

## Readings in European Security, Volume 4

«Readings in European Security, Volume 4»

by Michael Emerson

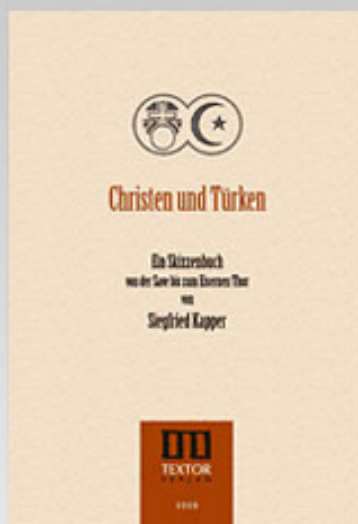
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**READINGS IN EUROPEAN SECURITY**  
**VOLUME 4**

# **READINGS IN EUROPEAN SECURITY**

## **VOLUME 4**

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**CHAIRMAN: FRANÇOIS HEISBOURG**

**EDITOR: MICHAEL EMERSON**

**CENTRE FOR EUROPEAN POLICY STUDIES**  
**BRUSSELS**

**INTERNATIONAL INSTITUTE FOR SECURITY STUDIES**  
**LONDON**

**GENEVA CENTRE FOR THE DEMOCRATIC CONTROL OF ARMED FORCES**  
**GENEVA**

This fourth volume of *Readings in European Security* contains the papers commissioned for presentation and discussion at the meetings of the European Security Forum (ESF) in the period from January 2006 to February 2007. They have been previously published in the European Security Forum Working Paper series, Nos. 21-25.

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## PREFACE

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With this fourth volume of *Readings in European Security*, the number of seminars held by the European Security Forum has reached 25, which may be viewed as an anniversary and an occasion for stocktaking. The first meeting was held in April 2001. The project was initiated by CEPS and the IISS in response to an awareness that the European Union's role in strategic foreign policy and security seemed destined to develop, yet at that time debate and analysis of the potential issues were extremely limited even in Brussels. In the major capital cities of Europe, there were well-established policy research institutes devoted to such questions, but they were invariably looking from national rather than European perspectives.

From the start, it was decided to follow a standard format of inviting one scholar each from the EU, Russia and the United States to address the same issue. With few exceptions, different authors were invited for each of the 25 seminars, with the result that there is now a virtual ESF alumni association of almost 75 past contributors. Therefore, for this volume we have listed this impressive collection of individuals at the end. Taken together one can say that the six years and 25 seminars of the European Security Forum have involved a considerable share of the leading scholars of international relations and strategic studies in the EU, Russia and the US. We hope that this effort has resulted in focusing the attention of the European policy-research community on Europe's actual or desirable role in matters of strategic security, as well as also helping their American and Russian counterparts to think of Europe as an emerging strategic actor.

Looking ahead, we hope to broaden the topics and participation with greater weight given to global rather than just European issues. The last meeting covered in this volume, on Afghanistan, with contributors also from that region, was a step in that direction.

Finally, we would like to thank those who have supported the European Security Forum, namely NATO, the US Mission to the EU, the Compagnia di San Paolo and the Open Society Institute. We are also very happy that the Geneva Centre for Democratic Control of the Armed Forces has joined CEPS and the IISS as a co-sponsor.

**Michael Emerson**

CEPS Senior Research Fellow  
Co-Director, European Security Forum

## INTRODUCTION

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In this fourth volume of *Readings in European Security*, a striking disconnection occurs between the external challenges facing the European Union and its members, and the great, indeed growing, internal difficulties within Europe, which impair the ability of the EU to act as a coherent player on the international scene.

Fittingly, in this regard, the first discussion in this fourth volume flows from the consequences of the French and Dutch 'no' votes against the Constitutional Treaty in May-June 2005. The dual rejection has left the EU at an institutional impasse and the Union has had to fall back on the Nice Treaty as the default option. Thus, we are left with the shortcomings of that treaty, not the least of which is an impossibly complex system of voting rights within the European Council, which the Constitutional Treaty had set out to correct.

The situation has also deprived the EU of measures that would have significantly improved its ability to weigh positively on the international scene, such as an EU foreign minister (combining the Commission's considerable foreign-assistance spending with the Council secretariat's diplomatic assets) and a foreign service, the solidarity clause or the abolition of the six-month rotating presidency. Possibly most significantly, however, the Nice Treaty in its current state does not provide for the EU to enlarge beyond the current 27 member states: neither seats in the European Parliament nor voting rights in the Council are available for any additional new members. This restriction does not mean that there is no way to break the deadlock – in the short term, for instance, it may just be possible to modify the Nice Treaty in the margins to create space for Croatia when it is ready to join, possibly by 2009 – hopefully without raising calls for a new referendum. Yet such an expedient will not eliminate the broader logjam. Some two years after the 'no' votes and as the French are going to the presidential election polls, it may now be feasible to attempt to agree on measures that could allow the Union to move beyond the Nice Treaty. Not only is this necessary if the EU is to exercise international responsibilities commensurate with its economic and political weight, it would also make sense, since apparently the bulk of the external and security policy provisions of the Constitutional Treaty had been uncontroversial in the French and Dutch referenda campaigns. It can be argued that bringing such

provisions into a post-Nice Treaty regime would not be a denial of the will expressed by the 'no' voters in France and the Netherlands.

