



Strategic Panorama 2019

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MINISTRY OF DEFENSE



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Introduction

Felipe Sahagún

Will the USA enter a new recession in 2019? Will Donald Trump's presidency survive as he finds himself increasingly isolated? Will there finally be a Brexit, negotiated or chaotic? Will it be possible to rectify the trade war with China? Will the most Eurosceptic kind of populism be strengthened by the European elections in May?

Will the US president fulfil his plan of retreat from Syria and Afghanistan? If he does, how long will it take and what will be the consequences? Will the diplomatic process initiated with North Korea in 2018 bear fruit? Will the minimum commitments — considered insufficient by many — reached since 2015 to reverse climate change be respected?

Will the Venezuelan regime survive its growing isolation and accelerated political, social and economic deterioration another year? Will it be possible to avoid a generalised war between US-Israel and Iran? Following the appointment of a new president on 5th January by Venezuela's Congress and his endorsement by the main powers on the American continent (except Mexico and Uruguay) and the EU, how will the challenge to Nicolás Maduro's regime be solved?

With the world still trying to come to terms with the lessons of the 2008 recession and facing a daily barrage of negative news about the US president, tensions with China and the consequences of Brexit, these were the main questions raised by governments, companies and academic analysts at the beginning of the year.

The slowdown in Chinese growth, the tougher monetary policy adopted by the Federal Reserve and the volatility of shares on US markets (losing over 13% during the last quarter of 2018) have given cause for pessimism – not counting the trade war and the general lack of trust in the Trump administration.

Risk of recession

«US equity markets are currently pricing in a 60 per cent chance of a US recession», read a headline in the Financial Times, quoting senior sources at J.P. Morgan. «The conditions for a recession have not been met yet», appeased David Lipton from the Monetary Fund¹.

«I think that we are at a real inflection point», warned Rana Foroohar, a financial analyst for CNN, on Global Public Square, the channel's main programme for international affairs on 6th January. «And if you just look historically, recovery cycles tend to go in eight to 11-year periods. We're 10 years into a recovery cycle. So if you just take it on historical data we are due for a slowdown probably this year or next year [...] How quickly it comes [...] depends on [...] how the U.S.-China trade conflict goes [...] and interest rates»².

This was not an isolated opinion. It was shared by many economists and leaders of large companies³ and justified by the OECD's⁴ projections of November for 2019 and 2020 as well as those of the World Bank at the beginning of the year⁵.

Following a detailed analysis of the main changes and risks in the global economy, Martin Wolf, one of the Financial Times' leading analysts, and the authors of the chapter on economy of this edition of the Strategic Panorama, Federico Steinberg and Miguel Otero, recommend calm and caution. In Wolf's words, «nothing guarantees that we are about to enter a severe recession»⁶, although any prediction is risky.

The prediction of recessions in the US and the rest of the industrialised world has never been a matter of consensus and, as Ruchir Sharma from Morgan

¹ SMITH, Colby. «Odds of a US recession are ticking higher». Financial Times, 7 January 2019 <https://ftalphaville.ft.com/2019/01/07/1546871316000/Odds-of-a-US-recession-are-ticking-higher/>.

² Global Public Square, CNN. 6 January 2019 <http://transcripts.cnn.com/TRANSCRIPTS/1901/06/fzgps.01.html>.

³ IBID.

⁴ Data quoted by WOLF, Martin in «Why the world economy feels so fragile». Financial Times, 8 January 2019 <https://www.ft.com/content/eb14cacc-1298-11e9-a581-4ff78404524e>.

⁵ «Storm Clouds Are Brewing for the Global Economy». The World Bank, 8 January 2019, <https://www.worldbank.org/en/news/immersive-story/2019/01/08/storm-clouds-are-brewing-for-the-global-economy>.

⁶ WOLF, Martin, *op. cit.*

Stanley warns, «professional forecasters have missed every U.S. recession since such records were first kept half a century ago»⁷.

Europe's most influential newspaper recognised on 28th December having got it wrong a year earlier on eight of its twenty predictions for 2018⁸. Maybe — it mused in search of justification — the errors were due to the fact that in the era of Trump and Brexit, and of protectionism and populism, the risk of making mistakes has multiplied.

Among the failed predictions for 2018, it cited the triggering of an impeachment process in the US, the election of another conservative president in Mexico, the approval of the first budget for the Eurozone, stabilisation of oil prices, new economic experiments in Narendra Modi's India and a boost of global economic growth.

If we compare these errors with Isaac Asimov's correct predictions when the Toronto Star asked him in 1983 what the world would be like in 2019 (generalised use of computers, growing deployment of robots and automation, lifelong and remote learning, overpopulation and accelerated environmental degradation), it becomes clear that in both cases, as almost always, the percentage of hits is conditioned by the precision, time frame and quality/opportunity of the available information and the analysis.⁹

Some of his main mistakes, such as the opening of mining operations and of a solar power plant on the moon, turned out to be premature, though possibly not so much so, taking into account the news on 3rd January of the first moon landing on the dark side of the moon by a human built space craft — the Chinese robot Chang'e 4 — to analyse conditions and the mineral composition of the oldest, deepest and largest crater on the Earth's only natural satellite.

«There's a lot of geopolitics or astropolitics about this; it's not just a scientific mission», explained Malcolm Davis, senior analyst with the Australian Strategic Policy Institute. «This is all about China's rise as a superpower. There's a lot of enthusiasm for the space program in China»¹⁰.

Regardless of whether we are at the beginning of a new arms/space race like the one seen in the 1950s and 60s between the USA and the USSR or not, this represents another small step for humanity, but a giant leap for China in its strategy to compete on equal terms in all fields, including space.

⁷ MCGEEVER, Jamie. «Commentary: Recessions? Never consensus...». Reuters, 10 January 2019 <https://uk.reuters.com/article/us-global-economy-recessions/commentary-recessions-never-consensus-always-hiding-in-plain-sight-idUKKCN1P41QY>.

⁸ «Forecasting the world» Financial Times, 28 December 2018 <https://www.ft.com/content/afcd9026-045a-11e9-99df-6183d3002ee1>.

⁹ «Asimov's 2019 predictions - fiction or fact?» BBC News, 2 January 2019, <https://www.bbc.com/news/technology-46736024>.

¹⁰ LYONS, Kate. «Chang'e 4 landing: China probe makes historic touchdown on far side of the moon». The Guardian, 3 December 2019 <https://www.theguardian.com/science/2019/jan/03/china-probe-change-4-land-far-side-moon-basin-crater>.

EU: Elections, Brexit and Populism

How will the EU fare through the elections in May, the Brexit headache, major new appointments to office, the growing pressure of the far right and the leadership and party crises in its four main Member States (Germany, France, Italy and Spain)?

The vulnerabilities of the Euro, the negotiations with the UK, the terrorist challenge, migratory pressure, the distancing from the Trump administration, growing competition from China, the Russian disinformation war and the conflicts on its eastern and southern periphery have proved that, despite its limitations and defects, life outside the EU is worse.

In the face of an army of doomsday prophets — and without denying any of the storms looming on the horizon — Oxford Professor Timothy Garton Ash calls to mind that «several of these crises contain their own hidden opportunities. Another Europe is possible»¹¹.

«Usually, when democratic structures face a crisis they seek a way out in elections», points out the former president of the European Commission Romano Prodi. This is impossible without the support of the citizens, and in order to re-engage with them, the elections in May «need to be used for a Europe-wide political contest, not a trial of strength on the problems of individual countries»¹².

They will be considered a success if there is sufficient participation, if the anticipated rise of Eurosceptic parties is contained, and if the majority of conservatives, socialists, liberals and greens in Strasbourg endures (see outgoing European Parliament in figure 1).

Until the autumn or the first half of 2020, with new presidents taking office in the Council, Commission and the Parliament, no major progress or fast decision on the new multiannual financial framework for 2021-2027 can be expected. The outgoing Commission's proposals to raise the budget to 1.11% of the 27 Member States' gross national income (as opposed to the 1.03% of the previous period) were still insufficient to adequately cover existing commitments.

The requested increase of 1.08 billion to 1.11 billion euros and cut-backs in some budget items (7% in Structural and Cohesion Funds and 5% in the Common Agricultural Policy) is an attempt — if approved — to make up for the loss of the UK's contribution. However, at the beginning of 2019 neither

¹¹ GARTON ASH, Timothy. «Es posible otra Europa». El País, 1 December 2018 https://elpais.com/elpais/2018/11/29/opinion/1543502148_477517.html.

¹² PRODI, Romano. «Will Europe Fall Apart? *The World in 2019*. ISPI, p.6 https://www.ispionline.it/sites/default/files/pubblcazioni/ispi_dossier_theworldin2019.pdf.

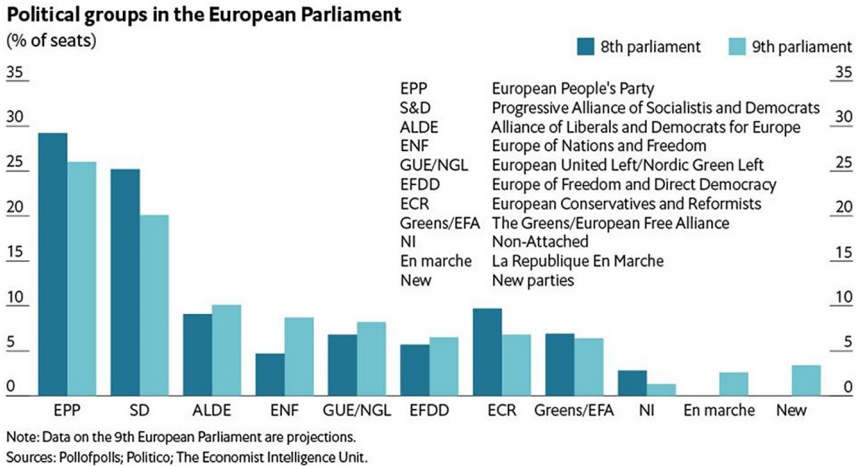


Figure 1 – Distribution of forces in the outgoing European Parliament and projection of results for May 2019.

the Brexit agreement negotiated with Theresa May nor the proposed adjustments had the required support to go ahead¹³.

In declarations to the BBC, May announced on 6th January that the vote on the withdrawal agreement and political statement agreed with the EU in the autumn, which was initially planned for 11th December, would finally take place on 15th January. «If they are not passed by Parliament, we will move into unknown territory and nobody can tell what will happen», warned the PM¹⁴.

In principle, none of the alternatives guaranteed better results for either side than those achieved in the 585 pages of the divorce agreement and the 26 pages of the political statement: an extensive non-binding list of objectives and good-will declarations to negotiate the future relation from April onwards and which was rejected by the House of Commons (425-202) — the biggest parliamentary defeat ever suffered by any government in the UK's history — on 15th January.

On the following day, May scraped through a vote of no confidence (325-306), and at the time of writing, another vote was planned in the Commons about

¹³ «La UE acuerda tener su presupuesto para 2021-2027 pactado en otoño de 2019» EFE, 14/12/2018, 12:17:00. http://www.finanzas.com/noticias/economia/20181213/acuerda-tener-presupuesto-para-3963245_age.html.

¹⁴ «La bataille du Brexit va reprendre au Parlement britannique» AFP 7 January 2019 https://www.liberation.fr/depeches/2019/01/07/la-bataille-du-brexit-va-reprendre-au-parlement-britannique_1701377.

a as yet unrevealed «contingency plan» which the Parliament had requested from the Prime Minister the previous week if, as everybody knew, the first was rejected.

Following this historic blow, the scenarios being debated to avoid a chaotic exit were a review of what had been agreed; a «Norway model» adapted to the world's fifth economy; exiting without any agreement on the planned date of 29th March (barring any changes to the deadline); a second referendum; early elections; or a combination of various of these options.

Without a previous agreement between the main political forces in Britain, a second referendum, regardless of its outcome, would certainly aggravate the wounds left open by the referendum of 23rd June 2016 and open further cracks in an already strongly divided society.

In any case, the process which had — on the surface — been concluded in the autumn of 2018 after 17 months (or so goes the official version) of negotiations, will require years of work to recover the trust lost and to reinstate a relationship that is acceptable for all sides¹⁵ — assuming this is at all possible, taking into account the long history of strife.

Whatever the final result, like in the case of Anthony Eden's failed attempt to regain control over the Suez Canal in 1956, the withdrawal agreement and statement which were approved by the EU and May's government in 2018 reflect the new balance of powers in Europe which will only favour the United Kingdom if the EU should one day disappear or disintegrate.

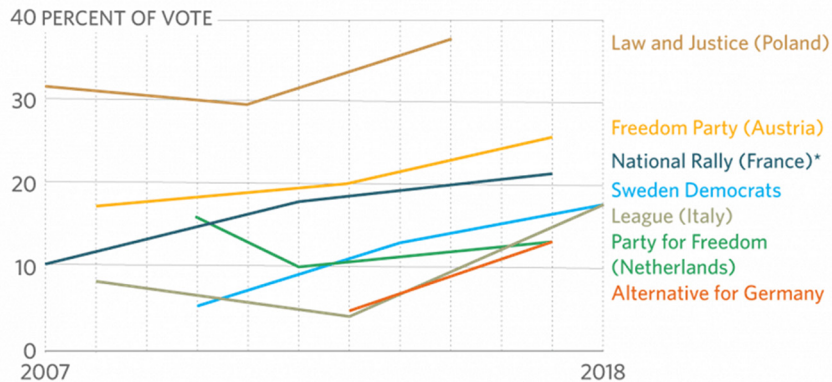
As far as the new far right (see figure 2) and the ill-named populisms are concerned (a common denominator for a wide range of movements and ideologies), if Brexit leads to a chaotic process and Trump finds himself faced with an impeachment after the foreseeable conclusion in June or July of state attorney Robert Mueller's investigation, they would lose two of their main gateways.

Though tempting, it is still early to bet on it for three reasons: although highly criticised, the underlying cultural and economic forces driving populist politics are still very much alive and adopt forms that borrow both from the right and the left. If the right experiences serious difficulties in the USA and UK, the left variant could continue advancing along various avenues: the most liberal wing of the Democrats could impose itself in the new Congress, the labour leader Jeremy Corbyn could end up in Downing Street or the new Mexican President, Andrés Manuel López Obrador, could find imitators in Latin America and Mauricio Macri might not be re-elected in Argentina.

¹⁵ «La bataille du Brexit va reprendre au Parlement britannique». AFP, 7 January 2019 <https://www.capital.fr/economie-politique/la-bataille-du-brexit-va-reprendre-au-parlement-britannique-1322155>.

Europe: Nationalism on the Rise

Nationalist political parties have gained popularity across the European Union in recent years. These parties tend to be critical of the European Union's federal push and tend to defend a more sovereign approach to monetary policy, immigration and other issues.



*Note: Results are for general elections, except for France (presidential elections)

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Figure 2 – The rise of the far right in Europe.

The challenge of China

In his New Year's address, which coincided with the 40th anniversary of establishing diplomatic relations with the USA and the *Message to the compatriots in Taiwan* of the permanent committee of the politburo, President Xi Jinping reiterated Beijing's will to take «all necessary measures» for the reunification of the island with mainland China¹⁶.

His warning was received as yet another sign pointing to the serious risk of the current rivalry between the US and China degenerating into war, if the two countries continue heading in the same direction. This threat is exposed in Professor Graham Allison's latest studies which show that in 12 out of 16 cases where a rising power challenged a hegemonic power over the last 500 years, war has been the outcome¹⁷.

Xi Jinping's words were almost the same ones he pronounced in 2017 before the 19th Party Congress and also received the most applause during his three-hour speech. However, they were not at all new and, most importantly, difficult to put into practice in the short term.

¹⁶ FONTEDEGLORIA, Xavier. «Xi sube el tono nacionalista y advierte a Taiwán...» El País, 3 January 2019, p. 2.

¹⁷ ALLISON, Graham. «The Thucydides Trap», Foreign Policy, 9 June 2017 <https://foreignpolicy.com/2017/06/09/the-thucydides-trap/>. . See his latest book *Destined for War...*, Houghton Mifflin Harcourt, Boston/New York 2017.

As shown by Michael Beckley and Ian Easton in recent studies about the kind of war that is possible between Taiwan and China, using all kinds of statistics, training manuals and planning documents of the Chinese army, «a cross-strait war looks far less like an inevitable victory for China than it does a staggeringly risky gamble»¹⁸.

In any case, it is «the biggest international story of your professional lifetime which is also the most important international challenge the world will face,» assures Allison. «The challenge is the impact of China's rise [...] (on) the United States and the international order of which the US has been the principal architect and guardian. The past hundred years have been [...] an 'American century'»¹⁹.

Jimmy Carter, the president who normalised bilateral relations with Deng Xiaoping's China in 1979, bade farewell to 2018 with a run-down of the most positive results of this normalisation, recognising the growing fears in both countries regarding the other's hostile intentions and warning that «if top government officials embrace these dangerous notions, a modern Cold War between our two nations is not inconceivable,»²⁰ which some already considered a reality.

This fear is not yet justified as Professor Keyu Jin from the London School of Economics points out. She adds that «the wrangling over trade practices and intellectual property is diverting attention from a deeper and more intractable conflict between the two powers: one concerned with China's aspirations, its development model and its challenge to US primacy. [...]. (China) is playing for time to continue its economic expansion and reforms»²¹.

This would explain Beijing's willingness to make more concessions during the negotiations held from 7th to 9th January in the Chinese capital, its resumption of imports of US soy beans at the end of 2018, its apparent willingness to curb cyber espionage, the reform of the law on forced technology transfer from foreign companies operating in China, and the memorandum signed by 38 government institutions to crack down on intellectual property rights infringement. Jin points out that these are minor concessions compared to the gifts of global influence resulting from Trump's short-term politics.

¹⁸ GREER, Tanner. «Taiwan can win a war with China» Foreign Policy, 25 September 2018 <https://foreignpolicy.com/2018/09/25/taiwan-can-win-a-war-with-china/>.

¹⁹ ALLISON, Graham. «Is war between China and the US inevitable?» TED TALKS, September 2018 <https://www.youtube.com/watch?v=XewnyUJgyA4>.

²⁰ CARTER, Jimmy. «How to repair the U.S.-China relationship — and prevent a modern Cold War», The Washington Post, 31 December 2018. https://www.washingtonpost.com/opinions/jimmy-carter-how-to-repair-the-us-china-relationship--and-prevent-a-modern-cold-war/2018/12/31/cc1d6b94-0927-11e9-85b6-41c0fe0c5b8f_story.html?utm_term=.ea3606ef6148.

²¹ JIN, Keyu. «The trade war with America is a strategic gift for China». Financial Times, 3 December 2019. <https://www.ft.com/content/f79587da-0e7b-11e9-b2f2-f4c566a4fc5f>.

The main differences are related to the so-called 'Made in China 2025'-strategy, which aims at strengthening ten strategic hi-tech sectors with private and public participation. From the point of view of Western governments, the project promotes unfair competition and facilitates clearly discriminatory regulation and financing.

Robert Kaplan, from the Center for a New American Security, has for a long time described the current tension with China as a new Cold War. «Avoiding that it turns hot is the geopolitical challenge of the 21st century,» he insists²².

«The constant, interminable Chinese computer hacks of American warships' maintenance records, Pentagon personnel records, and so forth constitute war by other means», he warns. «The situation will last decades and will only get worse, whatever this or that trade deal is struck between smiling Chinese and American presidents [...]. The new cold war is permanent because of a host of factors that generals and strategists understand but that many, especially those in the business and financial community who populate Davos, still prefer to deny»²³.

For the president of the World Economic Forum, «the world is at a crossroads». In a letter to the participants of the 2019 meeting, he warned: «We can continue along the current path of polarized points of view, growing conflicts and many unresolved problems, which in the best of cases will end in a permanent world crisis, in chaos with unpredictable consequences»²⁴.

To avoid the worst, Carter suggests a bilateral pact that would prevent either country using national security as an excuse to obstruct the other's legitimate trade interests, replacing interference in each other's domestic affairs by an open dialogue and undertaking a firm commitment to cooperate in the search for a solution to the nuclearisation of the Korean peninsula and in post-conflict reconstruction of the countries hardest hit in the Middle East and Africa.

«The United States should return to the Paris climate accord [which it pulled out of on 1st June 2017, although the withdrawal does not come into effect until November 2020] and work with China on environmental and climate-change issues, as the epic struggle against global warming requires active participation from both nations», he adds. «But I believe the easiest route to bilateral cooperation lies in Africa. Both countries are already heavily involved there [...] sometimes cooperatively. Yet each nation has accused the other of economic exploitation or political manipulation»²⁵.

²² KAPLAN, Robert. «A New Cold War Has Begun». *Foreign Policy*, 7 January 2019. <https://foreignpolicy.com/2019/01/07/a-new-cold-war-has-begun/>.

²³ IBID.

²⁴ Letter referenced in the article by Carlos Segovia «Davos avisa: vamos a crisis o caos». *El Mundo*, 11 January 2019. <https://www.elmundo.es/economia/2019/01/11/5c37acf721efa0027c8b4756.html>.

²⁵ CARTER, Jimmy, *op.cit.*

At the beginning of 2019, the two presidents, Trump and Xi, found themselves in relatively vulnerable positions for making concessions: the former because of the Democrats' resurgence after November's Congress election, the latter because of the economic slowdown and the volatility of the markets (see figure 3)²⁶.

China v US GDP growth

Year-on-year % change

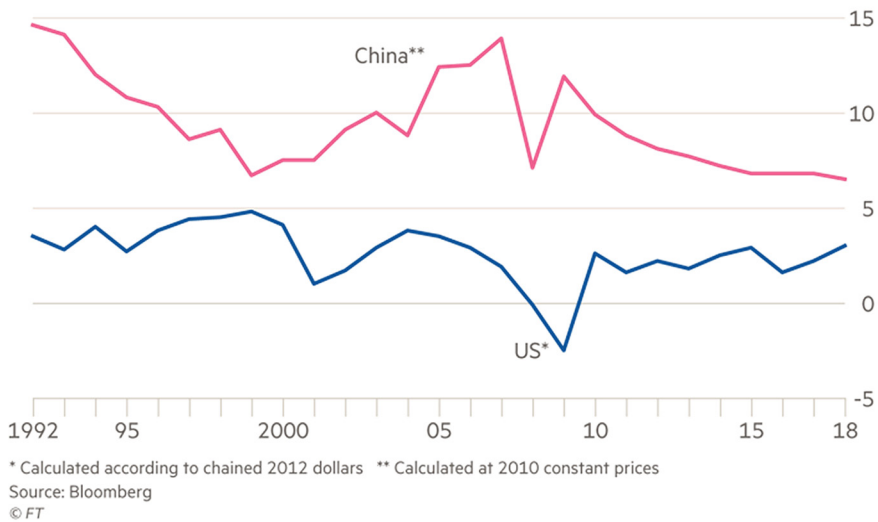


Figure 3 – Comparative growth of China and the USA since 1992.

For Richard Haass, the president of the Council on Foreign Relations, the so-called «Concert of Europe», which governed relations between the great powers from Napoleon's defeat until 1914, is much more useful than the precedent of ancient Greece used by Allison or the period between the wars of the bygone century preferred by others when it comes to explaining the collapse of the international system that was built following the two World Wars and which was accelerated by Donald Trump²⁷.

All international systems arise out of great convulsions and all have phases of growth, decline and final disintegration. «Just because an order is in

²⁶ HORNBY, Lucy & POLITI, James. «Donald Trump and Xi Jinping face off in global trade war». Financial Times, 8 January 2019, <https://www.ft.com/content/e320de2c-12ee-11e9-a581-4ff78404524e>.

²⁷ HAASS, Richard. «How a World Order Ends and What Comes in its Wake», Foreign Affairs, Jan-Feb 2019. <https://www.foreignaffairs.com/articles/2018-12-11/how-world-order-ends>.

irreversible decline does not mean that chaos or calamity is inevitable,» he writes. «But if the deterioration is managed poorly, catastrophe could well follow,» as is the case with Trump, he argues, since his victory in the presidential election in 2016²⁸.

Haass's main contribution is that what is disappearing, really, is not one international order but two systems which coexisted during most of the Cold War period: the one built around the US-USSR bipolarity, based on a relative military balance in Europe and Asia and on nuclear deterrence which was set down in Helsinki in 1975; and a second one, termed as liberal, which was controlled by the main Western democracies.

Today, both systems are being dismantled at different rates and in different ways — examples can be seen almost daily — and this process is influenced both by China's resurgence and by the rise of some medium powers and non-state actors, the change of the political and technological context, lack of leadership, failure of institutions and the misguided intervention policies or overreach of the USA since 2001 in regions such as Afghanistan and Iraq.

Semiconductors

Will there be an agreement in the trade war between China and the US following the truce that was agreed between presidents Trump and Xi during their meeting in Buenos Aires on 1st December, or are we only witnessing the first ripples of an unstoppable quake (political, economic, technological, financial and military), which will develop like the teeth of a saw eating away the efforts of various generations as described by Kaplan?

«2019 is likely to see an intensification of the trade dispute, unless China can produce immense compromises to open up its more protected sectors from telecoms to finance and technology», warns Professor Kerry Brown of King's College, London.

«These sorts of changes», he adds, «involve not just economic but also political risk that Beijing under the highly controlling and centralised leadership of Xi seems unlikely to have either the will, or the ability, to undertake»²⁹ in the midst of the celebrations for the sixtieth anniversary of the Republic's foundation (1949), the first centenary of the 4th of May movement (1919), and (for the dissidents and victims of the system) the failed attempt to revitalise it in Tiananmen in 1989.

Will the Chinese regime respond to the recent defensive measures of other countries to level their trade balances and reduce their loss of sovereignty and information by returning to its «strategic patience» which delivered such

²⁸ IBID.

²⁹ BROWN, Kerry. «US-China real truce?» *The World in 2019*. op cit, p. 8.

good results between 1990 and 2010? Or will it harden its stance and will we enter a dangerous escalation of tensions?

In 2018 it responded with unequal reciprocity and relative moderation to the trade sanctions imposed by Trump³⁰, probably out of an awareness that the US President, despite his continuous sudden outbursts, for now continues to be its best asset for damage containment.

One of the few things which almost all Western centres of power agree on is that China, under Xi Jinping, «has shown its hand, and intends to become an economic, technological and military superpower at America's expense» and that «Mr Trump and his team» (or what is left of the original line-up) «will seek ways to act quickly»³¹, although many consider it late.

Not since the 1940s had there been such a broad consensus among business people, politicians, diplomats and US military concerning a new ideological and strategic rival³². For the most influential Chinese strategists in Beijing, the events of the last months «are confirming their deeply rooted suspicions that the USA had always tried to block the resurgence of their country»³³.

Last year's front pages of *The Economist* lend strength to this view. Hardly a week went by without one or several warnings about the Chinese «threat» or competition. Policy responses were swift too: apart from sanctions, laws to monitor or prevent the acquisition of strategic companies or resources by China, proposed restrictions of access for Chinese nationals to research centres, leaks from intelligence agencies about Chinese espionage and cyberattacks, arrests like that of Meng Wanzhou, daughter of Huawei founder Ren Zhengfei, and national resistance to the new Silk Road are multiplying...³⁴

Although the media focus until recently was chiefly on agriculture, cars, steel, aluminium and intellectual property, efforts of contention target mainly the most advanced technologies: from artificial intelligence to networked equipment, especially semiconductors, i.e. the basis of the digital economy and national security in the 21st century. The stage is set for years or decades of tough competition, but to deduce from this that there will inevitably be an armed show-down is to anticipate a turn of events that can still be avoided.

As Ali Wyne, leading China expert at RAND Corporation, explains, any analogy to the major conflicts of the past «is problematic», given that the core of

³⁰ BREGOLAT, Eugenio. «Ojo por ojo». *Política Exterior*, November-December 2018, p. 30.

³¹ RENNIE, David. «A great wall of distrust». *The World in 2019*, op. cit. p. 57.

³² «China & America». *The Economist*, 20-26 October 2018, p. 13.

³³ IBID.

³⁴ PARRA PÉREZ, Águeda. «El juego geopolítico de la nueva Ruta de la Seda en Asia». IEEE. 10 December 2018 http://www.ieee.es/Galerias/fichero/docs_opinion/2018/DIEEE0126_2018AGUPAR-RutaSeda.pdf.

the conflict with China, the adversaries' ideological nature, the deep interdependence of the parties within a global economic system and the existing tight links between the two main sides of the conflict respond to parameters and circumstances that have never existed in the past³⁵.

Putin's fourth mandate

For EFE's correspondent in Moscow, 2018 was Vladimir Putin's *annus horribilis*, when he was unable to politically exploit his fourth re-election with a 78% majority, the consolidation of his influence in Syria and in eastern Ukraine, or the Football World Cup in the summer³⁶.

His nuclear challenge, warning about Russia's development of the latest hypersonic weapons two weeks before the election, the failed assassination of double agent Sergei Skripal and his daughter Yulia in the UK by agents of the GRU (Russia's military intelligence) using a toxic agent three days later, the pension reform which he announced on the same day as the inaugural match of the World Cup, and economic stagnation put an end to his lucky streak.

The West expelled 150 Russian diplomats and imposed new sanctions, the main Western leaders boycotted the World Cup, over 90% of Russians rejected the reforms, Moscow and other large cities were filled again with demonstrations and Putin's popularity dropped 20 points in two weeks.

His sweetest moment, the summit with Trump in July in Helsinki, ended without any final communique³⁷ and the second bilateral meeting planned in Buenos Aires during the G-20 summit at the end of the year was postponed again.

As a result, «Putin goes into 2019 at a key moment for his legacy after 2024 when he will step down — unless another legal manoeuvre is made to prevent it — from the Russian presidency for good», concludes El País correspondent in Moscow, María R. Sahuquillo³⁸.

Could Putin's Russia, once the domestic political capital won through his latest interventions in Syria and Ukraine has been spent, put an end to the show of an independent Belarus in 2019 and take over its main customs and fiscal powers? In an article from 4th January, Professor Anne Applebaum did not

³⁵ WYNE, Ali. «Is this the beginning of a new Cold War?» RAND CORP. 12 December 2018, https://www.rand.org/blog/2018/12/is-this-the-beginning-of-a-new-cold-war.html?adbsc=social_20190104_2651441&adbid=1081320876711108608&adbpl=tw&adbpr=22545453.

³⁶ ORTEGA, Ignacio. «El annus horribilis de Putin». EFE, 14 December 2018. 12:35:00.

³⁷ WINTOUR, Patrick. «Helsinki summit...» The Guardian, 17 July 2018 <https://www.theguardian.com/world/2018/jul/17/helsinki-summit-what-did-trump-and-putin-agree>.

³⁸ SAHUQUILLO, María R. «Putin, entre el desgaste y la adicción al poder». El País, https://elpais.com/internacional/2019/01/02/actualidad/1546446011_092191.htm.

rule out the country's transformation into «a new political entity, ruled by a single president, presumably one whose first name starts with a V.»³⁹.

Following the loss of most of the Ukrainian territory, Russia could be seeking greater integration with Belarus, and if Alexander Lukashenko, the most faithful custodian of the Soviet model, does not prevent it, it would allow Putin to continue after 2024 as the president of a formally new entity and thereby once more dodge the term limits of his current presidential mandate⁴⁰.

On 25th November 2018, Russian coastguards intercepted three Ukrainian warships sailing out of Odessa and trying to cross the Kerch Strait, allegedly for the purpose of health inspections. Beyond the naval skirmish, it was yet another proof of the Russian offensive since it recovered Crimea in March 2014 in order to gain control of both shores of the Sea of Azov, including the Ukrainian coast.

It was only one of many incidents in these waters — which are legally considered internal waters shared by both countries as established by a treaty signed in 2003 — since the inauguration in March of the bridge between Crimea and Russia, into which Russia had poured around 3 billion euros and which was completed in record time.

Russian interferences in the Sea of Azov have multiplied following the blockade of Donbass by Kiev and may have been exaggerated by the Ukrainian president Petro Poroshenko to put NATO to the test again and fish for lost nationalist votes ahead of the 2019 election⁴¹.

On the first weekend of the year, the Orthodox Church in Ukraine announced its final split from Moscow's Orthodox Church. This somewhat election-friendly move, which received the blessings of Bartholomew I, the Ecumenical Patriarch of Constantinople, came as a result of Poroshenko's pressure and represents another hard blow for Putin, adding to the tension⁴².

The multidimensional conflict in Ukraine (military, political, diplomatic, propaganda-based, cybernetic etc.)⁴³, which has lasted more than three years, killing more than 10,000 people and displacing over a million, is making politicians look for alternatives, for example a pact of neutrality. This is what George H.W. Bush recommended, whose death last 30th November was one of the few moments of national unity and solidarity across the USA.

³⁹ «Why the world should be paying attention to Putin's plans for Belarus». The Washington Post, 4 January 2018 https://www.washingtonpost.com/opinions/global-opinions/why-the-world-should-be-paying-attention-to-putins-plans-for-belarus/2019/01/04/40c8d7cc-1043-11e9-831f-3aa2c2be4cbd_story.html?utm_term=.09f74ad6247d.

⁴⁰ «Belarus: He had a friend in Minsk». The Economist, 12 January 2019, p. 21.

⁴¹ DELANOË, Igor. «La Russie s'affirme en mer Noire». LeMonde Diplomatique, enero de 2019, p. 1 y 12.

⁴² «A tale of two patriarchs. The Economist, 12 January 2019, p. 22.

⁴³ VASILYEVA, Natalya. «Russia's conflict with Ukraine: An Explainer?» Military Times, 26 November 2018 <https://www.militarytimes.com/news/your-military/2018/11/26/russias-conflict-with-ukraine-an-explainer/>.

Funeral of George H.W. Bush

Carol Giacomo, former diplomatic correspondent for Reuters in Washington, who has travelled the world with eight different Secretaries of State and who is an editorial board member at The New York Times, examined various photos taken at the funeral of the 41st US President in order to underline risks faced today.

The photographs show former presidents Jimmy Carter, Bill Clinton, George W. Bush and Barack Obama, former Secretaries of State Henry Kissinger, George Shultz, James Baker, Colin Powell and Madeleine Albright, and next to them Sam Nunn, William Perry and Lee Hamilton.

Transcending ideologies and party loyalties, this old guard has continued to exercise a major influence on international security. They reflect «varying realist, internationalist, pragmatic and political tendencies», but all «value America's alliances, especially with Europe; believe in American strength but not winner-take-all dominance; support working within the United Nations and other multinational institutions; understand the sustained effort needed to build trust with friends and manage adversaries; include human rights and rule of law as part of the agenda; and recognize the limits of cozzing up to despots»⁴⁴.

Without wanting to canonise them, «all made mistakes, starting with Kissinger, [...] in Vietnam and [...] the coup in Chile. Still, individually and sometimes in groups, they have brought reason, experience and a sense of history to bear on national security debates. That's a valuable contribution in an era when President Trump and his enablers are trampling on the values, norms, institutions, treaties and relationships that have maintained Western stability and democracy for decades»⁴⁵.

The world in 2019 «looks wobbly,» wrote Daniel Franklin in his presentation for The Economist's look ahead to the New Year⁴⁶. «From Brazil to Italy, there are more populists in positions of power, the economy is more fragile than a year ago, the markets are jittery, a trade war between China and the US has started, technology (and tech firms) are giving rise to growing concerns and the international rule-based system is under threat», he added. «Bad times for making predictions»⁴⁷.

Javier Solana shared his pessimism and like many others pointed to Trump as the main person responsible. «Sadly, 2018 will not be remembered as a

⁴⁴ GIACOMO, Carol. «Why Trump should listen to the old guard?». The New York Times, 30 December 2018, <https://www.nytimes.com/2018/12/30/opinion/foreign-policy-leaders-bush.html?rref=collection%2Fsectioncollection%2Fopinion-editorials>.

⁴⁵ IBID.

⁴⁶ «The World in 2019». *The World in 2019*, op. cit. p. 13 <https://ukshop.economist.com/products/the-world-in-2019?redirect=International> Audio at <https://soundcloud.com/cbsthismorning/the-economist-imagines-the-world-in-2019>.

⁴⁷ IBID.

year of political and diplomatic success», he wrote in his latest collaboration of 2018 for Project Syndicate and a few days later in El País. «Though the international order had already begun to erode in 2017, the global political environment became downright chaotic, combustible, and hostile this year. That is no coincidence, as these are perhaps the three adjectives that best describe the United States under President Donald Trump»⁴⁸.

The most negative events were the tariff disputes, the end of collective leadership in China following the lifting of the limits on presidential mandates, the re-election of Vladimir Putin for a fourth mandate in Russia and his aggressive foreign policy behaviour, the wars of Syria, Afghanistan and Yemen, the rise of populism (a term so ambiguous that it confuses rather than clarifies⁴⁹) in their diverse forms in America and Europe, and Trump's support of the Israel-Saudi-Emirates axis in the Middle East. Among the positive events he cited the lowering of tensions on the Korean Peninsula and the result of the mid-term election in the USA.

«In Europe, 2019 will chiefly depend on three factors: Brexit, the German chancellor Angela Merkel, and the drive for a reform of the EU by the French President Emmanuel Macron», he concluded. «Let's hope that in each case the defenders of democracy, of the rule of law, European integration and multilateralism prevail»⁵⁰.

This looks complicated with the German chancellor and French president weaker than a year ago.

What will happen to the «yellow vests» movement that convulsed France during the final months of 2018, channelling the frustrations of millions of French people – without a clear political or trade union footing, different from traditional social movements, without any identifiable leadership or programme and totally dependent on social media? Following his first concessions, how and for how long will President Emmanuel Macron be able to resist if the pressure is kept up? How high is the risk of it spreading to the rest of Europe? Is there a solution to the underlying problem of the serious and growing inequalities in the most developed countries, starting with France, without a new social contract to address them?

A good place to start, in order to understand the roots of the French movement, are the writings of US political expert Barrington Moore⁵¹ about mass movements in his country during the 1960s and 70s. «The question one must ask oneself is not why people rebel, but why they have not done so before

⁴⁸ SOLANA, Javier. «Good Riddance to 2018». Project Syndicate, 21 December 2018. <https://www.project-syndicate.org/commentary/geopolitical-turn-for-the-worse-in-2018-by-javier-solana-2018-12>.

⁴⁹ FRANK, Jason. «Populism isn't the problem». *Boston Review*, 15 August 2018 <http://bostonreview.net/politics/jason-frank-populism-not-the-problem#.XCSEkriFK1o.twitter>.

⁵⁰ SOLANA, Javier, *op. cit.*

⁵¹ *Injustice: The Social Bases of Obedience and Revolt*. M. E. Sharpe, New York 1978.

and more often in the face of the financial inequalities», wrote Professor Laurent Bonelli in January⁵².

«It is too early to conclude that we are staring at the abyss of yet another failed French presidency», points out Wolfgang Münchau. «He still has time to recover. But that would require a dramatic presidential reboot. This may have started already when he agreed a discretionary fiscal boost to appease the [...] demonstrators».

If Macron does not recover before the European election, the European Council would lose its main protector, since Merkel has reached the twilight of her career following her withdrawal from the CDU's leadership and her announcement that she will not stand again as candidate for chancellor. «It is unlikely that she will invest her remaining political capital in the EU, considering that she has always done the minimum to avoid the collapse of the Eurozone and has never thrown her full weight behind European integration»⁵³.

Trump's second year

In «Trump's first year», the title of our introduction to the Strategic Panorama of 2018, we recognised that the worst had been avoided in 2017, and that 2018 would see, for better or for worse, the main lines of force of his presidency revealed. Everything indicates that the situation has worsened.

This became abundantly obvious at the NATO summit in Brussels in mid-July where the US president again threatened the allies with a US withdrawal from the Alliance unless the partners increased their contributions⁵⁴. A few days later he offered another great present to Vladimir Putin by publicly recognising in Helsinki that he trusted him more than the US intelligence services.

The great British economist and constitutionalist from the nineteenth century, Walter Bagehot, distinguished two essential elements in executive power: dignity and efficacy. In England the former is represented by the Crown which, like in democratic Spain over the past forty years, has a limited influence on daily life. The latter is the responsibility of the government. In a presidential system such as that of the United States, or semi-presidential like France's, both functions fall on the same person.

Two years after his election, it can be affirmed that «in terms of dignity, President Trump is a disaster for the image of the USA, but this is unlikely to

⁵² «Le soulèvement français. Pourquoi maintenant?» Le Monde Diplomatique, January 2019, p. 13.

⁵³ IBID.

⁵⁴ «NATO Survives Trump, but the Turmoil Is Leaving Scars». The New York Times, 14 July 2018 <https://www.nytimes.com/2018/07/12/world/europe/trump-nato-russia.html?module=inline>.

influence the next election», wrote Thierry de Montbrial in the presentation of his perspectives for 2019⁵⁵.

The main doubts have been clarified, some of the worst auspices have been confirmed, and early in 2019 at least two dynamics with a major global impact were distinguishable in the US: the Trump Administration's radicalisation following the destitution or resignation of its most pragmatic and experienced members, and the Democrats' handling of their regained majority in the House of Representatives until the presidential election in 2020.

«There is a third important dynamic», warned Andrea Rizzi in his predictions for *El País*: «the first wave of decisions by a clearly conservative Supreme Court following the appointments made by Trump»⁵⁶.

Under the title «The Trump Show, season two», in its first issue of the new year, *The Economist* gave a very pessimistic account and warned that «the next two years could be worse [...] taking into account that during the first two (Trump) has been lucky in not having to face any challenge comparable to the ones his two immediate predecessors had to respond to, such as 9/11, Afghanistan, Iraq, the financial crisis, the Arab shake-up and Syria»⁵⁷.

The winds have changed. Although in the fourth quarter the American economy continued to grow 3% (its highest level in ten years) and unemployment continued below 4% (the lowest in almost 50 years), the markets suffered heavy losses during the last weeks of 2018 (between 15 and 20 percent during the final quarter since the year of its highest levels), and all forecasts pointed to a slowing down of growth at a global level.

To those who pointed out that in May this year — assuming the situation continues unchanged — the longest expansive cycle of the US economy in recorded history would be reached and that almost all variables indicated the nearing of the cycle's end⁵⁸, *The Financial Times* recommended revising the research by Pierre Lafourcade and Arend Kapteyn on 120 recessions across 40 different countries over the last 40 years.

Tracking 14 different indicators around specific turning points and comparing historical patterns against current data on the US, the Eurozone and Japan (data on China was not available to them), they created various graphs known as *butterfly charts*. Their conclusion is that «accelerating private con-

⁵⁵ MONTBRIAL, Thierry de. «Perspectives». *RAMSES 2019*, p. 21.

⁵⁶ RIZZI, Andrea. «2019: guía política global para un año de lucha de potencias y de clases». *El País*, 1 January 2019 https://elpais.com/internacional/2018/12/31/actualidad/1546253035_393889.html.

⁵⁷ «The Trump Show, season two». *The Economist*, 5-7 January 2019, p. 7.

⁵⁸ JACOBS, Sam. «19 indicators that suggest the US economy's record expansion is about to come to an end». *Business Insider*, 29 November 2018. <https://www.businessinsider.com/late-cycle-indicators-us-economy-2018-11?IR=T>.

sumption, investment growth and strides in productivity, among other gauges, suggest that the global economy is not yet late cycle»⁵⁹.

In mid-December, in its strategic perspectives for 2019, the bank Banca March estimated world economic growth for 2019 at 3.4%, i.e. three points lower than 2018, and that of the EU at 1.6% (1.9% in 2018)⁶⁰.

The estimates were to a large extent conditioned by the development of the trade tensions unleashed by Trump during the first two years of his mandate, by the decisions of the Federal Reserve and the ECB, the productivity of the emerging markets (which already represent 60% of global GDP), the future of Brexit and that which Jaime de Ojeda, one of the main Spanish observers of US reality, describes as the «growing rogueness of the political climate» in the US.⁶¹

«Trump is fulfilling almost everything he promised», he wrote in his last 'Letter from America' of the year. His list included the move of the US embassy in Israel to Jerusalem, the drastic reduction of aid to Palestinians, the response to repeated use of chemical weapons and operations against ISIS in Syria, the pressure on the allies to increase their contribution to NATO, the appointment of judges, the reduction of taxes and regulations, the withdrawal from and/or boycott of international organisms, the replacement of the North American Free Trade Agreement by another more favourable one for the US, and the tariffs war with China, South Korea, Canada, Japan and the EU.

«If he has not managed (at the beginning of January) to destroy the universal medical insurance of the Affordable Care Act (*Obamacare*) or to get Congress to grant the funds for building the great and beautiful wall with Mexico, it has not been for want of trying»⁶².

«He would not have been able to cause such havoc without the support of the Republican majority in both chambers of the (outgoing) Congress», he adds. «Nonetheless, his rhetorical head-butts and the audacity of his falsities have received more attention thanks to their ample dissemination across the infinite network of social media».⁶³

Within barely hours on 2nd of January this year, he lied or made false statements about three of his favourite targets: Iran, The New York Times and Hillary Clinton. He went on to attribute «the best and safest year» of civil aviation to himself (again falsely). If by 1st January 2018 the most outstanding fact-check-

⁵⁹ SMITH, Colby. «Istheglobaleconomy«latecycle»?FinancialTimes,3December2018<https://ftalphaville.ft.com/2018/12/03/1543813201000/Is-the-global-economy--late-cycle--/>.

⁶⁰ «Banca March prevé que la economía mundial se ralentizará en 2019 al 3,4 %». EFE, 17 December 2018.

⁶¹ OJEDA, Jaime de. «Una tendencia política desde la década de 1980». *Política Exterior*, November-December 2018, p. 22-28.

⁶² IBID, p. 24.

⁶³ IBID.

ing media had registered 1,989 false or misleading allegations since his arrival at the White House, by 31st December they had exceeded 7,600: more than 15 a day in 2018, almost three times more than during the first year⁶⁴. What is surprising is that in spite of everything, in a survey carried out by Quinnipiac in November, 36% of respondents (almost all of those who voted for him and continue supporting him) still considered him «an honest person».

What was most striking for *The Economist* during the first two Trump years was his uncontrollable instinct for acting as a disruptor⁶⁵. It pointed out that the damage caused on issues such as immigration, North Korea and NATO had not yet been followed up by any renewal whatsoever. He had not improved migratory legislation. Kim Jong Un, the North Korean president, though having interrupted the tests and engaged in active negotiations on new summits with Trump and the South Korean President, carried on with his armament programmes. And, although the European partners are contributing a little more to NATO's budget, he had undermined the trust in a relationship that had cost billions and half a century of efforts to build.

Professor Joseph Nye's diagnosis of Trump's first two years and his pessimism with regards to what awaits get to the heart of the issue:

«Trump's non-interventionism protected him from some sins of commission, but one can question whether his mental maps and contextual intelligence are adequate to understand the risks posed to the US by the diffusion of power in this century. As tensions grow, reckoning with Trump may well become unavoidable in 2019»⁶⁶.

Korea, Iran and Russia

In his balance of Trump's second year for *The Washington Post*, Marc Thiessen distinguished ten successes and ten failures. He introduces his list of successes precisely with the appointment during his first two years of office of 85 judges: two for the Supreme Court, 30 for courts of appeal and 53 district judges. «His successful backing of Brett Kavanaugh (for the Supreme Court) helped him broaden the Republican majority in the Senate in November with the defeat of four senators who voted against»⁶⁷.

⁶⁴ KESSLER, Glenn. «A year of unprecedented deception...» *The Washington Post*, 30 December 2018. https://www.washingtonpost.com/politics/2018/12/30/year-unprecedented-deception-trump-averaged-false-claims-day/?utm_term=.95dff9e1fd3f.

⁶⁵ «The Trump Show...», *op. cit.*

⁶⁶ NYE, Joseph. «The Year of Trump». Project Syndicate, 8 January 2019. <https://www.project-syndicate.org/commentary/trump-lacks-contextual-intelligence-to-face-global-risks-by-joseph-s--nye-2019-01>.

⁶⁷ THIESSEN, Marc. «The 10 ten best things Trump has done in 2018». *The Washington Post*, 31 December 2018 https://www.washingtonpost.com/opinions/the-10-best-things-trump-has-done-in-2018/2018/12/31/a2de64b6-0d1b-11e9-84fc-d58c33d6c8c7_story.html?utm_term=.3853d10e46dd.

The other facts that Thiessen describes as successes — many would argue they should be classified as failures, if not profound errors — are the withdrawal from the treaty with Iran; the promise to unilaterally pull out of the 1987 Intermediate-Range Nuclear Forces (INF) Treaty; the military defeat of ISIS in Syria; the summit with North Korea in Singapore; the boost to energy production, outdoing Russia and Saudi Arabia as the main producer of oil; the election of the first women at the head of the CIA; the judicial reform with support from the Democrats; the economic development and rate of unemployment; the liberation, in part as a result of his efforts, of 19 people, among them 16 US citizens, who had been detained in other countries: one of them, the evangelical priest Andrew Brunson, in Turkey, one aid worker and her husband in Egypt, three basketball players and a Texan businessman in China, a former CIA agent in Portugal and a young man from Utah and his wife in Venezuela.

The image of Brunson kneeling before Trump in the Oval Office on 13th October was one of the president's main diplomatic successes during his first two years in the White House and a further proof of his privileged relationship with the Evangelical Church and the absolute priority he gives, in everything he does or says, to his most loyal voters.

Compared to the previous year, the slackening of tensions on the Korean peninsula was surely the most important change in the geopolitical landscape in 2018.

At the end of March North Korea's leader secretly visited Beijing on his first confirmed trip abroad and his first meeting with a foreign head of state. On 26th April, Kim Jong-un crossed the border on foot to meet the South Korean President, Moon Jae-in, in Panmunjom. They agreed to continue working towards the denuclearisation of the whole peninsula and a formal end to the Korean War, following up with a second meeting on 26th May. Beijing's efforts and those two meetings were decisive for the summit meeting between Kim and Trump, on 12th June in Singapore.

Without any reference to deadlines or systems of verification, in the final document they engaged to drive «the complete denuclearisation of the Korean peninsula» in exchange for «safety guarantees» from the US. Trump agreed to suspend the joint military manoeuvres with South Korea as a gesture of goodwill.

In the following months, North Korea handed over the remains of over 50 US servicemen who had died in the war, and North and South Korea re-established land and rail communications as well as re-opening special economic zones, although no progress on denuclearisation was made. Trump's announced visit to Pyongyang was still pending at the beginning of the year, and the US president blamed China for the lack of progress on the denuclearisation of the North. Few doubt that North Korea is an important pawn

in the great challenge of the 21st century: China's transformation into a great power, willing to challenge the hegemonic power⁶⁸.

The unilateral decision to pull out of the 2015 nuclear pact with Iran (Joint Comprehensive Plan of Action, JCPOS), announced on 8th May, and the gradual return of the sanctions within the timetable set out in the agreement (which the rest of the signatories vowed to honour), «is part of a psychological war», responded the Iranian President, Hassan Rouhani. «It leaves the USA with only one alternative and two equally bad options: a nuclearized Iran or another war in the Middle East», declared Barack Obama⁶⁹. The International Court in The Hague declared part of the new US sanctions illegal on 3rd October.

Equally or more controversial was the announcement of the withdrawal — thinking more about China and the Asia-Pacific scenario than Russia — from the INF⁷⁰, which had been signed by Ronald Reagan and Mikhail Gorbachev in 1987, and which the Russians had for years systematically been violating according to Washington⁷¹.

After recalling the innovative effects brought about by the INF towards the end of the 20th century in terms of verification, data exchange, inspections and consultations for mutual trust-building, as well as highlighting its role in facilitating German reunification, the liberation of Central and Eastern Europe and later strategic agreements such as START⁷², the former Secretary of State, George Shultz, and the last President of the Soviet era warned of the risk of destroying all the progress made during the final stages of the Cold War.

«Abandoning the INF would be a step towards a new arms race which weakens strategic stability and raises the threat of calculation errors or technical faults that could lead to a highly destructive war»⁷³, they warned.

⁶⁸ CONTINDTTI, Matthew. «China Remains the Key to a North Korea Solution» National Review, 16 June 2018, <https://www.nationalreview.com/2018/06/north-korea-talks-pressuring-china-key-to-results-from-pyongyang/>.

⁶⁹ HOLPUCH, Amanda. «Donald Trump says US will no longer abide by Iran deal –as it happened». The Guardian. 8 May 2018 (updated on 7 August) <https://www.theguardian.com/world/live/2018/may/08/iran-nuclear-deal-donald-trump-latest-live-updates>.

⁷⁰ US Department of State. Official wording of the treaty at: <https://www.state.gov/t/avc/trty/102360.htm>.

⁷¹ HUDSON, John y SONNE, Paul. «Bolton pushes Trump administration to withdraw from landmark arms treaty». The Washington Post, 19 October 2018, https://www.washingtonpost.com/world/national-security/bolton-pushes-trump-administration-to-withdraw-from-landmark-arms-treaty/2018/10/19/f0bb8531-e7ce-4a34-b7ba-558f8b068dc5_story.html?utm_term=.1c4aa9bb8b8c.

⁷² For the history of these agreements, see Wikipedia, and for the one currently in force until 2021, visit <https://www.state.gov/t/avc/newstart/>.

⁷³ GORBACHEV, Mikhail and SHULTZ, George P. «We participated in INF negotiations...». The Washington Post, 1 December 2018 <https://www.washingtonpost.com/opinions/we-participated-in-inf-negotiations-abandoning-it-threatens-our-very->

The negotiations initiated at the end of October by the Chief of National Security, John Bolton, with the Russian Minister of Foreign Affairs, Sergey Lavrov, and the Secretary of the Security Council, Nikolai Patrushev, could culminate in new strategic agreements between Russia and the USA in 2019 or 2020. This might dispel the fears of Europeans and many Democrats about the dismantling of the last remaining deterrent systems and military cooperation instruments still in place with Moscow. If the negotiations fail — to be truly effective the new agreements should also include China — the tensions between the US, China and Russia will rise and European security will deteriorate.

The inclusion of Syria among Trump's successes, as seen in Thiessen's reports, may sound like provocation. However, it is evident that in 2017-2018 the situation on the ground changed substantially, with one main loser, ISIS, and a winner, the Assad regime — thanks to the support from Russia, Iran and Hezbollah.

The year began with Turkish incursions into the Kurdish enclave of the People's Protection Units (YPG) and the plan to set up a border security force with the rebels of the Syrian Democratic Forces.

On 13th April, Trump brought forward his intention of withdrawing around 2,000 US soldiers who were deployed in the country and ordered, for the second time, a missile attack on three facilities supposedly used in operations involving chemical weapons six days prior in a Damascus neighbourhood. Throughout the year he assisted or looked the other way while Israel carried out air strikes on Iranian and Hezbollah targets in Syria on an almost daily basis.

The Israeli actions, which caused the accidental death of at least 15 Russian soldiers during the Syrian response to one of the incursions, prompted Russia to deliver S-300 anti-air missiles to the Syrian regime at the end of September.

On 27th October, the leaders of Russia, Turkey, France and Germany discussed, without major advances, plans to put an end to almost seven years of war. The absence of the USA from this meeting is a significant symbol of its loss of influence in the region during the last decade in favour of Russia, China and some regional powers, starting with Israel.

Following a telephone conversation with the Turkish president, Trump announced in a tweet early on 19th December the withdrawal of US ground forces — around 2,200 troops distributed across 10 bases — deployed in Syria. The decision ignored or disregarded all advice from his allies, the high command of the Pentagon and National Security, and his own special envoy for the Global Coalition against ISIS.

«We have defeated ISIS in Syria, my only reason for being there», he wrote in his message, contradicting his main security and foreign policy advisors.

[existence/2018/12/04/21c8bd20-f4cc-11e8-bc79-68604ed88993_story.html?utm_term=.a061e2565463](https://www.washingtonpost.com/news/energy-environment/wp/2018/12/04/21c8bd20-f4cc-11e8-bc79-68604ed88993_story.html?utm_term=.a061e2565463).

«We are again leaving our Kurdish allies in the lurch, repeating Obama's mistake in Iraq and killing any trust of any local force in future counterterrorist operations», pointed out Republican senator Lyndsey Graham who for months had been mooted as a possible substitute for Jim Mattis at the head of the Pentagon.

Trump and the generals

In his letter of resignation of 20th December, Mattis recognised his profound differences with the president, underlining the importance of upholding commitments with the NATO allies (29 countries) and within the coalition against ISIS (74) as well as promising a smooth transition until 28th February in the interest of the 2,150,000 soldiers and 732,079 DoD civilians under his command⁷⁴.

Offended, Trump gave him ten days to hand over his post to his second-in-command, Patrick Shanahan, and launched a delicate round of contacts inside and outside of the Administration to clarify, control and reduce the damage caused by his decision which coincided with his announcement to start pulling out about half the US forces from Afghanistan (around 7,000 troops)⁷⁵.

The centrepiece of this damage control operation was a trip by the Secretary of State, Mike Pompeo, to eight countries in the Middle East and his call for a great regional and worldwide coalition against Iran from the American University in Cairo on 10th January – with meagre results. «His ode to Israel did not convince the Egyptians», posted Al-Monitor⁷⁶.

Four days earlier, his Chief of National Security, John Bolton, had promised in Jerusalem that there would be no withdrawal from Syria as long as ISIS had not been completely quashed in the country and until Turkey could guarantee the safety of the Kurdish fighters. His words coincided with official leaks that Trump had accepted, primarily because of pressure from Israel, to extend the initially planned period from one to four months, although this was never officially confirmed⁷⁷.

⁷⁴ «Jim Mattis Resignation Letter». The Washington Post, 21 December 2018. https://www.washingtonpost.com/jim-mattis-resignation-letter/3da5f32d-976e-41ce-b8bf-595cac828cc1_note.html?questionId=54b7205c-9fa6-4a8e-a04a-e830a969bb3e&utm_term=.2d293b0e8372.

⁷⁵ «U.S. to Withdraw About 7,000 Troops From Afghanistan, Officials Say», The New York Times, 20 December 2018, <https://www.nytimes.com/2018/12/20/us/politics/afghanistan-troop-withdrawal.html>.

⁷⁶ AMIN, Shahira «Egyptians decry Pompeo's 'ode to Israel' from Cairo» Al-Monitor, 14 January 2019 <https://www.al-monitor.com/pulse/originals/2019/01/egypt-cairo-speech-pompeo-ode-israel.html>.

⁷⁷ DEMIRJIAN, Karoun «Bolton promises no troop withdrawal from Syria until ISIS contained, Kurds' safety guaranteed». The Washington Post, 6 January 2019. https://www.washingtonpost.com/world/national-security/bolton-promises-no-troop-withdrawal-from-syria-until-isis-contained-kurds-safety-guaranteed/2019/01/06/ee219bba-11c5-11e9-b6ad-9cfd62dbb0a8_story.html?utm_term=.cf567dc69278.

Prior to Mattis, over one hundred high officials of the Trump Administration — among them the main heads of security, diplomacy, justice, communication, economy, the personnel office of the White House and intelligence services — resigned or were sacked.

There is no comparable precedent in US history. The result is a climate of insecurity, uncertainty and growing unease among allies and adversaries.

With his decisions on Syria and Afghanistan in December, wrote Kevin Baron, executive director of Defense One, «the commander in chief has overturned 17 years' worth of counterterrorist plans»⁷⁸.

In a meeting with his Cabinet on 2nd January, broadcast live on television, he declared himself happy to let the Taliban and ISIS kill each other in Afghanistan without any US troops to stop them. In a sort of disorderly soliloquy he then tore up the National Defense Strategy which had been approved only three months earlier by the outgoing Defense Secretary, Jim Mattis, as well as the official strategy for Southern Asia which had been drawn up in September 2017.

To those fearing that the only beneficiaries of the withdrawal would be Russia and Iran he replied that «Syria was lost long ago. It was lost long ago. We're not talking about vast wealth. We're talking about sand and death...»

In other words, lamented Baron, for Trump, the only thing that counts is «Wealth. Not power. Not strategic advantage. Not human rights. Not human life. Wealth.»⁷⁹

He made it clear that he had not read nor did he care about the Pentagon's National Defense Strategy, which justifies the whole effort in Syria along the following points:

- Sustaining Joint Force military advantages, both globally and in key regions
- Deterring adversaries from aggression against vital U.S. interests
- Enabling U.S. interagency counterparts to advance U.S. influence and interests
- Maintaining favorable regional balances of power in the Middle East
- Defending allies from military aggression and bolstering partners against coercion, and fairly sharing responsibilities for common defense
- Dissuading, preventing, or deterring state adversaries and non-state actors from acquiring, proliferating, or using weapons of mass destruction
- Preventing terrorists from directing or supporting external operations against the United States homeland and our citizens, allies, and partners overseas

⁷⁸ «Trump Just Killed His Own Defense Strategy». Defense One, 3 January 2019 <https://www.defenseone.com/politics/2019/01/trump-just-killed-his-own-defense-strategy/153927/?oref=d-topstory>.

⁷⁹ IBID.

«Trump's decision to withdraw ground troops ignores all of these. By asking Turkey to try to fill the void, critics have argued, Trump gives up a powerful American check on all of these threats», concluded Baron⁸⁰.

November election

On 6th November the USA went to bed deeply divided and woke up the following day with divisions running even deeper after hearing the results of the midterm elections.

The Democrats recovered the majority in the House of Representatives, whereas the Republicans increased the minimal advantage they had enjoyed in the Senate since 2014 by two seats.

After recovering, for the first time since 2011, the majority in the House of Representatives — as predicted by all the polls — the Democrats have two years during which they will be more capacitated to block presidential policies, especially interior policy, where the lower chamber has more weight than in foreign policy.

They put this to immediate use, despite the financial and human cost, by not giving in to the president's blackmail of insisting on 5.7 billion dollars for the wall with Mexico and blocking for weeks on end the financial provisions for nearly 30 percent of the Administration, including the Interior Department, in reprisal.

However, they will continue facing severe difficulties to change the direction taken by Trump in 2017 and to stem the rightward drift in Supreme Court appointments. With Nancy Pelosi as the Speaker of the House and the main committees (judicial, banking, finance, espionage, foreign relations...) being run by Democrats, unless there is a radical change of attitudes in both parties, the possibilities of carrying through bill proposals are significantly reduced. In other words, two more years of polarisation and paralysis await unless a miracle occurs.

The elections were a referendum on Trump's handling of the White House and there were neither great winners nor losers. Those who had prophesied a tsunami woke up to a tidal change. «Tremendous success tonight», was Trump's first tweeted comment in the early morning.

He was exaggerating, as usual, but at least on the surface he had consolidated his control over the Republican Party against which he had won the 2016 elections. And his candidacy for re-election in two years' time is more or less secured barring any surprises in the final report of Special Counsel Robert Mueller. Reagan was re-elected in 1984, Clinton in 1996 and Obama in 2012 after their parties had lost the mid-term elections two years earlier.

⁸⁰ IBID.

Trump was confident that he would follow in their footsteps if the economy performed accordingly. The president was not on any ballot, but took part in campaign events and via Twitter (with 50 million followers), as if already engaged in the presidential election of 2020. Crucial States for the presidential election such as Texas and Florida are still held by Republican governors and senators who could help him achieve his goals.

If the Democrats had taken back control of both chambers of the Capitol, they would have been able to initiate an impeachment process, which requires the submission of a request by one representative and a simple majority (51%) in the House. They could still launch it, but it would be a pointless effort. They would hardly obtain the two thirds (67%) necessary in the Senate for it to prosper. If it did, however, it would be the first time in history, as Nixon stepped down before being impeached.

Without the Senate they have to content themselves with re-opening some closed investigations (such as the goings-on between Trump and Putin), opening others into allegations of corruption and family businesses, and stemming the demolition of Obama's legacy. They will be a nuisance and dig up a lot of dirt on the Trumps — which they have already started to do since the opening of the new Congress on 3rd January — but the ultimate decision lies in the hands of Special Counsel Mueller and the jury, whose mandate was extended by another six months in January.

In 35 of the last 38 mid-term elections the party occupying the White House lost the majority in the House of Representatives, and 2018 was no exception. Only on two occasions since 1958 had the incumbent party in the White House gained seats in the lower chamber — with Bill Clinton in 1998 and George W. Bush in 2002. Thus the 2018 result reflects continuity rather than rupture. Those who expected a tsunami had to content themselves with a tidal change.

With their majority in the lower chamber, the Democrats set out to harden the US stance on Saudi Arabia, Russia and North Korea, and to moderate the tensions with Iran. Trump and his Secretary of State, Mike Pompeo, will have less room for manoeuvre to continue negotiating with Putin and Kim Jong Un without being accountable to anybody.

The tug-of-war with China, the great game of the 21st century, will hardly change. Both parties are divided over the trade war, but Adam Schiff⁸¹, the new Chairman of the House Intelligence Committee, and most of his party colleagues, support the retaliatory measures against companies such as ZTE Corp and Huawei Co Ltd to counter industrial espionage.

