Religion, which was absent when the Arab revolutions began, has become the essential factor of regional dynamics with respect to politics and mobilisation.

Henry Kissinger stated that 'you can't make war in the Middle East without Egypt and you can't make peace without Syria'. If we pay heed to this statement by the former US Secretary of State, the region will be plunged in instability until these two countries re-establish the lost political ba-

lance. Egypt, whose domestic situation has had evident influence on the region, is experiencing a decisive moment. Unless a certain amount of consensus is achieved between the different political forces, including the Muslim Brothers, the country will slide into chaos. The Syrian war is much more than a civil war in which the geopolitical consequences are evident. The result of the conflict will thus determine the future of the Middle East as a region and the complexity of finding a prompt solution is therefore undeniably. Even so, the regional outlook will depend on how the critical regional geostrategic factor evolves: the future of the Iranian nuclear programme.

In this framework, the regional power balance is still in favour of United States and its European allies. But the economic and financial crisis that has been ravaging the West since 2008 is altering the world outlook, causing an impact on the Middle East. The West is worried about its domestic problems, and is increasingly less willing to intervene militarily, economically or diplomatically in matters that do not affect its vital interests. Russia and China are taking advantage of this situation to show their willingness to occupy a predominant position in global issues.

In conclusion, although uncertainty is the word that defines the current situation in the Middle East, the region seems to be opening up to a new order whose final characteristics will take years to be defined.

Africa. Lights and shadows of an emerging continent

Antonio Sánchez-Benedito Gaspar

Chapter three

Abstract

The 'Afro-pessimism' that prevailed only ten years ago has turned into 'Afro-optimism'. Sub-Saharan Africa displays sustained economic growth and the holding of multi-party elections has become the rule. Yet progress is still fragile, poverty remains widespread and conflicts and terrorism pose a serious threat. Old and new powers are competing to expand their influence and strengthen their relations with the continent. The upcoming EU-Africa Summit will be a good opportunity to revitalize the Euro-African partnership.

Keywords

Afro-optimism, Afro-pessimism, growth, democracy, poverty, conflicts, terrorism, EU, AU.

Introduction

In recent years we have witnessed a change of far-reaching consequences in Africa and in how the rest of the world regards Africa. The 'Afro-pessimism' that was so fashionable only a decade ago has morphed, almost without transition, into 'Afro-optimism'.

The African continent lends itself to hasty value judgements. The reality is much more complex and nuanced, and the economic boom and widely established democratic systems coexist with a high degree of conflict, which has in fact increased in the past two years, and persistent poverty. The picture of Africa is a mixture of lights and shadows. Kapuscinski¹ referred to this diverse and changing African situation when he warned that, except for its geographical name, Africa does not exist.

Whereas in 2004, in his essay 'Negrology',² Stephen Smith painted a picture of a dying continent inexorably doomed to permanent crisis, victim of dictatorships and illnesses like biblical plagues, a testing ground for harsh adjustment theories and a land prone to being sacked by corrupt governments and predatory practices of foreign powers and companies, in December 2011 *The Economist* published an extensive report titled *Africa Rising* that corrected the gloomy diagnosis published ten years earlier, when it described Africa as the 'continent without hope'.

The lights...

To illustrate this change in trend, the British weekly underlined the fact that, for example, six of the ten countries whose GDP has recorded the highest growth throughout the past decade are African: Angola, Nigeria, Ethiopia, Chad, Mozambique and Rwanda. Generally speaking, today Africa is the continent whose economy is growing the fastest, and Africa's competitiveness will merely increase as the standard of living in Asia progressively rises and workers on the continent demand better working conditions.

The Economist also stressed that in the first decade of the century life expectancy had risen by 10% and disposable income per capita had grown by 30%, in contrast to the 10% drop in the previous 20 years. According to World Bank estimates, in 2012 less than half the African population (47%) was living below the poverty line for the first time.

The penetration of mobile telephony (in Africa three out of every four people have cell phones, the same percentage as in India) and the vitality

¹ KAPUSCINSKI, Ryszard, Ébano, Anagrama, 1998.

² SMITH, Stephen, Negrologie, Hachette, 2004.

of the cultural industry (Nigeria produces the same number of films as Hollywood annually) are spectacular.

Jonathan Berman³ sums up the factors that have driven Africa's progress throughout the past decade as the improvement in the institutional framework and human capital, together with the communications revolution.

Economic growth has been accompanied by slow but constant progress in democratic values and good governance, as monitored by the Mo Ibrahim Foundation and its African Governance Index, which shows that 94% of Africans live in countries that are better governed than 13 years ago. Greater political activism can be seen in the continent as a whole, though the popular uprisings of the Arab north have had very limited impact south of the Sahara. The starting conditions are different on either side of the great desert, which in the past has acted not just as a physical barrier but as a cultural barrier between civilisations. In sub-Saharan Africa, the main subject of this study, despite an unstoppable tendency towards urbanisation, nearly three-quarters of the population still live in a rural environment and their level of education and access to online social networks are more limited, as is the feeling of frustration of the incipient sub-Saharan middle classes at economies that are on the rise and better expectations of political participation and alternation.

Economic growth owes much to greater stability. Whereas the 1990s and early 2000s were marked by genocide (Rwanda), terrible civil wars (Angola, Liberia, Sierra Leone, Chad, Sudan) and cross-border wars (Great Lakes, Ethiopia and Eritrea), the number and intensity of the violent conflicts have decreased considerably.

The major opportunities and improved political and security climate, together with the high prices of commodities, have attracted international investors. In 2006, for the first time the volume of foreign direct investment was greater than official development assistance in Africa – a symbol of the new times.

Africa's present is promising, but its potential is huge. Africa is home to the world's largest ore deposits (some of great strategic value), contains – albeit poorly distributed – the largest freshwater reserves in the world, has the largest stretch of cultivable land and, with a population of one billion that is constantly growing, is the youngest continent (the average age in sub-Saharan Africa is less than 20).

The *African Futures 2050* report⁴ stresses that towards the middle of the present century one in four people will live in Africa. And demographic

³ BERMAN, Jonathan. *Success in Africa: CEO Insights From a Continent on the Rise*, Bibliomotion, 2013.

⁴ CILLIERS, Jakkie, HUGHES, B and MOYER, J. *African Futures 2050*. Institute for Security Studies, 2011.

Africa. Lights and shadows of an emerging continent

growth is also bringing urbanisation (by 2025 most of the African population will live in cities), connectivity and the modernisation of a continent that has traditionally been rural, backward and isolated.

In addition to South Africa, which is playing an undeniable role of political leader and economic driving force of the continent, other large African countries such as Nigeria and Ethiopia are currently experiencing the same economic take-off as India or China some 15 or 20 years ago. The World Bank reckons that by about 2025 most African nations will have attained the status of middle-income countries that is already enjoyed by Ghana, Cape Verde, Namibia, Mauritius and Botswana.

...and the shadows

Africa as a whole currently enjoys the most favourable prospects of economic growth and democratic progress since gaining its independence halfway through the past century, but the challenges continue to be huge. The main global challenges of our era affect Africa more than any other continent: terrorism, food insecurity, rapid demographic growth, uncontrolled migratory flows and climate change. Indeed, Africa is the continent that emits the smallest amount of greenhouse gases into the atmosphere (4% of the world total, mostly from South Africa, which is highly dependent on coal for producing electricity) and yet it is the most exposed to the consequences of global warming.

Despite the progress made, Africa – particularly the sub-Saharan region – continues to display the worst development indicators in the world. Although six of the ten countries with the highest economic growth of the past decade are African, so are the twelve lowest-ranking countries (Niger, Democratic Republic of the Congo, Mozambique, Chad, Burkina Faso, Mali, Eritrea, Central African Republic, Guinea, Burundi, Sierra Leone, Guinea Bissau) in the UNPD's Human Development Index 2012, which combines statistics on health care, education and disposable income. The high percentage of population living in poverty and the impact of disease, institutional weakness and internal conflicts, many stemming from ethnic or tribal factors, make Africa highly vulnerable to humanitarian emergencies.

In the first decade of the twenty-first century, the GDP of the African continent grew at an average rate of nearly 5%. Even so – as the University of Michigan's 'Afrobarometer' reflects – this has not led to a significant reduction in the poverty levels of many countries owing both to the poor distribution of the new wealth produced and to the compensatory effect of the considerable population increase. According to various studies, an average growth of at least 7% annually would be required to create jobs

for a constantly expanding population (some 14 million young sub-Saharanians will join the labour market in 2014).

The case of Mozambique, considered an outstanding pupil of international cooperation, is symptomatic of a deeper reality that lies hidden behind spectacular growth figures: throughout the past decade it has enjoyed GDP growth rates of 10% owing to investment in capital-intensive megaprojects with a very small impact on local job creation, whereas the poverty rate is reluctant to drop from 50%. Mozambique could well be a new victim of the so-called curse on natural resources that is so common in Africa. The adverse long-term effects for the countries that export commodities, especially those which, like most African states, have weak institutions, have been studied in depth by Collier and Goderis.⁵

The African Economic Outlook Report⁶ predicts that the African economy will grow by 5.3% in 2014 – more than the 4.8% at the end of 2013. The report thus confirms the resilience of Africa's economy and its role as a pole of growth, together with the Asia-Pacific area, in a global context characterised by its lethargy. However, the major expectations aroused by the development and prosperity of Africa can only materialise if its chronic conflict-proneness and instability comes to an end.

Longstanding conflicts such as those of Liberia, Sierra Leone and Angola have been permanently settled, but there are still large crisis points and terrorist threats currently concentrated in the Sahel, Great Lakes Region and Central African Republic, and the Horn of Africa and the Sudans. We are also witnessing the re-emergence of a few old disputes rooted in the Cold War such as in Mozambique (where serious clashes have been recorded in recent months between members of the former RENAMO guerrilla and the state security forces), which is palpable proof of the persistence of serious democratic and development deficits.

In the political arena, democratic elections have become the norm (22 multi-party elections were held on the continent in 2012 alone), but they rarely take place without incident and in a completely peaceful manner. Even in a country like Ghana, which symbolises better than any other the hopes of a new Africa that combines progress with democratic consolidation, the general elections of December 2012, held according to all the observers in a free and transparent manner, were challenged by the losing party, albeit – and this is the important difference – through legal and peaceful means.

⁵ COLLIER, P. and GODERIS, B., *Commodity Prices, Growth and the Natural Resource Curse: Reconciling a Conundrum*, University of Oxford, 2009.

⁶ Annual report drawn up jointly by the African Development Bank, the OECD Development Centre, the United Nations Economic Commission for Africa and the United Nations Development Programme (UNDP), with the support of a network of research and analysis centres.

Africa. Lights and shadows of an emerging continent

In recent years, countries such as Ghana, Senegal and Zambia have been governed by peaceful alternation, and at least three heads of state forced to abandon the presidential palace have been replaced by democratically elected leaders (Alassane Ouattara in Ivory Coast, Mahamadou Issoufou in Niger, Alpha Condé in the Republic of Guinea), but these cases contrast with an old guard of leaders, some of whom have been in power for more than three decades without interruption, still championing national liberation movements and imbued with mind-sets more characteristic of the decolonising period, which have not quite given way to a new generation of leaders more in tune with the aspirations of a very young and increasingly educated population. This situation of resistance to change is prevalent above all in the southern region, where earlier national liberation movements (ANC in South Africa, ZANU in Zimbabwe, SWAPO in Namibia, FRELIMO in Mozambique, MPLA in Angola) take up practically all the political space. Chronic bouts of coups d'état (Madagascar, Guinea Bissau, Mauritania, Mali) have also been powerfully present throughout the continent.

Africa on the international stage

Beyond the specific monitoring of crises and conflicts, which continue to be too frequent and can impair an overall vision, the fact is that Africa is arousing renewed interest on the diplomatic plane, from both an economic and a political and diplomatic viewpoint. Africa occupies an increasingly significant place on the international agenda and no longer – or at least not only – as a problem but as a subject with its own, well-defined voice. With 54 states, the African group altogether accounts for one-fourth of the members of international society and is acting with growing cohesion on issues that range from climate change to the development agenda, the promotion of candidates for international organisations and the reform of the United Nations system. It is therefore not surprising that the African Union Summits have become a major international event attended by leaders from all over the world.

In a multipolar, globalised and interdependent world in which, as Josep Piqué⁷ explains in *Cambio de era*, the centre of gravity of political and economic power has shifted from North to South and from West to East, from the North Atlantic to the Asia-Pacific region, the African continent, contrary to what some predicted, has not fallen behind and become marginalised. New (the BRIC countries,⁸ South Korea, Turkey) and old powers (United States, France, United Kingdom, Japan) are competing to expand their areas of influence in Africa and take advantage of the business op-

⁷ PIQUÉ, Josep. *Cambio de Era*, Deusto Ediciones, 2013.

⁸ Brazil, Russia, China, India.

portunities it offers. Furthermore, the importance of the continent for global security, energy security and the fight against terrorism has not ceased to grow.

The gleaming Asian model...

China's grand arrival in Africa, which received particularly vigorous impetus following Jiang Zemin's tour of the continent in 1996, has had a special impact and repercussions. Journalist Richard Dowden⁹ recalls that during that trip the then president Zemin announced China's new commitment to Africa, which would not have had an ideological underpinning – as the support for the African national liberation movements during Mao's era did – but would have been based on trade. Zemin's announcement has been amply fulfilled: from little more than 5 billion dollars in 1996, the volume of trade between China and Africa rose to 10 billion in 2000, 50 billion in 2005 and 150 billion in 2010. However, as Professor Pádraig Carmody points out in *Política Exterior*,¹⁰ whereas 90% of Chinese sales to Africa are manufactured products – with the added value and profits for the development of the producing country – Africa continues to export chiefly staple goods. There is thus a colonial division of labour which is similar to that which prevailed with the former mother countries and does not go unnoticed to many Africans; indeed, it has given rise to expressions of discontentment regarding China's new hegemony.

The success of China's rapid penetration in Africa or the smaller-scale albeit equally impressive penetration of India, Brazil and Turkey can be explained by a basic convergence of interests. In exchange for ensuring access to sources of energy and commodities and market shares as outlets for their huge production, China and the new emerging economies are offering generous soft loans, gifts of major congress centres and new ministry and parliament buildings, huge investments in infrastructure and a technology that is perhaps less sophisticated than that of the West but cheaper and often better adapted to Africa's current state of development, while sheltering themselves in the principle of non-interference and the spirit of south-south cooperation in order to shun criticism in the domestic field and of human rights or to ignore tiresome environmental considerations and business codes of conduct.

The trade and economic agenda is gradually being transformed into a more global and political agenda. Africa's ruling elites, despite mostly being educated in Europe and North America, are increasingly looking to the East for examples of countries that have succeeded in taking a ma-

⁹ DOWDEN, Richard, *Africa. Altered States, Ordinary Miracles*, Portobello, 2008.

¹⁰ CARMODY, Pádraig, 'Auge e Impacto de los BRICS en África', *Política Exterior*, July/August 2013.

major leap forward in their development with an economic model directed by the state and, politically, a hegemonic party which organises citizens' participation through narrow channels. This is the state model of development that was upheld particularly vigorously and convincingly by the Ethiopian prime minister Meles Zenawi, who died prematurely. According to this model, democratic freedoms take second place to an economic progress that is necessary to raise the standard of living of citizens. Zenawi, one of the great African figures of the past quarter-century, was the major promoter of the take-off of Ethiopia, one of the countries that has made the most progress towards achieving the Millennium goals – as was recognised at the 2010 review conference – and is the architect of the transformation of the EPRDF¹¹ from the germ of a guerrilla dominated by an ethnic minority, the Tigrinyo, into a formidable political and electoral machine that barely leaves any opportunity for the (merely token) opposition.

...vis-à-vis a European model that is losing its lustre

In the new race for Africa, Europe's presence and influence can progressively wane, unless it updates and reinforces the foundations of its relationship with Africa. Although the EU as a whole continues to be the main economic and development partner, Africa's trade with the EU has gone from accounting for more than 50% in 1990 to 25% in 2010.

More than 50 years after gaining their independence, the still young African republics no longer look to Europe as the main – and much less sole – reference for their political and economic development. African rulers and opinion leaders are questioning Europe's predominantly paternalistic and assistance- and humanitarian-oriented approach to Africa and are calling for an in-depth revision of the cooperation model in order to establish new foundations more consonant with the changes that have occurred in Africa and the weight it holds in the world.

Nor is Africa's perception – undoubtedly unjustified but no less real nevertheless – that the International Criminal Court, especially following the charges and prosecution of acting African heads of state such as Bashir in the Sudan and Kenyatta in Kenya, applies a double yardstick and is an instrument that serves an agenda of western interference unrelated to the cooling-down of the Euro-African link.

The next EU-Africa Summit scheduled for April in Brussels, which will be the fourth after Cairo 2000, Lisbon 2007 and Tripoli 2010, will attempt to re-launch a partnership that is showing signs of certain lethargy.

¹¹ Ethiopian Peoples' Revolutionary Democratic Front, the ruling party in Ethiopia.

Essential factors for breathing new life into the Euro-African partnership (formally launched at the Lisbon Summit of 2007), raising its profile and bringing it closer to citizens of both continents are:

- focusing talks – on the basis of equality and mutual interest – on a small number of strategic issues that can achieve added value, such as, for example, the struggle against global warming and preserving biodiversity, energy and food security, the global agenda for developing post-Millennium, fighting radicalism and fanaticism, and democratic governance;
- simplifying, flexibilising and boosting the complex thematic cooperation and partnership structures established at the Lisbon Summit;
- continuing to give priority to supporting African peace and security initiatives and strengthening, as a central instrument, the African Peace Facility,¹² although with a more comprehensive and long-term approach that places the emphasis on creating stable African capabilities so that it is not only – or not principally – an agency for funding ad hoc military operations;
- a permanent shift away from the donor-receptor scheme and the fostering of economic exchanges and investments between partners, bringing in the private sector and giving priority to major projects for transforming and structuring countries and regions;
- definite impetus to the negotiations, which have been at a standstill for years, on the European Partnership Agreements (EPA); these negotiations should combine necessary respect for the rules of the World Trade Organization with consideration of the sensibilities of Africa, which fears that abolishing tariff barriers will lead to a substantial reduction in income and make the nascent industrial sectors very weak and vulnerable;
- effective support for the African integration processes and the declared ambition to establish a continent-wide free-trade area around 2017;
- creation of a new pan-African cooperation instrument that provides a response to an old claim on the part of Africa;
- and active defence of multilateralism and the promotion of schemes for triangular cooperation with the United Nations and African integration bodies.

¹² The African Peace Facility, created in 2004, draws on the extra-budgetary contributions of Member States to the European Development Fund. So far more than 1.1 billion euros have been channelled through this instrument to support African peace operations (such as AMISOM in Somalia and MICOPAX in the Central African Republic) and the African Peace and Security Architecture.

When addressing the need to strengthen the Euro-African link, we should begin by realising that Africa is and continues to be of crucial importance to Europe, and conversely, for powerful reasons: geographic proximity, which entails the existence of major shared interests, threats and challenges; cultural and linguistic closeness, a legacy of colonisation; co-dependence of energy-producing and consuming countries; shared responsibility as countries of origin, transit and destination for the migratory phenomenon; and, all in all, complementarity between an ageing and stagnant Europe that nonetheless has capital and knowledge, and an Africa that is experiencing an unstoppable demographic boom and has an abundance of cheap but unskilled labour (a problem exacerbated by the constant brain drain) and an economy that is clearly growing but badly in need of investments and technology transfer.

Spain and Africa

Over the past decade, Spain has attempted to address the pending issue of its foreign policy towards Africa. Despite the geographical closeness and historical ties (that are not, however, weighed down by a heavy colonial burden), in the past Spain's policy towards the neighbouring continent has been basically reactive and partial.

In the past Spain has reacted – fairly successfully, it should be recognised – to challenges such as the questioning of the Canary Islands' belonging to Spain in the framework of the first OAU dominated by decolonising rhetoric or the promotion and defence of fishing interests. With the turn of the century, and in the wake of the globalisation and transformation Africa has undergone, for the first time a more strategic approach is being adopted in Spain that takes into account the interests, challenges and opportunities at stake. Spain's new African policy is set out in Plan Africa I and II, which were approved in 2006 and 2009 respectively and were preceded by an Action Plan for sub-Saharan Africa 2001–2002.

The real qualitative leap has been spurred by the crisis in sub-Saharan illegal immigration, which has been exacerbated since 2005, and the social alarm and feeling of solidarity it inspires. Spain is currently implementing a model based on seeking alliances, commitment to multilateralism and integration with support for the African Union as a centrepiece, the intensification of contacts, increased cooperation (with a peak of 1 billion euros annually of Official Development Assistance allocated to sub-Saharan Africa in 2008/2009), the strengthening of local capabilities and improved mutual perceptions with the creation of the Casa África in Las Palmas. This model is achieving results, as shown, for example, by the drastic reduction in the flow of irregular immigrants from Africa to Spain.

The effort has been kept up. Spain now has a large network of diplomatic and sectorial offices on the ground, which provide us with capabilities for talks, cooperation and, to an extent, anticipation and management of risks.

Security and development cooperation, within the narrow margins of a budget greatly reduced by the crisis and the curbing of public deficit, are the two major pillars on which Spain's external action in sub-Saharan Africa is based (relations with the North African countries are deeper and more complex and preferably conducted within the Mediterranean context). Greater interest and dynamism are also beginning to be perceived in the economic and trade field, though the volume of exchanges between Spain and the sub-Saharan region continues at comparatively low levels.