The following meeting on the topic of burning *banlieues* was about a very different sort of crisis, since it involved rioting and violence, rather than voting and institutions. Nevertheless, there is a strong epistemological link between the French 'no' vote and the November 2005 crisis in France: in both cases, the politics of identity were of the essence. The saving grace (if such a form of words can be suggested) of these events in France was that the rioters were not promoting an alternative identity, let alone waging jihad. Far from being a European intifada, as the Russian or American mainstream media were prone to suggest, the riots were about the downtrodden seeking *entrée* into the system. This reaction was against housing and job discrimination rather than a quest for reverse discrimination in the form of *communautarisme*: the 'Eurabia' of some of the more sensationalist American literary visions of contemporary Europe is not lying in wait around the corners of the French *cités*, whatever else may be (and is) wrong with the situation in the suburbs. The vast array of policies and attitudes in Europe vis-à-vis citizens and non-citizens hailing – or whose ancestors hail – from the greater Middle East provides analysts and hopefully politicians with a rich fund of practices, good and bad, from which to attempt to draw lessons for the future. Between the integrationist, assimilationist policies put forward by France and the *communautariste* spatial segregation of the ethnic and religious ghettos of Belgium and the UK, the contrasts of principle but also of implementation are as diverse as the consequences, be it in terms of daily law and order (or its absence), the spawning (or stifling) of terrorism and the violent or peaceful interaction with the rest of the population. Getting both principles and implementation right in terms of the functioning of the European melting pot is crucial for the future of the EU countries as open and vibrant societies.

A Europe in an institutional funk and plunged into *identitaire* introspection is not well poised to deal with the issues of energy security at a time when relatively high energy prices and lastingly high levels of fossil-fuel dependency converge with a newly assertive Russia as a supplier of oil and gas and the rapidly rising demand of Asia. The same applies to the growing constraint of global warming caused by the emissions of greenhouse gases from hydrocarbon fuels of all sorts.

The meeting on European energy security took place after Russia had put Europe on notice in January 2006 that gas deliveries could no longer be taken for granted, given Russia's political and economic objectives. Our

discussion highlighted the very real difficulties in understanding what Russia has actually been attempting to achieve through its energy policy, beyond satisfying Gazprom's desire to secure higher earnings from the sale of Russian gas to those countries of Russia's near abroad that still benefit from prices that are less than those of the world market. In geopolitical terms, Moscow has managed to alienate relations with and reduce its influence in a broad range of countries, notably Belarus, Ukraine, Armenia and Azerbaijan, not to mention Georgia (but in the last particular case, the damage had already been done). These countries have gravitated away from rather than closer to Moscow as a consequence. And in geo-economic terms, Russia appears to be achieving great success in discouraging the investment flows that would be necessary to sustain, let alone expand, levels of gas and oil production, which have not improved from where they stood in the days of Yuri Andropov and Konstantin Chernenko. Exports have doubled since then because of the demise of the energy-profligate industry of the Soviet era, but that sort of low-hanging fruit has already been plucked.

The race is now on between the energy appetite of a rapidly growing Russian economy on the one hand, and stagnating oil and gas production levels on the other, against the prospective backdrop of socially (and politically) painful domestic gas-price increases. If Russia's purpose in the field of energy remains confusing, it is quite clear that for Russia, it is not simply market-driven: energy is viewed and handled as a strategic asset. Under those conditions, the EU's attempts to devise an energy strategy essentially based on free market principles seems to some experts to run the risk of falling out of synch. The corresponding contradictions grew plain in the presentations and debates in our session on energy security.

Between energy security and Ukraine, there are but a few steps to take. From our discussions on Ukraine, two points can be highlighted. The first is Ukraine's clear will to see itself as having a European future. There may be deep divisions concerning NATO membership, but not about that of the EU. In other words, it is important that the EU does not close off the long-term prospect of Ukrainian membership. The door may not be open, but it should be pointed out that no decision has been made to lock it. Despite Ukraine's deep and enduring difficulties, especially in terms of the links between crime and politics, the country's existence and independence are now well established, however imperfect its political life. There is a strong and diverse civil society – indeed, the formula used in our discussion was that 'the people are better than their leaders'. The second

point is about energy. Ultimately, Ukraine stands to gain (as did the Baltics some years ago) from moving towards world market prices, since this would avoid compromising the full and free exercise of sovereignty vis-à-vis Russia – sweetheart deals have a high political price. Thus, rather than pressing Russia to moderate its pricing policies, both Ukraine and the EU should seek to promote greater transparency on gas prices and transactions, while putting in place policies that would limit the economic consequences of energy price increases.