Most Democrats are opposed to the withdrawal from the nuclear deal with Iran. However, while the Republicans control the Senate and remain

⁸¹ TOOBIN, Jeffrey. «Adam Schiff's plans to obliterate Trump's red line». *The New Yorker*, 24-31 December 2018, <https://www.newyorker.com/magazine/2018/12/24/adam-schiffs-plans-to-obliterate-trumps-red-line>.

united with the White House, the Democrats will not be able to do much to change this.

The historians' view

What will history books say about 2018? This question was asked by Politico Magazine, one of the most influential digital news publications, at the end of December. To get an idea, they invited seventeen renowned academics to imagine themselves in the middle of the 21st century or at the turn of the next century looking back at the developments of the past twelve months.

«As a year of distraction», responded Joseph J. Ellis⁸², a leading authority on American history, «The American media was obsessed with the frivolous and fractured presidency of Donald Trump. Unmentioned [...] were the following movements in the historical templates fated to shape our own world: the ascendance of the Asian Empire, then called China; the crisis of confidence in all three branches of the federal government, which led to the calling of the Second Constitutional Convention and our current American Confederation; the accelerating erosion of the Greenland glacier, which eventually forced the evacuation of our coastal cities»⁸³.

«The year 2018 was reckoning time for those stubborn optimists who believed that the end of the Cold War would inevitably bring a more prosperous, interconnected world», wrote Jacqueline Jones, Professor of American history at the University of Texas at Austin.

«The global economy was enriching a few and consigning the many to ill-paid jobs. Social media users sought to undermine free elections at home and abroad, and fanned the flames of hate and division *via* Facebook, Twitter and Instagram», she added. «The late 20th-century ideal of a world moving inexorably toward universal human rights and the eradication of poverty crumbled under the weight of terrorist attacks, civil wars, massive displaced populations, and environmental disasters such as droughts, wildfires, hurricanes and floods. Meanwhile, enemies of democracy joined with reactionaries to embrace authoritarian «strong men» who vowed to bring order out of chaos and restore nations to their mythical former glory»⁸⁴.

If Trump is not re-elected in 2020, said H. W. Brands, biographer of Andrew Jackson, the president who best represented the character and model of leadership of the current White House incumbent, 2018 will signify in spite of all the «sound and fury, in the end, very little.» If he is re-elected and his decisions

⁸² Author of *American Dialogue: The Founding Fathers and US*. Alfred A. Knopf, New York 2018. <https://www.amazon.com/American-Dialogue-Founders-Joseph-Ellis/dp/0385353421>.

⁸³ «What Will History Books Say About 2018?» Politico Magazine, December 2018 <https://www.politico.com/magazine/story/2018/12/28/what-will-history-books-say-about-2018-223561>.

⁸⁴ IBID.

are validated, 2018 will have «marked the moment when America's abdication of its role of leadership in the world, begun in 2017, grew [...] irreversible». This process which was launched by the US government has «made America, in the eyes of much of the rest of the world, a rogue state» and converted the Chinese President into «the most consequential person in the world»⁸⁵.

For Nicole Hemmer, assistant professor of presidential studies at the Miller Center at the University of Virginia, «In 2016, a political earthquake hit the United States. In 2018, we got our first real look at the fault lines it exposed and the extent of the damage that it did»⁸⁶ and the first reactions: the rise of women who were elected (almost all of them representing the Democratic Party) in the November elections, sexual assault accusations against Brett Kavanaugh during his Supreme Court confirmation, the backdrop of escalating hate crimes against [minorities] and women, including the deadliest anti-Semitic attack in American history and responses by force against emigrants at the Mexican border (separating migrant families, erecting detention camps at the border and using teargas on refugees).

«The slow decline and eventual fall of America's dominance in the world began with its debacle in Indochina 50 years earlier. But that decline accelerated in 2018», replied Michael Kazin, Professor of History at Georgetown University. «A delusional president who thought his daily threats and boasts could replace shrewd diplomacy was unable and unwilling to prevent China from expanding its markets and influence in East Asia and Africa. [...] In his one unhappy term in the White House, the man who vowed to «Make America Great Again» made it less powerful and persuasive around the globe and more vulnerable to environmental damage at home.»⁸⁷

Lizabeth Cohen from Harvard explains that 2018 taught many US citizens a lesson in history that was regarded as already learnt after the Civil War. Two examples — the deep cultural, economic and political divide between Trump adversaries and supporters, the xenophobic and nationalist or anti-Semitic attacks in Charlottesville, on a synagogue in Pittsburgh or a newspaper in Annapolis — prove in her opinion that the USA is no longer — if ever it was — immune to the virus that destroyed Europe twice during the first half of the 20th century.⁸⁸

Internal problems — reflected by the #MeToo movement, Special Counsel Robert Mueller's investigations, the controversial confirmation of a Supreme Court judge appointment, or the trade sanctions imposed by Trump, the self-proclaimed «tariffs man» — deflected attention from the big news: humanity's failure to slow down climate change, laments Elizabeth Cobbs, Professor of American history at Texas A&M University.

⁸⁵ IBID.

⁸⁶ IBID.

⁸⁷ IBID.

⁸⁸ IBID.

Another renowned historian, David Greenberg, of Rutgers, sees greater danger in the advance of populist authoritarianism across geographically distant countries such as Mexico, Italy, Brazil, Russia, Turkey and Saudi Arabia or the crisis of legitimacy of the three main European leaders: Merkel, May and Macron.

Returning to the USA, Heather Cox Richardson, of Boston College, believes that «2018 resembled the pivotal year of 1856, when a revolt against the Democratic Party's control of the federal government in the interests of wealthy Southern slaveholders prompted Americans to reject the Democrats and begin the process of taking their democracy back»⁸⁹.

Appearances can be deceptive, warns Meg Jacobs, of Princeton. The Democrats' majority in the House of Representatives on 6th November, Trump's low popularity ratings, the convictions of some of his chief advisors, the numerous destitutions and resignations inside his Administration and the open war on the media led many to believe that his days were numbered, but while the bulk of the Republican Party continues supporting him and his constituency continues receiving what it wants, he will be able to resist.

«Over the course of 2018, the U.S. government experienced more turmoil at its highest level that [sic] at any time since the Watergate-sodden year of 1973», affirms Timothy Naftali, from New York University and former director of the Richard Nixon Presidential Library and Museum in California from 2007 to 2011⁹⁰.

International law and democracy

Every time an international or national system slips into a structural crisis, political and diplomatic solutions of conflicts become more difficult and both public and private actors recur much more frequently to the courts in search of justice⁹¹.

In February 2018, the International Court of Justice (ICJ) for the first time approved compensations for the damages caused in the environmental lawsuit between Costa Rica and Nicaragua, and the Inter-American Court of Human Rights issued an advisory opinion on the right to a healthy environment in the Wider Caribbean Region.

The Novichok nerve agent attack on a former Russian agent and his daughter in Salisbury (UK), the neutralisation of a cyberattack against the Organisation for the Prohibition of Chemical Weapons with headquarters in the Nether-

⁸⁹ IBID.

⁹⁰ IBID.

⁹¹ ALSTEIN, Merel. «Top ten developments in international law in 2018». Oxford Public International Law, 31 December 2018, <https://blog.oup.com/2018/12/top-ten-developments-international-law-2018/>.

lands, and above all, the murder of the Saudi journalist Jamal Khashoggi in the Saudi consulate in Istanbul in October are examples of severe violations of the law which are reminiscent of the worst moments of the Cold War.

Did, as some maintain, Khashoggi's assassination change the new direction of Middle Eastern relations as part of the drive by Saudi Arabia, Israel and the Gulf countries to normalise relations with the Syrian regime in return for loosening its ties to Iran, or did it only delay it?⁹²

In April, the Palestinian Authority filed the first interstate complaint against Israel before the Committee on the Elimination of Racial Discrimination of the UN's human rights system. In May, the Palestinian Foreign Affairs Minister submitted a referral of the situation of Palestine to the International Criminal Court, and in September the Palestinian Government accused the USA before the ICJ of violating the Geneva Convention on Diplomatic Relations with its embassy's move from Tel Aviv to Jerusalem. The ICJ will now have to decide whether it has jurisdiction in the case or not.

Following more than 40 years of conflict without any visible solution and with Morocco controlling around two thirds of Western Sahara, the European Court of Justice in February decided that the fishing agreement between the EU and Morocco does not apply to Sahrawi waters. However, only a few months later the European Commission, acting as if it was a separate organisation, extended the benefits granted under the EU-Morocco Association Agreement to products from Western Sahara.

The Inter-American Court of Human Rights ruled that same-sex marriage is legal in its member states, defended the critics of the Venezuelan regime and approved extraterritorial jurisdiction in certain cases relating to violations of environmental rights.

The EU, Canada, Mexico and China, amongst others, appealed to the World Trade Organisation against the trade war which the USA has declared on the pretext of defending its national security. However, the Trump Administration vetoed the replacement of judges on the WTO's appeals committee in order to block the move.

Following almost two years of negotiations and consultations, July saw the approval and December the adoption of the first non-binding world migration agreement (Global Compact for Safe, Orderly and Regular Migration⁹³) in a bid to put some measure of order into the management of the almost 260 million migrants in the world.

⁹² SILVERSTEIN, Richard. «Khashoggi murder leads to fundamental regional alignment...» Eurasia Review, 11 January 2019 <https://www.eurasiareview.com/11012019-khashoggi-murder-leads-to-fundamental-regional-alignment-public-enemy-number-1-is-now-turkey-oped/>.

⁹³ Documento final de la Conferencia. Asamblea General de la ONU, <http://undocs.org/es/A/CONF.231/3>.

With the false excuse that the agreement forces countries to throw open their doors to immigrants, it was rejected by more than 30 countries, among them the USA, Switzerland, Israel and six EU countries (Hungary, Poland, Slovakia, Austria, Bulgaria and the Czech Republic). Italy postponed its decision and the Belgian government lost the majority in parliament when the Flemish right-wing party dropped out of the coalition in protest.

If democracy was measured only by the number of elections, 2018 would have been a winner, with 2019 not trailing far behind.

From Russia in March, to the Democratic Republic of the Congo on 30th December, over 80 countries held local, regional, general and/or presidential elections in the course of last year, and over fifty countries will do so this year. The most important, barring any surprises, are those of the EU, Canada, Argentina, Nigeria, South Africa, Ukraine, India, Indonesia, Afghanistan (always touch and go) and Israel, brought forward from November to 9th April⁹⁴.

Based on five categories — electoral processes and pluralism, civil liberties, functioning of governments, political participation and political culture — and four types of regimes — fully-fledged democracy, fragile democracy, hybrid regime and authoritarian regime — the 2018 Index of Democracy of the Economist Intelligence Unit (in its eleventh edition) offers a complex picture (see figure 4).

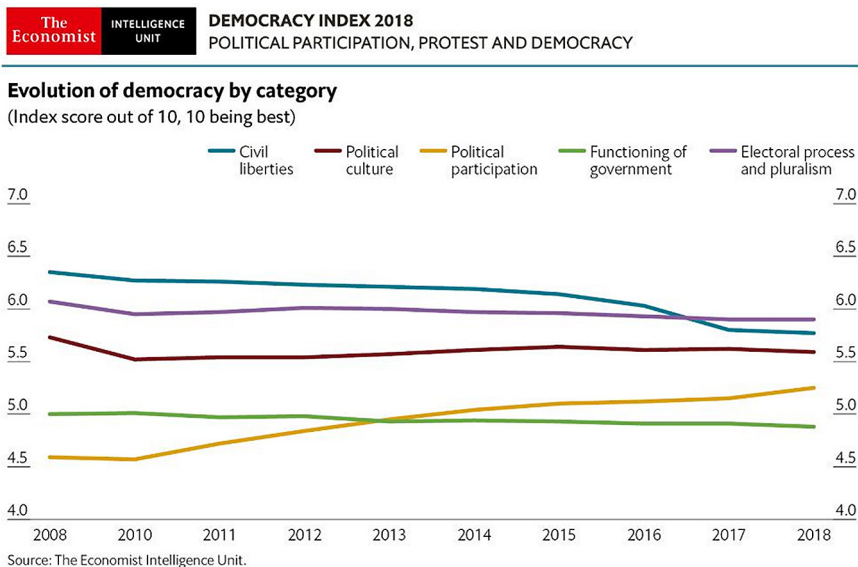


Figure 4 – Development of democracy in the world since 2008.

⁹⁴ LINDSAY, James. M. «Ten elections to watch in 2019» CFR, 12 December 2018 <https://www.cfr.org/blog/ten-elections-watch-2019>.

The report concludes that only 4.5% of the planet's inhabitants live in full democracy and more than a third are still under authoritarian regimes (with China's weight still accounting for a large share of the latter figure). «For the first time in three years the democratic decline has been interrupted: democracy deteriorated in 42 countries (89 in 2017) and improved in 48»⁹⁵.

The countries where civil liberties deteriorated the most in 2018, according to the index, were Nicaragua and Venezuela in Latin America, and Russia, Turkey and Italy in Europe. The countries showing greatest progress were Costa Rica, Armenia, Macedonia, Ecuador, Haiti and Tunisia. In terms of variables, the one showing the greatest improvement is political participation, especially of women. Looking at tendencies, the report underlines the persistent rise of populism and anti-establishment forces in countries such as Mexico, Brazil and Italy, which seems to indicate that the two processes are mutually reinforcing.

One of the most worrying tendencies for democracy is the parallel development of «an enhanced capacity for electronic surveillance» by state and non-state actors and «the weakening of democratic control and civil freedoms», warned John Lloyd, co-founder of the Reuters Institute for the Study of Journalism at the University of Oxford in his 2019 commentary⁹⁶.

The news, which became public in March last year, that the British consulting firm Cambridge Analytica (which closed two months later) had used an application to collect vast amounts of data from Facebook users without their consent and for political purposes, accelerated the passing of a new General Data Protection Regulation in the EU and triggered widespread fears regarding the lack of control of major technologies and their easy manipulation at the service of all kinds of interests – legal and illegal.

Lessons of the past

If 2018 was a year filled with anniversaries of great historical significance — the first centenary of the end of World War I, half a century since the Tet offensive in Vietnam, 25 years since the European Single Market, 20 years since the euro, 40 since the reforms in China and democracy in Spain — 2019 is not lagging behind⁹⁷.

⁹⁵ «The retreat of global democracy stopped in 2018». The Economist, 8 January 2019 <https://www.economist.com/graphic-detail/2019/01/08/the-retreat-of-global-democracy-stopped-in-2018>.

⁹⁶ LLOYD, John. «Commentary: 2019 will be the year of more state control». Reuters, 4 January 2019. <https://www.reuters.com/article/us-lloyd-surveillance-commentary/commentary-2019-will-be-the-year-of-more-state-control-idUSKCN1OY10A>.

⁹⁷ LINDSAY, James M. «Ten anniversaries to note in 2019». CFR, 3 December 2019 <https://www.cfr.org/blog/ten-anniversaries-note-2019>.

On 20th September, 500 years will have passed since the departure of five vessels from Sanlúcar de Barrameda in Cádiz, carrying 239 sailors led by Fernando de Magallanes and Juan Sebastián Elcano on the first circumnavigation of the earth, a feat that was only accomplished by 18 surviving members of the original party almost three years later⁹⁸.

On 20th July, half a century since the first moon landing will be remembered, and from 1st to 22nd July, 75 years since the Conference of Bretton Woods, the basis for the international post-war system which is now in crisis; a few days later it will be the turn of D Day, the beginning of the end of the Nazi's grip on France and Western Europe.

In Africa, the anniversary marks 25 years since the best — Nelson Mandela's election as President of South Africa — and the worst: the genocide in Rwanda. The majority in Mexico, Canada and the USA will celebrate 25 years since the first North-American Free Trade Agreement in spite of Trump. However, above all other commemorations, the eyes of the media will be trained on the Versailles Treaty (1919) and the fall of the Berlin Wall (1989). To avoid the mistakes of the past, it is worth remembering some of the key points of the 1918 armistice and the 1919 Paris Treaty.

The armistice was not a consensual agreement but an ultimatum which the Germans — following four years of a war which they had embarked upon in the conviction of repeating Bismarck's feat of 1871 — had no choice but to accept. The conditions were dishonourable and humiliating, one of the most powerful seeds at the origin of the major conflicts in history.

According to historian Margaret MacMillan, it would be an oversimplification to regard that armistice as the only source of revanchism which levered the Nazis into power via the ballot box, leading to another surrender 20 years later: of France this time — signed in the same rail carriage and on the same desk.

Her books and conferences about the crisis of the 20 interwar years, the two World Wars and the new international society born out of their ashes are the best compendium of lessons for the challenges facing the 21st century.

«This outcome was not foreordained at Versailles», she warns. «Although some of the decisions made upon ending the war in 1919 certainly fueled populist demagoguery and inspired dreams of revenge, the calamity of World War II owed as much to the failure of the democracies' leaders in the interwar decades to deal with rule-breaking dictators such as Mussolini, Hitler and the Japanese militarists»⁹⁹.

⁹⁸ V CENTENARIO DE LA PRIMERA VUELTA AL MUNDO. Real Instituto Elcano http://www.realinstitutoelcano.org/wps/portal/riecano_es/sobre-elcano/juan-sebastian-elcano.

⁹⁹ MACMILLAN, Margaret. «Warnings from Versailles». *Foreign Affairs*, 8 January 2019. <https://www.foreignaffairs.com/articles/europe/2019-01-08/warnings-versailles>.

«A century later, similar forces — ethnic nationalism, eroding international norms and cooperation, and vindictive chauvinism — and authoritarian leaders willing to use them are again appearing. The past is an imperfect teacher, its messages often obscure or ambiguous, but it offers both guidance and warning»¹⁰⁰.

The first lesson, applied successfully since the Peace of Westphalia (1648) at the Congress of Vienna (1815) and following the main wars of the 19th century, is to treat adversaries as necessary and permanent partners both in victory and in defeat. Otherwise, once the balance of an international system is broken and war sets the pendulum of the scales swinging, the stability lost by a war can never be recovered.

The second lesson is to avoid at all costs the harnessing of nationalist passions in order to mobilise a nation in favour of a cause (noble as it may be), as no other ideology possesses so much emotive power or becomes so difficult to control once it has been unleashed.

The third lesson is that a humiliated country always looks for scapegoats, legends and myths to escape from reality. The Germans found them in the «November Criminals» and in Erzberger who was assassinated two years after signing the armistice, as Germany's main civilian leaders and General Paul von Hindenburg had instructed him to do in two separate telegrams following the Kaiser's abdication two days earlier. They were driven by the fear of a communist revolution erupting in Berlin, following the example of Saint Petersburg.

No armistice or ceasefire — fourth lesson — automatically brings about peace. On the contrary, after the silencing of weapons most wars leave behind embers which sooner or later end up igniting new conflicts.

In his blindness, Marshall Foch helped to create Hitler. Without Balfour and the borders drawn in the Middle East at Versailles, the conflicts of the past 70 years in this region are incomprehensible. At the time of writing (15th January), the Korean War had still not moved beyond the armistice to the signing a peace treaty, and the wounds of civil wars such as that of the USA (1861-1865) and Spain (1936-1939) still refuse to heal.

To defeat the Soviet empire in Afghanistan in the 1980s, the USA armed the Mujahedeen and with them planted the seed for Al Qaeda. And to finish off Saddam Hussein who was already caged in between 1991 and 2002, they opened the gates of Iraq to Iran's influence, the great US enemy since 1979.

I warned Robert Kagan, author of *Power and Weakness*, about this while he was on his way through Madrid shortly before the invasion of Iraq in 2003, and he replied: »Yes, but it's time someone kicked the wasps' nest of the Middle East«. Not paying heed to his own father's advice, George Bush put in that kick and fifteen years on, the war continues.

¹⁰⁰ IBID.

Unilaterally withdrawing from Afghanistan and Syria, without any pact or concession from the adversaries, will only harm the allies.

Risks and threats

In each of the last issues of the Panorama we have looked at the results of the Council on Foreign Relations' annual study of risks and threats or 'Preventive Priorities Survey'.

The study of this New York-based think-tank is based on an initial list of around one thousand hotspots of conflict and hazards, on the basis of which around six thousand academics, politicians, diplomats and military experts specialised in security and foreign policy rank the 30 they consider most serious — based on the likelihood of occurring in the 12 months following and/or their potential impact — in three groups (rated in terms of high, moderate or low potential impact) and nine sub-groups (high, medium and low likelihood in each group)¹⁰¹.

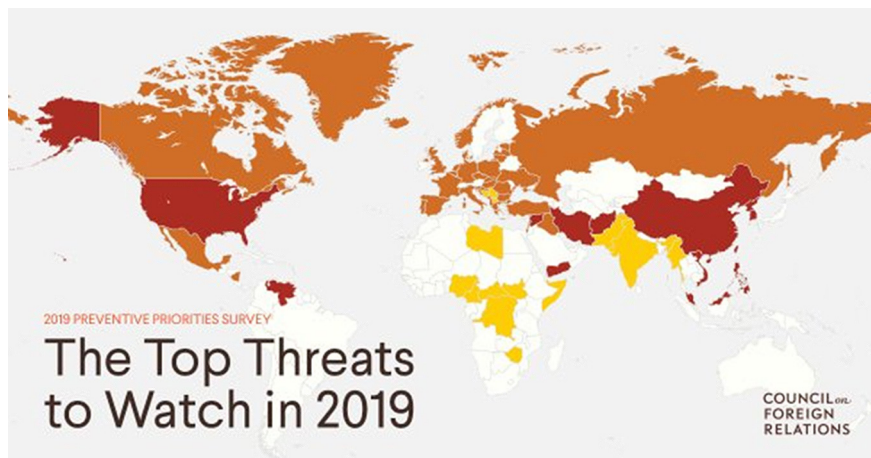


Figure 5.

For 2019 there is not any case of maximum risk level, i.e. high impact and likelihood. Five cases of high impact and moderate likelihood are listed in the following order: a highly disruptive cyberattack on networks and/or infrastructures; the breakdown of negotiations over Korea and resumption of tensions; a possible armed confrontation between Iran and the US or one of its allies; a military confrontation over disputed waters in the Southern Seas of China; or another large-scale terrorist attack on US territory or one of its allies.

¹⁰¹ «Preventive priorities survey 2019». CFR https://cfrd8-files.cfr.org/sites/default/files/report_pdf/PreventivePrioritiesSurvey2019_Web.pdf.

Listed as moderate impact but high likelihood are, in this order, Syria, Venezuela, Yemen and Afghanistan. With the same level of impact, but low or reduced risk of occurring, the list includes a possible clash (deliberate or otherwise) between Russia and NATO in Eastern Europe and a serious crisis between the US and China over Taiwan before the 2020 elections on the island.

The same category should include — judging by the threats that were exchanged in January — the risk of the old conflict between Russia and Japan over the Kuril Islands re-erupting, which has been more or less dormant since World War II¹⁰².

Included under the category moderate impact and likelihood are an intensification of the skirmishes between Israel and Hezbollah in Lebanon and/or Syria, the worsening of drugs-related crime in Mexico, increased instability in Iraq, and intensification of combats in eastern Ukraine, a further escalation of tensions between Israel and the Palestinians, a deterioration of the situation in Nicaragua and a rise in the number of Turkish attacks against Kurds on their territory and in neighbouring countries.

The third group — moderate impact and low likelihood — includes an armed clash between India and Pakistan or renewed military confrontation between China and India over contested border territories. Ranked as low or limited impact and relative or moderate likelihood of occurring, there is an escalation of violence in Libya and the end of the peace process; an exacerbation of the conflicts in Nigeria (Delta, Boko Haram...) coinciding with the elections; an increase of the attacks of al-Shabab in Somalia and/or neighbouring countries; the post-election situation in the Democratic Republic of Congo if the losing side does not accept the official result; new bouts of violence against the Rohingya refugees in Myanmar; resumption of combats in South Sudan; an escalation of violence in Central African Republic; confrontations in Zimbabwe; and a worsening of the conflict in Cameroon between security forces and the English-speaking separatist movement.

Finally, the latent tensions in the Balkans are ranked as low impact and low likelihood, although they could be rekindled into violent outbreaks if no steps are taken towards a reconciliation.

As can be seen, cyber-threats have become the number one priority. In the first half of 2018 more files containing financial data, names, address, age, gender and credit card details were stolen than in the whole of 2017. The proliferation, magnitude, seriousness and growing sophistication of the cyberattacks call for more effective resources, strategies, policies and laws.

¹⁰² «Russia Warns Japan on Islands Dispute as Peace Talks Resume». The Moscow Times, 14 January 2019 <https://themoscowtimes.com/news/russia-warns-japan-on-islands-dispute-as-peace-talks-resume-64127>.

In June last year, the European Central Bank ran a simulated response exercise to a massive cyberattack on some of the main financial infrastructures, and at the beginning of December, the G7 Cyber Expert Group announced «the first global cross-border cyber crisis simulation exercise» to take place in 2019¹⁰³.

Many of the most decisive and obscure battles over hegemony in the 21st century are being fought out in cyberspace. Due to the hybrid nature of the Internet and cyberwar, the effect of the numerous attacks known so far still «is more corrosive than explosive»¹⁰⁴.

«Cyber-operations are emblematic of a new style of competition in a world where less power is concentrated in the hands of a single superpower», warn the former US Under Secretary of Defence, Michèle Flournoy, and former Director for Plans and Operations for Cyber Policy at the Pentagon, Michael Sulmeyer. «They are deniable and scalable, and suitable for war, peace, and much in between. In operation after operation, many of them hardly registered by the wider world, states are weaponizing the Internet»¹⁰⁵.

Strategic Panorama 2019

«Liberalism made the modern world, but the modern world is turning against it», warned *The Economist* in its Manifesto of 13th September 2018 on the 175th anniversary of its founding. «It follows that the break-up of the Soviet Union in 1991 did not suddenly make America safe. If liberal ideas do not underpin the world, geopolitics risks becoming the balance-of-power, sphere-of-influence struggle that European statesmen grappled with in the 19th century.»¹⁰⁶ In this new edition of the *Strategic Panorama*, the 23rd issue since it was first published near the end of last century, the Spanish Institute for Strategic Studies, headed by General Francisco José Dacoba Cerviño, analyses the dominant short and medium-term trends and risks, trying to anticipate patterns and explain the causes of friction or system collapse – of course, in the knowledge that predicting an increasingly uncertain future is fraught with problems.

Half-way between individual research studies and collective efforts by dozens of authors, such as the strategy and security yearbooks of think-tanks

¹⁰³ «El G7 realizará en 2019 el primer simulacro global de crisis por un ciberataque». Europa Press, 7 December 2018. <https://www.europapress.es/economia/finanzas-00340/noticia-g7-realizara-2019-primer-simulacro-global-crisis-ciberataque-20181207165938.html>.

¹⁰⁴ FLOURNOY, Michèle y SULMEYER, Michael. «Battlefield Internet. A Plan for Securing Cyberspace». *Foreign Affairs*. Special issue on the World War Web, September-October 2018, p. 40. <https://www.foreignaffairs.com/articles/world/2018-08-14/battlefield-internet>.

¹⁰⁵ IBID

¹⁰⁶ «A manifesto». *The Economist*, 13 September 2018, p. 11.

such as IFRI, IISS, SIPRI or the now classic prospective work of The Economist, *The World in...*, the *Strategic Panorama* is the result of the collaboration of five or six highly renowned authors every year.

The selected authors this year are Professor Federico Steinberg (The Autonomous University of Madrid) and Professor Miguel Otero-Iglesias (IE University), the leading researchers of Spain's Elcano Royal Institute; Colonel José Pardo de Santayana, chief analyst at the IIEEE; and Colonel José Luis Calvo Albero, director of the Coordination and Security and Defence Studies Division of the Defence Ministry; Carlos Echeverría Jesús, Professor of International Relations at the UNED (Spanish distance-learning university); and José Antonio Sanahuja, Full Professor of International Relations at the Complutense University of Madrid and current Director of Fundación Carolina.

Following IIEEE directives, this year we open with a cross-cutting topic — the global economic situation ten years after the crisis in 2008 — and follow, for the first time since the *Strategic Panorama's* inception, with a bilateral focus on the response of China and Russia to the international system inherited from the Cold War. In the last three chapters we analyse, in the order listed, the changes in the Middle East, Africa and Latin America.

If we had to highlight a dominating idea or common thread in this year's edition, which coincides with the first centenary of the Versailles Treaty ending World War I, and the 30th anniversary since the fall of the Berlin Wall as well as the Tiananmen square massacre, it would be the challenge posed by «the new China» and, as the main source of risk and instability, the hostile use of new technologies.

International economic scenario: growth, uncertainty and risks

Despite the number of political risks looming on the horizon, Professor Federico Steinberg and Professor Miguel Otero-Iglesias anticipate, from their standpoint at the beginning of 2019, a year of growth sustained by the fiscal incentives of the US, the injection of cash by the ECB (despite the end of its programme of quantitative expansion), the reform of the Chinese production model, increased growth in commodity producing countries and the continuing dynamism of the emerging markets.

«The pulse of the Spanish economy should continue to be strong, though somewhat less than in previous years», they write, «at least until some of the great external risks materialize, in particular a Brexit with no accord, a new crisis in Italy (or again in Greece) that spreads contamination towards the South, or the erratic economic policies in Mexico or Brazil inaugurated by atypical presidents, and where many Spanish companies have large investments».

In their chapter, Steinberg and Otero lay bare the main tendencies of the world economy (growing multipolarity, impact of the technological revolu-

tion, rise of inequality and rising rejection of globalisation) and, based thereon, the most probable causes of changes in electoral behaviour in many countries and the increase of votes for anti-establishment forces.

«Reducing the problem to economic decline, inequality and xenophobia may be too simplistic», they warn, which is why they recommend widening the scope to robotics, artificial intelligence and growing mistrust of wide parts of the population in democratic institutions.

If managing an ordered systemic transition as the one described is a challenge of its own, it becomes much more so if it coincides with a US president who «has gone from belittling the EU to attacking it directly», say the authors. «European leaders feel confused, betrayed, uncomfortable and vulnerable» and are divided on how to respond.

«There are two possibilities: Trump is a temporary accident or that, on the contrary, he is a symptom of something more profound that has arrived, which would force European countries (and above all the Union) to modify their alliances as well as their foreign policy, in particular regarding security and defense».

«From a geostrategic point of view, it would even make some sense that, to the extent that the great geopolitical confrontation of the 21st Century will be between China and the US, the American Administration would be interested in weakening the EU to prevent that on some issues (especially the economic ones) the EU should adopt a certain equidistant position between the two giants».

The two researchers from Elcano Royal Institute conclude their study with an analysis of the main risks to growth and stability in the short, medium and long term, particularly the trade wars, over-indebtedness and Brexit.

«The problem is that to conclusively eradicate the danger of a trade war, what is needed is a renewal of the rules for the globalization game such that China can be integrated in the patchwork of multilateral trade governance with new regulations considered legitimate by all countries», they maintain.

They warn that if no moves are made in this direction, of the two future scenarios they propose — fragmentation and conflict versus multilateral reform and cooperation — the former will ultimately prevail.

The Sino-Russian strategic partnership

In the second chapter, Colonel José Pardo de Santayana, analyses the Chinese-Russian response to US hegemony during the 1990s following the end of the Cold War and their progressive rapprochement since, which is aimed at building a multipolar world order.

The border treaty signed in 1991 by Mikhail Gorbachev a few months before the collapse of the USSR and later adopted and reinforced by the new lead-

ers of both countries in their agreements of 1996, 2004 and 2008, cleared the main obstacle for this rapprochement.

«It was not until 2008», warns the author, «when a crisis arose between the Kremlin and NATO over Ukraine and Georgia's potential membership of NATO and Russia's military intervention in Abkhazia and South Ossetia, that Russia turned decisively towards China».

This was not a tactical or circumstantial decision, but the result of progressive disillusionment of the Kremlin following NATO's anti-Serbian campaign during the Kosovo War and its feeling of non-reciprocated assistance after 9/11 in Afghanistan – feelings which were aggravated by the 2008-2009 crisis and the Arab turmoil since 2011.

For Moscow and Beijing, the expansion of the Atlantic Alliance and the EU towards the East, the so-called colour revolutions which were fanned by the West, the unilateral US withdrawal from the 1972 treaty on antiballistic missiles (ABM) at the beginning of the new century, and the deployment of a new North American ABM system along Russia and China's periphery — supposedly targeted at rogue states such as Iran and North Korea — represented clear threats to their security.

From 1996 onwards, after signing of the Strategic Partnership of Coordination by both countries, they multiplied their cooperation, but on regional affairs «they observe a carefully measured 'friendly neutrality'», especially when (as occurred during the Crimean crisis) «a core principle of Chinese foreign policy: territorial integrity» is violated.

Russia, on the other hand, maintains a neutral position on Beijing's maritime disputes with its neighbours. In North Korea they are united by a common interest in halting the nuclearisation of the peninsula and simultaneously reducing US influence.

«The Ukraine crisis of 2014 and China's New Silk Road project, announced in 2013, have ultimately given rise to a multipolar world in which the Sino-Russian strategic partnership has clearly been strengthened and where rivalry between powers has marred attempts to shape international relations according to the rule-based liberal order», writes Pardo de Santayana.

«Bilateral ties between the two countries have taken a personal turn thanks to the personal chemistry between their leaders, Vladimir Putin and Xi Jinping, who get directly involved in the resolution of serious financial and trade issues of mutual interest. Both leaders share the historical interpretation of the destiny of their nations, a realistic view of international relations and a short and medium-term strategy of shared interests for their respective countries. In the longer term, and especially when Putin steps down from power, the Russian Federation is likely to be seriously inconvenienced by China's dominant position».

While Russia has sought a counterweight to NATO and the EU in China, for Beijing «an entente with Russia was essential to gain strategic depth and avoid being» restrained by the US in its economic and military development. Without Russia's military cooperation, explains the author — offering a wide range of data — it is not possible to understand the modernisation of China's armed forces.

The growing complementarity of their economies, especially in the field of energy and armament, «has become the bedrock of Sino-Russian relations», strengthened by Trump's trade war and the potential opening of trade routes via the Arctic.

China, he adds, is not only in a position of relative advantage compared to Russia, but moreover has the most to gain from this entente, and as time passes, this asymmetry will continue to grow.

For Putin who, since the conflict of Ukraine, adopted a far more expansive strategic approach, this is an acceptable and necessary price. For Xi, «the Ukraine crisis was proverbial for China for overcoming many of Russia's hesitations and building a strong entente».

«With China now the world's largest trading nation and set to surpass the US in GDP over the next decade or two, and with Russia on the brink of a 'hybrid' war with the West, rivalry between powers has become a strategic priority for Washington as it watches its hegemonic position erode».

The Middle East – another year without good news

Although 2018 saw some steps towards peace in the two most destructive conflicts of recent years in the region, Syria and Yemen, Colonel José Luis Calvo Albero, author of the third chapter, recognises the obstacles to lasting peace in both wars and the risk of regional confrontation escalating between Iran, Israel and the Gulf monarchies.

«Perhaps the most distressing aspect is that it is difficult to imagine how the conflict potential in the region could be defused while there are many ways to imagine how it could become worse», he writes.

To explain this, he analyses the double fracture between Shiites and Sunnis on the one hand, and the differing concepts of an aristocratic and a more socially oriented and popular form of Islam on the other. He then takes a look at the geopolitical developments in the region, offers a detailed description of the wars in Syria and Yemen over the last year and concludes with an in-depth analysis of the present and future of the Arabian Peninsula.

«The second fracture [...] is far more problematic as it is not confined to doctrines and ritual, but rather affects the fundamental social framework» and is present in the major current conflicts, he warns.

He plays down the most religious interpretations of the fracture — history offers more examples of harmony than belligerence — and places more importance on the clash between the Iranian and Saudi models before and after Khomeini's revolution of 1979 as well as the deep distortions caused by the US intervention in Iraq and, later, the Arab Spring.

Following an overview of the geopolitical highs and lows of the main regional powers — Egypt, Iran, Saudi Arabia, Israel and Turkey — and the links of the USA and Russia with each, he recognises Russia's success, warning however, that «the fragility of the alliances established in the region, as well as the changeability of the situation, could still spring some unpleasant surprises on the occupant of the Kremlin».

The Syrian civil war, he adds, has created too many imbalances to allow a fast and simple solution. The first problem is that the country has been left divided into three zones, apart from residual areas in the hands of the opposition and ISIS. Afterwards, the big unknown of how to reunify Syria awaits, if this is really the aim of the powers involved in the conflict, with each pursuing such divergent interests.

«Although the survival of the regime seems certain, it is not clear if [...] the war will drag on as a confrontation between the regime in Damascus and the SDF militias, or between the latter and Turkey», he writes. In any case, the war will have achieved very little. Syria will continue under the heavy boot of the Assad regime, the country is absolutely devastated, and it is not clear who will finance its rebuilding.

The future of the war in Yemen, in spite of the temporary respite offered by the partial ceasefire on the Hodeidah front which was agreed in November, looks as bleak as or even bleaker than in Syria.

«The country has been turned into ruins [...] whoever rules Yemen's destiny in the future — whether the Houthis or Hadi's government [...] — little may be hoped for in terms of compliance with the rules of democracy or competence», he explains.

The evolution of Africa

The Ibrahim Index of African Governance (IIGA) 2018 indicates that three out of four Africans today live in countries where public governance has improved over the last ten years, five of which have seen a substantial improvement over the last five years. At the same time it warns that almost half (over 43 percent) live in one of 25 African countries where economic sustainability has fallen over the past decade.

Its analysis of four categories (rule of law, participation/human rights, sustainable economy and human development), which are in turn divided into

fourteen variables, show improvements — above all in the health domain — but also in the areas of gender and infrastructure.

Despite these advances, progress is still insufficient to face the growing demands and expectations of a youth (under-25s) that already represents 60 percent of the population and will increase another 20 percent by 2030.

Avoiding any generalisation, in the fourth chapter of the Panorama, Professor Carlos Echeverría Jesús analyses the main local and regional tensions across Africa in the Maghreb region and Egypt, as well as Western, Eastern, Central and Southern Africa; the challenges in terms of demography, migration, economy, the environment and energy; and the pressure of the major powers to increase their military, economic and commercial presence on the continent.

He describes the first Moroccan victories over the Polisario since its return to the African Union in January 2017, the spillover of jihadist terrorism in 2018 to neighbouring Mali, the difficulties Nigeria experiences to rid itself of Boko Haram ahead of the elections in February, and the main shadows (Somalia, Sudan and South Sudan) and lights (Ethiopia/Eritrea) in Eastern Africa. «Sudan is immersed in a worrying process of rearmament supported by Russia», he writes.

Before and after the elections of 30th December, whose results were denounced as fraudulent by the main opposition party and the Catholic Church «the great unknown in Central Africa was and remains the Democratic Republic of Congo», he adds.

In his selective review of the most urgent demographic, migratory, trade and energy challenges, he distinguishes threats and opportunities. He underlines the continent's rising importance in those four areas, but warns that it still suffers from weak networks, interregional trade and financial self-sufficiency, all of which are required to ensure efficient use of its resources.

As its closest neighbour and main investor, donor and partner since the signing of the first strategic association with Africa in 2007, the EU has gradually strengthened its support of African peace and security processes.

Above all, the author stresses the 750 million euros approved for the African Peace Facility for the 2014-2020 period and the 50 million euros granted for the new joint force of the G5, which was declared operational as of October 2018.

Taking into account the stakes and competition with other major powers, these efforts still fall short. Echeverría reminds us that in the numbers game, comparing a single state (China or the USA) with the 28 or 27 states constituting the EU can lead to a distortion of reality.

«Country by country, in 2018 China appeared as Africa's number one trade partner for the eighth consecutive time – far ahead of traditional partners

such as France and Germany. «Moreover, China has launched a very carefully planned seduction campaign which goes beyond offering loans. This has led two African countries, Zimbabwe and Nigeria, to replace the US dollar by the Chinese renminbi as their reserve currency».

Latin America: democratic unrest and the challenges posed by the crisis of globalisation

Like in the rest of the world, Latin America was predicted to experience growing polarisation. This has indeed been the case. With almost identical promises — fight against corruption and insecurity, economic recovery — but antipodal methods and ideologies, the most important elections of 2018, in Brazil and Mexico, saw the victory of opposing poles in the two leading powers of Latin America.

The questions as to the future of both countries, the economic crisis in Argentina, the price fluctuations of commodities, the Chinese economic slowdown, Venezuela's collapse and the effects of the trade war between the great powers lowered the initial growth forecast of 2% to just under 1.2%, i.e. practically the same as the previous year.

In his analysis of the structural causes underlying this stagnation, Professor José Antonio Sanahuja points to the change of the Chinese growth model, the stalemate in the WTO negotiations, the fall in commodity prices, and the general crisis of the globalisation process.

«In this context, there are four interrelated factors of vulnerability, leaving most of the Latin American countries at a crossroads», he adds. «The global economic downturn and drop in exports, the risk of external financial shocks as a result of rate hikes in the US and the EU, the deterioration of fiscal balances and the reversal of the process of social improvements achieved between 2003 and 2013».

If the fiscal adjustment in response to the crisis cuts back or eliminates the previous decade's programmes against poverty, which produced such good results in many countries, «it could have very serious social consequences».

In the medium and long term, according to Sanahuja, Latin America faces other significant risks, such as the impact of the fourth industrial revolution, the weakening of multilateralism and the rise of protectionism and far-right movements.

Looking towards 2019, the author underlines the meltdown of Venezuela (with its regime's entrenchment, the migratory crisis, the regional overspill, rampant corruption and a divided and persecuted opposition) and the severe crisis affecting Nicaragua since the spring of 2018 whose solution is strongly linked to the outcome in Venezuela.

Following an in-depth analysis of the events that led to Juan Guaidó's self-proclamation as interim President on 23rd January, Sanahuja offers a detailed account of the internal and external fracture, and the risks associated with the main options under consideration at the end of January. «The risk of default and a possible seizure of oil assets by creditors could lead to the collapse of the economy», he writes.

«The regional frameworks' capacity for action, however, is now more limited and, aside from the Venezuela crisis, reveals a deeper crisis of Latin American regionalism in light of the conservative governments that dominate the region», he adds.

Ways out? Backing a change of regime, he warns, could lead to disaster. «A military intervention would plunge the country into instability and armed conflict given the large number of illegal weapons in circulation and the presence of violent armed groups operating outside the law».

So far, the build-up of threats including military action has only served to reinforce the government's «siege» mentality. The suit filed by five Latin American governments with the International Criminal Court on 26th September to investigate crimes against humanity in Venezuela — an unprecedented request in the Court's history — was met with strong resistance, and the USA's immediate support of Juan Guaidó's challenge led Russia, China and Turkey to publicly and expressly align in defence of the Venezuelan regime.

Without ignoring the risks he concludes: «These developments have opened the way for a wide range of scenarios. [...] for the first time in a long while, they open new opportunities for political dialogue leading to a transition to democracy [...] and free and transparent presidential elections».

To this end, he suggests a road map would have to be drawn up that contemplates trust-building measures as well as transition mechanisms with a precise calendar. Among the former, he highlights «the release of political prisoners; a broad amnesty and a political solution for all parties, including the government and the armed forces [...]; guarantees of respect for human rights; a verifiable commitment that the state powers will refrain from interfering in the political process; and acknowledgement of the serious humanitarian crisis the country is suffering, allowing UN agencies and recognised international NGOs to take action to alleviate it.» Among the latter «the most pressing measure would be to replace and ensure the independence of the electoral oversight body», he says.

Chapter one

International economic scenario: growth, uncertainty and risks

Miguel Otero-Iglesias and Federico Steinberg

Abstract

This chapter analyzes the perspectives for the international political economy for 2019. After a first section in which the main perspectives of growth for the different regions are reviewed, they go on to analyze the great economic, political and social trends at a global level, and how these affect the international political economy. Finally, it is analyzed in detail how the commercial war, the brexit and the enormous level of debt accumulated worldwide could generate economic problems. The chapter closes by outlining two possible future scenarios for the international economy: a new cold war between China and the US that will generate increasing fragmentation and economic disintegration or an increase in cooperation that will improve the foundations of the governance of globalization.

Keywords

Trade war, protectionismo, globalization, inequality, debt, economic policy.

Introduction

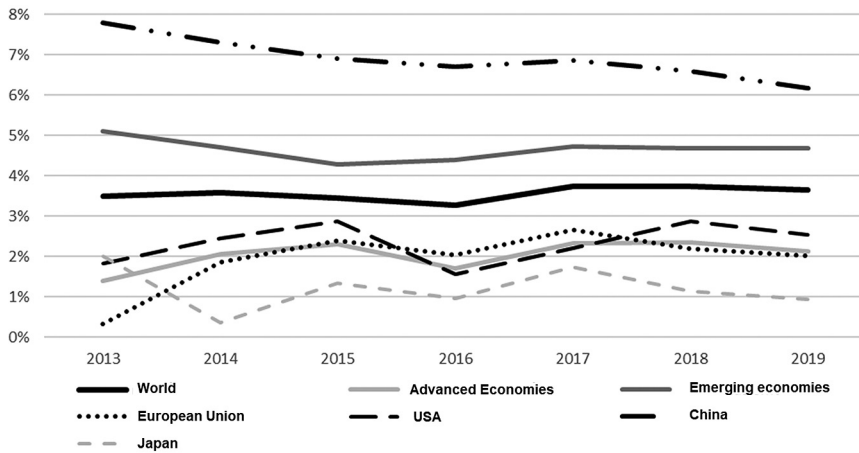
From an economic point of view, the year 2019 presents a paradox: while global economic growth (and also the European and Spanish) have sustained solid fundamentals, the accumulation of geopolitical uncertainties is increasing. If the economy is capable of continuing to ignore political tensions as it has until now, 2019 should be another year of growth. Not as spectacular as the last 3 years, but capable of continuing to reduce unemployment, inequality and the public deficit. In fact, with the data available at the beginning of 2019, a recession in the short-term appears almost unthinkable, even though there are growing numbers of prognosticators predicting one. Nevertheless, if the economy starts to find itself contaminated by the political uncertainty derived from the surge of the anti-system parties, the trade war between China and the United States, the uncertainties that surround Brexit or fears over the high level of global debt and the management of monetary policy, growth could see itself affected, as is occurring with equity market indices.

In the following pages we review what the performance of the world economy in 2019 could be like and review the principal sources of risk. After the first section in which the main outlooks for growth of the different regions are reviewed, the major economic, political and social tendencies are analyzed at a local level, as well as how these affect the international political economy. Finally, how the trade war, Brexit and the enormous level of accumulated debt could generate economic problems is analyzed, and the chapter closes with two possible future scenarios for the global international economy: a new cold war between China and the US that generates increased fragmentation and economic disintegration, or an increase in cooperation that improves the foundations of global governance.

The world economy ahead of 2019: sustained growth with great risks

After a 2018 of strong global economic growth and a definite correction in the equity markets (with the largest decrease in the American stock markets in the last 10 years), the base scenario of practically all the forecasts is that during 2019, dynamism will be maintained, with global growth rates of around 3.5%. More concretely, the consensus of the analysts points to growths above 2.5% in the US, somewhat below 2% in the Eurozone, of 1.5% in the United Kingdom (Brexit does not come free), of 1% in Japan and almost 5% in the total of all emerging economies (6.3% if we look at Asia alone). India will grow around 7% - one percent more than China-Latin America above 2%, sub-Saharan Africa above 3.5% and the Middle East and the north of Africa above 3%. This assumes that the synchronized growth of the last three years should continue, although with greater weakness and in a less balanced form.

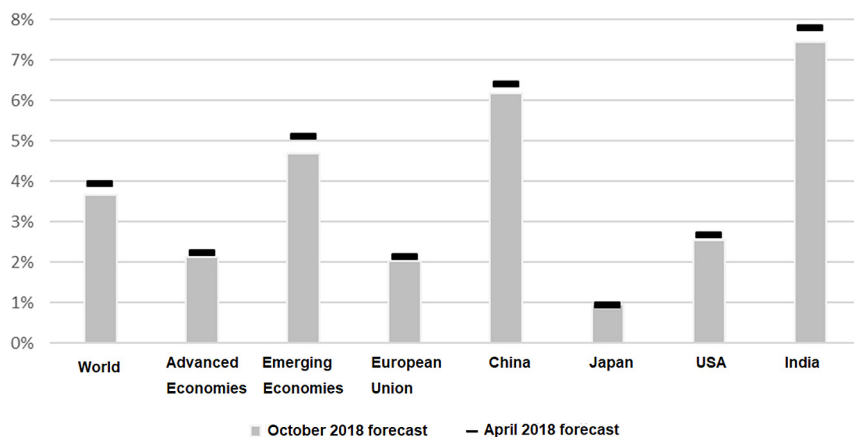
International economic scenario: growth, uncertainty and...



Graph 1. Growth Rate of the world economy. Source: International Monetary Fund. Outlooks of the world economy, October 2018.

International trade as well as investments have been able to maintain elevated levels, and inflation, which is an indicator of the global economy's health, is starting to demonstrate some symptoms of acceleration. The soft inflationary increase is, on the one hand, excellent news, because it indicates that the global economy has definitely left behind the hangover of the global crisis (though it has not healed its scars), and it contributes to reducing the real value of the very high global debt (182 billion dollars between public and private). Nevertheless, if inflation goes out of control, the central banks will be forced to increase interest rates rapidly, which could stop growth and generate instability (this subject is especially worrisome in the US, which is in a more advanced phase of the growth cycle than the Eurozone).

In 2019, strong growth will be sustained by four factors: the considerable fiscal stimuli applied in the US which will accelerate its growth above 3%; the continued injection of liquidity by the ECB, which, even if it terminates the program of quantitative expansion, will maintain the level of its high balance by the reinvestment of its profits and, thus, will maintain inexpensive money and sustain the growth of the Eurozone; the (relatively) orderly transformation of the productive model in China, which is achieving sustained growth rates around 6% without producing a crisis; and the increase in the growth of countries that produce petroleum and other raw materials, driven by the increase in prices, which has moderated in the last months of 2018 but remains at relatively elevated levels, giving room to maneuver through their greater income to countries such as Russia, Venezuela and Saudi Arabia, among others. In addition, no generalized crises are expected in the emerging markets (though Argentina or Turkey will continue having difficulties), and India, as well as other Asian emerging countries, could even accelerate its growth.



Graph 2. Evolution of growth forecasts by the IMF for 2019. Source: International Monetary Fund, Outlook for the world economy, April 2018 and October 2018.

If we review the risks, focus must be placed on the US, which will again be the epicenter of instability in 2019, due as much to the erratic policies of its president in his obsession to change or isolate the state capitalism of China and to reduce the surplus in the current account of the EU, as to its long expansive business cycle (that if extended beyond June would be the longest of modern history) possibly reaching its end. Its economy is overheating, as is reflected in an inflation rate above 2% and an unemployment rate of only 3.7% at the end of 2018. Even though the foundations of its growth are solid and dynamism could continue, an advance in interest rate hikes on the part of the Federal Reserve, greater commercial tensions with China or greater mistrust of the economic policies of the President could lower growth. In fact, the strong reductions in the equity markets at the end of 2018 could be anticipating that the American economy can only decelerate, especially when the impact of fiscal stimuli, which are temporary, starts fading. And if inflation produce surprise by increasing, the Federal Reserve could see itself obligated to increase interest rates even faster, which would further the slump in the economy and would appreciate the dollar, generating turbulence in the foreign exchange markets, above all for the more vulnerable emerging economies.

The EU, for its part, will maintain solid growth (though not spectacular) but at a lower level than in the last few years. In a year of elections for the European Parliament, election of a new Commission, the end of the quantitative expansion policy of the ECB, possible imposition of tariffs on European autos on the part of the US and the probable (though not certain) materialization of Brexit, all eyes will be on the evolution of the vote of the anti-system parties and their decisions on economic policy in the cases in which they find themselves in the government. The Italian case portrays what could

materialize after the European Parliament elections in May and what is already occurring in the Union: an increase in Parliamentary fragmentation, the surge of the Euroskeptic parties and the consequent difficulty for the Union to advance towards greater integration, something that continues to be absolutely necessary, above all in the Eurozone. Even so, the base scenario is that, despite the background noise, the EU will muddle through and, consequently there will be no significant derailing, though the curves will be tremendous. The Euroskeptic parties will be able to occupy a third of the European Parliament and the Grand Coalition between the Socialist and the European People's Party will vanish, but between these two political factions and the Liberals (including Macronism) and the Greens, the operative center will remain.

Finally, at a geopolitical level, after two years of chaos, 2019 will shed some light on the direction in which Brexit will advance. An exit of the United Kingdom from the Union without an accord, a scenario not very likely but possible, would have a negative impact on the growth of the United Kingdom as well as the EU and the world economy as a whole. The same can be said, of course, of the possible tensions that could occur in East Asia, from the non-resolution or even worsening of the conflict between the two Koreas to the possible skirmishes of China with its neighbors or the American Navy in Taiwan and in the South or East China Seas. Possible shocks could also come from a more aggressive Russia and an even more unstable Middle East, now that the US has decided to withdraw from Syria and also from Afghanistan. Nevertheless, though these latent geopolitical risks are not minor, the base scenario continues to be that these will not explode this year, though logically one has to always be prepared for the unexpected setback.

In this context of uncertain calm, Spain should continue to grow at a good pace, though at a somewhat lower rate than in previous years, but with uncertainty linked to external risks (and to a lesser extent internal). All the forecasts point to mild deceleration motivated by the reduction of some of the tailwinds of recent years, such as the low prices of petroleum, the abundance of liquidity, the economic expansion of some of our principal trading partners, or the insecurity in competing tourist destinations in the north of Africa and Turkey. In any case, since inertia in the Spanish economy is important, more so than political uncertainty, employment should continue to be created during 2019 and the public deficit should continue to drop at a good pace. The economic impact of the unending political crisis in Catalonia will barely be noticeable, and independently of the political scenario and of whether or not budgets are approved, the pulse of the Spanish economy should continue to be strong at least until some of the great external risks materialize, in particular a Brexit with no accord, a new crisis in Italy (or again in Greece) that spreads contamination towards the South, or the erratic economic policies in Mexico or Brazil inaugurated by atypical presidents, and where many Spanish companies have large investments.

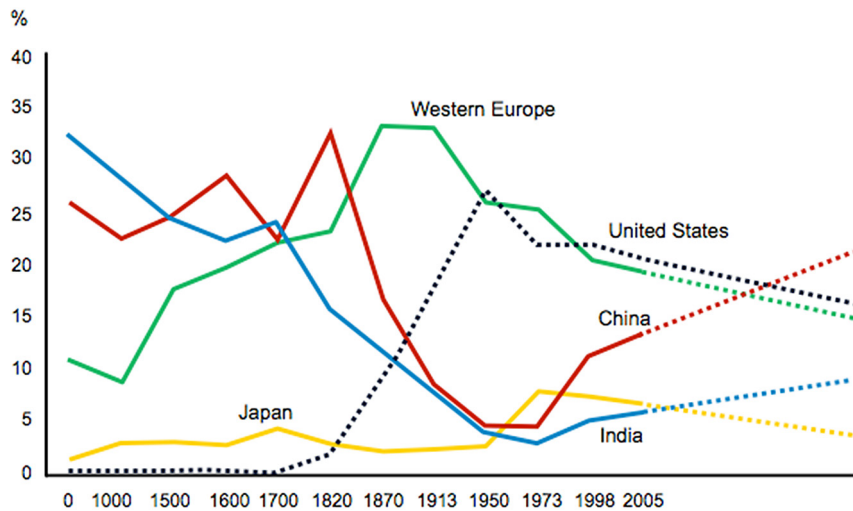
In fact, and though it is not the base scenario, in the more likely case that none of the previously mentioned risks materialize, and if the price of petroleum tends towards a decrease, the Spanish economy could again accelerate a bit.

The changing structure of the world economy: principal tendencies

Beyond the evolution of the situation, it is worth taking a step back so that the trees do not prevent seeing the forest. The world economy is experiencing important structural transformations, whose analysis follows.

a) A greater multipolarity

Europe was the «center of the world» from the Industrial Revolution until the beginnings of the 20th century. From then on, under the baton of American hegemony, it has continued to wield enormous power and influence in the economic, political and military fields at world level. But things are changing. Starting a few decades ago, a convergence process between the advanced economies and the emerging ones has taken place accompanied by an increase in interdependence among all of them, which gives rise to a world economy increasingly multipolar and with less dominance of the West over the rest of the world than in the past. Measured by purchasing power parity, and according to data from the IMF. China is already the world's largest economy (17% of the world's GDP), followed by the US at 15.8% and the Eurozone in its totality at 11.9%. If we take the EU-28 in total, its weight nears that of the US, but its decline is faster than



Sources: Maddison (2001); IMF (2005)

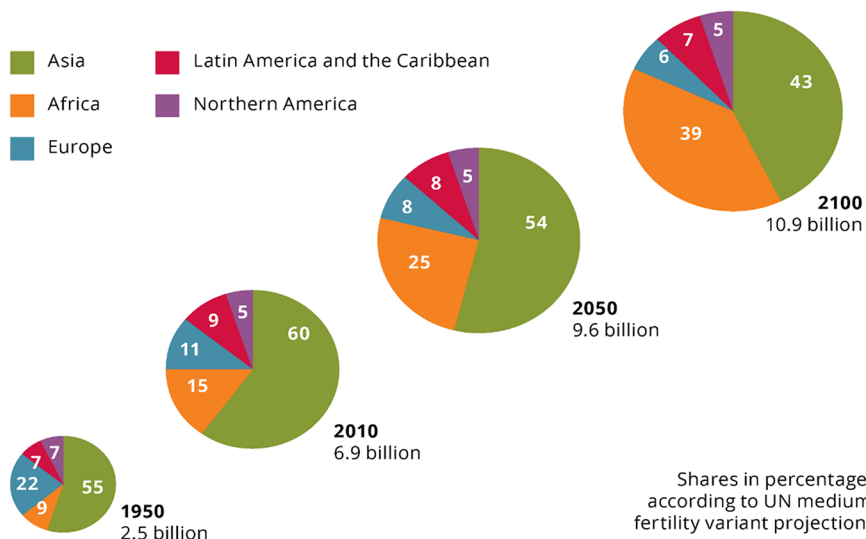
Graph 3. Evolution of the economic weight of principal powers throughout history.

that of America. So, measured by market exchange rates, the GDP of the EU - 28 which was 31.4% in 2004, had fallen to 23.8% in 2014. These data are reflected in trade. While in 1960 the EU was responsible for 30% of the global export of goods, today that figure has been reduced to half. Even so, the EU still maintains its leadership with respect to global investments. It holds more than 20% of world investment stock and its companies are responsible for more than 25% of world investment stock.

The narrowing of the income gap between advanced countries and emerging economies is explained by economic globalization and the tendency towards convergence of the productivity between the richest countries and those of middle-income and lower-income (caused by a combination of increase in the velocity of the expansion of technology and good public policies in the emerging countries). Despite the non-participation in this process of some of the poorest countries of the world (above all in sub-Saharan Africa and Central Asia), and despite the slower growth in the largest emerging economies than in the last few years, this convergence process surely will continue during the coming decades, even if it does so at a slower pace. Thus, the economic boom of the non-western world is a phenomenon practically unstoppable, which does not imply, necessarily, that these countries will surpass the US and Europe in welfare levels, it only supposes that the huge gap in per capita income with the richest countries that has existed for the last 200 years will be narrowed. This process is taking us to an economy ever more multipolar, where the old concepts of «center» and «periphery» lose their significance. Likewise, the geographic epicenter of the world economy is moving quickly from the Atlantic towards the Pacific, which allows us to contemplate an Asian 21st century that will leave the EU on the periphery of the new geography of production and trade. In this context, we find the EU waning and being overtaken, in addition to having more difficulties in addressing its economic decline than the US, which has a greater capacity of resilience and innovation, in addition to maintaining its military and political supremacy though it has increasingly decided to take steps backwards in aspects of its international relations.

Second, and going beyond the economic indicators, we find ourselves in a world with fewer warlike conflicts between states (although with more internal conflicts within them), with more democratic countries than in the past (even though the quality of that democracy is debatable and is deteriorating, above all in its liberal concept), and with more unequal societies, which are more urban and older in the developed countries (and China), but not in the rest of the emerging countries.

The problem of aging is especially pronounced in the EU, whose median age is above 40 years old (that of sub-Saharan Africa is below 20), and whose demographic decline seems unstoppable (in 1950 it held more than 20% of the global population, while today it holds barely 7% and is



Graph 4. Past, present and future demographics.

expected to represent less than 5% by the middle of the 21st Century). All these socio-political tendencies also appear to have come to stay. Urbanization continues to advance, above all in Asia and Africa, where more than 50% of the population still lives in rural zones; and the aging of the EU population will become more intense, forcing reforms of the welfare states in the European countries and posing serious problems for growth in China.

b) The technological revolution

History tells us that machines eliminate many jobs in the short term, but in the longer term create more. It has always been thus. It remains to be seen if history will repeat itself. What is clear is that the process of transition will be disruptive, above all for the less skilled worker because he is hammered twice at the same time. On the one hand, the machines eliminate his job, and on the other, the new jobs that are created require skills that he or she does not have. Amazon and Uber are two good examples of what is occurring. Amazon is a threat for the small businessman. Nonetheless, there are studies that demonstrate that it has generated more jobs than those it has destroyed. Its army of packers and distributors is enormous and increases every day. But precisely that fact makes Amazon invest in drones to lessen its costs. The same applies to Uber. Right now there are many unemployed or underemployed in the US who thanks to Uber have a new job, but at the same time Uber is investing in driverless autos to lower their service costs. This leads us to a problem: to lower costs and increase demand, leading companies apply new technology and keep salaries low to offer competitive prices. When these salaries and

prices increase and demand is reduced, the company will attempt to introduce more technology to further reduce labor costs.

This produces enormous social tensions. The digital revolution means many companies cannot find qualified personnel. In the US and Germany, leading countries, four out of every 10 entrepreneurs are in this situation. This results in highly skilled professionals receiving very elevated salaries. However, there are too many workers for the jobs that require little skill and that means that salaries do not increase. At the same time, this leads many to believe that by reducing the quantity of labor there will be more employment and it will be better paid, a belief which becomes a breeding ground for anti-immigration movements. The logic, nonetheless, is erroneous. As is pointed out by Branko Milanovic, nothing has done more to reduce inequalities among countries than migration and the fact that the more adventurous and needy of certain societies go to work in richer countries, send money transfers, or return home years later with the savings and abilities they have acquired in the country that gave them refuge. If they didn't have that opportunity, the difference in the level of income between the rich countries and the poor would be greater and the pressure to escape misery and reach Europe and the US would be even greater than it is today.

What can be done to face up to this maelstrom of changes? Some could think: stop this madness. Raise barriers. Protect oneself. In a certain sense, it's important to question progress. Attempt to channel it. But stopping it often leads to enormous suffering. At an individual level, what is most important is training oneself well, not only in school but also throughout one's working life. Industrial revolutions are more propitious times for entrepreneurs than for workers. And what is positive is that the digital revolution can make more workers become entrepreneurs. Many think that working a few hours a week for Cabify, Uber or Deliveroo is precarious work, others see it as flexible work that better adjusts to their lifestyle. Thanks to the Etsy platform, any creative artisan can now sell his products to the four corners of the world, and in many cases at a very good price. Previously he only had the possibility of selling them in the town square or going from town to town to sell his art. There are creative people, many with little schooling, who thanks to videos on YouTube have become wealthy. This is known as the gig economy. The economy of action or specific work. It's a reference to the musicians of yesteryear (and of today) who played here and there and made a living this way. For some it is a very hard life, unstructured. But for others enviable, because they work few hours and they do what they enjoy.