There is little doubt that Spain's security is closely tied to the stability of Africa. Therefore Spain takes part, in some cases playing a major role, in practically all the training and security-enhancing initiatives in Africa in the framework of the European Union, such as EUTM (EU Training Mission) in Mali and Somalia, EUCAP Sahel-Niger and Nestor, and EUNAVFOR Atalanta for combating piracy off the Somalian coasts. Spain is also part of NATO's 'Ocean Shield' operation in the Indian Ocean off Somalia. What is more, in 2013 Spain backed the Serval and Sangaris operations in Mali and the Central African Republic by making available two aircraft for transporting troops.

Within the European Community Spain, as the European country closest to Africa, is duty bound to be especially active in fostering Euro-African relations and in encouraging greater EU involvement, with a global approach, in strategic regions such as the Sahel, the Horn of Africa and the Gulf of Guinea.

Spain is likewise interested in strengthening the foreign security and defence policy and its efficiency and visibility, one of the first issues debated (without conclusive results) at the European Council held on 19 and 20 December 2013.

The beginning of African solutions to African problems and their limitations: the return of the French gendarme ...

The change of century and millennium marked a turning point. African leaders are ceasing to regard themselves as victimised and are accepting that the fundamental causes of the conflicts ravaging the continent do not come from abroad; the NEPAD initiative has emerged,¹³ established by five countries – South Africa, Nigeria, Senegal, Algeria and Egypt – that

¹³ New Partnership for Africa's Development, adopted at the OAU Summit of heads of state and government in 2001.

play a role of continental leadership; a mutual review system has been started up¹⁴ to reinforce good governance and compliance with democratic standards; the old Organization of African Unity founded in Addis Ababa in 1963 has been transformed into the African Union; the principle of non-interference has given way to non-indifference; and the Council of Peace and Security has become the organisation on which Africa's wish to solve its own problems hinges.

But putting the principle of African solutions to African problems into practice is no easy task. At the special African Unity Summit held in Addis Ababa in May 2013 to commemorate the fiftieth anniversary of its founding, the African leaders reiterated their wish to strengthen the regional capabilities for peacekeeping and to progress in building a continental security architecture.

Support for the implementation of Africa's crisis response and conflict solution capabilities, together with economic development and, in a rather determined manner, the fight against climate change, was the main topic discussed at the France-Africa Summit of 6 and 7 December in Paris. The commitment to create an African rapid reaction force with a joint military staff by 2015 is among the most significant conclusions of a Franco-African Summit where the need was stressed for Africa to be capable of guaranteeing its own security, evoking the spirit of the words spoken at Dakar by General De Gaulle in December 1959, in the context of the wave of emancipation: 'a state and its progress; for this you will be judged. You will have the responsibility. France is prepared to help you.'

Nevertheless, however much Hollande's government, like that of his predecessor Sarkozy, strives to underline that France does not aspire to be a gendarme, and that the times of *Françafrique* are definitely a thing of the past, the fact is that the past years have witnessed a series of French military interventions in former African colonies. In 2013 alone, France has undertaken two large-scale military operations on African soil, in Mali and the Central African Republic. However, in both cases, in contrast to Sarkozy's interventions in the Ivory Coast and Libya, which triggered significant friction with the AU and South Africa, Hollande's diplomatic team, with a more open and dialogue-oriented style, has taken special care to ensure Africa's backing and the legal cover provided by Security Council resolutions. Furthermore, the idea is no longer to shore up or protect them, as in the immediate post-colonial past. France's interventions in Mali and the CAR have been presented as means of supporting decisions adopted by the African organisations (AU, ECOWAS, ECCAS) and in the framework of the United Nations, in defence of civil populations, fundamental rights and democratic values.

¹⁴ African Peer Review Mechanism, established by the AU in 2003.

France's activism in the field of peace and security in Africa has a major cost which, as stated in the report of the Committee for Foreign Affairs and Defence significantly titled *Africa is our future*,¹⁵ is not compensated for by the greater use of economic and trade opportunities by French companies, which have gradually lost business shares in the African continent. The same conclusion is reached by another report,¹⁶ directed by former foreign minister Hubert Védrine, on 15 measures to set in motion new economic dynamics between France and Africa. The 'Védrine report' stresses that between 2000 and 2011 France's market share in sub-Saharan Africa dropped from 10.1% to 4.7%.

..., while Africa continues to expect more from Obama

The major powers do not appear to feel uncomfortable with the peace-making role assumed in its natural area of influence by France, which is keen to demonstrate that it is still a leading diplomatic and military power.

Certainly, the United States, which remains reluctant to send soldiers in accordance with President Obama's purported tendency to adopt a *leading from behind* approach as a reflection of his government's isolationist trends, does not give the impression of minding about this situation.

Above and beyond the brilliant rhetoric of the speech delivered at Accra,¹⁷ where Barack Obama emphatically recognised Africa's importance in an interconnected world and stated that what Africa needs is not strong men but strong institutions, his African policy has not lived up to the high expectations created in a continent that in 2008 celebrated as its own the victory and the rise to the White House of the first president of African descent.

The Obama administration has essentially continued along the same lines that were adopted as a result of 9/11 and regards fighting global terrorism as the cornerstone of America's external action in Africa. This is borne out by the central role accorded to AFRICOM,¹⁸ which does not

¹⁵ Report *L'Afrique est Notre Avenir*, submitted on 29 October 2013 by the Committee for Foreign Affairs, Defence and Armed Forces of the French senate.

¹⁶ The report *Un Partenariat pour l'avenir: 15 Propositions pour une Nouvelle Dynamique Économique entre l'Afrique et la France*, submitted on 4 December 2013, was drawn up at the request of the Minister of the Economy and Finance by five prominent French and Franco-African figures: VÉDRINE, Hubert; EL KAROUI, Hakim; SEVERINO, Jean-Michel; THIAM, Tidjane; ZINSOU, Lionel.

¹⁷ Speech delivered on 11 July 2009 to the Ghanaian Parliament by President Obama.

¹⁸ United States Africa Command, created in 2007 and based in Stuttgart (Germany), is one of the six geographical commands of the US Department of Defense all over the world, which is responsible for operations, exercises and military cooperation with Africa.

precisely enjoy great popularity in Africa, and the systematic use of unmanned aircraft not only for intelligence but also operational missions (whose dubious compatibility with the rule of law has aroused concerns among activists and in political and academic media).

In July 2013, well into his second term, Obama returned to his ancestors' continent, trying to remedy the criticism received for the scant attention America pays to Africa and its preservation of the status quo. During his second state visit to sub-Saharan Africa, with stopovers in Senegal, Tanzania and South Africa that were imbued with powerful symbolism (visits to the isles of Gorée in Dakar and Robben Island in Capetown) and a strong business focus, the US president announced three main commitments: support for training and the emergence of a new leadership in Africa; a programme (Power Africa Program) to help energy generation and distribution with the stated goal of doubling the number of sub-Saharan homes with access to electricity; and strengthening political dialogue with the announcement of the organisation in 2014 of a Summit with Africa. The United States has thus joined other regional powers and groups (China, Japan, India, France, Turkey, EU, South America) that engage in a highest-level talks with the continent.

Upturn in tensions and disputes, main hotspots

The economic and democratic progress achieved in recent years coincides with an increase in tensions and disputes that are concentrated in the Sahel, the Horn of Africa, the Great Lakes region and the Central African Republic.

A common characteristic is that they are essentially intrastate conflicts, though with a regional dimension as they extend beyond the borders of a single country and neighbouring powers are often involved in them. The motivation for, and manner of, making war in Africa have changed substantially, as William Reno states.¹⁹ The wars of liberation of the sixties and seventies gave way to the civil wars of the eighties in the context of the Cold War (Angola, Mozambique) and the great massacres of the nineties (Rwanda, Liberia). Conflicts between factions involved in power struggles are now proliferating, generally triggered by non-state organisations, whether terrorist, guerrilla, pirate or simply criminal – though in most cases it is not easy to give them a single label, as the same groups may display several of these traits or even all of them at once – against which weak states are powerless. Today, Reno states, in a country like Guinea Bissau it is difficult to distinguish between the state security forces and drug traffickers.

¹⁹ RENO, William, *Warfare in Independent Africa*, Cambridge University Press, 2011.

The common denominator of the African conflicts is thus the existence of failed (Somalia, Central African Republic) or very weak states (Mali, Democratic Republic of the Congo) that are incapable of addressing these threats by themselves. In this regard, the argument of the borders drawn with set square and triangle by the colonial powers ('the world's most artificial and illogical borders', as Robert Kaplan puts it²⁰) to explain and even attempt to justify Africa's conflict-proneness has probably been over-used. According to this theory, ignorance of ethnic and religious realities is the main cause of the conflicts, which involve communities traditionally at odds with each other and forced by the coloniser to coexist within the same state borders. Put into practice, this argument would entail splitting Africa into hundreds of micro-states whose feasibility is impossible. This is why the OAU is based on the principle – backed by its successor the AU – of the intangibility of borders inherited from colonisation.

The situation of instability, poverty, weakness and corruption of state institutions is a fertile ground for the progressive penetration of the most radical salafist brand of Islam, which is actually alien to African religious traditions.

Sub-Saharan Africa is suffering from a rise in the threat of Islamic-inspired terrorism concentrated on three main fronts that are interconnected: the Sahel, where al-Qaeda in the Islamic Maghreb (AQIM), al-Mourabitoun (the successor of MUYAO) and Ansar Eddine operate; northern Nigeria and Cameroon, where Boko Haram and Ansaru are active; and Somalia and its neighbouring countries (Nairobi and Kampala have suffered serious attacks), which endure the scourge of al-Shabaab. AQIM, al-Mourabitoun, Ansaru and al-Shabaab claim to be branches or affiliates of the vague al-Qaeda. By pledging loyalty to the al-Qaeda brand, these groups, which are essentially local or regional, aim to gain legitimacy and facilitate the recruitment of young followers.

The Sahel

The events of 2012 in Mali – rebellion of Tuareg militias, a coup d'état led by Captain Sanogo, which toppled the government of Amadou Toumani Touré (known as ATT) on the eve of the presidential elections, and the occupation of a large expanse of land in the north by terrorist groups – were not a product of fate but a consequence of the accumulation and feedback of structural factors (poor governance, corruption, underdevelopment, abandonment of the north, intercommunity tension, penetration of drug trafficking and terrorism) which remained secondary to maintaining its reputation (that was actually ill deserved) of a model of democracy in

²⁰ KAPLAN, Robert, *The Revenge of Geography: what the Map tells us about Coming Conflicts and the Battle against Fate*, Random House, 2012.

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Africa, and which were encouraged and hastened by the shockwaves of the toppling of Gaddafi's regime in Libya and the proliferation of weapons and combatants throughout the Sahel and Sahara region.

The Sahel is poorest region of the world but with the greatest demographic growth. At the current pace, its population doubles every 20 years. Niger, traditionally one of the lowest-ranking countries of the UNDP Human Development Index with a birth rate of 7.4 children per woman, is an extreme case. Whereas at the time of independence in 1960 Niger had 3 million inhabitants, by 2050 its population will be twenty times larger, reaching 60 million.

The crisis in Mali has placed the Sahel, a hitherto neglected and almost unknown region, at the forefront of the international agenda. It is a multifaceted, political, economic and humanitarian crisis and probably also one of morals and values. It is also a Sahelian crisis. It might have occurred, with similar or the same parameters, in any other country of the Sahel strip, which in its broadest sense stretches across the lower edge of the Sahara desert from the Atlantic to the Red Sea. If AQIM, MUYAO and Ansar Eddine grew strong in the north of Mali and became defiant to the point of planning to march towards the capital, Bamako, it was because they found Mali to be a more favourable territory than the neighbouring countries. But these terrorist and criminal groups, which are multinational, are by no means a local Malian phenomenon. Aided by off-road vehicles and satellite communications, they operate in a large, very sparsely populated area of desert characterised by the absence of control: the Sahara is no longer the barrier that hindered human contact between sub-Saharan Africa and the Mediterranean basin.

In 2013 the international community obtained a victory against terrorism in Mali. It was an important victory but by no means final or conclusive.

In January France responded to a petition from the Malian transition authorities with the blessing of the United Nations in the form of a declaration from the Presidency of the Security Council on the urgent need to stem the advance of the terrorists, who were approaching Konna, a strategic enclave on the river Niger which, had it been occupied, would practically clear the way to the capital, Bamako. ECOWAS (the Economic Community of West African States), a benchmark subregional organisation, had decided to set up an African force, AFISMA or MISMA, whose effective deployment on the ground would, however, take months to be completed.

Operation Serval, led by France with the valuable support of Chadian strike troops accustomed to fighting in the hostile desert environment, has been an undisputable success. According to various estimates, at least one-third of combatants have been neutralised, killed or captured; another third have abandoned their weapons, either permanently or temporarily,

and have mingled with the population; and the last third remain active in Mali or neighbouring countries, especially in the south of Libya, which is becoming a new haven. In compliance with Resolution 2100, which was adopted unanimously by the Security Council, the African AFISMA force has been relieved by a United Nations peacekeeping operation, MINUSMA

Significant political and diplomatic work has also been performed. The accompaniment of the international community and the joint work of AU, the United Nations, ECOWAS and the EU spurred the adoption of a roadmap for democratic transition that ended with the holding of presidential and legislative elections throughout the country in August and December 2013 respectively.

President Ibrahim Boubakar Keita's new government has the mandate and legitimacy to address the major structural problems and carry out the reforms Mali needs, prominent among which are the quest for a stable formula for coexistence between the populations of the north and the south, the strengthening of state institutions, and economic reactivation and development.

Whereas the security situation in Mali is relatively under control for the time being thanks to the deployment of international forces, the spread of jihadists throughout neighbouring countries and the emergence of new focal points of attacks and instability, such as Algeria (attack on the In Amenas gas plant), Niger (attacks on the uranium mines of Arlit and in Agadez) and Tunisia (Caambi mountains region), points to the reorganisation of the terrorist camp and the persistence of a high degree of threat at the regional level.

These new dynamics are the context for the merger of MOJWA (Movement for Oneness and Jihad in West Africa) and the followers (the 'signatories in blood') of the known terrorist and trafficker Mokhtar Belmokhtar (alias 'the one-eyed' or 'Mr Marlboro') in order to form the group of the Mourabitoun, or new Almoravids, and their recognition of the authority of al-Qaeda and its leader al-Zawahiri. With his pledge of loyalty to Bin Laden's successor, Belmokhtar likewise distanced himself from the regional AQIM franchise and its emir Droukdel, also an Algerian. Belmokhtar (together with Abu Zeid, who died in the Serval campaign) was one of his main deputies until strategic and economic differences drove them apart.

The stabilisation of Mali also provides an opportunity for centring on the security and development challenges of the Sahel with a broad and long-term perspective to avoid the disastrous scenario of a 'Sahelistan'²¹ (owing to similarities with Afghanistan) at the gateway to Europe. This is the philosophy that underpins the United Nations Integrated Strategy

²¹ LAURENT, Samuel. Sahelistan, De la Lybie au Mali, au Coeur du Nouveau Yihad, Ed. Le Seuil, 2013.

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that was presented at the High-Level Meeting on the Sahel held in New York in September 2013 under the presidency of the United Nations Secretary-General Ban Ki-Moon in the framework of the General Assembly's ministerial week.

The UN's Integrated Strategy follows in the wake of the EU Strategy for Security and Development in the Sahel Region. The EU is the benchmark cooperation partner for the region. For the six-year period 2014-2020, which coincides with the period the 11th European Development Fund is in force, the EU plans to channel 5 billion euros-worth of aid to the region.

North of Nigeria and Cameroon

Towards the south of the Sahel, the north of Nigeria and Cameroon is also suffering the effects of increasing terrorist activity, driven by the Boko Haram groups and their splinter group Ansaru.

Ansaru (literally the 'defenders of the Muslims') first appeared on the scene at the beginning of 2012 when it kidnapped westerners. Compared to Boko Haram ('western education is sinful', in the Hausa language), which pursues a clearly local objective – to establish an Islamic state governed by the Sharia in the north of Nigeria, the country's poorest region – Ansaru considers itself a transnational and pan-Islamist organisation within al-Qaeda's sphere of influence, which purportedly aspires to provide a link between Sahelian jihadism and that of the Horn of Africa (al-Shabaab) in order to make up an Islamist terrorist front that is continental in scope in the form of a crescent moon.

So far, the government of Goodluck Jonathan (a Christian of the south) has responded to the terrorist challenge with a firm-handed policy. The excesses of the security forces and human rights violations denounced by organisations such as Human Rights Watch may spur the rejection and hostility of the local population and deepen the rift between the Muslim north and the Christian south.

A crisis in Nigeria, an African demographic power with 180 million people (of whom 70% live on less than a dollar a day), an oil producer and the continent's second largest economy, would have enormous implications for the stability of the whole of Africa.

Gulf of Guinea

Pirate attacks in the Gulf of Guinea have practically doubled relative to last year, according to the International Maritime Bureau (IMB). This agency stressed that in 2012 attacks on vessels in the Gulf of Guinea, in the region of 1,000 attacks, outnumbered those in the Horn of Africa for the

first time and that the Gulf is becoming one of the most insecure regions in the world for shipping.

In addition, the Gulf of Guinea, unlike the Horn of Africa, is not only a transit area. Many boats are forced to drop anchor off the coast of West and Central Africa while waiting to access saturated ports with a limited capacity, increasing their vulnerability. And whereas in the Horn of Africa international combat missions have been conducted against piracy and encouragement and assistance have been given to vessels in adopting armed protection, so far it has not been possible to consider any of this in the Gulf.

The situation is exacerbated by institutional weakness and the lack of resources of the countries of the region, drug trafficking, territorial disputes (between Cameroon and Nigeria or between Gabon and Equatorial Guinea), the lack of effective mechanisms for regional cooperation, the poverty of coastal communities and ethnic disputes. The epicentre is located in the Niger Delta, the main oil producing region of Nigeria and the victim of a real environmental disaster and instability caused by the Movement for the Liberation of the Niger Delta.

The states of the region prompted an initial response, which so far has gone no further than a declaration, at the summit of West African and Central African countries held in Yaoundé in June 2013. As a result of the summit, regional organisations ECOWAS, ECCAS (Economic Community of Central African States) and the Gulf of Guinea Commission were mandated to implement initiatives aimed at promoting the cooperation and interoperability of actions to prevent and combat the phenomenon of piracy, in line with the provisions of UN Security Council Resolutions 2018 (2011) and 2039 (2012) and in coordination with other agencies such as the International Maritime Organization or the United Nations Office on Drugs and Organized Crime

Piracy in the Gulf of Guinea has thus become a cause of increasing concern to the international community for its impact on maritime traffic and international trade in a hydrocarbon-producing region of great strategic importance. With estimated reserves of 50 billion barrels, the expectations of multinationals is that the Gulf of Guinea will supply 20% of the world's oil by 2015 and 25% by 2020.

The importance for the European Union is even greater: nearly half of the EU's oil imports come from the area. Of the Member States, Spain has been one of the most insistent that the EU pay more attention to the Gulf of Guinea and its many challenges. The aim would be to adopt a strategy which supports the multiple programs and EU projects in the region and makes them more coherent and effective. Once implemented in the Sahel, the strategy can be a source of inspiration based on a combination of security and development.

Great Lakes

November 5 saw the announcement of the unilateral cessation of armed actions by the M23 movement, which had been operating in the region of Kivu in the eastern part of the Democratic Republic of the Congo. The surrender of the M23 has been made possible by the coordinated action of the Congolese and UN armed forces, but especially by the stronger and more active position of the international community, coordinated by former Irish president and Special Envoy of the Secretary General United Nations of the Great Lakes region, Mary Robinson, assisted by the African Union and the European Union. A key role in this connection has been played by MONUSCO, which has been transformed into a genuine peace enforcement mission through the creation within it of a combat force to assist the Congolese army. It has set a positive precedent in the history of United Nations operations that somehow compensates for the sad image of impotence projected by peacekeepers during the horrific 1994 genocide in Rwanda, which preceded what was known as the 'first African world war' and only now might be coming to an end.

However, the news should be taken with great caution. It would not be the first time a peace agreement is not respected and becomes merely a temporary truce prior to the taking up of arms with greater intensity. In fact, the M23 is named after the last peace agreement signed on 23 March 2009 by the Tutsi rebel group CNDP (National Congress for the Defence of the People). Upon realising that the commitments of integration into the national army were not being met, in March 2012 a group of about three thousand former rebels returned to their armed struggle under the banner of M23 and secured their most resounding victory with the occupation and looting of the city of Goma. The images of death, destruction and the mass exodus of population in the Great Lakes were again shown all over the world and spurred a change in the international context, which ultimately proved decisive. The Tutsi regime in Rwanda, Uganda and to a lesser extent traditional supporters of the CNDP and its successor the M23 are under increasing pressure to cease to lend support.

Despite the Congolese Government's initial reluctance to grant recognition to M23 as a counterpart in a theoretical situation of equality, in the end it was possible to sign a peace agreement in Nairobi last December. The reaffirms the dissolution of M23 as an armed group and establishes the procedures for the process of demobilisation and disarmament that looks set to be complex and difficult. The conditions of a possible amnesty are still up in the air; at any rate it should be applicable only to combatants who are not guilty of war crimes or genocide. Other armed groups in the region (FDLR, Mai Mai, FNL-Burundi, LRA, ADF-NALU in Uganda) have not yet laid down their arms – nor do they appear to intend to do so – and are a constant threat.

However, the military defeat of M23 is paving the way for building a new model of peace, security and development in the eastern DRC and the Great Lakes region, on the basis of compliance with the provisions of the framework agreement signed in Addis Ababa in February 2013 by the leaders of the countries of the region together with the United Nations Secretary General and the president of the AU Commission.