Finally, our session devoted to Afghanistan cast an occasionally cruel light on both NATO's divisions and shortcomings, and the West's imprudence and illusions in assigning itself enormously ambitious social, economic and political goals, without the geopolitical and regional framework, the on-site institutional tools or the in-depth local presence that our lofty objectives would normally call for. Although the mission may not (yet) be impossible, the sense of the meeting was hardly cheerful about the prospects of success, unless very substantial changes of attitude and organisation take place. Undertakings between allies need to be honoured, while the scale of the challenges in Afghanistan require a much more direct involvement of the regional players – not least Iran – as part of an integrated international venture, rather than to continue as an essentially Western effort. The crisis of Europe's commitments in Afghanistan is a facet of the West's broader and growing inability to set the global strategic agenda in the post-cold war era.

**François Heisbourg**  
Chairman  
European Security Forum

# **STRATEGIC IMPLICATIONS OF THE EU CRISIS**

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**WITH CONTRIBUTIONS BY**

**JEFFREY GEDMIN**

**CHARLES GRANT**

**TIMOFEI V. BORDACHEV**

# Chairman's Summing-up

François Heisbourg\*

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The French and Dutch rejections of the Constitutional Treaty have opened up a period of deep and protracted difficulties for the European Union. The strategic implications of the new situation are compounded by the fact that foreign and security policy was one of the areas in which significant innovations have been provided for by the treaty.

In presenting his paper on the American perspective, Jeffrey Gedmin (Director of the Aspen Institute Berlin) disputed the notion of a 'crisis' in the literal sense of the word, preferring the word 'malaise'. He underscored the limited extent of *schadenfreude* in Washington. According to him, there was now a good chance to move away, on both sides of the Atlantic, from moralising attitudes towards having a more dynamic debate on the future of Europe. He noted that the strategic glue between the US and Europe was not as readily provided as before by common values (although not 'clone' values) or common interests (we all have 'sharper elbows' and our interests do not always coincide). But when addressing the question of transatlantic cooperation, his view was that it was necessary to think through the alternatives to sticking together.

Timofei Bordachev (from the Institute of Europe) put forward the proposition in his presentation that the EU crisis means the end of a 'normative empire'. While emphasising the absence of mutual trust in the EU-Russian relationship, he considered that the future of the European integration project could not be dealt with in isolation from cooperation with Russia, in effect with a view towards an EU-Russian future. In response to the chairman's question about the nature of the glue binding Russia and the EU, he added that the aim was to extend "peace in Eurasia" in the same way that the EU's goal had hitherto been "peace in Europe".

Charles Grant (Director of the Centre for European Reform) underlined the importance of interests in providing the glue between the

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\* François Heisbourg is Director of the Fondation pour la Recherche Stratégique in Paris and Chairman of the European Security Forum.



US and the EU as between Russia and the EU. Pressed by the chairman on the issue of the ultimate limits of the EU, he defended the virtues of ambiguity within the context of existing treaty language (which mentions 'Europe' without defining it in geographical terms). Like Jeffrey Gedmin, he was wary of using the word 'crisis', which conveys the impression that European integration is essentially treaty-driven whereas recent examples (the Services Directive and the European Arrest Warrant) show otherwise. He considered that in the case of the common foreign and security policy (CFSP), political will is more important than institutions. In presenting the proposals made in his paper concerning variable geometry, he recalled the need to define those areas that would need to be common and not variable (e.g. trade, competition, the single market, fisheries and regional policy, elements of the common agricultural policy, border control and the environment). He added that his suggestion of "associate membership of the CFSP" could include Russia.

In setting the stage for the first round of discussions, Robert Cooper made several points. In his view, too much hubris had accompanied the Constitutional Treaty project, moving away from the methodology of Jean Monnet or, to use a British precedent, of Walter Bagehot: we forgot to do things that are effective rather than those that are just dignified or decorative. He noted that while there had indeed been little *schadenfreude* in the US, there had been rather more in Russia, because of opposing views on enlargement (i.e. for Moscow, the less enlargement the better, while for Washington the more the better). On the ultimate limits of the EU, he asked the rhetorical question of whether the Mediterranean or the Sahara was the limit of the EU to the south. On the issue of associate membership of the CFSP, he stressed not only the limited appeal of such halfway-house solutions (countries want a seat at the table) but also the limited ability of a still weak CFSP to cope with such an approach (hence the 'no' to Norway's ideas on this score).