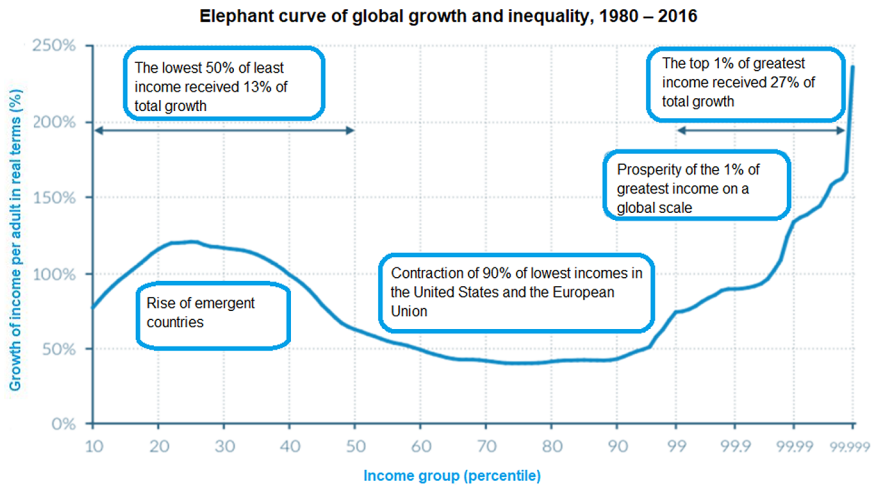
For society as a whole many changes are also coming. Firstly, at the ideological level, we still continue analyzing and attempting to change the world with ideological tools of past centuries: Conservatism, liberalism, nationalism, socialism. Each industrial revolution brings its own ideolo-

gy and in this case it will be no different. The green movement (against climate change) may become increasingly stronger. But something new may also arise. The greatest revolutions often attract minds from the left and the right, on the side of the winners of progress as well as the losers. Thus, the societies that have human capital, but also social capital, will be the best at adapting themselves to the new world. Social capital is an intangible which is difficult to see and explain, but is what makes a society prosper. It is the institutional framework and individual behaviors that make Denmark be Denmark and Venezuela, Venezuela. It is precisely what many emerging countries do not have, not even China. The recipe is complex. It combines high levels of productivity and material wealth, but also solid institutions based on unbreakable values that promote individual and community development. It is not surprising that Finland and the Netherlands have begun to experiment with a universal basic income.

c) Inequality

The phenomenon of inequality, which has now occupied a prominent place in contemporary debates of advanced economies, deserves special mention. As is demonstrated by data from the project of the Laboratory on Global Inequality, from which the Report on Global Inequality 2018 is the first large publication, income inequality among individuals in the world is the result of two conflicting forces: inequality among countries and inequality within countries. For example, the strong economic growth in China and India between 1980 and 2016 has allowed inequality among countries to decrease. Nevertheless, inequality within China and also within India has increased during this period (the wealthiest 1% in China went from capturing 6% of income to 14%, and in India from 7% to 22%). Until recently, it was impossible to know which of the two forces was more powerful. Now, thanks to new data, we know that the increase in inequality within countries has more weight, such that global inequality has increased. Thus, between 1980 and 2016, despite the rapid growth of the emerging countries, the income of the top 1% wealthiest of the planet went from 16% to 20%. In fact, this top 1% (having a median income of 130,000 Euros annually), received 27% of the total increase in income, double that of the poorest 50% of the planet (some 3.700 billion people). This newsworthy result refutes the widespread thesis that thanks to growth in the emerging countries, global inequality is being reduced. In fact, it is increasing, and quite rapidly, even though the financial crisis of 2008 reduced it a bit (on a temporary basis) due to the drop in prices of financial assets.

The biggest winners of the last three decades have been the super wealthy (especially the top 0.1% of the population, above all in the US, China and Russia, baptized as the global plutocrats). The other group of winners is much more numerous, and is composed of the middle classes of the emerging countries, who have seen their incomes more than dou-



WID world (2017). Series of data and notes available at wlr.2018.wid.world.

On the horizontal axis, the world population is divided into a hundred groups of equal size and ordered in ascendant from left to right according to income. The 1% with greatest income was in turn divided into ten smaller groups. The group with greatest income within the highest 1% was again divided into ten groups, a procedure repeated in turn with that of greatest income within the latter. The vertical axis shows growth of total income of an average individual from each group between 1980 & 2016. For the group 99-99.1 (the poorest 10% within the 1% of greatest income at world level), growth was at 74% between 1980 and 2016. Collectively, the 1% with greatest income at world level captured 27% of total growth during the period. Estimates of income are calculated using Euros expressed in differences in the cost of living among countries. Values consider inflation.

Graph 5. Growing inequality.

bled, despite still having low income levels. On the other hand, and as is well-known, the losers have been the middle and lower-income classes in the developed countries, whose discontent has translated into support for Trump, Brexit, Le Pen or Salvini.

Similarly, it is worth noting that inequality (measured by the participation of the 10% with the greatest income in total wealth) is lower in Europe and China, and higher in the Middle East, Latin America, and India. Spain is one of the countries with greatest income inequality in Europe and in which the system redistributes income less. Notably, the top 10% owns 57% of the wealth, while the poorest 50% holds 7% (in addition Spaniards held 146 billion euros in fiscal paradises in 2012). On the other hand, inequality has increased much more rapidly in the US than in Europe. While in 1980 the wealthiest 1% raked in around 10% of the income in both regions, thirty five years later this percentage had increased to 12% in Europe and to 20% in the US, where in addition the income of the poorest 50% had fallen from more than 21% in 1980 to 13% in 2016 (in terms of wealth, not income, the increase of the top 1% in the US had even been more spectacular, passing from 22% to 39%, above all by the enrichment of the wealthiest 0.1% of the population). The divergence of the paths in Europe and the US can be explained by differences in access to education

and the fiscal system, which is much less redistributive in the US. Finally, net private wealth has tended to increase in the world (and above all in wealthy countries), while net public wealth (assets minus public debt) has tended to fall, so that today, around the world, individuals have become richer and governments poorer. The differences in inequality levels respond more to national public policies than to global phenomena such as technological change or the expansion of international trade. This suggests that inequality need not continue to grow if more redistributive policies are adopted, such as more egalitarian access to education and to well-remunerated employment, as well as more redistributive fiscal systems and a more active fight against fiscal paradises (where 10% of global GDP is hidden). However, there is no assurance that this will be so.

d) The increasing rejection of globalization

The last of the great global socio-political tendencies to which we wish to refer, closely linked, as we will see, to the previous ones, is the increasing rejection of globalization in advanced countries. The fact is that decades ago there was a consensus among the main political forces in the US and Europe regarding the idea that economic openness was positive. Thus, gradually, the flows of trade and investment had been liberalized and, to a lesser extent, that of workers. Thanks to this liberal order, Western societies had become more prosperous, more open and more cosmopolitan. Even though economic openness generated losers, the majority of voters were willing to accept a greater level of globalization. They could, as consumers, acquire less expensive products from countries such as China and, in addition, they understood that the welfare state would protect them sufficiently even if, temporarily, they were on the side of the losers (in economic terms this is called the «compensation hypothesis», according to which the more open countries tend to have larger states and redistribute more). The developing countries, for their part, have also been benefiting from economic globalization, exporting products to the rich transatlantic market (which is increasingly open) and sending money transfers from the West to their countries of origin. The invention seemed to work.

However, in the last few years, and especially since the global financial crisis of 2008 and the crisis of the Eurozone in 2010, the defenders of these policies (Social Democrats, Christian Democrats and Liberals) find themselves constantly more cornered electorally by new extremist parties that advocate, to a greater or lesser extent, the closure of borders, to trade as well as immigration. For the most part they are parties of the extreme right (though there are also some of the extreme left), that demand the recovery of the national sovereignty they feel has been lost to the global markets, to a dysfunctional EU or to migratory policies they consider too liberal. «Regain control of the country» is a slogan that is shared by Trump in the US, the most nationalist supporters of Brexit in

the United Kingdom, and the French National Front. All of them strive to attain this by reducing international trade and expelling immigrants. Their protectionist, nationalist and xenophobic messages aspire to give simple solutions to complex questions, and are attracting more and more voters disenchanted with the progress of their societies.

There are two basic hypotheses (and not necessarily contradictory) to explain why the electorate is supporting more intensely the new parties and anti-establishment movements in the West. For one, we have some who argue that the populist revolt is fed by voters of the middle and lower classes who see their incomes stalled and are convinced that their children will live worse than they do. As Branko Milanovic has demonstrated, these are the losers from globalization. They are mostly workers with few skills in Western countries, unable to adapt to the new economic reality and global technology and who, losing their jobs to competitive products from workers in countries with low salaries and seeing how the welfare state doesn't help them enough, opt for giving their support to those who promise to protect them by closing the borders. This hypothesis would explain why, for example, the French National Front is increasingly drawing in more socialist voters, from the working class or even the middle class, disenchanted with the economic policies of Hollande, or why many unemployed or underpaid workers of *Little England*, traditionally of the Labour Party, supported Brexit, in hopes that a United Kingdom outside of the EU and with greater room to maneuver politically could better protect them from external competition.

The second hypothesis, also plausible, is that voters are not moving to the right for economic reasons, but rather for questions of identity and cultural elements. Thus, the latent racism and xenophobia that has always existed in the West (but whose manifestations have been considered politically incorrect since the end of the Second World War), are coming out of the closet due to the social and cultural impact of the increase in immigration of the last few decades. Voters would thus support parties with strong leaders (whose positions border on authoritarianism, as we see in the case of Orban in Hungary) who offer recipes to protect the «national identity» and stem the process of change and dissolution of values and traditional culture that openness and multiculturalism have brought. The fear of terrorist attacks by extremist Islamic groups facilitates this rhetoric because it allows concentrating hatred towards the foreigner on the immigrant of Muslim origin (which blends into the debate about refugees in Europe), placing security at the center of political debate, something that had not occurred for a long time in Europe. Thus, strong leaders with simple and clear ideas (with rhetoric such as «us against them») seduce the fearful voter, nourishing the illusion that the response to their fears takes the form of placing a protective father as head of the government, whose maximum exponent would be Putin in Russia, a personality that Trump as well as Le Pen say they admire.

For the moment, there is empirical evidence to corroborate both hypotheses. In a recent study, the consulting firm McKinsey showed that, between 2005 and 2014, real income in the advanced countries had stalled or had dropped for more than 65% of households, some 540 million people. Likewise, various studies demonstrate that those regions in the US that import more products from China tend to deindustrialize more rapidly, generating pockets of the unemployed who, far from finding work quickly in other sectors, see themselves excluded from the labor market permanently. These are, as well, precisely the zones that tend to vote for more radical politicians and for more protectionist proposals.

On the other hand, other studies have demonstrated that voters of extreme right parties in Europe and for Trump in the US, far from being losers from globalization, are mostly middle and upper-class whites who are more and more openly xenophobes. Thus, according to a study of electoral behavior in seven European democracies, the best predictor of the extreme right vote would be its support for restrictive policies against immigration, not the economic preferences of the center right or mistrust towards politicians in general or towards European institutions in particular. Another study also demonstrated that men are more inclined to support these parties than women, even though it is the latter who are most harmed by the increase of free trade due to holding low-salary jobs to a greater extent.

For many, identifying which of the two hypotheses is correct is important for designing public policies that address the surge of the anti-establishment parties threatening to revert decades of political policies which have generated wealth and prosperity. But perhaps both hypotheses are correct, in which case the two causes would have to be tackled jointly. However, it is possible that reducing the problem to economic decline, inequality and xenophobia may be too simplistic. Reality is more complex and there are other reasons that could explain the rejection of globalization and the liberal order. These are explored below.

Fear of robots

Robotization and artificial intelligence are normally presented as great advances for our societies. They increase productivity and generate enormous opportunities. The robot is present in many sectors, from the automobile industry and aeronautics to shipyards. In the future it will drive for us, cook, and repair breakdowns in the home. The simple daily use of a mobile telephone has already liberated us from many headaches. With it, we can chat, conduct banking transactions, see a soccer game or film, and find out how to get anywhere as rapidly as possible. The arrival of Uber as a substitute to a conventional taxi, as well as other applications, are transforming our lives. But precisely this progress, with the speed at which it advances, scares

many people. In New York, the drivers' union has already announced that it will fight against the implementation of driverless cars from Uber. And the hotel sector is anxious over the growth of Airbnb.

Technology increases productivity, but also reduces employment in the short-term, above all routine jobs that do not require a high level of skill. This leads many citizens of the working class, but also more and more of the middle class, to look with mistrust upon or even to resist modernity and great technological changes promoted by the liberal order, as the Luddite movement once did in advocating for the destruction of machines during the Industrial Revolution. Robots no longer only replace employees in on assembly lines, but little by little are also displacing administrative workers such as secretaries, bank employees, accountants, and even lawyers and financial advisors.

Many millennials (born between 1980 and 2000), for example, rarely go to the branch office of a bank and the management of their savings account is done through a logarithm of a robo-advisor (in other words, through a computer screen). All this is creating an important technological gap between the more qualified professionals, who see their incomes increase and therefore are comfortable in a world ever more competitive, cosmopolitan and globalized, and those who are not. This division explains in part why rural areas have voted in favor of Trump and Brexit while large cities have opted for Hillary Clinton and the affiliation of the United Kingdom with the EU.

In this case, the fear that is expressed in the protest vote does not so much reflect a rejection of lost jobs, as fear of losing future jobs, or of entering the category of poor workers, as well of being unable to understand or utilize new technologies, something that occurs especially among older citizens. Millions of voters with lesser skills or in rural areas feel that the state is not concerned enough about helping them to board the train of modernization. There is an ever-greater training gap. Those who can afford to invest in an education that prepares them for the 21st century, have everything to gain. Those who cannot, will have more and more difficulties finding jobs and will remain marginalized, even if they have a university degree. This creates enormous frustration and could explain the anti-system vote.

The crisis of representative democracy

Finally, the fifth cause that may explain the rejection of the liberal order is the increasing mistrust that large groups of the population feel for democratic institutions. This is due to several factors. On the one hand, in many Western countries a type of dominant-party politics has developed, mainly of the parties of center-left and center-right whose prominence in political life has become excessive. For many electors, this liberal center rotates in power, but with policies which are very similar and, since the fall of the Berlin

Wall, has given in to the thesis of neoliberalism. In addition, there exists an increasing feeling that these party politics are at the mercy of a plutocracy, formed by great economic interests which disproportionately benefit from the functioning of the system. This creates a lack of connection and trust between the elites and the rest of the population. The principle of authority itself is called into question. Many citizens think that the political class does not represent them that they have no voice (nor means through which to express their ideas as they do through social media) and in addition think that the experts form part of that elite which, benefitting from the current system, does not, therefore, offer solutions that favor the majority.

According to this hypothesis, the global financial crisis of 2008 and its subsequent management would have had social effects whose dimension we are only now starting to glimpse. The credibility of experts, above all of economists, the most influential profession in the public debate, has been damaged by their having been unable to predict the crisis. Therefore, the perception that the current political and judicial system benefits the elites was confirmed when the taxpayer had to bail out the banks while very few of its managers had to pay for their errors. On the contrary, the feeling of many voters is that senior directors of banks have taken home early retirement compensation of millions of dollars or euros, while the common worker has to work all his life and can never reach those amounts. The reputation of experts has been further damaged since the crisis. Many television viewers or newspaper readers realized that experts were not neutral. Each expert explained the causes of the crisis from a different angle and in many cases contributed conflicting solutions. Some requested more fiscal stimulus, while others advocated austerity. That has created much confusion, at the same time discrediting the role of experts. For many the feeling is that each expert has his own agenda, and that almost all defend the liberal order because it benefits them. At the same time, it is believed that most of these experts, having studied at the best universities and as such being far removed from the average citizen, have liberal values with respect to religion, abortion, gay marriage, racial diversity and gender equality which are not shared by a large part of the population, above all in the US.

The discrediting of experts and technocrats is a consequence of the lack of political solutions to the problems of our societies. For a long time, politicians have hidden behind the veil of technical solutions. They have agreed that central banks should be independent and headed by technocrats protected from the public and from democratic scrutiny. They have also delegated the negotiation of free trade and investment treaties to experts and ceded sovereignty to international organizations such as the World Trade Organization or the International Monetary Fund. In the case of Europe this transfer of sovereignty to the European Central Bank and the European Commission (even more distant from the voter) has been even greater yet. This delegation functioned well while the economy and employment were growing. But

with the arrival of the crisis, the authority and legitimacy of technocrats has begun to be questioned more, above all because, failing a political response, they have amassed even more power to the point where it could be said that politicians have allowed central banks to resolve the crisis with monetary injections. But, regrettably, it is becoming ever more evident that monetary policy alone cannot resolve the structural problems existing in developed societies.

All this questioning has led to doubts about an open society, and many voters are willing to give their support to candidates who use a language closer to the man on the street and who promise easy solutions to complex problems. The anti-system rhetoric succeeds in uniting a patchwork of voters that is very heterogeneous, but with an ever-widening base. It encompasses those who feel unprotected and left behind, but also those who are doing well economically but are disillusioned with politicians and technocrats, and therefore want to reduce the weight of the state in order to liberate market forces.

The crisis of the international liberal order

Having completed this brief overview of the economic situation and the great global tendencies, with particular attention to the causes that underlie the growing rejection of globalization, analysis will now be made of the extent to which these changes are reconfiguring (or putting in danger) the international liberal order.

a) Europe confused by the isolationism of the US

Concern extends throughout European capitals, and very particularly among Community institutions. The foundations that underpin the international liberal order, which has allowed European countries to reach security and prosperity levels without precedent, are tottering. Beyond sensing that a European decline sooner or later would arrive because no one can spend centuries occupying (or sharing) the command position of the world economy, few expected treason from the American friend. And that is what has been occurring since Donald Trump reached the White House in 2017. In fact, today it appears that the US has a more strategic relationship with Russia than with the EU.

Since the end of World War II, the US has been the main guarantor of European security, a major sponsor of the process of Community integration and the leader of the liberal economic order based on rules through which a large part of European prosperity is sustained. Furthermore, since the world became economically more multipolar, the US used to be an ally upon which one could rely. In fact, with initiatives such as the free trade agreement between the US and the EU (TTIP), which was so widely criticized by segments of the European citizenry, an attempt was made to give geopolitical thrust to the transatlantic relationship that would allow

the West to maintain its international leadership and to set the rules of the game for the globalization of the 21st Century in view of the rise of the emerging powers. But that initiative did not succeed. Trump ended the TTIP (even though now it appears that he wants to restructure the less controversial part, the reduction of tariffs) and is leaving Europe on its own. The US is not interested in relying on the transatlantic area nor on its other traditional allies in order to face the rise of China (which it perceives as the main threat to American dominance) and it is willing to undermine the multilateral institutional framework (particularly NATO and the World Trade Organization), led comfortably until recently by the US.

But the worst for the EU is that, recently, Trump has gone from belittling the EU to attacking it directly. And his friendship with anti-European, xenophobic and illiberal movements that are increasingly popular within the Union -- and threaten to destroy it from within -- is especially worrisome for the establishments of Brussels, Paris and Berlin. For Trump, «European Union is possibly as bad as China, just smaller. It's terrible, what they do to us. The European Union last year, if you look at a trade surplus which I think is a very important thing, \$151 billion. On top of that, we spend a fortune on NATO to protect them» (Fox news interview July 1st 2018). He even has said «the European Union is a foe, what they do to us in trade» (interview to CBS, July 15th 2018). He is the first president of the US that sees the Union as a trade rival instead of a geopolitical ally. Trump is more comfortable with strong authoritarian leaders such as Putin, Xi Jinping or Erdogan than with the presidents of the G-7, whose power is restricted by the weights and counterweights of the division of powers inherent in the liberal democratic system which apparently really bother Trump.

Even though the President of the European Commission Jean-Claude Juncker was able to agree to a truce with Trump in the transatlantic trade war in June 2018, the list of rebuffs and threats to the Europeans during the last few months has been long. Trump demanded that Russia again be accepted as a member of the G-7 (it has been out since Crimea was annexed in 2014), has refused to sign joint communiques of the group, has accused Germany of being subservient to Russia due to its energy dependence, pulled out of the hat the impossible requirement that the members of NATO increase to 4% of GDP their defense expenses so the US could maintain its loyalty to the organization (currently the commitment is 2% and few countries meet it) and has reaffirmed on numerous occasions that Brexit -- which for the EU is tragic -- is something wonderful adding that if Theresa May had followed his advice in the negotiation she would have done better, and the United Kingdom should sue the EU.

Definitely, the European leaders feel confused, betrayed, uncomfortable and vulnerable. Conscious that Trump's methods are particularly corrosive for international cooperation in general, and for the transatlantic relationship in particular, they have doubts about the best way to react.

For the EU to respond to Trump, it first has to know what it faces. At the moment, there are two possibilities: Trump is a temporary accident or that, on the contrary, he is a symptom of something more profound that has arrived, which would force European countries (and above all the Union) to modify their alliances as well as their foreign policy, in particular regarding security and defense. The majority of Europeans would prefer to believe that Trump is an accident, the result of a string of coincidences that unexpectedly led him to the White House, and that once his term expires will be remembered as a bad dream. This hypothesis is based on the idea that Trump would not be president were it not an anomaly that an outsider had won the primaries of the Republican Party, if Hillary Clinton had won the elections (as in fact happened if one considers the popular vote), or if certain aspects of the electoral campaign had not been «manipulated» through social networks. According to this interpretation, Trump, who would be the second anti-establishment populist President in the history of the US (the first was Andrew Jackson, between 1829 and 1837), would not be capable of creating a structural and lasting change to the foreign policy of the US, and the international liberal order that is so well liked (and suits) the European countries would survive. In fact, the eight years of the Jackson presidency did not modify the essence of what the US was at that moment, nor its role in the world, which at the time was still marginal. If this hypothesis were to be correct, what Europe should do is weather the storm without losing its dignity and at the same time maintain a constant and constructive dialogue with those who continue to advocate a strengthening of the transatlantic relationship, above all the liberal internationalists of the Republican Party. It should respond (cautiously) to some of Trump's bravado, especially on the subject of trade, but without significantly modifying its position, trusting that the next American president would be «normal», would again understand the value of the Atlantic Alliance, would support European integration and would again be willing to uphold, with the help of others, the increasingly necessary structures of global governance. In fact, many Europeans, perhaps confusing desire with reality, believe that Trump will not finish his term because at some point an impeachment process will be opened, and, in any case, that he will not be re-elected in 2020.

Nevertheless, there is another possibility, which Europeans resist accepting but which may better reflect what is occurring: that Trumpism goes beyond Trump because it refers to a deeper rift in North American society as a re-evaluation of what the US national interest means in a world increasingly multipolar and in which the West is in decline. Thus, it is conceivable that the election of Trump reflects a structural dissatisfaction by the North American electorate with the establishment, with the cosmopolitan liberals of the East and West coasts and with the unfair distribution of the benefits of globalization and technological change,

that has come to stay (and which would also have its echo in Europe with the support for Brexit, the political parties such as La Lega in Italy and the National Front in France, the political views of the current Austrian Chancellor or the illiberal policies applied by the governments of Hungary and Poland without their popularity being eroded). Beyond the fact that that this may translate into electorates more inclined to closing borders and protectionism (synthesized through a slogan such as Trump's America First and which we are already observing), this would imply that the probability that Trump could be re-elected in 2020 would be increased and, furthermore, that American foreign policy would become increasingly isolationist and focused on restraining the rise of China, which would be damaging for the EU.

In this scenario, the US would gradually withdraw the security umbrella that it has deployed over Europe for the last 70 years, and would force Europeans to become responsible for their own security (and, above all for their relationship with Russia). Thus, even though the next president could have more courteous and less aggressive manners than Trump, it is conceivable that the US might view being the main provider of global public goods - from security to the existence of legitimate international economic governing structures based on rules - as no longer of interest to the US. Ultimately, the American is a virtually closed economy compared with that of the European countries or of China, so that a certain erosion of economic globalization could be less noxious for it than for others, especially when it is on the road to achieving its energy independence, maintains its structural power in the financial system and can still wield its power to guarantee that its trade and technological interests be respected in a global economy where the law of the strongest dominates. In addition, its public opinion, disenchanted with globalization, with its growth in inequality and increasingly protectionist nature, may have no appetite for reverting this isolationist drift.

From a geostrategic point of view, it would even make some sense that, to the extent that the great geopolitical confrontation of the 21st Century will be between China and the US, the American Administration would be interested in weakening the EU to prevent that on some issues (especially the economic ones) the EU should adopt a certain equidistant position between the two giants. In fact, on a careful analysis of Obama's foreign policy, some signs of this American strategic withdrawal are visible. But since the former North American president was more popular in the Western European countries than in the US, his shift toward Asia and his refusal to become militarily involved close to European borders went almost unnoticed (even though it is also true that he never waved the flag of protectionism, questioned international institutions nor attempted to weaken the EU, although he did request that European countries increase their defense expenditures).

Definitely, the US has for many years been paying less and less attention to international affairs and trying to reduce its foreign policy expenses to avoid suffering what the historian Paul Kennedy baptized as imperial overstretch, which has historically led to the collapse of empires when they have too many open fronts abroad. This trend was not initiated by Trump, nor is it likely to be substantially reversed in the future.

b) An expanding China

Simultaneously with the change in US foreign policy, the rapid rise of China as an economic power is occurring. In 1988, in terms of purchasing power parity, the income per capita of Americans was 25 times greater than that of the Chinese, while today it is only four times greater. Three decades ago the American economy represented 28% of the world economy, and the Chinese only 2%, or equally, the Chinese economy was 13 times smaller than the American. Today the US represents 25% of the global economy and China 15%, therefore, the differences between the two greatest competitors is being reduced and it is likely that China will surpass the US in terms of absolute GDP in the next decade.

Nevertheless, at political, diplomatic and military levels the distances between the two superpowers at the beginning of the 21st century are still substantial. The US still commands and controls all the oceans and seas with its eleven nuclear aircraft carriers and its six active fleets. Its diplomatic network of alliances makes it the dominant power, in what Susan Strange described as the four pillars of structural power: economic, financial, military and that of knowledge and ideas, also called soft power. While one could argue that US power is in relative (though not absolute) decline, especially if compared with China, its power is still enormous¹, to the point where it can be said that in international relations, the US is still the indispensable power.

China, on the other hand, until very recently always followed the maxim of Deng Xiaoping of hiding its power and biding its time. Its behavior in international relations was passive. This has changed with the election of Xi Jinping as Secretary-General in 2012, and President in 2013. China is beginning to acquire a higher profile and the project that best reflects this new era in Chinese diplomacy is the Silk Road, or as the Chinese authorities call it the Belt and Road Initiative. The project is indubitably enormously ambitious. It intends to connect by land, sea and air (and cyberspace) the two extremes of the Eurasian continental mass, that is, Western Europe with Eastern China, and to accomplish it, has as its objective to develop and stabilize the inter-lying countries and regions, beginning with the western Chinese regions of Xinjiang and Tibet, passing through Central Asia and terminating in the Mediterranean.

¹ See the Global Presence Index of the Elcano Royal Institute for a graphic illustration: <http://www.globalpresence.realinstitutoelcano.org/es/>.

The project has such a vast scale that it has generated a series of uncertainties, both economic and political. In the first place, it is not clear if China will be able to develop the monetary diplomacy and the necessary resources to finance an initiative that for some analysts in the private sector could cost, in infrastructure expenses alone, some 5 billion dollars in the next 10 years, that is, the same as the annual GDP of Japan. And these estimates may be conservative since the Asian Development Bank believes that from now to the year 2030, 26 billion dollars will be needed to cover the infrastructure needs of all Asia. Moreover, if in the end, China achieves its goal, there is much uncertainty at a political level, and a certain anxiety, to understand the repercussions this project will have from a strategic and geopolitical point of view. The basic question is if China, as an emerging superpower, will plug into the economic and political order led until now by the Western powers, or if it will be a revisionist power that will break with the established order. In other words, if it will respect, qualify or infringe the established order or if it will attempt to create a new one. What is clear is that in any of the options, we enter a geopolitical transition phase that will no doubt be one of the greatest challenges of the next few decades, for the EU as a whole, as well as for Spain, in particular.

Key risks for growth and stability

As indicated, despite the geopolitical uncertainties and the changing international scenario, economic growth in 2019 should continue to be positive and strong, though lower than in prior years. Nevertheless, there are multiple risks that must be considered and which could generate economic instability and reduce momentum. A review of the most important of these follows.

a) The trade war

As aforementioned, the President of the US, Donald Trump, is prepared to modify the international liberal order. He has begun doing so through the trade war. Beyond his mercantilist, xenophobic, and anti-cooperative compulsions, his objective seems to be something as primary as securing his re-election in 2020. And the worst is that his strategy could turn out well. With an economy at full employment and growing strongly, the negative impact of the tariffs on steel, aluminum, washers, solar panels, Spanish olives, automobiles (if they are formalized) or the unending list of Chinese products on which barriers are already announced will be barely noticed in the short run. Even an open trade war with China, an escalation of trade retaliation with the EU, Canada and other traditional allies, the renegotiation of the North American Free Trade Agreement (NAFTA), re-baptized as USMCA, or the systematic boycott of the World Trade Organization (WTO), while planting the seeds of destruction of the global trade system, would not blow it to pieces, at least not yet.

Trade wars gradually reduce the potential for economic growth, eroding efficiency in the allocation of resources at a global level, increasing the prices of many products and destroying employment in net terms.

While it is impossible to anticipate the impact of the escalation of tariffs that we are seeing, among other things because we do not know how far the protectionist measures will reach, the effect will not be minor. Thus, the main European economic think tank, Bruegel, estimated in a recent report that an open trade war could reduce income per capita for each European by 1,250 Euros annually.

Likewise, Paul Krugman asserted that tariffs could increase between 30% and 60% worldwide, which could reduce international trade by 70% and reduce world GDP between two and three percentage points. In addition, to the extent that the trade war would entail going from a system of rules (woven into the fabric of the WTO) to another closer to the law of the jungle, growth could fall even further in the long term due to the increase in uncertainty.

At the same time, and this is the worst from the geopolitical point of view, trade war undermines confidence among countries - as was seen in a graphic manner in the G-7 summit in Canada in 2018 - and forces its leaders to counterattack in the face of threats from another country so as not to become pariahs. As such, its economic impact is not equivalent to that of the financial crises, in which short-circuiting the credit system can collapse the world economy in a matter of hours. Trade battles, as was seen in the 30's, may take years to become fully noticeable in the real economy, even though the markets are often impacted earlier. And that is enough time for Trump to secure electoral victories if he is capable of selling to his base that he has been tough with those who «steal» from the US, above all the Chinese, the Mexicans and the Germans.

Definitely, when historians analyze Trump's term, it is likely that they will associate him with an aggressive unilateralism that contributed to the acceleration of the decline in the dominance of the US and its prestige in the world. Perhaps they will go further and discuss 2018 as the year of the beginning of the end of the international liberal order, prevalent in the West since World War II. In fact, the longer Trump lasts, the farther will the global system be destroyed. And not so much because other North American leaders will not share the idea that the US should carry out a strategic withdrawal, increasingly isolated and financing less and less some global public assets (Obama already did that), but also because Trump's methods are particularly corrosive for multilateral cooperation based on rules, which exponentially increases the risk of «accidents» that precipitate the escalation of conflicts. In any case, since the level of international economic interdependence is so high and technology makes wars so destructive - if they ever were less destructive -, the field for erosion of the liberal order will likely be above all and for now, the trade arena.

The main losers from trade war will be the countries that have benefited the most from the system of multilateral rules instituted in the WTO in the last few decades. In the first place, the European countries (and especially Spain, which has always benefited when it has opened its economy), but also Canada, Japan, the Latin American countries and, more recently, the emerging Asian countries, with China at the helm (and increasingly some African countries). It should not be forgotten that both trade agreements and the EU itself have served the countries (and their leaders) to become civilized and bury their lower passions, allowing for the legitimacy of laws to replace the law of the strongest, and allowing the world economy to grow (though with increasingly greater inequality) by removing the phantom of conflict among great powers.

Thus, is the majority of the international community so worried by the tariffs announced by the US as well as by the American boycott of the WTO, which has been enacted by blocking renewal of judges from the dispute-solving mechanism (which will paralyze it at the end of 2019), and in the use of the national security clause to justify its tariffs on steel and aluminum. This involves a flagrant violation of the spirit of the rules because importing steel or aluminum from Canada, Germany or Mexico is very far from entailing a security threat to the US. But, in addition, it leaves the WTO with an impossible dilemma: if it authorizes American tariffs (something foreseen in article XXI for exceptional cases), other countries could use security as an argument to close their markets; but if it does not authorize them, it opens the door for the US, the largest economy in the world, to abandon the organization, mortally wounding it.

For now, the EU has opted to set itself up as the actor who fights Trump protectionism and defends the multilateral trade system. With this attitude, it reinforces the vision of the Union as a regulatory power; in other words, occasionally acting out of principles and values more than in favor of its own interests, even at the cost of suffering economic damage that it could have avoided if it had stood aside and not announced trade retaliations against the US.

The million-dollar question is whether the trade war will continue or not. And here, the glass may be seen as half-full or half-empty. Optimists may emphasize that the US and the EU agreed in June of 2018 to stop the escalation of tariffs (the Union had imposed 2.800 billion Euros in tariffs on American products in response to the restrictions on the purchases of steel and aluminum the Trump Administration established in May), and even to open negotiations to advance towards a transatlantic space free of tariffs. Likewise, Canada, Mexico and the US have finalized with cosmetic changes the renegotiation of the free-trade agreement of North America, which will no longer be called NAFTA but USMCA (the initials of the countries without the words «trade» nor «free» in the name, much to the pleasure of Trump), and something similar has happened with the

agreement between the US and Korea (now it is Japan's turn). Though it remains to be seen if in the next few months the US will decide to carry out its threat of unilaterally imposing restrictions on imports of autos, it could be said that we are in a phase of de-escalation relative to the trade war between the US and its traditional allies. Optimism may be further completed by confirming that, in the face of Trump's unilateralism, the EU has started (successfully) to expand its network of preferential trade accords so an eventual trade war could hurt its growth less, which means that European exporters now have better access to the markets of Japan, Singapore or Mexico, among others.

But if one prefers to be a pessimist, it is enough to confirm that affairs between the US and China are increasingly worse. Of the 300 billion dollars in tariffs the US has imposed on its imports, the great majority are on Chinese products. And China, far from backing down, has responded with equivalent tariffs. The tactic of the threat seems to have worked for Trump with Mexico, Canada and Korea, but will not function with China, which is a much larger economy, less dependent on the US and has already depreciated the exchange rate to annul the effect of the tariffs. Therefore, as of today, it is more likely that the trade war will intensify in the Pacific, and even end with all trade between the US and China covered by tariffs. This would be damaging for the world economy, but not lethal, and its direct impact on Europe would be reduced.

The problem is that to conclusively eradicate the danger of a trade war, what is needed is a renewal of the rules for the globalization game such that China can be integrated in the patchwork of multilateral trade governance with new regulations considered legitimate by all countries, which implies ensuring that all Chinese enterprises not play with advantages thanks to the support of their government. But for that to occur, the US and China first have to make their peace.

b) Excess debt

The financial sector is currently extremely powerful and attracts too much capital and talent. One of the main reasons for this development is structural. Modern capitalism is over-dependent on credit bubbles linked to the real estate sector in order to grow, and these bubbles are often generated by the banks, since, through their installment system, they are really responsible for creating money. The result is that it generates excessive debt. The truth is that debt is what led to the financial crisis ten years ago, and since then instead of decreasing has only increased at world level.

A recent study by McKinsey estimates that in 2007 total debt in the world (adding public, non-financial enterprises, and household debt) was 97 billion dollars. Ten years later, in 2017, it reached \$169 billion, in other words, it had experienced an increase of 74%, or, which is the equiva-

lent, went from 167% of world GDP to 209%. China has increased its debt enormously, from 145% to 256% of GDP, but benchmark countries such as Sweden (233% to 275%), Canada (221% to 296%) and France (216% to 304%), did so as well. In Spain, debt has gone from 242% in 2007 to 275% in 2017 (and reached 297% in 2013).

This mountain of debt accumulated in a decade, which for many countries continues its ascendant trend, will become in cyclical terms a very steep wall in the next recession, that some already predict will be in the next two or three years. When the crisis arrives, many States, and many households and businesses, will not have patches to absorb the pain and the previously mentioned wounds could then open even further. There are three ways to address the debt. The first is growing enough to be able to pay it, but, precisely due to the over-indebtedness, aging and the technological revolution that keeps salaries low and productivity concentrated, growth is not reaching desired levels. The second is generating inflation to reduce its real value, but that is also not being accomplished despite expansive monetary policies. And lastly, there is the option of restructuring, which is a euphemism for saying non-payment (normally partial), which is something to be avoided at all cost because it can again collapse the banking system, which is the greatest holder of (sovereign) debt, and because massive restructures are not easy socially and some countries are more prepared than others. As of now, it seems the most likely option will be to take advantage of low interest rates to continue refinancing debt, in hopes that growth continues for several years. But the risk of this strategy failing may be high.

c) Brexit

The United Kingdom has always been an odd partner for the EU. When the community integration project began in 1957, the British opted out and promoted an alternative integration process, the European Free Trade Association (EFTA), with only trade and few institutions. And the fact is, Winston Churchill himself had said at the end of the Second World War that, to ensure peace, one must move towards a US of Europe, but without including the United Kingdom. Back then, the majority of Britons dreamt they would maintain their power and influence due to the special relationship with the US and the weight of the Commonwealth. But all these delusions of grandeur fell gradually during the next few decades, and, after various economic and geopolitical humiliations (Suez Canal Crisis of 1956 and clear economic decline with regard to the continent), the United Kingdom opted to solicit its entry into the European Economic Community with its head low. After the death of General De Gaulle, who gloated several times while vetoing the British entry, it finally materialized in 1973.

Since then, the United Kingdom has always had a transactional vision of its belonging to the Union. Its national project of modernization and

democratization has never been linked to Europe, as it has been in Spain and other countries of southern Europe. It has always kept an attitude of mistrust of ceding undue sovereignty and has never shared the project of political integration that the majority of the member states of the EU hold. For the British, up until now always masters of the art of diplomacy, each European dossier must be analyzed in terms of cost and benefit, and this strategy has led them to enjoy a special position within the EU: they achieved a so-called British rebate to reduce their net contribution to the community budget by their rejection of the weight of the Common Agricultural Policy and by not forming part of the Schengen area, nor the Euro.

But when the financial crises of 2008-10 and of the Euro of 2010-2013 forced European countries to strengthen their economic and monetary integration, the British began to understand that the Union was going to advance towards deeper integration, which would force them to consider if they were willing to follow or not (that happened, for example, with the Banking Union, the fiscal pact or the creation of MEDE) And, even though Brexit is a terrible economic idea and the clear miscalculation of Conservative Party elites, above all Cameron, it cannot be denied that some parts of the United Kingdom (neither Scotland nor London) have never felt fully comfortable with their belonging to the community. Since World War II, they have always had recourse to Europe as Plan B and with their head lowered, when their powerful imaginary imperial projects have failed them. It is essential to understand this in order to put the disturbing reality of Brexit into proper perspective.

It is impossible to anticipate what will happen with Brexit. The first thing to have clear is that one thing is the exit accord, also called «the divorce» and about which there is already a legally-binding text, and another, and separate one, is the future relationship, which has yet to be negotiated. But it is important to emphasize that a constructive negotiation regarding the future relationship can only occur if the divorce is friendly; in other words, if the British Parliament approves the accord negotiated between the European Commission and the British government. Therefore, as long as there is no second referendum that curbs Brexit, there is a binary option between Brexit with an accord or Brexit without an accord (or chaotic); and only in the case of accord (and after the transition period) will the future relationship be negotiated, which could prompt a hard Brexit (in the form of a free trade agreement such as the Canadian one) or soft (in the form of belonging to the interior market such as Norway or Switzerland). The option that will ultimately be chosen will determine the economic impact of Brexit, which today is impossible to estimate, but will very likely be negative and more damaging for the United Kingdom than for the EU, and more adverse the farther there is a drifting away from the status quo, in which economic integration is complete.

In any case, it is possible to assert that Brexit has crashed. The exit from the EU is much more difficult than anyone could have imagined. The United Kingdom feels defeated, and Brussels and the other 27 European capitals repress their *schadenfreude* so as not to draw blood. «Chapeau» (hats off) to Michel Barnier. History books will remember him as the EU negotiator who was serious, firm, elegant, clever and magnanimous at the end of the process, cognizant that the EU was upheld, united and implacable.

On the other side, the British counterparts have been resigning. No need to say more to determine who has won the match. It is also true that the British started with very bad cards. Whatever happens in the next few months and years, Brexit will not be glorious as Boris Johnson and Nigel Farage, the two leaders of the so-called Brexiteers, thought, a term that sounds too congenial for the infamous cause they have attempted to advocate.

Brexit as a project has failed. Theresa May - the stoic captain who will not abandon the ship, while her officers jump overboard - has summarized it well. At this point, there are only three options and the three are bad: accept this accord (because there will be no other), end with no accord or stop Brexit. What a panorama! The three scenarios are extremely tough for a nation that until yesterday thought they were the second most powerful in the world.

To approve the accord means having to apply the rules of Brussels without being able to sit at the table. In other words, the opposite of reclaiming sovereignty. If the United Kingdom opts for the heroic, the thrashing will be even worse: a severe recession (this time it truly will be) and highways with kilometers of trucks to go through customs. Even Dominic Raab has recently become aware that the only port of entry is Dover. It is obvious that a non-accord would be detrimental for both parties, but much worse for the United Kingdom.

Finally, to pull back from Brexit would also be a bath of humility for many Britons. The result of the referendum of 2016 was a shock for the country, but English pragmatism made even those who had voted to remain say, «Well, if this is what the majority wants, then let it be». The much-vaunted: «Let's get on with it». But, now, suddenly to recognize that it is impossible to exit is very difficult to swallow.

Future scenarios

a) Economic fragmentation and conflict: a new Cold War

In his *History of the Peloponnesian War*, written in 400 BCE, Thucydides explained that the confrontation between dominant Sparta and the emerging Athens was inevitable because the first was threatened by the

second, and that led to a military escalation. We are now in a similar situation between the US and China. One only has to read (or watch) the speech of the Vice President of the US, Mike Pence, at the Hudson Institute last October 4th. In it, Pence articulates a feeling that has been unfolding for a long time in the Washington establishment and can be summarized thus: China is threatening the dominant position of the US and we have to do whatever is necessary to prevent the *sorpasso* [being overtaken].

This idea is not new. But what is new is the language used by the second highest-ranking politician of the leading world power. Pence openly declares that China has ceased to be a competitor and has become a strategic rival that is using all types of weapons and trickery to displace the US from its throne.

Chinese stalking is evident in all fields. Militarily, Beijing has been expanding its borders in the South and East China Seas and attempting to displace the US as the dominant power in its sphere of influence. In the diplomatic field, the government has launched a new silk route and has succeeded in having the European powers join the Asian Infrastructure Investment Bank, despite resistance from Washington. In the economic arena, the Asian giant has already surpassed the purchasing parity of the American economy, exports much more than the U.S. does, and has increased its investments (and the dependencies those generate) in the rest of Asia, Africa, Latin America and now also Europe.

In the technological field, China has created its own cyberspace and its large corporations, such as Alibaba and Tencent, are already penetrating Western markets. Furthermore, thanks to obligatory transfers of technology and to the theft of intellectual property, but also to its own investments, the Asian country is already competing on an equal basis with the US in big data and artificial intelligence.

In the political arena, Pence contends that China wishes to export its authoritarian model to the rest of the world and even dares to interfere in the political systems of Western countries, through illegal means as well as cyber-attacks, but also through the art of persuasion and public relations. The Vice President has gone so far as to insinuate that the 430,000 Chinese students in the US could be a fifth column for the Communist Party of China (CPC). Thus, this rhetoric could signal the beginning of a new Cold War.

For years, the Beijing establishment has been announcing that as the economy of the country threatens to surpass the American in absolute terms, the US will attempt to derail the Chinese locomotive, so it has chosen from the CPC a strong man like Xi Jinping to be at the helm during this transition phase, however long it may last. This unsettling analysis is based on history. Graham Allison has studied 16 transitions of power in the last 500 years, and in 12 of them, the dominant and rising powers

fell into the trap of Thucydides, in other words, they engaged in an armed conflict. This is frightening. Although there is a thread of hope. The four cases where there was no war were in the 20th century and one of them was the (peaceful) fall of the Soviet Union.

b) Redirected situation: Multilateral reform and cooperation

A confrontation (military or any other type) between China and the US is not the only possible alternative for the future. In fact, until Trump reached the American presidency almost all the specialists in international relations reasoned that, even though the rivalry between the two great powers would define the geopolitics of the 21st century, the confrontation would not begin to materialize until later. China was comfortable with the status quo, the US continued being the only superpower and the economic interdependence between the two, which the historian Niall Ferguson baptized as *Chimerica*, assured that neither of the two would be interested in a direct confrontation. In fact, for years, China has avoided the concept of a G-2 and has always been interested in having other countries sit at the table of global governance. In view of the protectionist policies of the US, China has advocated an inflexible application of the multilateral order based on rules, though sometimes even they themselves have not complied, although they have also not openly broken them. Rather, China has tended to take advantage of the gray areas of the regulations (especially relative to trade, investments and the protection of intellectual property), to continue generating economic growth, and hoped to continue doing so for at least two more decades.

Furthermore, as aforementioned, the EU has attempted to uphold the multilateral liberal order and has reinforced new alliances with partner countries in defense of the free trade system. The WTO needs a reform, which currently is difficult, but there is the possibility that, little by little, the positions of China and the US (with or without Trump) can be toned down and the rules of the game of globalization can be reformed to avoid the fragmentation of the world economy. This would require that a cohesive EU with a strong voice, with the support of Japan, Canada, Australia, South Korea and the countries of Latin America, could seduce China and the US to accept the re-writing of globalization rules, which, in this new phase, would be different from those preferred by the consensus of Washington. This would be, surely, the most desirable scenario.

Epilogue: Learning to move in uncertainty

As has been seen, the year presents good economic perspectives, although full of geopolitical curves and marked by structural transformations of great impact in on the international political economy. In fact, 2019 may be the year with the greatest diversity of opinions regarding how the economy will

progress and how the principal indicators will evolve. Macroeconomic fundamentals at a global level are solid, but increasingly there are more voices that see the poor behavior of the markets in 2018 as an omen of a new recession. Likewise, there is no consensus among analysts over an increase or decrease in the price of petroleum, which often is a good indicator of the strength or weakness of the global cycle. Finally, there are those who believe that, since the economy of the US and of the countries in the northern Eurozone are operating at their maximum potential (with a positive output gap, as economists like to say), inflation will begin to accelerate, while for others we continue to see very moderate increases in prices despite high liquidity, as we have seen during the last decade, since we have not yet left the phase of post-crisis secular pseudo-stagnation.

Definitely, what will probably determine if 2019 ends with better or worse results than those presented in the previous pages (which constitute the most likely scenario) will be the evolution of confidence and expectations. As long ago as 1936, John Maynard Keynes wrote in his *The General Theory of Employment, Interest and Money*:

Even setting aside instability due to speculation, there is other instability due to the characteristics of human nature: that a large proportion of our positive activities depend on spontaneous optimism rather than on a mathematical expectancy, whether moral or hedonistic or economic. Perhaps the majority of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken to be the result of animal spirits -- of a spontaneous urge to action rather than inaction, and not as the outcome of a weighing the average of the quantitative benefits multiplied by the quantitative probabilities. (*Fondo de Cultura Económica, Third edition, 2001, pp. 141*).

If the risks do not materialize and the feeling of uncertainty dissipates, the animal spirits which Keynes discussed will elevate consumption and investment, making 2019 another good economic year. On the contrary, if pessimism pervades, we could enter into a self-fulfilling expectation dynamic, in which the economy ends by exhibiting poor results precisely because everyone expects it to do so.

No one knows when the next recession will arrive, but surely it will not be in 2019 and, in any case, when it arrives, will not be as severe as the last one. At times it is forgotten that the great financial crises such as from 2007 to 2009 -- which generated the Euro crisis of 2010-13 -- only occur once every hundred years.

Chapter two

The Sino-Russian Strategic Partnership

José Pardo de Santayana

Abstract

Since the collapse of Russia's relationship with the West over Crimea and Ukraine in 2014, the Sino-Russian strategic partnership has become a geo-strategic reality. Both powers share the desire to challenge the principles of the US-inspired liberal international order that has dominated international relations since the end of the Cold War. At present, relations between Beijing and Moscow, on the one hand, and Washington, on the other, are becoming increasingly tense, including the threat of economic war and the spectre of nuclear escalation, which paints an uncertain and unstable international picture of a multipolar world order that has left behind the period of US hegemony.

Keywords

USA, China, Russia, the West, international relations, world order, economic war, development, peace.

Introducción

«Since the collapse of Russia's relationship with the West over Ukraine, the Sino-Russian strategic partnership has become more of a reality. Russia and China share a common desire to challenge principles of the Western-dominated international system. But their relationship is complex, with lingering mistrust on both sides»¹.

This mistrust stems from a combination of historical and geopolitical factors. In the nineteenth century, expansion of the Tsarist Empire on the eastern-most part was performed at the expense of the Chinese Empire, from whom it seized 1.5 million square kilometres. China and Russia's geopolitical ambitions have led to considerable friction, which rapprochement between the two powers is easing.

Beijing, whose power asymmetry continues to grow at the expense of Moscow, has the most to gain from this entente. China needs Russia in order to prevent other states from opposing its rise to world primacy. And the Kremlin, while it remains in staunch opposition to Washington and its allies, will need a strong ally if it is to withstand Western pressure and diversify its strategic, economic and diplomatic ties.

US sanctions and the threat of a trade war are strengthening the foundations on which the Sino-Russian strategic partnership is built, exacerbating tensions in the international arena and heralding a future of intense rivalry between the major powers.

This situation is by no means desirable. Henry Kissinger argues that it is in the US's interest to maintain relations with both China and Russia and that the relationship should be better than the one Moscow and Beijing have with each other, and disputes between the two skilfully encouraged². This was also President Trump's approach when he came to power, one of his goals being to wrest Russia away from China's embrace³. However, a number of obscure events pushed the US administration in the opposite direction, and the National Security Strategy of the United States, issued in December 2017, describes China and Russia as revisionist powers that are trying to shape a world antithetical to US values and interests. It accuses «China of seeking to displace the U.S. in the Indo-Pacific region, expand the reach of its state-driven economic model and reorder the region in its favor. Russia seeks to restore its great power status and establish spheres of influence near its borders». The next National Defense Strategy of the United States,

¹ STRONSKI, Paul, NG, Nicole. *Cooperation and Competition. Russia and China in Central Asia, the Russian Far East and the Arctic*, Carnegie Endowment for International Peace, February 2018, p. 1.

² KISSINGER, Henry. *World Order*, Paperback, September 2015.

³ Carlson, Brian G. *Room for Maneuver: China and Russia Strengthen Their Relations*, Strategic Trends 2018, Center for Security Studies, March 2018, p. 30.

The Sino-Russian Strategic Partnership

published in January 2018, identified the central challenge to US prosperity and security as the re-emergence of long-term, strategic competition by these revisionist powers.

The ideological alliance that united the People's Republic of China and the Soviet Union (USSR) after World War II had cooled down quickly, culminating in a military confrontation in 1969 and becoming a serious and escalating threat, which prompted China's rapprochement with the US. While Gorbachev's rise to power and the new Russian Government that rose out of the ashes of the USSR brought a clear improvement in Sino-Russian relations, it was Putin who gave real impetus to the strategic partnership between the two states. From the outset, the two countries' desire to shape a multipolar world order prevailed, one in which Washington's hegemonic position would be constrained and state sovereignty over internal affairs scrupulously respected. However, it was not until 2008, when a crisis arose between the Kremlin and NATO over Ukraine and Georgia's potential membership of NATO and Russia's military intervention in Abkhazia and South Ossetia, that Russia turned decisively towards China.

Up until then, President Putin had tried to maintain the best possible relations with the EU and NATO in the hope that the Western countries would respect Russia's sphere of influence in Belarus, Ukraine and the Transcaucasian republics, which, from the Kremlin's point of view, was a 'red line' not to be crossed.

The relationship with Europe was a priority for the Russian Federation considering that two-thirds of Russian exports went to Europe and that European countries were also Russia's largest international source of funding and a key partner for technology acquisition. The latter two were essential for the development of Russia's energy industry and, hence, critical to its economic development.

For Beijing, the strengthening of its strategic relationship with Moscow allowed it to undertake an ever more aggressive strategy in its maritime claims in the East and South China Seas with greater guarantees of success, and signalled a definite departure from its 'low-profile' foreign policy. By 2008 the great Asian power, with a rapidly growing economy, was about to overtake Japan as the world's second largest economy and was beginning to design a short-term strategy to regain its historical position as the Middle Kingdom (*Zhongguo*, as China refers to itself), thus making it, on account of its size, the world's wealthiest and most powerful nation.

The Ukraine crisis of 2014 and China's New Silk Road project, announced in 2013, have ultimately given rise to a multipolar world in which the Sino-Russian strategic partnership has clearly been strengthened and where rivalry between powers has marred attempts to shape international relations according to the rule-based liberal international order which, to a greater or lesser extent, prevailed during the period of US hegemony following the end of the Cold War.

Bilateral ties between the two countries have taken a personal turn thanks to the personal chemistry between their leaders, Vladimir Putin and Xi Jinping, who get directly involved in the resolution of serious financial and trade issues of mutual interest⁴. Both leaders share the historical interpretation of the destiny of their nations, a realistic view of international relations and a short and medium-term strategy of shared interests for their respective countries. In the longer term, and especially when Putin steps down from power, the Russian Federation is likely to be seriously inconvenienced by China's dominant position.

This paper aims to explain the process that has led to the close entente between Moscow and Beijing, present the diplomatic, economic-energy and military dimensions behind the entente and assess the geostrategic implications for the international arena. In addition, we will present the challenges it poses and attempt to provide an insight into the new international order that the Sino-Russian strategic partnership is helping to shape.

Sino-Russian geopolitical rivalry

Sino-Russian relations have a long and complex history marked by their extensive common border, the complementarity of their economies, the two powers' geostrategic ambitions and mutual distrust. Of particular relevance is Russia's concern over Chinese demographic pressure in the Far East, China's ever-growing presence in Central Asia and its interest in the Arctic Ocean.

The Russian Federation's vast territories east of the Urals have just over 30 million inhabitants, compared to the total Russian population of 143 million. The furthestmost point, the Russian Far East, has a population of just 6 million inhabitants and is on the decline. In contrast, the neighbouring Chinese province of Manchuria is home to more than 110 million people, out of a total Chinese population of 1.4 billion people. Putin was initially distrustful of China's excessive influence in the Russian Far East and, in a speech before a Siberian audience in 2000, warned them that unless Russia stepped up development of the region, they would end up speaking Chinese, Japanese or Korean⁵.

Moscow's need to deepen relations with Beijing in opposition to Washington has made a virtue of necessity and forced the Kremlin to turn to China in a bid to find a solution to the region's poor economic development. However, Russia has not been particularly successful at attracting Chinese invest-

⁴ STRONSKI, Paul, NG, Nicole. *Cooperation and Competition. Russia and China in Central Asia, the Russian Far East and the Arctic*, Carnegie Endowment for International Peace, February 2018, p. 3.

⁵ HENDERSON, James; MEHDI, Ahmed, *Russia's Middle East Energy Diplomacy. How the Kremlin Strengthened its Position in the Region*, Foreign Affairs, 20 June 2017.

ment in its Far East region. Some transport connectivity projects are moving forward. Chinese firms have also taken stakes in Russian agribusiness. In September 2018, participants (mostly Chinese) at the annual Eastern Economic Forum in Vladivostok signed 175 agreements totalling about 42 billion dollars. However, it is unclear how many of them will actually materialise as Russian terms are often not attractive enough for investors⁶.

In the geoeconomic dimension, there are two opposing views. On the one hand, China's New Silk Road and, on the other, Russia's Eurasian Economic Union. Despite the fact that both sides have made major efforts to harmonise the two initiatives, one fundamentally excludes the other. The New Silk Road is a large-scale transport infrastructure with profound economic implications and links, which aims to create a mutually beneficial relationship between China and the countries concerned. The Eurasian Economic Union aims to cement Russia's sphere of influence in other countries, particularly the Central Asian republics, which constitute the point of convergence of the Chinese project. In May 2015 Beijing and Moscow signed a bilateral agreement to link up the Silk Road Economic Belt with the Eurasian Economic Union. For Russia, ceding regional influence to China in Central Asia is undesirable, but also virtually unavoidable, although understanding between the two powers seems somewhat uncertain in the long term⁷.

Central Asia is rich in natural resources, abuts both powers and is a gateway to areas such as Afghanistan and Iran, which are of major strategic importance for Beijing and Moscow. Both capitals have established a *modus vivendi* and a division of labour: Russia focuses on security while China is the key economic player, with the Shanghai Cooperation Organization serving as an institutional framework. The two countries compete in the sale of arms to Central Asian states. However, plans for a Chinese military base in Afghanistan's Badakhshan province, adjoining Tajikistan, might be a greater cause for concern, as it could mark the beginning of a clearer Chinese security footprint in the region⁸.

In the Arctic also, where Russia has traditionally claimed a dominant position, it needs China for infrastructure development and resource extraction. Beijing is seeking to exploit the region's economic potential and develop its own technological capabilities by partnering with Moscow on key projects. In addition to collaborating closely in the construction of the liquefied natural

⁶ STRATFOR. Joint Interests Against the U.S. Deepen the Sino-Russian Embrace, 5 November. Available at: <https://www.stratfor.com/article/china-russia-embrace-interests-us-deepens>.

⁷ Carlson, Brian G. *Room for Maneuver: China and Russia Strengthen Their Relations*, Strategic Trends 2018, Center for Security Studies, March 2018, p. 38 and 39.

⁸ STRATFOR. Joint Interests Against the U.S. Deepen the Sino-Russian Embrace, 5 November. Available at: <https://www.stratfor.com/article/china-russia-embrace-interests-us-deepens>.

gas plant in the Yamal Peninsula⁹, the two capitals are also cooperating to develop the Polar Silk Road. However, an overbearing Chinese presence in the region could create tension with Russia.

China is not only in a more advantageous position than Russia, it also stands to gain the most from the entente. As time passes, this power asymmetry will continue to grow. And as China begins to play a more active role in the global arena, its long-term ambitions with respect to Russia are not clear. China's decisions will set the course for the Sino-Russian relationship, while Russia will remain only in a position to react¹⁰.

Background

Following World War II and the creation of the People's Republic of China in 1949, the USSR and China formed a powerful bloc, essentially united by communist ideology in opposition to the United States and its allies. The Sino-Soviet partnership was formalised on 14 February 1950 with the signing of the «Treaty of Friendship, Alliance and Mutual Assistance». However, differences soon arose because of Moscow's inability or unwillingness to meet Beijing's demands. Between 1956 and 1958 these differences were confined to ideological disputes. However, in the ensuing years, the discord spread to border and national security issues, leading to armed clashes over Zhenbao Island (Damansky) in 1969. The Soviets even threatened to launch a preventive attack on China's nuclear facilities. Beijing abandoned the dual adversary strategy and fostered rapprochement with Washington to counter the escalating Soviet threat¹¹.

The US-China rapprochement in 1970-72 served as a catalyst for China's admission to the UN and the Security Council as one of the five permanent members. A strictly bipolar world gave way to a strategic US-Soviet-China triangle, which facilitated US hegemony and the progressive détente in East-West relations.

Sino-Soviet relations remained extremely cold until Mikhail Gorbachev came to power. In 1987 border negotiations resumed and in June 1989 the Soviet leader travelled to Beijing. The visit coincided with the huge student protests taking place in large cities throughout the country, particularly Tiananmen Square. Moscow was able to take advantage of China's severe international isolation to sell it huge quantities of light weapons. In May 1991, sever-

⁹ MAÑUECO, Rafael, «Entra en funcionamiento la planta que llevará a España gas licuado desde el Ártico ruso», ABC, 8 December 2017.

¹⁰ STRONSKI, Paul, NG, Nicole. *Cooperation and Competition. Russia and China in Central Asia, the Russian Far East and the Arctic*, Carnegie Endowment for International Peace, February 2018, p. 3.

¹¹ SHAMBAUGH, David, YAHUDA, Michael. *International Relations of Asia*, Rowman & Littlefield, 2014, p. 48.

al months before the dissolution of the Soviet Union, an agreement was reached on the eastern portion of the border.

The new Russian Federation and the People's Republic of China followed different trajectories. Even though Yeltsin focused primarily on forging relations with the West, relations between Moscow and Beijing continued to thaw. Russia inherited most of the former Sino-Soviet border, and ratified the border agreement in February 1992. Both countries also made efforts to strengthen economic relations.

Although distrust between Russia and China remained high, the two countries signed a «strategic partnership of coordination» in 1996. They both had a common interest in promoting a multipolar world and non-interference in states' internal affairs. That same year, Moscow and Beijing participated in the foundation of the Shanghai Cooperation Organisation, an intergovernmental organisation focused on regional security and describing the main threats it confronts as being terrorism, separatism and extremism. The war in Kosovo, in which both countries opposed NATO operations, accelerated the process of forming closer bilateral ties. In China, public opinion turned strongly against the US after NATO's bombing of the Chinese embassy in Belgrade in which three Chinese citizens were killed¹².

China, a country that accounts for over one-sixth of the world's population, although closed in a political sense, liberalised its markets, attracted foreign investment and became the world's largest factory, maintaining a sustained economic growth of 10%. The country's rapid transformation allowed Beijing to recover its good image and progressively consolidate its important role in the international arena. After two decades of astonishing development, the project spearheaded by Deng Xiaoping was proving to be extremely robust. The West believed that as Chinese society became wealthier and began opening up to the world and modernising, the great Asian power would gradually converge towards the values and principles of a liberal international order. This process of liberalisation and simultaneous dissociation from Jiang Zemin's communist tenets offered a glimmer of hope in this sense. Finally, after fifteen years of intense negotiations, China joined the World Trade Organization in 2001.

In contrast to China's spectacular results, at the close of the twentieth century, the general outlook for the Russian nation and people could not be more dispiriting: the situation was one of genuine economic collapse. The country that was home to Europe's largest oil reserves saw itself forced to ration heating fuels, and there was even a return to the basic commodity shortages of the 1980s. And to exacerbate matters further, NATO had just completed its first round of expansion in the East with the admission of Poland, Hungary

¹² SINKKONEN, Elina. *China-Russia Security Cooperation. Geopolitical signaling with limits*, FIIA briefing Paper, January 2018, p. 3.

and the Czech Republic. Social rejection of the new economic model and the new relationship with the EU reached levels not seen since the end of the Cold War¹³.

Important sectors of Russian society saw the West's interest in promoting its own values and principles in Russia as merely a policy devised to weaken the Russian Federation and exclude it from Europe, thus awakening the ghosts of the past. Furthermore, the Balkan conflicts and the independence of Kosovo demonstrated that Russia's views were not being taken into account and that its status as a great power had been reduced to ashes.

Russia's gradual disillusionment with what it could expect from the West, coupled with China's growing international ambitions, paved the way for a new era in Sino-Russian relations when Vladimir Putin became president, one marked by closer political cooperation in the UN Security Council and showing typical signs of a coalition. In 2001, the signing of the Sino-Russian Treaty of Friendship brought the bilateral commitments enshrined in Article 9 to a new level: «When a situation arises in which one of the contracting parties deems that peace is being threatened and undermined or its security interests are involved or when it is confronted with the threat of aggression, the contracting parties shall immediately hold contacts and consultations in order to eliminate such threats»¹⁴.

However, bilateral relations were advancing extremely slowly. There continued to be significant differences and the historical mistrust had not disappeared, particularly on the Russian side. It was not until 2008 that the Russian Federation's estrangement from the NATO countries prompted the Kremlin to take the first steps toward a rapprochement that gave the Sino-Russian strategic partnership a significant role in shaping the international order.

Strengthening of the Sino-Russian Strategic Partnership, 2000 to 2008

The Russian viewpoint

As soon as he reached the pinnacle of power, Vladimir Putin set himself the task of tackling the bleak national landscape, which had up until then been a source of great satisfaction for its old adversaries of the Cold War, the US and the EU, who had long ceased to regard Russia as a cause for concern.

¹³ IEEF, Strategy Document 178, Russia under Putin's leadership. The new Russian strategy in the search for its regional leadership and its consolidation as a global actor, LEÓN AGUINAGA, Pablo and ROSELL MARTÍNEZ, Jorge, «Economic relations between Russia and the European Union», November 2015.

¹⁴ SINKKONEN, Elina. *China-Russia Security Cooperation. Geopolitical signaling with limits*, FIIA briefing Paper, January 2018, p. 4.

Firstly, the Russian president put an end to the Chechen War, he then subdued the oligarchs that had appropriated the country's wealth and he unscrupulously challenged the Kremlin before putting the state administration and economy in order. With this, he had tackled the most pressing measures so that he could take the reins of power, give coherence to the State and earn the respect of the Russian people. The rise in oil prices enabled Russia to increase state revenue several-fold during Putin's first two presidential terms (2000-2008). The problem of supply shortages became history, unemployment plummeted and wage earners and pensioners began to recover their purchasing power, to the point that they gave rise to a new middle class. During this period, foreign investors identified Russia as one of the so-called BRIC economies (along with Brazil, India and China)¹⁵.

Putin's initial attitude to NATO was one of strategic cooperation, which became evident in the autumn/winter of 2001 when military operations began in Afghanistan. In return, Putin hoped that the Western countries would respect Russia's zone of influence and take Moscow's views into consideration. By collaborating with Washington at such a delicate time – barely weeks after 9/11 – the Russian leader harboured hopes that the US would return the service.