The major threat the Congolese authorities now face is to strengthen the state structures in the liberated areas and at the same time to offer Rwanda guarantees of security and show their determination to combat the still active militias of the FDLR, a Hutu group that opposes the Tutsi-dominated regime of Kigali.

Central African Republic

The Central African Republic, a country that is immensely rich in natural resources and precious minerals and very sparsely populated (5 million inhabitants, of whom more than one-tenth are displaced or have sought refuge in neighbouring countries), has been caught in a climate of violence practically since gaining its independence from France in 1960.

In December 2012, the coalition of armed groups Seleka ('alliance' in the local language) led by Michel Djotodia launched an offensive against the government of François Bozizé, who had remained in power for 10 years after personally leading a coup, implementing a policy of repression and subsequently legitimising his position following the holding of elections whose freedom and transparency were dubious.

The feeble resistance of the security forces that are non-existent in practice made it easy for Seleka to seize power in March 2013. Djotodia suspended the constitution, proclaimed himself president and announced the creation of a National Transitional Council that would supposedly govern the country until the holding of elections in 2015.

Since then attacks and human rights violations have occurred and worsened, leading to an ethnic and religious clash. The violence has forced hundreds of thousands to flee their homes; 100,000 people seeking precarious protection are living in cramped conditions in the vicinity of Bangui airport alone.

Against the backdrop of a crumbling state, members of the Christian community, who account for 80% of the population, have organised themselves into self-defence groups called 'anti-balaka' ('anti-machete') to deal with the attacks of the Seleka militias, mostly made up of Muslims. There is a risk of an uncontrollable spiral of violence involving armed groups from neighbouring countries – combatants in Darfur, Chad mili-

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tias, the last remnants of a decimated Resistance Army (LRA) – attracted by the significant wealth of the CAR and the prevailing chaos.

Efforts to control the situation of the AU and the subregional benchmark organisation ECCAS have so far proven fairly unfruitful. The MICOPAX (Mission for the consolidation of Peace in the Central African Republic), has been transformed into MISCA (International Support Mission to the Central African Republic) under the authority of the AU and with a higher level of ambition, which in turn should pave the way for the deployment, if so decided by the Security Council, of a UN peacekeeping operation with a comprehensive approach that is theoretically better poised to address the wide range of challenges involved: disarmament and reintegration of militias, national dialogue and the democratisation process, the building of state institutions and the reform of the armed forces, and the protection of civilians and human rights. However, the history of Mali and MINUSMA attests to the difficulty of force generation.

As in Mali, France has taken a leading role with the deployment (Operation 'Sangaris') of a contingent of 1,600 soldiers to support MISCA in protecting the civilian population and disarming the 'seleka' and 'anti-balaka'.

The Sudans

The latest conflict on African soil has just broken out in South Sudan, the youngest state in Africa.

South Sudan gained its independence in July 2011 after its citizens voted almost unanimously in favour in the referendum on self-determination held pursuant to the Naivasha Comprehensive Peace Agreement of 2005 putting an end to a long and bloody war against the North that resulted in two million dead and nearly a million refugees and displaced persons.

The separation took place fairly peacefully, although not without tensions, especially over oil – as the new government in Juba gained control of three-quarters of some deposits that had previously been managed entirely by Khartoum, whereas the oil pipelines and refineries are located in Northern Territory – and over the final status of the three border provinces, South Kordofan, Blue Nile and Abyei. While in the latter region an African peacekeeping mission made up exclusively of Ethiopian troops has been deployed and there are plans to establish a provisional regime of supervised administration, ensuring some stability, in South Kordofan and Blue Nile tensions are running very high, with constant clashes.

Skirmishes unleashed in December in South Sudan initially appeared to indicate a simple power struggle between the faction led by former Vice President Riek Machar (of the Nuer ethnic group), who was accused of plotting a coup and expelled from the government last June, shortly af-

ter making public his intentions to stand for the presidential elections of 2015, and the group headed by President Salva Kiir (a Dinka). However, the fighting has been worsening and developing into an ethnic conflict between the Dinka and Nuer communities, around which a whole host of disparate forces are grouped, to the point that some analysts are already talking about a possible third civil war after those waged between 1955 and 1972 and between 1983 and 2005.

UNMISS (UN Mission for South Sudan) has been able to do little or nothing to address the violence, despite having a contingent of 7,000 peacekeepers and an annual budget of nearly a billion dollars. Unfortunately, the worst forecasts could come true regarding the fragility and poor viability of the new country, which is rich in oil, water resources and fertile land, but poorly structured and very underdeveloped. For example, South Sudan has only 60 kilometres of paved roads. Its mostly black and Christian or animist population, in contrast to that of North Sudan, however, is an amalgam of different ethnic groups and tribes with a long history of friction and rivalry. If the instability were to continue over time, it would ruin the country's development plans, including the strategic project to build a pipeline to the Kenyan coast across Ugandan territory.

Under the auspices of IGAD²² direct talks between representatives of both parties have been promoted in Addis Ababa. The immediate goal is to impose a ceasefire. Another factor for concern is a possible intervention by the northern neighbour, Sudan, in principle in favour of the Kiir's government, but in any case to ensure the security of the oil supply, the suspension of which is causing it very heavy losses (ironically, Khartoum would be intervening militarily to support an independent government of its archenemy SPLM²³). The neighbouring Kenya and Uganda have already dispatched military units with the assignment of protecting their nationals. If the Sudanese troops cross the border, this could exacerbate the internal weakness of the Bashir regime (which has not reaped the expected benefits of its acceptance of the South's secession, and therefore has not been able to 'sell' them to its public opinion – in the form of a reduction in external debt, for example) and the main danger to be averted is therefore to prevent this from resulting in a revival of the North-South conflict, now between two sovereign states, which would be the first of its kind in Africa for years.

Not much progress has been made in the Darfur peace process in the west of Sudan, despite the efforts of mediator Mohamed Chambas, joint special representative of the UN and African Union and head of the UN-AMID hybrid mission. Darfur looks set to become a chronic conflict that

²² Intergovernmental Authority on Development, a regional organisation based in Djibouti and formed by Ethiopia, Kenya, Somalia, Sudan, Uganda, Djibouti and Eritrea.

²³ Sudan People's Liberation Movement.

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is currently undergoing a phase of relatively low intensity but with high volatility, and has already killed at least 300,000 people and displaced more than two million from their homes.

Somalia

After two decades of war, anarchy, widespread human rights violations and piracy, the trend has finally begun to be reversed in the past two years. The Somali federal state has gained ground from the militias of al-Shabaab ('youth'), relations between the government of the president, Hassan Sheikh Mohamud, who has a wealth of internal and external support, and Parliament – traditionally a source of problems and frictions – have improved somewhat, and in the fight against piracy the results of multinational operations and self-protection measures implemented by vessels have been spectacular: 2013 ended without any boardings or hostage taking, although this does not mean that the pirates have not carried on trying.

In the north, Somaliland continues to display a high degree of political stability and security compared to the south and maintains its ambition to achieve recognition as an independent country (so does Puntland, to a lesser extent), though not all the links of dialogue with the government in Mogadishu have been broken.

In any case, the military successes of the African AMISOM forces, backed by Ethiopian and Kenyan troops, have yet to be accompanied by effective occupation of the territory by the state structures and the provision of basic services – primarily security, but also education, health and sanitation – to a badly afflicted public.

The appalling attack on Nairobi's Westgate Mall, coupled with the constant attacks on strategic targets in Mogadishu, are a cruel reminder of the destructive capability of al-Shabaab, even beyond the Somali border, and the much ground that has yet to be covered before finally defeating terrorism in the Horn of Africa.

Conclusion. Two contrasting versions of Africa are struggling to prevail

Africa is experiencing a moment of transition. Along with the dynamic, optimistic and confident Africa courted by the major powers and the last frontier of entrepreneurs and the El Dorado of investors, Africa still lags behind in human development, is dependent on foreign aid, unable to ensure the safety of its citizens and provide them with essential services, unchanged, burdened by the weight of tradition, a victim of corruption and poor governance, and prone to coups and bloody conflicts. In fact,

both Africas coexist in some countries and even in cities such as Nairobi or Lagos, which showcase the best and worst of Africa.

In economic terms, encouraging diversification and local production with higher added value, as well as creating a stable legal framework that fosters investment and private enterprise will be key factors in ensuring a sustained and endogenous growth that is less vulnerable to fluctuations in international prices and a possible slowdown in the Chinese motor, the main market for African commodities.

Likewise, in order to feed its growing population Africa needs an agricultural revolution, a green revolution in agriculture and livestock. Access to finance and mechanization, new systems of land management, the provision of fertilisers and seeds that are better adapted to the harsh African climate, and improved transport networks that bring production centres closer to consumer markets would result in a substantial increase in agricultural productivity. Africa has 24% of the arable land on the planet, but produces only 9% of the world's agricultural produce. The formula, fairly widespread in countries like Ethiopia, of granting rights to exploit vast tracts of fertile land to foreign investors mainly from countries of the Persian Gulf, is a relatively easy way of increasing production and procurement of resources, but raises questions about the transfer of sovereignty it entails, its limited or non-existent impact on food security in African countries (to be used in general production for export) and the damage caused to the relevant local populations, which are subjected to forced relocation programmes, often without any right to compensation.

Furthermore, the growth most of the African countries are displaying still needs to be transferred more clearly to the population as a whole. A more equitable distribution of resources, the creation of better paid jobs and an increased ability to collect taxes in order to undertake broader policies for providing basic services are essential. The demographic boom is putting a huge additional strain on the weak public services.

The consolidation of a growing middle class (according to the African Development Bank, it consists of some 325 million people with a purchasing power of between 2 and 20 dollars a day) must be a driving force for growth and entrepreneurship, and the strengthening of state institutions, as well as the establishment of a democratic culture, must be a guarantee against instability.

Another important continental-scale challenge is the expansion of intra-African trade, which currently accounts for a paltry 12% of the continent's total trade. It should fall to the African Union to play a leading role in the integration process, which is still in its very early stages, in close coordination with subregional organisations such as ECOWAS, EC-CAS, SADC, IGAD and the East African Community. Nevertheless, the AU, compelled by circumstances, has so far devoted its best efforts to pre-

venting and settling conflicts, though the much-desired continental peace and security architecture is still far from complete and its main proposal, the establishment of permanent African rapid reaction forces, has failed to materialise.

However, it is only fair to recognise the determined attitude shown by the African Union vis-à-vis coups and breaches of constitutional order. The AU is well aware that its reputation and credibility in managing such situations is at stake and that it must avoid falling into the same disrepute as its predecessor, the OAU, which came to be called the 'dictators' club'.

To prevent the African Charter on Democracy, Elections and Governance adopted in 2007 from becoming no more than a dead letter, in cases of antidemocratic alteration of the constitutional order in any of its members, the AU applies a code of practice that usually involves the country's immediate suspension from participation at all levels of the AU, the creation, in coordination with the relevant United Nations and African sub-regional organizations, of an international contact group that promotes a process of return to normality and, following a specified period of time and if no progress has been made, the application, or at least the threat, of tailored countermeasures. The AU has implemented this model of managing political crises effectively in Madagascar, Mali and Guinea Conakry, among others.

There is no doubt that building democratic systems is a long and complex process that cannot be reduced to the regular holding of elections in more or less acceptable conditions. Therefore the haste the international community has sometimes shown in pushing for elections without previously addressing the underlying problems that led to the instability or creating conditions conducive to the existence of a real interplay of political parties has been criticised. In Africa, the presence of strong ethnic and tribal identities and loyalties, despite contributing to the cohesion of societies at the local level, can also hinder the functioning of parties that in most cases do not come to offer political and ideological options as a basis for the democratic participation of citizens and are therefore only simple platforms for community attachment for the conquest of power and benefit sharing.

In the immediate future, political and security questions will continue to predominate over economic and development issues in an AU that has espoused a more African nationalist discourse since the South African Dlamini-Zuma took over the presidency of the Commission in July 2012. The influence of President Dlamini-Zuma and her personal political background that began in the clandestine ANC during the apartheid era is reflected, for example, in the intention to return the Western Sahara question to a prominent place on the AU's agenda. This has sparked concerns and the rejection of Morocco, which withdrew from

what was then the OAU in 1984 when the so-called SADR (Saharawi Arab Democratic Republic) was admitted as a full-fledged member. Two conflicting options can thus be glimpsed on the horizon: an enterprising, stable and peaceful Africa, which by 2050 will have another one billion inhabitants, will be capable of making the most of its extraordinary human and natural resources and of being a growth engine for a Europe with a declining population; and an Africa plunged into chaos and instability, poverty and underdevelopment, in which terrorism and organised crime are finding a haven and breeding ground. Whichever direction the country finally heads in will not be a matter of chance but the result of the actions and policies that are adopted from now on, first and foremost by Africans themselves.

In the short term, by 2014 progress will have been made in the right direction if the peace talks in Addis Ababa are fruitful and succeed in preventing an escalation of violence in South Sudan that could lead to the disintegration of the youngest country; if relations between Juba and Khartoum are normalised, including loyal and mutually beneficial cooperation; if in the Central African Republic the French military operation and the African mission MISCA put an end to the killings and widespread violations of human rights and a democratic transition process begins; if in the Sahel ground continues to be gained from terrorist organisations, border security is strengthened and neighbouring countries, including Algeria and Morocco, are able to put aside their rivalries and differences to work towards peace and regional stability; if in Mali MINUSMA completes its deployment and the government of President Keita puts into practice its declared wish to facilitate reconciliation with the Arab and Tuareg north; if in the Great Lakes region the signature of the framework agreement for peace and the defeat of the armed group M23 finally usher in a new era of greater stability to ensure the safety of all neighbouring countries and the harmonious exploitation of mineral resources is permitted in the region; if in the Gulf of Guinea effective measures are put in place to combat piracy, based on the lessons learned in Somalia; if in Somalia the state continues to grow stronger and, with the support of the international community, corner al-Shabaab fighters; and finally, as regards Euro-African relations, if the Brussels summit proves a success as to participation and results and provides a response to the wish to forge a real, working partnership between the two continents that is a match for the major common challenges.

2014 is set to be a decisive year in defining the direction in which Africa will head.

Latin America 2013. Looking leftwards and to the Pacific

Juan Pablo de Laiglesia

Chapter four

Abstract

In spite of a slowdown in growth, Latin America, from its current situation of political stability, seeks greater democratic quality, looking leftwards for inspiration. Social and redistributive policies will continue to be a priority across the region. Even though its regional identity has been built on the ideas of unity and integration, its present reality is notable for diversity and national approaches. President Chavez's death has evidenced the absence of strong regional leaders and the 'renationalisation' policies are calling for a revision of the institutional frameworks for integration. Latin America's integration into the global community entails maintaining its traditional partnerships with Europe and North America, but it is increasingly open to the potential of the Asian-Pacific countries, especially China. Although the Latin American countries will have to cater to the increasing demands of the growing middle-class and address the slowdown in their economic growth, they will continue to be a loyal, stable and reliable partner of the western triangle vis-à-vis the challenges of the coming year.

Keywords

Latin America, integration, elections, leadership. European Union. China.

Slowdown. More demands, fewer resources

The global landscape

All analyses¹ conclude that the decade of prosperity is over and that the economic outlook for Latin America and the Caribbean is complex and significantly less favourable than in recent years. The world economy has entered a transitional stage in which the advanced economies will gradually grow stronger and leave behind (although with important consequences in the political and social fields and in terms of the prevalence of earlier models) the worst crisis of the last ninety years, while the growth of the emerging economies, most of which took advantages of the opportunities, is slowing down.

As for the advanced economies, the global landscape that is emerging will be characterised by a slow but progressive recovery of the core European economies whose growth will turn positive, albeit below 1% overall, in 2014; the consolidation of growth in the United States, at a rate that will also be limited to around 1.5% in 2014 but is expected to accelerate to 2.5% in 2015; and the recovery of Japan if it manages to overcome the challenges sustainability poses to its peculiar structures.

Equally or even more important for Latin America and the Caribbean is another characteristic that is causing a major impact on their economies – the lower growth of the economies of the emerging countries, especially China, which have played a decisive role in driving Latin American development during the crisis and have contributed decisively to mitigating its impact on the region.

Macroeconomic conditions are therefore unfavourable² to the region, both currently and in the short term, owing to the combined effect of three factors: the reduction in the volume of trade, the easing of commodity prices and uncertain global financial and monetary conditions. First, lower demand is expected for the goods and services exported by the region owing to the easing of the growth rate of world trade. Second, while the price of imports has remained stable, the prices of the key commodities exported by Latin America and the Caribbean have been losing ground since 2012. This has led to deterioration in the foreign trade balance, which is furthermore becoming increasingly heterogeneous, as will be explained

¹ Chiefly, among others, 'La coyuntura económica Internacional y sus consecuencias macroeconómicas para América Latina y el Caribe', CEPAL/ECLAC, October 2013; 'Balance preliminar de las economías de América Latina y el Caribe' CEPAL/ECLAC, November 2013; 'Perspectivas de la economía mundial: Transiciones y Tensiones', FMI, October 2013; 'World Development Report 2014. Risk and Opportunity', World Bank, 2013; 'Latin American Economic Outlook 2014', OECD, 2013.

² See in particular op. cit. OECD, pp. 27 and ff.

in due course. Finally, a future tightening of monetary policy in the United States will make external financing progressively more expensive and will foreseeably reduce capital flows to the region, increasing the level of uncertainty and volatility in the capital markets

The impact in Latin America and the Caribbean

The likely impact of this new situation may be very different in each country owing to the increasing diversity of the region, which is becoming more evident, though the ECLAC³ identifies five regional challenges with profound political and social implications. It is necessary: to keep inflation in check (vis-à-vis foreseeable increases in food prices and gradual loss of purchasing power of wages); to ensure sustained recovery (through policies of structural diversification, a growth in exports with lower international prices, increased productive investment); to prevent the slowdown from pushing up unemployment (by maintaining progress in reliability and implementing public policies to support the creation of paid employment); to preserve the weight of wage income in national wealth (by preserving the real value of wages and improving productivity without generating additional unemployment); and, ultimately, to promote a model of growth with equality (by preventing setbacks in social public policies, particularly education and health, and providing the necessary tax measures).

Of all these challenges, the biggest in terms of stability and social and political progress is undoubtedly the impact of the slowdown on the area's 'middle classes', which have increased considerably following a decade of growth accompanied by significant reductions in poverty and progress in indicators of inequality. This segment of society is expected to grow from 55% of the total population in 2010 to 78% in 2025 in the emerging economies, a fact which is making it a central actor and an essential pillar for deepening economic development but also leading it to demand efficient, quality public services. This phenomenon is specifically dealt with in the latest human development report of the UNDP,⁴ which lists the requirements stemming from these potential demands, particularly the need to increase fiscal space but, above all, to create institutions that ensure that public resources are allocated to projects with high social returns and to boost citizens' participation.

Nobody can be unaware that the participation of this new player in the political arena, in a context of structurally weak political parties and a short-

³ CEPAL/ECLAC, 'La coyuntura económica internacional y sus consecuencias macroeconómicas para América Latina y el Caribe', chap. III.

⁴ 'Human Development Report 2013. The Rise of the South: Human Progress in a Diverse World', UNDP, 2013.

age of formal channels for citizens' participation, will make providing a political response to these needs the focus of the agenda. This could lead to tension and the risk of sudden swings in the direction of public policies stemming from a paradigm shift (what the UNDP calls 'a proactive developmental state',⁵ and the WB 'dynamic and integrated risk management'⁶) on which there is still no guarantee of the desired levels of political and social consensus, and less still in the case of economic traders.

Against this general backdrop of experiencing the 'end of a cycle'⁷ and a transition towards slower growth rates with an increase in social demands, forecasts point to significant differences in the potential impacts on the different economies of the region. This is not only a reflection of their growing diversity but is going to contribute to deepening these differences.

In the major economies of the region it is not going to be possible to compensate for the slowdown by stepping up internal demand, and shortcomings in infrastructure would require hefty investments. In Brazil it is investment that will help maintain the growth rate at around 2.3%. As for Mexico, it is more than likely to recover its dynamism following the upturn in demand from the United States, as well as having leeway to increase public spending.

For Colombia, Peru, Chile and Uruguay the main challenge will lie in ensuring that adjustments to more moderate growth rates take place without sudden changes, by maintaining the confidence level, striving to boost productivity and managing their current account deficits suitably. It will also be necessary to continue with the structural reforms.

Argentina and Paraguay will continue to enjoy favourable conditions for large harvests that will keep their growth prospects very high, and Ecuador and Bolivia the high prices of gas and oil.

Venezuela is a notable exception to the general picture. Confidence has been badly dented and the Venezuelan government's economic policy enjoys no credibility. In addition, increased spending, shortages, uncontrolled inflation and the 'Enabling' Act for stepping up the economic war by decree are merely confirming fears and adding to the uncertainty.

Central America and the Caribbean, with the sole and notable exception of Panama, will continue to be the region's most vulnerable region. Its average growth is expected to fall below 3%. America's recovery could

⁵ Human Development Report 2013. The Rise of the South: Human Progress in a Diverse World; UNDP, 2013, pp. 66 and ff.

⁶ 'World Development Report 2014: Risk and Opportunity', World Bank, 2013, pp. 40 and ff.

⁷ Address by Alicia Bárcena, Executive Secretary of ECLAC, to the Latin American heads of planning at their meeting in Brasilia on 21 November 2013.

eventually have a favourable effect on its foreign sectors, although in a manner as limited as its supply. It does not seem likely to be able to reduce its high public deficits and any variation in oil prices or a reduction in Venezuelan support would pose additional difficulties. Fiscal consolidation will continue to be one of the major pending issues and remittances the most important social, political and economic buffer.