In the first round of discussions, one participant noted that variable geometry would have occurred even with the Constitutional Treaty. And even those who want variable geometry need to explain who would define the areas that would not be subject to variable geometry. On a different note, the same person observed that "output legitimacy" had reached its limits. He made the point that the European Arrest Warrant had been struck down by the German constitutional court in part for reasons related to national sovereignty.

A member of the Commission staff stressed *inter alia* (as had Jeffrey Gedmin) that the smaller states had to be “brought along” in the European integration process. He also emphasised that the CFSP had not been a contentious item in the French and Dutch referenda. His view was that there will be a need for a new treaty down the road if the EU wants to have an EU foreign minister. This point was underscored by a Dutch speaker, who asked how the EU could deal with Asia if the ‘malaise’ is unresolved. Another participant raised the risk of “protectionist groupings” arising in the case of variable geometry while a member of CEPS noted that enlargement would slow down without a treaty.

In response, Charles Grant raised the issue of the eventual extension of the EU’s “enlargement leverage” as far afield as North Africa or Russia or Kazakhstan. He agreed that the Constitutional Treaty should be considered dead. He suggested that the existing treaties could provide the basis for deciding what would not be eligible for variable geometry.

Robert Cooper agreed that one would indeed need a Constitutional Treaty to have an EU foreign minister. He noted that while it is possible in theory to create the *service d’action extérieure* (SAE) without a treaty, one would still have to decide to whom the SAE would report, which brings one back to the foreign minister. The Croatian Accession Treaty could possibly be used to incorporate elements of CFSP-related language.

He reminded participants of the recent speech given by the Belgian foreign minister in Florence, observing that not every EU country would be interested in every CFSP issue. On the issue of the EU’s limits, he considered that this was a divisive debate whose time had not yet come.

Timofei Bordachev took the view that the EU crisis had really started in 1997, when variable geometry was introduced and that variable geometry kills solidarity.

In the second round of discussions, Russian participants pointed out that the EU–Russian Partnership and Cooperation Agreement would expire in 2007. A member of CEPS took exception to the idea that the EU had ceased to be a ‘normative empire’, noting that Russia lay outside the EU’s system of norms and values.

On the issue of the EU’s limits, one participant observed that the French *départments* in Algeria had been covered by the original treaties in the 1950s, while Cyprus had been included in the Council of Europe at the same time, thus reminding us of the many meanings that could be given to the word ‘Europe’...

A Finnish participant noted that the EU had made substantial progress in the field of defence, citing the creation of battle groups and the European Defence Agency. He wondered where this would lead us in the next 20 years. A Japanese speaker suggested that the real crises were budgetary or political (e.g. the leadership conflict between Prime Minister Tony Blair and President Jacques Chirac) rather than constitutional. Cherry-picking could deal with the latter.

A Canadian participant also took the view that the incremental progress on the European security and defence policy (ESDP) and justice, liberty and security, combined with the inevitable leadership changes in Paris and London, could move the EU beyond the current malaise. He added that with the accession of Croatia, the Nice Treaty would become obsolete in terms of its voting weight provisions. This situation could present an opportunity for broader change in the form of a new treaty.

In response, Timofei Bordachev considered that the EU had not been a serious player with Russia, either before or after the rejections of the Constitutional Treaty. The treaty had not changed things much from that standpoint. Russia was not using as much leverage as it could in its relations with the EU from its position in the field of energy, where its policy has essentially been one of a mere seller of oil and gas.

Charles Grant did not concur with the view that “variable geometry kills solidarity”. In his view, the ‘EU-3’ on Iran, the policy towards Ukraine and the euro were all positive examples of solidarity. He agreed with the role of defence in helping the EU to move forward. As to where defence convergence would be in 20 years, he foresaw common procurement, the enhanced pooling of assets and the development of the EU’s military intervention capability.

In conclusion, he observed that Russia’s values and attitudes were different from those of the EU, but noted that whereas Russia’s values could change, the sheer size of Russia would not, thus bringing us back to the question of the EU’s limits.

# American and European malaise?

## An American Perspective

Jeffrey Gedmin\*

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This author perhaps first really grasped what *schadenfreude* means by living in Germany these past four years. Countless examples come to mind, of course, but most recent and poignant, perhaps, was the column in the newspaper *Tageszeitung (taz)*. The writer of the article actually took the view that it was a good thing that hurricane Katrina had hit the United States (he felt “joy” in his heart). He added for good measure that it had been a pity Katrina had not been able to target supporters of the American president and members of the US military (Philipp Mausshardt, 2 September 2005).