The economic collapse of the Soviet Union had taught Putin that competitive markets are far superior to state intervention, resulting in a number of pro-market reforms at the beginning of his time as Russian president. Similarly, Putin genuinely tried to engage the international community during the early 2000s, with a focus on cooperation rather than confrontation¹⁶.

However, during President Putin's first two terms of office a number of events occurred that seriously troubled the Kremlin: NATO and the EU's continued expansion to the East, which isolated Russia from Europe; the *colour revolutions* which brought instability and the threat of a domino effect to Russia's doorstep, and the US deployment of a missile defence system near Russian borders, which, though aimed at Iran, had a direct impact on the nuclear balance in Europe between the US and the Russian Federation.

The Baltic republics' accession to NATO in 2004 upset the Kremlin, but it was tolerable considering that the USSR had incorporated these republics by dubious means (as part of a pact with Nazi Germany) and the bonds these republics had forged with their neighbouring countries were strong.

The change in strategic direction came in April 2008 when, at the Bucharest Summit, NATO considered the possibility of admitting Ukraine and Georgia,

¹⁵ IEEA, Strategy Document 178, Russia under Putin's leadership. The new Russian strategy in the search for its regional leadership and its consolidation as a global actor, LEÓN AGUINAGA, Pablo and ROSELL MARTÍNEZ, Jorge, «Economic relations between Russia and the European Union», November 2015.

¹⁶ ROCHLITZ, Michael. *The Power of the Siloviki: Do Russia's Security Services Control Putin, or Does He Control Them*, Russian Analytical Digest No. 223, 12 September 2018, p. 3.

which alarmed and outraged Russia. The question was where NATO would draw the line, denying the Russian Federation any area of influence and strengthening the feeling of being cut off. In August 2008 the Kremlin reacted with a military intervention in Georgian territory.

The Kremlin turned its gaze towards China. Moscow needed an important ally as an alternative and counterweight to the EU should the EU and NATO continue to expand their borders further east. The shift towards China also had an important economic dimension. The 2008-2009 crisis had demonstrated Moscow's huge dependence on the EU in three key economic sectors: the energy market, access to funding and technology acquisition. China was the only real option in all these areas and was a growing market of major geoeconomic significance.

The Chinese viewpoint

In 1978 Deng Xiaoping began the development of the People's Republic of China. The primary objective of his policy was economic growth. All of the country's other lines of action were contingent upon this central goal, including foreign policy, and with the odd 'red line' such as Taiwan¹⁷. Beijing went to pains to avoid foreign conflicts that could compromise the priority of economic development. A *low profile* policy should reduce the natural resistance that a country the size of China would encounter when entering the international scene. Beijing aimed, therefore, to have as stable and cooperative a relationship as possible with Washington.

Deng left the 24-Character Strategy, which emerged in 1990, as a legacy for his successors: «Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.» This strategy suggested that when Beijing felt sufficiently secure and strong, the low-profile strategy would give way to a more proactive one.

The Chinese leaders' chief concern in internal policy was to maintain political stability and the continuity of the Communist Party of China (CPC) as the highest organ of power. Therefore it was essential to have a strong economy, an aspect that was reinforced by the influence of Confucianism, which conditions political legitimacy to the effective exercise of governance.

In foreign policy, the Chinese elite believed that the United States sought to subvert the Chinese political system and to contain China's economic and military potential. In response, Beijing strove to facilitate the emergence of a multipolar world order that would prevent the United States from construct-

¹⁷ FANJUL, Enrique, «Luces y sombras de la nueva política exterior china», Real Instituto Elcano, 7 January 2016.

ing a coalition to contain China and prevent its continued rise¹⁸. Given that Japan and India were China's natural rivals and that the US had a very strong military presence in Asia Pacific, an entente with Russia was essential to gain strategic depth and avoid being isolated.

Around the mid-2000s, Beijing began to consider that the development stage was nearing completion and that the relative economic level would soon allow it to pursue a much more ambitious strategy. Hu Jintao's rise to power in 2002 led to a clear change of approach in international relations, and China gradually began to abandon the low-profile strategy promulgated in the 24-Character Strategy. Priority was given to modernising the armed forces, with special emphasis on the nation's air, naval and missile capabilities. Defence expenditure was steadily increased so that by the start of Hu Jintao's second term in office, China had the world's second largest military budget.

The serious differences that arose between NATO and the Russian Federation in 2008 afforded Beijing the opportunity for much closer relations with Russia. In November, years of negotiations on their borders culminated in China receiving almost 340 square kilometres of disputed territory from Russia in return for Beijing dropping all other land claims against Moscow. In addition, significant progress was made in the economic-energy and arms sectors.

Consolidation of the Sino-Russian Strategic Partnership, 2008 to 2014

The Russian viewpoint

The Russian Federation's military intervention in Georgia caused a serious setback in relations with the West. For the first time since the end of the Cold War, Moscow used military force outside its borders. This was a warning to the West that it was entering dangerous territory. It also showed Russia that the West had no response strategy for the use of force outside its borders.

However, despite the considerable tension this created at the time, Russia and the EU Member States' common economic interests and important changes in global leadership (Dmitry Medvedev became the president of Russia in May 2008 and Barack Obama was sworn into office in January 2009) combined to get relations back on track between Moscow and the Western capitals.

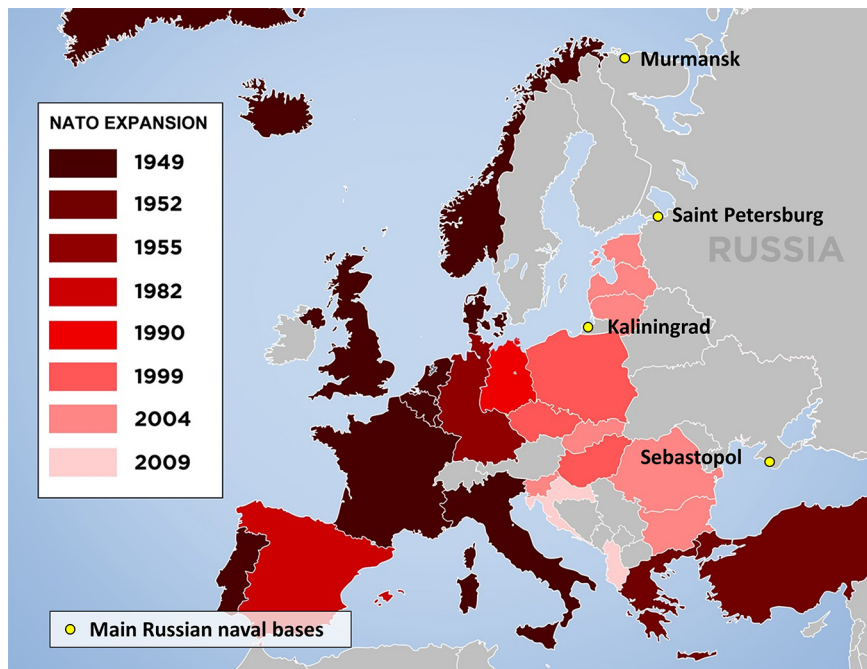
The financial crisis of 2008 and the consequent drop in oil prices forced Moscow to take a more accommodating stance and to strive for harmonious relations. However, the rapid recovery of the Russian economy due to the rebound in oil prices and the ensuing foreign investment restored the Krem-

¹⁸ SHAMBAUGH, David, YAHUDA, Michael. *International Relations of Asia*, Rowman & Littlefield, 2014, p. 148.

lin's confidence. The approach the Western countries took to the Arab Spring upset the Kremlin, which viewed the West's tendency to support changes of regime and the rise of jihadist terrorism on its southern flank with concern.

When Putin was re-elected president in 2012, the central focus of his policy and strategic action became the explicit rejection of the EU's international relations model in Eastern Europe and the imposition of Western values on Russia. In addition, the Russian president wanted to put a stop to political protests and internal opposition which called for more Western-style policies following the 2011 Duma elections, as Putin feared that this would lead to an internal *colour revolution* and weaken Russia's international position.

President Putin changed the direction of internal policy and reacted by strengthening political control over the population and all state resources. To achieve this, he allied himself with the political bloc known as *Siloviki* (*Sila* means force in Russian), made up of individuals close to the president and with links to the armed forces and military industry who took a hard-line stance in internal and foreign policy in opposition to the liberal politicians with Western-style views¹⁹.



Map 1. Source: prepared by the autor.

¹⁹ ROCHLITZ, Michael. *The Power of the Siloviki: Do Russia's Security Services Control Putin, or Does He Control Them*, Russian Analytical Digest No. 223, 12 September 2018, pp. 2-4.

Finally, it was the Ukraine crisis of Maidan Square that ultimately broke the fragile relations between the Russian Federation and the West, as Moscow feared that Ukraine would end up allying itself with the Western countries. The seriousness of the situation lay in the profound imbalance in the parties' strategic priorities. For the Kremlin, Ukraine's possible accession to NATO or the EU was a critical issue, an absolute red line, with repercussions for the economy and internal political stability. What is more, if Ukraine joined NATO, Sevastopol Naval Base in Crimea, the most strategically important of all naval bases and the only one facing south, would be isolated (map 1). For the Western countries, allowing Ukraine to decide for itself was a matter of principle, even if it did not result in an economic advantage or improved security.

The Kremlin intervened in the matter and Crimea was annexed by the Russian Federation in March 2014. As Crimea had been incorporated into Russia without the international community being able to prevent it, and without the Russian Federation feeling seriously threatened at any time, eastern Ukraine became the next scenario of confrontation. The EU and the US reacted with a series of sanctions that were extended as new developments unfolded.

In addition to the sanctions, there was the economic impact of the steady decline in oil prices from June 2014. In 2015 and 2016 the Russian economy contracted and real income declined. Western sanctions cost the Russian economy around 2% of GDP, but losses due to lower oil prices were considerably higher, between 4% and 5% of GDP²⁰.

The situation had not unfolded according to the Kremlin's pre-Ukraine crisis expectations. Perhaps the most important factor was that the West failed to take Putin's offers of cooperation seriously. Time and again, Russia was treated as a junior partner, rather than as the global power Putin believed was Russia's due²¹.

From the outset, President Putin gave clear indications that he was not going to yield to the escalation of economic sanctions and military measures, although he did try to convince the West of the need for understanding between the two parties. Putin made this quite clear in his speech to Russian ambassadors and permanent representatives in July 2014: «All of us in Europe need a sort of safety net to make sure that Iraqi, Libyan or Syrian – and unfortunately, I have to say also Ukrainian – precedents do not become contagious. This is especially dangerous for the post-Soviet area, because the states have yet not gained political or economic strength, they do not have a stable political system»²².

²⁰ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018, p. 254.

²¹ ROCHLITZ, Michael. *The Power of the Siloviki: Do Russia's Security Services Control Putin, or Does He Control Them*, Russian Analytical Digest No. 223, 12 September 2018, p. 4.

²² Cited by BALLESTEROS, Miguel Ángel, «Ucrania y el nuevo liderazgo estratégico ruso», Panorama Geopolítico de los Conflictos 2014, IEEE. Available at http://www.ieee.es/Galerias/fichero/panoramas/Panorama_geopolitico_2014.pdf.

From 2014, Moscow changed its strategic approach and took a more defensive stance, albeit with a significant expansive thrust. The Russian Federation felt forced to forge closer relations with China than the Kremlin would have liked. The shift towards China later expanded to Asia and also took in the Middle East. Russian military intervention in Syria (September 2015) and its subsequent involvement in other scenarios in the region, such as Libya (early 2017), was aimed at placing the Russian Federation on a geostrategic stage that was a top priority for the Western states. Russia's strategy in the Middle East, which had a complex diplomatic–economic–military component, was intended to reaffirm its status as a major power, reduce its vulnerability to the US, force a place of encounter with the US, maintain its freedom of action and not rule out a reversal of relations with the West²³.

Furthermore, from 2014 onwards the Moscow authorities began to pursue an unscrupulous open or covert asymmetric strategy; this was a consequence of Russia's great conventional military weakness compared to the NATO countries and was intended to highlight the Kremlin's capacity to challenge its Western rivals, which aroused bitter hostility.

The Chinese viewpoint

Up until 2008, China's priority was to maintain a peaceful and stable environment, which was essential for economic development and, hence, keeping the CPC in power. However, the strengthening of its strategic partnership with Moscow, the continuous growth of the economy and the rapid modernisation of its armed forces allowed Beijing to embark on a new stage in international relations.

From 2009 and 2010, despite maintaining the official policy of «peaceful development», Beijing began to deviate from the pragmatic approach that had characterised its foreign policy since the 1990s. China's assertiveness in territorial claims in the East and South China Seas, its continued support for North Korea despite Pyongyang's provocations during this period, and various military incidents on the border with India called for a much more aggressive approach. These circumstances have changed the Asian security structure, prompted neighbouring states to realign their strategy, develop military capabilities — which has led to a sort of arms race in the region — and, in the case of most states, strengthen relations with the US. It is clear that China is aiming to build a regional order that is incompatible with the US's predominant position, but that Beijing does not intend to directly challenge Washington²⁴.

²³ LAVROV, Sergey, «Russia's Foreign Policy: Historical Background», *Russia in Global Affairs* journal, 3 March 2016». See http://www.mid.ru/en/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/2124391.

²⁴ DELAGE, Fernando. *La estrategia asiática de Xi Jinping*, *IEEE* journal, issue no. 5/2005, p. 3.

In light of China's new stance, in 2011 the Obama administration realigned US strategic priorities with a shift towards Asia. If, after the end of the Cold War, Washington had considerably reduced its strategic commitment in East Asia, it now reduced its involvement in the Middle East and increased it in Asia and sought greater participation from its regional allies.

Since Xi Jinping's accession to power in November 2012, China has taken a firmer stance on sovereignty claims. Beijing rejected the status quo and resorted to coercive instruments to pressure states that disputed its territorial claims in a bid to gradually gain greater de facto control over the territory without ever triggering a military confrontation.

Economic success had been key to Beijing's realisation that the period for economic development and the low-profile policy, which had been the priority up to then, was nearing completion. In the first decade of the twenty-first century, China had become a key player in the global economy, to the point that its buoyant economic activity pushed up the prices of raw materials. According to the IMF, between 2001 and 2008, prices of copper, thermal coal, iron ore and crude oil rose by between 350% and 600%²⁵. The fact that China was less affected by the global financial crisis of 2008 merely underscored its growing weight with respect to the Western economies, which were experiencing serious structural problems. In 2010, China overtook Japan in GDP, thus transforming the Asian hierarchy of the last hundred years and making the People's Republic of China the world's second-largest economy after the United States²⁶.

The change in focus of international relations in the late 2000s also coincided with a firm commitment to innovation and technological upgrading; quantitative development was to make way for qualitative development.

At a global level, Beijing was becoming increasingly convinced that the apparent decline of the West and the rise of China were inevitable products of the forces of history. The great Asian power was no longer content to participate in a Western political and economic framework that it did not trust to promote Chinese interests. In this new scenario of ever more tense relations, the Sino-Russian strategic partnership was becoming increasingly important in Beijing's strategic designs. The Ukraine crisis of 2014 was proverbial for China for overcoming many of Russia's hesitations and building a strong entente that represented an unprecedented rapprochement between the two states.

The 19th National Congress of the CPC (October 2017) confirmed that China had no intention of fitting into Western pigeonholes and that it would forge ahead with a more assertive and expansive foreign policy. Xi Jinping offered

²⁵ Strategic Comments, «The commodities supercycle's end and political risk», Volume 22, Comment 5 March 2016.

²⁶ DELAGE, Fernando. *La estrategia asiática de Xi Jinping*, Revista del IEEA no. 5/2005, p. 9.

the Chinese development model as an option for developing countries and «Chinese wisdom» as an approach to solving the problems facing mankind. Following the Congress, the Chinese state media published an extensive commentary that sought to highlight the shortcomings of Western intellectual traditions and their systems of government. He also argued for changes to the post-Second World War order to accommodate the interests of states with different cultures and value systems from those of the Western liberal democracies which, China claimed, had unfairly exploited their dominant position as rulemakers to serve their own interests²⁷.

The inclusion of «Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era» in the constitution –thus elevating China’s current leader to the rank of Mao Zedong and Deng Xiaoping – is an ideological reinforcement intended to close the country to the influence of Western values. The process was accompanied with a crackdown to control the Chinese people and the media. Furthermore, the CPC has removed the term limits on the presidency, which has been for two terms up until now. Beijing believes that it needs a strong man at the helm and greater party unity to deal with the rivalry that lies ahead. With the *development* stage firmly completed, China is now in the throes of a new stage: the *dignity* stage.

China’s national strategic goal has been called the «Chinese Dream of achieving the great rejuvenation of the Chinese nation». This involves completing the construction of a moderately prosperous society in all respects by 2021 when the CPC celebrates its centenary; and the building of a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious by 2049 when the People’s Republic of China marks its centenary²⁸. By then, Beijing expects full development in all areas, and, by quantitative weight alone, this would allow it to regain its position as the «Middle Kingdom», this time at the global level. By 2035 it expects to have capability parity with the US in the Indo-Pacific region and one of its goals is to recover Taiwan.

Diplomatic relations

Diplomatic relations between China and Russia have gone from strength to strength since the rapprochement initiated by Gorbachev, with the Strategic Partnership of Coordination, signed in 1996, serving as the framework for the complex web of relations that exists today. Although Beijing has strategic partnerships with multiple countries, the term «coordination» is reserved

²⁷ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018, p. 75.

²⁸ CORDESMAN, Anthony H., Chinese Grand Strategy, A Net Assessment: Cooperation, Competition and/or Conflict, CSIS, 29 November 2018. Available at: <https://www.csis.org/analysis/chinese-grand-strategy-net-assessment-cooperation-competition-andor-conflict>.

for describing Sino-Russian relations. At an institutional level, the mechanisms established with Russia are the most comprehensive and effective. Chinese and Russian presidents, premiers and the heads of parliament of both countries meet annually. In addition, the two countries have institutionalised forums for several key areas such as «the Energy Negotiators' Meeting» and the «China-Russia Strategic Security Consultation»²⁹.

From the outset, both states had a common interest in promoting a multipolar world and in defending non-interference in states' internal affairs. From 2001 they stepped up political cooperation in the UN Security Council. In 2008, after the two countries managed to peacefully resolve their border dispute, Chinese and Russian defence ministers established a direct phone hotline³⁰. When Xi Jinping came to power, he chose Russia as the destination for his first state visit, and became the first foreign leader to visit the Russian military command centre in Moscow. It was apparent from the outset that Putin seemed to get along better at a personal level with the new Chinese president than with Hu Jintao³¹.

In 2014 there was an even greater rapprochement between the two, and meetings of the highest ranking officials became more and more frequent. It had become common to see senior officials from both countries attend important events in the political life of the other, a true indication of the strength of the strategic partnership that binds them.

In January 2017 China defined Russia as a «priority in diplomacy» in its White Paper titled *China's Policies on Asia-Pacific Security Cooperation*. In December that year Chinese Ambassador to Russia, Li Hui, stated that «The comprehensive strategic partnership of coordination between China and Russia occupies a special position in the major-country diplomacy with Chinese characteristics and is an important manifestation of practicing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era»³².

Today, China and Russia challenge the international order primarily at a regional level, promoting their spheres of influence in their respective neighbourhoods and testing the US's commitment to its regional allies. However, they observe a carefully measured «friendly neutrality» with respect to the other's regional affairs. In 2008, after the war in Georgia, China did not join

²⁹ ZHONGPING, Feng, JING, Huang. *China's Strategic Partnership Diplomacy: engaging with a changing world*, European Strategic Partnership Observatory, Working Paper 8 June 2014. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2459948&download=yes.

³⁰ SINKKONEN, Elina. *China-Russia Security Cooperation. Geopolitical signaling with limits*, FIIA briefing Paper, January 2018, pp. 3 and 4.

³¹ ZHONGPING, Feng, JING, Huang. *China's Strategic Partnership Diplomacy: engaging with a changing world*, European Strategic Partnership Observatory, Working Paper 8 June 2014. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2459948&download=yes.

³² SINKKONEN, Elina. *China-Russia Security Cooperation. Geopolitical signaling with limits*, FIIA briefing Paper, January 2018, p. 3.

Russia in recognising the sovereignty of the two breakaway regions. Similarly, in 2014, China did not support Russia's annexation of Crimea because they both violated a core principle of Chinese foreign policy: territorial integrity. Moscow, for its part, which has close relations with Vietnam, remains officially neutral on Beijing's maritime disputes in the South China Sea and the East China Sea. A report published in 2016 by Russian and Chinese experts argued that «Russia-China rapprochement in security is special in that the two countries have come close to the line that distinguishes partnership from a military and political alliance,» though neither state wished to cross this line³³.

In the North Korean nuclear crisis, they have maintained solidarity because both see it as an area for containing US influence. China and Russia demonstrated that they would make serious efforts to restrain the Pyongyang regime only in exchange for strategic concessions that would reduce the US political and security presence in Northeast Asia³⁴.

China and Russia have a strategic partnership, not an alliance, because the aim is to provide mutual support and cooperation in achieving major strategic and geopolitical goals, not to run to the other's aid and defence in the event of a military attack. Neither party wants to get embroiled in the military conflicts of the other. Russia is facing what it sees as intense pressure along its western border and, to a lesser extent, in the Middle East. Deploying troops and resources to the west of Russia would be a logistical nightmare for China. China, on the other hand, faces a challenge from the US in the South China Sea, where Beijing, through its naval bases on its artificial islands, is trying to prevent any possible future blockade of its access to maritime shipping lanes. The US often conducts freedom of navigation operations in contested waters there to make the point that the Chinese build-up won't prevent others from travelling freely through the region and to reassure its allies in Southeast Asia. The ability of the Russians to project significant naval power in these areas is limited because, although it has a naval base at Vladivostok, the US and Japan can easily shut off its access to the Pacific³⁵.

Economic-energy relations

China is Russia's largest trading partner, accounting for 15% of Russian international trade in 2017. The Russian Federation is the world's largest exporter of oil and gas, an industry that forms the backbone of its economy. Between January and August 2018, crude oil accounted for 28.8% of Russia's total exports and natural gas 10.9%. China was the main importer of Russian oil, at 22%, while it only accounted for 1% of Russian natural gas

³³ Carlson, Brian G. *Room for Maneuver: China and Russia Strengthen Their Relations*, Strategic Trends 2018, Center for Security Studies, March 2018, pp. 31, 37 and 38.

³⁴ *Ibid.*, p. 40.

³⁵ FRIEDMAN, George. The Illusion of a Russia-China Alliance, GPF Geopolitical Futures, 8 November 2018.

exports³⁶. As China develops, so too does the demand for raw materials and, more specifically, energy products. Furthermore, the technology and funding Moscow used to receive from the EU, it now receives from Beijing. This complementarity has become the bedrock of Sino-Russian relations.

On the other hand, Moscow and Beijing intend to trade in their domestic currencies, bypassing the US dollar. In 2017 nine percent of payments for supplies from Russia to China were made in roubles; Russian companies paid 15% of Chinese imports in the renminbi³⁷.

During China's economic development, a major concern of the regime was that the great Asian nation would not be able to satisfy its ever increasing need for access to oil. At the time, global demand for oil was expected to exceed availability in the more or less distant future³⁸. The prospect of a plentiful supply of hydrocarbon in light of the new deposits put into operation in the 2000s certainly had an impact on the assertive stance Beijing began to take at the end of that decade. However, China needed to diversify import sources and routes to attain energy security and reduce its vulnerability in the Strait of Malacca, its main trade route, which could easily be blocked. Therefore the Russian Federation was its main alternative.

With the collapse of the USSR, the European Union became the main source of Russia's political and economic development. The trade model consisted of the export of consumer goods, financial services and technology from European countries to Russia and the import of Russian raw materials and hydrocarbons by countries in Central Europe. Despite Russia's remarkable economic development in the first decade of the twenty-first century, its main exports were still primary energy products and, therefore, closely tied to international energy prices. Non-energy products only accounted for a quarter of the total value of exports³⁹. Given the strategic importance of the sector, Putin gradually increased state control over energy companies.

The Russian Federation and the EU's strong energy dependent relationship aroused the suspicions of Washington and some European capitals, particularly after Russia's military intervention in Georgia in 2008. However, the counter effect of this energy linkage was the introduction of pragmatic thinking into EU-Russia relations⁴⁰.

³⁶ RT Question More. *Power play: China wants to boost trade & energy cooperation with Russia*, 16 November 2018. Available at: <https://www.rt.com/business/444148-russia-china-trade-energy>.

³⁷ Ibid.

³⁸ O'SULLIVAN, Meghan L. *Windfall: How the New Energy Abundance Upends Global Politics and Strengthens America's Power*, Simon & Schuster, September 2017.

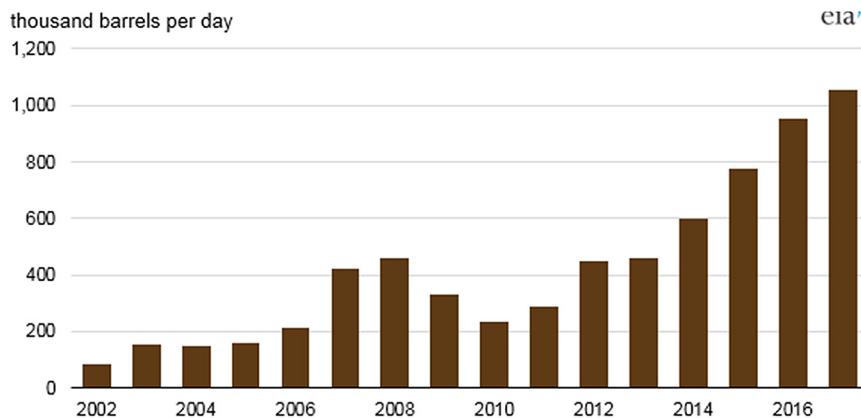
³⁹ IEEF, Strategy Document 178, *Russia under Putin's leadership. The new Russian strategy in the search for its regional leadership and its consolidation as a global actor*, LEÓN AGUINAGA, Pablo and ROSELL MARTÍNEZ, Jorge, «Economic relations between Russia and the European Union», November 2015.

⁴⁰ INOZEMTSEV, Vladislav, KUZNETSOVA, Ekaterina: «Economic Relations between the European Union and Russia: Before and after the Crisis».

The crisis of 2008-2009, both on account of its strategic and economic dimension, prompted Russia to turn to China, which resulted in major energy projects. The crisis demonstrated Moscow's huge dependence on the EU in three key economic sectors: the energy market, access to funding and technology acquisition, especially where offshore platforms for the exploitation of hydrocarbons and liquefied natural gas were concerned. China was the only real option in all these areas and was a growing market of major geoeconomic significance.

In 2009 China became the Russian Federation's main trading partner. Beijing offered cheap loans to Russian financial institutions and Russia opened up to Chinese investors. In October 2013 China and Russia announced the creation of an US\$85-billion venture capital company for the joint exploitation of oil reserves in eastern Siberia and their export to China under an unprecedented agreement between both countries. This was followed by a major 30-year natural gas supply contract with Gazprom worth US\$400 billion, announced in May 2014⁴¹.

With the construction of the Eastern Siberia-Pacific Ocean oil pipeline linking the Siberian oil fields to China, the amount of oil shipped to China has increased steadily since 2010 (graph 1), although this has also been at the expense of Japan and Korea, the previous recipients of crude oil exports.



Graph 1: Russian exports of crude oil and condensates to China (2002-17).

However, energy co-operation seemed to always leave a bitter taste. The catalyst for better relations was the 2014 crisis in Ukraine. Moscow faced substantial capital outflows and uncertainty around its energy exports to the EU. Moscow has since opened up to energy investment from China, removing

⁴¹ MALIK, Mohan, «El nuevo mapa mundial de la energía», Vanguardia Dossier. La geopolítica de la Energía (October/December 2014).

a number of previous key restrictions on investing in oil and gas resources on Russian soil⁴². In November 2014 the China National Petroleum Corporation (CNPC) acquired a stake in Rosneft's Vankor oil field. In addition, several Chinese electricity companies obtained permission to build power plants in eastern Siberia and the Russian Far East.

Between 2013 and 2016, Russia's crude oil exports to China rose from 491,000 to 1.05 million barrels per day, representing 14% of China's total crude oil imports, and overtaking imports from Saudi Arabia⁴³. Between 2016 and 2017 alone, oil transported to China via pipeline rose from 475,000 to 600,000 barrels per day.

The gas industry is gaining importance in light of China's environmental policies. In 2017, China accounted for a third of global gas demand, with consumption rising by 15%⁴⁴. By 2035, Chinese demand for Russian gas is expected to be between 80 and 100 billion cubic meters per year, and in 2019 China will become the world's largest importer of gas. China and Russia are close to completing construction of the Power of Siberia gas pipeline. Supplies are expected to start by the end of 2019, reaching 38 bcm per year by 2024.⁴⁵ There are prospects of another major Sino-Russian gas supply contract with a second pipeline in the Altai region, Power of Siberia-2, and a third pipeline could carry Russian gas to China from Sakhalin island.

In addition to the gas that reaches China by pipeline, there is also liquefied natural gas (LNG). Russia had a liquefied natural gas plant on Sakhalin Island, and in December 2017 Russian independent gas producer, Novatek, began exporting LNG from its plant in the Yamal Peninsula, thus placing Russia in an important position in the growing LNG market and poised to gain market share with the opening of new trade routes in the Arctic. China's involvement has been significant: CNPC has a 20% equity stake in the undertaking and Silk Road Fund a further 9.9%. Ninety percent of the LNG produced at the plant will in all likelihood go to the Asia Pacific market⁴⁶.

While nuclear energy production by the more advanced economies is likely to decline by one-fifth by the year 2040, Chinese production will overtake that of the US and the EU by 2013. There will also be a significant expansion

⁴² ÖĞÜTÇÜ, Can, ÖĞÜTÇÜ, Mehmet, «China's Expanding Energy and Geopolitical Linkages with Central Asia and Russia: Implications for Businesses and Governments», OCP Policy Center, Policy Paper, September 2017.

⁴³ AVIS, Patrick, «The Impact of Oil and Gas Sanctions on Russia», energy analyst, 8 November 2017. Available at <http://energyanalyst.co.uk/impact-oil-gas-sanctions-russia>.

⁴⁴ BP Statistical Review of World Energy 2018, June 2018.

⁴⁵ RT Question More. *Power play: China wants to boost trade & energy cooperation with Russia*, 16 November 2018. Available at: <https://www.rt.com/business/444148-russia-china-trade-energy>.

⁴⁶ EFE. *Putin inaugura la planta del Ártico que suministrará gas ruso a España*, 8 December 2017. Available at: <https://www.larazon.es/internacional/putin-inaugura-la-planta-del-artico-que-suministrara-gas-ruso-a-espana-OC17155038>

in nuclear generation capacity in Russia, India and the Middle East⁴⁷. The goal of the Russian federal government is for nuclear energy to account for between 45%-50% of the electricity mix by 2050 and between 70% to 80% by 2100. In addition, Rosatom (the Russian state nuclear energy corporation) has received requests to build 34 power plants abroad⁴⁸. Beijing and Moscow are called upon to lead the expansion of nuclear power beyond their borders, with all the strategic and geopolitical consequences this is likely to have.

The expanding trade war between the US and China may give new impetus to Russia's pivot towards Asia, and in particular for Russian energy giant Gazprom to further expand gas exports. Despite close bilateral ties, Russia has endeavoured to further deepen its economic and financial ties with China. However, in May 2018, a US\$9-billion deal to sell a stake in Rosneft to China's CEFC China Energy collapsed⁴⁹, which is yet another example of the difficulties that continue to surface in Sino-Russian economic-energy relations and which require a major political stimulus for their revitalisation.

Military relations

Military relations are the second major driver behind the Sino-Russian strategic partnership. China was in great need of weaponry and military technology to develop its obsolete armed forces and, until the détente with the USSR brought about by Gorbachev, had depended on heavily-staffed and relatively underdeveloped armed ground forces to protect its extensive land borders. However, at the start of the twenty-first century, China began to prepare itself for a new era in international relations, one which would require modern and technologically advanced armed forces to allow it to play the role of a regional power, progressively evolving into a global one. And in this sense, Russia could be an indispensable partner.

The Kremlin saw China as an important market for its weapons, as the Russian defence industry had been in serious trouble since the collapse of the USSR. However, Moscow did not want Beijing to have powerful modern weapons to rival its own, and therefore did not sell it its most sophisticated arms products.

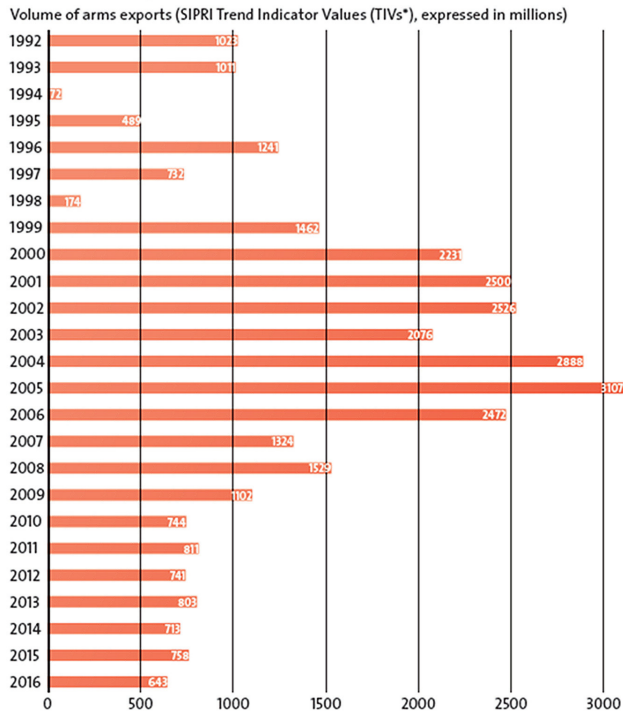
Since the Tiananmen Square protests of 1989 China has been under an arms embargo from the US, the EU, Australia, Canada, Japan and South Korea. In response, Beijing and Moscow signed an agreement on military technology cooperation in 1992. Since then, China has bought more military equipment from Russia than from all other countries combined. Between 1999 and 2006,

⁴⁷ WORLD ENERGY OUTLOOK 2018, International Energy Agency, November 2018, p. 346.

⁴⁸ Transcription of Vladimir Putin's speech on 4 October 2017 at the opening of Russian Energy Week. Available at: <http://thesaker.is/russian-energy-week-forum>.

⁴⁹ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018, p. 247.

Russian Arms Exports to China, 1992–2016



Graph 2. Source: SIPRI.

Chinese orders accounted for 34% to 60% of Russian major weapons sales. In 2005 (graph 2) sales peaked to US\$3.1 billion, and then declined sharply⁵⁰.

There were three reasons for this decline. First, Russia's uneasiness about China's unlicensed reverse engineering of Russian weapons. Consequently, potential competition from the China-made weapons on the markets of Latin America and North Africa increased considerably. Second, by that time, Russia's economy had relatively recovered, which reinvigorated Russia's domestic arms market and made massive purchases by the Defence Ministry possible. This reduced Russia's dependence on the Chinese and other foreign markets. Third, China had more resources to invest in its military, and its domestic defence industry became more developed than before, decreasing the need to import large-scale arms from Russia⁵¹.

⁵⁰ SINKKONEN, Elina. *China-Russia Security Cooperation. Geopolitical signaling with limits*, FIIA briefing Paper, January 2018, p. 5.

⁵¹ KOROLEV, Alexander. *On the Verge of an Alliance: Contemporary China-Russia Military Cooperation*, April 2018, Research Gate, p.11. Available at: https://www.researchgate.net/publication/324850455_On_the_Verge_of_an_Alliance_Contemporary_China-Russia_Military_Cooperation.

Trade relations also improved as the two countries managed to resolve the copyright issues, especially after they signed an agreement on intellectual property in 2008. In the subsequent years, Sino-Russian military-technical cooperation operations began to change by moving away from providing a structure for arms and technology transfers to a more interdependent relationship, based on long-term joint projects which included the joint design and production of arms and their components. In 2011 the two countries set up a joint venture for servicing Russian-made helicopters operating in China. In 2016, this cooperation was upgraded into a project to jointly develop a heavy-lift helicopter for China. The two countries have also developed LADA-class submarines, aero-engine technology, the production of space components and satellite navigation systems. The Ukraine crisis of 2014 also contributed to Russia's decision to sell advanced military technology to China, which now competes with Russia in the sale of arms to third countries⁵².

Deals since 2015 include China's purchase of Su-35 fighter jets and S-400 Triumph missile defence systems as Russia's first foreign customer to receive this product. The S-400 units will have a significant impact on China's anti-access capability in the South China Sea and the East China Sea. Currently, and thanks in part to Russian cooperation, some sectors of the Chinese armed forces have cutting-edge production capabilities of their own. China has developed capability to manufacture advanced fighters, aircraft carriers, new-generation intercontinental ballistic missiles, drones and other advanced platforms. China's arms exports have risen by 74% from a global share of 3.8% in 2007-11 to 6.2% in 2012-16. While China is still far behind the world's leading arms exporters (the United States and Russia), it is catching up fast⁵³.

One of the most comprehensive and developed aspects of Sino-Chinese security relations is the mechanism of regular consultations. This has played a crucial role in the formation of the China-Russia partnership and over the last two decades has grown into a multi-level institutionalised infrastructure of contacts that guarantees regular information exchanges among almost all major government agencies and organisations: from top decision-makers and their administrative apparatuses, defence ministries and their subdivisions, regional military districts and border garrisons to military educational institutions. Today, all existing mechanisms combined generate a frequency of 20 to 30 high-level security-related consultations per

⁵² SINKKONEN, Elina. *China-Russia Security Cooperation. Geopolitical signaling with limits*, FIIA briefing Paper, January 2018, p. 6.

⁵³ CORDESMAN, Anthony H., *Chinese Grand Strategy, A Net Assessment: Cooperation, Competition and/or Conflict*, CSIS, 29 November 2018. Available at: <https://www.csis.org/analysis/chinese-grand-strategy-net-assessment-cooperation-competition-andor-conflict>.

year. Apart from Russia, only Pakistan has military interactions with China of a comparable scope⁵⁴.

Another important aspect in Sino-Russian military cooperation were the joint military exercises. Initially, these began in 2005, together with other countries, under the Shanghai Cooperation Organisation. In 2014 joint naval drills were carried out in the East China Sea and in 2016 in the South China Sea. Joint military exercises have also taken place in such distant places as the Mediterranean and Baltic Seas. In September 2018, 3,200 Chinese soldiers took part in the largest military exercise since the Cold War, which saw around 300,000 Russian military officers deployed in Siberia and the Far East. According to China's Ministry of Defence, with these exercises, Moscow and Beijing are seeking to «strengthen their abilities to jointly deal with different types of security threats and safeguard regional peace and security,» while sending a very clear message of unity against a common enemy to Washington⁵⁵.

Sino-Russian strategic partnership and world order

In the current circumstances, rivalry between the great powers of Washington, Beijing and Moscow is growing, the close relations between China and Russia will play a decisive role in the evolution of the world order and it could be said that rivalry between powers has been the defining characteristic of the 2018 geopolitical year. Russia and China's geopolitical approach to international relations clashes with the West's interpretation, which is inspired by values and principles.

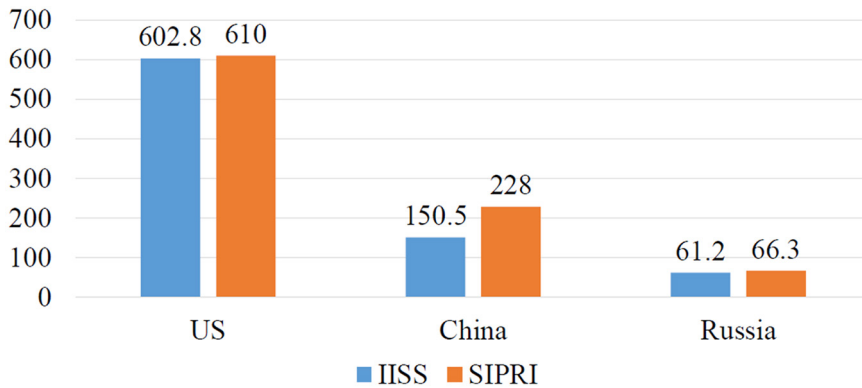
The US continues to be the world's largest military power (graph 3), incontestable in the conventional military sphere, and neither Moscow nor Beijing, the world's second and third largest military powers, want to find themselves in a conventional military confrontation under any circumstances. However, according to *Strategic Survey 2018*, both powers practise 'Tolerance warfare', a style of geopolitical confrontation that is becoming the preferred approach of states that wish to challenge the status quo. Tolerance warfare can be defined as the persistent effort to test the tolerances for different forms of aggression against settled states. It is the effort to push back lines of resistance, probe weaknesses, assert rights unilaterally, break rules, establish new facts on the ground, and gain systematic tactical advantage over hesitant opponents⁵⁶.

⁵⁴ KOROLEV, Alexander. On the Verge of an Alliance: Contemporary China-Russia Military Cooperation, April 2018, Research Gate, p.7. Available at: https://www.researchgate.net/publication/324850455_On_the_Verge_of_an_Alliance_Contemporary_China-Russia_Military_Cooperation.

⁵⁵ HIGUERAS, Georgina. *Depende: ¿hacia un eje China-Rusia?*, Esglobal, 9 October 2018. Available at: <https://www.esglobal.org/depende-hacia-un-eje-china-rusia>.

⁵⁶ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018.

IISS versus SIPRI Estimates of Military Spending in 2017 (\$US Billions)



Graph 3. Source: CSIS, with data from IISS and SIPRI.

China and Russia are revisionist powers that are managing to weaken the US hegemonic order and create a multipolar world. Other factors contributing to this are the geopolitical strengthening of China and Russia, the relative decline of the US and the weakening of the Western bloc: both in terms of cohesion and the confidence in the leaders and the principles that inspire it. Javier Solana's article in *El País*, entitled *Occidente en el diván* («The West on the couch») speaks for itself⁵⁷. Multilateralism is losing ground and many of the international initiatives led by the West in the aftermath of World War II are being dismantled.

From the Chinese perspective, as explained by Professor Qiang Shigong from Beijing University, China is now undertaking the project of the modernisation of socialist construction, thanks to the depths of the Chinese cultural tradition. This challenges the idea that 'Western' civilization is the culmination of history, and «means breaking the global dominance of Western civilization in the past 500 years in the cultural sense, and hence ushering in a new era in human civilization»⁵⁸.

With the emergence of Asia, the world's gravitational point is shifting towards this continent and causing a revolution among the most powerful nations on Earth. India is being called upon to play a leading role soon, and join the small group of countries that preside over the international order. Global economic interdependence works in the Asian countries' favour.

⁵⁷ SOLANA, Javier. *Occidente en el diván*, *El País*, July 2018. Available at: https://elpais.com/elpais/2018/06/28/opinion/1530183832_023038.html.

⁵⁸ KALLIO, Jyrki. *Xi Jinping Thought and China's Future Foreign Policy. Multipolarity with Chinese characteristics*. *FIIA Briefing Paper 243*, August 2018, p. 4.

On the other hand, the US, the indisputable leader of economic globalisation until the financial crisis of 2008, is justifiably concerned about losing its ability to exert a world influence. The US's share of global GDP makes this inevitable: from 38% in 1970 to 32% in 2000 and from 28% in 2008 to 22% in 2018. As the globalisation of the common value system underpinning international order weakens and Washington's power declines, cracks appear and a degree of regionalisation begins to emerge⁵⁹.

Moscow and Beijing have different ways of rejecting the rule-based liberal international order that seemed poised to become firmly established following the Cold War. The strategic partnership is due, in equal measure, to the need to support each other and the attainment of strategic depth and common goals in relation to global governance, the most important of which include: the conviction of both states' ruling elites of their special responsibilities as great powers; membership of key international institutions giving both states a seat at and a say in major global fora; shared views on those aspects of international politics that should be contained or rejected; almost identical rhetoric with regard to the primacy of the United Nations and international law, as well as the need to 'democratize' international relations»⁶⁰, the latter interpreted as a rejection of US hegemony.

An essential aspect of the strategic partnership is that both China and Russia see international security purely from a state perspective, with special emphasis on territorial integrity and survival of the regime which, in their opinion, is threatened by the liberal international order. This has led them to strongly oppose all foreign interference in internal affairs and uphold the traditional 'Westphalian' definition of sovereignty, which they understand as a state's impunity within its own borders.

To weaken US hegemony, Moscow and Beijing have created an alternative global institutional framework to the US-inspired model crafted after World War II. To date, they have established the BRICS group as a forum to represent non-Western states, although they have not provided the resources needed to develop its institutional capability. Beijing is also developing its own initiatives to reconfigure global governance. One such initiative was the creation of the Asian Infrastructure Investment Bank in 2015. China has also established formats for regional cooperation, such as 16 + 1 with the Central and Eastern European Countries and the Forum on China Africa Cooperation.

Nevertheless, China and Russia's vision of what global governance should be is different. China has become a champion of one of the pillars of the liberal order: the free market, and goes to pains to project a benign image of itself, as evidenced by Xi Jinping's speech in Davos in January 2017, where he

⁵⁹ MOELLER, Joergen Oerstroem. *From Globalization to Regionalization*, 2018 YaleGlobal and the MacMillan Center, 29 October 2018.

⁶⁰ KACZMARSKI, Macin. *China and Russia in global Governance, long-term obstacles to cooperation*, FIIA Briefing Paper 244, August 2018, p. 3.

posited himself as a defender of free trade and globalisation and presented China's development as an opportunity for the world⁶¹.

This attitude does not mean that China shies away from demonstrating its military power, as proved by the growing global presence of its navy, but rather that it prefers to impress the international audience with China's economic success rather than with its military might. While Beijing remains dissatisfied with certain elements of the global order, particularly US primacy, it recognises the benefits that China derived from the post-Cold War period. The Russian ruling elite, on the other hand, does not regard the current arrangements of the international order as beneficial to Russia's great-power interests⁶².

Consequently, China prefers an incremental shift in international hierarchies that would empower Beijing. The change in the global order should neither undermine general political-economic stability, nor harm economic openness. The Kremlin, on the other hand, appears determined to regain its privileged position in the short- to medium-term. It is willing to fuel populism and the anti-globalist and anti-elitist agenda to enhance its own international position by exploiting the increasing unpredictability of international politics⁶³.

The Russian Federation needs to maintain the initiative and act as a great power if it is to claim a status it does not deserve in light of general state indicators. Of all the indicators that might allow the Russian Federation to be recognised as a global power, its military capability, including its status as a nuclear power, together with its proven efficiency in using it, is the only indicator that makes it eminently deserving of the status. Russia's weakness is that by focusing on strategy, it is hindering its own economic development and this could end up undermining the Russian people's support for the political regime in power.

The US president has tried to weaken the Sino-Russian partnership by attempting to forge closer relations with Putin. This is why, in June 2018, President Trump requested that Russia be readmitted to the G8. In mid-July 2018 there was a bilateral summit between Trump and Putin. Moscow hoped that the diplomatic isolation imposed by Obama could be reversed. However, bilateral relations are still highly contradictory. The position of much of the US establishment has been hardened by the Special Counsel investigation into Russian interference in the 2016 US presidential election⁶⁴.

⁶¹ BBC Mundo, *Reacción. China: el discurso con el que Xi Jinping, el líder del gigante comunista, se convirtió en Davos en el último gran defensor de la globalización*, 17 January 2017. Available at: <https://www.bbc.com/mundo/noticias-38655307>.

⁶² KACZMARSKI, Macin. *China and Russia in global Governance, long-term obstacles to cooperation*, FIIA Briefing Paper 244, August 2018, p. 4.

⁶³ *Ibid*, p. 5.

⁶⁴ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018, p. 246.

Washington is trying to hinder the aspirations of its geopolitical rivals: in the case of Beijing, it is developing an essentially economic response by imposing sanctions and raising import tariffs; in the case of Moscow, it has taken a broader approach that encompasses diplomatic, economic and military elements. Furthermore, the US is accusing China of reaping the benefits of the free market system without complying with the rules. It is also concerned about Chinese policy that ties contracts with North American companies to forced technology transfers and what it considers intellectual property theft. Washington is pressuring Beijing to abandon these practices and to open its markets to free competition with the US and to purchase a significant amount of US agricultural, energy and industrial products, among others, from the US to reduce the trade imbalance between the two countries. Just as this document was completed (December 2018), the US gave China a 90-day window within which to accommodate the US's demands before raising tariffs on Chinese imports again⁶⁵.

The ongoing trade war between Russia and the West continued to push Russia in the direction of a mobilisation economy, with a strong emphasis on import substitution, state control of strategic industries and increasingly ambitious efforts to develop a parallel financial and trade architecture outside the dollar system⁶⁶. Russia's economic weakness is largely due to factors unrelated to sanctions. As early as 2013, economic growth had fallen to 1.3%, highlighting the structural weaknesses of the Russian economy which is heavily controlled by the authorities. An uncertain legal and competitive climate and complex and sluggish bureaucracy have resulted in insufficient internal and foreign investment. However, the Russian economy is more resilient than it was in 2014: the fluctuating exchange rate of the rouble provides an important buffer, and still-significant foreign exchange reserves (457 billion US dollars in June 2018, close to pre-sanctions levels) continue to afford the government the possibility to offset the impact of sanctions as needed. And, more importantly, oil prices have rebounded sharply since mid-2017⁶⁷.

The Chinese economy, which grew by 6.9% in 2017 and has the world's largest foreign exchange reserves, is by all indications extremely robust. China's economic problems are due, at least in part, to its dependence on exports. In 2018 the US imposed tariffs on more than US\$250 billion worth of Chinese imports. Meanwhile, China needs to find buyers for its manufactured products. In 2017, exports accounted for nearly 20% of its GDP. The US is China's largest market, accounting for 19% of its goods exports. With US tariffs cutting into these exports and intensified competition from other exporters,

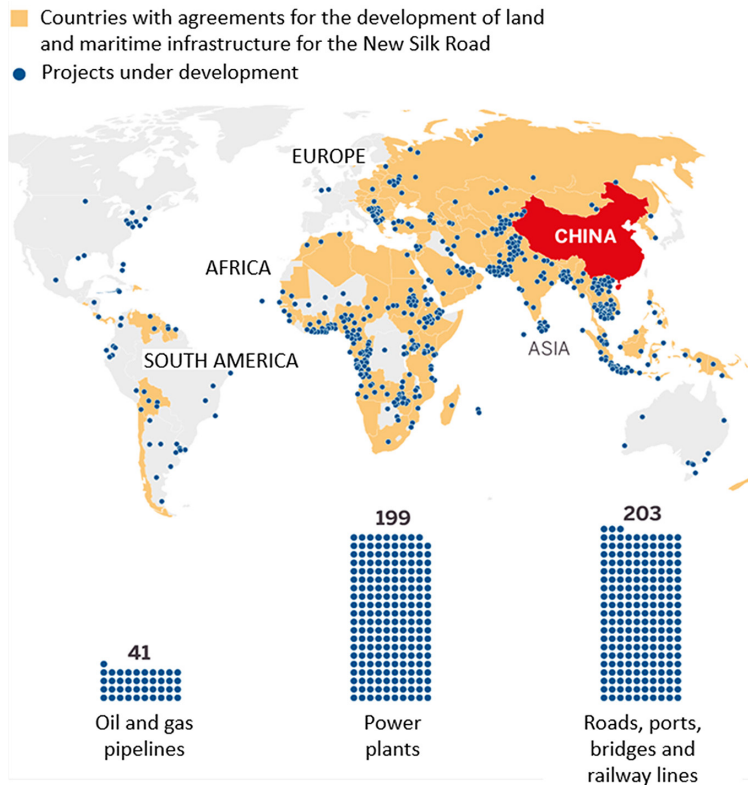
⁶⁵ SEGAL, Stephanie, GOODMAN, Matthew. Trump and Xi: From Ceasefire to Lasting Deal?, CSIS, 3 December 2018. Available at: <https://www.csis.org/analysis/trump-and-xi-ceasefire-lasting-deal>

⁶⁶ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018, p. 245.

⁶⁷ *Ibid*, p. 259.

Beijing needs to find new buyers for its goods. However, Russia is not in a position to consume enough Chinese exports to offset these losses: it purchased only 2% of China's total exports in 2017⁶⁸.

China's New Silk Road initiative (map 2) raises questions, opportunities and fears. It is the most ambitious geoeconomic project in history, formally passing through more than 60 countries in Africa, Asia, Europe and the Middle East, and poised to play a key global role in the future. The opportunities it affords are considerable and, if executed properly, the infrastructure will greatly assist development and international trade. On the other hand, there is a growing concern that if it is poorly planned, especially by recipient states, it could become the biggest debt trap in history, where there is a lot more at stake than merely the ability to pay for it⁶⁹. Nevertheless, the biggest fear is that the New Silk Road will enable China to dominate large swaths of the globe.



Map 2. Source: NYT. A. ALONSO (EL PAÍS).

⁶⁸ FRIEDMAN, George. The Illusion of a Russia-China Alliance, GPF Geopolitical Futures, 8 November 2018.

⁶⁹ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018, p. 17.

The current rivalry between powers has reawakened the 'nuclear hydra'. The period of comparatively low nuclear tension between the US and Russia that occurred after 1992 drew to an end in 2014. Since then, both countries have gradually moved away from mutual efforts to reduce nuclear weapons and forces. Both the US and Russia have announced major nuclear weapons and delivery system modernisation programmes that impact every element of their triads – intercontinental ballistic missiles, strategic bombers and submarine-launched ballistic missiles – as well as the ability to use lower-yield nuclear weapons against theater military targets⁷⁰.

While it is not known exactly how many or what type of nuclear weapons China has developed, Beijing is known to be making significant modernisation and technology development efforts in this area. The development of China's emerging nuclear forces is seriously conditioned by the major changes taking place in both US and Russian forces. In addition, the US Nuclear Posture Review, published in early 2018, also focused on the emerging Chinese threat. Beijing is completing the development of new ICBMs, SSBN and SLBMs, and bombers that will give it all the elements of a Triad to make it directly competitive with that of the US and Russian forces, as well as the potential to create far more capable tactical and theater nuclear forces and missile defences⁷¹.

President Trump's decision to withdraw from the Intermediate-Range Nuclear Forces Treaty (INF) is allowing the US to take back the initiative from the Kremlin. As was the case in the latter years of the Cold War, the prospect of nuclear escalation causes more harm to the Russians than the Americans. The Western capitals are concerned that the Russian Federation is investing in the modernisation and expansion of short- and intermediate-range weapons that could be used in a nuclear war limited according to the «escalate to de-escalate» strategy. However, as Olga Olikier of the CSIS has pointed out, «The real danger is not a new and more aggressive Russian nuclear strategy; it is the Kremlin's failure to communicate its goals effectively to leaders in Washington and elsewhere. Russia's actual strategy has not diverged much from plain old-fashioned deterrence (...) but its policy of deliberate ambiguity is feeding into apprehension in Washington, driving a dangerous cycle of escalation»⁷².

For the Russian Federation, the Middle East is the theatre that has enabled it to be elevated, at a relatively modest cost, to the status of a great power in today's international order. With its military success, energy diplomacy and

⁷⁰ CORDESMAN, Anthony H., *China and the New Strategic Nuclear Arms Race. The Forces Driving the Creation of New Chinese Nuclear Delivery Systems, Nuclear Weapons, and Strategy*, CSIS Report, November 2018. Available at: <https://www.csis.org/analysis/china-and-new-strategic-nuclear-arms-race>.

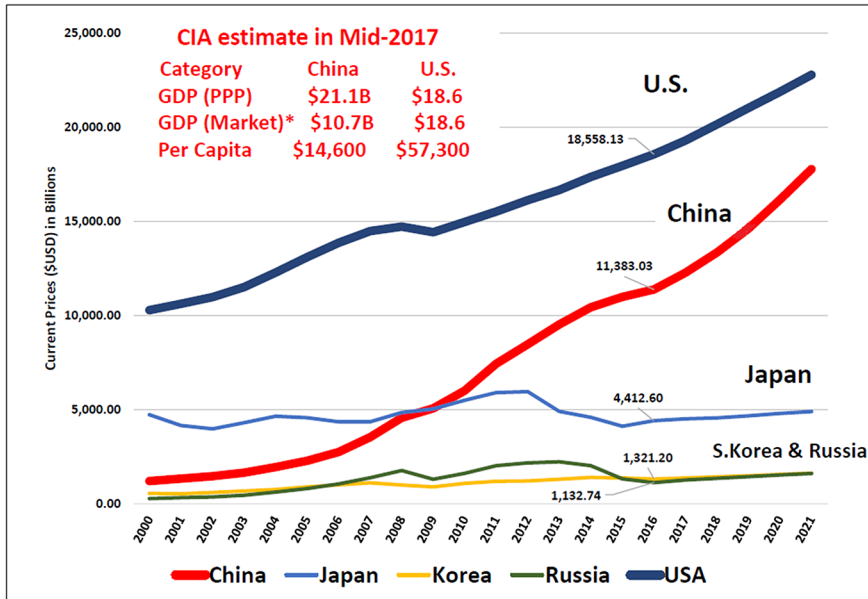
⁷¹ Ibid, p. 3.

⁷² OLIKIER, Olga. *Moscow's Nuclear Enigma. What is Russia's Arsenal Really For?*, Foreign Affairs, volume 97, issue 6, November/December, p. 52.

arms sales, the Kremlin has created an extensive network of important relations with almost all actors in the region. To date, it has had some success in resolving the Syrian conflict thanks to an important, albeit complex entente with Ankara and Tehran. In addition, Moscow posits itself as the only actor capable of engaging with Syria and Iran on Israeli security concerns. Russia's policy on Syria is based on three fundamental principles: unequivocal support for the Damascus government, a relatively small military contribution (IHS Jane's military analysts estimate the cost of the conflict at 4 million US dollars per day) and a policy to engage with all external powers involved in the conflict. As a result, the Kremlin has reaped diplomatic dividends and established itself as an acceptable broker to all external powers. In addition, it signals Moscow's confidence that the conflict has entered a new stage in which negotiations could move forward over a deal involving greater dialogue on reconstruction, humanitarian aid and constitutional reform⁷³. The White House's current policy in relation to Iran could also be seen as a way of taking back the initiative in the region from the Russians or at least it is serving this purpose.

Therefore we are witnessing a period of realignment of the global international order, in which the Sino-Russian strategic partnership has accelerated

IMF Estimate of Comparative Rise in GDP: 2000-2021



Graph 4. Source: CSIS with data from the IMF, CIA World Factbook and World Economic Outlook Database.

⁷³ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018 p. 248.

the crisis of US hegemony and given rise to a fluid multipolar world with no common value system to unite it. Today's international order has been described as an asymmetric multipolar world order because of US primacy. However, what really characterises it is the fact that this asymmetry is declining (graph 4) and there is a real possibility that in two or three decades the situation will be reversed and we will see India step up to the podium of world powers. The international arena today is therefore characterised by a high degree of uncertainty and renewed tensions, as well as a transformation and rebalancing of power between the main players, with the non-Western nations progressively gaining more weight.

Future outlook

For the short term, the Sino-Russian strategic partnership appears to be in robust health and everything seems to indicate that convergence between the two great powers will continue to deepen in 2019, particularly in the area of security cooperation, driven in part by Washington's growing pressure on both China and the Russian Federation⁷⁴. As we have seen, the outlook in the economic, and particularly energy sphere is quite good. However, a declining Russia and a rising China are not obvious long-term allies, except in their mutual distaste for the remnants of a *Pax Americana* world order⁷⁵.

From today's perspective, Russia's decline seems inevitable. The big question is how quickly this will happen and whether a major crisis will occur that will leave the Kremlin out of the power race. The major doubts concern Russia's economic development, demographic trends and the uncertainty about political leadership post-Putin.

Russia's much needed economic reform has not begun and the current power structure, where the men close to President Putin control powerful state-owned companies, does not bode well for Russia's future. Few economists predict that GDP growth will exceed a modest 2% in the coming years.

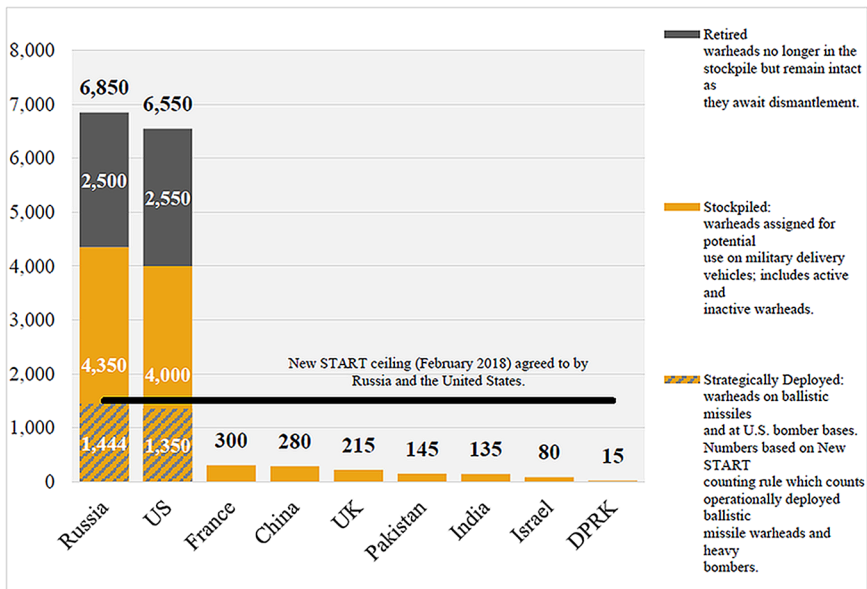
Demographic evolution is another Achilles' heel for Russia. Russian society is experiencing a profound demographic crisis that will be hard to recover from. Plummeting birth rates, combined with high mortality as a result of the USSR crisis, is the root of the problem. Alcoholism is a serious problem which has resulted in a disproportionately high male mortality rate. Immigration is the only hope for preventing population figures from plummeting. However, immigration, and fertility differences between women of Russian ethnic origin and other ethnic groups in the Federation will end up changing ethnic and religious relations and, consequently, the reality of Russian soci-

⁷⁴ STRATFOR. Joint Interests Against the U.S. Deepen the Sino-Russian Embrace, 5 November. Available at: <https://www.stratfor.com/article/china-russia-embrace-interests-us-deepens>.

⁷⁵ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018, p. 18.

ety, threatening national and territorial cohesion. By around 2050, Muslims could represent about one-third of the Russian population⁷⁶. The Russian armed forces and the economy will be severely affected by the ageing of the population, which will progressively weaken Russia's position as a great power. Moreover, 'brain drain' poses an additional challenge for retaining Russia's scientific elite.

Figure Three: Estimated Nuclear Weapons Holdings in 2018



Source: Hans M. Kristesen and Robert S. Norris; U.S. Department of State; Stockholm International Peace Research Institute. Updated June 20, 2018.

Graph 5. Source: CSIS.

Finally, Russia's privileged position hinges largely on the strong leadership of Vladimir Putin. Internal political balances, relations with China and the complex web of relations with the Middle East require great skill and real control by the Russian power structures. Sooner or later, Putin will give up his dominant position and this creates great uncertainty about Russia's future post-Putin. History is littered with examples of how Russia has risen or fallen under strong charismatic personalities or weak leaders. A paradigmatic example is Stalin during World War II and Tzar Nicholas II during World War I.

⁷⁶ LAURELLE, Marlene. *How Islam will change Russia*, The Jamestown Foundation, 13 September 2016. Available at: <https://jamestown.org/program/marlene-laruelle-how-islam-will-change-russia/>.

A key issue for the future of the Sino-Russian partnership will be the relative distribution of nuclear weapons among the major powers. It is no secret that Russia and the US are currently in a position of absolute domination of the nuclear world order (graph 5). As long as this remains the case, Moscow will have a sound argument for claiming its place among the world's powers. At the moment, the fact that China is clearly the world's second most powerful nation and fast catching up with the most powerful one, its position as a second-rate power in the nuclear arena is somewhat incongruous.

Over the next decade, the emergence of far more capable Chinese nuclear forces will be driven by the changes in US and Russian forces, and fundamentally reshape the nuclear balance, arms control, and the risks of actual nuclear warfare between three competing nuclear superpowers. Chinese systems seem likely to enter service in significant numbers during the coming decade – a decade where China may become a peer competitor in conventional forces to the U.S. in the Pacific, and outpace Russia's conventional military forces⁷⁷. The Sino-Indian relationship with the Pakistani corollary will also be affected by these changes.

The field of energy could also contribute to the rivalry between Moscow and Washington and become a serious strategic concern for Beijing, with the US in a very dominant position. WEO 2018 forecasts that by 2040 there will likely be a shortfall in supply in oil and gas and a further escalation in prices, particularly for oil. The average level of new conventional crude oil project approvals between 2015 and 2017 is only half the amount necessary to balance out the market to 2025.