In short, although Latin America is still growing at a rate above the world average, it is preparing (or should be) for a slowdown in this growth that has secured its major successes in combating poverty and inequality and has spurred a very significant increase in the middle classes. Addressing the new requirements of this newly emerged sector appears to be the major challenge of the immediate future.

Looking leftwards

The health of Democracy

The validity of democracy in Latin America has not been challenged for some time and the focus is on its 'quality'.⁸ The normality of the election processes, alternation in power and respect for pluralism are common, though with the particular qualities stemming from the very different nature of the respective national processes, and the legal disparities are perfectly cushioned from criticism by the widespread acceptance of electoral observation and a still-conservative conception of sovereignty that finds in this environment privileged conditions for their strictest application.

The debate has therefore shifted to analysing the 'quality' of democracy, but as this analysis is based mainly on opinion polls it inevitably gives priority to a finalistic approach: citizens appreciate efficiency more than quality or, what amounts to the same thing, they appreciate results more than procedures, even if the latter are essential in exercising their democratic rights and the former depend on circumstances that are largely alien to democracy itself.

Whatever the case, even if we accept these ambiguities and shortcomings of analytical methods, the available data attest to Latin America's good democratic health while providing important clues as to how to address

⁸ Notable among the abundant most recent literature are: 'América Latina: sociedad, economía y seguridad en un mundo global', FERNÁNDEZ DE SOTO, Guillermo and PÉREZ HERRERO, Pedro. (coords.), IELAT/CAF, PONS, Marcial, Madrid, 2013. Chap. II 'Política, desigualdad y desconfianza', pp. 91 and ff.; also 'Nuevas Instituciones de democracia participativa en América Latina: la voz y sus consecuencias', CAMERON HERSHBERG, Maxwell A., Eric and SHARPE, Kenneth E.(eds.), FLACSO, Mexico, 2013.

the future. The latest Latinobarómetro⁹ shows that support for democracy in the region has not varied substantially in recent years although it is down two points to 56% with respect to 2011. It is highest in Uruguay (78%) and lowest in Guatemala (a paltry 38%). Nor has the relative position of most of the countries varied much, and it continues to be notable that it remains under 50% in Brazil (44%, second to last in the list), and less so that it is also under 50% in Central America.

The data also indicate that Latin Americans want to live in democracy, which is the best system of government in the opinion of 79% of the region, although their satisfaction with democracy, which has fluctuated between a minimum of 25% in 2001 in the period of the Asian crisis and 44% in 2009 and 2010, currently stands at 39%, close to but below this historic high.

One of the most significant finds of this latest report is undoubtedly that a substantial part of the region is in a state of 'latent activism', implying both a greater wish for participation and also greater dissatisfaction with the conventional forms of participation. In direct interaction with this attitude, governments are being increasingly closely scrutinised by citizens and the process is not positive for them, because scepticism about their ability to settle them is increasing. Fifty-three percent of the region's inhabitants claim that it is unlikely that the government can solve the main problems. The problems therefore do not lie only in faith in democracy, but in faith in the state, and as countries prosper they are leading to increased scepticism about their ability to progress in solving problems.

We may conclude from these figures that the consolidation of democracy in Latin America – or rather the improvement in the quality of this democracy – continues to be a complex problem, owing chiefly to the difficulty political systems have understanding the population's expectations and coming up with responses. The region therefore faces a serious crisis of representation which can trigger protests and mobilisations where expectations fail to be met and inequity is perceived in the distribution of the benefits of development.

Protests 'of democracy and growth'

Fully in keeping with these data, Latin America has not been unaffected by the widespread protest movements that have spread across the whole planet, from the Arab springs to the occupation of Wall Street and including the 'indignant' Europeans.

The precursor movements were those led by students in Chile, which have in fact been a constant feature of Chilean life since the middle of

⁹ Corporación Latinobarómetro, Informe 2013. www.latinobarometro.org.

Piñera's term. They were followed by those of Sao Paulo, which spread to the rest of the country during the Confederations Cup, a prelude to the sporting event which the country is hosting in 2014. And the latest so far are those that have shaken Peru.

Although they each stemmed from different reasons and ended with equally different results, it is evident that there are a considerable number of elements in common and that they are a new phenomenon in Latin American political life that needs to be analysed.

First and foremost the mobilisations are occurring in countries that are examples of good economic health and are attentive to social policies, and are being led by the urbanised middle classes that sprang up as a result of economic growth and social policies. It is not the most vulnerable sectors who are rebelling against marginalisation and poverty but the children of progress who are expressing their discontentment.

Therefore the demands are not directed so much at policies as at expectations. It is not so much a question of asking for things to be done as for them to be done well – for public services to function, for them to be effectively redistributive in their funding and equalitarian in their conception. Perhaps for this reason the approaches can be considered somewhat lacking in solidarity, as they call for more attention to be paid to a sector that has ceased to be the most vulnerable.

In third place, they include or entail the demand for new channels for allowing civil society to participate in political decisions. They are both a consequence and an expression of the lack of synchrony between economic and political progress, the distancing of traditional parties from citizens' needs, and the growing distance between the political classes and citizens.

In the end they have secured the attention and a response from governments – especially in Brazil, where the protests have been most intense and have attracted the greatest international attention given their timing. It seems evident that the government response involved much overacting and a not inconsiderable amount of improvisation. In a country where none of the political groups really challenges the priority of social policies, realisation of the scope of the discontentment has led the political class to an unstoppable race to lead the demonstration, despite the rejection of the platforms that organised the riots. The closeness of the elections has also influenced the speed and size of the response, as it has forced the parties, and especially the platform that backs the hitherto indisputable candidate/president Dilma Rouseff, to carry out an in-depth revision of its arguments and priorities in order to preserve their expectations. And this explains the magnitude of the responses, which have included the offer of a constitutional revision, reconstruction of the social pact, reallocation

of resources and modernisation of the channels of action and political participation of citizens.

Success always spurs the appearance of emulators, though Latin America is so diverse today that it is risky to say the least to provide a hypothesis of regional conduct based on what occurs even in a country with the influence and weight of Brazil. Whatever the case, the common elements pointed out, the persistence of structural deficiencies at the origin of the mobilisations and the success achieved point to scenarios in which it is equally risky to rule out citizens' mobilisations outside the system. Indeed, some of the civic platforms have already included straightforward political goals among their claims and have forced election programmes to be reformulated (Chile).

All in all, the mobilisations stem from 'democracy and growth', as summed up aptly by the president of Brazil, and both, democracy and growth, are ingredients of the situation in Latin America.¹⁰

Elections

The election calendar has been as busy as usual in the past 18 months, in which presidential elections have been held in six countries of the region: Mexico (July 2012), Venezuela (twice, in October 2012 and after President Chávez's death, in April 2013), Ecuador (February 2013), Paraguay (April 2013), Chile (November 2013) and Honduras (November 2013). They are all significant for different reasons and have regional implications.

As usual, the overall mood has been one of normality and acceptance of the results, with the habitual outbursts in the most fiercely fought cases such as the second Venezuelan elections and the Honduran polls.

Mexico

In Mexico the July 2012 elections marked the replacement of the PAN and the return to power of a PRI with new leaders and ideas led by Enrique Peña Nieto, who has promoted an ambitious programme of changes (the Pact for Mexico) during his first year in office in strategic sectors such as security, taxes and education, including the ever-postponed reform of the energy sector. One year on from his taking up office, the cost of the reforms is beginning to be evident in the progressive disengagement of the PRD and the beginning of a new, more polarised period. The reform of the oil sector, which marks a Copernican shift in the ideas of the PRI and the deepest of the structural reforms undertaken so far by the new president and the attempt to keep a close rein on the powerful trade union forces

¹⁰ Interview with President ROUSSEFF, Dilma, in *El País*, 27.11.2013.

(education in particular), will no doubt trigger fierce social and political tensions and will progressively leave the new PRI to its own fate with the risk of a return to old practices to shore up its power.

Venezuela

The Venezuelan elections in April were held in a climate of deep polarisation and did not remedy the tension that had characterised Venezuelan political life for too long. The first elections held without Chávez since 1999 were nonetheless marked by the memory of the Bolivarian leader and placed Venezuela at the historic crossroads of having to choose between the 'Chavism without Chávez' of vice-president Nicolás Maduro and the promises of 'de-Chavization' made by Henrique Capriles, the Democratic Unity Roundtable (MUD) candidate.

The electoral battle was very emotional and highly polarised, resembling a battle of accusations and discrediting more than a debate on basic proposals. During the campaign rumours were circulated about the purported plans for destabilisation and violence on the part of Venezuela's right wing in association with Salvadorian mercenaries and Colombian paramilitaries. It was an unequal campaign in which the National Electoral Council (CNE) concentrated on the technical and organisational aspects of the electoral process but did nothing to guarantee a fair and balanced war. Most analysts agree that the main problem of Venezuela's electoral system is not the existence of fraud or its technical aspects, but the total lack of equitable conditions of the election battle – and this inequity is clearly playing into the hands of the party in power.

The results of the election amply reflected the electoral climate and polarisation of the country. Following an excessively long and largely unexplained silence, the National Electoral Commission finally declared the winner to be Nicolás Maduro who, with 98.7% of the votes counted, had secured the support of 50.75% of voters, barely 262,473 more votes than Capriles, who had obtained 48.98% of support. This extremely slim difference – a far cry from the more than 15-point lead attributed to Maduro during the campaign, triggered all kinds of speculation and reactions. Capriles did not recognise the results. The European Union distanced itself and merely 'took note' of the results, avoiding congratulating the victor and calling for the establishment of talks to allow the results to be accepted by 'all parties'. The statement made by the Spanish minister of foreign affairs to this effect sparked an angry reaction from the Venezuelan government, which recalled its ambassador in Madrid and demanded a rectification. The vice-president of the United States supported Capriles' request for a total recount of votes and unleashed a whirlwind of accusations from Chávez supporters and their partners in the ALBA.

The OAS, via its Secretary General José Miguel Insulza, also joined in the call for a new vote count.

However – and this is significant – no Latin American country joined in this choir of voices. Beginning with the ALBA countries and followed very soon afterwards by those of UNASUR, they immediately recognised Maduro's win and demanded acceptance of the results and rectification of the critical stances, which they branded as interfering. UNASUR held a special meeting of presidents in Lima to stage this support. Some took their time to make a statement, but it should be underlined that none of the countries in the region openly challenged the formal cleanliness of the process or Maduro's victory, although the most distant spoke of the appropriateness of opening up channels of dialogue to ease the tension and facilitate coexistence. Pope Francis adopted this stance and gave Maduro and Capriles the chance to exchange more institutional and less inflammatory messages. When the new government took up office ten days after the elections and the CNE started a process – initially limited then full – to review the votes, a certain amount of normality returned, though Venezuelan political life is extremely polarised even today.

This is no doubt the main characteristic of Maduro's Chavismo without Chávez. The narrowness of the victory set off the alarms of the ruling party, which was more unsettled by the results than disappointed with the poor electoral performance of Maduro's leadership. Since then, the line of action pursued has been to deepen the revolution, criminalise the opposition and constantly refer to the 'external enemy' that is attempting from various angles to halt the advance of twenty-first-century socialism, in a leap in the dark fleeing from vague boundaries and dangerous consequences in political, social and economic terms.

The same scene was repeated almost without change eight months later at the beginning of December on the occasion of the local elections, which the opposition viewed as a referendum on the performance of President Maduro, who declared voting day to be that of 'loyalty to and love for Chávez'. Although it is neither methodologically nor politically advisable to ignore the very different motivations and conditioning factors of both elections, the great similarity of the overall results is noteworthy: a slight victory (49.24% of the vote) of the ruling party, which increased its previous lead of barely 2 points to more than 6 over MUD, which on this occasion secured 42.72% of the vote. While it is true that the opposition's plans failed, it is equally true that the result reflects a deeply polarised society divided into considerably similar blocs; this will condition the evolution of Venezuelan political life, the first manifestations of which have already begun to appear, more in the direction of persistent confrontation than of dialogue. It is in this climate, and with the promise – rhetorical at least – of a deepening of the Bolivarian revolution, that President Maduro must address the country's delicate economic situation, the main priority

for 2014, and a certain more than potential source of friction amid the ruling party, as well as of social demands and unrest.

Ecuador

A very different outlook has been brought about by the Ecuadorian presidential election in which President Correa was elected for a new term with an easy victory. For the second time – the first was in the 2009 elections following the reform of the Constitution – Rafael Correa did not need a second round as he obtained 57.17% of the vote and a lead of more than 30 points over the runner-up, former banker Guillermo Lasso, who secured the support of 22.7% of voters. This personal success was shared by his party, PAIS Alliance, which achieved an absolute majority in the legislative election. This gives President Correa a wide range of options, including a new constitutional reform to allow him to be re-elected.¹¹

It should be stressed that the reason for this overwhelming support should not be sought in the division of the opposition or in President Correa's somewhat tyrannical but more paternalistic than populist style. Ecuador is closely in tune with the policies of Correa's 'citizens' revolution', which the majority perceive as effective in solving their present problems and a future project that inspires confidence. Ecuadorians today are the Latin Americans who are most satisfied with their economic situation (57%) and Ecuador is the only country in the region where the image of progress is fully congruent with satisfaction with life – that is, it is a country that feels that its aspirations have mainly been achieved. It is also Ecuadorians who have the greatest expectations of improving their situation in a sustained manner in the future, 61%. Despite the institutional and regulatory shortcomings, they are a satisfied people.¹²

The successes of the citizens' revolution are the reasons for the hegemonic power that Ecuadorians have given to President Correa – not the least the substantial reduction in poverty (from 37% to 27%) and the improvement in quality of life that is reflected in the Human Development indices, where it now ranks among the group of countries where it is 'high'. To value citizens' support for these policies, perhaps it is appropriate to recall that the five 'axes' of the revolution are: (1) a new Constitution based on the principle of 'good living', (2) combating corruption (the government of *clean hands, lucid minds and ardent hearts*), (3) the economic revolution for the establishment of a new development model (fostering a people's and supportive economy, productive loans, sustainable job creation, the use of natural resources and encouragement of farm production), (4) the institutional reform of the education and health systems, and

¹¹ In fact the PAIS Alliance has already publicly announced its intention to promote the constitutional reforms necessary for this purpose.

¹² Corporación Latinobarómetro, Informe 2013. pp. 9 and ff., p. 45.

(5) the recovery of dignity, sovereignty and the quest for Latin American integration. These ideals received very wide fresh support in the April elections and therefore this particular revolution can only be expected to be deepened in the immediate future.

It seems equally clear that President Correa's particular struggle against private media has not taken the slightest toll in electoral terms, and in the early stages of the new Assembly this no doubt encouraged him to push through a Communications bill which practically all the associations of journalists and human rights organisations have not hesitated to describe as a gag law and which is feared to severely limit freedom of expression in Ecuador.

Paraguay

Following the death of Hugo Chávez, the polarised campaign fought between Nicolás Maduro and Henrique Capriles and the crisis arising from the narrow and controversial results of the Venezuelan elections of April 14, the Paraguayan presidential and legislative elections held on the 21st of that month went somewhat unnoticed. However, it was an event of huge importance both nationally and regionally. It should be recalled that in June 2012, the liberals belonging to the coalition that had brought President Lugo to power pressed for impeachment proceedings – whose constitutionality was dubious – against the president, as a result of which he was controversially forced to step down before the end of his term and his vice-president Federico Franco (liberal), took over as new president. Reactions from abroad were swift and Paraguay was isolated by its regional partners and its participation in UNASUR and MERCOSUR was suspended.

These elections thus marked a return to democratic normality and were the mechanism that made it possible for Paraguay to return to the regional integration institutions. Therefore, there was much that was politically at stake in these elections and this explains why they had the largest number of candidates (over 2,000) to all offices since the reestablishment of democracy in 1989.

On an election day that was formally correct (though the OAS's observer mission made several objections, unlike those of the EU and MERCOSUR), Horacio Cartes, the candidate of the centre-right National Republican Association (ANR), better known as the Colorado Party, took 45.85% of the vote. This victory marks the return to power of the party that previously governed the country from 1947 until 2008, when it lost to the alliance of liberal and progressive forces grouped around Fernando Lugo. The runner-up was Efraín Alegre, the candidate of another traditional party, the Authentic Liberal Radical Party (PLRA), with 36.94%. The Colorado party also obtained the majority in the Assembly (44 of 80 members) and a

good number (19 out of 45) of senators. The left, which stood divided, won only one seat on the Assembly.

The new president, who has no previous political experience, is viewed as a controversial businessman and has attempted to distance himself from the traditional Colorado party leaders by projecting an image of a pragmatic politician open to dialogue. His main political challenge will be to ensure governance. Paraguay is a weak state with little transparency and incapable of efficiently controlling its own territory and has a feeble, cronyist and poorly institutionalised political and party system. What is more, corruption is deeply rooted in historical smuggling practices at the triple border between Brazil, Argentina and Paraguay that the system has never succeeded in addressing.

On the economic front, President Cartes has taken office in a potentially highly positive situation with estimated growth for this year in the region of 13% (between 12.5% and 13.6%), though it is fully concentrated in the farming sector. Diversifying, combating poverty and inequality, creating employment and lowering social unrest are on the immediate agenda. There is an urgent need to reduce the very high inequality in a country where the poorest 10% receive 1% of income and the richest 10% get 41%. It is equally essential to combat poverty, as around 40% of the population live in poverty and 52% in conditions of social marginalisation.

These aims will no doubt be easier to fulfil if the new president promotes a national agreement that reconciles quality democracy, citizens' empowerment, the strengthening of institutions and political parties, and an inclusive and sustainable model of development.

As for Paraguay's reintegration into its natural place in Latin America and its return to the integration organisations from which it was suspended, there should not be major problems once last year's crisis is over; indeed, it is in the interest of all its partners for it to return to normality. Despite the differences – particularly with Venezuela – that arose at the start of Cartes's term and have held back this process, the shared interests suggest that it will return to normality sooner rather than later.

Chile

The results of the Chilean elections were conclusive. For the first time in the history of democracy in the country, a former president was re-elected; what is more, the only woman president in the history of Chile. Although it was necessary to go to a second round, the results were highly expressive from the outset. In the first round of what were the first elections where voting was voluntary – a fact that brought the turnout down to 60% – Michelle Bachelet, who was competing against 8 candidates, was only 3 points short of achieving 50% of the vote. This was the worst

blow to the right since the return of democracy, as she achieved a lead of more than 20 points over the candidate of the ruling right-wing bloc, Evelyn Matthei of Alianza por Chile. The runoff amply confirmed these results, giving Bachelet a historic victory of 62.1% of the vote compared to her opponent's 37.84%. Her anticipated victory and the large majority secured in the first round, coupled with the novelty of voluntary voting, nevertheless led to a drop in turnout with a hitherto unseen abstention rate of 59%; although this does not sully the success of the New Majority candidate, it does call for serious and urgent reflection, as it seems to show the consolidation of a tendency towards abstention that began with the electoral reform of 2012.

The parliamentary election also ended in a majority in both houses for New Majority (NM), which supports Bachelet, well ahead of the right-wing parties. However, owing to the Chilean electoral system in force since Pinochet's day, this majority falls short of the quorum needed for major reforms. The parliamentary representation maintained by the right will allow it to hold back the most important change initiatives should it decide to do so.

Two factors have again raised Bachelet to the presidency of her country. The first is her undeniable charisma. She ended her presidency with the highest level of approval recorded (80%), and managed to keep this memory alive while in her post as Executive Director of UN Women between 2011 and 2013, immediately after serving as president. Her non-confrontational and integrating style, familiarity with and sensitivity to the needs of the lowest-income sector, accountability and non-populism, and her ability to make proposals no doubt help explain the considerable confidence she inspires. But what is more, Bachelet has succeeded in bringing together a very large platform, New Majority, which spans from the Christian Democrats to the Communist Party and is wider-ranging than Concertación, which governed from 1990 to 2010; and she also presented a programme of reforms that is fully in tune with the aspirations of most Chileans. The programme is based on three points: reform of the Constitution, reform of education in pursuit of the goal of universal and free education, and tax reform. Chile is rapidly evolving into a more liberal, diverse and equalitarian society. The long drawn-out and intense students' movement expressed these expectations of change over and above strictly educational demands; and among them, the demand for spaces of political participation, rejection of the electoral system and the segmentation of society, dissatisfaction with longstanding inequalities despite major progress in reducing poverty, and rejection of a right-wing government reluctant to enter into dialogue clashed with the growing awareness of rights.

The main task the president faces will be to successfully address these new challenges, handle expectations and achieve progress during her

term of just 4 years. As pointed out, New Majority does not have enough votes in Parliament to pass the so-called constitutional organic laws (such as on education, the reform of which requires a quorum of 4/7), let alone constitutional reforms, without the agreement of the opposition. Bachelet's leadership, the accountability of the parties and the support of citizens will be put to the test in this new era in which Chile has the possibility of blazing new trails towards a more egalitarian and inclusive society, a more participatory democracy and a higher level of technology and education. Enlisting the involvement of the opposition and effectively handling the many differences that will undoubtedly emerge over time within her broad-ranging rank and file will no doubt be the most important challenges.

Honduras

The last general elections on the 2013 Latin American calendar took place on 24 November. They were crucial elections as the country is still experiencing the aftereffects of the coup d'état that was staged in 2009 to topple President Manuel Zelaya and prevent a referendum on the reform of the Constitution and caused Honduras to be suspended from the ALBA. These wounds, which have accompanied President Lobo throughout his term in office, were reopened in the campaign, in which from the outset the major focus was on candidates Xiomara Castro, wife of former President Zelaya, supported by the popular left-wing platform LIBRE (Liberty and Refoundation), and Juan Orlando Hernández of the National (conservative) party. A not very brilliant handling of the situation by President Lobo and the aftereffects of the coup left out of the running the Liberal party which, together with the National party, made up the traditional two-party system that alternately governed the country.