This view may be an example of anti-Americanism, but it also is in keeping with the moral competition some European elites insist on promoting with the US. Recall, for example, the overheated, sanctimonious rhetoric one heard for a time from European capitals about the Kyoto Protocol. It seemed a touch unreasonable. The UN’s Intergovernmental Panel on Climate Change suggests that, without ratification of the Kyoto Protocol, the average global temperature will rise by about 1 degree Celsius by 2050. The same group forecasts that with the implementation of Kyoto, the temperature will still rise by 0.94 degrees. As Italian defence minister Antonio Martino (himself an economist) has pointed out, that is a whopping difference of 0.06 degrees in a half century. Incidentally, a dozen European countries that signed Kyoto are slipping rapidly behind their treaty obligations today, a fact that does not seem to cause much huffing and puffing on opinion and editorial pages and talk shows in Europe. Rather it is the eco-reactionary President George W. Bush, as maintained for example by the *Independent* newspaper, who is the real “threat to the world”.

---

\* Jeffrey Gedmin is Director of the Aspen Institute Berlin.

What is the difference between American and European approaches to the Greater Middle East? One can find a candid and rather astonishing answer on the website of the German foreign ministry, says Dr Gunter Muhlack, Commissioner for the Task Force for Dialogue with the Islamic World:

We do not want to impose our view of the world and our philosophy on our partners. Here I have the feeling there is a big difference between the American and European approach. Europe is no longer interested in power games. The world we want to see is a world of lasting peace based on justice and the rule of law.<sup>1</sup>

This moral competition with America is nothing new, of course, and like anti-Americanism itself it has a long history and tradition. Barry Rubin notes that in the 1780s, a French lawyer named Simon Linguet, surely speaking for more than a few at the time, argued that America was being built by the dregs of Europe and would in due course become a dreadful society bent on the domination of the continent and the destruction of civilisation. Nor is the attempt of European elites to caricature American presidents and US positions anything new. The current affairs magazine *Der Spiegel* insisted that we Americans want to have everything our own way in our own “McWorld” in an editorial written during the glory days of that great and beloved multilateralist President Bill Clinton. As for current American attitudes towards the greater Middle East by the way, President Bush’s view, in his own words, is that “when the soul of a nation finally speaks, the institutions that emerge may reflect customs and traditions very different from our own. America will not impose our form of government on others.”<sup>2</sup>

One wonders whether a touch of humility on both sides of the Atlantic will provide space for much overdue reflection and introspection. This author thinks we have an opportunity. The administration in Washington had been starting to realise well before the president’s re-election to a second term that the way in which the US had dealt with key

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<sup>1</sup> See also the article by J. Gedmin in Welt Online, 21 October 2005 (retrieved from <http://www.welt.de/print-welt/article172325/Araber-Versteher.html>).

<sup>2</sup> See the second inaugural address of President George W. Bush, “President Sworn-in to Second Term”, Press Release, Office of the Press Secretary, the White House, Washington, D.C., 20 January 2005 (retrieved from <http://www.whitehouse.gov/news/releases/2005/01/20050120-1.html>).

allies in recent years had been counter-productive, to put it mildly. This was one of the conclusions in a recent book by Yale historian John Lewis Gaddis entitled *Surprise, Security, and the American Experience*,<sup>3</sup> a slender volume the president, his national security adviser and top National Security Council members were reading in summer 2004. The president had even invited Professor Gaddis to the White House for a discussion.

Indeed, if the European reaction over Kyoto tended towards hysteria, Washington's own management of the issue was defined by arrogance and incompetence. Likewise, American public diplomacy failed badly to explain American reservations about the International Criminal Court and, for that matter, pressing US concerns over Saddam Hussein's quest to escape sanctions and continue his armament programmes. American hubris may fade, at least momentarily, and for this there are certainly other reasons as well.

The mismanagement of hurricane Katrina was a disaster for the Bush administration. Social security reform, which was to be a centrepiece of the president's second term, has floundered. Iraq continues to present enormous challenges. The president's popularity has plummeted. The indictment of Vice President Dick Cheney's aide Scooter Libbey and the ongoing investigation of potential wrongdoing in the CIA-leak case of the president's top adviser Karl Rove have also badly damaged the administration. The ill-fated choice of Harriet Meiers for a seat on the Supreme Court was another recent blow to the president's standing and prestige.

At the same time, from an American perspective Europe hardly looks to be in the best of shape. One would be hard pressed to find much evidence of *schadenfreude* in Washington. In the UK, Prime Minister Tony Blair's power has begun to wane. In France, the nationwide riots of recent weeks have begun to provoke a serious national debate, which will understandably devour enormous amounts of time and political capital in the months ahead. The American-led intervention in Iraq has damaged America's standing in France. Yet one wonders if our French friends fully appreciate how, in the US, the image of France has taken a beating as well. In October, a French magistrate brought former UN Ambassador Jean-

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<sup>3</sup> See J. Lewis Gaddis, *Surprise, Security, and the American Experience*, Cambridge MA: Harvard University Press, 2004.