The US accounts for more than half of global oil and gas production growth to 2025 (75% for oil and 40% for gas). Therefore, by 2025, nearly every fifth barrel of oil and every fourth cubic metre of gas in the world will come from the United States. Asia's share of global oil and gas trade will rise from around half today to more than two-thirds by 2040⁷⁸. The US will go from being the world's largest importer of oil to being a net oil exporter competing with the Russian Federation, which is currently the largest global exporter of gas and oil, leaving the White House as the arbiter in fossil fuel geopolitics.

To prevent Russian oil production from declining, it will be crucial for Russia or China to develop the most technologically advanced equipment for exploiting the most difficult and costly resources to access. US sanctions pre-

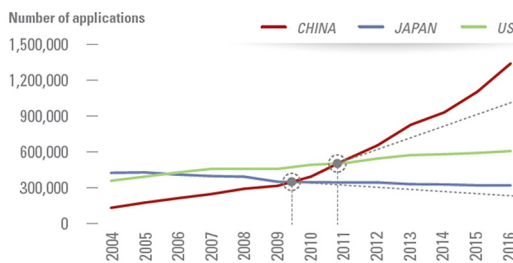
⁷⁷ CORDESMAN, Anthony H., *China and the New Strategic Nuclear Arms Race. The Forces Driving the Creation of New Chinese Nuclear Delivery Systems, Nuclear Weapons, and Strategy*, CSIS Report, November 2018. Available at: <https://www.csis.org/analysis/china-and-new-strategic-nuclear-arms-race>.

⁷⁸ WORLD ENERGY OUTLOOK 2018, International Energy Agency, November 2018. Executive Summary available at: <https://webstore.iea.org/download/summary/190?fileName=Spanish-WEO-2018-ES.pdf>.

vent the transfer of these capabilities to Russia, thus adversely affecting its future oil production⁷⁹.

The fourth industrial revolution we are experiencing today could well change the face of future societies. Being in the throes of complete and rapid innovation, China could be at an advantage and might perform better than Western societies in the new technological setting. Looking to the longer term, China has begun to resource and implement an ambitious strategy to become the world leader and technical standard-setter for the next generations of technology. In effect, China's ambitions have set the stage for a race with the US that will shape the geopolitical landscape for the twenty-first century, a race which will have economic, ideological, military and technical components. According to some measures (graph 6), China appears to have assumed a position at the forefront of innovation, having surpassed both the United States and the European Union in total number of patent applications. R&D spending has also risen. In any event, the US is confronting a future in which

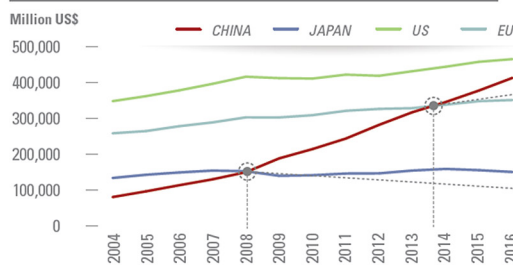
PATENT APPLICATIONS, 2004–16



2011
China overtakes the United States in patent applications

2009
China overtakes Japan in patent applications

R&D SPENDING, 2004–16



2013
China overtakes the European Union in R&D spending

2008
China overtakes Japan in R&D spending

Graph 6. Source: Strategic Survey 2018.

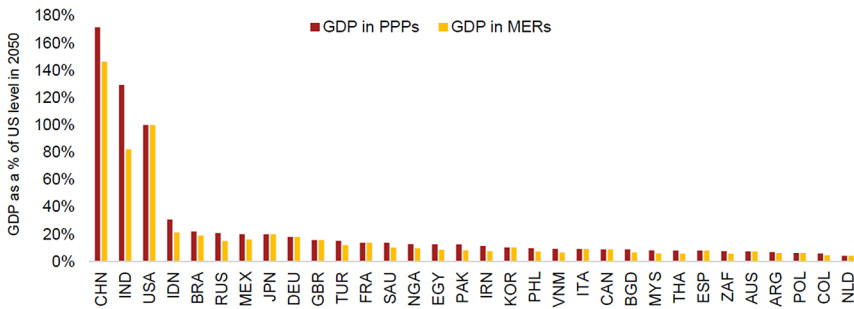
⁷⁹ MITROVA, Tatiana. Podcast *The Outlook for Russia's Energy Sector*, Columbia Energy Exchange, November 2018. Available at: <https://player.fm/series/columbia-energy-exchange/dr-tatiana-mitrova-the-outlook-for-russias-energy-sector>.

it can no longer be assured of global economic, scientific, technological and military supremacy⁸⁰.

However, over and above these considerations, we inevitably ask ourselves how China will behave as a global leader as it gains power and, consequently, more room for manoeuvre.

A great number of factors come into play in shaping the future, and how Washington deals with relations between Moscow and Beijing will provide many clues; the strength or weakness of the Sino-Russian strategic partnership will depend on this and on the circumstances of the revisionist powers themselves. India will play an increasingly important role, which should contribute to rebalancing forces among the major powers. Economic forecasts (graph 7) for 2050 show the US, China and India well ahead of the other states in terms of GDP⁸¹.

Figure 9: Relative GDP at PPPs and MERs as a % of US levels in 2050



Source: PwC analysis

Graph 7.

Conclusions

Russia and China are two nations with an imperial past and an ambition to become major powers, but they distrust each other and are the target of major geopolitical rivalry. However, Beijing needed to be on good terms with Moscow to be able to access its immense natural resources, develop and modernise its armed forces, gain strategic depth and avoid being isolated by the US and its allies; all of these were essential for China’s development and to regain the pre-eminence it sees as its historical birthright.

⁸⁰ STRATEGIC SURVEY 2018: THE ANNUAL ASSESSMENT OF GEOPOLITICS. IISS, 15 November 2018, pp. 34, 36 and 38.

⁸¹ The World in 2025. The Long View How will the Global Economic Order Change by 2050, February 2017, pp. 19 and 20.

Russia and China's political leaders shared and, indeed, continue to share, the desire to weaken US hegemony and bring about a more multipolar world. They also reject all forms of interference in internal affairs, which they see as a threat to the survival of their political regimes and their states' territorial integrity. Accordingly, the two powers have forged a strategic partnership that was initially set up in 1996 and which has become stronger and broadened its objectives with the passage of time.

Disagreements between NATO and the Russian Federation, particularly over NATO's continued eastward expansion, led the Kremlin to pursue trade, financial and technology relations with China as an alternative to the EU, and to strengthen strategic ties to better cope with Western pressure. In 2008, after NATO considered extending membership of the organisation to Ukraine and Georgia at the Bucharest Summit, Russia responded with a military intervention in Georgia and turned towards China. The Sino-Russian strategic partnership grew stronger, important progress was made in the areas of energy and arms and the two countries were able to settle their border dispute once and for all. China, whose economy was about to overtake Japan's and had withstood the financial crisis of 2008 with relative ease, concluded its 'low-profile' foreign policy and began to show greater assertiveness in territorial claims in the East and South China Seas and the border with India.

However, the rapid détente in relations between Moscow and the Western capitals and the deep-rooted mistrust between China and Russia meant that it was not until 2014 and the Ukraine crisis that the Sino-Russian strategic partnership became a powerful force in shaping world order. President Putin defied the West, annexing Crimea and staging a military intervention into eastern Ukraine. In 2015 the Kremlin made a daring move with the Syrian Civil War, but its military success, energy diplomacy and arms exports to countries in the region paid off and it managed to carve out a strong position for Russia in the Middle East, thereby attaining the status of a global power.

With China now the world's largest trading nation and set to surpass the US in GDP over the next decade or two, and with Russia on the brink of a 'hybrid' war with the West, rivalry between powers has become a strategic priority for Washington as it watches its hegemonic position erode.

International relations have become more tense, uncertain and dangerous. The spectre of nuclear weapons and a sort of arms race hang over the world again, and a trade war, which would end up harming everyone, cannot be ruled out. We are in the midst of a new multipolar world order that is transitioning towards a future that is globalised in material terms, but regionalised in terms of the great values and references that organise the lives of societies. It seems unlikely that the rule-based liberal international order will be able to hold onto its worldwide patent for long; indeed, it is already showing signs of fatigue in the Western societies that brought it to life.

The most likely scenario at the end of this period of transition and readjustment of the world order could well be an international order dominated by three balanced superpowers: China, the US and India, and with far more power than the other states. The Western world will have lost the world leadership it has enjoyed since the great Iberian expeditions of the fifteenth and sixteenth centuries set in motion a progressive globalisation which, until recent times, could be described as 'westernisation'⁸².

Meanwhile, as we wait for one scenario or another to unfold, the Russian Federation will be a key element within the global order. The level of rapprochement or distancing from the West and the Federation's strengthening, crisis or even dissolution will determine how turbulent the transition will be. The future is always uncertain, now more so than ever. Societies and their leaders' resilience and ability to adapt is about to be put to the test.

⁸² GOMÁ, Javier. Interviews with Jesús Ruiz Mantilla in País Semanal, 23-01-2015, and Sergio Enríquez, El Mundo, 31-03-2016.

Chapter three

The Middle East – another year without good news

José Luis Calvo Albero

Abstract

In 2018 the Middle East has once again been the main hotspot of global conflict. Two devastating conflicts in the region, in Syria and Yemen, seem to be steering towards a negotiated solution. However, every day still produces new victims and creates a situation unlikely to bring about lasting peace. The risk of a regional conflict persists, not only on the usual stage of hostilities between Iran, Israel and the Gulf monarchies, but also on a potentially wider scope confronting differing views regarding the principles that should underlie an Islamic society.

The double fracture of Islam between Sunnis and Shiites on the one hand, and popular and aristocratic Islam on the other, ensures continuing conflict in the region for many years to come. There are other associated problems that need to be dealt with because of their crucial role in either mitigating or exacerbating the risk of conflict: the impact of the US sanctions on Iran, the ability of the Gulf monarchies to transform economically and socially, and Turkey's future role in the region. What appears certain is that in these times of radicalism, impulsive decision-making and gut-based leadership, the hope that the long-suffering population of the Middle East might finally see their decade-long dream of peace materialise still seems remote.

Keywords

Middle East, Saudi Arabia, Iran, Syria, Yemen, Qatar, Sunni, Shia, Muslim Brotherhood, conflict between Iran and Saudi Arabia.

Introduction

This chapter must inevitably begin with the observation that the Middle East has seen yet another year of conflict, a sad fact which is as obvious as it is real. Sadder still, this reality has repeated itself decade after decade for over a century. The Middle East has gone through the 20th century in flames, and entered the 21st blazing.

The hopes raised by the Arab Spring have all but died, leaving behind two devastating conflicts in Syria and Yemen, greater rivalry between the regional powers, the rapid rise and fall of a deranged jihadist regime and a climate of weariness among large swaths of the population. The rage and frustration that exploded onto the streets in 2011 are still present, though suffocated by bloodshed, corruption, authoritarianism and various kinds of treacheries. They will probably explode again sooner or later, maybe less naively and more violently, or maybe under a new guise of an apocalyptic movement rivalling ISIS in brutality.

For a long time it has not been possible to establish even a minimum framework of peace in the Middle East, and perhaps sadder still, neither have the concomitant and constant efforts required to achieve this been made. The Palestinian-Israeli conflict, traditionally considered the Gordian knot of conflict potential in the region, remains alive and has turned into a routine recount of death tolls. In fact, it has become so routine that it has given way on the media agenda to other geopolitical, ethnical and religious tensions which have proved to be equally destabilising. Perhaps the most distressing aspect is that it is difficult to imagine how the conflict potential in the region could be defused while there are many ways to imagine how it could become worse.

This chapter firstly analyses what might be considered the principal source of conflict in the region: the double fracture within the Islamic world — particularly visible in the Middle East — between Shiites and Sunnis on the one hand, and an aristocratic approach to Islam as opposed to a more social and popular one on the other. This is followed by a brief overview of the geopolitical balances in the region, outlining the main actors and tendencies. Next, a more detailed analysis is presented of the two situations of conflict with the greatest influence on the current situation in the region: the war in Syria and the conflict in Yemen. Finally, the future of the states of the Arabian Peninsula, particularly Saudi Arabia, is analysed, whose success or failure in restructuring their economies and political systems will be decisive for reducing conflict potential in the region, or driving it on to unprecedented levels.

The two fractures of Islam

The return to a very strict interpretation of religion has turned into a widespread tool to try to solve a problem created by religion in the first place. The Middle East and North Africa have tried since the 19th century to over-

come the challenge of how to reconcile Islam with modernity – so far without success. Left behind on the trail are the attempts at reform by the Ottoman Empire, the nationalist republics, the experiments trying to apply socialism, or flirting with Western-style secularism. The agony of Kemal's legacy in Turkey bears witness to the final failure of the model thought most likely to succeed until now.

There are many different views on how to achieve this return to traditional Islam. The Shiite revolutionary model that seized power in Iran is very different from the absolute monarchies in the Gulf which in turn are diametrically opposed to the social and likewise revolutionary Islam of the Muslim Brotherhood. Contrary to the Far East where Islam seems to have accommodated itself to modernity to a certain degree, the Middle East is still searching for models that solve the problem without provoking blood-baths in the process.

Normally, the ancestral division between Sunnis and Shiites is presented as the fundamental split at the heart of Islam. However, the fact is that the differences between these two interpretations of the Prophet's message have often been exaggerated, in addition to being mixed with ethnical, cultural and geopolitical elements that bear little relation to religion. Contrary to the usual idea of a centuries-old confrontation, Sunnis and Shiites have generally lived peacefully side by side during centuries, sharing houses of worship and intermarrying matter-of-factly¹. Of course, the differences were exacerbated on occasions, and there were sporadic outbursts of violence, but a general look at history shows more harmony than belligerence.

The current situation of confrontation between the Shiite world under Iranian leadership, and the Sunni Muslims led by Saudi Arabia is more a matter of geopolitical and social than religious confrontation, although the religious differences have been used to further whip up rivalry. Iran and Saudi Arabia represent two very different conceptions of Islam, though on a somewhat more complex level than the mere doctrinal controversy between Sunnis and Shiites. This leads us to the second fracture of Islam, which is deeper and entails more consequences for the conflict potential in the region.

Ever since the Prophet's death, the Islamic community has been torn between a socially egalitarian and a more aristocratic model. The initial message of the Islamic doctrine, which was highly progressive for its time, encouraged an Islamic community of equals, guided by the word of God and ruled by leaders chosen for their piety and bravery rather than their lineage. This vision soon clashed with reality as the leaders of the greatest Arab tribes, the main exponents of Islam's military expansion, did not want to renounce their positions of authority. This contradiction led to the schism

¹ COUNCIL ON FOREIGN RELATIONS (CFR) *The Sunni-Shia Divide*, available at <https://www.cfr.org/interactives/sunni-shia-divide#!/sunni-shia-divide>, consulted 16 October 2018.

between Sunnis and Shiites following the death of the fourth Caliph Ali, and to the rise to the caliphate of the powerful Umayyad dynasty. Although presented as a conflict of doctrine and succession, the schism had more to do with differing political and social visions as to how the community of believers should be governed.

This tension has run through the entire history of Islam. Aristocratic and extremely authoritarian regimes of one religious persuasion or the other have been the norm in the Islamic world, particularly in the Middle East, but they have always had to contend with grassroots movements seeking to evolve towards more egalitarian societies. This is a parallel and very similar phenomenon to what occurred in the West, albeit with two basic differences: the first is that the general hope is for this social evolution to take place within a framework of a markedly religious character, and the second is that, so far, efforts to eradicate or at least reduce inequality have almost always failed. Social revolution leading towards a more modern and egalitarian society is still a pending matter in most Muslim countries.

1979 saw two essential events in connection with this centuries-old tension which help to understand both the subsequent development of the Islamic world and the current map of conflict in the Middle East. On the one hand, during the Iranian revolution the Shiite credo was used as a unifying factor of a population fed up with Mohammad Reza Shah's regime. He had never been popular, had always been considered a puppet of the West and proved unable to effectively deal with the economic crisis of the 70s. The Shiite clerics soon took over control of the protests under the charismatic leadership of Ayatollah Khomeini and transformed the uprisings of an initially rather more secular character into a religious revolution. The secular and pro-Western dictatorship of the Shah was replaced by another dictatorship which soon buried the original goals of achieving a political and social revolution under extreme religious fundamentalism.

In the meantime, something similar happened in Saudi Arabia, though in a much less organised way. Some radical movements that arose within the official conservative religious current of Wahhabism launched a series of protests against the monarchy, which — like in Iran — was accused of being corrupt and fawning on the West. The crisis ended with the capture of the rebels of the Great Mosque of Mecca and its subsequent siege and assault by the regime's forces, leading to hundreds of deaths and presenting a first-rate challenge to the Saudi monarchy.

King Khalid's reaction was to back the traditional branch of Wahhabism which is extremely conservative in its view of Islam, but also unconditionally loyal to the monarchy since the 18th century. This policy has determined the current image of the Saudi monarchy, with social customs entirely dominated by a highly dogmatic view of Islam domestically and exportation of Wahhabism abroad. The permeability between Saudi institutional Wahhabism and other

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more aggressive versions of jihadist Salafism² has not gone unnoticed in the rest of the world, especially as a growing number of Saudi citizens with links to terrorist networks and Islamic militias has been identified.

Thus, events that happened almost simultaneously and stemmed from similar causes drove the two great powers of the Middle East — both of them US allies — into the arms of radical theocratic regimes. Saudi Arabia remained a privileged ally of the United States whereas Iran turned into a true nightmare for Washington. The hijacking of the US embassy in Tehran and the attacks by Hezbollah's militias — allied to Tehran — on North American troops, citizens and interests in Lebanon in the 80s turned the two countries into sworn enemies.

Iran and Saudi Arabia also developed very differently in economic and social terms. With its economy devastated by the war against Iraq in the 80s and subjected to a series of embargos by the USA and its allies, Iran has never been able to develop the full economic potential inherent both in its abundance of energy resources and its highly educated urban elites. Saudi Arabia on the other hand, by virtue of its stability, US support and boundless exploitation of its oil resources, has been catapulted from a Bedouin kingdom to number 19 in the ranking of world economies³. The economic success has been so spectacular that the kingdom's economic influence is gradually switching from its oil production capacity to its investment capacity⁴.

Iran's economic disadvantage is partly counterbalanced by its human potential. Not only is its population twice as big as that of Saudi Arabia, but it is also much better trained and integrated in a reasonably modern society with democratic features, albeit largely fenced in by the rigid religious stance of the regime. There is also a strong sense of national identity which is rooted in its Persian legacy. By comparison, Saudi Arabia is a geopolitical newcomer, with a society marked by a level of inequality hard to imagine from a Western viewpoint, working classes from an immigrant background⁵ who live in

² Salafism is a movement that preaches the return to the origins of Islam, the «Salaf» in the times of the Prophet and his companions, and of the two generations that followed them. Over the past centuries, this common idea has spawned many, often very different and not necessarily violent ideologies. Salafism has gained a negative reputation because the majority of violent Islamic movements today declare themselves Salafists.

³ INTERNATIONAL MONETARY FUND (IMF), *World Economic Outlook Database April 2018*, available at <https://www.imf.org/en/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018>, consulted 1 November 2018.

⁴ Between 2015 and 2018 alone, Saudi Arabia's Public Investment Fund made 100 billion dollars' worth of overseas investments (NAFISA Eltahir, TUQA Khalid, *FACTBOX-Saudi sovereign fund's investments abroad*, Reuters, October 16, 2018, available at <https://uk.reuters.com/article/saudi-politics-fund-investment/factbox-saudi-sovereign-funds-investments-abroad-idUKL8N1WV4HI>, consulted 22 October 2018). To this should be added investments made by private enterprises and individuals.

⁵ Although statistics vary considerably depending on the sources, the United Nations calculated that over 30% of the population in the kingdom were immigrants in 2013.

conditions not far removed from slavery, and an abundant tribal aristocracy with an extensive track-record of corruption and incompetence.

The rivalry between Iran, with its revolutionary past and Shiite faith, and the Saudi absolute monarchy is, however, not the only fault line running through the Islamic community. Despite Iran apparently being singled out as the Saudi monarchy's main enemy, a lot of Riyadh's geopolitical efforts have not been aimed so much at neutralising Iran, but rather at repressing the most social and revolutionary Sunni movements, best represented by the Muslim Brotherhood.

The Muslim Brotherhood movement emerged in Egypt in the 1920s as one among many anti-colonial movements of the time, but it soon developed its own and very distinguishable identity, while developing an ideology that strongly influenced the rest of the Islamic world. Though undergoing numerous excisions, the organisation's essential doctrine has remained focused on two principles: a strict interpretation of Islam, whose sacred texts are considered the only possible source of jurisprudence, and a social calling towards a united Muslim community fostering equality while ridding it of injustice, corruption and poverty. From it emerged some of the most brilliant theorists of modern Islam, as well as some of the most brutal representatives of jihadist terrorism, including the current leader of al-Qaeda, Ayman al-Zawahiri. In fact, the movement has always been divided between those who call for peaceful activism, centred on the political arena and social action, and those who support armed struggle and terrorism.

Initially, Saudi Arabia supported the Muslim Brotherhood because in the post-war Arab world the kingdom's *bête noire* were the nationalist and secular republics springing up all around and where the Brotherhood exercised an effective opposition defending a strict Islamic stance. In the course of time, the nationalist revolutionary leaders from Saddam Hussein in Iraq, through Sadat and Mubarak in Egypt, to al-Assad in Syria became tyrants who the Saudi monarchy could at least live with, while the Muslim Brotherhood's message of fighting against authoritarianism, injustice and corruption began to grate on the Saudi authorities.

At some point the Brotherhood was faced with hostility from practically all governments in the region, in addition to Western misgivings because of its links to terrorism. However, the situation began to change following the Iranian revolution, which, after all, was a Shiite version of the kind of scenario the Muslim Brotherhood had wished for all along. Iran started to approach some groups related to the Brotherhood, such as Hamas⁶, while the tradi-

UNICEF, *Saudi Arabia, Migration Profiles, United Nations 2013*, available at <https://esa.un.org/migmgmprofiles/indicators/files/saudiarabia.pdf>, consulted 3 November 2018.

⁶ Iranian support for Hamas has always been somewhat obscure. Although it is true that Iran did in the past supply arms to the Palestinian organisation, and that this support later turned into publicly acknowledged funding, Hamas has frequently switched sponsors,

tional strategy of reaching power via democratic means started to take effect in some countries, Egypt amongst others.

At times, geopolitical rivalries will give rise to strange bedfellows. This was the case in the 90s when the Qatar regime decided to abandon Saudi Arabia's orbit which set it on an inevitable collision course with the Riyadh monarchy. Against the Saudis' oil supremacy and ultra-conservatism, Qatar brandished its extensive gas fields, its modern outlook and rapprochement to Western culture as well as its good relations with Iran, coupled with informal support of the Muslim Brotherhood's ideology, as the ultimate symbol of its total detachment from the kingdom.

Meanwhile, parties and associations more or less inspired by the Muslim Brotherhood's doctrine began to appear in many Muslim countries. In Turkey, the Justice and Development Party (AKP), though initially with a more nationalist and pro-European agenda, has steadily leaned further towards the Brotherhood movement. This turned out to be a highly important fact when the party reached power with an overwhelming majority in 2002, and even more so when its leader Tayyip Erdogan initiated a progressive drift towards a populist brand of Islamism, mixing in Turkish nationalism reminiscent of the Ottoman Empire.

The US intervention in Iraq, and the Arab Spring that followed, represented a massive upheaval for the countries in the region. Saudi Arabia and the Gulf monarchies watched with enormous apprehension as the democratic experiment imposed on Iraq by the United States unfolded, which — unsurprisingly — brought the Shia majority to power to the detriment of the Sunni minority which had traditionally dominated the political arena in Iraq. The Arab Spring, for its part, represented both a threat and an opportunity for the Gulf monarchies. On the one hand, it allowed them to finally sever the remaining hold on power of the surviving secular nationalist regimes and install more like-minded Islamic regimes in their stead. On the other hand, the popular revolts were an evident threat to regimes characterised by extreme social inequality. Hence, it became their foremost concern to avoid their own societies following suit.

The delicate situation demanded coordinated action from the Gulf monarchies and the harnessing of their immense economic clout. Quite logically, Saudi Arabia was hoping to take the lead and counted on the United Arab Emirates' loyalty in this, which at times was more radical in its fight against Iran and social Islam than the Saudi regime itself. However, the strategy of unity did not succeed across the board. The first sign of discord surfaced

on some occasions approaching Qatar or even Saudi Arabia. MAYIDIAR, Ahmad, *Iran and Hamas seeking to further boost relations*, Middle East Institute, 25 January 2018, available at <https://www.mei.edu/publications/iran-and-hamas-seeking-further-boost-relations>, consulted 8 December 2018.

in Libya where Qatar openly supported groups clearly linked to the Muslim Brotherhood – a support which was seconded by Turkey.

In 2011, Saudi Arabia launched a military intervention to quash the popular uprisings in the small country of Bahrain, in a joint effort with the other members of the Gulf Cooperation Council, on request of the Emir of Bahrain. Bahrain is particularly vulnerable as the majority of its population is not only Shiite, but also of Iranian ancestry. In 1994, Saudi Arabia had already intervened with troops in the Emirate for similar reasons. On that occasion, around 1200 Saudi troops were deployed, alongside 800 from the United Arab Emirates⁷.

The biggest problem, however, was Egypt, where the Muslim Brotherhood was already in power following the 2012 elections, and conveying a message of hope to the Saudi opposition. It is difficult to tell how deeply Saudi Arabia and the Emirates were involved in the plot to end Mohamed Morsi's Islamist government⁸. In any case, both states greeted the news of the military coup with enthusiasm and thereafter fully backed the regime of Abdeh Fattah al-Sissi, the military leader who led the operation and then became president of the country⁹.

However, the greatest portion of Saudi energy had to be expended on two regions where the Arab Spring degenerated into a bloodbath: Syria and Yemen. In the former, the entire Gulf Cooperation Council was set on unconditional support of the opposition to President Assad – made up mostly of Sunnis. It was a difficult task because the opposition still consisted of an inextricable tangle of groups, some of which as undesirable as *Al Qaeda in Mesopotamia* which would later split into the AL-Nusra Front and the Islamic State. Other groups lent towards Qatar, Turkey or the Muslim Brotherhood, and as such were not at all welcome in terms of Saudi interests¹⁰. The chaos that reigned among the opposition and the disagreements between the states supporting

⁷ BRONNER, Ethan & SLACKMAN, Michael, *Saudi Troops Enter Bahrain to Help Put Down Unrest*, The New York Times, 14 May 2011.

⁸ QTUB, Abdul Hamid, *Ayman Nur: Saudi planned the coup in Egypt, UAE carried it out*, Middle East Monitor, 23 August 2018, available at <https://www.middleeastmonitor.com/20180823-ayman-nour-saudi-planned-the-coup-in-egypt-uae-carried-it-out/>, consulted 4 November 2018.

⁹ AL-RASHEED, Madawi *Egypt's coup and the Saudi opposition*, Foreign Policy, 19 August 2013, available at <https://foreignpolicy.com/2013/08/19/egypts-coup-and-the-saudi-opposition/>, consulted 4 November 2018.

¹⁰ Occasionally, there has been effective cooperation between Saudi Arabia, Qatar and Turkey. In 2015, the three countries forged a difficult alliance between the rebel groups in Idlib which included Islamists of different ideological shades. The group was called «Army of Conquest» and initially obtained significant gains (IGNATIUS, David, *A New Cooperation in Syria*, The Washington Post, 12 May 2015, available at https://www.washingtonpost.com/opinions/a-new-cooperation-on-syria/2015/05/12/bdb48a68-f8ed-11e4-9030-b4732caefe81_story.html?noredirect=on&utm_term=.79652b70ddf0, consulted 1 December 2018).

it led to the groups with the most radical ideas and closest to jihadist terrorism becoming the most powerful.

In Yemen the fiasco was even greater, although initially the situation was handled in a satisfactory manner, with President Saleh stepping down and being replaced by Mansur Hadi following the 2012 elections. The latter was recognised by the international community and acceptable in terms of Saudi interests. However, in 2015 the alliance between Saleh and the hawkish Shia Zaidi of Yemen¹¹, known as Houthis, led to the situation getting out of hand.

With the Houthis in control of the capital and about to occupy the port of Aden, the Gulf Cooperation Council decided to intervene. It did so with at least the tacit support of the United Nations, as well as a large part of Western countries, and by assembling a coalition of various Arabic states. This initial legitimacy was soon lost as a result of the deficient handling of the military campaign. The coalition's air raids caused very high numbers of civilian casualties, attempts to cut off the supply lines of Houthi militias ended up causing a humanitarian disaster, and the coalition's troops, though able to break the siege of Aden, proved unable to dislodge the Houthis from the majority of their positions.

The final chapter of the Sunni split into two factions was the economic blockade imposed on Qatar by Saudi Arabia and the other members of the Gulf Cooperation Council in 2017. As expected, the blockade did not force the Qatar emirate into submission. Instead it bolstered its cooperation with Turkey and even Iran, and, in passing, created a major problem for the United States, which maintains headquarters of its Central Command and other critical military facilities in Qatar.

Hence, daggers are still drawn due to the double fracture running through Islam in the Middle East. Paradoxically, the first fracture, though much better known, is also much more superficial. Rather than a real grievance, today it is more an excuse to lend religious legitimacy to a confrontation which is really of a geopolitical, economic and social nature. The second fracture, i.e. that opposing strict aristocrats and popular movements, is far more problematic as it is not confined to doctrines and ritual, but rather affects the fundamental social framework. This tension can be felt between Iran and Saudi Arabia, as it can be felt in the hostility of the majority of the Gulf Cooperation Council members towards Qatar, Turkey and movements close to the Muslim Brotherhood in Egypt, Palestine, Libya and Jordan.

In this confrontation it is difficult to identify positive and negative actors. While Saudi Arabia and many Gulf states are absolute monarchies with me-

¹¹ Zaidism is one of the oldest branches of Shia Islam. Paradoxically, despite the Zaidi doctrine today being represented by the belligerent Yemenite tribes, who are not particularly partial to intellectual exercise, in its origins it was one of the most liberal currents of Islam. The Zaidis believed in logic as a source of jurisprudence, doubted the Imam's infallibility and defended the right and duty of the faithful to oust any unjust ruler.

dieval streaks, neither have other examples amounted to much more than dictatorships glossed over by some reforms, as shown by Iran and the Muslim Brotherhood. Even the Muslim states in the region that boast of their modernity, such as Turkey and Qatar, have a particularly dubious record concerning their democratic practices and their respect for human rights. Unfortunately, and despite the Arab Springs, there is still no sight of an end to the winter in the Middle East.

Old and new powers – the political balance in the Middle East

A quick review of the history of the Middle East will reveal the presence of two powers, which could be called ancestral, surviving to this day: Egypt and Persia/Iran. In addition, other cultures and civilisations developed along the Tigris and Euphrates rivers that would currently correspond to Iraq and Syria. However, the latter neither lasted as long nor did they forge such unmistakable identities as the former. From the first century BC, Rome turned into a key regional actor and remained so through the Byzantine Empire until the seventh century, when the Muslim Arab armies swept over the Byzantine armies. From the eleventh century onwards, successive waves of Turk peoples gradually took over control, leading to the establishment of the Ottoman Empire, which remained a regional power until the early twentieth century.

At different times in history, a power also emerged in the deserts stretching from the Arabian Peninsula to encompass the Fertile Crescent. The Bedouin Arab nomads formed the core of the Muslim armies during the seventh century, and from time to time re-emerged to occupy their place on the region's geopolitical chessboard. Saudi Arabia and the Gulf monarchies are the latest reincarnation of this intermittent power, which today rests not so much on military strength but rather on economic power. Finally, Israel, whose past record was scarcely relevant in the historical shaping of the Middle East, turned into a leading power during the second half of the twentieth century. However, it is very isolated from its neighbours and survives mainly thanks both to foreign support, especially from the United States, and its own belligerence.

Following the end of the Second World War, Egypt and Iran continued to exercise their status as regional powers, albeit with limited practical success. Egypt became entangled in its visceral enmity with Israel, leading to generally disastrous results until it managed to extricate itself. From a political point of view, the country on the Nile continued to be one of the main centres of thought of the Islamic world, as well as one of the places where most thought was spent on how to reconcile Islam with modernity. However, the schools of thought that gave rise to and supported the Muslim Brotherhood often drifted towards radicalism and occasionally fed directly into jihadism. The panic that Egypt and its immense population might turn into an Islamist political

experiment, with the resulting extreme danger for other regional powers and the West, led to the country being driven into a succession of dictatorial regimes whose level of influence abroad has been in constant decline.

As mentioned, in the case of Iran, the 1979 revolution brought an end to the weak monarchy and gave rise to the dream of a social revolution from within Islam. Unfortunately, time, together with the religious regime's radicalism and war, made sure these hopes were crushed. Although Iran retained its status of power, it found itself surrounded by mostly hostile neighbours, whilst being isolated internationally and impoverished economically. In spite of all this, it has played its cards well on the international game board, taking advantage of the Shia minorities in various countries to expand its influence. Over the last decades, this effort has paid off to a certain extent, perhaps more as a result of its enemies' mistakes, especially the United States, than its own merits.

The fear of suffering an attack from the United States or Israel led Iran to develop a nuclear programme which reached quite an advanced stage, despite sabotage attempts such as that probably carried out by Israel and the United States, using the computer virus «Stuxnet» between 2009 and 2010¹². Yet the gradual development of the programme only heightens the probability of Iran suffering precisely what it sought to avoid, namely an attack from the United States and Israel – apart from suffering under a system of sanctions which is already seriously undermining its economy. Moreover, the possibility of a nuclear-equipped Iran entailed the risk of encouraging other states in the region to follow its example, triggering an escalation of unforeseeable consequences.

Although for decades Iran had been engaged in negotiations with the International Atomic Energy Agency (IAEA) and various P5+1 countries (France, the United Kingdom, the United States, Russia, China and Germany), it was not until a moderate government under Hassan Rouhani came to power in 2013 that the negotiations began to move on with some prospect of success. In 2015, the negotiations culminated in the signing of the Joint Comprehensive Plan of Action or JCPOA, under which Iran pledged to significantly reduce its uranium-enriching capacity and to accept verification inspections by the IAEA. In return, the sanctions would progressively be lifted.

Generally speaking, all the signatory countries and the IAEA accept that Iran has reasonably fulfilled its part of the deal, although Israel and the US

¹² The United States and Israel have never recognised having created and used the virus. However, its extremely complex nature makes it hard to believe that it could have been created without the support of a state. Various press articles, particularly in The New York Times, pointed to the United States as the probable origin (SANGER, David E., *Obama Order Sped Up Wave of Cyberattacks Against Iran*, The New York Times, 1 June 2012, available at <https://www.nytimes.com/2012/06/01/world/middleeast/obama-ordered-wave-of-cyberattacks-against-iran.html>, consulted 8 December 2018).

Republican Party described it as a disaster¹³. Donald Trump's victory in the 2016 presidential election meant a threat to the treaty's continuity, as Trump had already declared his opposition to it while running as a candidate. However, in spite of the president's opposition, no breach on the Iranian side could be detected to justify pulling out of the agreement. In any case, Trump announced his withdrawal from it in May 2018 citing a series of vague accusations from Israel relating to previous Iranian nuclear projects, the development of ballistic missiles and Iranian support of international terrorism. This meant the return of the sanctions, and, although none of the remaining signatory states agreed with the US decision, Washington's control over global finance and the possibility of reprisals against companies that trade with Iran make it very hard to ignore the sanctions¹⁴.

This places Iran in an extremely difficult situation. The population had staked a lot of hopes on the economic boom expected to result from the lifting of the sanctions. If these hopes are dashed, however, the likely outcome will be discontent and instability. Paradoxically, Trump's decision is particularly harmful to Rouhani's moderate government and paves the way for a return to power of the most radical defenders of the regime as well as a possible relaunch of the nuclear programme.

As for Turkey, the modern Turkish state was founded on a type of nationalism far removed from Ottoman religious imperialism while being based on secular values. For a long time, Turkey was the most successful experiment of political reform within an Islamic society, but this success was based on premises difficult to uphold. The first was the role of the armed forces as the guarantors of secularism, which left the country in the grip of authoritarianism. The second was that the success depended to a large extent on Turkey's admittance to the club of Western nations, which was never fully consummated.

The Islamist movements that emerged in Turkey, embodied in the Justice and Development Party (AKP) and its charismatic leader Tayyip Erdogan, could initially be considered as a moderate branch of the Muslim Brotherhood. This moderation faded as it became apparent that Turkey was not welcome in the European Union, the latter becoming bitterly clear in 2004, when the process of acceptance of Turkey was interminably delayed while a country like Cyprus, which is not recognised by Ankara, was admitted into the EU. This rude awakening to reality prompted the AKP to change tack, with the new course

¹³ HAFEZi, Parisa, CHARBONNEAU, Louis, IRISH, John & ARSHAD, Mohammed, *Iran deal reached, Obama hails step towards 'more hopeful world'*, Reuters, 14 July 2015, available at <https://www.reuters.com/article/us-iran-nuclear/iran-deal-reached-obama-hails-step-towards-more-hopeful-world-idUSKCN0PM0CE20150714>, consulted 7 December 2018.

¹⁴ The detention in December 2018 of the vice-president of the Chinese firm Huawei in Canada on the grounds of accusations of fraud and conspiracy in order to elude the sanctions on Iran gives an idea of the USA's capacity to put pressure on anyone who tries to breach the terms of the sanctions.

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including a more radicalised religious component and the project of joining Europe gradually being replaced by a return to imperial Ottoman ambitions.

Turkey has made a strong comeback in regional Middle Eastern politics and has adopted a, if not opposite, markedly different role from Saudi Arabia and the Gulf monarchies. Erdogan's government shows affinity with the Muslim Brotherhood's cause, sides with Hamas in its claims against Israel, and with Qatar in its dispute with its neighbours, while it does not take a particularly belligerent stance towards Iran. In Syria, despite its initial hostility towards the Assad regime and an early clash with Russia, it has achieved a situation of tacit understanding with both. In any case, Turkey tries to maintain a certain regional balance, and although it does not hesitate to use force when it feels its safety threatened, it generally prefers negotiation as a means to attain its goals.

Saudi Arabia's development over the last decades also shows a growing tendency towards strategic autonomy, gradually shedding its dependence on the United States and assuming a growing role as a regional power. The clumsy intervention of Washington in Iraq in 2003, followed by President Obama's policy of placing the Middle East somewhat lower on his list of strategic priorities, encouraged the Saudi kingdom to take on a more active role in the region's politics.

In the last decades the great Saudi strategy has been influenced by the patent need for political and economic change. Economically, the kingdom will not be able to survive the foreseeable slump in the market for fossil fuels without engaging in reforms to diversify its economy. Neither will it be able to survive in the long run as a monarchy of medieval character that rules over a hugely unequal society. Reforms need to go hand in hand with enhanced leadership in the region, which is the strategy the Crown Prince, Mohammed bin Salman, the strongman in Riyadh, has tried to put into practice over the last decade.

Lastly, Israel is approaching its tenth year of the second Netanyahu era with a government that is more radical than ever. Under his mandate, the traditional Israeli policy of combining an iron fist with a willingness to negotiate in order to reach peace agreements with its neighbours has become a thing of the past. With a buoyant economy, solid support from the USA and its traditional rivals embroiled in the Syrian war chaos, the Israeli government has applied a *fait accompli* policy, cornering the Palestinians, building more new Jewish settlements on their territories and scrapping the peace negotiations. Some decisions, such as the Basic Law adopted in 2018, which declares Israel as a «nation-state of the Jewish People», open the door to the marginalisation of the Arab minority, i.e. around 21% of the country's population.

Alongside more or less traditional regional actors there are various external powers that play an important role in the Middle East. Of course, the most obvious is the United States which —since the oil crises of the 70s and 80s

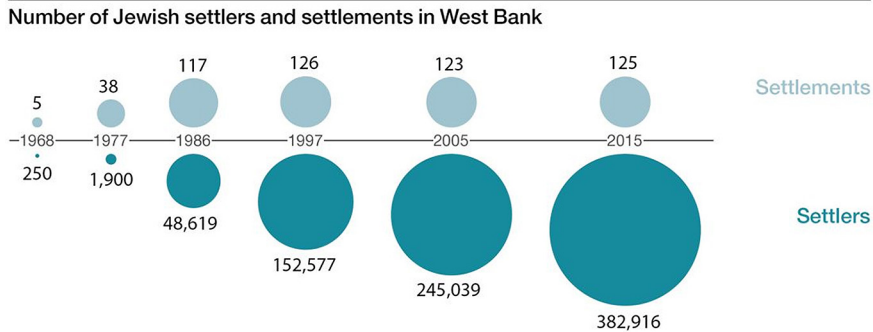


Figure 1: Growth of the number of settlements (above) and Jewish settlers (below) in the West Bank between 1968 and 2015. Source: Haaretz.

— decided that the region was of utmost strategic importance for its interest. In spite of this evident interest, the Middle East has afforded the occupants of the White House limited occasions for joy and a great deal of bitter disappointments. Following the very poor results of the 2003 invasion of Iraq, President Obama reached the conclusion in 2010 that the USA had to disentangle itself from the region into which it had invested huge resources in return for insufficient gains. However, the Arab Spring and the rise of ISIS prevented the United States from carrying out this strategic retreat in the hoped-for scope.

The United States has its traditional allies in the region: Israel, Saudi Arabia, Turkey and Egypt, the latter since the 80s. However, although some of these have proven highly useful for Washington, at times they were more of a headache than a help, which explains the USA's growing weariness regarding the Middle East.

Israel is the perfect example of a solid but extremely problematic ally. Still, the Jewish lobbies' enormous influence in Washington makes this alliance practically unbreachable, despite previous presidents' reservations regarding what they considered an ever more radical and destabilising Israeli posture in the region.

The Trump administration, unburdened by the doubts that affected its predecessor, has taken its support for Israel to problematic extremes. One example is the decision to move the US embassy from Tel Aviv to Jerusalem. The decision caused outrage among the Palestinian population which reacted with a series of protests coinciding with the 70th anniversary of the creation of the state of Israel. The incidents along the border with Gaza have so far left 166 Palestinians dead and have again been at the heart of controversies, as Israeli border guards have in some cases been accused of firing on unarmed civilians¹⁵.

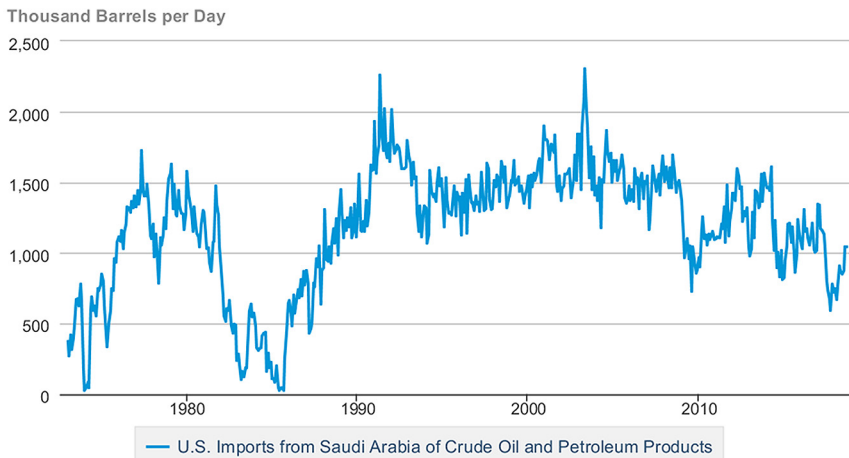
¹⁵ Israel, however, claims that the protests were coordinated with armed attacks on the border fence in Gaza, even using explosives. By way of evidence, it claims that 50 of the 58

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As regards the US embassy's new location, so far the move has not been seconded by many other countries, with only Guatemala following suit. Brazil's new president, Jair Bolsonaro, has promised to also move the Brazilian embassy to Jerusalem, although by mid-January, following the Israeli Prime Minister's visit to his presidential inauguration ceremony, no date had yet been set to fulfil the pledge. In general, the move has once again demonstrated the Trump administration's growing isolation within the rest of the international community.

By contrast, Saudi Arabia has paid off excellently in US foreign policy and economical terms. The kingdom's huge crude oil production capacity has conferred upon it the role of the oil price regulator, averting any further price and supply crisis since the early 80s. The tie became more problematic in the wake of 9/11, when the consequences of Saudi support in propagating Wahhabism became apparent, and even more so after the US invasion of Iraq which Riyadh opposed vehemently. The alliance, however, is too strong to break. Like Israel, Saudi Arabia needs US support to survive, and the United States still needs oil (figure 2) and Saudi investments, especially in defence. Moreover, Washington now needs a stable and wealthy ally that can act as a proxy and stand up to the Iranian expansion across the region.

U.S. Imports from Saudi Arabia of Crude Oil and Petroleum Products



Source: U.S. Energy Information Administration

Figure 2: US imports of Saudi oil have fallen significantly since the year 2000, but still represent almost one million barrels per day.

victims on 14th May (the bloodiest day) were Hamas militants (KHOURi, Jack, *50 of Dead in Gaza Protests Were Hamas Activists, Says Senior Hamas Officials*, Haaretz, 16 May 2018 available at <https://www.haaretz.com/middle-east-news/palestinians/50-of-dead-in-gaza-protest-were-hamas-activists-says-hamas-official-1.6094899>, consulted 27 November 2018).

As regards Turkey, over the past decade it has increasingly shifted away from Washington. Following the attempted coup in 2016, relations became particularly taut as a result of the US refusal to extradite Fethullah Gulen, accused by Erdogan of orchestrating the coup. The change of administration and Trump's arrival have not eased the tensions. The Gulen affair still poisons relations, which are further unsettled by the Turkish decision to continue buying Iranian oil, and mostly by Washington's imposition of duties on Turkish steel and aluminium, causing the Turkish lira to plummet by 50% during the summer of 2018.

Lastly, Egypt under al-Sissi's government is still a reliable ally, although its former influence has partly been lost as a result of the many internal problems. In its foreign policy it has closely aligned with Saudi Arabia in its opposition to any attempt of putting the Muslim Brotherhood's doctrine into political practice. Internally, it is faced with an underlying situation of social discontent and a bloody and persistent Islamic insurgency on the Sinai Peninsula which has caused thousands of deaths in the last years. Under these circumstances, Washington can hardly draw on Egypt's traditional role as a mediator in the Arab world.

In short, a certain weariness pervades Washington's system of alliances in the Middle East. Despite US influence in the region still being of prime importance, it is facing growing difficulties. Most of all, decades of intervention with rather modest results have left their trace.

The announcement at the end of 2018 of the withdrawal of the US forces from Syria is the latest sign of this fatigue. President Trump's decision has caused consternation among his allies and within the US administration itself. Defence Secretary Mattis has definitely thrown in the towel and handed in his resignation in the face of what he probably considers an unnecessary gift to Russia and, above all, Iran. Nonetheless, the withdrawal had been on the cards for some time, as the US military presence in Syria was only sustained by the insistence of the President's advisors, the latter never having shown any interest in the Syrian conflict.

A newcomer in the region, in relative terms, is Russia. Its intervention in Syria has managed to turn the situation around on the ground and to guarantee the survival of the Assad regime. This has been the most spectacular action, but Russia is also trying to change the balance of powers and influences in the region. The issue it faces is that, if the regional US allies are problematic, those of Russia — with the exception of the regime in Damascus — have joined forces with Moscow out of sheer opportunism.

In any case, the Russian president Vladimir Putin seems quite deft and at ease when faced with unpredictable and changing situations. For the time being, his goals in Syria have been achieved at an acceptable cost, cooperation with Iran has been cold but profitable, effective mechanisms of operational coordination have been established with the United States, and

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the difficult relationship with Israel seems to have been shifted towards a peaceful coexistence. Even the strained relations with Turkey, which nearly reached breaking point, have been rescued. Proof of this can be seen in the inauguration of the Russian-Turkish *TurkStream* gas pipeline in November 2018. Carrying gas from the Black Sea to Istanbul, *TurkStream* is another project to allow gas being delivered to Europe bypassing Ukraine.

Finally, Russia has garnered an image for itself of a serious and reliable partner for its allies – a point which Russian propaganda likes to juxtapose with the United States' allegedly poor record on reliability in Iraq, Afghanistan and Syria. All the military interventions led by Moscow seem to be geared at – besides geopolitical gains – Russia recovering its status as a global player and as such, being treated with the due respect. In this regard, Putin's boldness seems to have paid off, although the fragility of the alliances established in the region, as well as the changeability of the situation, could still spring some unpleasant surprises on the occupant of the Kremlin.

The improbable end of the war in Syria

The Syrian opposition never managed to recover after the city of Aleppo was seized by the Assad regime in December 2016. During 2017, it only managed to launch local counterattacks with negligible results. The collapse of ISIS that same year, which allowed the regime in Damascus to concentrate its forces on the last redoubts of the opposition, sealed the rebels' fate.

During the first half of 2018, the regime's forces continued their strategy of reducing the last pockets of resistance one by one. Following the operations against targets in the Idlib province between November 2017 and February 2018, the government forces set the recovery of the rebel areas around the capital as their first priority. The great enclave of Eastern Ghouta, where around 400,000 people lived under siege since 2013, was identified as the key area, as it had been used by the rebels to keep many districts of Damascus subjected to intermittent mortar and artillery attacks. Therefore, it was essential for the regime to erase this threat and bring normal city life back to the capital.

The regime used its usual strategy of combining devastating bombing raids with negotiation offers to transfer the rebel fighters and their families to other areas in Syria. During the first two days of the offensive alone, 250 civilians died under the bombs¹⁶, and the resistance could not be kept up much longer. In April the rebels handed over the last areas under their control and agreed to being evacuated together with their families to the province of Idlib.

¹⁶ FRANCIS, Ellen & MCDOWALL, Angus *More bombs hit Syria's Ghouta, death toll highest since 2013*, Reuters, 20 February 2018, available at <https://www.reuters.com/article/us-mideast-crisis-syria-ghouta/more-bombs-hit-syrias-ghouta-death-toll-highest-since-2013-idUSKCN1G40N8>, consulted 9 November 2018.

The rebels were faced with their traditional problem of fragmentation into a number of groups that only occasionally collaborated with each other while frequently being drawn into infighting. Moreover, the carrot and stick approach pursued by Damascus had a particularly strong impact among the civilian population. The regime did not hesitate to bomb hospitals and markets until the situation became unsustainable for civilians, while at the same time offering ceasefire and evacuation agreements which it stuck by in most cases. This strategy, which was as methodically brutal as it was effective in terms of results, invariably led the civilian population to put pressure on the fighters to accept evacuation.

The fall of Eastern Ghouta spread pessimism among the remaining rebel enclaves around Damascus. Qalamoun, Dumayr and the western part of the Yarmouk neighbourhood fell with hardly any resistance. The exception was ISIS, as ever. Around 1500 militants of the group found themselves entrenched in the former Palestinian refugee camp of Yarmouk, south of the capital. Reducing them cost Assad's army one month of combats and almost 300 troops.

After defeating the enclaves around Damascus, both the regime and its Russian allies seized the opportunity to neutralise the rest of the rebel strongholds in the west of the country with minimum effort. The Russian advisors and military police became directly involved in the negotiations, offering additional guarantees to respect the lives and properties of those civilians who chose to remain in the enclaves. The stronghold of Homs fell with hardly any combats.

The following objective was the stronghold of Dara'a, in the south of the country. Here, the challenge was far greater because of its location bordering Jordan and — to make matters worse — the Golan Heights, which are occupied by Israel. The Israeli government soon made it clear that the presence of Hezbollah or Iranian militias backing the regime would not be tolerated in the vicinity of the Golan Heights. The warnings were endorsed by regular air strikes on military installations of Hezbollah and Iranian militias on Syrian territory. Again the Russian government acted as a diplomatic bolster to Assad, and the situation was defused without major difficulties.

The eastern part of the enclave was conquered by force, whereas in the western part, just off the border of the Golan, Russia managed to convince many of the rebel groups that had settled there to change allegiances and support the army from Damascus in driving out both Tahrir al-Sham (with ties to al-Qaeda) and ISIS, which maintained a stronghold in the southern part of the Golan. Following this series of victorious offensives, the Assad regime had reduced rebel control of Syrian territory to a minimum.

The opposition is now concentrated in the Idlib province — where a multitude of groups are fighting each other on a daily basis — and in a stronghold around Rukban refugee camp in the south of the country, where the rebel

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presence is only sustained by US support. However, despite repeated victories and the conviction that the regime has survived the civil war and consolidated itself as an indispensable actor in the country's future, the situation is far from hopeful. The Syrian civil war, which quickly acquired a regional scope and eventually turned into an international conflict, has caused too much upheaval to enable a quick and simple solution.

The first problem is that the country has been left divided into three zones, apart from residual areas that are still in the hands of the opposition and ISIS. Each of the zones receives support from at least one foreign power. The east of the Euphrates River is under the control of the Syrian Democratic Forces (SDF) backed by the USA, whose main body are the Kurdish Popular Defence Militias (YPG). The SDF also control a bridgehead east of the Euphrates around the city of Manbij.

The presence of Kurdish militias along most of the Turkish-Syrian border has caused alarm within Tayyip Erdogan's Turkish government, which launched military interventions into Syria from 2016 onwards. The Turkish govern-

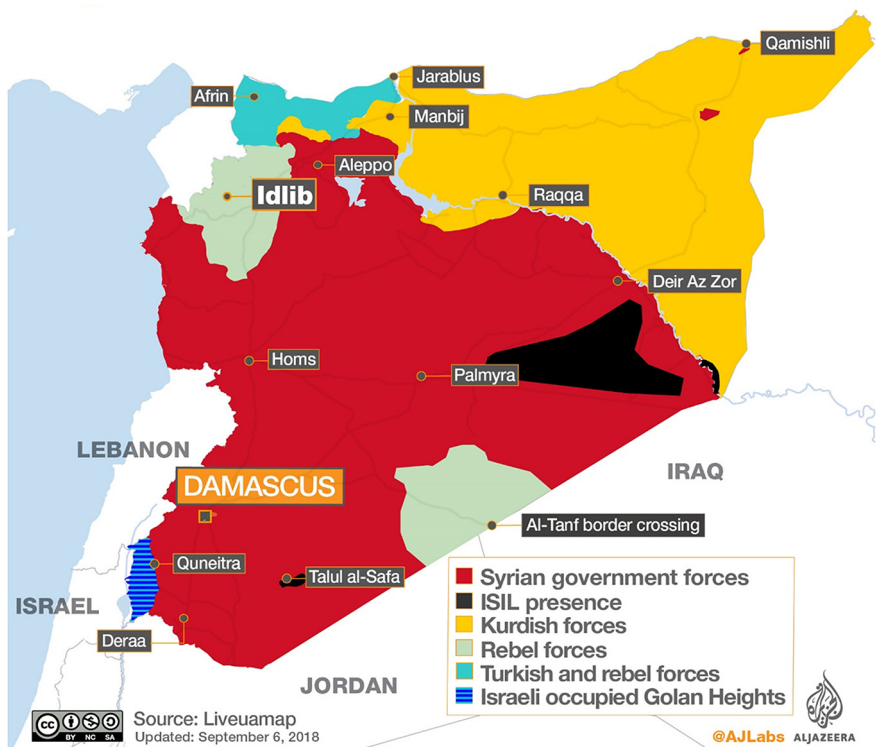


Figure 3. Map of the situation in Syria in September 2018. It can be seen that rebel forces only control the province of Idlib and a pocket on the border with Iraq around the Al-Tanf crossing. ISIS controls some marginal areas in the Syrian Desert and on the Syria-Iraq border on the Euphrates riverbed.

ment deployed its armed forces to reorganise the most moderate militias of the Syrian opposition within the Free Syrian Army, which — with support from regular Turkish forces — first fought against ISIS and later against the SDF, conquering a strip of land on the western side of the Turkish-Syrian border. Occupying a security strip along the Syrian border has been a long-lasting Turkish ambition, with the double aim of preventing the presence of Kurdish YPG militias and acting as a buffer against new waves of refugees.

With Syria divided in three, the future does not bode well for the country's stability. Probably some additional military operations will be necessary to eliminate the rebel forces of Idlib and to eradicate the last ISIS strongholds. Afterwards, the big unknown of how to reunify Syria awaits – if this is really the aim of the powers involved.

It is clear that the Syrian government wants to recover the whole of the national territory. It is also clear that Russia wants to support it in this task, but not to the extent of finding itself caught up in a conflict with other regional powers or the United States. Turkey's posture is to keep the Syrian-Turkish border clear of the YPG. Meanwhile, the latter are coming out of the war bolstered by US arms and equipment as well as many years' worth of war experience. Despite Turkey's initial hostility to the Assad regime, its strategic interests are currently aligned with those of Damascus.

The problem until the end of 2018 was that the SDF, and with them the YPG, were backed by the United States. However, President Trump's decision to withdraw his forces from Syrian territory now opens a period of uncertainty. Initially, the purpose of the US troops in the country was to fight ISIS. The decision to support the Kurds only came after realising that all the other groups were either too radical or too incompetent. Currently, with ISIS in its final throes, Washington's prime interest lies in containing Iran – a matter which the high officials at the Pentagon have always been more enthusiastic about than their president. Although Trump has strongly supported the renewal of sanctions on the Iranian regime, he has been less fervent when it comes to prolonging the presence of troops in Syria, considering that their presence could at any moment turn into a bone of contention with Russia, Turkey and even public opinion in the USA itself.

The US withdrawal can easily be used to the Assad regime's and Turkey's advantage. Hasty military action is not an option, as it would force Washington to react, but there are many ways of exerting pressure on the area controlled by the SDF, and this is what is currently happening. Between threatening speeches against the Kurds, President Erdogan uses his military forces to constantly harass the border area. His pressure on the Manbij area first forced the United States to accept joint Turkish-American patrols and recently drove the SDF into accepting a limited deployment of Syrian regime forces in the area.

Al-Assad can take advantage of the weak union between the Kurdish YPG militias and the Arab groups integrated within the SDF, many of which are

disgruntled with the Kurdish leadership. Moreover, the regime maintains a few enclaves in the area of Hasakah, in the northeast of the area controlled by the SDF, where fights regularly erupt. The key of this strategy consists in combining a build-up of pressure with an acceptable way out for the Kurds of the YPG. During the war the Kurdish militias did not display any particular hostility to al-Assad, thus probably enabling them to reintegrate in a united Syria in exchange for some concessions. Turkey would be satisfied if control of the border was left in the hands of Damascus, probably with the presence of Russian observation units. Although Turkey would probably maintain some of its own military forces on Syrian ground for some time.

A solution of this kind was discussed at the peace talks in Astana (Kazakhstan) with support from the UN Special Envoy on Syria, Staffan de Mistura. The deployment of Syrian forces in the surroundings of Manbij at the end of December, with consent from the SDF, points to the Kurds finally being willing to accept the presence of Assad troops to avoid an offensive, even if it means relinquishing their independence. It remains to be seen whether the YPG finally also accepts the entry of troops from Damascus into its territories to the east of the Euphrates, where it maintains firmer control. In any case, these are movements which Iran, Turkey and Russia actively participate in, with hardly any US influence – further indication of Washington's scarce interest in the conflict.

Another recent success of this tripartite diplomacy was obtained in the summer of 2018 when the planned offensive of the Syrian regime on Idlib was cancelled after reaching an agreement. A demilitarised zone of between 15 and 25 kilometres would be created, patrolled by Turkish and Russian forces around the area controlled by the rebels. In practical terms, the agreement was highly unfavourable to the rebels, because it stripped them of thousands of kilometres of territory, including some densely populated areas west of Aleppo. The majority of the opposition groups refused to accept the terms of the agreement, but the process saw the usual infighting re-emerge, while a large number of civilians started moving towards the areas to be demilitarised. The fact is that the rebels are increasingly with their backs up against the wall and will probably end up accepting some kind of agreement offered to them by Turkey to join the Free Syrian Army. Thus the last great area left under rebel control, which includes the provincial capital Idlib, would at least partially return to the hands of the government.

One problem for the tripartite diplomacy is that the Damascus regime, once assured of its survival, is becoming increasingly independent. Al-Assad's strategy, based on regaining control of the whole Syrian territory, can be a lot more aggressive than that of Russia, for whom Syria is just a pawn on the global chessboard. Although less moderate than Russia, Iran could also reach a point where it considers Al-Assad's ambitions and impatience excessive, since the last thing the battered Iranian economy needs is a direct regional confrontation.

Nonetheless, the regime could achieve a position of greater advantage and independence from its allies in the conflict, if it manages to restore its traditional relations with the rest of the Arab countries. In the last weeks of December some news seemed to point this way, for example the reopening of the United Arab Emirates' embassy in Damascus, or the trip of Sudan's president to Syria. It may be that in the face of the evidence that al-Assad has won the war, Saudi Arabia and the rest of the Gulf monarchies are persuading themselves that it is more advantageous to try separating him from Iran, offering him alternative relations, rather than pressing on for a change of regime that appears increasingly unlikely.

Although only marginally involved in the civil war, Israel is also a key actor to achieve a stable peace agreement in Syria. In principle, the survival of the Assad regime, backed by Hezbollah and Iran, together with the withdrawal of US forces from Syria, leaves Israel in a very awkward position. During the war, Benjamin Netanyahu's government preferred Israel's borders on the Golan Heights to be controlled by jihadist rebels, even though they initially included groups as hostile towards Israel as the militias related to Al Qaeda and ISIS. The biggest threat for Israel is not the jihadist groups but the possibility of an alliance of al-Assad's Syria with Hezbollah and Iran with access to sophisticated weapons, including ballistic missiles, and the ever-looming shadow of nuclear weapons development.

In 2018, Israel launched a number of air strikes against Iranian objectives in Syria, destroying material, depots and command and control centres, as well as killing possibly around a hundred Iranian advisors and Hezbollah militiamen¹⁷. Most of the attacks were launched from outside the Syrian airspace, but on the occasions when Israeli fighter jets penetrated it, they were greeted by an increasingly effective air defence, to the point where an F-16 fighter was shot down over the Golan on February 10, 2018, probably by a Syrian S-200 missile – the first downing of an Israeli fighter plane in combat since the war in Lebanon in 1982.

Israel's strategy has only obtained measured success. While it has inflicted significant casualties among the Iranian forces in Syria, it has not succeeded in driving them out altogether. Once again, Russia plays a highly relevant role in convincing Israel to accept the new status quo. Nonetheless, the relation with Russia suffered a serious setback in 2018, as a result of a Russian Il-20 plane being shot down, killing its 15 crew members. The plane was shot down by the Syrian air defence in the confusion caused by an Israeli air strike over the Latakia Governorate. However, Russia blamed Israel for using its plane as a radar shield to cover the Israeli attack. Tempers quickly cooled down, although

¹⁷ KHOURY, Jack, *Israeli Strikes on Syria Killed 113 Iranian Soldiers Over Past Month*, *Syrian Observatory for Human Rights Reports*, Haaretz, 17 September 2018, available at <https://www.haaretz.com/israel-news/.premium-israeli-strikes-on-syria-killed-113-iranian-soldiers-1.6489386>, consulted 11 November 2018.

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President Putin decided to improve the Syrian air defences by promptly delivering several S-300 PM missile batteries. While it is not the most advanced model of the S-300 system, its presence nevertheless adds further strength to an air defence system that was already becoming problematic for the Israeli fighter jets. Moreover, this gift sends a powerful political message from Moscow to Tel Aviv to keep away from the Russian bases in Syria.

One actor currently on the sidelines in the Syrian crisis, though still active, is ISIS. Its militants still control some cities on the Euphrates, on the border between Syria and Iraq, and have turned into nomad forces in the vast and bare deserts in the centre of Syria and western Iraq. Although reduced to a very precarious state, the group is fighting on with its customary ferocity, causing considerable casualties among both the forces of the Syrian regime and the SDF.

As might be expected, the jihadists have gradually moved from conventional warfare to terrorist raids and attacks. They take advantage of the fact that neither the Syrian regime nor the SDF have sufficient resources to cover the vast desert regions of Syria. Various actors of the Syrian war have previously given in to the temptation of using ISIS to fight the enemy, and it cannot be ruled out that Damascus, Turkey or even the SDF themselves might try to use the jihadists again to inflict maximum harm on their adversaries. This would be bad news as it would give a new lease of life to the group which has reached a terminal stage.

Thus, the outcome of the war in Syria is still open, and although the survival of the regime seems certain, it is not clear if it will rule over the country's whole territory. Neither is it clear whether the war will drag on as a confrontation between the regime in Damascus and the SDF militias, or between the latter and Turkey, although Washington's waning interest, Turkish hostility and the regime's urge to recover the territories to the east of the Euphrates do not bode well for the future of Kurdish autonomy.