Politically speaking, Xiomara Castro's programme focused on constitutional reform, returning to the ideas of Zelaya. This triggered very intense rejection from the economic oligarchies, the traditional parties and the armed forces. The proposal of returning to a pre-coup situation added serious tension to the campaign. But as the elections drew near, the problem of insecurity gradually moved to the forefront and took over from other concerns. And in this connection, Juan Orlando Hernández's proposal of recourse to iron-fisted policies and greater responsibilities of the armed forces in citizens' security garnered him the support of the majority vis-à-vis the social policies upheld by Xiomara Castro and, subsequently, secured him a win with just 36.89% of the vote compared to the former first lady's 28.77%.

Zelaya's supporters initially reacted to this victory by refusing to recognise the election results and accusing the National candidate of basing his win on mass 'stealing'. Although this was not the impression of the

nearly 700 election observers who supervised election day, this attitude did not bode well for the reconciliation process the country still has to undertake since the coup in 2009. After weeks of tension LIBRE made a double move: Xiomara Castro withdrew from the front line and former president Zelaya was confirmed as coordinator general of the opposition platform, recognising the National party's victory, albeit questioning it (by declaring his government to be 'illegitimate') and announcing a harsh opposition.

Apart from the new prospects offered by Zelaya's constructive attitude, what the elections have achieved is a radical change in Honduras's political scene, from which the conservative, oligarchic and closely-watched two-party system that hitherto prevailed has now disappeared. The traditional National and Liberal parties will share legislative power with two new groups, LIBRE and the Anticorruption Party (PAC), and any initiative will require the support of at least two parliamentary groups. Things are not going to be the same in Honduras and no doubt nor will they be any easier, but we can only welcome the change and trust that they will succeed in making the most of the many possibilities of modernisation the new scene offers.

Peace in Colombia

As many important events have taken place in Latin America in 2012 and 2013, it is certainly no exaggeration to state that the start of the Colombian government's negotiations with the FARC in Havana for putting an end to armed conflict in Colombia and the developments made in this negotiating process are by far the most important and of furthest-reaching significance. It should be briefly recalled that Colombia's 'armed conflict' is rooted in the Bogotazo of 1948 (the uprising triggered by the assassination of liberal leader Jorge Eliecer Gaitán) and which for more than sixty years has had a toll of 220,000 deaths, 81.5% of them civilians, 4.7 million people displaced within the country, 25,000 missing persons and 27,000 kidnapped.¹³ And during those years, in which Colombia has been jeopardised by the ups and downs of the conflict, there have been many attempts to put an end to it by means of negotiations – attempts that always failed for very different reasons, owing largely to the progressively increasing complexity of the dispute. Belisario Betancur's attempt failed in 1984 when the Uribe Accords made it possible to create the Patriotic Union (UP) and the UP was savagely decimated by the paramilitaries of the Self-Defence Forces (more than 4,000 members murdered). Andrés Pastrana later failed between 1998 and 2002, despite the major

¹³ . See the reports of the Centro Nacional de Memoria Histórica, Bogotá, Colombia. www.centrodememoriahistorica.gov.co.

concessions made throughout the lengthy process, including the famous 42,000-square kilometre 'safe haven'. And, going down a very different route, Uribe's iron-fisted policy also failed, although it had the positive collateral effect of demobilising the Self-Defence Forces.

After a year of talks there are plenty of grounds for optimism. The experience gained from earlier peace processes brought to a successful conclusion in the region allows the Havana talks and their repercussions in Colombia and the regional environment to be recognised as clearly encouraging signs.

First and foremost, the process stems from the wishes of both sides and has broad political backing both within and outside Colombia. The international presence accompanying it, the mobilisation of grass roots movements within the country and President Santos's determination point clearly in that direction. Another positive sign is the narrowness of the Agenda and the two partial agreements already achieved, which can be interpreted as an indication that they have now gone beyond the point of no-return. The cost of abandoning the negotiating table is now too high for both Santos and for the FARC. What is more, both sides are preparing their future scenarios, in which legislative reforms to link referendum and elections will no doubt play a central role. Another favourable sign is how calmly President Santos is handling the timing and his skill at transforming into pressure at the negotiating table the criticism received from former president Uribe within the country and from others who regard this criticism as a political asset.

At this stage it is important not to confuse tactical movements with strategic goals and to withstand provocation. It seems clear that the supposed attacks planned against former president Uribe, former vice-president Santos and the attorney general Montealegre and a group of congressmen fall more into this category than into that of threats. Attempts will be made to derail this process, but we must trust that it will be able to defend itself and, with domestic and international support, will bring Colombia the so long awaited peace.

A Colombia in peace, however painful and demanding the reconciliation process is – and will undoubtedly be – will have a powerful positive impact. First and foremost in the country itself, which will be able to boost its development and increase its influence in the region. It will also facilitate the deepening of the process undertaken by President Santos of bolstering relations with neighbouring countries, particularly Ecuador and Venezuela. It will bring a new dimension to Colombia's role in Latin American integration institutions and to its particular vision of the role played by the countries of the region with a Pacific coast. Last – and by no means least – it will put an end to violence as a means of political action

on the American continent, bringing to a permanent close the cycle that began with the fall of the dictatorships in the 1980s.

Ever Cuba

Keeping a deliberately low profile, the series of reforms in Cuba has continued over the past year despite the incomprehension and criticisms they continue to spark both from within and outside the island. Cosmetic for some, boycotted by others, the fact is that things are continuing to change slowly but surely as part of an 'updating' (modernisation) that still has a very long way to go.

Focusing on the economic sector, it should be recognised that the purpose of boosting the control and efficiency of the largely obsolete public productive equipment, transferring very large numbers of workers from the public sector to incipient private employment (around one-quarter of the working population), making lands granted in usufruct productive, establishing new channels for selling that produce, aiming to achieve food sufficiency, and establishing a new tax model are objectives that require a Herculean effort and very deep structural reforms. But this should not lead us to underestimate the firmness of the Cuban government's commitment to the policy of constant and moderate reforms which, despite their still limited effects, are well known to arouse by no means insignificant misgivings among the regime's 'dinosaurs', who fear that the increased weight of the private sector in the Cuban economy will inexorably lead to political changes and the loss of the control which they have so comfortably exercised from the bureaucracy of the regime.

The fact is that Raúl Castro has been tenacious and coherent in seeking internal changes and has gone 'slowly but surely', acting on very different fronts with his programme of modernising measures that can be described as the deepest since the start of Castrismo. In recent months the measures taken in the field of migration have been particularly noteworthy, and have led to a 35% increase in foreign travel, also aided by America's new flexibility regarding visas, which in turn increased by 79% in 2013. It is also noteworthy that, according to official data, there are already 460,000 Cubans working in the sectors that are open to private activity, especially food and transport. Another salient feature is the tax reform, which for the first time is going to make it compulsory for public companies to pay taxes.

No doubt one of the key issues of the package of measures announced is monetary union – probably the most complex of all and a challenge to the country's fragile economy. The government has not yet disclosed many details of how it will be done and it is expected to be a gradual process that will begin to be applied in the business sector at an initial stage and

eventually the CUP will be the only currency in circulation on the island. Monetary unification will allow reliable macroeconomic measurements, thereby providing transparency to the system, but it must overcome the serious risks of adopting an inappropriate exchange rate and keeping inflationary pressure in check. The setting in motion of this process will be proof that the reforms embarked on are not merely cosmetic.

Raúl Castro has continued to keep an equally low profile abroad, enjoying the irreplaceable and essential support of Venezuela, without renouncing the revolutionary principles but not competing for the leadership of Latin American progressivism and accepting and taking advantage of the visibility offered by intense regional multilateralism (it currently holds the pro-tempore presidency of CELAC). But keeping a low profile and concentrating more on domestic than external affairs. This is not preventing him from maintaining an effective working relationship with the United States. Following the negotiations held on migration before last summer, others aimed at renewing the postal service between the two countries have just begun.

This constructive and reformist attitude is what has led the EU to progress in preparing a mandate for negotiation which, without repealing the 'common position', will allow the progressive normalisation of their relations with a view to moving forward from the abovementioned 'common position'. In any case it should be pointed out that a minority of European countries strongly oppose negotiating this agreement and the mandate will therefore take a few months to be approved.

Everything indicates that in the immediate future Cuba's attention will be centred on internal reforms and that it will likewise continue its pragmatic, constructive and low-profile foreign policy.

Integration or consensus?

The Latin American integration ideal made full sense and had an explanation in the past when two processes with mutual feedback converged: on the one hand, the pursuit and building of the new Latin American identity and personality in the framework of the recovery of democracy and freedoms in view of the realisation of individual weaknesses and the sensed potential of the group; on the other, the European Union model, a paradigmatic example of political movement and a mechanism for integration in building a powerful global actor. Both processes found the special relations between both areas to be an accelerating factor for both historical and cultural as well as political and economic reasons.

But most analysts have been pointing out for some years now that the Latin American integration processes, and by extension the institutions that lead them, are experiencing a serious crisis that has led to a halt, the

absence of results and the stagnation of their structures. This observation is perfectly compatible with the emergence of new institutions that do not necessarily comprise the previous ones but attempt to build new spaces in which to operate from political will.

The explanation of this paradox should be sought in the development of the Latin American identity, which has gone from unity to diversity, from consensus to disagreement, from the affirmation of regional features to the prioritisation of national characteristics and interests. This shift has furthermore been accompanied by other elements that have also played a significant role in the integration crisis and continue to do so. The first is the non-existence of strong, personal or national leaders. As Carlos Malamud has rightly pointed out,¹⁴ 'following the death of Hugo Chávez nothing is the same in South America'. Chávez was a leader with a continental influence comparable to that of many others produced by a continent rich in products of this kind. His death marked the disappearance of a style, a manner of communication – in short, a leadership that has no successor, at least not for the time being. And as for countries, Lula's Brazil is no longer what it was for a host of reasons and no other for the time being dares to aim to be recognised as the *primus inter pares*. And this absence of leadership has highlighted the weaknesses of an integration that lacks the previous support and ability to mobilise in the diverse and polarised Latin America of the present. At the same time it is spurring the proliferation of new forums in pursuit, among other things, of new opportunities to exercise an influence that is now shared by the previously existing ones (for example CELAC as opposed to UNASUR).

Another important aspect is the ambiguity of the goals pursued which, in the absence of a clearly shared aim, necessarily reveal their weaknesses. And from this angle we can see how the mechanisms that obeyed a chiefly economic logic (MERCOSUR, CAN, for example) are struggling owing to lack of political guidance, whereas those based on a chiefly political aim (UNASUR, ALBA) are losing their integration capabilities in the interests of greater ideological cohesion of their actions.

MERCOSUR

These considerations can help understand the difficulties the different institutions are experiencing. For some time now MERCOSUR has failed to deliver results, either for its own programmes or in negotiations with the EU. It has practically ground to a halt. The crisis in Paraguay and the consequent suspension of Paraguay's membership, the hasty enlargement to take in Venezuela and that currently under way regarding Bolivia and Ecuador have made the situation even more delicate. The institution

¹⁴ 'Algo empieza a moverse en América del Sur', Infolatam, 17.11.2013.

has gone against its own rules owing to political considerations alien to its aims and commitments and a serious legal-institutional problem has arisen that is affecting its credibility. At the same time there is significant internal tension over the handling of the negotiations with the EU, on which there are substantial differences between Brazil and Argentina. In addition, the beginning of negotiations between the EU and the United States on a Transatlantic Trade and Investment Agreement (TTIP) has given rise to further difficulties to the extent that Brazil could be encouraged to explore the possibilities of going solo in negotiations with the EU, without adhering to the discipline of MERCOSUR. Uruguay's mediation in recent weeks seems to be yielding results, but so far they have been limited to delaying important decisions, to waiting and seeing. It is likely that in the short term the urgency stemming from progress in EU-US negotiations will shake MERCOSUR out of its lethargy, speed up negotiations with the EU and encourage the organisation to solve its pending institutional problems.

ALBA

For its part, the ALBA is harshly feeling the effects of the loss of President Chávez and is also lacking in guidance. The 12th summit held at Guayaquil – the first without Chávez – was not attended by Raúl Castro and was both a tribute to the deceased leader and an exercise in ratifying the ideas of the Alliance, recalling its rejection of imperialism, neo-colonialism and neoliberalism. It was also the first time major cracks appeared, particularly regarding the use of non-renewable natural resources (Bolivia and Ecuador). The failure of the forward-looking Yasuni-ITT initiative has forced Correa to rethink and update his ideas on oil production, and this holds implications for Bolivia that are difficult to accept in conceptual terms. The juxtaposition in the Final Declaration of the Summit of the affirmation of the 'right to use resources' and the attribution of responsibility for anti-mining stances 'to NGOs' merely underlines the differences between the two countries. In addition to this theoretical controversy, it is significant that there is also a dispute over the leadership of the Alliance, a position left vacant by Chávez's death. None of the presidents of the alliance's member countries are in the race for different reasons with the exception of the Ecuadorian, though nor do any of them seem willing to formalise the latter's takeover.

The summit also provided new opportunities for clashes with the International Human Rights System and the young and promising Pacific Alliance. The first – an inevitable consequence of the Bolivarian approach to human rights and its rejection of what the OAS is and stands for – is merely strengthening the essentially political nature of the ALBA and, accordingly, marking the limits of its composition and influence. The

second, which has been seriously discredited, introduces new modes in the hitherto generally respectful relationship between the different Latin American institutions, by establishing a clear ideological antagonism. ALBA accuses the AdP of being a strategy that is not only economic but political and military (Quintana, Bolivian minister of the presidency), part of a conspiracy hatched from the North to divide UNASUR (Morales), or designed to create consumers, not citizens (Correa).

The Pacific Alliance (AdP)

There is no denying that the AdP has stirred up the Latin American integration scene. In its short three-year existence it has shown great vitality and has attracted the attention not only of the region but also of its extra-regional partners, as attested to by the growing number of Latin American, Asian and European observers. Apart from the undeniable economic and demographic weight of the countries that make it up, the AdP possesses a number of characteristics that make it particularly significant. The first is the central role it attributes to the economy in the integration processes as opposed to the chiefly political approach that has characterised the most recent developments in the other Latin American institutions. And it is furthermore based on a clear ideology that is fully shared (the free movement of goods, services and people) and on which all its members have undertaken international commitments. Another that is no less important is the breaking of the South America-Central/North America dichotomy by including the continent's Pacific arc that stretches from Chile to Mexico. The importance of this initiative for the two outermost areas of the geographical area should not be underestimated. For Mexico it marks the end of its relative marginalisation in the region caused by Brazilian leadership and the resulting tactical identification of Latin America as South America; and for Chile, it is a means of recovering its influence in the economic integration processes in its closest regional environment. Third, in its short existence it has proven that its goals and the support of its members go beyond political submission to their respective governments. Although the presidencies of Peru, Mexico and Chile have changed hands, support for the project has not waned.

Finally, it should be stressed that although this is not its main goal, the countries of the alliance have adopted at least one initiative of great significance and visibility in terms of political agreement and institutional integration – the opening of a joint embassy in Ghana – and plan to extend this scheme to Norway and Singapore. If we compare the swiftness of this measure to the persistent doubts and difficulties of the European countries in implementing similar measures, we will see that the AdP has a long and promising future in this field of political consensus.

UNASUR

As stated earlier, the success of the AdP contrasts with the stagnation of UNASUR. But when making this comparison we must not lose sight of the basic difference between the aims of both institutions. Or forget history. After all UNASUR, a Brazilian construction, is rooted in the experiences of regional political consensus, such as the Rio Group that originated in turn from the Contadora Group and its group of friends. The first to fall by the wayside during this journey were the non-regional friends (strengthening of the Latin American identity and affirmation of its self-sufficiency) and, as it was a Brazilian initiative, the non-South Americans became observers (Mexico and Panama); but its basic idea that Latin America's problems should be addressed from and by Latin Americans remains unchanged, and these institutions did so with notable success from the times of the Central American conflict.

It is evident that UNASUR is going through a phase of decline and loss of impetus that basically coincides with the more withdrawn attitude of Brazil, though also with the absence of initiatives from the most recent pro-tempore presidencies, the lack of a secretary general with influence, prestige and initiative, and above all the progressive difficulty of carrying forward effective consensus in political, regional and extra-regional terms apart from the crises that require specific actions of visibility, such as the espionage of the NSA, the grounding incident when President Morales was flying back from Russia, and the Paraguayan crisis. The region's evident political fragmentation is taking a heavy toll on UNASUR, which has lost its status of political forum to other more restricted but more homogeneous organisations. The project for 'building a South American regional identity' and an all-inclusive 'space of integration' enshrined in UNASUR's founding texts has fallen badly behind owing to reality and not even the attempt to establish a powerful bureaucratic apparatus has been capable of closing the gap. Brazil's withdrawal, which is coherent with its particular understanding of leadership that does not entail paying the price of constant wear owing to the progressive polarisation of national positions, has caused it to lose its former ability to make proposals; it has been gradually reduced to a reactive mechanism that the ALBA countries, with the regular support of Argentina, are attempting to control given the passivity and apparent indifference of the majority, including Brazil. The future of UNASUR is currently unclear and nor it is easy to guess what line of action it will take to overcome the crisis in which it is immersed.

CELAC

Another of the reasons cited by experts and analysts to explain UNASUR's crisis is the overlapping of functions with CELAC, the new organi-

sation that emerged from a Mexican initiative in response to the exclusion of Central America and the Caribbean from the UNASUR operation through an institutional merger of the Rio Group and the CALC. Apart from this different geographical scope, which allows CELAC to be considered an OAS without the United States or Canada, there are few differences in its aims. Assertion of identity, integration, sustainable development and political coordination are objectives that both organisations share. The difference lies only in CELAC's universal nature whereas UNASUR is South American. This allows the former to assert both its status of umbrella organisation capable of bringing together Latin America's many sectorial and subregional organisations and its supposed status of main regional negotiating partners with third parties, be they countries or organisations. This role of regional representative and dialogue partner has been the line of work to which the latest Chilean and Cuban pro-tempore presidencies have given priority by holding working meetings with China, South Korea, India, Russia, New Zealand, Norway, Australia and the Gulf Cooperation Council with the evident aim of making this new global actor known and internationally recognised. It is not yet clear what substance it can add to its role apart from being the sole recognised dialogue partner, but it seems evident that recognition in itself opens up many possibilities, though whether they materialise will depend on its ability to reach consensus with other organisations and to select issues which Latin America is not only capable of discussing but also of acting on unitarily.

SICA

A separate mention should be made of the SICA which, in all modesty, has effectively accompanied the Central American integration process and has chalked up two important breakthroughs in recent years. The first is the incorporation of Panama, which had been deliberately absent since the start of the process and was convinced by the prospects of a Partnership Agreement between Central America and the European Union without its presence; the second is the completion of this Agreement, the first the Union has entered into with a Latin American subregional integration mechanism. Although important in its own right for its content, the agreement is almost more so because it expressed Europe's sustained commitment to Central America and is a corollary of the San José process begun in the 1980s to support the pursuit of peace and development in the subregion. The SICA and its Integration Secretariat, the SIECA, are exemplary in their functioning and have played an extremely important role in maintaining political dialogue and sectorial consensus and integration in the area. Without these institutions Honduras's crisis of 2009 would certainly have derailed Central America's dialogue with Europe and, by extension, the conclusion of the Partnership Agreement

that is ushering in a new stage in relations between the two parties and is balancing the extra-regional presence in the area.

The scenario described poses a not inconsiderable number of questions on the future of Latin American integration and the institutions that are championing it. Whereas the past fifty years of Latin American history have revolved around the ideas of unity and integration, the heterogeneous and fragmented Latin America of the twenty-first century no longer recognises itself in those paradigms, although it is finding it difficult to accustom itself and adapt to the new reality, experiencing what is hopefully a temporary schizophrenia of taking the best of both worlds. But a revision of old ideas will inevitably occur sooner or later, leading the institutions to adapt to new needs and objectives.

Latin america on the world stage

It is no longer as easy as it was to establish Latin America's external priorities or, at least, they are not the same for all the countries in the region. Here, as in other aspects examined earlier, Latin American fragmentation provides different scenarios, though the main partners of the region as a whole continue to be the United States, Europe and the Asia-Pacific countries, particularly China and Japan. Relations with Africa are undoubtedly growing, though for the time being they are limited almost exclusively to Brazil, with the sporadic appearance of other countries.

Relations with the United States

There can be no doubt about the mutual importance of relations with the United States in all fields, particularly economic (trade and investments), but their intensity and pre-eminence vary substantially from Mexico to Uruguay. President Obama's advent to the White House had an immediate effect on improving the United States' image in Latin America and its doctrine of a 'partnership of equals' was welcomed with great hope. The mood and form of the relationship also changed, both personified very graphically in the attitude of the then Secretary of State Hillary Clinton at the 19th General Assembly of the OAS at San Pedro de Sula (Honduras), where the doors were opened to Cuba's return to the organisation from which it was expelled in 1962.