Bernard Merimee in for questioning on an allegation that he took a bribe from Saddam Hussein for 11 million barrels of oil. Others accused of wrongdoing in the UN's oil-for-food scandal thus far include Charles Pasqua, a Senator and former interior minister; Serge Boidevaix, the former Secretary-General of the Foreign Ministry; and Patrick Maugein, Chairman of the oil company SOCO, who is also close to President Jacques Chirac.

Germany has its own problems of course. At the time of writing, we are still waiting for a new government. The grand coalition that is being formed will try to focus on economic reform, a process that is now certain to move forward at a snail's pace. With low growth, 11% unemployment (19% in Berlin), meagre defence spending, an ageing population and declining birth rates, does anyone really expect Germany – Europe's largest economy – to be a force for action and a leader in Europe in the years to come?

This is the backdrop to the collapse of the EU's constitutional process. One does not have to be a Euro-pessimist to see that Europe is likely to be stalled for the next couple of years. Further enlargement appears increasingly unlikely, deeper integration at the moment unthinkable. Charles Grant is right when he wrote recently that the EU is "neither dead nor dying". There is reason to believe, though, that both the US and EU may tend now towards self-involvement, a regrettable and potentially dangerous scenario for the next couple of years.

In the short term, Iran continues to pose a formidable challenge to the transatlantic community. Europeans whisper that military force will not halt the mullahs' drive for a nuclear weapon. The Americans make no secret of the fact that they believe diplomacy is doomed to fail. Both may be right. Meanwhile, Syria shows signs of meltdown. The future of Iraq still hangs in the balance. In East Asia, we must cope with proliferation and prepare for the coming unification of Korea. And of course, how we help manage the rise of a peaceful China over the years ahead is probably one of the most serious tasks the transatlantic community has to ponder.

There has been a fair amount of commentary in Europe about Euro-scepticism and anti-Europeanism in the US. This view is part of a larger and largely phoney debate. There is broad consensus in the US in favour of a strong Europe. Even the dreaded neo-conservatives have called for years for greater defence spending and reform of European economies, measures that would make Europe stronger. A stronger Europe would be less envious and resentful of American power. Once the current imbalance of

power is addressed, it may become easier to forge common strategies on a variety of security issues.

How Europeans choose to organise themselves remains chiefly a European matter, even if we 'talking heads' like to hector from time to time from the bleachers. In this respect Americans have had concern about one thing, a concern shared on both sides of the political aisle in Washington: that the new Europe, whatever its organisational arrangements, is Atlantic in its orientation, inclusive towards the young democracies in Central and Eastern Europe and open to helping the US solve the global, strategic problems of the day. This seems like a reasonable proposition if there ever was one.



# **The Strategic Implications of the EU Malaise**

## **Enlargement, Variable Geometry and a Stronger Neighbourhood Policy**

### **A European Perspective**

**Charles Grant\***

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The European Union's malaise in 2005 is the result of at least four problems: economic failure, institutional blockage, diminishing legitimacy and lack of leadership. The poor performance of the core eurozone economies has made many people fearful of change, whether it comes in the form of new EU treaties or fresh rounds of enlargement. The failure of the Constitutional Treaty has left a cloud of uncertainty over the EU's institutions. Partly as a consequence of those economic and institutional problems, the legitimacy of the EU has deteriorated among many sections of European public opinion. And finally, throughout its history the EU has never experienced such a striking lack of leadership. The Commission is weak, while most of the larger member states have leaders who appear to care little about the fate of the EU.

This essay examines the strategic consequences of the EU's malaise and, in particular, the threat to further EU enlargement. It suggests that an extension of the principle of variable geometry could help to revive prospects for enlargement. And it proposes a form of associate membership for countries that have no hope of joining the EU.

Ever since the 1970s, there has been a close link between 'deepening', the movement towards a more integrated Union, and 'widening', the enlargement of the Union. Political elites in core countries such as France have always been reluctant to widen the EU, understanding that a larger Union would find it difficult to integrate. They feared that the British

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wanted enlargement in order to fulfil the Thatcherite dream of an EU that was little more than a glorified free trade area, with weaker institutions and less solidarity. A wider Europe, of course, would also reduce the influence of France, Germany and the Benelux countries.

Despite these reservations, the EU has continued to enlarge – in 1981, 1986, 1995 and 2004. The French and others sceptical of enlargement, such as federalists, swallowed their reservations. They did so because they extracted a price. This price amounted to a series of treaties that created a more integrated Europe – those negotiated in 1985, 1991, 1997, 2000 and finally the Constitutional Treaty, signed in 2004 but unlikely to ever enter into force. The British, Nordics and some other enthusiasts for enlargement were never particularly keen on treaty-based integration, but put up with it in return for enlargement. (The Germans sat in the middle of this debate, pro-deepening, because of their generally federalist approach to the EU, but also pro-widening, so that their neighbours could join the club.)