In any case, the war will have achieved very little. Syria will continue under the heavy boot of the Assad regime, possibly turning even more tyrannical after having been on the brink of defeat. The country is absolutely devastated, and it is not clear who will finance its rebuilding. The hatred between religions and different ethnic groups has reached boiling point, and vendettas between groups will almost certainly cause further bloodshed in the wake of the war. This climate of desolation and reprisals will probably keep many refugees out of the country, although some are already trickling back from Lebanon, Jordan and Turkey. The only good news is that at last the carnage, which has lasted almost eight years, will cease.

Yemen's agony

Since Yemen's reunification in 1990, its history has been marked by the tensions and war between the multiple communities living on its territory and

also by the seemingly imperishable political figure of President Ali Abdullah Saleh. Today, Saleh is dead, assassinated in December 2017 by Shia Houthi militias, but the war continues and, like in the case of Syria, Yemen's unending internal conflict has turned into a regional war.

The existence of a bellicose Shia Zaidi minority in the north of Yemen has always been a cause of concern for Saudi Arabia, basically because they could set a dangerous example for the Shia communities within the kingdom's own territory, where they constitute between 10% and 15% of the population. In addition, there is a powerful Shia community in the south of the country, i.e. close to the border with Yemen.

The idea of a unified Yemen under Shia Yemenite authority has always appealed to the Shia Yemenites, although this goal has traditionally met with fierce resistance from the Sunni population in the south of the country, supported by Saudi Arabia and also by Great Britain during the colonial era. The endemic hostility between the north and the south resulted in an almost permanent conflict during the twentieth century. This seemed to have come to an end in 1990 when a unification agreement was reached, with the president of the northern part becoming the president of the new unified Yemen, and the president of the south being appointed vice-president. This agreement was never overly popular, particularly in the south, which led to new uprisings and civil wars.

In the meantime, Yemen's economy was incapable of taking advantage of the country's strategic position to gain momentum. Despite controlling the Bab el-Mandeb Strait, which gives access to the Red Sea and the Suez Canal on the main route for crude oil from the Persian Gulf to Europe, Yemen has just about managed to keep the two great ports of Aden and Hodeidah operating at acceptable levels. There have been attempts to exploit the country's undoubtable appeal as a tourist destination, but the levels of tension and violence have ruined these prospects. As for energy resources, Yemen is not particularly abundant, although its exports of crude oil and gas represent 75% of the government's revenue. Again, the lack of stability hampers the exploration of new fields.

In 2004, the Shia community, led by the cleric Hussein Badreddin al-Houthi, rose against President Saleh, accusing him of corruption and discrimination against their community. Although al-Houthi died that same year in a government-led attack, his followers fought on, and the struggle has continued at a higher or lower intensity to this day. The situation of permanent war completely ruined Yemen's already struggling economy and long-time President Saleh's reputation. In 2011, the Arab Spring reached Yemen, with widespread protests sprouting up around the country. Despite Saleh's chameleon-like ability to cling to power, he finally had to accept a transition plan which brought Abdrabbuh Mansur Hadi to power in 2012.

The change of president did not deter the Houthis from carrying on with their rebellion. In fact, the weakness of Hadi's new government, together with di-

visions within the army, facilitated the advance of the Houthi militias who in 2015 penetrated into the capital Sana'a. Saleh, who had not resigned himself to political irrelevance, took advantage of the occasion to join the Houthi cause, proclaiming the illegality of the Hadi government that had succeeded him.

The sweeping Houthi offensive, which even placed the port of Aden under siege, greatly alarmed Saudi Arabia and the rest of the Gulf monarchies who decided to launch a military intervention in support of President Hadi. In 2015, the Saudi kingdom set up a powerful coalition including nine countries (Saudi Arabia, the Emirates, Bahrain, Kuwait, Qatar, Egypt, Sudan, Jordan and Morocco). In addition, Resolution 2216 of the UN Security Council condemned the Houthi actions in very clear terms, subjecting them to an arms embargo and pointing to the Gulf Cooperation Council as the legitimate organism to broker a peace deal. Moreover, the Arab coalition was backed by the West, with the United States providing logistics and intelligence support.

Initially, the military intervention succeeded in lifting the siege on Aden and making the Houthis retreat towards the north. Saudi Arabia accused the Houthis of being Iranian agents and receiving support from Tehran, although evidence for these claims has always been weak¹⁸. In any case, the allied forces soon met with fierce resistance in the country's interior, slowing down and even halting their advance. The Saudi and Emirate troops who carried the brunt of the operations started suffering considerable casualties and once more demonstrated that, despite immense investments in weapons, the real efficacy of their armed forces was well below par.

The allies have tried to advance from the south, driving the Houthis away from the coast, and from the north, trying to create a safety zone along the Saudi border. In the three years of conflict, advances have been minimal and both the cost of the conflict and the number of casualties have increased considerably. According to Al-Jazeera, despite the main weight of the operations resting on the Yemenite troops loyal to President Hadi, Saudi Arabia had suffered more than a thousand casualties by the spring of 2018, while the Emirates' casualties have been estimated at 200.

The combats between the Arab coalition supporting president Hadi and the Houthis are, however, not the only conflict in the battered country. In the whole south-eastern area of the territory, where government control

¹⁸ Normally, it is generally accepted that Iran has deployed advisors of its Qods forces in Yemen, specialised in overseas operations. However, there is scant evidence of their presence. In 2013, a vessel carrying Iranian arms, the Jihan 1, was intercepted in Yemen's waters, although Iran denied any involvement. One of the most solid indicators of Iranian support is the Houthis' surprising ability to operate and improve the old SCUD-C ballistic missiles captured from the Yemen army, used to launch regular attacks on both the coalition troops and Saudi territory.

is scarce, the call for an independent Southern Yemen remains alive. This area with a mostly Sunni population that feels marginalised has provided a magnificent refuge for *Al Qaeda in the Arabian Peninsula* over the last two decades. Despite frequent drone attacks by the USA¹⁹, killing hundreds of the organisation's members, the Islamic fundamentalists continue in the area and launch occasional attacks on Houthis and government forces alike. At times they have succeeded in controlling considerable economic resources, such as the port of Mukalla²⁰, albeit only temporarily.

Lately, Al Qaeda has had to face another enemy as dangerous as the US drones: ISIS. Taking advantage of the general chaos in the country, the Islamist group has managed to establish itself in some regions of the southwest, where it competes with Al Qaeda for the support of local tribes and rulers. Loyal to its policy of fighting against everyone, the Yemenite branch of ISIS launches devastating terrorist attacks on Houthis while simultaneously attacking both Al Qaeda and the Saudi-led coalition.

One of the consequences of the situation of generalised war is that, according to the United Nations, two thirds of Yemen's population — around 18 million people — depend on international humanitarian aid to survive²¹. In the areas controlled by the troops who have stayed loyal to Hadi's government and by the coalition, the situation is relatively tolerable, because Saudi Arabia and the Emirates allow the humanitarian aid organisations to carry on with their work, while contributing aid themselves, even if somewhat reluctantly. In the areas controlled by the Houthis, however, the blockade imposed by the coalition and the destruction of some of the country's main infrastructures by bombs make it very hard for humanitarian aid to get through. The situation is made even worse by a massive outbreak of cholera which has already affected over a million people and caused over 2000 deaths between 2017 and 2018 alone²².

The crisis deepened even more in 2018 as a result of the loyal and coalition troops' efforts turning towards capturing the port of Hodeidah, the second most important in the country and which remains under Houthi control. Most of the humanitarian aid that enters Houthi-controlled areas does so via this port, although the distribution towards the interior has become a lot more difficult owing to the destruction of the bridges on the

¹⁹ The bureau of Investigative Journalism, *Drone Strikes in Yemen*, available at <https://www.thebureauinvestigates.com/projects/drone-war/yemen> consulted 18 November 2018.

²⁰ BARON, Adam, *The Gulf Country That Will Shape the Future of Yemen*, *The Atlantic*, 22 September 2018, available at <https://www.theatlantic.com/international/archive/2018/09/yemen-mukalla-uae-al-qaeda/570943/>, consulted 18 November 2018.

²¹ BBCNEWS, *Yemen conflict: How bad is the humanitarian crisis?* 28 March 2017, available at <https://www.bbc.com/news/world-middle-east-34011187>, consulted 18 November 2017.

²² WORLD HEALTH ORGANIZATION (WHO), *Outbreak update – Cholera in Yemen, 11 October 2018*, available at <http://www.emro.who.int/pandemic-epidemic-diseases/cholera/outbreak-update-cholera-in-yemen-11-october-2018.html>, consulted 18 November 2018.

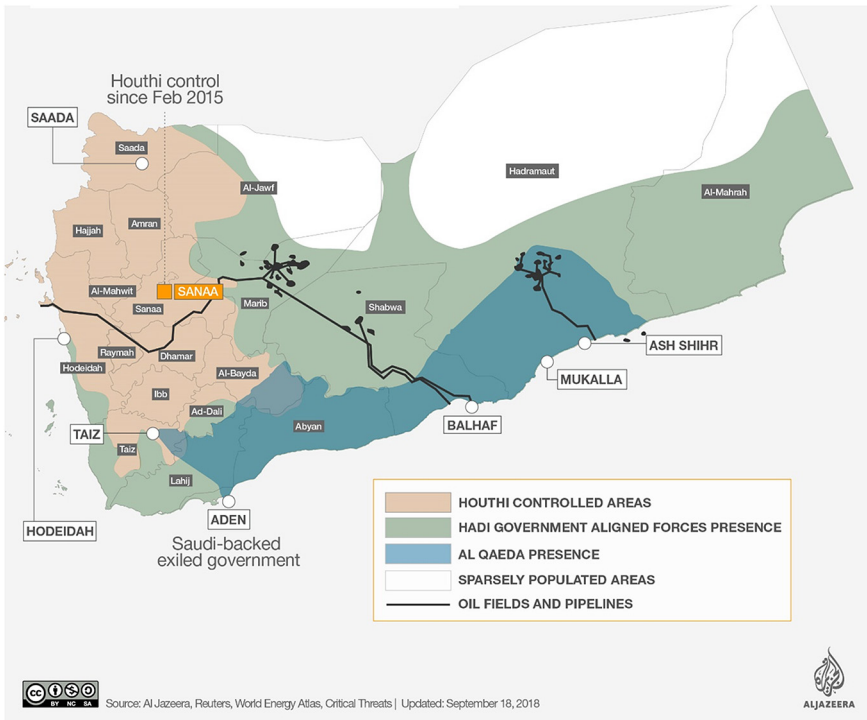


Figure 4. Situation of the war in Yemen in September 2018. The Houthis still control the most populated area of the country in the Northwest and the capital Sana'a. The map shows the wedge advancing along the coast towards the port of Hodeidah in the west which the troops loyal to Hadi and the Saudi-led coalition are trying to occupy.

Hodeidah-Sana'a highway by air raids. Like all of the offensives of the Arab coalition, the Hodeidah offensive has become bogged down on the outskirts of the city, with the Houthis systematically attacking the allies' lines of communication.

The gigantic humanitarian crisis in Yemen, the lack of precision of the coalition's bombing raids with their high tolls of civilian victims, and the general stalemate of the operations have caused a wave of international unease. This has resulted in a loss of prestige for Saudi Arabia, especially its Crown Prince, Mohammed bin Salman, who — as minister of defence — planned and led the military operation. The Saudi errors in Yemen caused many European countries to refuse to sell arms to Saudi Arabia, even before the scandal caused by the murder of Saudi dissident Khashoggi.

The international weakness of the Saudi kingdom in the wake of the Khashoggi case has been used by the Houthis, who in November 2018 pledged to cease their missile and drone attacks on the troops supporting Hadi, and on targets inside Saudi territory. The movement agreed to enter into peace talks — held in Sweden under the auspices of the United

Nations — that culminated surprisingly quickly in a ceasefire agreement on the Hodeidah front, as well as the willingness on both sides to facilitate the arrival and transit of humanitarian aid. Most likely, this unexpected agreement was motivated by the fighters' exhaustion and Saudi Arabia's weak international position, although enforcing it did not look like an easy task. If it is respected, it remains to be seen if this is a first step towards an overall ceasefire agreement or simply a tactical concession to assuage international criticism.

In any case, whatever the result of this process, the future of the war in Yemen appears as depressing as that of the Syrian war. A country which already occupied the bottom rung on the scale of poverty in the Middle East has been turned into ruins while the majority of its population depends on humanitarian aid for survival. In addition, unfortunately whoever rules Yemen's destiny in the future — whether the Houthis or Hadi's government with support from the Gulf monarchies — little may be hoped for in terms of compliance with the rules of democracy or competence to pull the country out of the deep crisis into which it has been plunged.

The future of the Arabian Peninsula and its political regimes

Officially, over 80 million people live on the Arabian Peninsula. The real figure could be significantly higher, as there is a very large immigrant population largely overlooked by official statistics. In any case, the population has doubled in the last 25 years, and although fertility and birth rates are gradually descending, they are still much higher than in most parts of the world. Yemen, for instance, maintains a fertility rate of 4.4 children per woman of

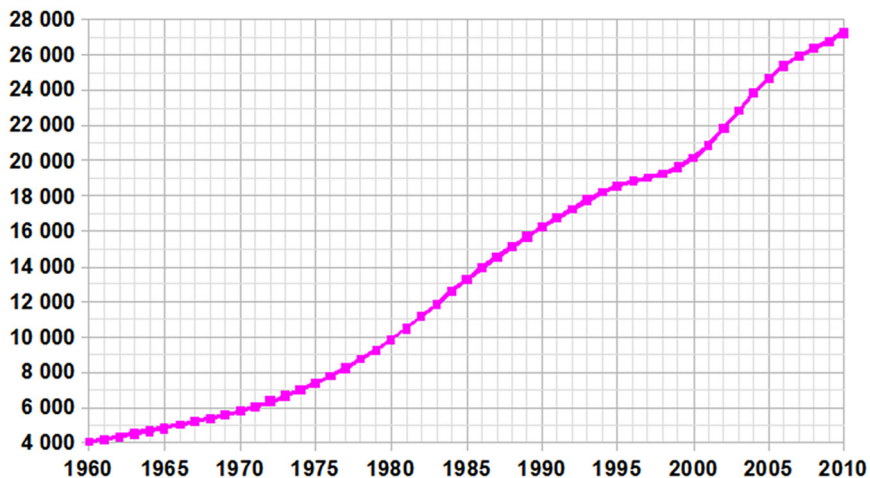


Figure 5. Historical population growth in Saudi Arabia (in thousands of inhabitants)
Source: United Nations. DESA-Population Division.

child-bearing age²³, which translates into an annual growth rate above 2.5%. In Saudi Arabia, population growth has also been spectacular, although in this case, apart from natural demographic growth, immigration has to be taken into account.

The problem is that the Arabian Peninsula consists to a great extent of desert and barren wasteland which will struggle to support a population that will probably exceed 100 million people in less than ten years. Added to this is the fact that the main economic resource of the region, fossil energy products, does not have a very clear future in a world increasingly alarmed by the consequences of climate change. Moreover, it is logical to consider that although the reserves of these products on the Arabian Peninsula are immense, they are by no means infinite, and will one day begin to run short. Time will tell if the reserves will run out first or if fossil fuels will be superseded by other energy sources before that happens. In any case, caution dictates that the region's countries diversify their economies and reach a model that is viable and sustainable in a post-fossil fuel era.

The situation faced by Yemen is more difficult. It does not have any significant energy or financial resources, or any other resources for that matter, and its population has grown spectacularly over the last decades. As is usual, the combination of a lack of resources and excess population has contributed to turning the country into a permanent hotspot of conflict. A brighter future for Yemen seems remote, although some of its geographical characteristics, such as its strategic position on the Bab-al Mandeb Strait, or its long and generally accessible coast, could be used to drive the country's progress.

On the other hand, the situation in Yemen's neighbour-state Oman is completely different, and Oman is often cited as an example of the path the states of the Arabian Peninsula should follow to reconcile tradition with modernity. Between 2005 and 2015, Oman's economy grew by almost 120%²⁴, despite the economic crisis and Oman not possessing significant oil reserves either. Political life in Oman has been under the control of Sultan Qaboos bin Said as Said for nearly fifty years, and the country is an absolute monarchy like many of its neighbours. But the sultan has shown special skill in preserving his crown while simultaneously driving the modernisation and economy of his country.

Always entertaining good relations with his neighbours while at the same time rejecting any form of encroachment, Qaboos has been able to steer clear of the tensions and controversies that afflict his neighbours. This has

²³ United Nations, *World Population Prospects 2017*, United Nations. DESA/ Population Division, available at <https://population.un.org/wpp/DataQuery/>, consulted 22 November 2018.

²⁴ International Monetary Fund, *World Economic Outlook Database 2018*, available at <https://www.imf.org/en/Publications/SPROLLS/world-economic-outlook-databases#sort=%40imfdate%20descending>, consulted 1 January 2019.

also had a lot to do with the iron grip on any Islamist movement on Oman's territory. However, the sultanate's prosperity and stability depend to a large extent on the sultan's prestige, who is nearing 80 years of age, and have been achieved by suppressing freedom of speech and criticisms to the regime. Hence, what will become of the regime after Qaboos's death remains unknown.

However, the future of the Arabian Peninsula does not depend either on Yemen or Oman, but on Saudi Arabia. The kingdom is the largest, most populated and richest of the peninsula, and it will depend on the success or failure of its political, economic and cultural reform programme whether its neighbours can maintain or improve their current situation, or whether they will sink into chaos. The Saudi leaders have always been aware of the need of reforms to guarantee the sustainability of the country in the medium and long term, but they have also always encountered the difficulty of reforming a regime based on an aristocratic feudal system and its association with an extremely strict Islamic religious current.

Saudi Arabia has derived enormous profits from its crude oil production over the past decades, but a large part of it has been squandered on the extravagances of its aristocracy, exorbitant investments in defence²⁵ without corresponding results, and a general climate of corruption and inefficiency in public administration. Despite the gravity of these problems, the kingdom's revenue has been so immense that the economic situation can only be described as sound. In 2014, the Saudi government had practically paid off its debt and was left with a surplus of 732 billion dollars²⁶. The following year, marked by King Abdullah's death and his succession by his son Salman bin Abdulaziz, saw the launch of the greatest effort of modernisation and reform made to date, led by the king and also by the person who was to become the dazzling heir to the throne: Prince Mohammed bin Salman.

King Salman had ascended to the throne in 2015 at the age of 79 and with ill health. He delegated most of the executive power to his nephew Muhammad bin Nayef, designated as the Crown Prince, and to his son Mohammed bin Salman, who received the title of Second Crown Prince. The Saudi system of political succession, though hereditary, vests in the king the authority

²⁵ At US\$69.2 billion, Saudi Arabia's defence budget in 2017 was the third highest in the world after the United States and China (SIPRI, *Global military spending remains high at \$1.7 trillion*, Stockholm International Peace Research Institute), 2 May 2018, available at <https://www.sipri.org/media/press-release/2018/global-military-spending-remains-high-17-trillion>, consulted 27 December 2018.

²⁶ MCKINSEY GLOBAL INSTITUTE, *Saudi Arabia Beyond Oil: The Investment and Productivity Transformation. Executive Summary*, McKinsey&Company, December 2015, p. 2, available at https://www.mckinsey.com/~/_/media/McKinsey/Featured%20Insights/Employment%20and%20Growth/Moving%20Saudi%20Arabias%20economy%20beyond%20oil/MGI%20Saudi%20Arabia_Executive%20summary_December%202015.ashx, consulted 2 December 2018.

to designate his successor among the numerous male descendants of the country's founder, King Ibn Saud. Logically, this gives rise to strong internal tensions between the potential heirs to the House of Saud. Although bin Nayef was initially appointed as the heir, it soon became apparent that the de facto holder of most of the political power was bin Salman. This impression was confirmed in 2017 when the title of heir passed from bin Nayef to bin Salman.

In 2015, following the previous king's death, Mohammed bin Salman occupied the post of Minister of Defence while maintaining his previous position as Minister of State. He was considered the architect behind the Saudi intervention in Yemen, although the latter was simply the consequence of a situation which would have triggered a Saudi response in any case. Nevertheless, his handling of the war highlighted both his qualities and his defects. On the one hand, a great ambition, vision, capacity and personal charm to embark his country as well as others on large-scale projects. On the other hand, a level of authoritarianism which is unusual even for Saudi standards, a certain degree of megalomania, and as much brilliance in planning ambitious projects as incompetence in their execution.

2017, after his appointment as heir, was the year that most clearly revealed the prince's character. On the one hand, it was clear that he was serious about his reforms. On the other hand, however, his methods raised serious concerns both locally and among the international community. The creation in 2017 of a committee to fight corruption, which ended with the detention of hundreds of princes, royals and businessmen in the Ritz-Carlton Hotel in Riyadh, was initially viewed sympathetically, although it soon became apparent that the move had more to do with a political purge and consolidation of the prince's power than with a real fight against corruption²⁷. Some of his measures to temper the religious austerity of the regime, such as lifting the ban on women drivers or a more flexible policy regarding entertainment shows for the public, were well received. Nevertheless, doubts linger as to the possible cosmetic nature of these moves.

The Prince's decisions that drew the most attention were his economic reforms. 2016 saw the publication of «Vision 2030»²⁸, an ambitious reform plan to reduce the Saudi economy's reliance on oil and modernise state institutions. The plan was presented by the prince himself and includes highly ambitious projects such as NEOM, a city built on the Red Sea and along the Egyptian border, which is intended to become the region's great tourist cen-

²⁷ NAKHOUL, Samia, MCDOWALL, Angus, KALIN, Stephen, *A house divided: How Saudi Crown Prince purged royal family rivals*, Reuters, 10 November 2017, available at <https://www.reuters.com/article/us-saudi-arrests-crownprince-insight/a-house-divided-how-saudi-crown-prince-purged-royal-family-rivals-idUSKBN1DA23M>, consulted 6 December 2018.

²⁸ The details of Vision 2030 can be found on the website <https://vision2030.gov.sa/en>, consulted 1 December 2018.

tre, with a total investment of 500 billion dollars until 2025²⁹. A project of this kind naturally raises high expectations in terms of project participation and investment among the international community, although it is also accompanied by the inevitable suspicion of unsustainable gigantism.

While the prince's economic and social projects have at least roused interest, his foreign policy initiatives have given cause for major concern. Apart from the above-mentioned fiasco in the Yemen war, November 2017 saw the bizarre resignation of the Lebanese Prime Minister Saad Hariri while on a visit to Saudi Arabia. The circumstances surrounding the case quickly pointed to extraordinary pressure from Bin Salman on Hariri, to the point of the Lebanese head of state being kidnapped, according to some accounts. Saudi Arabia accused Hezbollah of preparing a war against it and presented Hariri's resignation as a reaction to the Shia militia's dominion of political life in Lebanon. The affair was so grotesque that a great part of the international community, including the United States, began to exert pressure on Saudi Arabia. French president Macron officially invited Hariri to Paris, using the Prime Minister's French nationality as a further argument. Hariri was able to leave Saudi Arabia, and on his return to Lebanon revoked his resignation. Still, the incident remains largely without an official explanation.

Even more serious, though less freakish in terms of international relations, was the decision to impose a blockade on Qatar as of June 2016. As explained earlier, the causes of the bad relations between Qatar and Saudi Arabia go back to the 1990s and to the fact that the Qatar authorities perceive a stifling Saudi influence, while the authorities in Riyadh consider Qatar's politics a constant provocation and lack of solidarity. On this occasion, the crisis took the shape of an ultimatum issued to Qatar by eleven Arabic governments led by Saudi Arabia, giving it ten days to comply with a list of thirteen demands³⁰.

The signatories of the ultimatum accused Qatar of supporting terrorism, conspiring with Iran and attempting to destabilise other Arabic regimes. In any case, the thirteen demands, which included shutting down the Al-Jazeera TV channel, the end of any military cooperation with Turkey, the payment of compensations or accepting a ten-year period of supervision by other Gulf States, were simply unacceptable for Qatar. The refusal to comply with the ultimatum gave rise to an economic blockade on the country which had a

²⁹ TORCHIA, Andrew, *Saudi Arabia seeks new economy with \$500 billion business zone with Jordan, Egypt*, UK Reuters, 24 October 2017, available at <https://uk.reuters.com/article/uk-saudi-economy-city/saudi-arabia-seeks-new-economy-with-500-billion-business-zone-with-jordan-egypt-idUKKBN1CT1BM>, consulted 1 December 2018.

³⁰ WINTOUR, Patrick, *Qatar given 10 days to meet 13 sweeping demands by Saudi Arabia*, The Guardian, 23 June 2017, available at <https://www.theguardian.com/world/2017/jun/23/close-al-jazeera-saudi-arabia-issues-qatar-with-13-demands-to-end-blockade>, consulted 1 December 2018.

considerable initial impact. Trade from Saudi Arabia and the Emirates, Qatar's main suppliers, ceased, and flights from Qatar were banned from its neighbours' air space and had to be rerouted. However, Qatar's gas is too important and its export continued. For example, the United Arab Emirates, despite being one of the staunchest signatories of the ultimatum, continued to receive gas from Qatar which covers 30% of its needs³¹.

Although the embargo came as a hard blow to Qatar's economy, the country managed to adapt quite well to the new situation. Supplies from Saudi Arabia were replaced by contracts with Iran, Turkey and Oman; flights from the emirate were rerouted using the airspace of Iran or Oman, and gas exports were hardly affected. The United States, on the other hand, reasserted the importance of its military installations in Qatar and called on both sides to resort to dialogue and moderation. The rift between Qatar and the Gulf monarchies has found its ultimate expression in Qatar stepping out of the OPEC. It thereby renounces part of its influence on the crude oil market, where it constitutes only a minor supplier, to concentrate on exploiting its natural gas – yet another way to mark a difference between Qatar and Saudi Arabia's partners.

The crisis was filed away one more exaggerated and poorly calculated reaction of the Crown Prince, but for all its gravity, in terms of repercussions in the media, the problem of Qatar paled in comparison to the following incident that affected Saudi Arabia's prestige in the world. On 2nd October 2018, Jamal Khashoggi, a Saudi journalist who was critical of the regime, entered the Saudi consulate in Istanbul for some bureaucratic formalities and disappeared. Khashoggi had been an admirer of the Muslim Brotherhood in his youth, and in recent years, his articles had become increasingly critical of the authorities in Riyadh, including the Crown Prince, and also the Egyptian president al-Sissi, or the predominance of Wahhabism in Saudi Arabia. His criticisms cut particularly deep as he wrote a column for the *Washington Post* reaching a very wide audience.

The Saudi consulate was being watched by the Turkish security services who apparently had even managed to install microphones inside its premises. This allowed them to establish that Khashoggi had been murdered and probably dismembered inside the consulate. The information was especially valuable for President Erdogan who could use it to discredit Saudi Arabia and cast himself as the defender of legality and freedom of speech.

The revelations around the murder caused a worldwide public outrage, while Saudi Arabia first of all denied any involvement, and later, in the face of the evidence, attributed the murder to a stray group. The fact is that the group

³¹ *Despite blockade, Qatar to supply UAE with natural gas until 2032*, Middle East Monitor, 27 September 2018, available at <https://www.middleeastmonitor.com/20180927-despite-blockade-qatar-to-supply-uae-with-natural-gas-until-2032/>, consulted 2 December 2018.

that allegedly murdered Khashoggi was perfectly detected and identified by the Turkish authorities and included some members of Crown Prince Mohammed bin Salman's personal security guard. The whole Saudi strategy was geared to trying to uncouple the Crown Prince from the murder – to rather little effect. Although Saudi Arabia's economic and strategic importance made a lot of state leaders wary of direct accusations, the evidence pointed increasingly to the Crown Prince. Following a hearing of the CIA director before the US Senate on 4th December, various senators — some of them Republicans — publicly declared that the evidence was very clear, calling on President Trump to end the support for Saudi Arabia's war in Yemen. This was a highly delicate subject for the president, as there are contracts pending worth US\$110 billion for the delivery of arms and military equipment to Saudi Arabia.

It is difficult to tell whether the Khashoggi case has ended bin Salman's political career. In principle, he could survive, but his image as a political leader has been tarnished forever. The Prince's problem is not so much that his decisions are unorthodox, to say the least, but that they seem as if taken by an adolescent throwing a tantrum. Moreover, the management of each crisis shows incompetence on behalf of the Saudi state institutions, compromising the kingdom's aspirations of becoming a leader in the Middle East.

The fact is that succession in Saudi Arabia is of utmost importance for the stability of the Middle East. If the required reforms fail and the country does not manage to become economically and socially sustainable, the whole Arabian Peninsula will end up turning into a serious problem, jeopardising regional and global stability. In addition, the huge stockpiles of weapons in each of the countries on the peninsula do not bode well in case of a crisis of similar scale to what occurred in Libya, Syria or Iraq. There are sufficient arms and ammunitions to feed several civil wars for years to come without any need of further supplies from abroad.

Conclusions

If one had to briefly describe the current geopolitical moment in the Middle East, firstly it could be said that Saudi Arabia is trying to reform its economy and its political and social model in order to survive the foreseeable crisis of fossil fuels, and to maintain and if possible expand its influence in the region. Riyadh needs the support of the United States both to guarantee the success of these reforms and to maintain its geopolitical influence. The latter depends to a great extent on its capacity to neutralise Iran – here it can count on unequivocal support from the United States as well as Israel, which continues to consider Iranian expansionism as its greatest threat.

Iran, on the other hand, has obtained important successes in Syria, contributed to making life difficult for Saudi Arabia in Yemen, and managed to, if not

befriend Qatar, at least drive the wedge in further between it and the other Gulf monarchies. All this, however, could be of little use to the Ayatollahs' regime, because the US withdrawal from the denuclearisation treaty means the return of extremely hard economic sanctions that could devastate the already ailing Iranian economy. The problem is that a situation of dramatic economic deterioration could make Iran even more aggressive, especially if the regime tries to maintain the support of its discontented population by deflecting attention to a foreign enemy.

Meanwhile, the United States supports both Israel and Saudi Arabia in the hope that they can free it of its burden of policing the Middle East. However, the administration's lack of enthusiasm concerning almost everything related to the region is more than evident. An exception is the idea of putting Iran under maximum pressure. Russia has taken advantage of this reluctance to increase its influence, initially achieving a clear success, even though this rested on somewhat shaky ground. Another actor taking advantage of Washington's relative passivity is Turkey, which is gradually returning to the idea of recovering its historical role as a key player in the Middle East. In this role, the Turkish regime has clearly embraced a strategy of fostering a relatively moderate Islamism, inspired by the political and social programme of the Muslim Brotherhood. It is seconded in this task by Qatar which in turn has provoked Saudi Arabia's anger, not so much at Turkey, being a non-Arabic and relatively distant power, but Qatar which it considers an associated state and part of its sphere of influence.

In this whole game of tensions and influences there are players who either have not yet shown their cards or prefer to stay out of the game for the time being. These include Egypt as a rather passive bystander and follower of Saudi politics, the European Union which once again displays a combination of impotence and disarray in the face of what is happening a few hundred kilometres from its borders, and China whose interests in the region currently do not extend much beyond ensuring the flow of energy commodities that it so desperately needs.

Suggesting a solution for this intricate tangle of problems is an extremely complex and risky task. The common idea that the solution of the Palestinian-Israeli problem would bring about peace in the Middle East seems rather optimistic, although undoubtedly a peace treaty would at least contribute to reducing the level of conflict. Inequality and generalised poor governance, provoking enormous frustration among a very young and fast-growing population, represent far more worrying potential sources of conflict. It appears highly unlikely that the solution to these problems could be found through a strengthening of religious identity, unless a new reformist Islamic movement emerges favouring transition to modernity. This is anything but the case today and seems hardly likely in the medium term. The current situation, a conglomerate of absolute monarchies, religious pseudo democracies and nationalist tyrannies, offers little hope of satisfying citizens' yearnings.

Hence, sadly, until a key country paves the way as a model to pull the region out of its chronic state of conflict, bad news may yet be expected from the Middle East for years to come.

Chapter four

The evolution of Africa

Carlos Echeverría Jesús

Abstract

Tensions and conflicts remain central in Africa, mainly in the northern, central, eastern and western sub-regions of the continent, demanding particular attention from the African Union and a number of sub-regional African organizations and foreign allies and partners. A number of positive political processes coexist with stagnant scenarios, the economic progress in a number of countries coexists with poverty in others, and the continental effort to implement a free trade area should be able to change trends defined by a lack of trade among African countries. These obstacles, together with a rapid demographic increase, persistent violence in a number of countries and regions, and the consequences of climate change already affecting regions such as the Sahel, are demanding urgent national and international responses.

Key Words

African Mission in Somalia (AMISOM); African Union; Economic Community of West Africa; European Union; Forum China-Africa (FOCAC); G-5 Sahel Group; International Migration Organization (IMO); International Panel on the Climatic Change (IPCC); jihadist terrorism; Western Sahel.

Introduction

Although for Spain, it is the situation in the Maghreb, the Sahel, and Western Africa which sets the priorities for Spain's foreign policy, security, and defense, currently and long-term, it is obvious that an approach to the evolution of the whole continent in multiple dimensions is necessary as there are many intertwined factors to highlight and numerous actors implied within that framework. At a time when Spain has begun work to update an African policy to which, since the middle of the past decade, continuity has been produced through the instrument of Plan Africa -- creation of the contents of what will be its third update currently being underway -- it is opportune to analyze the principal existing challenges in each of the large sub-regions on the continent as well as some specific transversal factors, from demography to economy and energy, touching on the key points of the approximation of the major foreign actors who interact in this scenario, at present as well as for the foreseeable future¹.

Internal political tensions and conflicts

Peace and security on the African continent are a central issue in any analysis, and this because global statistics already indicate the importance of this factor. According to the Stockholm International Peace Research Institute (SIPRI), out of the 63 peacekeeping operations active in the world in 2018, 25 were located in Africa. Furthermore, the continent employs 75% of the personnel involved in the whole of those operations, Africans representing, moreover, the majority of such personnel by origin².

The Maghreb and Egypt

In the Maghreb, with the worrying situation of instability in Libya and Tunisia, and with the lack of understanding between Algiers and Morocco, we begin from Spain's nearby vicinity which is going through and will continue going through major difficulties. In Libya, the most outstanding issue is the tension among multiple actors -- with attacks from the Islamic State (IS) and clashes among militias throughout the country, without a short-term solution in sight.³ In Tunisia, the State of Emergency has dragged on since the tremen-

¹ «The Government places Africa among its priorities in foreign policy, focusing on South Africa, Nigeria and Ethiopia», *Europa Press*, 19 December 2018.

² CAMPBELL, John: «Global Peacekeeping Operations Overwhelmingly African and in Africa», *Council on Foreign Relations*, 20 July 2018.

³ The clashes among militias happen every day, and the poles of power (of Prime Minister Serraj on the one hand, and of Marshall Khalifa Jaftar on the other, to name only the two most important ones) have not been clearly consolidated. An example of this are the clashes among the militias that shook Tripoli in September of 2018. See ESPAÑOL, Marc:

dous attacks in 2015, and it is foreseeable that it will continue in 2019 due to social tension and threats from terrorist groups, as well as in order to shield the legislative and presidential elections to be held⁴.

Relations between Algiers and Morocco are cold, and both States strengthen themselves in a sub-regional scenario of such tension⁵. They both do so within a context of internal difficulties, with social protests in Morocco and with uncertainties in Algiers regarding the presidential elections scheduled in April 2019; but they both seem to have room to maneuver in order to cope with these in the short term⁶. The conflict in the Western Sahara has not yet been settled and the Mandates of the United Nations Mission for the Referendum in Western Sahara (MINURSO) are now being reduced, from one year to six months since April of 2018, thus evidencing the diplomatic fatigue accumulated.⁷ In the meantime, Morocco is trying to gain supporters from among the members of the African Union (AU), an organization which it rejoined in January of 2017 after leaving its predecessor, the Organization of African Union (OAU) in 1984 - to reduce support for the POLISARIO in the Organization. The analysis of Morocco's relations with the Ivory Coast is a perfect case study through which to see such an effort, carried out through both Rabat's diplomatic offensive as well as through the projects financed by Morocco in the said West African nation⁸.

The tension between Morocco and the POLISARIO is growing more visible in the AU, with consequences for the continent: in March 2017 this tension arose at the meeting of the Ministers of Finance of the AU with the UN Economic Commission for Africa held in Dakar, where Morocco protested that the UN had not recognized the Sahrawi Arab Democratic Republic (RASD) and yet that the said «entity» was participating in a meeting with the UN

«The other borders in the north of Africa: security at the expense of the local population», *Esglobal*, 3 January 2019.

⁴ ZAPTIA, Sami: «Libya's militia problem worse than Lebanon: UNSMIL's Salame», *Libya Herald*, 8 October 2018, and «Tunisie: nouvelle prolongation de l' état d' urgence dans un context politique tendu», [Tunisia: new extension of the state of emergency in a tense political context] *TSA-Algérie*, 5 October 2018.

⁵ BABOUCHE, Yacine: «Achat d' armes russes: l' Algérie risqué des sanctions américaines, discussions en cours» [Purchase of Russian arms: Algeria risks sanctions from the Americans, negotiations under way], *TSA-Algérie*, 27 September 2018 and Instituto de Seguridad y Cultura: «Marruecos ha aumentado un 50% su gasto de defensa en una década» [Morocco has increased its defense expenditure by 50% in a decade], *ISC*, 7 September 2018.

⁶ ESCRIBANO, Gonzalo and CRESPI DE VALLDAURA, Virginia: «Argelia, reforma energética y continuidad política» [Algeria, energy reform and political continuity], *Estudios de Política Exterior*, n° 187, January/February 2019.

⁷ «Marruecos apela en la ONU a la 'urgencia' de resolver el 'conflicto artificial' del Sáhara Occidental» [Morocco appeals the 'urgency' for solving the 'artificial conflict' of the Sahara at the UN], *Europa Press*, 26 September 2018.

⁸ MIEU, Boudelaire: «Mohammed VI à Abidjan, comme à la maison» [Mohammed VI à Abidjan feels at home], *Jeune Afrique*, 28 November 2017.

Economic Commission⁹. Another scene demonstrating that tension and Morocco's achievements for its cause within the context of Africa was the meeting of the Tokyo International Conference on African Development (TICAD, as referred to below) in Maputo, wherein the Moroccan Minister of Foreign Affairs, Nasser Bourita, criticized the presence of what he called «a puppet entity»: the RASD. In any case, Morocco has obtained some victories within the framework of its diplomatic offensive: before rejoining the AU, it had encouraged up to 28 States of the Union, in July 2016, to sign a motion requesting the suspension of the RASD; in May 2017, Malawi withdrew recognition of the RASD -- although in Africa, Southern South Africa, Mozambique, Zambia and Tanzania still recognize it --; and in 2018, it managed to have the reference to «occupied territory» withdrawn from some official documents of the Organization¹⁰.

On the other hand, in its African ambitions Morocco has also shown both its desire to join an important sub-regional organization such as the Economic Community of West African States (ECOWAS), an ideal forum to maintain its efforts against the RASD and to rival Algiers in an area of common interest as is the Sahel, and to have access to the Peace and Security Council (PSC), again within the organic structure of the AU. This central organ of the African Architecture for Peace and Security is traditionally headed by an Algerian diplomat, currently Smail Chergui -- and the most sensitive subjects on the AU agenda are dealt with on this agenda. It is opportune to remember here that when the OAU changed into the AU, and it was given an organic structure similar to that of the EU, even to the denomination of some organs, and along with the afore-mentioned PSC, the creation stands out of the African Commission, which has been headed by the former Minister of Foreign Affairs of Chad, Moussa Faki Mahamat. However, unlike the European Commission, it is not an organ of integration although it is its interlocutor, as seen later in this paper.

Still in the north of Africa, and before going into the Horn of Africa, it is important to highlight the tension between Egypt and Ethiopia -- both states very populous and of notable strategic weight -- focused around the Nile River waters, particularly in view of the Ethiopian plan to build the Great Renaissance Dam, under construction near the border with Sudan. Addis Ababa and Khartoum strongly support the project and Cairo considers it a potential threat. The recent acquisition of 24 Rafale by Egypt from France does not dissuade Ethiopia¹¹. In the medium term, the distribution of waters from the Nile could be a reason for tension, particularly when situations of concern

⁹ SANOGO, Issouf: «Le sommet d'Abidjan, un test pour la cohésion de l'Union africaine» [The Abidjan Summit, a test for the cohesion of the African Union], *Le Monde Afrique*, 29 November 2017.

¹⁰ *Ibidem*.

¹¹ GONZÁLEZ, Ricard: «Los 'catastróficos' planes de Etiopía para el Nilo egipcio» [Ethiopia's 'catastrophic' plans for the Egyptian Nile], *El País*, 9 April 2018.

are added to the afore-mentioned project, such as the decrease of rain in Ethiopia or the decrease, due to lack of rainfall, of the level of Lake Victoria, which traditionally contributes 20 to 30 percent to the level of the Nile. Egypt must continue fighting a jihadist threat which, although it has concentrated on the Sinai Peninsula in recent years, also hits the capital and other places in the country, thus damaging its image¹².

Western Africa

In Western Africa, from the outset the conflicts in the Sahel and those that affect Nigeria must be stressed, with terrorist activism combined with inter-community clashes in both scenarios, in addition to the effects of situations such as political obstacles, economic difficulties and the effects of climate change. Mali being the epicenter of these problems, certain questions will be noted with reference to this country, a key nation for Spain's foreign affairs, cooperation, and security and defense. The state of emergency in Mali, in effect since November 2015, was extended on 31 October 2018 for one more year, until 31 October 2019. This decision was taken by the regime of President Ibrahim Boubacar Keita only two months after his reelection in August, after an electoral campaign in which he had made the security of the country the focal point of his new mandate¹³. The year 2018 ended with a situation where the jihadist terrorism that started in 2012, concentrating its lethal efforts in Mali, spread to its neighbors -- Niger, Burkina Faso and Chad -- forcing these countries, which along with Mauritania form the G-5 Sahel organization founded in 2014, to dedicate major efforts towards the stabilization of the sub-region of Western Sahel.

The closest southern neighbor of this sub-region is Nigeria, where the terrorist group Boko Haram has had two main branches since August 2016; one is loyal to Al Qaeda, led by Abu Bakr Shekau, and the other to the Islamic State, this latter known as the Islamic State in Western Africa, headed by Abu Musab Al Barnawi. Nigerian President Muhammadu Buhari, who aspires to be reelected in the election scheduled for February 2019, had promised, as the focal point of his campaign which in 2015 led him to the Presidency, to defeat Boko Haram during his mandate, but at the end of it, the situation is as previously described. The fact that in only two years, five high-rank-

¹² The year 2018 ended with a bloody attack against tourists in Ghizah taking the life of three Vietnamese people and their Egyptian guide, followed by an anti-terrorist operation with dozens of casualties. See GONZÁLEZ, R.: «Egipto mata a 40 supuestos terroristas tras el atentado de Guiza» [Egypt kills 40 alleged terrorists after the Ghizah attack], *El País*, 30 December 2018, p. 5.

¹³ The state of emergency was established after the jihadist attack on 20 November 2015 against Hotel Radisson Blue in Bamako. See «Mali: l' état d' urgence prolongé d' une année supplémentaire» [Mali: State of emergency prolonged for one more year], *Jeune Afrique*, 26 October 2018.

ing officers from the Army have been removed as commanders in the fight against Boko Haram --- the last one to be replaced was Lieutenant General Abba Dikko, in November 2018, and this, after being appointed to the position as head of Operation Lafiya Dole in July --- is a good indicator of the prevailing frustration in a country, the richest and most populous in Africa, that had to reluctantly accept in 2014 the creation of a sub-regional force to fight against Boko Haram which was already reaching beyond the borders of Nigeria¹⁴. Although in January 2018, a military offensive damaged the structure of the group loyal to Al Qaeda and led by Shekau, the truth is that the said faction and the Islamic State in Western Africa ended the year still representing a serious threat to the security of Nigeria, which was reflected in the already mentioned changes in the leadership of the operations against the two groups.

Other than Nigeria, important aspects about some other member States of ECOWAS should be mentioned, always focusing on their importance for Spain and this may have in regional terms. In Senegal, for example, the unresolved tension in Casamance should be mentioned, where the result has been of hundreds of deaths since 1982. The conflict seems to have been defused since the arrival in power of Prime Minister Macky Sall in 2012, but it must not be forgotten that two factions of the Movement of Democratic Forces of Casamance are still active, and that this unresolved conflict could above all become a problem to add to the challenges, especially economic, that this country has ahead. It is also important to emphasize the existence of tensions in the Ivory Coast, another country in Western Africa which, like Senegal, has important potential but where certain internal problems could halt its positive effects at both national as well as sub-regional and regional levels. In the Ivory Coast, tensions have arisen in 2017 and 2018 involving members of the Armed Forces. On 23 May 2017, disturbances took place in the second city of the country, Bouaké, located in the nation's center, and which spread to other localities, led by former rebels now part of the Armed Forces and who were demanding their pay; on 9 January 2018, similar riots took place in the same location and for identical reasons. Since the crisis in 2010-2011, which was the last sign of a conflict that, between 2002 and 2011 moved the Ivory Coast away from the road to growth and development that traditionally permitted this country to offer opportunities to citizens from neighboring countries, the tension within the Armed Forces has been creating a challenge for President Alassane Ouattara, who wishes to transform the Army into a «truly Republican» force. It is difficult to achieve this aim in the current conditions and since political as well as economic obstacles exist, as shown by the fact that, out of the 23,000 conscripts that the Armed

¹⁴ The Mixed Multinational Force (MMF) is made up of troops from Benin, Cameroon, Chad, Niger, and Nigeria. Regarding the replacement of Lieutenant General Dikko by Lieutenant General Benson Akinroluyo see «Nigeria names fifth commander in under 2 years to lead fight against Boko Haram», *Reuters*, 8 November 2018.

Forces relied on at the end of 2017, 13,000 of them were former rebels from the north who were involved in the aforesaid 2010-2011 crisis, and who had fomented a bloody conflict during their confrontation with the regular Army during almost the whole previous decade¹⁵.

In Western Africa it must always be stressed that in Cameroon, Anglophone separatism is worsening in the western region of the country, ever since the intention to create the independent State of Ambazonia broke out in the autumn of 2017. Over 40,000 English-speaking Camerounians are reported to have fled to the Nigerian region of Cross River during the first months of the tensions, and this conflict adds a cross-border difficulty to the one represented by Boko Haram's activities¹⁶.

In any case, to such challenges to security, some reasons for hope should be added, such as those represented by the political processes taking place in Liberia and in Ghana. In Liberia, the democratic arrival in power of George Weah in January of 2018 is to be highlighted. Weah presents himself as champion in a fight against corruption which is the key issue throughout the continent, and if such tendency is confirmed, Liberia could add its efforts to those already taking place in an innovative democracy, ever more attractive to foreign partners -- as will be seen in a subsequent section -- as is Ghana.

Eastern Africa

Before we refer to the negative situations in terms of security in countries such as Somalia, Sudan and South Sudan in Eastern Africa, it is important to point out the promising progress, in terms of peace and stability, such as that which has taken place in Ethiopia and Eritrea since mid 2018. Ethiopia, a regional giant of 100 million inhabitants, was the scenario for the arrival in power of Prime Minister Abiy Ahmed, in April 2018, who immediately put an end to the state of emergency, released political prisoners and announced the economic opening of his country to the outside. Furthermore, in regional terms, in June he offered peace to Eritrea, a traditional enemy if we recall that in the war engulfing the two countries between 1998 and 2000, over 80,000 people died, and that, although the conflict officially ended that year, the tension between the two neighbors has lasted down to the present day. Eritrea is a small country inhabited by 5 million people and which, since its independence in 1993, was notable for depriving Ethiopia of its exit to the Red Sea -- with at least two strategic ports, Massawa and Assab -- and for devel-

¹⁵ «Côte d'Ivoire: nouveaux échanges de tirs dans des bases militaires à Bouaké» [Ivory Coast: new exchange of fire in the military bases in Bouaké], *Le Monde Afrique*, 10 January 2018 and ABOA, Ange: «Soldiers loot arms, burn military base in Ivory Coast's second city», *Reuters*, 10 January 2018.

¹⁶ «Tropas camerunesas entran en Nigeria en su persecución de separatistas anglófonos» [Camerounian troops enter Nigeria in their persecution of English-speaking separatists], *Europa Press*, 31 January 2018.

oping a repressive policy that led it to be called «the North Korea of Africa». In July 2018, the Ethiopian Prime Minister traveled to Asmara and met with his Eritrean counterpart, Isaias Afwerki, setting in motion from that point on a stimulating process to recover trust between the two countries¹⁷. Afwerki visited Addis Ababa on 14 July and the exchange of visits by the two leaders opened a process based on the Joint Declaration of Peace and Cooperation which provides hope to this day in a Horn of Africa torn by instability¹⁸.

This thawing-out between old enemies could have a positive impact in a less hopeful scenario in Eastern Africa as is Somalia, where the terrorist threat that Al Shabab represents still lasts, particularly in Kenya and Ethiopia, although its links and projection are being detected ever further to the south, even in Tanzania and the north of Mozambique¹⁹. The hope for a possible impact on Somalia from the thaw between Ethiopia and Eritrea is due to the following: while Ethiopia fights against Al Shabab's jihadism even on Somali territory, Eritrea has been in previous years a foothold for the said terrorist actor. Thus, the thaw described could be positive not only to bring Eritrea out of the ostracism it is subject to -- with strong sanctions from the UN since 2009 due to the nature of President Afwerki's regime-- but also in order to continue fighting Al Shabab and weaken it. Finally, this thaw could also be positive for the halting of one of the most important illegal migrant flows on African soil that of the Eritreans, encouraged in recent years by the dictatorial nature of Afwerki's regime as well as by the permanent tension with the Ethiopian neighbor.

Focusing now on Somalia, it must be stressed that the reigning instability in this country in the Horn of Africa has a number of fronts. Leaving until the end the terrorist threat, the duration of the separatist challenge in Puntland and in Somaliland should be emphasized-- a challenge that has a visible dimension in the activism of several foreign countries regarding said territories, and which will be analyzed at the end of this Chapter -- as well as some intercommunity clashes which, as in different areas of Eastern Africa, are also a serious security challenge here²⁰. Regarding Al Shabab's activism, it continues maintaining its presence in the center and south of the country,

¹⁷ «MAASHO, Aaron: «Ethiopia and Eritrea say war is over-In hails», *Reuters*, 9 July 2018 and «Ethiopian Airlines will fly to Asmara for the first time in twenty years beginning on Tuesday», *Europa Press*, 10 July 2018.

¹⁸ «Visite historique du président érythréen en Ethiopie», *Le Monde Afrique*, 14 July 2018.

¹⁹ «Al Shabab sigue siendo una amenaza para África oriental, advierte el ICG» [Al Shabab is still a threat for Eastern Africa, the ICG warns], *La Vanguardia*, 21 September 2018 and «Unos 70 miembros de Al Shabaab habrían muerto por un ataque etíope en Somalia» [About 70 Al Shabaab members reportedly died in an Ethiopian attack in Somalia], *Europa Press*, 15 September 2018.

²⁰ Violent intercommunity clashes between stockbreeders and farmers took place, for example, in Somaliland territory although it affected neighboring Puntland in October. See «Over 50 reported killed in clan clashes in breakaway Somali region», *Reuters*, 23 October 2018 and «Dozens killed in disputed Somali region», *BBC News*, 23 October 2018.

frequently attacking the capital, Mogadishu, as well as Baidoa, which was formerly the provisional administrative capital while Mogadishu was in great part under the control of the group until 2011²¹. And all of this, while it is still receiving serious blows from the Somali authorities of the Transitional Federal Government (TFG) presided by Mohamed 'Farmaajo' Mohamed, supported by external actors, from the African Union Mission in Somalia (AMISOM), which presently has 20,000 troops and has been active since 2007, to US forces. Thus, on 12 October, about sixty members of the group were eliminated in a US attack led by the United States Africa Command (USAFRICOM) in the region of Harardhere, the most important attack since the one that eliminated a hundred terrorists on 21 November 2017, also executed by US troops²².

Sudan, a country affected by serious inflation, has suffered recurrent protests against the rise in prices for basic products throughout 2018, particularly for bread, which doubled its price; the main opposition leader, Sadiq El Mahdi, head of the Umma Party, tried to take advantage of these rises in his effort to weaken the regime of President Omar Hassan Ahmed Al Bashir²³. The latter fears that these riots may take place again reproducing those which broke out in 2013 in protest against the rise in the price of bread and other basic products. President Al Bashir, in power since 1989 and the only Head of State in office who is under prosecution by the International Court of Justice -- for which reason he did not attend the AU and European Union (EU) Summit held in Abidjan in November 2017 because Ivory Coast is a State member of the ICJ and he could have been detained --, is now trying to modify the Constitution to get a new mandate when the current one expires in 2020. In the area of defense, and considering that tension with Egypt is increasing, particularly regarding the project of the aforementioned Ethiopian dam under construction, Sudan is immersed, with Russian collaboration, in a worrying process of rearmament²⁴.

In terms of wars, the one being fought in South Sudan -- State number 193 of the UN -- among former allies to fight against Khartoum has been, in

²¹ By way of example, on 14 October 2017 and in a single suicide attack in Mogadishu, around 600 people were assassinated. On 13 October 2018, a double suicide attack against two restaurants in Baidoa instantly killed 20 people. On 10 November, 39 people died in an attack against the Sahafi Hotel in Mogadishu. See «Death toll from twin suicide bombings in southern Somalia rises to 20», *Reuters*, 14 October 2018 and «Death toll from Somalia Hotel attack rises to 39», *Reuters*, 12 November 2018.

²² «L'armée américaine annonce avoir tué '60 terroristes' en Somalie», [The American army announces having killed '60 terrorists' in Somalia] *Le Monde Afrique*, 18 October 2018.

²³ «Al Bashir reemplaza al jefe de inteligencia de Sudán en medio de las protestas por la crisis económica» [Al Bashir replaces Sudan's Chief of Intelligence in the midst of protests over the economic crisis], *Europa Press*, 11 February 2018 and ABDELAZIZ, Khalid: «Sudan price protests subverted by infiltrators-spokeman», *Reuters*, 19 December 2018.

²⁴ «Soudan. La Russie va renforcer les militaires du pays» [Sudan. Russia will reinforce the military of the country] (*El Watan Argelia*), 9 February 2018.

recent years and since it broke out in December 2013, the bloodiest in the world after the one in Syria, smothering possibilities that many saw when, in July 2011, this country came to independence in the midst of an international consensus which on few occasions it had seen before nor has seen since.

Central Africa

In Central Africa, the first reference will be to the Central African Republic where the conflict it is suffering from today broke out in 2013 when a Muslim rebel coalition (Seleka) ousted President François Bozize. In this country, where 80% of the population is Christian, the Christian anti-Balaka militia still continues its fight with that of Seleka to this date. However, in this sub-region the great unknown factor is and will continue to be the Democratic Republic of the Congo, a regional giant inhabited by almost 90 million people and affected, in the last two decades, by two wars which, fought successively between 1998 and 2003, caused millions of deaths and which provide the setting for an ongoing conflict still underway. This is evident today in the persistence of the armed activities of the many militias and the violence concentrated in parts of the country such as the eastern and northeastern areas bordering Uganda and Rwanda, and which, in addition, worsens due to phenomena such as the emergence of a serious focus of infection of Ebola in the provinces of Ituri and North Kivu that have caused almost 400 deaths. The succession of two civil wars was called the First African World War, because a great many of the nine countries that border the CDR were involved to a greater or lesser degree. With this situation as a backdrop, stress should be placed on the political instability derived from President Joseph Kabila's wish to cling to power, having delayed, since December 2016 when his mandate expired, the holding of presidential elections; all of this in a country that grows by a bare 2% annually²⁵. Kabila had been in power for eighteen years after succeeding his father Laurent Desiré Kabila who was assassinated in January 2001, and not only the presidential but, as well, the general and regional elections have ended up being held on 30 December 2018, even though the President did everything possible to delay them again²⁶. They were the fourth presidential elections since the independence of the country (1960) but they pose many unknown factors²⁷.

²⁵ IÑIGUEZ, Marta: «Steps new government must take to get the DRC onto a sounder footing», *The Conversation*. 19 December 2018.

²⁶ PARAVICINI, Giulia: «Congo postpones Sunday's presidential vote by a week», *Reuters*, 19 December 2018.

²⁷ «El opositor Tshisekedi, ganador en las presidenciales de Congo entre denuncias de fraude» [The opposition candidate Tshidekedi, winner of Congo's presidential elections, in the midst of accusations of fraud], *El Mundo* 7 January 2019.

Southern Africa

In Southern Africa, it is important to highlight the situation in the regional power, South Africa, a country that went through an enormous thrust towards its democratization and political clean-up led by Nelson Mandela and by his successor Thabo Mbeki, and that their successor, Jacob Zuma, left irredeemably behind. Being pressed to leave power, he finally left in February 2018, surrounded by serious accusations of corruption after nine years in office. His successor, Cyril Ramaphosa, coming like all of his predecessors from the ranks of the veteran African National Congress (ANC), is undertaking the political leadership of a country characterized by severe social differences and he should be confirmed in office in the elections planned to be held sometime in 2019. In neighboring Zimbabwe recently there was also a change in the presidency, in November 2017, and the veteran leader Robert Mugabe also left power reluctantly to give way to the current President, Emmanuel Mnangagwa.

Demography

This obligatory section opens with certain statistical data, not comprehensive but very illustrative of the present and future challenges that Africa faces today and that must be taken into account by the continent's immediate neighbors such as Spain and the rest of the EU countries. Today, Africa holds 16% of the world population with one billion-plus inhabitants, and it will hold 27% when it reaches 2 billion in 2050. If it reached, as foreseen now, 3 billion in 2100 -- 40% of the total in the world -- it would add up to more than the total population of China and India together. Comparing these figures with neighboring Western Europe, in 1950 the Old Continent held 22% of world population, now it only has 11% and it is predicted that by 2100, it will represent only 6%.

Seventy percent of the African population is under 25 years of age, which implies that every day about 33,000 African youngsters, reaching adulthood, will aspire to find a job. As an example, in Niger, the population doubles every fourteen years with an average of seven children per woman, producing a real demographic explosion in this country in Western Sahel as well as in its most immediate neighbors and in many other countries on the continent²⁸. The impact of this demographic explosion on the national economies and their feeding of large migrant flows, both those inter-African -- until now the main area with, for example, the more than 300,000 citizens from South Africa's neighboring countries that reach this developing country in Southern Africa to try to carve out their future -- as well as those

²⁸ La Moncloa-Government of Spain: *Quinta Cumbre UE-UA* [Fifth EU-AU Summit], 28 November 2018, pp. 1.

that are starting to be seen as coming from regions more or less near the continent, particularly Europe, is an interesting subject today and it will be in the coming years.

It is estimated that, between 2013 and 2016, about 500,000 Africans were able to reach Europe as immigrants, most of them illegally, and even though this figure is far from that of the 1.5 million immigrants who, coming from Syria, Iraq or Afghanistan, also reached European territory illegally, the important issue with an eye to the future is to predict the possible tendencies. It is difficult to know if the African continent will continue absorbing, as it has been doing to a large extent until now, migrants who leave their countries for different reasons, or if on the contrary these migrant flows will already begin to head primarily to Europe as a pole of attraction more important than other continents due to its proximity and wealth. Such a tendency of progressively changing destination is beginning to be seen in the north of Africa and in Western Africa, with growing migrant flows reaching Spain, and passing through it to the rest of the EU, since former countries of destination, such as Libya was, are now in crisis and even because countries which have added to their traditional role, of producers of migrants, that of countries of settlement -- such as is the case of Morocco, which has undertaken two regularization programs for tens of thousands of sub-Saharan immigrants -- have limitations on accepting more immigration. In Morocco, the need to manage this new challenge is added to other domestic problems, and in that context it is interesting to stress that, in August 2018, the King decided to promote a bill of law to re-establish the military service that was abolished in 2007; this step was interpreted as a way to re-direct and provide jobs for a booming youth population whose aspirations are not currently satisfied²⁹.

Turning back to the demographic challenge, in terms of the national economies of the African countries, it means a rapid increase of consumption, thus increasing the difficulties of the States. The former president of Ghana, John Dramadi Mahama, had the courage as African leader to emphasize, within the 7th TANA Forum on Security in Africa held at the Ethiopian University of Bahir Dar in August 2018 that rapid demographic growth on the continent is its main threat to peace and security because jobs are not available at the same pace³⁰. Along with the declaration by this former Head of State, the alert launched in March 2018 should also be pointed out. It was launched by the African Development Bank (ADB) from its headquarters in the Ivory Coast through its President Akinwumi Adesina, for whom more population, more middle classes and more urbanization means, among many other things,

²⁹ PEREGIL, Francisco: «El rey de Marruecos reactiva en verano su poder sin consultar al Gobierno» [The King of Morocco reactivates his power in summer without consulting the Government], *El País*, 10 September 2018.

³⁰ «Rapid population growth greatest threat to Africa's peace and Security-Mahama», *GhanaWeb*, 21 April 2018.

more demand for energy for private and industrial use, plus other logistic demands that the African States are in no condition to provide today³¹.

In contrast, others see in such demographic dynamics a possible window of opportunities, and it is important to include it in our analysis to encourage reflection and debate that should occupy a great deal of time in the coming years: such a «positive vision» of African demographic dynamics was manifested by Google in its blog «Around the World», stating, in June 2018, that the company was thinking of creating, at the end of the year, its first artificial intelligence research center in Accra, the capital of Ghana, one of the countries courted in recent times by several leaders due to its stability and perspectives for growth³². The increase in population as well as growth in some countries also encourages discernment of possible dynamics in the transport sector, dynamics of potential desirability for their possible influence in motivating continental trade relations, which are now practically irrelevant: an example of this interest is shown by the largest airlines company in Africa, Ethiopian Airlines Enterprise, upon their creation of an association with an air (cargo) transport company that Nigeria reportedly intends to create shortly, and which could produce a scenario for a growing interconnection of goods³³.

It is important to stress the interaction among a number of factors of international relations when explaining the movements of obligatory occurring today and that may take place in coming years, given that climate change, and not only demographic growth, feeds and will continue to feed these forced movements, according to the Intergovernmental Panel on Climate Change (IPCC). In Africa, over 80 million people will have to abandon their homes in the next thirty years, according to the IPCC. To mention only a few examples, South Sudan, Somalia and Nigeria suffer from persistent droughts, the level of Lake Victoria in Eastern Africa or that of Lake Chad in Central-Western Africa is decreasing precipitately, and Mauritania has already had 80% of its territory encroached upon by the Sahara Desert, whose advance is almost unstoppable³⁴.

Reflection must also be encouraged upon remembering that, although some African countries are reaching high rates of growth, this evolution, positive in itself, does not necessarily mean that it will contribute to stopping emigration from those countries. In fact, it should be noted that five African coun-

³¹ «Alertan de que el crecimiento demográfico en África es bomba a punto de explotar» [Warning that demographic growth in Africa is a bomb about to go off], *La Vanguardia*, 7 March 2018.

³² MORRIS-GUITY, JaJuan M.: «Could Africa become the next Silicon Valley?» *Fox News*, 18 July 2018.

³³ JASPER, Christopher: «Ethiopian Air in Talks to Help Nigeria Create a Flag-Carrier», *Bloomberg Business*, 18 July 2018.

³⁴ TEJA, Alfre: «Cuando el cambio climático es el enemigo» [When climate change is the enemy], *La Vanguardia.com*, 26 October 2018.

tries are among the ten States that grew the most in the world in 2016, a rate of over 7%. The Ivory Coast is a clear example: it has grown an average of 9% since 2012, it has been called «the African tiger» or «economic miracle» but it is estimated that it holds one million more poor than ten years ago; the conflict the country went through between 2002 and 2011 ended its role as a welcoming nation for immigrants from neighboring countries, and today it is a great emigrant-producing State. In fact, out of the almost 170,000 illegal immigrants who arrived in Europe from the south of the Mediterranean in 2017, 7.9% were, according to the International Organization of Migrants (IOM), Ivorian, representing the fourth group by nationality³⁵.

If the Ivory Coast was for years a welcoming country to many African immigrants, so also was Libya until the revolts which started in February 2011 led to a progressive deterioration in security in the country that it suffers from to this day, and for which no solution is in sight any time soon. Before the revolts and due to its enormous riches in hydrocarbons -- it also holds the greatest proven reserves in Africa -- and its low level of population, Libya had a very high per capita income. However, today, instead of being a destination for millions of workers from other African countries -- even in 2011 it was estimated that between one and one and a half million Egyptians lived there, as well as about two million sub-Saharanans -- Libya became, as of 2013, a wide 2,000-kilometer coastal corridor for many illegal immigrants trying to reach Europe. It is estimated that in 2017 alone over 3,000 persons would have lost their lives trying to reach Europe from Libya³⁶. Within the context of the Abidjan Summit between the AU and the EU in November 2017, the media throughout the world denounced the situation of many persons of irregular status on Libyan territory, some of them treated as real slaves³⁷. Some source estimated at that time that there were about 42 detention camps in Libya holding between 400,000 and 700,000 irregulars, and the EU approved funds to help repatriate part of them, speaking of a first shipment of 3,800 to be evacuated from Tripoli, the action to be carried out by the IOM with Community funds.