But the priorities of the US administration have also changed and Latin America as one of them has been progressively moving down the list while a process of progressive bilateralisation has been undertaken and maintained throughout Obama's second term and has reinforced the generally positive change in how the United States is perceived in the region. But against the backdrop of this new, more constructive overall climate,

a not inconsiderable number of areas of confrontation remain. The most evident is the basically ideological clash with the ALBA countries and Venezuela's particular war with Washington, the second most recent expression of which was the expulsion of the US chargé d'affaires in Caracas and another two diplomats, who were accused of preparing actions to destabilise the Venezuelan regime, to which Washington responded with a similar measure against the Venezuelan chargé d'affaires in the United States, a member of the embassy and the Venezuelan consul general in Houston. Although less virulent, there have been frequent incidents with the other members of the ALBA – in order of intensity, Bolivia Ecuador and Nicaragua. Given the ideological reasons for this confrontation and the national agendas of the ALBA countries, a substantial change in the situation cannot be expected, though it is clear that all the parties are increasingly willing to encapsulate the incidents so that they do not impair the development of a relationship that is as normalised as possible in all other respects.

A major setback for America's new image was the leaking of the NSA's wiretapping of various Latin American leaders, particular Brazil's President Dilma Rousseff. There is little to be added to everything that has been written and analysed about this serious blunder of the US intelligence systems, apart from underlining the additional importance attributed to it in Latin America for its implications of violating national sovereignty – a concept that continues to be sacrosanct in the region. This, together with the insufficient explanations and excuses provided, has caused the US policy's new image of a partnership of equals to lose many points, rekindling old grievances of neo-colonial high-handedness.

An issue that is bilateral but with global repercussions is Washington's attitude to Cuba. It has also caused Latin Americans certain disillusionment. They were expecting the Obama administration to come up with more determined policies, a more updated viewpoint more in tune with the general trend (even in Europe during his first term) of progressive normalisation and proactive support for reforms on the island. Regrettably the changes have been very minor, insufficient to avoid disappointment, and Cuba continues to be a pending issue for American Democrats. There have been gestures – which are continuing, such as flexibility in travel, new facilities for communication and negotiations to re-establish the postal service – but the overall impression in Latin America is that they fall very short compared to the changes that are occurring on the island, which continue to be interpreted very differently. The Obama administration, like previous Democratic governments, is still being held hostage to history and fear of the most radical sectors in exile, though in Miami the president recently criticised the current policy for being 'anachronistic' and called for a 'creative analysis' to streamline and update it. His second term could be an appropriate setting for bolder initiatives but, unless

they happen soon, the closeness of the elections will rapidly diminish the possibilities.

From EU-LAC to CELAC-EU

The European Union is another important partner of Latin America and the sound conventional and political web of relations that has been built up between both regions attests to this mutual importance. The process, which is very well explained and summed up in the 2012 edition of the *Strategic Panorama*,¹⁵ has progressed in pace with the changes both regions have undergone and has resulted in a complex structure that evidences the potential and shortcomings of bi-regional relations, which have reached a point where they need to be reorganised and perhaps rethought.

The objectives of bioregional relations have barely changed in the past 14 years, since the holding of the first EU-LAC summit (European Union-Latin America and the Caribbean) in Rio de Janeiro in 1999 that established the timeframe for the 'strategic alliance' and four lines of action: political dialogue, regional integration, strengthening relations at all levels and developing a technical cooperation programme. Since then what has been witnessed is simply an updating of goals and actions that is more rhetorical than actual. And beneath it a complex institutional architecture has been progressively built at three levels – bilateral, subregional and bi-regional – and today consists of the following components:

On the bilateral plane, in two 'strategic' agreements (with Brazil and Mexico), one 'special' (with Chile), an obsolete conventional framework with three countries (Ecuador, Venezuela and Bolivia), and one abnormal and discriminatory, the 'common position' on Cuba. There are also new-generation trade agreements with Colombia and Peru and a similar one is being negotiated with Ecuador.

On the subregional plane there is the Partnership Agreement with SICA (Central America including Panama), the cooperation agreement with Mercosur (a Partnership Agreement has been under negotiation since 2000) and the agreement with the Andean Community (under ratification since 2003). The Caribbean countries are covered as ACPs by the Cotonou Agreement and by the EU-CARIFORUM dialogue (CARICOM plus the Dominican Republic).

Finally, on the bi-regional plane, the main instrument is the biannual summits of heads of state and government that began in Brazil in 1999. The latest, held in Santiago de Chile in January 2013, was the first in which the Latin American and Caribbean countries took part as formal

¹⁵ MALAMUD, Carlos in *Panorama Estratégico* 2012, pp. 219 and ff. IEEE. Madrid. 2012.

members of the CELAC, which thus became the region's sole dialogue partner with the EU.

In this institutional jungle performance of the agreed lines of work has been very uneven. The political dialogue has reaped the paltriest results, even though all kinds of organisational schemes for the summit sessions were tested. Experience has stubbornly and amply shown that the maximum number of participants in a political dialogue of a certain size is much lower than the 60 countries that attended the Chile summit. But even earlier, when talks were taking place in much smaller frameworks such as between the EU (before the latest enlargement) and the Rio Group, the difficulties of establishing a substantial political dialogue through representatives were equally insurmountable. Later on the single representatives ceased to be sufficient and a system of representatives of formal or informal subgroups depending on the issues on the agenda was tested. Then it was decided to choose a monographic theme for each summit with the hope of keeping debates focused. But basically political dialogue has been normally reduced to negotiating a declaration, which is nearly always too long and is usually vague in order to accommodate the progressively numerous Latin American sensibilities, while European discipline is much stricter.

Such was the case of the 7th summit held in Santiago de Chile in January 2013, the first of the new stage in EU-CELAC relations, under the theme of 'An Alliance for Sustainable Development: Promoting Investments of Social and Environmental Quality', where the results of the strategic political dialogue were enshrined in a 48-point declaration.¹⁶ The first 18 points refer specifically to this political dialogue and the most noteworthy feature is the statement that the CELAC, as the new partner in the political dialogue with Europe, will contribute to a 'more balanced, efficient, constructive and symmetrical relation with complementarity and solidarity between the two regions' (a paradigm of diplomatic rhetoric) and the identification of two areas for joint initiatives: the peaceful settlement of disputes and the promotion of disarmament and non-proliferation and, in this context, two goals: the success of the next NPT review in 2015 and the conclusion of negotiations for the adoption of a legally binding arms trade agreement (finally achieved last spring). The rest of the paragraphs are a repetition of both regions' general commitments to multilateralism, the Charter of the United Nations, the ICC, human rights, policies leading to sustainable and inclusive development, and the post-Rio agenda for defining new SDGs. It should be stressed that Bolivia made a reserve with respect to the paragraph on the 'green economy', in which the other participants acknowledge the merits of this approach and back its use as

¹⁶ http://eeas.europa.eu/la/summits/docs/2013_santiago_summit_declaration_en.pdf.

an effective instrument of sustainable development that is respectful of the environment.

The rest of the declaration sums up the broad-ranging bi-regional cooperation programme that is described in detail in an Action Plan structured around the selection of areas for which specific actions and goals are established, following the model adapted at the Madrid summit, which has proven to be effective for monitoring and evaluating results and identifying bottlenecks. The novel feature is the addition of two new areas on top of the six agreed at the Madrid summit, bringing the number up to eight: science and technology; sustainable development and climate change; regional integration; migration; education and employment; combating drugs; (and now) gender; and investment and enterprise for sustainable development.

The results of the summit should be regarded as positive. The context of global crisis in which it was held and the specific bilateral problems that were hovering over the sessions (the Falklands, expropriations in Argentina and Bolivia, the MERCOSUR crisis, and UNASUR's veto on Paraguay's presence, to cite the most acute) did not prevent intense summit diplomacy with many bilateral meetings and the full catalogue of EU meetings with subregional organisations, most of which resulted in progress being made. And the agenda was enriched with the holding of two parallel sectorial meetings on education and communication and a previous one involving civil society.

In short, Latin America and Europe continue to regard each other as strategic partners and their relationship continues to grow stronger in all areas. The global crisis has not affected either party's basic goals, but it has helped add elements of symmetry that are very necessary and in accordance with the new realities. The basic pillars of the relationship remain the same (shared values trade, investment, cooperation), but they need to be revised and updated to adapt to a situation in which both Europe and Latin America are becoming national in their approaches, Latin America is growing more fragmented and new elements are appearing in economic scenarios. Even so, the basic challenge seems to be to manage to develop and make operational the many points of agreement between the two regions on the global agenda, to which the emergence of the CELAC as the sole dialogue partner may not necessarily be such a fundamental contribution.

Even so, there is an element that can greatly distort this relationship in the short term: the negotiation of the TTIP (Transatlantic Trade and Investment Partnership), an initiative that will undoubtedly seriously affect the United States' and the European Union's trade and technological flows with Latin America. For the great Latin American economies – particularly Brazil – to find themselves left out of a movement of this scale

may have very harmful effects and we must therefore expect defensive moves that will probably have the effect of stimulating the strengthening of the region's relations with its Asian partners.

The Ibero-American Community

Another area under reconstruction is the Ibero-American Community. The 23rd Ibero-American Summit held in Panama in October has been dubbed the summit 'of renewal'. Its theme was 'The political, economic, social and cultural role of the Ibero-American Community within the new world context' and one of the central issues was the discussion of the document 'A reflection on the future of the Ibero-American Summits'¹⁷ that was drawn up on the instructions of the previous Cadiz summit by a group of experts consisting of former Chilean president Ricardo Lagos, former Mexican Secretary for Foreign Relations Patricia Espinosa and the Ibero-American Secretary General Enrique Iglesias. It contains proposals for 'renewing' the Ibero-American Summits and for 'restructuring' the General Secretariat.

The urgent need for this reflection had been felt for some time and not only owing to weariness of the accumulation of 'summit' meetings of heads of state or government or the weak media impact of their results or the hasty, albeit common, discredit suffered by the meetings more for the absences of Ibero-American leaders than for the presences and results. The evidence of the substantial changes that have taken place in the Ibero-American countries on both sides of the Atlantic throughout the initiative's 23 years of existence, the emergence of new consultative bodies and the maturity of the respective frameworks for relations, among others, suggested that the model may have been exhausted and called for a self-critical reflection, from inside, to update the ideology and decide on the future path of the Ibero-American Community, which was structured around this initiative in circumstances very different to the current ones.¹⁸

The significance of the experts' proposals stemmed not only from their personal status but from the fact that this was ultimately a document that could be considered the product of consensus at the time of its submission, for although formally it only reflected its authors' opinion, all the countries had been consulted. Indeed, it includes an annex specifying the dates each was consulted and the level of the representatives in each case. Yet not all these proposals were approved at Panama.

¹⁷ See the document at <http://segib.org/sites/default/files/Informe-lagos-ESP.pdf>.

¹⁸ There is abundant literature on this reflection, notable among which is 'Cumbres Iberoamericanas: Una mirada atrás, un nuevo rumbo', AYBAR, Triana and PALACIO, Vicente (coord.), Fundación Alternativas/ FUNGLODE, Madrid. 2013.

The document is divided into three parts which address the new priorities of the Ibero-American Community (IC), the organisation of the summits and the reform of the SEGIB and its funding. After listing the changes the IC has undergone over the past 22 years and professing faith in its existence, vitality and prevalence, it proposes:

1. As a priority in this new period, focusing the political dialogue on (a) the global issues on which the Ibero-American Space can provide added value, particularly those that occupy the G20 (in which 5 IC countries take part) and (b) on those of greatest concern to civil societies, such as citizens' security and migration, giving preference to high-level informal exchanges.
2. Structuring the IC's cooperation into four areas: the Ibero-American Space of Knowledge (higher and postgraduate education, mobility, standardisation and awards, scholarships, indigenous communities), the Ibero-American Cultural Space (identity, languages, cultural industries, cultural and artistic activities), the Space of Social Cohesion (public policies against inequality and for inclusion) and the Space of the Economy and Innovation (creation of technological platforms, infrastructure, public-private collaboration, young entrepreneurs, arbitrage); creating an Ibero-American Cooperation Fund (FCI) to ensure the projects are funded.
3. As for organisation, making the summits twice-yearly, alternating with the CELAC-EU summits; making them coincide with civil society, business, parliamentary and local government meetings; holding annual meetings of foreign ministers; agreeing on concise and operational documents.
4. On the SEGIB, strengthening its structure to make it a coordinating institution capable of integrating the other existing Ibero-American institutions (OEI, OISS, OIJ and COMJIB); enhancing its presence in the CI countries through representative offices.
5. With respect to funding, the proposal was to progress from the current 70% (Spain and Portugal) to 30% (Latin American countries) ratio to a 60% (Spain, Portugal and Andorra) to 40% (Latin American countries) ratio, with a view to achieving a 50% to 50% ratio in the medium term.

The Panama Summit adopted all the proposals on priorities, cooperation and organisation of the summits, but ran into difficulty regarding the funding and structure of the SEGIB; indeed, all that was agreed on these issues was to entrust a working group to carry out the related analyses and leave the proposals for 'restructuring' the General Secretariat to the next Secretary General, who is due to be designated very soon.¹⁹

¹⁹ See final documents of the 23rd Ibero-American Summit of Panama at: <http://segib.org>.

The Panama Summit therefore had the courage to set in motion the urgently needed process of updating the summits and did so in a direction that has received the greatest consensus. This ought to bode well for a promising future without unpleasant surprises for the Ibero-American Community's important exercise in consensus and cooperation. However, a not inconsiderable number of analysts²⁰ agree that the CI and its summit mechanism face three major risks that may not have been fully warded off by the Panama agreements.

- Certain Latin American countries' loss of interest in this project, particularly Brazil owing to its importance. Whereas twenty years ago Brazil was clearly interested in taking in part in the initiative as it stood for reconciliation between the Portuguese- and Spanish-speaking worlds and their foreseeable future, the country's transformation into a regional leader with global influence has substantially changed its focus and for some time now it has viewed the Ibero-American Community and the role played in it by Spain more as competition with its own leadership than as a contribution to it. Unless this perception changes, Brazil's contribution will not be as constructive as the CI needs it to be.
- The second is the aim to give the CI and the summits a role of political dialogue partner or global actor that neither has it managed to achieve in its 22 years of existence nor would it be reasonable to expect it to achieve in the currently much more complex world circumstances and with an essentially heterogeneous CI. Panama's approach of giving priority to community and cooperation aspects is a wise one. To go further would cause deep divides and would go against the interests of the Ibero-American Community in its current state.
- The funding of the SEGIB is crucial in that it is a direct reflection of the parties' political will. The proposed path towards more universal funding is a *sine qua non* condition for a more effective, more representative and more Ibero-American SEGIB in the true sense of the world. Surely it is no coincidence that at Panama the most rigid positions on this matter were those of the Portuguese-speaking countries, which in the end forced the approval of the proposals to be postponed and redirected to a working group. Agreement on a funding mechanism different from the current one is in fact a test of the credibility of the exercise and of the political wills on which it is based.

²⁰ 'Cumbres Iberoamericanas: Una mirada atrás, un nuevo rumbo', AYBAR, Triana and PALACIO, Vicente (coord.), Fundación Alternativas/ FUNGLODE, Madrid, 2013, pps.136 and ff.

In conclusion, the cards are on the table and the progress of the reform under way will be an indication of the Ibero-American Community's role in Latin America's strategic concerns.

China and the Pacific

Asia already occupies a privileged place in Latin America's external relations, though the reference to the continent actually applies only to three or four Asian countries, the first naturally being China. Over the past ten years China has multiplied its importance in and for the region exponentially. The recent 7th China, Latin America and Caribbean Business Summit held in San José, Costa Rica, underlined the fact that between 2000 and 2011 bilateral trade increased 21-fold from 10 to 250 billion dollars. Between 2006 and 2011 alone Latin American exports to China increased three times more than to anywhere else, whereas imports doubled. In 2011 China was the destination of 9% of all Latin American sales and the origin of 14% of all its purchases, thus consolidating its position as the region's second biggest trading partner after the United States. Latin America is also becoming increasingly important to China, as it is the destination of 6% of its exports and the source of 7% of its purchases. It is now among the three main suppliers to all the countries in the region and is the largest or second largest market for Brazil, Chile, Peru, Argentina, Venezuela, Cuba and Uruguay (and the third largest for Mexico).²¹ A field in which these relations are rapidly progressing is energy, as Chinese oil companies are beginning to make substantial investments in Brazil, Peru and probably soon in Mexico now that it is going to be possible, in line with the need of the world's biggest crude oil importer to diversify and ensure its supply.

Although this trend has had (and continues to have) very significant positive effects for Latin American development, a few dysfunctions are beginning to be obvious that will be difficult to remedy. The first is the 're-primarising' effect on Latin American exports of China's major increase in purchases of agricultural and mineral products, coinciding with North America's financial crisis and high prices on the international markets. The portion of manufactured products in Latin American exports is very low; this makes these growths highly volatile as they depend on fluctuating prices and highly concentrated needs that do not necessarily have a direct impact on value added chains. The second is the notable asymmetry in the trade flows, as imports are practically only of manufactured products, with the resulting pressure on the region's fragile industrial equipment and the progressive appearance of disputes. Finally,

²¹ 'Panorama de la Inserción Internacional de América Latina y el Caribe 2013', CEPAL, pp. 50 and ff.

this new relationship still lacks a wider political, investment, cooperation, and cultural frame of reference and therefore has a very economy-based profile that is consequently highly subject to uncontrollable factors.

Both parties seem aware of these weaknesses. This explains both the web of agreements China is weaving with Latin America and the renewed and strengthened Latin American agreements to address relations with China jointly, of which the Pacific Alliance is the main example.

Well behind China, Japan, South Korea and Taiwan are less important but traditional partners of the region, to which they are bound by very sound political and cooperation ties, such as the case of Taiwan and the Central American countries. Trade with India is also growing, although it has been relatively stagnant. India expects to double its trade with the region over the next five years to 60 billion dollars. The new Asian priority is expected to influence these relations, which are likely to grow and be strengthened as a result of America's new attitude to the Pacific, though it is not clear to what extent this growth will be reflected in Latin America's foreign policy beyond economic and trade aspects.

Conclusions

Against the backdrop of a slowdown in growth, in 2014 Latin America faces the challenges of its political, social and economic development will full confidence in its abilities – a confidence strengthened by its successful handling of the most serious world crisis of the past ninety years.

In a world that is changing fast, the region's transformation is characterised by strengthening of its economic and political sway compatible with the new national focus of policies and goals that reflects its heterogeneity and growing differentiation. The maturity of Latin American societies has left behind the period when the region could be analysed as a whole with some – a few – reservations. Of course there continues to be a common underpinning of values and a not inconsiderable number of similarities in the strengths and weaknesses of their social and political structures, but recent developments show the vitality of the differences and make it advisable to adopt a differentiated approach, shunning the simplifications that were made until a decade ago.

This heterogeneity has direct consequences on the regional integration projects and possibilities of political consensus, and the region's ability to be considered a global actor and act accordingly. Integration, with the sole exception of the thriving Pacific Alliance, is going through a bad patch. The politicisation of the content in some cases and insurmountable asymmetries between partners in others are rendering futile the efforts to pursue the goals of the past with inherited institutions that are no longer suited to the realities and needs of the present. The grand

idea of integration, on which much of Latin American history of the end of last century was built, is undergoing in-depth reconsideration and large ideological gaps are emerging that make the Bolivarian dream unfeasible. Whatever the case, the outlook is still confusing and Latin America is experiencing a period of transition in which neither institutions nor priorities have been regionally reorganised. It is important to stress in this context the appearance of the CELAC, which aims to be the sole dialogue partner for the region, as this will undoubtedly be detrimental to other subregional dialogue partners of lesser scope. Also in this context of restructuring, we should note the coherence of ALBA, whose ties – more political than anything else – give it a unique profile of its own in the region, displacing other more open and less cohesive consultative mechanisms. All in all, CELAC, ALBA, AdP and SICA are emerging as the institutions most capable of adapting to the new realities and of endowing the Latin American goal of integration with a new twenty-first century content.

This 'renationalisation' process, required by the greater complexity of the problems and the demands of societies undergoing restructuring and growth, is accompanied – and most likely fuelled – by the absence of regional leaders. Chávez's disappearance from the scene has left a gap that is proving difficult to fill and leaders are more national than regional, as befits the absence of a shared regional project. Neither Brazil, with its legitimate vocation of global actor, seems to want to take on such a role. Mexico's return to the regional stage further broadens and complicates the outlook. Finally, the fast rotation established for steering CELAC and the absence of a solid bureaucratic apparatus in the different institutions is an additional impairment to the emergence of strong regional leaderships.

Together with the consolidation of democracy, social pressure to achieve more equitable models of coexistence is pushing Latin American leftwards or, at least, to a progressive version of the political centre that prioritises combating poverty, providing quality public services, universal education and health, and social and redistributive policies in general. Most of the election results of 2012–13 are pointing in this direction, from the reformism of the PRI to the victories of Maduro, Correa and Bachelet. Even in Honduras the traditional conservatism is expected to be influenced by the rupture of the oligarchic two-party system. Paraguay is the only country in the region where this model does not apply for the time being, though we will have to wait and see what programme President Cartes adopts to appreciate to what extent it will deviate from the overall pattern with such an intensely unequal social structure.

Two facts may prove particularly significant in the immediate future and have extremely positive consequences both for the countries directly involved and for the region as a whole: the first is the arrival of peace in Colombia and the consequent eradication of violence as a tool for political

action; the second is the continuation and deepening of economic reforms in Cuba, bringing the island back to normality and facilitating its full re-integration in the regional environment to which it belongs. These two processes will undoubtedly feed into each other and should be helped along without preconditions or prejudices.

The new framework of regional foreign relations is also being consolidated, and an increasingly attentive attitude is being adopted to the Pacific and the Asian partners in which different sensibilities are involved, such as the openly clashing attitudes of the AdP and the ALBA, though it is already a basic feature of the landscape. It furthermore has the effect of strengthening the region's autonomy in its relations with the traditional partners and diversifying its integration into the global scene. If the trend continues at the same fast pace it has displayed so far, we cannot rule out the possibility of it triggering friction owing to the progressive deterioration in the historic exclusivity of relations with European and North American partners.