This implicit bargain between deepeners and wideners has driven the EU forward for the past 20 years. The demise of the Constitutional Treaty has therefore done much more than bring an end to treaty-based integration for the foreseeable future. It has also created major obstacles to further enlargement of the EU.

Appetite for enlargement was deteriorating even before the French and Dutch referenda. France had changed its Constitution in March 2005 such that any country wishing to join after Bulgaria, Romania and Croatia could not do so without a positive referendum in France. Indeed one reason why French people voted ‘no’ to the Constitutional Treaty was to protest against the 2004 enlargement, which had been unpopular in France. In both France and the Netherlands, some of those voting ‘no’ did so because they opposed Turkish membership (although the treaty had nothing to do with Turkey).

Evidently, there are many reasons why people oppose further enlargement, in addition to an apparent wish to end deepening. Some voters fear that people from accession countries will steal their jobs while others do not want Muslim countries in the EU. But there is no doubt that the French and Dutch referenda have darkened the prospect of a much wider Europe. Since the referenda, most of the serious contenders for the French presidency – including Nicolas Sarkozy, Dominique de Villepin and Laurent Fabius – have spoken out strongly against Turkish accession. So have Angela Merkel, Edmund Stoiber and other senior German Christian Democrats. Austrian leaders have been especially hostile to Turkey, almost

vetoing the opening of accession talks in October 2005. In many EU countries, senior officials, politicians and pundits are arguing that the EU should not expand into the Balkans, Turkey or elsewhere until and unless it can strengthen its institutions.

That argument is not unreasonable. Proponents of enlargement need to show that the EU's policies and institutions could function effectively in a wider Union. Nevertheless, it would be a tragedy for the EU to postpone further enlargement indefinitely. The Union's greatest success has been its ability to spread democracy, prosperity, security and stability across most of the continent. Of course, there has to be a geographical limit at some point – North African countries are not in Europe and so cannot join. Still, for the EU to define precisely its future borders for all time would have a disastrous impact on would-be members beyond those borders.

If the EU ended talks with Turkey, the extreme nationalist and Islamist elements within Turkish politics and society would be strengthened. The impact of the EU shutting the door on the Western Balkans would be worse still. Would fragile constructions such as Bosnia and Macedonia hold together? Would Serbia ever be able to swallow the bitter pill of independence for Kosovo without the prospect of EU membership for itself? And if the EU said 'never' to countries further afield, such as Ukraine, Moldova, Belarus and Georgia, how could it hope to influence their development?

### **Can variable geometry save enlargement?**

Despite enlargement's gloomy prospects, Europe's leaders could, if determined, resuscitate the process. First, they should boost Europe's economic growth. As long as millions of Europeans are unemployed or fear for their jobs, they will naturally be reluctant to welcome new EU member states and their workers. Second, EU leaders should lead, explaining to electorates that extending the single market and good governance across the continent enhances their prosperity and security.

Third, politicians should work to revive the EU's legitimacy in two ways. They should ensure that the EU focuses on policies and actions that appear relevant to citizens' lives, such as encouraging educational exchanges, making it easier for people to live and work outside their home country or helping to retrain those who lose from globalisation. And they should improve the way the institutions work, for example by giving national parliaments a bigger role in decision-making and by allowing the

media into the Council of Ministers. Much can be done without changing the current treaties.

This essay concerns itself not with these three points, but rather a fourth way of promoting the cause of enlargement. EU leaders should make better use of variable geometry, the idea that not every member state needs to take part in every EU policy area. Already, of course, some EU countries opt out of the euro, the Schengen agreement or EU defence policy. The current treaties allow groups of member states to move ahead in certain policy areas, under the as yet unused enhanced cooperation procedure. An avant-garde group could also emerge independently of the EU institutions. Schengen started as an inter-governmental accord before being folded into the EU treaties.

More variable geometry could help enlargement in three ways.

- If the countries that aspire to a 'political union' were able to build avant-gardes in certain policy areas, and thus revive a sense of forward motion, they would be less likely to oppose further widening of the Union.
- EU governments should also try to persuade EU applicants to accept long or possibly indefinite transition periods that would postpone their full participation in some EU policies. Again, that would make enlargement more palatable for some doubters.
- For neighbours of the EU that are unlikely to join in the foreseeable future, the EU should offer a tighter form of association than its current neighbourhood policy. The EU should hold out the possibility of neighbours being able to join the common foreign and security policy (CFSP) as 'security partners'. Such a scheme, if successful, could reduce the number of countries seeking full membership.