If the route through Central and Western Africa converges in Libya and in other Maghrebi countries, it is important to point out another branch which, coming from Eastern Africa, emptied partly into Libya but which also, through Egypt, sent groups towards the Middle East, particularly Israel. The worsening of the situation in Libya and the closing of access into Israel has led in recent years to the development of another route for illegal trafficking which, although of high risk, helps to avoid a chaotic situation in Libya, and is man-

³⁵ PARELLADA, Gemma: «El crecimiento económico en África no frena la emigración» [The economic growth in Africa does not stop emigration], *El País*, 1 December 2017, p. 8.

³⁶ WINTOUR, Patrick y CHRISAFIS, Angeline: «Voluntary evacuation planned for migrants in Libya detention camps», *The Guardian*, 29 November 2017.

³⁷ The Christian Science Monitor (TCSM): «Liberation African slaves-again», *TCSM*, 30 November 2017.

aged by Yemeni traffickers. When in June 2018 at least 46 people drowned when their boat capsized near the Somali port of Bosaso, located in the separatist region of Puntland, during their journey to Yemen, some of the people discovered a route for illegal migrants trying to abandon the Horn of Africa in order to reach, in their majority, Europe as their final destination, through a safer route than that of Libya³⁸. Although this route has long existed, and leads in the first place to a country at war since 2015 and is a passage area towards Saudi Arabia and other Gulf States, many of those who decide to take it aim to reach Europe, in an attempt to do what other Somalis, Eritreans and Ethiopians do through Sudan towards Egypt and Libya.

A monographic EU Summit on the subject of access routes into Europe at La Valetta in 2015, as well as a pair of instruments setting forth processes called «Rabat» (since 2006) and «Khartoum» (since 2014), have led to the setting up of strategies that combine cooperation funds with the designing of answers for the prevention and braking of migrant flows, always taking into account that even today, around 80% of African migrant flows continue to move within the continent without leaving it.

Economic and energy security

Before speaking about markets at a sub-regional, regional and continental level, it is important to refer to the state of sanitization of African national economies. According to the AU, such disastrous factors as fiscal opacity or flight of capital are still exercising maximum effect upon a continent where in 2018 only 36 of the 55 members of the Organization have ratified the AU Convention for the Prevention and Fight against Corruption, adopted in 2003³⁹. And this, in the year 2018, declared by the 63rd African Commission for Human Rights and for the People held in Banjul (Gambia) as the «Year of the Fight against Corruption». Although there are African States that stand out for introducing tools for political clean-up and for social and economic revitalization -- such as the trade tribunals in Senegal which encourage investments within the country, as well as by foreign actors also in Senegal, or the firm commitment in Rwanda to improve the quality of education and to introduce technological advances into the society -- there is still much work to be done in a great number of countries.

In March 2018, up to 44 out of the 55 States that make up the AU signed in Kigali the commitment to create a free-trade zone in Africa⁴⁰. This continental agreement, known as AfCTA, has gradually been adding signatory countries

³⁸ MUMIN, Abdalle Ahmed: «Whatever it takes: people brave war in Yemen in hope of reaching Europe», *The Guardian*, 4 November 2018.

³⁹ «La corruption appauvrit l' Afrique» [Corruption impoverished Africa], *BBC News*, 26 October 2018.

⁴⁰ AfCTA: Facilitating free trade in Africa», *Punch (Nigeria)*, 3 April 2018.

-- South Africa signed in July -- and is an attempt to overcome one of the major problems in the region, previously mentioned on several occasions, which is the lack of intraregional trade, standing today at a very modest 17%. The AfCTA intends to gradually reduce rates and to see changes start within a period not to exceed four years. The intensification of intra-African trade and the development of the African manufacturing industry are still major pending subjects, and the distrust of some countries should be added to these drawbacks. Among the most reluctant to join the AfCTA is Nigeria, which does not assess positively the previous experiences of its belonging to ECOWAS nor even to the World Trade Organization (WTO), and which feels vulnerable with respect to AfCTA due to the weakness of its industrial fabric, in need of major reconversion⁴¹. Along with Nigeria, also reluctant to sign the Constitutive Act of the AfCTA are Benin, Botswana, Burundi, Eritrea, Guinea Bissau, Namibia, Sierra Leone and Zambia.

Africa has not only to intensify relations between the States on the continent through trade and the clean-up of political relations, but it also has to try to be less dependent on other countries, such as the former colonial powers and, as in more recent times, the growing presence of the Popular Republic of China and the risks that Chinese incursions into Africa may carry with them, an issue that will be dealt with later on in this Chapter. Although this and the other major objectives aforementioned are on the Agenda for Sustainable Development 2063 approved by the AU in 2015, it is devastating to realize how, out of the fifty five members of the AU, thirty do not comply with their financial obligations to the Organization, and that is a bad beginning which increases the dependency of this organization on other countries. Few know that 63% of the funds managed by the AU come from foreign donors, especially the EU, but also from China and the US⁴². It is illustrative to remember that if the relations between the EU and the AU went through a serious crisis throughout 2016, it was greatly due to the fact that Brussels decided to reduce its financial contribution to AMISOM⁴³.

Another important area to underline, full of potential but which has not been exploited enough today to contribute to getting the continent off the ground in sub-regional and regional terms, is that of energy. Africans are large hydrocarbon producers, from Nigeria to Libya and passing through Algeria, but the continent is not crisscrossed by the energy networks which could have interconnected it, as has happened in other areas in the world. In the Maghreb,

⁴¹ «El presidente de Nigeria asegura que ratificará próximamente el acuerdo para crear una zona de libre comercio en África» [The president of Nigeria assures that he will shortly ratify the agreement to create a free-trade zone in Africa], *Europa Press*, 13 July 2018.

⁴² GUTIÉRREZ GARRIDO, Óscar: «La UA quiere ser independiente» [The AU wants to be independent], *El País*, 25 January 2018 and KAMOGA, Jonathan: «New AU chairman Kagame wants business unusual for Africa», *The Observer*, 29 January 2018.

⁴³ JOBSON, Elissa: «EU's desire to contain migration is Africa's opportunity», *Político*, 29 November 2017.

the major Algerian producer has three gas pipelines working: one, the Enrico Mattei which is the oldest one, connects Algeria with Italy through Tunisia; and the other two transport gas to Europe through the Maghreb-Europe Gas Pipeline which goes through Morocco, and that of Medgaz going directly to Spain and which is of more recent construction. However, energy has not served to integrate the Maghreb, and looking towards the south, the mammoth project of the construction of the Trans-Saharan Gas Pipeline between Nigeria and Algeria crossing Niger has yet to see the light and it is possible it never will.

Beyond hydrocarbons, and considering that Africa has large uranium reserves -- in Niger, for example, with 20% of the world's reserves -- nuclear energy attracts more and more countries on the continent. In fact, two thirds of countries contemplating supplying themselves with nuclear energy in the coming years are African, and they take into account the availability of countries like France, Russia or China to provide them the technology they need. The Russian company Rosatom is present, from Egypt (announcing in 2015 the construction of a nuclear plant in El Dabaa to be finished in 2025) to Nigeria, passing through Sudan and through South Africa. The latter is the only country on the continent with a nuclear plant with two reactors⁴⁴. For its part, China has already announced that it is starting to exploit the uranium mine in Husab, in Namibia, and that it will build nuclear plants for Kenya and Uganda in the coming years. However, in this area, as has happened and happens with the exploitation of hydrocarbons, it will be important that the producing countries take advantage of those resources to ensure the real development of their societies, avoiding lamentable situations such as that of Niger, a large producer of uranium but with a very poor electrical infrastructure in the country.

The role of the big international actors present in Africa

It is very important to review the major lines of approximation of the principal international actors now deployed upon the African continent, most of which are individual States, but also included, because of its own structure and because of its presence, is the EU.

The European Union

This international organization of supranational nature --the world's only one--is stressed first because the EU is currently Africa's main investor, main donor and main partner, and this is done despite the fact that some

⁴⁴ JOUVE, Arnaud: «L' Afrique se lance dans l' energie atomique» [Africa embarks toward nuclear energy], *Radio France Internationale (RFI)*, 16 September 2018, y «Sudan, Russia to sign accord to develop nuclear power: SUNA agency», *Reuters*, 8 March 2018.

of the following sub-Sections are dedicated to certain of its member States (France, the United Kingdom and Germany)⁴⁵.

The EU and its member States figure as Africa's prime investor, at 254 billion Euros in 2015. In 2015, it was also the first supplier of transferred funds with 21 billion Euros, 36% of the total amount, and the first donor, at 21 billion Euros, half of all cooperation on world development given to Africa. The EU contributed to Africa, in terms of cooperation on development and for the period 2007-2013, the sum of 141 billion Euros. Furthermore, the trade exchange between the EU and Africa in 2015 was 286 billion Euros, with a balance of 22 billion favorable to the EU, and which represents 36% of the total trade. In 2016, China traded 126 billion Euros with Africa which increased up to 170 billion in 2017. It is impossible to avoid the current tendency of comparing the EU with China but such a comparison is wrong, as one cannot compare a State, the Popular Republic of China, with an international organization, although as a supranational organization it has its own and differentiated statutes, but it is nonetheless an intergovernmental organization, still composed of twenty-eight States⁴⁶.

The European Union has Agreements of Association signed with all the countries in the north of Africa except Libya, and with most of the countries in sub-Saharan Africa it has Economic Agreements of Association. In legal and political terms, the continent is still divided regarding its relationship with the EU, and the north of Africa and the bilateral Agreements with each country are framed within the European Neighborhood Policy (ENP), defined in 2004 within the context of a major extension of the Union to ten more States. On the other hand, the general framework of the sub-Saharan countries is the Cotonou Agreement, signed between the ACP (African, Caribbean and Pacific) Group of States, effective until 2020, and whose continuation should now be negotiated for a new Agreement. In the political-diplomatic and security dimension, the EU has in Africa 19 of the 33 missions, civilian as well as military, it has deployed throughout the world, and between 2010 and 2018, it has trained 17,000 military troops and 10,000 African police⁴⁷.

In 2007, the EU signed a Strategic Association EU-Africa which in 2017 was ten years old, so that its results were assessed at the EU-AU Summit held on 29 and 30 November of that year in Abidjan. It is important to underline that the Abidjan Summit was the first of the Euro-African summits held in the EU-AU format, because the previous ones (Cairo in 2000, Lisbon in 2007, Tripoli in 2010 and Brussels in 2014) were carried out in the EU-Africa for-

⁴⁵ «Europa retrocede en África pero sigue omnipotente» [Europe moves back in Africa but is still omnipotent], *SWI Swissinfo.ch*, 29 November 2017.

⁴⁶ LEPIDI, Pierre: «Sommet d' Abidjan: les chiffres qu' il faut avoir en tête», *Le Monde Afrique*, 29 November 2017 and HORNBY, Lucy and PHILING, David: «Africa seeks China deals that will bring jobs and skills», *Financial Times*, 1 September 2018.

⁴⁷ La Moncloa-Government of Spain: *op. cit.*

mat. Eighty-three Heads of State and of Government, 55 on behalf of the AU and 28 on that of the EU, met in the economic capital of the Ivory Coast, and at this Summit, the Head of State of Guinea Conakry, Alpha Condé, handed over the Presidency of the AU to his counterpart from Rwanda, Paul Kagame.

When the summit immediately previous was held in Brussels in 2014, the migration issue was not as relevant as it would become after the middle of the decade and to date. In 2015, within the framework of a special summit on Migrations held in La Valetta, the EU established an instrument whereby to encourage private investment in Africa in order to reach up to 40 billion Euros, also launching within the same context a Special Fund of 3.2 billion Euros to aid a continent where the dynamics of the illegal migrant flows were starting to have dramatic importance, in particular interacting with Europe. The Union also stands in the forefront of all other actors, each of them national and whose basic lines of approximation will be seen below, for contributing substantial funds for education in Africa: over 1 billion Euros between 2014 and 2020⁴⁸.

The EU has also been allocating financing to Africa for peace and security, supporting AU instruments as well as those from several sub-regional organizations: The African Peace Facility has received the amount of 750 million Euros for the period 2014-2020, although, as has been seen before, the contributions might not be enough considering the existing needs as has been seen recently regarding AMISOM financing, an issue that has been dealt with previously in this paper⁴⁹. In its most recent development and always within the chapter of peace and security, the EU commitment with respect to the Joint Force of the sub-regional organization Sahel G-5 - the G5S JF --, must be highlighted, for whose launching Brussels has allocated the amount of 50 million Euros to be channeled through the African Peace Facility. The said Joint Force, a declared operating force since October 2018, will include contingents of 1,000 troops from each Member State (Burkina Faso, Chad, Mali, Mauritania and Niger) and will receive contributions also from other States and international organizations⁵⁰.

People's Republic of China

The PRCh stands out due to its international projection, particularly in Africa. This projection has been intensified at the hands of the current President, Xi Jinping, who first visited the continent in 2013 when he had just taken power,

⁴⁸ «Opinion: Africa should not become too dependent on Europe/Africa», *Deutsche Welle*, 28 November 2017.

⁴⁹ *Ibidem*.

⁵⁰ The EU has supported, within the framework of the Common Security and Defense Policy (CSDP), training missions in Somalia and in Mali, from 2010 and 2013 respectively, to date; and a mission against piracy, the *Atalanta* Operation, the first naval mission of the EU, active from 2008 to date, among others.

then visiting the People's Republic of the Congo and South Africa. Of equal note is the fact that the first visit abroad by the Chinese President during his second term was also to Africa, namely to South Africa again, in addition to Senegal, Rwanda and Mauritius. Also noteworthy is the fact that the Chinese Minister of Foreign Affairs visits Africa at the beginning of every year, on trips which have become truly customary⁵¹.

The framework par excellence to assess this Chinese projection in Africa is the Forum on China-Africa Cooperation (FOCAC hereinafter). If the FOCAC held in Johannesburg in 2015 revealed the intensification of the Chinese presence in this scenario, the Forum held in Beijing for two days in September 2018 was even more noteworthy. The 53 African countries attending were able to discuss the essential issues of the ambitious Chinese plans, including the New Silk Road [Eurasian Land Bridge] during this Summit held every three years⁵².

Before continuing to illustrate the most recent Chinese projection in Africa, it is important to emphasize some key data; the first is to remember that data about China and the EU are often compared, forgetting that the comparison made is one of a single State with an Organization made up of 28 member States, and this fact must be insisted on in spite of its previous mention. In the comparison country with country, it is important to say that in 2018 China figured, for the eighth consecutive year, as Africa's prime trade partner, far ahead of traditional partners such as France and Germany⁵³. China has most recently launched a very well-studied and alluring campaign that includes not only loans, and which has led, for example, two African countries -- Zimbabwe and Nigeria -- even to have replaced, in 2018, the US Dollar with the Chinese Yuan as their reserve currency⁵⁴.

China's most recent deployment was announced by Xi Jinping at the beginning of November 2018 in the presence of almost 50 Heads of State. An investment package of 60 billion Dollars in three years, in loans without interests, lines of credit with very low interest rates, aids, etc., all of it to favor direct investments of public and private Chinese companies. But there are already countries deeply in debt to China (Zambia, the DRC and Djibouti, the latter to the equivalent of 85% of its GDP, thus having been warned of such a situation by the International Monetary Fund). Worth mentioning is that at the FOCAC held in Johannesburg in 2015, China also promised a credit line of 60 billion Dollars. However, if Sri Lanka has already become so indebted to

⁵¹ LIJADU, Kemi: «Chinese leaders visit Africa more often than you think and not always the places you expect», *Quartz Africa*, 25 July 2018.

⁵² TORTAJADA, Cecilia: «How new Silk Road will cement China as major trading partner for Africa», *The Conversation*, 27 August 2018.

⁵³ «Europe moves back in Africa but *op. cit.*

⁵⁴ «Xi Jinping asegura que los fondos de China para África no son para 'proyectos de vanidad'» [Xi Jinping assures that China's funds for Africa are not for «vanity projects»], *Europa Press*, 3 September 2018.

China in Asia that it has had to offer China control of an important port to pay back part of its debt, in Africa there is a rumor about the over-indebtedness of Zambia with China, which would put the national electrical network in the hands of the Asian country in order to continue obtaining its loans⁵⁵. All of the aforementioned has led President Jinping to fill his most recent messages with soft contents in the face of these facts, but also considering the growing warnings and criticism coming particularly from the West and from international financing organizations. The Chinese President calls on companies from his country, for example, to assume social responsibilities as well as to diversify the targets of investment, including not only the long-dominant extraction of raw materials and construction of the most primary infrastructures, but also to commit themselves to the development of renewable energy and telecommunications⁵⁶.

Considering this fact, of the growing indebtedness of some African countries to China – it is currently reported that China is Africa's main creditor, holding in excess of 35% of the African debt now in the hands of the World Bank --, it would be good to recall Beijing's basic doctrinal approach regarding its incursions into the continent which started years ago. The Chinese authorities would use as the core argument of their strategy the so-called «complex of the South», by which when the economic South is more powerful, the world will be more balanced. According to such an argument, if Europe and North America decline, Asia, Africa and Latin America will perforce grow, and so are the most suitable for Chinese investments. This way, China could take Africa out of hegemonic relationship of colonization, although it must be wondered whether this would be done by substituting one colonization for another. According to the Overseas Development Institute, 40% of African countries are now in danger due to the level of their debt, a great deal of it to China⁵⁷.

As done regarding the EU, it is also important to refer to the growing role of China regarding security and defense on the African continent⁵⁸. China is not only growing more important, as is Russia, in matters of acquisition of armament and military cooperation by and with African countries, but it is becoming so as well in the area of peacekeeping operations. In his speech in September 2015 at the annual inauguration of the new session of the UN General Assembly -- the same year in which the next to the last FOAC held to date met --, President Jinping offered 100 million Dollars to support the African Architecture for Peace and Security through contributions to the African

⁵⁵ «Ties between African countries and China are complex. Understanding this matters», *The Conversation*, 14 October 2018.

⁵⁶ «Xi Jinping assures *op cit.*

⁵⁷ «Is China burdening Africa with debt?» *BBC News*, 4 November 2018.

⁵⁸ KOVRIG, Michael: «China amplía su presencia en materia de Paz y Seguridad en África» [China expands its presence in peace and security matters in Africa], *Esglobal*, 26 October 2018, pp. 1-3.

Standby Force and to the African Capacity for Immediate Crisis Response. Since then, China has become visible in several peacekeeping operations -- with a growing presence since 2013, and assuming roles ever more relevant and of higher risk-- and its funds have been assigned to activities related to the consolidation of security, with the fight against piracy and anti-terrorism. Among all its actions, of greatest note is the strengthening of its presence at a naval base in Djibouti, which it has unceasingly expanded and modernized since its inauguration in 2017. Chinese collaboration in the fight against piracy takes place not only in Eastern Africa, in Somalia and Djibouti, but also in Western Africa with visits to the ports of Nigeria, Cameroon, Gabon and Ghana. Today, China is the Permanent Member of the Security Council that contributes most personnel to UN Peacekeeping operations (2,430 in September 2018), most of them deployed in missions in African territory, from the DRC to Mali passing through Sudan and South Sudan. In 2017, China assigned 8,000 troops to the UN Reserve Force, a measure of a global nature, but returning to Africa, it must be mentioned that between 26 June and 10 July 2018, the first China-Africa Defense and Security Forum was held where Chiefs and officials from 49 African countries attended. At a more specific level, an agreement was reached in February 2018 between China and the AU, by which the first would contribute 25 million Dollars in military equipment to the logistics base that the continental organization has in Cameroon⁵⁹. This, along with the fact that China has also started to make some contributions to AMISOM, should be analyzed within a context of a certain withdrawal by the EU from its financial support to such instruments. Furthermore, Chinese cooperation -- and it includes the sale of armament -- has no kind of limit, while that sponsored by the EU does.

Japan

In 1993, after the end of the Cold War and being the first provider of international aid at the time, Japan launched the TICAD formula of commitment to Africa, the acronym standing for [Tokyo] International Conference on Africa's Development. Years later, in 2001, the TICAD formula was validated by the New Partnership for Africa's Development (NEPAD), within a framework then recently launched by some African states (Algeria, Egypt, Nigeria and South Africa, among others) and it aroused great hope because it was a totally African initiative and because it included all the possible activity «baskets» -- political, economic and social -- in an effort intended to regenerate the continent and climb onto the bandwagon of progress and globalization.

In August 2019 the VII Edition of the TICAD will be held in the Japanese city of Yokohama, and stock of the Yokohama Plan 2013-2017 (TICAD V) will be

⁵⁹ *Ibidem*, pp. 5-6.

taken; also of the execution still underway of the TICAD VI agreed upon in Nairobi in 2016, the first TICAD held in Africa (the second would be held in August 2017 in Maputo) and which is noteworthy for stressing three issues: support for the diversification of the economy and industrialization, support for strong health systems, and support for promotion of social stability. A key Japanese idea is to encourage self-sufficiency as Japan did in its own case, having been a country dependent upon the World Bank until 1960, the year in which it became self-sufficient⁶⁰. Japan likes explaining its experience and that of other Asian countries which also bet on education, research and innovation; countries which, like South Korea or Vietnam, were less developed than the Ivory Coast in 1960 but which entered a dynamic of unquestionable success. Japan transmits as basic rules to positively advance good government, transparency and the assumption of an indebtedness which is always feasible.

France

In the past and still at present, France has had a political-diplomatic leading role, military leadership and economic-financial potential in some regions in Africa. This was particularly visible during the early stages of the EU-AU Summit in Abidjan in November 2017, where President Emmanuel Macron did not arrive directly from Paris but rather after undertaking a previous visit of three days to other countries in Western Africa (Burkina Faso, Ghana and Guinea Conakry) which was full of activities with great media impact. Parallel to the Summit, France met with several African countries (Chad, People's Republic of Congo, Libya, Morocco and Niger) in Abidjan, to discuss with them issues of specific interest, among which were the channeling of migrants to be evacuated from Libya, their transit through countries like Chad or Niger, and the financing of all of it, among other issues.

In the economic area, France's visibility today is great, but it is through the figure of the so-called the CFA Franc, considered the last colonial currency and which is physically manufactured in Chamalières, in the Puy-de-Dôme and has a fixed parity with the Euro, which is how we can better verify it. For France and those in favor of that transnational currency created in 1945, it provides stability, while for its critics, it stops the development of the fourteen African countries involved because, among other things, it questions its monetary sovereignty marking a double tutelage: The French and that of the EU. Its critics argue that as it is an overvalued currency it facilitates imports, penalizes exports and benefits a Franco-African elite living off their investments⁶¹.

⁶⁰ GERARD, Abigail: «Face à l' avancée de la coopération Chine-Afrique, le Japon defend sa vision», *Paris Match*, 15October 2018.

⁶¹ LEPIDI, P.: *op. cit.*

The French influence through the FCA [Financial Community of Africa] includes two international inter-governmental organizations of a regional nature and economic sphere: The West African Economic and Monetary Union (UEMOA) including Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Senegal and Togo, on the one hand, and the Central African Economic and Monetary Community that includes Cameroon, the People's Republic of the Congo, the Democratic Republic of Congo, Chad, Comoros, Gabon, Equatorial Guinea, on the other hand. Apart from this noteworthy economic sphere, the French commitment to the security of the continent should be mentioned, visible, for example, in terms of sustained effort with the support of Mali and the rest of the Western Sahel countries, on the ground with the Serval Operations and its successor Barkhane and with the financial and diplomatic-political support for instruments of recent creation such as the Sahel G5 Organization and its military tool, the G5S - FC.

The United Kingdom and Germany

A member State (France) is singled out and other two (the United Kingdom and Germany) are included in another sub-section for two reasons: to reflect the centrality of the French projection in Africa, regardless of the fact that the last two Presidents, François Hollande and Macron, pointed out at different moments in time their wish to overcome what used to be known as 'Françafrique', on the one hand; and on the other, to underline the role of two members of the Union which, although holding historic bonds with the continent, those of the United Kingdom being deeper and wider, and those of Germany historically more recent, have recently marked approaches and designed formulas of interest. The United Kingdom sees Africa as an increasingly prosperous place holding major commercial possibilities, and sees it with even more interest within the context of Brexit. It is in that spirit that Prime Minister Theresa May traveled to South Africa, Nigeria and Kenya in August 2018, an important trip due to the moment chosen as well as to the countries selected for the visit⁶². Regarding Germany, Chancellor Angela Merkel launched, within the framework of the German Presidency of the G-20 in 2017, the Initiative «Compact with Africa», a tool with which countries like Tunisia, Ivory Coast or Ghana -- up to eleven countries -- have received low-interest loans throughout 2018. The program designed by the German Presidency of the G-20 also had more elements of interest, such as coordination with the IMF, the World Bank and the African Development Bank (ADB) and support for the most credible national efforts to fight corruption⁶³.

⁶² «Theresa May viajará mañana por África en busca de nuevas oportunidades comerciales tras el Brexit» [Theresa May will tour Africa tomorrow seeking more trade opportunities after Brexit], *Eldiario.es*, 27 August 2018 and «Prime Minister May says Britain committed to free trade with Kenya after Brexit», *Reuters*, 30 August 2018.

⁶³ SCHREIBER, Markus: «African leaders meet in Germany at development Summit», *Financial Post*, 30 October 2018.

The German government has recently undertaken a great investment effort in Africa following a slogan presented at the Berlin Investment Forum held in October 2018: «Focused on Asia for many years, (...) now it's Africa's turn». Giving priority to the revitalization of the German private sector, the Government created a fund of 1 billion Euros as principal instrument to encourage small and mid-size companies to establish themselves in Africa⁶⁴. It should be remembered that the stimulus of the private sector is the core rule not only of States but also of the EU in its definition of rapprochement to Africa in the present and in the future, trying to leave behind a past focused on public efforts in terms of aid and loans.

The USA

Washington is attempting to counter China's incursions as shown not only through its economic and trade projection for years but also through the inauguration of a naval base in Djibouti in 2017. The US has recently carried out several moves to try to counteract this show of China's ambitions. They have projected their moves by approaching Eritrea, supporting a reconciliation with Ethiopia which has also been supported by Saudi Arabia, and it is important to underline this approach in consideration of its relation to the contents of the first section in this Chapter. The US has also supported the rapprochement of Egypt, Saudi Arabia and the United Arab Emirates (UAE) to stop the growing presence of Turkey and Qatar in several African areas, which will be analyzed in a later section. Finally, it is trying to get countries like Sudan and Egypt closer to each other in an effort in which Saudi Arabia and the UAE also participate, and try to also obtain the rapprochement of those countries with Ethiopia, traditionally in conflict due to the Nile waters, but which, from the US point of view, should be contributing to stability rather than generating uncertainties and concerns⁶⁵.

In March 2018, Secretary of State Rex Tillerson, during his first and last trip to Africa, warned in Addis Ababa about the many risks that dealing with China would mean for the continent's countries and described this emerging actor as dubious and a depredator⁶⁶. In view of the growing visibility of China in Africa during the last decade, with its projection on infrastructures and companies in Kenya, Lesotho, Namibia and Ethiopia, opening a naval base in Djibouti and deploying military troops in UN peacekeeping operations in South Sudan, Mali, Liberia and the DRC, Tillerson showed, just before starting his

⁶⁴ «Merkel pledges billion-euro fund for investments in Africa», *Eyewitness News*, 30 October 2018.

⁶⁵ TADDELE Mehari: «Why the US is engineering political change in East Africa», *Reuters*, 9 October 2018.

⁶⁶ MAASHO, Aaron: «Tillerson says African countries should weigh Chinese loans carefully», *Reuters*, 7 March 2018.

trip, what the US had done in recent times in Africa at the George Mason University (Virginia) underlining practical tools like Power Africa for energy supply; the Young African Leaders Initiative to support the future leaders of the booming youthful population; or the PEPFAR Initiative against AIDS. The Secretary of State also announced the granting of 533 million dollars in aid for food and healthcare for South Sudan, Ethiopia, and the lakeside States of Lake Chad, but such a presentation of his tour -- which would terminate before being completed he was able to visit Ethiopia and Chad but had to cancel his planned visits to Kenya and Nigeria due to problems with his agenda -- could not avoid giving an image of continuity in the formulas for trade revitalization that were introduced by Presidents Bill Clinton and George W. Bush in the last two decades nor, and this point is the most worrying one, the image of confusion given by the current Administration, of which Tillerson would soon stop being a part⁶⁷.

It is opportune to add to the aforementioned approach that of security and defense, at the hands of today's sole super-power, which decided to set up the last of its Military Commands to cover the African continent. In the autumn of 2007, it created the USAFRICOM which is today the essential tool for the fight against jihadist terrorism, focused primarily on scenarios in Africa such as Somalia, Libya and the Sahel (particularly Niger) and Nigeria. Nevertheless, the assassination by the Islamic State in the Greater Sahara (ISGS) of four American military personnel in Tongo Tongo (Niger) in October 2017, and the process of revision and self-criticism this has provoked, also allows the sketching of a scenario of possible withdrawal by the Trump Administration which, if confirmed, would mean a reduction of the visibility of the US on the continent⁶⁸.

The Russian Federation

Russia has signed cooperation agreements with nineteen African States since 2015, focused on the area of security and defense, as an added activity to that already addressed in this chapter regarding Russian cooperation with a number of countries on the continent in the field of nuclear energy⁶⁹. The case study that permits verification of the design and scope of the projection of Russian presence currently is that of the Central African Republic. The UN Security Council authorized Russia to send trainers for the CAR Armed

⁶⁷ LATIF DAHIR, Abdi: «China is pushing Africa into debt, says America's top diplomat», *Quartz*, 7 March 2018.

⁶⁸ ECHEVERRÍA JESÚS, C.: *El papel creciente de las fuerzas de operaciones especiales en el escenario del Sahel occidental* [The growing role of the special operations forces in the scenario of Western Sahel], Opinion Document of the Spanish Institute of Strategic Studies (IEEE), n° 117/2018, 19 November 2018, p. 13.

⁶⁹ «Russia to send more military trainers, equipment to Central African Region», *Reuters*, 22 October 2018.

Forces, as well as varied military material, all in coordination with the UN Mission on site in a conflict scenario that, as was seen at the beginning of this Chapter, is complex and of difficult solution. Russia also signed, on 22 August 2018, with the Government of Bangui, an agreement to train military personnel from this African country in Russia⁷⁰.

Turkey

Turkey began to be a more relevant partner in Africa beginning when Recep Tayeb Erdogan reached power in 2003, as Prime Minister for several years and later, and to date, President of the Republic. Since then and until the first quarter of 2018, Erdogan has visited the continent over thirty times since he visited isolated Somalia in 2011 and until December 2017 when he visited Sudan, meeting President Omar Hassan Ahmed Al Bashir on the most recent trip, thus defying the world considering the situation in which the Sudanese Head of State stood with respect to the IPC, or the trip to Algeria, Mauritania, Senegal and Mali at the beginning of 2018⁷¹. Turkey has 39 embassies in Africa and its airlines have over 50 African destinations; all of this is the result so far of a projection into an entire continent with which, until the beginning of the last decade, it had limited its bonds to those with certain North African countries, and in particular, with Egypt.

In the autumn of 2017, in matters of security and defense, Turkey inaugurated a base in the Somali capital, its first military facility in Africa and the most important of all the bases it has abroad, and in Somalia it also has an impressive Embassy in Mogadishu, that reflects its interest in and growing prominence in the country and in the region.

The II Ministerial Conference Turkey-Africa held in Istanbul on 12 February 2018 was a good moment to take stock of this multidimensional Turkish deployment on the continent. While at the beginning of the last decade, trade between Turkey and Africa only reached 100 million dollars, in 2018 it had already surpassed 20 billion dollars, and while it had 12 embassies in 2002, it now has 39. President Erdogan's trips are increasingly more frequent and show increasingly more ambition; the number of African scholarship holders in Turkey is also growing, and the participation of Turkish forces in humanitarian missions in Sudan (Darfur) or in Somalia, these two scenarios being outstanding, is a device used to show its presence and increased projection⁷².

⁷⁰ VON GARNIER, Christine: «Pauvre Afrique: maintenant c' est les Russes après les Chinois» [Poor Africa: now it's the Russians after the Chinese], *Le Temps (Geneva)*, 9 October 2018.

⁷¹ KENYON, Peter: «Turkey Is Quietly Building Its Presence in Africa», *NPR*, 9 March 2018.

⁷² ANDLAUER, Anne: «La Turquie étend son influence en Afrique» [Turkey extends its influence in Africa], *Radio France Internationale (RFI)*, 12 February 2018.

Saudi Arabia, United Arab Emirates and Qatar

These and other countries in the Gulf stand out like Turkey for their recent projection, increasingly visible and intense in African territory.

The UAE are courting Djibouti in Eastern Africa and they interact with the Somali secessionist territories of Puntland and Somaliland, where they have ensured themselves naval facilities in Bosaso and Berbera, respectively. Saudi Arabia is also building a base in Djibouti, and the display of both Arab states is also part of the strengthening of their positions regionally and in relation to the conflict in Yemen. Both countries currently use, for example, the Eritrean port of Assab to support the naval embargo against Yemen, within the context of the war initiated in 2015.

For its part, Qatar, an ally of Turkey and rival of the UAE, has recently been financing the Sudanese port of Suakin in the Red Sea, where it is also building a naval base, and is approaching, as is Turkey, the Transitional Federal Government (TFG) of Somalia, thus marking a distance with the UAE, which interacts with the Puntland and Somaliland separatists⁷³. On the other hand, Qatar's support for the previously mentioned Grand Renaissance Dam Project which Ethiopia has underway is generating added tensions in its relations with the UAE as well as with Egypt. Qatar's projection also reaches other areas in on the continent, worth mentioning being the tour of the Qatari Emir Tamin Bin Hamad to several countries in the Sahel in December 2017.

Conclusions

Africa as a continent is presently going through a situation presenting both lights and shadows. Among the first, the political-diplomatic area stands out with the advance of multilateralism within the AU, with an open door to the signature of the Agreement for the Creation of a Free-trade Area in March 2018, which by the end of the year the great majority of the member States will have signed; now, only their ratification of it is lacking. That, along with the realization taking place on the continent regarding the need to advance in terms not only of economic, but also of political self-sufficiency, should be made the most of in order to improve the situation in general. Some sub-regional organizations can and should also advance along the same lines, to support efforts at a continental level and to improve situations that affect certain countries and sub-regions, from the ECOWAS to the Sahel G-5 in the vicinity closest to Spain.

The high economic growth in some countries (Ivory Coast up to 9% and Ethiopia or Ghana up to 8%), and the progress in terms of alternation in govern-

⁷³ DUDLEY, Dominic: «East Africa Becomes A Testing Ground for UAE and Qatar As They Battle for Influence And Opportunity», *Forbes*, 3 April 2018.

ment in others -- fluid in Ghana and Liberia, with signs of democratization, and, to a certain measure forced in Zimbabwe or South Africa -- should serve as an example on a continent where there are still cases of political immobility (DRC or Sudan), of lasting corruption and entrenchment of violence. Over-dimensioned groups of terrorists are still challenging the security of countries and entire regions (Boko Haram, Al Shabab, the Group for Support of Islam and Moslems, or the Greater Sahara Islamic State, among many others), and this, together with the aforementioned economic dependence that is still structural and that is shown, for example, in that by which the AU is handicapped in its structure and some of its instruments (AMISOM in Somalia), causes Africa to continue to be a scenario of international presence, military and economic, which broad sectors describe as interference.

The exploration of foreign presence in Africa is an obligatory subject of study, expanding the range of countries and international organizations involved (the EU, in particular, currently the main donor, investor and partner in the continent) passing among these from the traditional actors (France, the United Kingdom, the US or Russia) to others which have been consolidating their presence in more recent times (China, Turkey, Saudi Arabia, Qatar or the UAE, arousing great interest but also causing growing concern regarding the first-mentioned country in this group).

Factors such as demography and the environment, apart from those of the previously mentioned political, economic and security elements, are rapidly emerging as challenges on the continent. The great present and future unknown is whether the forced migrations of population, which represent a situation ongoing from the past, will keep flowing mainly within the continent, or if they will start heading abroad and particularly towards Europe. For some, this last scenario is already taking place, not so much because of the figures that we are dealing with but rather because of the tendencies. These could change if they have not already done so, especially when countries that have traditionally been able to absorb these flows -- such as Libya, Ivory Coast or South Africa -- stop offering such a possibility, and if countries traditionally producing emigration and/or being used for transit -- like Morocco -- find themselves full to overflowing. If, to all of that, we add the environmental issue, with droughts in the Sahel and in the Horn of Africa, the advance of the desert and decrease in the water level of rivers and of lakes (Chad and Victoria) as phenomena that are already occurring, a multiplicity of challenges may present themselves that demand and will demand urgent responses.

Chapter five

Latin America: democratic unrest and the challenges posed by the crisis of globalisation

José Antonio Sanahuja

Abstract

Latin America is undergoing a period of widespread «democratic unrest» which translates into high levels of democratic disaffection, distrust of institutions, the questioning of traditional elite and their forms of government and rising expectations of public policy, transparency and accountability. This dissatisfaction is expressed through actors, agendas and national processes, but it is synchronised with a global trend that is fuelling the rise of nationalist and illiberal leaders and forces. The problems of democracy in the region are not confined, therefore, to countries that have authoritarian governments. After addressing the trends that affect the region as a whole, this chapter will examine three cases in which this setback has been more serious in recent years: Venezuela, Nicaragua and Guatemala.

Keywords

Democracy, elections, globalisation, globalization, Latin America, South America, Venezuela, Nicaragua, Guatemala.

Social changes and democratic «unrest»

The 2017-2019 electoral cycle: a changing political environment

Between 2017 and 2019 Latin America is facing a «super election cycle» of legislative and/or presidential elections in 14 countries in the region. In 2018 alone, there were changes of government in eight countries: Brazil, Chile, Colombia, Costa Rica, Cuba, Mexico, Paraguay and Venezuela. For most countries, the elections are an expression of a normal and well-established democratic process¹. However, the results also reflect the deep «democratic unrest» that Latin America is experiencing. As *The Economist* has pointed out, Latin America and the Caribbean remains the most democratic region in the developing world but it suffered another year of democratic deterioration: in 2018 the quality of democracy deteriorated in 11 countries and, while Costa Rica moved from a flawed democracy to a full democracy, Nicaragua shifted from a hybrid regime to an authoritarian regime. Of the 24 Latin American countries included in *The Economist's* Democracy Index, only two are considered full democracies (Uruguay and Costa Rica), 14 are regarded as flawed democracies, five are seen as hybrid regimes, and three are considered authoritarian (Nicaragua, Venezuela and Cuba)². After «illiberal» Jair Bolsonaro emerged as the victor in Brazil's presidential elections, it is quite possible that the country will see a decline in the freedoms and guarantees of a democracy and the rule of law in 2019.

The deterioration of democracy and «democratic unrest» are reflected in the scaling back of freedoms and the erosion of institutions, and in the balance of powers and the rule of law that some countries are experiencing, although others have improved in these areas, as can be seen from other indexes. Overall, however, we are seeing a growing democratic disaffection and a crisis of confidence in the political institutions and parties, as is clearly evident from opinion polls such as the *Latinobarómetro*. This also points to a serious crisis of representation, political fragmentation and the emergence of new, openly «illiberal» and extreme-right leaders. These problems are partly caused by the virtual realm, by the ever growing presence of social media that erode the public sphere and democratic deliberation, foster polarisation, feed on misinformation and transform the dispute for discourse and legitimacy.

In addition, new political cleavages are emerging — nationalism versus cosmopolitanism or «globalism»; homogeneity versus social, cultural and sexual diversity; women's rights; pro- or anti-market — therefore, social and

¹ ZOVATTO, Daniel, «Latin America's super election cycle is wide open», Brookings Institution, Washington, 30 October 2017; THE ECONOMIST, «Latin America's voteathon. Anger at corruption is not the only factor in a slew of elections», 16 November 2017.

² THE ECONOMIST, *Democracy Index 2018. Me too?* The Economist Intelligence Unit, London, January 2019, p. 19.

political conflict can no longer be explained only, or primarily, by the left-right political spectrum. These problems manifest in each country in different forms and magnitudes, and through particular national circumstances and mediations. However, beyond the specific circumstances of each country at any given time, Latin America, in general, is headed towards democratic regression and questioning the liberal international order, driven by the rise of «illiberal», nationalist and extreme-right forces. Again, the results of the elections in Brazil and the agendas and cleavages that emerged during the election campaign point in this direction.

The results of this election cycle are transforming the political map of the region: the phase dominated by liberal-conservative governments, after the previous «progressive cycle», was short-lived, and a more polarised and uncertain scenario has emerged. The 2017 elections in Chile and the 2018 elections in Paraguay and Colombia have resulted in more right-leaning governments, and this year's elections in Costa Rica, while keeping the same party in power, saw far-right religious forces emerge for the first time. Moreover, while the 2017 elections in Honduras saw the previous ruling party re-elected, new political forces emerged and the process ended in accusations of fraud and a serious post-election crisis. However, it is the Mexican and Brazilian elections that best express the profound political changes taking place in Latin America in terms of voters' preferences, main political cleavages and their respective party systems and leader contenders. Because of Mexico and Brazil's economic and political influence in the region, these are the elections likely to have the most profound implications for regional policy and alignments, and will result in significant changes in foreign policy and development strategy. In Mexico, Andrés Manuel López Obrador's victory in the federal elections of July 2018, with a coalition led by the National Regeneration Movement (MORENA), marked a turning point as it put a left-wing party in government for the first time and marked a break from the traditional dominant-party system. In Brazil, with the victory of Jair Bolsonaro in the October 2018 elections, we see a far-right nationalist burst onto the regional political scene, one who explicitly rejects the agenda of gender equality, the rights of Indian and Afro-American groups and the recognition of sexual diversity. In addition to embodying typically Brazilian traits and specificities, Bolsonaro is also a symbol of the global wave of far-right nationalists.

The election cycle will continue in 2019 with legislative and/or presidential elections in El Salvador (February), Panama (May), Guatemala (June) and Argentina and Bolivia (October), and the results are likely to give rise to changes in the region's political scene. Taking into account this election scenario, and against a regional backdrop of «democratic unrest» and widespread questioning of the elite, driven by the profound social trends which we will examine in this chapter, the emergence of new political forces and leaders from outside the «establishment», the relatively pessimistic economic out-

look for 2019 and the institutional and political crises countries such as Guatemala, Nicaragua and Venezuela are experiencing, we can expect to see a Latin America with a greater risk of fragmentation and less stable and predictable in internal affairs and international relations.

Social change: expansion of the middle class and vulnerable groups

Beyond the electoral swings and changes in voters' preferences that are commonplace in an established democracy, the recent elections and the results are an expression of deeper social and political developments. The first decade and a half of the twenty-first century has transformed Latin American societies. There is now less poverty and broader middle classes, although inequalities have not changed significantly. Between 2002 and 2014 poverty declined from 46% to 28.5% throughout Latin America and extreme poverty fell from 12.4% to 8.2%, which means that around 50 million people no longer live in poverty and, of these, approximately 30 million have escaped extreme poverty. Countries such as Brazil, Chile, Peru and Uruguay performed better in this respect³. With regard to inequality indices, the period from 2002 to 2003 marked a turning point and saw an improvement in most countries, although in some, such as Mexico and Costa Rica, little progress was made on equality. According to the Gini index, between 2002 and 2017 income inequality declined from 0.53 to 0.47. However, this progress is insufficient and, moreover, since 2014, the rate of progress has slowed; the data shows that in almost 30 years of inequality indices, the region has only managed to recover to the levels prior to the debt crisis of the 1980s. Furthermore, as is well known, Latin America remains the world's most unequal region in terms of income distribution.

The main social change is the emergence of a new middle class, although it is still vulnerable. The «consolidated middle class» has swelled from 21% to 30% of the population and the population segment that is not poor, yet vulnerable, is around 40%⁴. This situation is associated with casual employment and low wages (it is estimated that around 17% of workers in the region are poor) and inadequate health and social care, placing these people in a very vulnerable position in the event of an economic recession, as occurred in several countries and on a regional scale in 2014. However, it is important to

³ ECLAC, *Social Panorama of Latin America 2018*, United Nations, S-18-01084, Santiago de Chile, 2019.

⁴ Income levels of 10 to 50 dollars per day and of 4 to 10 dollars per day, respectively, adjusted for purchasing power parity at 2005 prices. OECD / ECLAC, *Emerging challenges and shifting paradigms. New perspectives on international cooperation for development*, OECD / ECLAC, LC/PUB.2018/16, Santiago de Chile, p. 21. See also FERREIRA, Francisco *et al.*, *Economic Mobility and the Rise of the Latin American Middle Class*, Washington, World Bank, 2013; LÓPEZ CALVA, Luis Felipe and ORTÍZ-JUÁREZ, Eduardo, «Clases medias y vulnerabilidad a la pobreza en América Latina», *Pensamiento Iberoamericano* no. 10, 2012, pp. 49-70.

point out that this phenomenon varies significantly from country to country, and that in some countries the middle class is still small and society is dominated by disadvantaged groups.

The positive social changes are due to the favourable combination of two factors: the growth driven by the commodity cycle, particularly in Latin America, and its positive effect on employment and real wages. In addition, broader and more inclusive social policies, with greater redistributive capacity, such as conditional cash transfer programmes, and improved access to secondary and third-level education have reduced the wage gap with more qualified workers. In some countries, secondary education coverage has increased by as much as 20 points, and there have also been improvements in access to university education. Therefore, the region has made significant progress in terms of social inclusion and the expansion of the concept of citizenship, beyond mere suffrage and other political rights. However, there continues to be considerable inequality in the distribution of income and assets, as well as other mechanisms of exclusion based on gender or ethnicity. The combination of all these factors, which will be described later on, has resulted in societies with greater expectations and demands and a growing dissatisfaction with the barriers that impede or hinder access to justice, political participation and social advancement, and also with leaders who have perpetuated their power and exploited the state for their own ends, thus preventing the renewal of elites and, in short, perpetuating the form of governance and elite that have traditionally governed Latin American societies.

The dominant liberal view predicts that the rise of the middle class could mean the strengthening of democracy, civil society, tolerance, diversity and the transition to a broader service economy. But it could also lead to greater expectations of upward mobility and an increase and qualitative change in social demands, such as questioning the governmental structures at a local, national and global level⁵. Not surprisingly, these emerging social groups — with a notable youthful presence — have carried out some of the most important social mobilisations that express the «democratic unrest». The demands by Chilean students for affordable and quality college education, the Brazilian protests for improvements of public services and eradication of corruption, and the marches against public insecurity in Buenos Aires, Mexico and other Latin American cities are pointing in the same direction.

The rise of the middle class and the strong weight of vulnerable sectors also place increasing demands on governments' proportionally weak capacity to provide public goods, tackle the conflicts in distribution, regulate the markets by protecting consumers, the territory, the environment, and administering public services. All of this points to the «social contract» that binds these social groups with the state and society as a whole, with all the rights and

⁵ EUROPEAN UNION INSTITUTE OF SECURITY STUDIES, *Global Trends 2030. Citizens in an interconnected and polycentric world*, Paris, EUISS, March 2012.

responsibilities that this entails, and which is ultimately needed to underpin democracy. These social strata bear the brunt of the tax burden, and yet, they do not receive quality public services, they have been deprived of health cover and education, and are marginalised by the social programmes «focusing» on the poorest, which the governments have introduced in recent decades.

However, the most immediate challenges are to be found in the unfavourable economic situation that seems to be approaching. Both the «not-poor» and a portion of the rising middle class, with incomes barely above the «poverty line», are characterised by their vulnerability to eventual external shocks or recessions associated with «middle income traps» that could affect the countries in the region if the commodity cycle comes to an end because of the slowdown of the global economy. This presents major challenges for social inclusion and cohesion: specifically, it requires affording governments some room to manoeuvre in order to adopt counter-cyclical measures that will prevent large social groups from falling back into poverty, with the social crisis and the political instability this can bring. Above all, it calls for policies aimed at maintaining growth in a less favourable international context. It is estimated that 70% of the poverty reduction from 2003 to 2012 is due to improvements in wages and job creation; the rest can be attributed to social programmes. If these propitious circumstances do not occur, it will be important to invest in productivity, in particular, in improving education, infrastructure and the rate of productivity in the region. It is no less important to consider the need for greater government revenues given that, while improvements have been made in recent years, collection rates remain low and the tax systems in the region impose only minor levies on capital gains, properties or inheritances; therefore the systems can generally be described as not progressive⁶.

In fact, due to the end of the commodity cycle and the slowdown the region has been experiencing since 2014, and according to estimates by the Economic Commission for Latin America and the Caribbean (ECLAC), between 2014 and 2018 poverty and extreme poverty rates rose to 29.6% and 10.2% respectively. Overall, this means that 182 million people in the region are still poor, and that 63 million of these live in extreme poverty. This situation, moreover, affects some groups more than others: the poverty rate among indigenous people is 23% higher than the regional average; 20% higher among people living in rural areas and 10% higher for children. And in some countries, such as Mexico, Guatemala and Honduras, more than half of the population live in poverty. As mentioned previously, the reduction of inequality stagnated throughout the region and in some countries, namely Costa Rica, Peru and the Dominican Republic, income distribution even deteriorated⁷.

⁶ WORLD BANK, *Social gains in the balance: a fiscal policy challenge for Latin America and the Caribbean*, Washington, World Bank, February 2014.

⁷ ECLAC, *Social Panorama of Latin America 2018*, United Nations, S-18-01084, Santiago de Chile, 2019, pp. 21-22.

Furthermore, according to the World Bank, around 220 million Latin Americans are in a «vulnerable» situation as they are in precarious and/or low-paid employment and have little or no social protection. A recession could drive them back into poverty. Advances in employment and wages account for approximately 70% of the poverty reduction from 2003 to 2012 and the rest is due to social programmes⁸. Conditional cash transfer programmes and other social safety nets have been rolled out to 22 countries in Latin America and the Caribbean, with both liberal and progressive governments. They protect approximately 132 million people, one in every four Latin Americans, with an aggregate spending of only 1.39% of the regional GDP. This is lower than expenditure on energy subsidies whereas tax avoidance could amount to 6.6%⁹. If the fiscal adjustment in response to the economic recession affects these programmes, it could exacerbate the decline in social indicators. While the progress made in previous years has not yet declined, the process has already had important political implications: social demands and dissatisfaction with the economic and political system are growing. Significant segments of the population that had been lifted out of poverty have fallen back under the «poverty line», and the vulnerable groups and a proportion of the new middle class fear that they will lose what they have gained.

Democratic unrest: political disaffection, erosion of confidence and questioning of the elite

The «democratic unrest» and the magnitude of the political changes triggered by the cycle of elections that began in 2017 show that the region's democratic agenda is not confined to cases where democracy is flagrantly denied or violated, such as in Cuba, Nicaragua and Venezuela. With the transition and consolidation of democracy at the close of the twentieth century, the region experienced a period of «democratic optimism» which, in many respects, was part of the liberal teleology of the «end of history» of this period. However, after 2000, the optimism began to fade and more problematic and circumspect views began to take hold. The normalisation of elections and wide recognition of political rights does not mean that these are fully respected: in some countries, paramilitary groups and criminal gangs continue to act with relative impunity, violations of human rights persist and, particularly, journalists continue to be threatened and killed, the independence of the judiciary and/or electoral oversight bodies is not guaranteed or the media is controlled by a minority, which does not allow for fair electoral competition. This negatively affects the legitimacy of origin of governments, sometimes with serious consequences. However, the main questions concern the legitimacy of the results and the full exercise of citizenship in view

⁸ WORLD BANK, *Social gains in the balance: a fiscal policy challenge for Latin America and the Caribbean*. Washington: World Bank, 2014.

⁹ WORLD BANK, *The State of Social Safety Nets 2015*. Washington: World Bank, 2015.

of the insufficient or inadequate measures implemented by governments to meet the social and economic demands and expectations of societies with a burgeoning middle class still marked by inequality and exclusion¹⁰.

According to opinion polls, democracy still enjoys widespread, albeit waning, support, and support for authoritarianism continues to diminish, although it is still strong in some countries. However, the polls also show that there is a growing dissatisfaction with how democracies work beyond electoral processes and, accordingly, the scope and content of the concept is being called into question.

In the *Latinobarómetro* 2018 survey, democracy recorded the lowest score in the history of the barometer, which was introduced in 1995. Since 1995, support for democracy among the total population fell from around two-thirds to 52% in 2017. In 2018, less than half the population of the region (an average of 48%) believed that democracy was the best form of government, and support was even lower in some countries such as Mexico (38%), Brazil (33%) and the violence-stricken countries in the Northern Triangle of Central America (Guatemala, El Salvador and Honduras), where support fluctuated between 28% and 33%¹¹.

At the same time, the proportion of people dissatisfied with how democracy works rose from 51% in 2009 to 71% in 2018, and satisfaction levels plummeted from 44% to 24%, the lowest score recorded in more than two decades. Fifteen percent of respondents said that an authoritarian government may be preferable and the figure was even higher in some countries, with Paraguay and Chile recording the highest scores, at 27% and 23% respectively.

The deterioration of democracy is also evident from the public's growing indifference to the type of government regime. This indicator rose from 16% in 2010 to 28% in 2018 and is associated with a disengagement from politics, non-identification with the left and right alike, a drop in the number of people who vote for parties and even in the exercise of the right to vote. As the *Latinobarómetro* indicates, «the contingent disaffected with the government, ideologies and democracy is the main catalyst for the rise of populism in the region; it is not new, it has been on the rise for years». The country most «indifferent» to democratic and non-democratic regimes alike is El Salvador at 54%, followed by Honduras and Brazil at 41% and Mexico at 38%. The least indifferent are Venezuela at 14% and Chile at 15%.

¹⁰ With respect to this argument, see the interview with Marta Lagos, Director of *Latinobarómetro*, in EL PAÍS, «La democracia no está sabiendo atajar ni la desigualdad ni la violencia en Latinoamérica», 24 December 2018.

¹¹ CORPORACIÓN LATINOBARÓMETRO, *Informe 2018*, Santiago de Chile. Similar trends were observed in other studies. For example, COHEN, M., LUPU, N., and ZECHMEISTER, E. (eds.) *The Political Culture of Democracy in the Americas. A Comparative Study of Democracy and Governance*, LAPOP Project / Vanderbilt University, August 2017.

There is an important message to be gleaned from the survey: the problems of democracy in Latin America are not confined to countries where it does not exist (Cuba) or no longer exists (Venezuela and Nicaragua): they can also be found in the other countries, where the main problems they face are the deterioration of the elites, corruption, public distrust of democratic and party institutions, the lack of democratic leadership by their leaders as well as a lack of leadership and, above all, democracy's failure to respond to the perceived problems of citizens. As a report by International IDEA has pointed out, the inability of governments to fulfil their promises has destroyed the public's trust in politicians and specifically political parties. Economically, middle-class families are concerned about losing their jobs to technology and automation. After working hard to succeed, unemployed youth and their families feel that the system has failed them, and all of these factors fuel distrust in the political system¹². Again, polls show that in Latin America citizens are more concerned about violence, corruption, unemployment and poverty than in other regions of the world and that they are more pessimistic about the future: compared to a global average of 60%, in Argentina, Brazil, Mexico and Peru, between 68% and 88% of survey respondents thought their country was on the wrong track¹³. As pointed out earlier, the expansion of the middle class has been accompanied by a growing demand for social goods and services and better governance, which has not been satisfied. Consequently, a large share of the middle class — as the upper class did before them — abandon or avoid using education, health and other public services in favour of better-quality private services. Therefore, they have fewer incentives to pay taxes and, in return, demand better services. In addition, there is the concern about corruption and «policy capture». The willingness to pay taxes, i.e. «tax morale», has been declining in Latin America since 2011: in 2015, 52% of the Latin American population was willing to evade taxes if possible, compared to 46% in 2011. As a result, the social contract is weakening¹⁴.

Latinobarómetro data on distrust of institutions are also revealing: 60% of the Latin American population — much more than in other regions — does not trust the government, compared to 40% ten years earlier¹⁵. OECD data for four countries in the region also indicate high levels of distrust: Brazil and Colombia with 26%, Chile with 20% and Mexico with 28%, compared to the OECD average of 42%¹⁶. In relation to the quality of public services, only 14% of respondents say they are satisfied with the services, compared to a global average of 30%¹⁷.

¹² IDEA, *Resilient or in decline: Current trends in Latin American democracy*, Washington, IDEA / Brookings Institution, September 2017.

¹³ IPSOS, *What worries the world - September 2018*, London, IPSOS MORI.

¹⁴ OECD / ECLAC, *Emerging challenges and shifting paradigms. New perspectives on international cooperation for development*, OECD / ECLAC, LC/PUB.2018/16, Santiago de Chile, p. 22.

¹⁵ CORPORACIÓN LATINOBARÓMETRO, *Informe 2018*, Santiago de Chile, pp. 46.

¹⁶ OECD, *Government at a Glance 2017*, Paris, OECD, 2017.

¹⁷ IPSOS MORI, *Global Trends 2017. Fragmentation, cohesion & uncertainty*, London, IPSOS MORI.

This downward trend affects all institutions, although to different degrees. The Church occupies first place in the public trust stakes, at 64%, followed by the armed forces (44%); the police (35%); the electoral institution (28%); the judiciary (24%); government (22%); congress (21%) and, finally, political parties (13%). Trust in enterprises and businesses only amounted to 42%. Latin America is also the world's most distrustful region where interpersonal trust is concerned. Regional averages tend to conceal extreme cases, such as those of Nicaragua, Peru and El Salvador, where trust in the judiciary is between 14% and 16%; and Venezuela and Mexico, where just 12% and 19%, respectively, trust the police; and Brazil, where a mere 12% trust the parliament and 6% trust political parties¹⁸.

In addition, there is a general perception that government action is targeted at satisfying the interests of the wealthy and powerful, not those of the majority or the general interest. IPSOS MORI surveys in 2017 found that 95% of Mexicans, 81% of Brazilians, 72% of Peruvians and 69% of Argentines believe that government action is rigged to the advantage of the rich and powerful. According to a Gallup poll commissioned by the OECD, eight out of every 10 people in Latin America in 2016 considered their government corrupt, compared to 6 out of every 120 in the OECD overall¹⁹. The 2017 *Latinobarómetro* indicates that from 2006 to 2018 the proportion of people who believed their country was «governed by a few powerful groups for their own benefit» increased from 61% to 79%, and in Brazil and Mexico the figure was as high as 90% and 88%. As the *Latinobarómetro* has also pointed out, in the latter two countries, the «angry vote» was decisive in electing presidents from outside the establishment in the hope of having better luck this time round. However, as the cases of Paraguay and Venezuela demonstrate, where 87% and 86% respectively share this sentiment, Mexico and Brazil are no exception²⁰.

The «angry vote» can be interpreted as a «revolt against the elite», a now-global phenomenon from which it feeds and which, in turn, feeds the «people versus the elite» discourse of leaders such as Bolsonaro and López Obrador, who have counterparts in other parts of the world. A more polarised and ideologised media plays a pivotal role in spreading these narratives and discourse. Moreover, there is the manipulation of collective emotions through the social media, where algorithms based on user preferences tend to create self-referential cognitive loops that reinforce this discourse, thus transforming the political arena in many countries, making it more polarised and ideologised and fragmenting the public sphere in contrast to mechanisms of democratic political deliberation, representation and mediation that have barely evolved at all to accommodate the new economic, social and technological changes.

¹⁸ CORPORACIÓN LATINOBARÓMETRO, *Informe 2018*, Santiago de Chile, pp. 46-48.

¹⁹ OECD, *Latin American Economic Outlook 2018. Rethinking Institutions for Development*, Santiago de Chile, OECD / CAF / ECLAC, LC/PUB.2017/25.

²⁰ CORPORACIÓN LATINOBARÓMETRO, *Informe 2018*, Santiago de Chile, pp. 38-39.

The perception of «policy capture» by the traditional elites that have perpetuated their power has led to the widespread questioning of the establishment and immersed Latin America in what is now a global phenomenon. The 2016 IPSOS surveys show that, on average, 76% of the world's population believes that the economy of their country is rigged to the advantage of the rich and powerful, not to the benefit of society as a whole, and, as we have seen, Brazil and Mexico were well above that average.

Beyond «democratic unrest»: the reconstruction of the social contract

«Democratic unrest» calls for the reconstruction of the social contract. It calls for broader conceptions of democracy and citizenship, which are not confined to a system of political participation, and the legitimation and renewal of governments through election, with an effective rule of law and a system of social, economic and cultural guarantees, rights and entitlements that provide a minimum level of protection for all.

This wider agenda of civil and social citizenship rights must firstly be incorporated into the still insufficient mechanisms of representation, control and accountability, access to justice and effective judicial protection; the independence and balance of the various public powers; the demands for freedom of press and independence of the media, threatened both by government and by corporate interests, or by the violence and coercion to which journalists and the media are subjected by organised crime or factual powers.

This agenda should also address the problem of poor quality public policy and institutional weakness, the scope of rights and entitlements, and the possibility of financing these by means of a new «fiscal compact». The fiscal compact should include comprehensive tax reforms that include a broadening of the tax base to reduce the high levels of informality; greater progressivity of tax revenues, more efficient tax authorities and better international regulation to address what the OECD calls tax base erosion²¹. However, the viability and legitimacy of these reforms hinges on the ability to make better use of resources, tackle corruption and expand the coverage and quality of public services to satisfy social demands, particularly those of the middle class and their desire for progress — public education, health and welfare, and citizen safety — without whose support the reforms will not have legitimacy.

Gender equality and issues such as violence against women and the scope of reproductive rights have also moved to the top of the social and political agenda of several countries in the region, as illustrated by the case of Argentina. This is part of a wider global trend involving both a burgeoning femi-

²¹ OECD, Addressing Base Erosion and Profit Shifting, Paris, OECD, 2013.

nist movement and reactionary conservatives associated with the rise of the far-right. Equally important is the growing public demand for recognition of rights associated with the diversity of Latin American and Caribbean societies, particularly in relation to cultural and ethnic identity and, ever increasingly, sexuality and disability. All of this calls for a significant expansion of the democratic agenda and broader, more inclusive and better quality public policies, and the emergence of new cleavages or divisions in the social and political arena that often cut across traditional political parties. In short, at the top of the region's democratic agenda are the challenges posed by the materialisation of civil and social citizenship rights, and these cannot be categorised into false dichotomies between representative or participatory democracy, or the imperative of social cohesion versus electoral participation.

A difficult international context: crisis of globalisation and external challenges

Vulnerability factors

As pointed out earlier, since 2013, Latin America has been faced with a more difficult and uncertain global scenario. This first manifested itself at the end of the commodity cycle and, subsequently, in the crisis of globalisation, at least in the form this has taken since the 1980s and 1990s, with its limits and contradictions becoming increasingly apparent after the crisis of 2008²². The crisis of globalisation poses major risks and challenges for Latin America, given that it significantly increased its external vulnerability, both in trade and finance, in the preceding years through the growing indebtedness of the private sector²³: resulting in weak global economic growth, lower exports, a growing aversion to risk and greater financial volatility, which affect the entire region but, most especially, South America. All countries in the region, irrespective of their ideological differences and «Atlantic» or «Pacific» policy models, i.e. neo-developmental or liberal, are facing the same structural risks and challenges that have confronted the region for years²⁴.

In this context, it should be noted that there are three interrelated factors of vulnerability: first, the regional economic slowdown, apparent since 2014

²² SANAHUJA, José Antonio, «Crisis de globalización, crisis de hegemonía: un escenario de cambio estructural para América Latina y el Caribe», in SERBIN, Andrés (ed.) *América Latina y el Caribe frente a un Nuevo Orden Mundial: poder, globalización y respuestas regionales*, Barcelona, Icaria / CRIES, 2018, pp. 37-68.

²³ ABELES, Martín, and VALDECANTOS, Sebastián, *Vulnerabilidad externa en América Latina y el Caribe. Un análisis estructural*, Buenos Aires: CEPAL, Serie análisis y perspectivas no. 47, 2016.