In short, in view of the consolidated trends, and assuming Latin America is able to address the social and economic challenges in a context of a slowdown in growth, everything indicates that the region will carry on advancing, without sudden shocks, towards greater levels of progress with internal stability and maintaining realistic and sensible economic policies, which will strengthen its role as global actor and strategic partner of the western world to which both, they and we, belong.

And Spain

In the grip of the crisis, our foreign policy is going through a period of lethargy in which neither our presence in Latin America is what it should be nor are there signs of a coherent plan to preserve and strengthen what we want to be a special relationship based on shared values, history, culture and mutually beneficial interests. Spain should also adapt its approaches to the new reality and for this purpose needs to undertake a policy in four directions with four vectors:

- 'Re-bilateralisation' of relations. Attention needs to be paid to the specific needs and expectations of our Latin American partners, considered individually and with an egalitarian, mature and realistic approach.
- We should furthermore 're-politicise' our relationship in the sense of re-establishing the balance that has largely been lost between the political and economic components of our relations, recovering the political initiative and respecting the autonomy and specific nature of the economy and trade, by no means subjecting the former to the latter.

- Third, 'reconsider' the multilateral framework of our relations with the region, remodelling without resentment the dimension of the Ibero-American Community, seeking new links with the subregional institutions of the future and unashamedly giving priority to a Latin American as opposed to a Pan-American approach.
- Lastly, 'reinvent' the role of facilitator we played for so long on the double European and Latin American stage. Although today it might appear to have been displaced by the maturity of inter-regional relations, today it continues to be as necessary as it was then in a situation characterised by flawed and poorly structured political dialogue, a mutual disinterest in relations between the two regions that has been progressively replaced by more bilateral approaches and aims and is extremely rich in possibilities of technical cooperation on public policies for fulfilling and promoting the values of an egalitarian and progressive model of society in which we wish to live.

Economic environment and risks associated with fiscal globalisation

Manuel José Díaz Corral

Chapter five

Abstract

The possibility that damage will or will not be suffered. This is inferred from the dictionary definitions of the words risk and contingency. Regrettably, no insurance company is capable of providing a policy that covers the risks that will be dealt with here.

The chief aim of this chapter is to provide an overview of the fiscal situation in Spain and its sphere of influence. For this purpose, we start by explaining the main economic indicators and their short-term forecasts.

In general, we might be said to be approaching in a situation characterised by a certain relief from financial stress and improved confidence which, expressed in figures, leads us to underline an initial piece of information: that GDP has grown by 0.1% in year-on-year terms after falling for nine quarters. This perception is backed by employment figures (whose drop eased by 0.10% in the July-September quarter) and also by inflation figures, which rose by 0.3% in September compared to 1.5% in August.

Second, in addition to providing a general overview of the financial landscape, it aims to introduce the reader to what we might define as fiscal risks that need to be addressed in the short and medium term. Those risks are associated with international activity – globalisation, if preferred – into which Spain became incorporated at least fifteen years ago. It begins by looking

at the production processes carried out by multinationals, the changes in how services are provided to the consumer and the existence of territories specialised in giving legal cover to the different phases of this process – an equation that results overall in a loss of resources, with the evident tax risk.

Keywords

Tax risk, tax bases, globalisation, international taxation, tax haven, world trade

Financial-fiscal environment

A few thoughts on the international financial context

If we had to stress a salient feature of the financial markets during the past months, it would no doubt be the monetary decisions made by the leading central banks with the main goal of maintaining the expansive nature of monetary policy in order to stabilise the financial markets. This has led to a drastic reduction in Spain's risk premium, though not without a number of sudden shocks triggered by the persistence of uncertain factors such as the political crisis in Italy, doubts about another possible bail-out of Greece or geopolitical tension in Syria, and changing expectations of monetary policy in the United States. The relative stability of late July and early August was cut short by the imminent start of the expected withdrawal of monetary stimuli, so that during the first days of September, as the lower-than-expected August employment figures for the United States were released, more cautious action on the part of the Federal Reserve (FED) began to be anticipated, leading to widespread stock market rises and a downward adjustment of returns on public debt. These trends were reinforced by the unexpected decision in mid-September to maintain the programme of asset purchases unchanged, contrary to market expectations, leading to a downward adjustment of growth and job forecasts.

As for tax matters, Congress's failure to agree to extend the Budget period, which expired on 30 September, led to the closure of a few departments and agencies of the Federal Administration until 16 October. That day a budget extension to 15 January was approved along with an agreement to suspend the debt ceiling until 7 February.

This line of action was followed on the other side of the ocean. Indeed, at its 5 September meeting, the governing council of the European Central Bank (ECB) did not change the intervention rates and, at the subsequent press conference, the president stated that he expected interest rates to remain at the current level for a long period, but did not rule out further reductions if recovery fails to become consolidated. That day the Bank of England's monetary policy committee decided to keep the official bank rate – in force since 5 March 2009 – at 0.5% and to continue with its programme of buying assets ('quantitative easing'), which currently stands at 375 billion pounds sterling (approximately 469 billion euros). In August the Bank of England's new governor announced that interest rates will remain unchanged until unemployment falls below 7%. It currently stands at 7.8% and is expected to reach 7% in mid-2016.

Surveying the main markets, in the interbank market interest rates in the Eurozone continued their downward trend throughout the first half of the

year. The 12-month Euribor rate stood at 0.547% on 12 September compared to 0.473% at the end of May, with an increase of 7 basis points that may be attributed to expectations of a rise, as indicated by trends in the Overnight Index Swap (OIS), a practically risk-free type of interest, which increased by 9 basis points, whereas the Euribor-OIS spread, a component of the rise attributable to the risk premium in this market, fell by 2 basis points.

In the secondary public debt markets, yields on Spanish ten-year bonds stood at 4.46% on 12 September, 43 basis points above the 4.03% recorded on 3 May, while yields on German bonds rose by 76 basis points during the same period to 2%, meaning that the spread between both narrowed considerably. The spread between Spain and Italy, which stood at 78 basis points at the start of the year, began to fall, reaching a level positive for Spain.

As for the main stock markets, indices began to rise in the first weeks of September owing to the lesser likelihood of military intervention in Syria and improvements in some macroeconomic indicators. For example, since 31 July the Eurostoxx 50 has risen by 3.4%, bringing yearly earnings up to 8.6%; the IBEX-35 climbed more than 7% during this period and the Italian MIB index rose by 6.3%. Outside the Eurozone, the UK (FTSE 100) and US (S&P500) stock markets recorded respective falls of 0.5% and 0.1% for the same period, whereas in Japan the NIKKEI 225 rose by 5.3%.

With respect to the foreign currency market, the first weeks of September saw a certain recovery in the exchange rate of the euro, which had fallen as much as 2.1% from mid-August to early September. It climbed 1.3% and 1.1% against the dollar and the pound sterling respectively between 6 and 12 September and fell 0.1% against the yen, standing at 1.3290 dollars, 132.18 yen and 0.8410 pounds sterling on the last day. These variations amount to appreciations in the euro of 0.7%, 16.3% and 3.1% against the dollar, yen and pound sterling respectively throughout the year.

The outlook is not the same for the emerging economies, where financial conditions have harshened in a context of economic slowdown and increase in certain imbalances. Up to the end of August falling stock markets were predominant, with rises in credit risk indicators, currency depreciations and capital outflows; this adjustment was more intense in countries such as Indonesia, India, Brazil, Turkey and South Africa, which are more vulnerable to external factors. The subsequent delay in the withdrawal of monetary stimuli in the United States, combined with a certain improvement in activity indicators, especially in China, led to a partial reversal of the decline in the main financial indicators and earlier capital outflows.

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In the case of China, GDP soared to 7.8% in year-on-year terms in the third quarter. The year-on-year CPI rate hiked to 3.1% in September and the fall in production prices eased. The tone of monetary policy remained unchanged during the quarter and the authorities progressed in the financial reform process by liberalising loan interest rates and set in motion the Shanghai free trade area on 1 October. In fiscal policy the government introduced a new, smaller-size aid package. In the rest of emerging Asia GDP slowed down again in the second quarter to a year-on-year rate of 4.2% – one-tenth less than in the first quarter. The known figures for industrial production and exports suggest a slight economic improvement in several countries in the third quarter. However, inflation rose from 4% to 4.8% between June and August owing to the upturns in India, which continued until September, and Indonesia as a result of the intense depreciation of their currencies. This trend sparked a rise in benchmark rates during the quarter in Indonesia (from 6% to 7.25%) and in October in India (from 7.25% to 7.50%) to protect their currencies and stem capital outflows.

In Latin America, GDP grew at a quarterly rate of 1% in the second quarter of the year, five tenths more than in the first (3.5% in year-on-year terms). This recovery is due to the higher than expected growth in Colombia (4.2% in year-on-year terms) and particularly in Argentina (8.3%). Brazil also showed greater dynamism thanks to the recovery of investment and net exports. In Mexico, however, activity waned with respect to the first quarter, the year-on-year rate being 1.5%, while in the other countries it tended to ease gently. Inflation rose to a regional average of 7.6% in September, although this figure is influenced by the rates recorded for Venezuela (46.2%) and Argentina; without these two countries, year-on-year inflation would have eased. However, inflation in Brazil (5.9%) continues to be close to the upper limit of the target band, so that the central bank of Brazil has continued its monetary tightening, establishing the base rate at 9.50%.

In the rest of the countries with inflation targets, the base rates remained unchanged.

Prospects

In the medium term, the available forecasts of public and private organisations for 2014 and 2015 point to a scenario where recovery will gradually become consolidated as domestic demand grows stronger, stimulated by the tone of monetary policy, less contractive fiscal policies and greater confidence. In this context the area should continue to advance in the processes of fiscal consolidation and institutional reform.

The expected recovery is apparently fragile and prone to risks, as it is conditioned by high levels of public and private borrowing, the need for fiscal consolidation and financing conditions that are considerably stricter for the homes and companies of the countries of the area with greatest difficulties. In this regard the decrease in the balance of private sector funding in Spain eased by one-tenth in July, bringing the year-on-year rate to -5.5%. This behaviour was influenced by the lower drop in financing for enterprises and families, for which respective year-on-year rates of -6.3% and -4.2% were recorded, two-tenths and one-tenth higher than those of the previous month.

Inflation in the Eurozone continued to ease, reaching 1.1% in September; indeed, the economic context makes it unlikely that inflationary tension will emerge within the timeframe for monetary policy.

Global opinion indicators varied throughout the year. In July the International Monetary Fund updated its economic growth projections and lowered the world forecast by two tenths with respect to its April forecasts to 3.1% in 2013 and 3.8% in 2014. The recovery of the advanced economies' GDP will continue to be moderate and affected by fiscal restrictions and loan conditions in some countries. The emerging economies will continue to expand at a faster pace, but their prospects have been curbed by three tenths to 5% in 2013 and 5.4% in 2014, owing in some cases to weaker domestic demand or a more restrictive financial situation.

In its 3 September update of its projections for the main economies, the OECD forecast that the growth of the US economies in the last two quarters of 2013 will be around 2.5%, bringing the annual rate to 1.7%.

Other indicators are along the same lines. In August the economic sentiment index drawn up by the European Commission increased by 2.7 points to 95.2, its highest since March 2012, though it seems that the pace of recovery is going to be moderate in the opinion of the European Central Bank, which adjusted the expected GDP variation upwardly by two tenths in 2013 to -0.4% and lowered that of 2014 by one tenth to 1%. Inflation is expected to be 1.5% in 2013, one tenth more than forecast three months ago, and the forecast for 2014 remains at 1.3%.

Towards fiscal globalisation

Some consequences derived from the change in the global production model

Although the explosion of the phenomenon took place some time ago, shock waves still continue to arrive in the form of consequences and effects for which insufficient provision was made; specifically, from the

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perspective of government fiscal policies, this means that decisions cannot be made in isolation without bearing in mind the collateral effects on third parties, even in areas such as the EU with a high level of integration.

This partly clashes with the concept of national sovereignty, as if on the one hand we consider the transfer of monetary policy to the European Central Banks System and on the other the need to harmonise and integrate the tax systems, the result is increasingly less scope for autonomous decisions if what is sought is a tax system with the fewest possible cracks in order to prevent legal tax avoidance. And this is taking place in an environment in which social costs are rising, albeit owing to demographic trends in the western countries and government decisions aimed at boosting growth. This growth is largely conditioned by an economy's ability to attract foreign investment – which precisely depends to an extent on a smaller tax burden. This is giving rise to a sort of tax competitiveness, a 'race for the lowest' that could entail zero fiscal cost for capital with higher mobility.

Within this general environment determined by the globalisation phenomenon, it is appropriate to stress the influence on the changes in multinationals' production models.

The production model described below is not precisely a novelty in itself, though some of its collateral effects are – among them the tax effects, which so far have not been suitably solved.

It is evident that the developments in world trade determined by factors such as the free movement of labour and capital, coupled with increased international trade in services, have spurred a radical change in production models on a world scale. Major companies as independent production centres that purchase raw materials overseas and process them, adding all the value in this process, in order to then export them to third countries is a scheme that does not tie in with the current reality. From a fiscal perspective, if we agree that tax systems are designed to levy taxes on the income generated by this added value, it is evident that something is not going to work and that the 'flight' in terms of the resources subject to the system is going to occur owing simply to the dynamics of the new world production cycles.

The shift from a domestic model to this world model means that different national entities, whatever their legal form, start to function as a single enterprise with a joint global strategy. These 'global value chains', to cite the term used by the OECD,¹ are characterised by the presence of different production centres in a single chain, combining centres established in emerging economies and in developed economies, and within the lat-

¹ OCDE (2012) 'Global Value Chains: OECD Work on Measuring Trade in Value-Added and Beyond'.

ter even differentiating some functions from others in pursuit of greatest cost optimisation.

These value chains defy the classical concept of goods and services produced in an economy, and the fact that value is added at each of the stages in the chain means that it is divided between several tax jurisdictions. This is particularly intense in sectors such as transport and textiles, where much of the value created is furthermore produced during a phase prior to production (design) or after it (sale), in which activities related to R&D, intellectual property or software have a decisive influence; these factors are decisive in creating wealth and economic growth in the developed economies.

Logically, these chains seek to maximise profits and reduce costs, among them fiscal, for which multinationals establish global strategies. However, in parallel fashion, the national systems designed to levy taxes on profits have largely failed to respond to this new global production model, so that as well as from illegal practices or abusive tax planning, they may be losing taxable income owing merely to the dynamics of world production.

Indeed, the fact is that most of the systems currently in use revolve around the concept of residence as an element of reference or point of connection for levying tax on global or world income, including that obtained from internationally-controlled subsidiaries. Residence is linked in turn to factors such as registered office, the place where the management is physically based or the location of most of the productive or similar assets, which determine subjection to domestic tax on this world income. In any case the general rule is that the income of a resident subject is taxable in the latter's tax jurisdiction regardless of where it is earned, whereas that earned by non-residents can only be taxed if it complies with certain conditions that are generally established by international agreements based on the OECD convention model. Certain types of income are thus usually subject in the country of origin even if earned by non-residents, such as that earned from real estate or dividends, interests, rental income, royalties or fees for technical services subject to withholding at source.

It should be pointed out in connection with this idea, without attempting a detailed study that is out of place in this article, that despite the high degree of international coordination of the OECD and its standard convention, the different national jurisdictions' interaction with these criteria is going to give rise to undesired situations of 'double taxation' of the same income, with negative effects on international trade, but also the opposite situation of 'double exemption' – a circumstance of which international operators take advantage. An example of the latter could be the development of the so-called digital economy, which makes it possible

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to participate decisively in a country's economy by means of electronic transactions without the need to be physically present.

A crisis in the taxation of multinationals' profits?

Corporate tax yields revenue that is not very high and depends quite heavily on the economic cycle, but it decisively affects transnational investment flows and financing. This should be borne in mind when devising corporate tax. A corporate tax based on an excessively revenue-oriented approach will yield less than one based on an approach that takes into account national and transnational economic and financial processes.

In most of the countries belonging to our environment this tax accounts for between 3% and 10% of total tax revenue and is therefore relatively important in percentage terms and definitely significant in monetary terms, though always to a lesser extent than taxation on consumption or personal income tax. Therefore, although a loss of tax revenue as a result of erosion of tax bases, which we go on to examine, will have the economic importance that these figures reflect, the loss in terms of reputation of the taxation system and the moral impact on citizens' perception of its vulnerability will be much more serious.

Several factors should be borne in mind:

-The constant decrease in the nominal tax rate: the average nominal tax rates of the OECD stood at 48.5 percentage points in 1982 and at 28.4 in 2006.² In 1994 no European Union Member State had established a rate lower than 25%, whereas by 2010 fifteen had done so.³

MEMBER STATE	1994	2010
Belgium	28-39	33
Netherlands	35-40	25,5
Germany	30-45	15-22-32
Italy	36	27,5
UK	25-33	28
Ireland	40	12,5
Spain	35	30

When analysing this historical survey we might quote several concurrent causes. The neoliberalism that enjoyed success with Thatcher and

² Tax Reform Trends in OECD countries (February 2011).

³ European Tax Handbook 2011.

Reagan in the eighties brought to the fiscal field a preference for indirect taxation and duties, as well as the consideration of taxation of profits as a component of the cost of use of capital that should be reduced in order to stimulate investment. Also, as quoted earlier, globalisation must have contributed powerfully to the drop in nominal tax rates, as it has created an appropriate backdrop for the success of aggressive fiscal policies based on attracting real or financial activities, compared to defensive fiscal policies, both types underpinned to a large extent by lower taxes on corporate profits.

Notwithstanding this, in terms of percentage of total tax income, revenue remained stable and even grew in the group of central Member States of the European Union. Up until 2007 Spain recorded highly significant and positive, which grew steadily from 5.8% in 1995 to 12.8% in 2007 before plummeting from 2008 onwards, no doubt as a result of the overall drop in economic activity and not for other reasons. On the contrary, the previous increase in revenue is probably due to the relative increase in companies' profits, particularly those of the major multinational groups.

-The tax authorities' growing concern about international tax fraud: throughout the past years authorities have become increasingly concerned about tax fraud and evasion, particularly among transnational groups and in international financial operations. There are abundant documents and reports on this and they largely account for this worry. The European Code of Conduct on taxes on profits and the OECD programmes on harmful tax competition and the exchange of tax information are proof of this. Particularly relevant is the activity in this field of the North American tax authority, which is reflected in a group of reports or legislative reform proposals on matters as sensitive as the deduction of interest expense attributable to financial investments.⁴ Though in a broader context the United States' establishment of a general anti-abuse rule can also be attributed to this concern about international tax fraud. Basically, the concept of governance in the fiscal field has been coined, being defined as the concurrence of transparency, exchange of information and fair tax competition.

We might cite in this connection a few thoughts on the growing importance of codes of good corporate conduct and, in particular, the tax governance of major companies, which is largely influenced by consideration of 'gain per share' as one of the most significant concepts for shareholders. Taxes are evidently a determining factor here as they entail a reduction of that gain equal to the effective rate at which gains are taxed. A comparison of the effective rate

⁴ JOINT COMMITTEE ON TAXATION, Description of Revenue Provisions Contained in the President's Fiscal Year 2012 Budget Proposal (2011), Part V C.

at which a multinational and its direct competitors are taxed will always be a pressure element worthy of consideration, but at the same time the concept of tax risk is becoming increasingly important as a significant component of the financial information provided by these companies. In this connection, in March 2009 the International Accounting Standards Board published the draft of a new standard proposing that 'an entity shall disclose information about the major sources of estimation uncertainties relating to tax...'; with this move for increasing information, spurred by events of the not so distant past, the adoption of highly aggressive tax positions will not have a very positive effect on the effective rate without shareholder gain increasing perceptibly, in exchange for an increased risk in terms of reputation in the event that a tax dispute ends in litigation. Highly aggressive planning strategies may thus end up going against shareholders' interests.

On the opposite side, tax authorities face a quandary, as on the one hand they suspect that income is being diverted to low-tax areas using sophisticated techniques, whereas on the other they fear that the aggressive stance of other tax authorities is harming them. An example of the latter is that in many cases aggressive attitudes are witnessed in applying transfer prices, to which we refer later. Indeed, this has even been described metaphorically as a battle between governments. It is therefore not surprising that at the end of 2009 the OECD countries should have recorded 3842 procedures pending amicable settlement.

Some factors that contribute to the erosion of tax bases

At this point it is necessary to refer, albeit briefly, to some of the factors that can be conducive to the lower taxation of income derived from transnational operations:

- **Transfer prices:** in this field of multinational operations, having determined that part of the income obtained by an entity is subject to tax in a certain tax jurisdiction, a second phase involves specifying to what part of this income the tax should be applied, and it is here that transfer prices between linked parts, subsidiary and parent company, come into play as internationally accepted principles of profit sharing as if between independent entities in free market and competition conditions, so that price and conditions are calculated taking into account factors such as activity sector, assets used and responsibilities and risks assumed. Most countries currently have legislation applicable to these matters in accordance with the standards established by the OECD.

- Abuse of recourse to borrowing: that is external financing versus shareholders' equity; today the tax treatment given to one source or another has a determining influence when locating investments at so-called international business centres, as we shall see later on. There is generally a preference for external borrowing as it is deductible and there is even a tendency to use hybrid products that share the double nature of financial expense for the payer (deductible) and dividend for the recipient (the shareholder) that is often exempt in the beneficiary's country.
- Aggressive Tax Planning: although attempting to reduce the tax burden might be described as 'natural' behaviour, it is equally true that there is an abusive practice of locating certain investments with the intention of fictitiously decreasing profits where they are generated and where taxes should therefore be paid, in order to transfer them to low-tax territories, and doing the opposite with expenses – that is, taking them where the tax burden is higher so that the effect of deductibility is as high as possible. This is directly related to the previous paragraph, so that locating the group's financial operations in a convenient territory, cash management, type of exchange rate and capital repatriation are deeply influenced by the fiscal factor.