²⁴ SANAHUJA, José Antonio, «Beyond the Pacific-Atlantic divide: Latin American regionalism before a new cycle.» in BRICEÑO, José and MORALES, Isidro (eds.), *Post-Hegemonic Regionalism in the Americas. Towards a Pacific-Atlantic divide?* London: Routledge, 2017 pp. 99-124.

and which, in the current context of weak global growth, is likely to continue into 2018-2019. This results in reduced demand for exports, triggering lower investment and consumption, increasing unemployment, and reducing tax revenues. Beyond the specific figures, Latin America and China both face the risk of falling into an intertwined «middle income trap,» and Latin America seems to be paying the high cost of not taking advantage of the export bonanza to improve productivity, diversify the economy, and reform public policies to bolster growth, which would have been easier to do during the export boom.

A second major risk comes from external financial shocks or difficulties triggered by the possible «standardisation» of monetary policy in the OECD countries and, in particular, by rate hikes in the United States and the European Union and a sudden fall in external financing, in a context of increasing deficit in the current account balance. Most countries are now in better shape than in the 1980s in terms of public debt and the effects could be milder because of the slow pace at which the Federal Reserve has been raising interest rates since December 2015; however, this risk should not be underestimated. Of particular importance in this context is the sharp hike in corporate debt and the associated risk, driven by the strong growth in credit during a period of expansive monetary policy.

The third factor could be the deteriorating fiscal balances, caused by the general economic slowdown and falling revenues from natural resources. Tax revenues were significantly bolstered by the commodities bonanza, particularly in Latin America, but have been declining since 2014. It must be borne in mind that the performance of the external sector — particularly exports and access to external finance — still determines the amount of leeway for adopting countercyclical policies, and since 2015 falling commodity prices, particularly oil, have also resulted in lower tax revenues, and a greater need for fiscal consolidation and cuts in public spending, with pro-cyclical effects and/or less fiscal space for countercyclical policies.

In addition, there is the uncertainty and risk surrounding the governance of globalisation, with a multilateral system being called into question and in danger of fragmentation in the wake of rampant nationalism in the US and other countries. In particular, the rise of right- and far-right forces opposed to free trade in the US and the EU between 2015 and 2018 poses a growing risk of protectionism for Latin America and the Caribbean. The United States, traditionally the principal guarantor of the liberal order, is now questioning that order under the presidency of Donald Trump. Thus, a paradoxical situation has arisen: since the shift towards economic nationalism, the developing countries have emerged as the advocates of globalisation²⁵. At the Asia-Pacific Economic Cooperation (APEC) summit in Lima in November 2016, the

²⁵ DE CONING, Cedric, «The BRICS: the last line of defence for globalization?,» *Rising Powers Quarterly* vol. 2, no. 4, 2017, pp. 83-93.

then president of Peru, Pedro Pablo Kuczynski, and Chinese President Xi Jinping positioned themselves as champions of economic openness and the Trans-Pacific Partnership, from which the US has withdrawn. And again, the Chinese president was the unexpected advocate of globalisation at the World Economic Forum in Davos in January 2017, despite the fact that China is also moving towards more nationalist policies focusing on its internal market.

This paradox is particularly evident in Latin America: some countries' shift to the liberal right — particularly Argentina under the government of Mauricio Macri, and Brazil's post-impeachment government under Michel Temer — can be explained, among other factors, by a desire to «open up to the world» and exploit the advantages and opportunities that globalisation afforded through liberal economic policies in addition to foreign and regional integration policies and strategies, which are perceived as more open and pragmatic than those pursued by previous governments, and with more emphasis on free trade²⁶. Argentina and Brazil, in particular, have fostered a more open and flexible Mercosur, one that could converge with the Pacific Alliance (Argentina has been an observer state since May 2016) and advance in trade negotiations with the EU. Similarly, the idea of a free trade agreement with the US resurfaced during President Obama's visit to Argentina in March 2016²⁷.

Latin America in the face of nationalist and protectionist tendencies

However, Latin America's main extra-regional trade partners are taking stances that are out of line with this «globalist turn»: in some cases, they are pursuing policies that focus more on their domestic market (the case of China) or have moved towards greater economic nationalism and protectionism. Donald Trump's victory in the US elections resulted in North America's refusal to ratify the Trans-Pacific Partnership Agreement (TPP), and negotiations with the EU for a Transatlantic Trade and Investment Partnership (TTIP) were abandoned. Furthermore, as we shall see later on, the Trump administration intends to review current free trade agreements from a more protectionist, nationalist and, if you like, asymmetric stance, as occurred with the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico, and its replacement by the United States–Mexico–Canada Agreement (USMCA). Similarly, social and political opposition to free trade is also growing in the EU as evidenced by the difficulties in ratifying the Comprehensive Economic and Trade Agreement (CETA) at the time, although the deal was eventually concluded. Furthermore, the French and German governments have also taken stands against the TTIP negotiations and have viewed other trade negotiations such as the EU–Mercosur deal with

²⁶ NOLTE, Detlef, «Trade: the undervalued driver of regional integration in Latin America», *GIGA Focus Latin America* no. 5, September 2017.

²⁷ SANAHUJA, José Antonio and COMINI, Nicolás, «Las nuevas derechas latinoamericanas frente a una globalización en crisis», *Nueva Sociedad* no. 275, May–June 2018, pp. 32–46.

suspicion in light of the demands of an electorate that takes a critical view of globalisation, driven, in part, by new far-right forces that increasingly question pro-globalisation policies and their social effects.

Aside from the Trump administration's questioning of the liberal international order, and the growing influence of the nationalist right and far-right in other Western countries, consideration must also be given to the slow but steady rise of China as a trading partner and source of investment, as well as Russia's more assertive policy, which has led to loan agreements with countries in the region such as Venezuela. This situation has been met with a more activist foreign policy by the US, as evidenced by its role in exacerbating the Venezuela crisis in January 2019.

In the case of the US, this shift was already apparent in the new National Security Strategy adopted in November 2017 (White House, 2017), which signalled a reformulation of foreign policy in terms of a geopolitical competition between the major powers. Washington's shift in trade policy is also telling. The Trump administration is introducing an unprecedented combination of nationalist unilateralism and a peculiar ideology of asymmetric neo-liberalism, all of which alters, though it does not radically transform, the Latin American policy matrix of the previous period²⁸. A document drawn up by the Office of the United States Trade Representative says as much²⁹, and resorts to the *America first* nationalist rhetoric to demonstrate the US's preference for bilateral agreements over multilateral and plurilateral negotiations. Specifically, it announces the renegotiation of the twenty free trade agreements to which the US is party, which are considered «unfair» and «imbalanced» and detrimental to the country. A new logic of «managed trade» is introduced to ensure «reciprocity» and to give the US back the sovereign power to adopt unilateral trade defence measures over the dispute settlement mechanisms provided in the aforementioned agreements and/or the unilateral WTO dispute settlement system; to promote, above all, employment and economic growth in the United States, and to avoid making trade concessions in response to geopolitical imperatives.

This initially led to a complex renegotiation of the North American Free Trade Agreement (NAFTA)³⁰, and deals signed with other countries in the region may also be affected: Central America and the Dominican Republic (CAFTA-DR), and Colombia, Peru and Chile. Expectations of similar agreements with the new governments in Argentina and Brazil may be ruled out a priori,

²⁸ VIGEVANI, Tullo and MAGNOTTA, Fernanda (2016) «Os actors externos: Agendas e estratégias dos Estados Unidos para a América Latina», *Pensamiento Propio* no. 44, December 2016, pp. 179-216.

²⁹ USTR, 2017 Trade Policy Agenda and 2016 Annual Report of the President of the United States on the Trade Agreements Program. Washington, Office of the United States Trade Representative (USTR), March 2017.

³⁰ USTR, *Summary of Objectives for the NAFTA Renegotiation*, Washington, Office of the United States Trade Representative (USTR), 17 July.

as was made clear at the G20 Summit in Buenos Aires in December 2018³¹. In January 2018, the United States also unilaterally raised the tariffs on certain electrical appliances and on solar panels, and took restrictive measures or legal action against Chinese-owned companies (Huawei, Broadcom) in the technology and communications sectors. In March 2018, Trump announced his intention to impose a tariff on steel (25%) and aluminium (10%) imports, justifying them on national security grounds, as this unilateral protectionist measure is permitted under a safeguard provision in the WTO rules. Such measures, especially harmful to China and the EU, could prove very costly. They hit industries that depend on imported steel and aluminium and can lead to trade reprisals against US products, thus triggering a trade and technology «war» which, at the start of 2019 cannot be discounted³². With a restriction on the acquisition of technology by foreign firms, particularly Chinese ones, and the tariff hikes, Trump is once again playing to the electoral base and facing criticism from the traditionally pro-free trade Republican Party, by invoking national security grounds which could lead to new trade and technology wars.

The signing of the USMCA (United States, Mexico and Canada Agreement) on 28 August 2018 demonstrates that the scope of the review was more limited than announced, and while it is less favourable for Canada and Mexico than the NAFTA, it is still better than no deal at all. The US, for instance, was unable to eliminate the NAFTA trade dispute settlement mechanism, which has survived in the new agreement. Significant changes have been introduced to the new agreement, particularly in relation to the auto industry, where higher wage and rules-of-origin requirements were introduced, encouraging car manufacturers to use more North American inputs; a notification requirement for parties starting trade negotiations with a non-market country has also been introduced. Therefore, as mentioned previously, the USMCA signals a move towards a more regionalised than global production and trade model. In any event, the agreement has yet to be ratified by the three countries and it might not receive the approval of Congress, with a Democratic majority³³.

Finally, the Trump administration's questioning of the WTO and particularly its rejection of the WTO trade dispute settlement rules is disadvantageous to the interests of developing countries and, particularly, Latin American countries that do not have trade agreements with the US, as the possibility of US unilateralism creates uncertainty.

³¹ THE ECONOMIST, *Building Bridges. Latin America's new trade agenda*, London, The Economist Intelligence Unit, 2017.

³² CHASE, Peter; SPARDING, Peter; MUKAI, Yuki, *Consequences of US trade policy on EU-US trade relations and the global trading system*, Brussels, European Parliament, Policy Department for External Relations.

³³ THE ECONOMIST, «America, Canada and Mexico agree to a new trade deal», 1 October 2018.

In the face of these dynamics, does Latin America have other partners and options for sustaining an open international system subject to multilateral rules? Other actors and coalitions, such as the Asia-Pacific Economic Cooperation (APEC) in Asia and, particularly, countries such as Japan, have been promoting the TPP since the withdrawal of the US. Reformulated as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the new agreement was symbolically signed on the day Trump announced the tariff increases on steel and aluminium. Although a TPP without the United States does not have the same appeal or clout, and distances the US from Asian markets, it is a clear sign of political support for globalisation and the open market by the 11 member countries, whose combined economies represent 14.5% of the global gross domestic product and 15% of global trade. China is not a party to the CPTPP, as the agreement contains provisions that a country which, in many respects, is not yet a market economy would have difficulty complying with, but it is still promoting the Regional Comprehensive Economic Partnership (RCEP) initiative and is pursuing an overarching geopolitical and economic strategy aimed at Eurasia and the Pacific through the Belt and Road Initiative (BRI), whose summit in May 2017 had a significant Latin American presence.

Trump's electoral victory and his abrasive foreign policy, particularly towards a multilateral world order, the EU, Brexit and, above all, the possibility of a Frexit after the rise of the far-right in France, which was finally averted by Emmanuel Macron's victory, seem to have pulled the EU out of its political paralysis. Since the end of 2016, it appears to have taken the political initiative to defend the EU model and a multilateral world order in the belief that the survival of one depends on the other. The EU has put up a united front in the Brexit negotiations and approved a new EU Global Strategy (EUGS). Moreover, in May 2017, the European Commission approved an important paper entitled *Reflection paper on harnessing globalisation*. As in the case of the EUGS, this document advocates, over rampant populism, global governance, global rule and effective multilateralism, taking as a reference point the 2030 agenda for sustainable development, endorsed by the UN in September 2015. In addition, following Macron's victory in the presidential elections, relations between France and Germany improved, especially in relation to climate change and the governance of globalisation. This was apparent at the G-20 summit in Hamburg, where the US came across as isolated, only close to the UK, which was in an unusual position at the time because of Brexit. On the eve of the Summit, the EU announced a free trade agreement with Japan. It was barely a rough draft but it sent a powerful political message to the US. The CETA with Canada and the EU-Mercosur negotiations have been presented in a similar light. Moreover, in the case of the latter, there appears to be a greater willingness on both sides to make concessions and come up with a «comprehensive» agreement, although it does not reach the liberalisation levels desired by the more orthodox Trade Directorate of the European Commission. However, hopes of wrapping up the deal by the end

of 2017, coinciding with the G20 Summit in Buenos Aires, did not materialise and, at the time of submitting this paper, there were still numerous obstacles to its conclusion.

The EU-Mercosur negotiations, in particular, demonstrate that European attempts to promote and lead coalitions in favour of a liberal order and globalisation cannot ignore the limits imposed by domestic actors and policy dynamics. The European Union that is aiming to lead an open international system is the same one that is seeking to re-legitimise itself to the citizenry of the Union, to use the words of the President of the European Commission: «a Europe that protects, empowers and defends» against external threats, whether they relate to security or the impact of globalisation; that takes a markedly securitarian approach to migration³⁴ and which toughens and tightens its trade defence instruments against developing countries. After Brexit, the EU will depend on weak French-German leadership: in Germany, the formation of the *Große Koalition* in March 2018 placed Merkel in a more precarious position, conditioned from the right by Alternative for Germany, by the Christian Social Union in Bavaria on asylum and refugee matters, and with a Social Democratic Party reluctant to support openness in trade. However, it is perhaps the pro-European leadership of Macron that most directly embodies these contradictions. The revolt of the «yellow vests» on his return from the G20 Leaders' Summit in Buenos Aires likely best illustrates this: it could be argued that Macron's globalist promise to his electorate was that, again, the three elements of the so-called «Rodrik's trilemma» could be achieved simultaneously – the impossible combination of national sovereignty, deep global economic integration and democracy and civil rights. However, the impossibility of this trilemma is again expressed in his legal reforms, which reduce workers' rights in the name of competitiveness, restrict freedoms in the name of security by introducing an even more restrictive migration policy and in the unwillingness to make concessions in trade negotiations with third parties, as can be seen from France's stance — the most protectionist of all — in the EU-Mercosur talks.

Finally, Latin America is facing other medium- and long-term risks in relation to the global reorganisation of markets and geopolitics, technological change and mounting pressure on the multilateral system to ensure an effective, representative and legitimate governance of globalisation.

The start of a new wave of technological innovation involving the reorganisation of production through digital platforms, automation and artificial intelligence — «The fourth industrial revolution»— make the relocation of industrial production, a characteristic of globalisation, less attractive and diminish the importance of economies of scale and global supply chains,

³⁴ SANAHUJA, José Antonio, «La Estrategia Global y de Seguridad de la Unión Europea: narrativas securitarias, legitimidad e identidad de un actor en crisis». *ICEI Working Papers* DT 01/18, January 2018.

which were the focus of the international insertion strategies of some countries in Latin America, particularly those with more open economy models, forcing them to reassess them. This trend seems to indicate that a stage of globalisation that has lasted for more than three decades, based on the transnational production model, is gradually drawing to a close³⁵. Industrial production is being reorganised and relocated to local and regional markets, and this poses a challenge for the international insertion strategies of countries in Latin America and the Caribbean. As automation technologies erode the advantage of low-wage workforces, the window of opportunity may be narrowing for low-income countries to use labour-intensive manufacturing for export as a development strategy³⁶. This process has already begun, and the developing countries with intense manufacturing activity are the ones with the greatest potential for automation and «premature deindustrialisation». For example, Ford's backtrack on plans to expand its production plant in Hermosillo (Mexico) in 2016 following pressure from President Trump will not result in more employment in the US, as the conservative protectionist rhetoric claims, but rather points to new dynamics of jobless relocation, robotisation and reindustrialisation on both sides. At a global scale, this new wave of technological innovation brings greater uncertainty and job insecurity, given its implications for employment, taxation and social protection, and, not without conflict, will require a comprehensive redefinition of the social contract in developed and developing countries alike.

Sources of tension in 2019: Venezuela, Nicaragua, Guatemala

*Venezuela: entrenched crisis and regional spill-over*³⁷

Throughout 2018 and into early 2019, the situation in Venezuela continued to deteriorate, leaving fewer options for internal actors and the international community, until the watershed moment in January when the head of the National Assembly, Juan Guaidó, declared himself interim president of the country. The prelude to this scenario was marked by a political deadlock brought about by an isolated, unpopular and increasingly authoritarian and repressive regime, serious violations of human rights³⁸, a divided and rudderless opposition, the escalation of the economic crisis, hyperinflation and widespread im-

³⁵ THE ECONOMIST, «The retreat of the global company», 28 January 2017.

³⁶ LUND, Susan; MANYIKA, James; WOETZEL, Jonathan; BUGHIN, Jacques; KRISHNAN, Mekala; SEONG, Jeonming; and MUIR, Mac, *Globalization in Transition: The future of Trade and Value Chains*, McKinsey Global Institute, January 2019, p. vi. THE ECONOMIST.

³⁷ This section was written between November and December 2018 and updated on 27 January 2019. The conclusions are therefore preliminary, given the speed with which events are unfolding in Venezuela this month.

³⁸ ORGANIZATION OF AMERICAN STATES (OAS), *Report of the General Secretariat of the Organization of American States and the Panel of Independent International Experts on the possible commission of crimes against humanity in Venezuela*, Washington, OAS, 29 May 2018.

poverishment. Mid-2018 saw a massive exodus of Venezuelan emigrants to neighbouring countries, and this became a key domestic policy issue in many of these countries, making it impossible for them to maintain their previous declaratory or principled positions. The «spill-over» of the crisis into the rest of the region has confronted these countries with a major humanitarian challenge and once again highlighted the divisions and shortcomings of the Lima Group and regional organisations in addressing the Venezuela crisis. As a result, external actors had a very limited range of options to support regional and/or multilateral initiatives, beyond the sanctions imposed by some countries (Canada, the United States and the European Union), and explains the weak regional and international response to the humanitarian challenges posed by the internal social crisis and external migration flows.

In January 2019, the Venezuela crisis was at a new turning point, with significant differences from the previous ones: for the first time in many years, internal opposition was able to unite forces under the leadership of Juan Guaidó, president of the National Assembly, who proclaimed himself interim president on 23 January 2019, invoking articles 233 and 333 of the Venezuelan constitution. The majority of American governments, including the US and Canada, quickly and concertedly recognised Guaidó as the interim president and encouraged him to lead a peaceful transition to democratic elections in a bid to pressure Maduro to step down. In this case, external pressure may help break the deadlock, provided the transition to elections is peaceful and does not end in violence.

The political scene: entrenchment of the regime and a divided and rudderless opposition

Between 2017 and 2018 the Venezuelan government managed to entrench itself in power. Maduro's government waged a violent crackdown on the mass protests of 2017, thus dismantling the opposition's strategy of street mobilisations³⁹; it managed to block the recall referendum initiative and strip the opposition-majority National Assembly of its powers by having the Venezuelan Supreme Court, comprised of individuals loyal to Maduro, dissolve it in March 2017. The regime then sought to establish a new «legitimacy of origin» by calling elections for a Constituent National Assembly (ANC) in July 2017, which the opposition boycotted, and which has not been recognised by the EU, the US or the Lima Group. Today, there are no democratic checks and balances or independent judiciary or electoral body and yet, despite the mounting repression and unpopularity, Maduro's government continues to enjoy a degree of public support, either out of loyalty, ideology and/or dependence on the government for subsidised goods and food rations through mechanisms such as the *carnet de la patria* (homeland card)⁴⁰.

³⁹ LLORENS, Manuel, «Dolor país, versión Venezuela. Las protestas de 2017 y sus secuelas», *Nueva Sociedad* no. 274, March-April 2018, pp. 71-82.

⁴⁰ EL PAÍS, «La cartilla de racionamiento de Maduro», 2 September 2018.

A key factor in the deadlock was the abrupt break-off of the «Santo Domingo talks» (December 2017 to January 2018), with the mediation of Dominican president Danilo Medina and the former Spanish prime minister José Luis Rodríguez Zapatero, and the support of the Lima Group and other countries as «facilitators». While some agreements were reached during the talks, hopes of a solution were dashed when Maduro unilaterally called a snap presidential election and barred the Democratic Unity Roundtable (MUD) party from standing for election as a coalition. As a result, the latter boycotted the election which, in turn, led to infighting in the opposition, as one of the coalition parties (the Progressive Advance party led by Henri Falcón) did decide to stand. Maduro was the only candidate with real possibilities of being elected and, despite evidence of fraud, voter turnout was still the lowest in history. Although the election results demonstrated the erosion of support and legitimacy of the regime, and were not recognised by most countries in Latin America, the US or the EU, they nevertheless allowed the government to consolidate its grip on power⁴¹.

The internal division of the opposition has been a key factor in the deadlock: the Democratic Unity Roundtable (MUD) was no longer the united opposition force it had been in 2015. The MUD's plurality could have been a strength but frequently gave rise to infighting. After successive defeats in the presidential elections of 2008 and 2013 against candidate Hugo Chávez, the MUD's greatest accomplishment has possibly been its majority win in the parliamentary elections of 6 December 2015, where it won 112 seats in the 167-member National Assembly (56.2% of the votes). This was the first significant election victory for the Venezuelan opposition in 17 years. However, since 2017, the opposition has split and many of its leaders have been excluded from elected office, imprisoned or exiled. The break-off of the Santo Domingo talks and the boycott of the 2018 presidential elections could have been an opportunity to unite opposition forces, but the opposite occurred. The MUD was formally dissolved in late 2018, thus confirming that the opposition was divided, had no clear strategy or direction, and was weakened following a long series of mistakes, internal disputes and defeats⁴². Part of the MUD sought to accommodate the regime: following the regional elections of 2017 some opposition governors took an oath before the Constituent National Assembly, despite the fact that this body is not recognised by the coalition⁴³. The MUD's most radical wing, the *Soy Venezuela* group, led by María Corina Machado and Antonio Ledezma, split from the coalition even before its dissolution; it rejected

⁴¹ INTERNATIONAL CRISIS GROUP (ICG), «Containing the Shock Waves from Venezuela», Brussels, *ICG Report* no. 65, 21 March 2018.

⁴² INTERNATIONAL CRISIS GROUP (ICG), «Friendly Fire: Venezuela's Opposition Turmoil», *ICG Report* no. 71, 23 November 2018. See also LOZANO, Daniel, «Dividida en seis grupos, la oposición al chavismo toca fondo», *La Nación*, 10 November.

⁴³ BBC Mundo, «Las divisiones de la oposición en Venezuela: 4 de sus 5 gobernadores electos se juramentan ante la controvertida Asamblea Constituyente», 24 October 2017.

the Santo Domingo talks and called for a «humanitarian intervention» based on the UN's «responsibility to protect» doctrine, even through military intervention, and demanded that Maduro be tried for crimes against humanity⁴⁴. In April 2018 the National Assembly unanimously voted that Maduro be tried for corruption and other crimes by the «Supreme Court in exile». These moves were not backed by the Lima Group, which refuses to endorse any form of military intervention, with the exception of Colombia's new government headed by Iván Duque, a hardliner on Venezuela, who does advocate a «change of regime». The outcome of these splits is that the international community has no clear interlocutors or strategy to support⁴⁵.

The opposition's rejection of dialogue, the imposition of international sanctions and the referral of the case of Venezuela to the International Criminal Court, which is examined below, have also encouraged the entrenchment and cohesion of the country's leaders and senior officers of the National Bolivarian Armed Forces of Venezuela (FANB), which cannot negotiate and make concessions as they see no way out. In 2018 there were no notable splits or dissidence within government leadership or that of the armed forces, aside from some tension between the military leaders, middle-ranking officers, non-commissioned officers and soldiers, who experience the same hardships as the general population and have occasionally deserted for this reason. The regime's relative tolerance of internal corruption is also a means of internal control by the government and its cadres, including senior officials of the armed forces.

Economic collapse and the possible implosion of the regime

The regime's greatest weakness is a rapidly deteriorating economy, in free fall, with hyperinflation, hardly any foreign exchange reserves, and a high risk of defaulting on its debt payments⁴⁶. This is an important factor for change in the scenario that has emerged with the international recognition of self-proclaimed president Juan Guaidó in so far as external actors cut off the regime's access to foreign exchange. Between 2013 and 2018 GDP is expected to contract by 45%. Inflation accelerated from October 2017, with the IMF forecasting a surge of 13,000% in 2018, comparable to what occurred in the Weimar Republic, leading to widespread impoverishment and an unprecedented social crisis, likely to reverse the social advances made during the oil «bonanza»; it will also trigger an increase in crime, and explains the acceleration in external migration. The combination of falling crude oil prices and production — in 1999 Venezuela produced 3.4 million barrels per day; in

⁴⁴ LA RAZÓN, «Ledezma reclama una intervención extranjera en Venezuela para acabar con Maduro», 26 November.

⁴⁵ LOZANO, Daniel, «Dividida en seis grupos, la oposición al chavismo toca fondo», *La Nación*, 10 November 2018.

⁴⁶ SUTHERLAND, Manuel, «La ruina de Venezuela no se debe al «socialismo» ni a la «revolución»», *Nueva Sociedad* no. 274, March-April 2018, pp. 142-151.

Latin America: democratic unrest and the challenges...

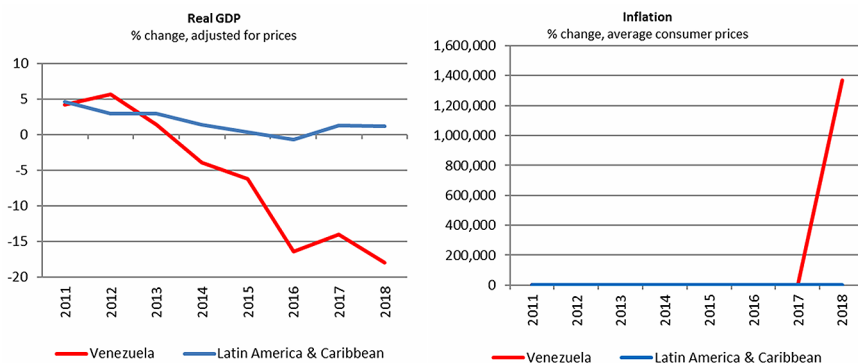


Image 1. Venezuela: economic collapse and hyperinflation. Source: IMF, *World Economic Outlook, October 2018*.

2018 only 1.34 million — is a key factor in explaining the tax deficit, around 20% of GDP, the resort to printing money and debt default⁴⁷.

The political and financial support Venezuela has received from Russia and, more discreetly, China is in return for granting Rosneft greater concessions — oil exploration blocks and joint ventures with PDVSA — and, in the case of China, loans secured with oil reserves through the Central Bank. The risk of default and a possible seizure of oil assets by creditors could lead to the collapse of the economy. For the government, it is vital to curb inflation, stabilise the economy and avoid debt default. However, the economic and monetary reform plan launched in mid-2018 has failed to address basic macroeconomic imbalances and appears to be doomed to fail⁴⁸. In addition, the launch of the «petro» cryptocurrency, backed by the country's oil reserves and other natural resources, has not resulted in the hoped-for influx of hard currency⁴⁹.

External economic support is vital; hence, Maduro travelled to China on 14 September 2018 in search of funds. Several sectoral agreements were signed which, it was announced, would result in significant Chinese investment in the oil industry. However, no new quick-disbursement loans were agreed to stabilise the balance of payments and Venezuelan currency⁵⁰. Between 2005 and 2016 China granted Venezuela loans of 62.2 billion dollars, making it the country's largest foreign creditor. Since 2017, however, the funds have dried up in light of Venezuela's growing insolvency. In November

⁴⁷ KASSAI, Lucia, «Venezuela's Decline from Oil Powerhouse to Poorhouse», *Bloomberg Businessweek*, 15 November 2018.

⁴⁸ SUTHERLAND, Manuel, «¿Nicolás Maduro tiene un plan? «Socialismo», hiperinflación y regresión social», *Nueva Sociedad*, August 2018.

⁴⁹ ELLSWORTH, Brian, «Special Report: In Venezuela, new cryptocurrency is nowhere to be found», *Reuters*, 30 August 2018.

⁵⁰ EL PAÍS, «La ayuda de China no aportará ingresos para paliar la crisis de Venezuela», 24 September 2018.



Image 2. Flow of Venezuelan migrants and asylum seekers Source: CRS.

2018 Venezuela concluded a debt restructuring agreement with Russia, and signed new investment deals in December as part of a visible diplomatic and military rapprochement⁵¹. Economic reforms and access, albeit difficult, to new loans from Russia and China are possibly Venezuela's last chance. However, if this fails, it will have to accept humanitarian aid, which it has already rejected, and/or the collapse of the economy, with the unpredictable political consequences this entails, and which would require making concessions to the opposition and the external actors who recognised Juan Guaidó as the legitimate president in January 2019.

The migration crisis and regional spill-over

The rapid increase in migration flows to neighbouring countries and the associated reception and assistance problems have meant that the crisis has spilt over to other countries in the region. According to data by the Interna-

⁵¹ EL PAÍS, «Rusia da un respiro a Venezuela, estrangulada por la deuda», 16 November 2017. EL MUNDO, «Maduro cierra contratos con Rusia por valor de más de 6.000 millones de dólares», 6 December 2018.

tional Organization for Migration (IOM), the number of Venezuelans abroad has risen from under 700,000 in 2015 to 3 million in November 2018. About 70% of this human wave has been directed to Latin American countries such as Colombia, Peru, Ecuador, Chile, Argentina and Brazil. And large contingents of wealthier migrants have moved to the United States or Spain⁵². Aside from its intrinsic importance as a humanitarian issue, the massive exodus from Venezuela has also raised domestic and regional policy issues which the governments of neighbouring countries have to deal with. And this has not been without internal contradictions, including surges of xenophobia fuelled by far-right actors, between the solidarity with Venezuela rhetoric and internal pressures⁵³. Furthermore, it complicates the merely declaratory policy that has characterised the Lima Group up until now, although it also affords the opportunity for regional cooperation, at least on this agenda, and the chance to set aside the ideological differences that have divided the region to date, as evidenced by Ecuador's move towards the Lima Group⁵⁴.

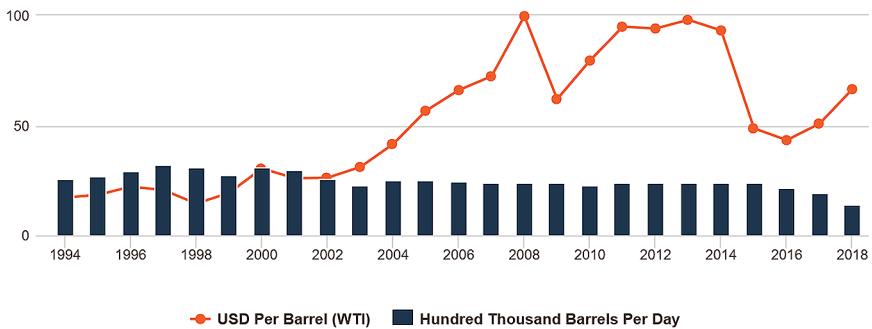


Image 3. Venezuelan crude oil production and global prices, 1994–2018. Source: CFR Editorial. Source: OPEC, U.S. Energy Information Administration.

However, the Latin American countries have not been capable of coordinating actions or establishing a regional mechanism⁵⁵. In September 2018, eleven countries of the region met in Quito, at the initiative of Ecu-

⁵² GÓMEZ, Enrique, «The Venezuelan Migrant Crisis», *Briefing*, European Parliament, PE 630.343, December 2018.

⁵³ MIJARES, Víctor M. and ROJAS, Nastassja, «Venezuelan Migration Crisis puts the Region's Democratic Governability at Risk», *Giga Focus Latin America* no. 6, October 2018.

⁵⁴ SERBIN PONT, Andrei, «La crisis humanitaria en Venezuela y su impacto regional: migración, seguridad y multilateralismo», *Pensamiento Propio* no. 47, 2018, pp. 129-158. CRIES, *Respuestas Regionales a la Crisis en Venezuela: resguardando los derechos humanos de refugiados y migrantes*, Buenos Aires, 15 March 2018.

⁵⁵ CAMILLERI, Michael J. and OSLER HANSON, Fen, *No Strangers at the Gate. Collective Responsibility and a Region's Response to the Venezuelan Refugee and Migration Crisis*, Washington, Centre for International Governance and The Inter-American Dialogue, October 2018.

dor, to coordinate a regional response to the migration crisis. The «Declaration of Quito» was adopted at the meeting; however, it failed to establish a regional mechanism and it was agreed to continue working «individually and cooperate as each country deems appropriate and timely». In addition to calling for greater involvement by international cooperation actors, particularly the UN, the OAS and IOM, the government of Venezuela was called upon to accept humanitarian aid — which was not accepted by Bolivia which did not sign the Declaration — and issue passports for its citizens. Moreover, the neighbouring countries were requested to accept expired passports as valid travel documents, although this was rejected by Peru and Ecuador, who sought to turn away Venezuelan migrants who did not have valid identification documents. A second regional meeting in Quito in November led to a commitment to accept and give employment to Venezuelan migrants and refugees in accordance with the legislation and conditions of each country.

The immediate humanitarian response throughout the crisis has been insufficient to address the humanitarian challenges posed by the migrants and share the burden with the neighbouring countries. According to the IDB, Colombia alone would need 1.5 billion dollars a year to tend to the migrants and/or refugees it has received, a sum that far exceeds, for instance, the 50 million dollars contributed by the US and the EU until the end of 2018. Inadequate foreign aid has been a wasted opportunity for helping to prevent the outbreaks of xenophobia and rejection that opportunist leaders have taken advantage of, for solidarity and human rights, for offsetting the sanctions and paving the way for constructive engagement, and for engaging the various internal and external agents in a less polarised and politicised dialogue that inspires a minimum level of confidence. Although actions such as these would begin with migrants abroad, they could subsequently be applied to the internal crisis with the additional goal of preventing the outflow of Venezuelan nationals and engaging government agencies, the UN and other independent organisations (the Church/Cáritas, Red Cross, civil society organisations and international NGOs such as Oxfam). Before the last step could be implemented, Maduro's government would have to recognise the existence of a humanitarian crisis, which it has denied up to now. A regional initiative to assist migrants and refugees would allow for greater UN involvement, fulfilling the commitments made by the Secretary-General, António Guterres, overcoming obstacles in the Security Council and, in particular, Russia and China's increasingly nuanced support for the regime. It also places demands on the neighbouring countries in terms of respect for international law and legal and labour conditions for migrant workers. In response to the regime's claim that aid is the first step towards external intervention, it is essential to draw a distinction between humanitarian aid and «humanitarian intervention» from the outset, and to separate it entirely from political agendas in order to send a clear message of commitment to the people, to humanitarian imperatives and to human rights.

The challenges for a regional response to the crisis

The regional frameworks' capacity for action, however, is now more limited and, aside from the Venezuela crisis, reveals a deeper crisis of Latin American regionalism in light of the conservative governments that dominate the region. Neither the OAS, the Union of South American Nations (USAN) or the Community of Latin American and Caribbean States (CELAC) have been able to act due to the divisions opened up by the Venezuela crisis and the emergence of the Lima Group. Despite its ideological affinity, the Lima Group is significantly divided, and has not been effective. Venezuela has sufficient support within the OAS to veto proposals by its Secretary-General Luis Almagro, the Lima Group and the US to suspend Venezuela's membership of the organisation. In any event, Venezuela's withdrawal from the organisation would not have practical consequences given that in April 2018 it rejected the constitutive treaty of the OAS and announced its intention to withdraw from the organisation, which will take effect one year later. Finally, the argument of Maduro's government that the OAS legitimises US intervention continues to resonate throughout the region, particularly following the controversial statements of Luis Almagro on 14 September in which he justified a military intervention; and even within the Lima Group there is strong opposition to the imposition of sanctions in this context⁵⁶.

With regard to the USAN, the support that a share of the region continues to afford Maduro, the unanimity rule and the vagueness of the «democratic clause» partly explain the paralysis of this regional organisation. The CELAC could not be convened, and the CELAC-EU biennial summit had to be suspended because of political divides over Venezuela. With regard to the USAN, the Lima Group countries have temporarily suspended their membership in an «empty seat crisis», so to speak, claiming that the USAN has acted as an «accomplice» to the Venezuelan regime, and Colombia, following the election of Iván Duque, has permanently withdrawn from the organisation, primarily for internal electoral reasons. Therefore, the region has rendered itself incapable of working in concert to address the crisis or, at least, the humanitarian aspects of the crisis.

The Lima Group is also showing signs of internal rifts both in relation to solutions that entail the use of force and the risk of violence, and the imposition of sanctions and the scope of the sanctions. Moreover, even if it were to support targeted or «smart» sanctions, such as those imposed by the US, Canada and the EU, the Lima Group does not have the legal authority to adopt them and there are no precedents in the region beyond the legality and legitimacy afforded by organisations such as the OAS, Mercosur and the USAN. Finally, the Lima Group is both a consequence and a cause of the political rifts paralysing the region. By playing a leading role in the Venezuela crisis, the Group could make itself part of the solution if this allows for concerted action, or

⁵⁶ EL PAÍS, «Las potencias de América Latina rechazan una intervención militar en Venezuela», 12 August 2017; and «El Grupo de Lima rechaza cualquier intervención militar en Venezuela», 16 September.

part of the problem on account of the Group's ideological bias and the alignment of some of the member countries — particularly Colombia, under Iván Duque, and Jair Bolsonaro in Brazil — with the sectors most reluctant to engage in dialogue and negotiation and who are waiting until external intervention forces «a change of regime».

In the absence of a regional response, the use of sanctions has only been adopted by Canada, the EU and the US, albeit in varying degrees: all three have placed restrictions on visas and frozen the assets of senior government officials, more in response to political backlash than as a means of promoting a negotiated solution. The United States has restricted credit for the government and PDVSA, and the EU has placed an embargo on weapons and equipment that could be used to violate human rights. So far, however, these targeted sanctions have not prevented the entrenchment of the regime; on the contrary, they may have encouraged it – they have not been seconded by the region itself through the Lima Group and, according to some polls, they do not have the support of the majority of the population. On this point, sanctions, such as those proposed by the Trump administration on the Venezuelan oil industry, merely exacerbate the suffering of the Venezuelan people. The severity of the Venezuela crisis and human rights violations aside, the sanctions could pose a credibility problem and demonstrate a «double standard» and targeted action against other countries.

The risks posed by a «change of regime» by violent means

Some actors, such as the United States, have advocated a military coup to overthrow the regime. On 8 September, *The New York Times* revealed that between late 2017 and early 2018 the Trump administration held at least three secret meetings with Venezuelan military officers who requested US support for a military coup to overthrow Maduro and his regime⁵⁷. The US did not get involved, not so much out of principle or political strategy, but because the plot lacked substance. The leak, by a «mole» in the Department of State and possibly on the team of the Council on Hemispheric Affairs, might have been intended to sink the Trump administration's «hard line» and force a reversion to diplomatic pressure and eventual negotiation. In any event, the leak prompted several pronouncements against a military option or coup, including a harsh article published in the same newspaper⁵⁸, and other Latin American voices recalled the history of US intervention in the region, advocating that all diplomatic and political options be kept open⁵⁹.

⁵⁷ LONDOÑO, Ernesto and CASEY, Nicholas, «El gobierno de Trump discutió un posible golpe de Estado con militares rebeldes en Venezuela», *The New York Times* in Spanish, 8 September 2018 (In English: «Trump Administration Discussed Coup Plans With Rebel Venezuelan Officers»).

⁵⁸ THE NEW YORK TIMES, «Stay Out of Venezuela, Mr. Trump», 11 September.

⁵⁹ TULCHIN, Joseph S., «The 'military option' in Venezuela is an illusion», Geopolitical Intelligence Services (GIS), 12 October 2018; INTERNATIONAL CRISIS GROUP (ICG), «The risks of diplomatic rupture with Maduro's Venezuela», *ICG Statement*, 18 December 2018.

After the plot was leaked, Luis Almagro, the Secretary-General of the OAS no less, told the press, while on a visit to Colombia's border with Venezuela on 14 September 2018, that no «option should be ruled out» with respect to the Venezuela crisis. More specifically, he was referring to a possible coup to overthrow Maduro's government. His statement met with widespread rejection in the region: on 16 September, 11 of the 14 countries in the Lima Group (all except Colombia, Canada and Guyana) released a joint statement opposing any form of action or declaration that implies military intervention or threats or the use of violence in Venezuela, arguing that any solution must be peaceful and based on dialogue and negotiation. Almagro's statements once again highlighted the deep divides within the Lima Group and Colombia's more belligerent stance. And, in the end, they proved counterproductive, as they merely provided fuel for Maduro's anti-imperialist discourse and hindered a possible negotiated solution. President Trump's subsequent statements of 25 September, reaffirming the military coup option, again aligned Almagro with the policy pursued by the US and drew widespread condemnation from the region.

All of this demonstrates that part of the opposition and some Lima Group countries, perhaps waiting for the economy to collapse and/or a revolt by the FANB, appear to support a «change of regime» by military means. Such a stance, however, underestimates the political risks and the violence and repression that any attempt to oust the government by force will entail. External intervention, on the other hand, is an inconsistent stance based on ethereal premises or rhetorical calls for «humanitarian intervention» which almost no country in the region would accept on the grounds of principle, especially if it is proposed or backed by the United States. Such a scenario, if implemented, could have disastrous consequences: there is a very high risk that military intervention would plunge the country into instability and armed conflict given the large number of illegal weapons in circulation and the presence of violent armed groups operating outside the law. Merely hinting at a military option has only served to reinforce the government's «state of siege» mentality, led to the further entrenchment of the regime and fuelled the anti-imperialist discourse that has in no way helped to resolve the crisis. For all these reasons, some external actors have insisted on a return to the negotiating table, through arrangements such as the «contact group» suggested by the EU in October 2018 at the initiative of Spain.

An uncertain judicial path: the referral of the case of Venezuela to the International Criminal Court

On 26 September, five Latin American governments (Argentina, Colombia, Chile, Peru and Paraguay) and the Canadian government petitioned the International Criminal Court (ICC) to initiate an investigation on crimes against humanity allegedly committed in the territory of Venezuela since February 2014. This was an unprecedented move in that no state had ever requested the ICC to intervene in the territory of another state party. On 29 September,

the French government announced its support for the initiative in a statement calling upon the authorities to engage in political dialogue with the opposition. The petition was based on a report by the OAS of May 2018, claiming that there were «sufficient grounds» to conclude that crimes against humanity had been committed, in addition to a report by the UN High Commissioner for Human Rights. In accordance with the Statute of the International Criminal Court, the claim was not brought against the State of Venezuela, but the persons who allegedly committed the crimes. However, there are doubts with regard to the legal basis for the action. Even though there have been serious violations of human rights in Venezuela, including extrajudicial executions, they may not constitute the mass crimes against humanity and genocide that were cited as the subject matter of the ICC action.

At a bilateral meeting of ministers Aloysio Nunes and Josep Borrell on 11 October 2018, both Brazil and Spain voiced similar doubts, which are shared by other countries, claiming, moreover, that the action could hinder the proceedings already initiated by the prosecutor of the International Criminal Court and does not contribute to a negotiated solution. In February 2018 the prosecutor of the ICC, Fatou Bensouda, had already opened a «preliminary examination» to determine whether there is a reasonable basis to proceed with an investigation. The referral by the above states is intended to avoid the typically tortuous and time-consuming preliminary examination process and force the opening of a formal investigation. However, the ICC prosecutor has so far rejected this possibility and stated that the preliminary examination will continue to follow its «normal course». An important factor in this regard is that the US is not a state party to the Rome Statute of the ICC for reasons unconnected with Venezuela. Again, the opening of an investigation might encourage senior members of the PSUV party to «close ranks», though it might also create rifts within the party. Some of the more radical members of the opposition support the referral. And the more moderate members see it as a way of exerting political pressure to delegitimise the regime, and possibly a deterrent to further violations of human rights, although they also recognise that it does not help negotiations or a possible peaceful political transition.

A new scenario for the Venezuela crisis?

As can be concluded from the above, throughout 2017 and 2018 there were few opportunities for a constructive response from Latin America and the international community to an entrenched crisis due to the unwillingness of the Venezuelan government and a large part of the opposition to engage in dialogue, the internal division of the latter and the paralysis of regional organisations and the inter-American system.

January 2019 marked an important turning point in the Venezuela crisis. The precursor was the inauguration of Nicolás Maduro as president on 10 January 2019, which was considered illegitimate by the US, the Lima Group and

the EU as the fairness of the elections was widely-questioned⁶⁰. On 15 January, the National Assembly declared Maduro a «usurper». Juan Guaidó, who had been named president of the Assembly on 5 January, called for mass protests against President Maduro on 23 January and proclaimed himself Venezuela's acting president. Guaidó had the explicit support of the US government, via the Vice President Mike Pence, in addition to the governments of Canada, Colombia and some of the Lima Group countries. For the first time in many years, the opposition was finally able to put up a united front, with a clear leader and the firm backing of the Trump administration. At an «open cabildo» (open forum) on the same date, Guaidó declared himself «acting president» under articles 233 and 333 of the Venezuelan constitution (article 233 empowers him to call elections within thirty days), and called upon the army to support him. The move was also an expression of the previously orchestrated and undisguised intervention of the United States which, one hour before Guaidó made the announcement, had already «recognised» him as the legitimate president. Shortly afterwards, the US Secretary of State, Michael R. Pompeo, took to Twitter to urge the military to support Guaidó⁶¹. The members of the Lima Group, Ecuador and Canada were quick to follow suit in recognising Guaidó and supporting his intention to lead a peaceful transition to democratic elections intended to force Maduro out⁶².

This immediately sparked widespread controversy: while there are no doubts about the democratic legitimacy of the National Assembly, Guaidó's self-proclamation as interim president and the interpretation of the constitution on which it is based is questionable; because this «recognition» is contrary to established diplomatic and international law practices based on the recognition of governments that exercise effective control over their territory and with the capacity and willingness to honour the international obligations of the state, and not because of their political profile and/or democratic support; because it signals the US's return to openly interventionist practices akin to the «Monroe Doctrine», as opposed to the «Jefferson Doctrine», which alludes to the well-established, though not unique North American practice of recognising de facto governments that exercise effective control over their territory and population, irrespective of their form of government;

⁶⁰ HERRERA, Ana Vanessa and LONDOÑO, Ernesto, «La oposición venezolana declara ilegítimo a Maduro y apuesta por la desertión de sus aliados», *The New York Times* in Spanish, 15 January 2019 (In English: «Opposition Declares Maduro Illegitimate, and Urges Defections»).

⁶¹ GARRIE, Adam, «Venezuela's Twitter Coup – a 20th Century Style US Intervention in Latin America with 21st Century Characteristics», *Eurasia Future*, 24 January 2019. GOODMAN, Joshua; LUGO, Luis Alonso, and GILLIES, Rob, «AP Exclusive – Anti-Maduro coalition grew from secret talks», *The Washington Post*, 25 January.

⁶² At 26 January 2019, within Latin America and the Caribbean Maduro had the explicit support of the governments of Bolivia, Cuba and Nicaragua. In a joint statement, Mexico and Uruguay called for dialogue, without recognising Guaidó, and twelve of the fifteen nations in the Caribbean Community did the same.

and because it is also contrary to the «Estrada Doctrine», which originated in Mexico and is well-established throughout Latin America, that rejects the recognition or non-recognition of governments of other states as an instrument of foreign policy on the basis that it is an interventionist practice that violates the principles of self-determination and sovereign equality of states.

Based on these principles and the Estrada Doctrine, Mexico and Uruguay did not recognise Guaidó, but they did offer to broker a peaceful negotiated solution to the crisis. Initially, the EU also held back on recognising Guaidó; although it did call for elections and a process of transition to democracy in a statement by the High Representative of the EU, Federica Mogherini, on 23 January. For its part, the UN called for dialogue and expressed fear that the crisis would lead to an armed conflict. Russia, Turkey, Iran and, more discreetly, China expressed their support for Maduro and his government. Thus, the dispute over Venezuela immediately acquired the physiognomy of a classic geopolitical confrontation and signalled the US's return to the region to counter the growing influence of China and Russia.

Following a long and difficult negotiation, on 26 January, the EU released a new statement from the High Representative. While Guaidó was neither recognised nor mentioned in the statement, the EU did call for the organisation of fresh elections with the necessary guarantees «over the next days» or the EU would take further actions, «including on the issue of recognition of the country's leadership in line with article 233 of the Venezuelan constitution». The statement made no mention of who should call the election, but did reiterate its full support to the National Assembly as the democratic legitimate body of Venezuela, did not recognise Maduro and gave him no alternative but to accept the holding of an election that would lead to the end of his presidency. However, it also showed that the EU was divided over the issue, as several Member States were reluctant to recognise Guaidó — particularly Austria, Greece and Italy — on the principle of non-intervention, among other reasons. Simultaneously, and independently of the EU, the German, Spanish and French governments, who had pressured the Member States on the matter, gave Maduro an ultimatum of eight days within which to call an election or they would «recognise» Guaidó as Venezuelan president⁶³. Venezuela explicitly rejected the ultimatum the same day at a UN Security Council session.

«Recognition» of Guaidó as interim president is merely the first link in a long chain of events: it would allow the US and other countries to freeze the assets of the Venezuelan government and transfer the control of overseas gold and foreign exchange reserves to the «interim president», in addition to the oil revenue and assets of PDVSA and the US-based company CITGO, so that

⁶³ GIL, Andrés, «De la voz única al coro desafinado: la crisis de Venezuela divide la política exterior común de los 28», *Eldiario.es*, 26 January 2019. DE MIGUEL, Bernardo, «La UE gira hacia el reconocimiento de la presidencia de Guaidó en Venezuela», *El País*, 25 January 2019.

Guaidó would have resources to run the country and provide material aid to the people. Weeks before Guaidó declared himself interim president, the UK, at the behest of the US, had denied Maduro's regime access to more than 1.2 billion dollars worth of Venezuelan gold deposited with the Bank of England⁶⁴. It can be inferred, both from the opposition's expectations and the design of US external intervention, that if Maduro's government were to lose control of these resources it would put pressure on the FANB, which is ultimately the decisive actor, to force Maduro to step down, and/or hold elections and a transition process in which attempts would be made to maintain the prerogatives of the senior military leaders⁶⁵.

These developments have opened the way for a wide range of scenarios⁶⁶. On the one hand, for the first time in a long while, they open new opportunities for political dialogue leading to a transition to democracy. The Venezuelan minister of defence, Vladimir Padrino López, has declared the armed forces' support for President Nicolás Maduro in the wake of what he considers an attempted «coup d'état» by the opposition with the backing of the United States. However, he also called for dialogue. To use his own words: «War is not an option. It's not a civil war, a war among brothers that will resolve Venezuelans' problems. It is dialogue.» Guaidó, for his part, has considered giving Maduro and other senior leaders a political way out, pointing out that «amnesty is on the table (...) those guarantees are for all those who are willing to side with the constitution to recover the constitutional order».

A political transition based on dialogue between the parties should lead to the holding of free and transparent presidential elections overseen by international observers. To achieve this, a «roadmap» should be drawn up to create the appropriate conditions for dialogue and trust, setting out a series of transition measures and a precise time frame: to begin with, the release of political prisoners; a broad amnesty and a political solution for all parties, including the government and the armed forces because, without this, negotiation will not be possible; guarantees of respect for human rights; a verifiable commitment that the state powers will refrain from interfering in the political process; and acknowledgement of the serious humanitarian crisis the country is suffering, allowing UN agencies and recognised international NGOs to take action to alleviate it. Following these, the next most pressing measure would be to replace and ensure the independence of the electoral oversight body, followed by the adoption of further measures to guarantee the independence and balance of powers and the rule of law. In this process, international support, pressure and mediation will be necessary, even essential. However, the main actors will be the Venezuelans themselves,

⁶⁴ LAYA, Patricia; BRONNER, Ethan and ROSS, Tim, «Maduro Stymied in Bid to Pull \$1.2 Billion of Gold from UK», *Bloomberg*, 25 January 2019.

⁶⁵ CASEY, Nicholas, «Within Venezuelan Military Ranks, a Struggle Over What Leader to Back», *The New York Times*, 26 January 2019.

⁶⁶ SAHAGÚN, Felipe, «EEUU y la Troika de la tiranía», *El Mundo*, 27 January 2019.

without exclusion, and measures must be taken to ensure that Venezuela does not become the subject of geopolitical disputes between foreign powers. Again, the primary objective is to avoid violence that could lead to even more victims and greater violations of human rights, thereby jeopardising regional security.

In any event, the resolution of the crisis will depend, first and foremost, on the stance taken by the armed forces, and this is where some of the main risks posed by Guaidó's US-backed gamble lie: if the FANB and police forces remain loyal to Maduro and his regime — as suggested by the statements of the minister of defence, Vladimir Padrino López, on 24 January — Guaidó's self-proclamation as interim president will remain a mere declaration and could give rise to a new wave of repression. In addition, it would put the governments that backed Guaidó in a difficult position, with no interlocutor for a regime with which they will ultimately have to continue dealing. If the FANB is divided, the risk of a military and civil confrontation is extremely high, and the military involvement of the US cannot be ruled out entirely. It is only if there is a general change of stance within the armed forces that we can expect to see a non-violent solution to the crisis.

Nicaragua: repression and authoritarian slide

In 2007, the Sandinista Party, led by Daniel Ortega, regained the presidency of Nicaragua with the support of the traditional private sector, the Liberal Party of former president Arnaldo Alemán and the Catholic Church. Since 2009, Nicaragua has enjoyed stable annual economic growth of between 3.5% and 5%, which has afforded it a degree of public support. However, the government has been progressively undermining the country's democratic institutions and gradually taking control of the Parliament, Supreme Court of Justice and Supreme Electoral Council, which allowed Ortega to amend the constitution to remain in power for three consecutive terms. In the 2016 presidential elections, Ortega won 72% of the vote, with a voter turnout of 68%. The prominent role that the vice president and wife of Ortega, Rosario Murillo, plays in government must also be noted⁶⁷.

In mid-April 2018 the announcement of pension cuts, together with the mismanagement of forest fires in the south of the country only compounded more serious reasons for social discontent, such as corruption, inequality and the capture of the state by elites who had perpetuated themselves in power⁶⁸. All of this triggered the start of protests by activists, students, women's organisations and rural communities, which were brutally suppressed by the police and armed forces linked to the government, generating a rapid

⁶⁷ FEINBERG, Richard E., *Nicaragua: Revolution and Restoration*, Washington, The Brookings Institution, November 2018.

⁶⁸ BALDODANO, Mónica «La rebelión del pueblo de Nicaragua», *Nueva Sociedad*, April 2018.

escalation of repression-protests-repression that led to the outbreak of a genuine national crisis⁶⁹. According to UN sources, by August 2018 the protests had resulted in more than 300 deaths — 455 according to independent human rights organisations — at the hands of repressive government forces in almost all cases. The same report cited allegations of torture while in prison and claims that pro-government armed elements were involved in the crackdown⁷⁰.

In addition, there was the persecution of dissidents, arbitrary dismissals of civil servants and the intimidation of individuals linked to the protests. Furthermore, greater state surveillance and social control was introduced through paramilitary groups tolerated by the government. On this point, it should be borne in mind that in mid-July 2018 the Nicaraguan parliament passed a law against the financing of terrorism and the «proliferation of weapons of mass destruction», which human rights organisations claim is a way of criminalising critical sectors. According to official sources, by December 2018, more than 200 persons had been arrested on charges of «terrorism». As a result, many Nicaraguans have fled to neighbouring countries, primarily Costa Rica, or the United States, and approximately 25,000 Nicaraguans have applied for or intend to apply for asylum. The IACHR warned of «the escalation of a fourth stage of state repression: the consolidation of a state of emergency with police orders or legislative decrees that, under the guise of legality, restrict and affect the core content of human rights»⁷¹.

Following the protests that began in April 2018, the government proposed the establishment of a National Dialogue process and requested the mediation of the National Episcopal Conference (CEN by its Spanish acronym). The Dialogue commenced in mid-May with the participation of President Ortega, Vice President Murillo and representatives of the opposition group Civic Alliance for Justice and Democracy. As a result of the talks, the government agreed to allow an observation mission from the Inter-American Commission (IACHR) of the OAS to participate as observers. The IACHR arrived in Nicaragua on 17 May and issued its report weeks later⁷². Following the report, the government agreed to the establishment of the Interdisciplinary Group of Independent Experts for Nicaragua (GIEI by its Spanish acronym), which was established in early July for a period of six months. The Special Moni-

⁶⁹ MARTÍ PUIG, Salvador, «Una crisis inesperada pero previsible», *Política Exterior* no. 185, September-October 2018, pp. 14-20. CUADRA, Elvira, «Nicaragua: ¿Una nueva transición en puertas?», *Nueva Sociedad* no. 277, September-October 2018, pp. 4-12.

⁷⁰ UNITED NATIONS, *Human rights violations and abuses in the context of protests in Nicaragua, 18 April - 18 August 2018*, Office of the United Nations High Commissioner for Human Rights (OHCHR), Geneva, August 2018.

⁷¹ EL ECONOMISTA, «CIDH: En Nicaragua se oprime y extermina a disidentes», 17 December 2018.

⁷² IACHR, *Human rights violations and abuses in the context of protests in Nicaragua*, San José, 2018.

toring Mechanism for Nicaragua (MESENI by its Spanish acronym) was also established to follow up on the implementation of the recommendations of the IACHR. In addition, a mission of the Office of the United Nations High Commissioner for Human Rights (OHCHR) arrived in the country on 24 June 2018.

However, Ortega's government has thwarted talks with the opposition and obstructed the work of international missions, whose reports highlight the seriousness of the human rights violations, while protests continue. Ortega and Murillo claimed that the riots were an attempt to overthrow the government. The CEN withdrew from the talks, citing a lack of willingness to reach agreements and the government's intensified crackdown on the right to protest.

In late August, following the publication of the OHCHR report, Ortega's government ordered the OHCHR staff to leave the country. The UN Security Council addressed the situation of Nicaragua in September 2018 but was unable to reach a consensus due to the opposition of Russia, China, Bolivia and Ethiopia. Furthermore, no progress has been made in relation to the work carried out by the MESENI, as the group does not have access to the case files or public trials of the detainees and has been unable to ascertain their state of health. Neither has progress been made in disbanding the paramilitary groups linked to the government, which the IACHR has called for since it began its work.

By January 2019, against the backdrop of a clamp down on protests, the dismantling of the institutions and the toughening of the regime, talks had come to a standstill: the government has refused to negotiate reforms or advance the elections scheduled for 2021, as requested by an opposition that has failed to put up a united front, continue mobilisation or engage the business sector which has adopted a wait-and-see attitude⁷³. The government appears to be pursuing an entrenchment strategy similar to that of Venezuela, but with greater repression, and even going so far as to ban new protests and demonstrations that call for an end to the regime⁷⁴.

Guatemala: expulsion of CICIG, institutional crisis and impunity

Created in 2006 under a United Nations mandate, the International Commission against Impunity in Guatemala (CICIG by its Spanish acronym) has played a key part in combating impunity in a country plagued by corruption, organised crime, violence and, above all, impunity, where «illegal bodies and clandestine security apparatuses» (CIACS) operate in a veritable «parallel state» following years of war and human rights violations. By way of illustration, in 2006 alone, it is estimated that 93% of murders remained unsolved.

⁷³ CUADRA, Elvira, «El largo abril de Nicaragua», *Nueva Sociedad*, December 2018.

⁷⁴ INTERNATIONAL CRISIS GROUP (ICG), «A Road to Dialogue After Nicaragua's Crushed Uprising», *ICG Report* no. 72, 19 December 2018.

Since its inception, the CICIG's mission has been to end criminal impunity, investigate criminal businesses and strengthen the professional skills and ethics of the country's police and public prosecutor service. The CICIG's effectiveness in fulfilling its founding mission, i.e. the combating of impunity, is clear: during its first six months in operation, the number of cases solved increased fourfold. After 2009, Guatemala saw an average 5% annual decline in the murder rate whereas its regional peers experienced a 1% annual rise in their homicide rates. The CICIG is estimated to have contributed to the avoidance of more than 3,250 homicides between 2007 and 2014, and as many as 4,650 if the effects are extrapolated through 2017. At the same time, since the establishment of the CICIG, the police have dismantled approximately 80 criminal networks which committed murders or hired hitmen to do so. The CICIG has also helped strengthen the administration of justice by providing technical training to staff and recommending public policies and measures to improve the system. Under its auspices, the government set up special courts for trying powerful criminals, Congress approved a witness protection programme and the use of telephone tapping and other special investigation methods was sanctioned.

In recognition of these achievements, the mandate of the CICIG was renewed on four occasions. The CICIG enjoys broad public support: in 2017 it was the most highly regarded institution in the country, with more than 70% of the public trusting it, compared to 18% who do not.

However, on 31 August 2018 the president of Guatemala, Jimmy Morales, announced his decision to not renew the CICIG's mandate in Guatemala after it began a criminal investigation against him for illegal financing and requested that his immunity be lifted. He made the announcement against a «threatening backdrop», with military vehicles stationed in front of the Commission headquarters. A few days later, the authorities denied the CICIG head commissioner, Iván Velásquez, re-entry into the country after a trip to Washington DC. Since then, and despite a constitutional court ruling in favour of his return, Velásquez has not been able to re-enter the country. This triggered a deep institutional crisis. The backing of the US, distancing itself from its traditional support for the CICIG, also explains Morales challenging of the UN⁷⁵.

After 2013, and the appointment of Iván Velásquez as the CICIG head commissioner, the Commission turned its focus toward the corruption networks that underlie impunity for organised crime, in addition to contraband, illegal electoral financing, corruption in the judiciary, narcotics trafficking and money laundering. This shift, coupled with the promotion of reforms on electoral law and transparency regulations, has triggered growing opposition from politicians.

⁷⁵ INTERNATIONAL CRISIS GROUP (ICG), «Saving Guatemala's Fight Against Crime and Impunity,» *ICG Report* no. 70, 24 October 2018.

The same year, the Foreign Ministry expressed displeasure over a CICIG commissioner's statement denouncing political interference in the genocide case against former dictator Efraín Ríos Montt. Subsequently, in 2015, the government set up a board to assess whether the CICIG's mandate should be extended for an additional two years. In response, in April 2015 Velásquez published the results of its investigation of a customs racket. The investigation, carried out with the Attorney General and Head of the Public Ministry, Thelma Aldana, implicated the then president, Otto Pérez Molina, most of his cabinet, dozens of politicians and many prominent businesspeople.

The debate surrounding the CICIG is about whether an international body should investigate high-level corruption in a sovereign country, questioning its elite. The situation came to a head in 2017 when Morales attempted to expel Velásquez following an investigation which led to the indictment of his brother and son in a corruption case involving false invoices. However, the Constitutional Court stayed the order, which merely fuelled the Morales' determination to dispense with the Commission. In January 2018, Morales sacked the interior minister, Francisco Rivas, and a month later the police chief, Nery Ramos, both conscientious participants in the anti-corruption campaign.

Since its inception, the CICIG had been supported by international donors, particularly the United States. However, political changes in the US have jeopardised this support in the wake of criticism from members of the Republican Party. After Morales announced he would end the Commission's mandate, U.S. Secretary of State Mike Pompeo expressed his «support for Guatemalan sovereignty». Moreover, President Morales appears highly attuned to the White House's priorities regarding migration, drug trafficking and foreign affairs. Indeed, in February 2018, the Trump administration thanked Morales for moving Guatemala's embassy in Israel to Jerusalem. Thus, US support for the CICIG appears to be lagging⁷⁶. In any event, CICIG procedures have also provoked criticism and there are calls for a reform of the Commission to strengthen its legitimacy and promote its return.

Speaking to the UN General Assembly on 25 September, President Morales denounced the CICIG as «a threat to peace in Guatemala» that has created a «system of terror... whereby those who think differently are persecuted». In November, the Guatemalan Constitutional Court again ruled that Velásquez could return to the country, but the government refused to abide by the decision. And, in January, Morales terminated, unilaterally and in violation of the law, the agreement with the UN, with the rank of law, that allowed the CICIG to operate in Guatemala until September 2019, and gave the staff that was still in Guatemala 24 hours to leave the country, alleging a breach of national and international law. In reality, this decision constitutes a serious breach

⁷⁶ GOLDMAN, Francisco, «Guatemala está en crisis y Trump guarda silencio», *The New York Times*, 24 September 2018.

of the rule of law and is a further step towards dismantling the country's democratic institutions, particularly the independent bodies not yet under Morales' control, such as the Constitutional Court and the Human Rights Ombudsman. The general elections in June 2019 — for which former attorney general Thelma Aldana is running — will largely be a test of the continuity of the CICIG, as well as the fight against corruption and the impunity that has characterised the exercise of power by the Guatemalan elite.

Composition of the working group

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- Member and Secretary:* **JOSÉ PARDO DE SANTAYANA**
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