And what are the instruments used? Let us survey them briefly:

- Foreign subsidiaries: the aim is to achieve a reduction in the effective rate of taxation of the multinational group, whose parent company may be located in a high-tax territory, by granting loans to the subsidiary and applying in this location a tax system that allows financial expenses on the capital of the subsidiary to be deducted.
- 'Hybrids': that is, financial instruments that combine both debt and equity characteristics, with the effects mentioned above in connection with borrowing.
- - Other instruments derived from the above: if the goal is to avoid withholding tax on the payment of cross-border income, such as for example by replacing the payment of interests – which are subject to withholding by the payer – with payments derived from the execution of interest-rate swap contracts.
- - Offsetting losses of foreign subsidiaries: this makes full sense when the entity against which the losses are offset is the dominant entity, but not when the offsetting takes place against a subsidiary, as this can entail a sort of choice by the multinational group of the fiscal jurisdiction that is to bear the losses of foreign subsidiaries, clearly discrediting the principle of territoriality. Would it make sense to allow foreign subsidiaries' losses to be offset against a Spanish subsidiary of a multinational group based abroad?

What are the tax authorities doing about it?

tax havens and exchange of information: developments and current situation

The first question to stress is how the concept of tax haven has developed. This is the consideration traditionally given to territories whose budget is not financed by tax revenues and which provide a refuge for investments from non-resident entities that thus succeed in drastically reducing the tax burden they would have had to bear in their original country of residence. The absence of taxes – or the presence of a merely nominal tax rate – should be combined with one of the following factors: impossibility of legal access to information on the activities carried out by these entities, lack of exchange of information, absence of transparency in the application of tax regulations, and absence of real economic activity by the taxpayer.

The concept has evolved from this definition, going from one that is more substantive and material to another based on formal aspects, though always in accordance with the work and initiatives of the OECD in this field.

The latter were begun at the end of the nineties with the idea of neutralising the damaging effects associated with tax competition between states; the starting point was the report titled *Harmful Tax Competition. An Emerging Global Issue*, published in 1998, which defines the characteristics of harmful tax systems and includes a series of measures states should take to combat them. It is precisely in the reports on developments in the state of affairs drawn up by the organisation during the following years where the abovementioned change of criterion is observed from substance (effective absence of taxation) to form (effective signing of a certain number of agreements to avoid double taxation with an exchange of information, in accordance with the model established by the OECD). The change was partly spurred by the Bush administration's approach to this issue, which considered that each state should be free to decide on its own tax system provided that it acted with full transparency, facilitating the exchange of information with third countries involved. Three lists were thus drawn up – white, grey and black – classifying states according to how closely they complied with these transparency commitments. This led to the elimination of banking secrecy and the signing of at least twelve of the abovementioned conventions.

As a result many countries traditionally considered tax havens were removed from the black list; indeed, only four countries remained on the black list in the OECD report of 2 April 2009: Costa Rica, the Philippines, Malaysia and Uruguay. Since then intense convention-signing activity has been carried out, so that by the time the 2012 report came out no coun-

tries remained on the black list and the grey list featured only three – Guatemala and Nauru and Niue, jurisdictions that were classified as tax havens in 2000.

So what has happened? Do tax havens no longer exist? Everything seems to indicate that this excessively formalist criterion has led, not without decisive progress being made, many of the 'suspicious' states to sign conventions with each other, in many cases without truly intending to comply with the requests for information formulated by third countries. Indeed, the OECD itself admitted the problem in 2010 when it urged the Global Forum to carry out an effective revision of the information exchange standards and the genuineness of the commitment of many of the suspect territories.

The Global Forum of the OECD carries out a peer review of aspects of transparency and exchange of information of the member jurisdictions in two stages. Phase I analyses the existing domestic regulations on the availability of fiscal information, the authorities' capacity to gather and provide such information and the mechanisms for carrying out an exchange. Phase II analyses the practice, the effective exchange of information.

Eradication of tax evasion and fraud in the European Union

The European Commission Communication of 6 December 2012 on the action plan to strengthen the fight against tax fraud and tax evasion recognises that these issues have an important cross-border dimension and that Member States can only tackle these problems effectively if they work together. The Recommendation regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters refers to the harm caused by territories with low or nil taxation coupled with lack of transparency that seek to attract investments by offering non-residents a haven for certain types of movable capital or income and allowing them to conceal the existence of that capital or income. And the Recommendation on aggressive tax planning advocates the ability to guarantee that the tax burden be shared equally, preventing certain taxpayers from profiting abusively, for example, by not paying any tax whatsoever on certain income, and admits that solving problems of this kind would improve the functioning of the internal market. In the press release on this important plan Commissioner Šemeta stated that 'a strong and cohesive EU stance against tax evaders, and those that facilitate them, is therefore essential'. More in particular, in relation to promoting fair tax competition and the Code of Conduct for Business Taxation, he literally urged 'any Member State that has any concern that our standards are being compromised to immediately put this before the Code'.

At its meeting of 22 May 2013, the European Council stated that: 'It is important to take effective steps to fight tax evasion and tax fraud, particularly in the current context of fiscal consolidation, in order to protect revenues and ensure public confidence in the fairness and effectiveness of tax systems. Increased efforts are required in this field, combining measures at the national, European and global levels, in full respect of Member States' competences and of the Treaties.' It likewise declared that 'it is important to continue work within the EU on the elimination of harmful tax measures. To that end, work should be carried out on the strengthening of the Code of Conduct on business taxation on the basis of its existing mandate'.

In their joint letter to the G20 summit in St Petersburg, the presidents of the European Council and the Commission recalled their full backing for the OECD action plan against base erosion and profit shifting (BEPS) and more specifically stated that the plan 'fully supports our common objective to ensure that everyone pays their fair share of tax – whether large multinational or small corner shop – and that taxation reflects where economic activity takes place'. In this respect the summit declaration signed by the leaders of the countries taking part states that 'profits should be taxed where economic activities deriving the profits are performed and where value is created'.

Some actions in particular

- Towards the automatic exchange of information: several initiatives have been adopted in this field, from the Directives on taxation of savings income and effective exchange of information in the European Union, 2003/48/EC, of 3 June, to the latest agreements ratified by Spain and the United States for the application of the so-called Foreign Account Tax Compliance Act (FATCA). On 20 November the Spanish Parliament authorised the agreement with the United States for improving international tax compliance and the application of this standard that establishes the transmission of information from financial entities to tax authorities, which in turn exchange it automatically with the authorities of another state. Indeed, with the latest accessions 36 jurisdictions have now undertaken to promptly adopt the automatic exchange of information between each other.⁵

⁵ The 36 jurisdictions are European Union Member States (Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakian Republic, Slovenia, Spain, Sweden and the United Kingdom) third countries (Colombia, Iceland, Liechtenstein, Mexico, Norway and South Africa) and well as the British Crown dependencies of Jersey, Guernsey and

- The project for a Common Consolidated Corporate Tax Base: it seems clear that the disparity in the effective tax pressure of different taxes on profits in different European Union Member States is creating a distortion that is incompatible with the smooth running of the internal market, and the dispersion of nominal tax rates is the main cause of this disparity. The draft Directive is based on this principle and at this stage it should be viewed not only from a legal but also from a political angle, since in this matter, as in others, the fragmentation between central and peripheral countries and the position a particular country, in our case Spain, is presumably going to occupy are factors that it is essential to consider and value. Unification of the tax base plus an interest-rate bracket seems the best possible solution.
- Thin capitalisation: an anti-thin capitalisation rule is simply a rule on the distribution of interests paid to third parties by the group among the companies that make it up. A rule designed in this way prevents the deduction of interests created purely from internal operations devised for tax purposes, but also radical limits on the deduction of interests paid to third parties. However, it would be deluded to believe that a rule designed in this way, however well-thought out and studied its drafting process and however lofty and fair the principles that underpin it, will be immune to all kinds of contraventions, and like any other rule it will require the aid of general anti-abuse rules. These rules, as the last resort of tax justice, will by no means be able to be ignored when handling special cases, also in the field of thin capitalisation. In short, strict collaboration between both types of rules, as shown by the legislative activism of the countries in our environment in this field, will be the legal remedy that pays the greatest service to equity and certainty of law.

International tax competition. A few examples of specialisation

In recent years multinational groups have often given consideration to taxation, though not exclusively, as a significant factor in locating corporate functions. Elements such as the very corporate structure, the location of production facilities, financial and service centres or intangible assets are largely determined by the tax competition carried out by states themselves in exercising their tax sovereignty. For some countries taxation has been and continues to be a means of economic development and of attracting international capital and investments.

the Isle of Man and the British overseas territories of Anguilla, Bermuda, the British Virgin Isles, the Cayman Isles, Gibraltar, Montserrat and Turks and Caicos.

Economic environment and risks associated with...

In the EU these options are reinforced by the existence of a single market governed by the principles of freedom of establishment and movement of capital and people.

The reduction in the effective taxation of profits by lowering nominal rates of corporate tax, the establishment of tax incentives, favourable indirect taxation and the system of payment of employment income are determining factors.

Let us examine a few examples.

Ireland

This is undoubtedly one of the most salient cases of tax specialisation. Ireland uses a number of tax incentives – prominent among which is its corporate tax rate – that are conducive to the location of international financing structures, such as the 12.5% rate on companies' profits that qualify as 'trading income', of which there is furthermore no exact definition and precedents or case-law criteria are therefore used to classify the company's activities. Among others, we might stress the business nature – that is, the intention to obtain profits and to assume risks, for which there are sufficient human and material resources – the permanence of the investment, the frequency and number of transactions carried out and those conducted with third-parties not belonging to the group.

Other attractive features are the absence of a tax on capital contributions and of withholdings on interest paid to those residing in countries with which Ireland has a Convention.

As for thin capitalisation, there is no specific legislation: although the interest paid on a loan has to be 'commercially reasonable', there are neither definitions nor rules for calculating it. Excesses are treated as a concealed dividend whether the entities are resident or non-resident.

Furthermore, formal rules on transfer pricing according to OECD principles (since 2011) do not apply to small and medium-sized enterprises or to operations prior to 1 July 2010. It does not have a particular system of penalties.

Like the United Kingdom, Ireland has a special system for inpatriates, which is aimed at attracting human capital by offering tax incentives to professionals posted to the country for a certain period of time. The system is based on considering these professionals to be resident in Ireland for tax purposes with respect to the application of double taxation conventions, though they do not pay tax in that country on foreign-based income and capital gains.

The Netherlands

The Netherlands has traditionally been a benchmark jurisdiction for international financial activities. Until 2000 a special financial system was applied whereby income from financial activities was taxed at an effective rate of 7% (incorporation of only 20% into the tax base). During 2009 and 2010 proposals were discussed for an intra-group financial system (Interest Box) whereby the difference between interest received and paid within a group would be taxed at 5% (instead of the general 25.5% rate). It was backed as a compulsory scheme by the European Commission in its Decision of 8 July 2009 on matter C4/2007, though in the end it was not implemented as the Dutch government felt that the measure would have a negative effect on foreign investment. There are currently schemes for deepening the tax neutrality of financing through equity or debt, such as restrictions on the deductibility of interest paid on the acquisition of shares, earnings stripping measures, etc...

Belgium

The former scheme of 'Coordination Centres' that was incompatible with Community Law was abolished in 2003, though a transition period was established until the end of 2010. The so-called 'Notional Interest Deduction' (NID) has been applied since 2006. Together with the abolishment of the 0.5% tax on corporate operations, it is intended to enhance Belgium's appeal as a location for financial centres and, in general, for capital-intensive companies.

NID allows Belgian companies and permanent establishments of non-resident entities to deduce from their corporate tax base a fictitious amount of financial expenses calculated according to the company's capital. This fictitious interest results in a lower effective rate of taxation. It is applied to all companies subject to Belgian corporate tax, both resident and non-resident. This was a determining factor in considering the incentive to be compatible in principle with EU law.

The expense (NID) is calculated by applying the rate of 10-year government bonds to the company's equity, determined according to Belgian accounting standards.

The European Commission has brought infringement proceedings against Belgium, pointing out that the provisions on excluding from the calculation the net equity of real estate and permanent establishments abroad, not in Belgium, may go against freedom of establishment and freedom of capital movement.

Luxembourg

Luxembourg is one of the major international financial centres with more than 192 registered asset-management companies, 149 lending institutions whose balance sheets total 792.6 trillion euros and 236 investment companies in risk capital with total assets worth 18.09 trillion euros.

Its legal system offers major possibilities of specialisation in investment vehicles such as holding and financial companies (Soparfis), securitisation vehicles, investment companies in risk capital (SICARs), specialised investment funds (SIFs), and collective investment bodies (OICs) with and without a EU Passport, among other possibilities.

But one of the chief advantages is undoubtedly the possibility of reaching 'ruling' agreements with the Luxembourg tax authorities on financing structures with a rapid response of between 4 and 6 weeks on financing structures. The requirements are an equity: debt ratio of 15:85 and sufficient capital to address the risks undertaken.

Switzerland

Without a doubt Switzerland is one of the countries with the greatest tradition, especially with respect to its scheme for financial branches of foreign companies. The main characteristics are:

- Requirement that at least 75% of activities be financial.
- A maximum of 10% of income can be of Swiss origin.
- Average capital of 100 million CHF.
- Requirements of physical presence (office and personnel).

The taxation system is based on a capital tax on 1/11 of the branch's equity (for example, a capital of 100 million would pay 8,600 CHF in taxes in the canton of Zug) and the remaining 10/11 are treated as a loan from the parent company, allowing interest to be deducted in Switzerland. The average tax burden on profits thus ranges from 2% to 5%.

In any case, it is necessary to apply to the Swiss tax authorities for a private 'ruling'.

Emerging economies: Panama

Although Panama has traditionally been regarded as a tax haven – a fact that has conditioned the type of foreign investment in the past – in recent years its strategy has changed radically as a result of the country's new role in the regional economic context, spurred chiefly by the building of major infrastructure coupled with factors such as political stability and certainty of law. Indeed, 14 conventions on double taxation and sever-

al agreements on the exchange of information have so far been signed. It was recently included in the group of countries that exchange information in accordance with the OECD, as a result of which it is attracting a considerable amount of industrial investment in the areas as well as centralised functions of multinationals, especially headquarters and, to a lesser extent, holding companies. In this connection there is specific legislation on headquarters of foreign groups with activities limited to those included in a closed list (financial services, technical assistance, etc.).

Some thoughts on Gibraltar's tax system

Is Gibraltar's tax system consonant with European Union aims and international standards or, on the contrary, does its tax law facilitate the opacity of the capital it attracts? Is it a haven for easily relocated activities that have major financial potential as a result of possible tax dumping and do its unique characteristics continue to spur the development of activities to the detriment of the European Union and its Member States?

Answering these questions requires, first and foremost, analysing Gibraltar's new system of corporate tax under *the* Income Tax Act 2010 (hereafter ITA 2010), which regulates the taxation of offshore entities that do not engage in economic activities in Gibraltar but are based there and carry out all their activities outside its territory.

The system of taxation of corporations and trusts is based on a combination of two factors: a low territorial tax base, while natural persons are taxed on their global earnings in respect of several types of income; and the non-taxation of passive income such as dividends, interest, rental income and capital gains, without anti-abuse provisions to avoid the double exemption of this passive income.

Although the ITA 2010 is presented as a general system applicable equally to all companies registered in Gibraltar, it is clearly oriented to lessening the tax burden on the offshore sector, as companies that carry out offshore activities enjoy a selective advantage over other companies established in Gibraltar under the same tax system.

A first conclusion would lead us to think that it complies with the four accumulative criteria established in article 107 (1) of the Treaty on the Functioning of the European Union for considering a tax instrument a state aid to the offshore sector:

- It offers its beneficiaries an advantage. In this case it consists in subjecting the revenues of offshore companies to lower taxation compared to other companies registered in Gibraltar.
- This advantage is granted by the Gibraltar authorities through public funds in the form of renunciation of tax revenues.

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- It threatens to distort competition and affects trade between Member States.
- It is selective as it favours certain types of companies or products.

As a result the ITA 2010 could perpetuate the results of the previous systems of *qualified companies* and *exempt companies* with comparable harmful effects, benefiting companies that lack any economic substance in Gibraltar and encouraging the formation of *shell companies*.

- According to data provided by the United Kingdom in 2012, it has been observed that out of a total of 21,770 companies registered in Gibraltar:
- Fewer than 11% pay taxes in practice (2,299 companies).
- More than 50% are *shell companies* whose purpose is merely to hold assets and which do not engage in any economic operation.
- In view of the total number of employees, many of the companies registered in Gibraltar function with one employee or none at all.

Furthermore, to the extent that this aid does not tie in with any of the exceptions allowed by community regulations such as aid for the least prosperous regions or the encouragement of R&D activities with high value added, it should be considered that the aid is not compatible with the internal market, just as neither were the abovementioned previous specific tax systems on *qualified companies* and *exempt companies* that were effectively in force, or as declared with respect to the proposal for the reform of corporation tax notified in August 2002.

Similarly, if we compare Gibraltar's corporate tax system with that of the United Kingdom, we might conclude that there are substantial differences with respect to the British system. In this respect the 4 abovementioned requisites would also be met, and the jurisprudence of the Court of Justice established in matter C-88/03 would not be applicable.

In accordance with the foregoing, in June 2012 Spain laid a complaint with the Commission about Gibraltar's tax system. What is more, Spain has not yet managed to reach an agreement with the United States on the exchange of tax information inspired by the OECD model because Gibraltar can only participate in any bilateral or multilateral instrument through an agreement signed by the United Kingdom, the state responsible for the territory's external relations.

The absence of such an agreement makes it necessary to turn to general rules on the exchange of information and mutual assistance. Practical experience is always disheartening.

Directive 2011/16/EU, effective as from 1 January 2013, allows information concerning taxable periods prior to 1 January 2011 not to be provided when the transmission of such information may have been refused on the basis of Directive 77/799/EEC, which was normal practice for re-

quests sent by Spain. So far Gibraltar has merely acknowledged receipt of requests and has not answered them.

As for Directive 2010/24/EU, suffice it to point out that the United Kingdom has recognised the internal problems involved in accepting requests for assistance sent by Spain concerning the territory. The Commission had already warned that if problems were reported in practice, it would initiate infringement proceedings.

In September 2011, in its report on Phase I, the Global Forum stressed the failure to comply with one of the OECD transparency and exchange standards on accounting obligations and that another, on ownership and identity information, was being complied with but needed legal changes, for which appropriate recommendations were made.

As for formal obligations, according to the recommendations Gibraltar should guarantee the existence of reliable accounting records on all relevant entities and agreements. The absence of accounting records largely conditions the effective exchange of information, which cannot be carried out with all the necessary guarantees. This is particularly true of information on the offshore sector.

In addition to the clear conclusions of the Global Forum in Phase I it should be realised that the Phase II review has not yet begun, and is due to be carried out in the first half of 2014.

Finally, this analysis cannot omit a brief reference to Gibraltar's trade; indeed, it does not belong to Community customs territory, is excluded from VAT harmonisation and excise duties and substitute taxes are not applied, so there is a large price difference between goods circulating in Gibraltar and those sold in Spain and the other Member States. Community institutions and Member States have stressed in general their concern about the harm this does to the financial interests of the European Union and its Member States and the need to take effective measures in the periodic and specific reports compiled for this purpose.

It may be inferred from the foregoing that Gibraltar's tax system might be considered to constitute an incompatible state aid, that its characteristics furthermore comply with the criteria established in the Code of Conduct to be considered harmful; that it shows serious flaws in the application of community regulations in the exchange of tax information and mutual assistance; in turn, in relation to compliance with international standards on transparency and exchange of information for tax purposes, the incomplete assessment carried out by the Global Forum has revealed major lacunae and aspects that need to be corrected.

The foregoing is not just another chapter of the political dispute over the international status of the territory; rather it lists objective characteristics of its tax system to which Spain has objected and whose negative

assessment has been backed by the Commission and the Court of Justice in relation to the abolished systems of *qualified companies* and *exempt companies*, and the draft reform of corporate tax notified in August 2002; they were all declared to be incompatible state aids and the first two considered harmful by the Code of Conduct Group.

The eradication of tax evasion and fraud will continue to be questioned as long as Gibraltar's current tax system remains in place. Despite the appearance of its legislation and its authorities' efforts to show the contrary, the reality precisely proves that there is still a long way to go before it is brought into line with the situation of the Member States.

Therefore, despite recognising the British government's possible efforts to steer the situation in a different direction, it is necessary for it exercise to a greater degree its capacity for action to prevent many of the circumstances described above from concurring in Gibraltar. To this end, the letter from Prime Minister Cameron on 24 April 2012 on promoting transparency in tax matters and coordinated action against tax evasion derived from the use of offshore trusts and the 18 June 2013 declaration of the G8 summit chaired by the United Kingdom will no doubt lay an essential foundation.⁶

⁶ In this declaration the G8 members undertake to adopt a number of measures, prominent among which are:

- a) to promote the automatic exchange of information to fight against tax fraud;
- b) to amend the rules that allow the erosion of cross-border tax bases to avoid the payment of taxes; and
- c) companies must know who their real owners are and tax administrations and collectors must be able to obtain this information easily. These objectives are fully shared by Spain. Spain, together with Germany, France, Italy and the United Kingdom, furthermore proposed a pilot scheme to share the information obtained from agreements with the United States, which has had very favourable repercussions.

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