### **Greater use of avant-garde groups**

The current trend towards variable geometry is unmistakable. For example, seven member states signed the Treaty of Prüm in May 2005, a kind of 'super-Schengen' agreement that among other things enables the signatories to share information on fingerprints and DNA, and to cooperate on aircraft security. More informally, the interior ministers of the UK, France, Germany, Italy and Spain, the so-called 'G-5', work together on counter-terrorism. And then there are issue-based subgroups of members, such as that of the UK, France and Germany, the 'EU-3', which leads EU

policy on Iran. All these groupings promote European interests or integration. In a wider, more diverse EU, it is inevitable that some countries will not take part in every policy area. This trend should be welcomed and not resisted. Any forum that has 25 or 27 governments represented around a table is seldom likely to be useful or effective.

The variable geometry envisaged here is different to the idea of a 'hard core' or 'concentric circles' that is periodically floated by senior French politicians, including Jacques Chirac, Valérie Giscard d'Estaing and Dominique Strauss-Kahn. Their idea is that France and Germany should lead a group of integrationist members into a new organisation that would establish closer cooperation across a broad range of policy areas, rather than one particular area. Those left in the outer circle would be in the EU but not the new core. This scenario has never been very plausible because of the institutional, political and judicial difficulties that would ensue, and because few German leaders are amenable to the idea. It has become even less plausible in recent years because Franco-German leadership has gained a poor reputation among many other member states and because of the weakness of the governments in Paris and Berlin.

This essay suggests an alternative scenario, based on the current situation, in which several avant-garde groups, each with a different membership, would overlap.

Evidently, variable geometry – whether in the form of treaty-based enhanced cooperation clubs established outside the treaties or informal groups focused on particular policies – entails risks. Nevertheless, most of the potential pitfalls can be dealt with.

- *There is a danger of exclusion.* The British government has traditionally opposed variable geometry, fearing that if it stayed out of a group it would lose influence in the EU and that if it later tried to join it might find the door bolted. Any avant-garde group is entitled to establish entry criteria for those who wish to join. These criteria need to be interpreted in an objective manner, however, to ensure a member state is not excluded for the wrong reasons. The Nice Treaty's rules on enhanced cooperation give the Commission just such a policing role. The countries that signed the Treaty of Prüm have said explicitly that, if their venture is a success, they will invite other member states to sign in 2008. The problem of exclusion is more pronounced for informal groupings. When the EU-3 began their Iranian diplomacy, other member states resented being left out. But the subsequent involvement of High Representative for the EU's CFSP Javier Solana,

who reports back to the other governments, has reassured most of them.

- *Avant-garde groups could weaken EU institutions.* Groups established outside the framework of the treaties, whether formal or informal, risk undermining the role of the Commission, Parliament and the European Court of Justice, to the extent that inter-governmental arrangements do not involve EU institutions. That being stated, precautions can be taken to ensure that such groups mesh smoothly with the institutions. For example, when the Schengen agreement was established – initially, outside the EU treaties – the Commission was invited along as an observer. The signatories of the Treaty of Prüm have taken care to ensure that it is compatible with EU law.
- *Variable geometry is ‘undemocratic’.* That is true, to the extent that neither the European nor national parliaments have oversight of inter-governmental organisations. Yet avant-garde groups are only as undemocratic as governments choose to make them. If a group of member states embarked upon an enhanced cooperation initiative, the European Parliament would play a role (for normal Community business, the Parliament’s consent would be required, on foreign policy the Parliament would merely be informed and on justice and home affairs it would be asked for an opinion). Other sorts of avant-garde groupings need not be unaccountable. Thus the President of the European Central Bank appears before the European Parliament’s Committee on Economic and Monetary Affairs. The Western European Union, a defence subgroup that has largely merged with the EU, still has its own parliamentary assembly, consisting of representatives from national parliaments. Other inter-governmental groupings could create their own systems of parliamentary oversight.
- *Variable geometry could lead to the unravelling of the *acquis communautaire* with increased *opting-out*.* The more some countries are allowed to pick and choose, the greater the risk that others will demand the right to opt out of existing policies they dislike. British Conservatives, for example, talk of using variable geometry to pull the UK out of the common farm, fisheries and foreign policies. The EU therefore needs to define the set of policies in which that every member state must take part. These policies should include trade, competition, the single market and its four freedoms (of goods, services, capital and people), fisheries and regional policy, overseas aid, some common rules on agriculture, some environmental rules,

some cooperation on borders and policing, and a common foreign policy. That leaves subjects such as the euro, the coordination of budgetary and tax policy, border controls, and the harmonisation of criminal justice and defence policy as suitable for variable geometry.

The countries in the euro area may well see virtue in coordinating their economic policies more closely. They are already talking of harmonising corporate tax bases (though not rates). They may wish to create a stronger external representation for the eurozone. Jean Pisani-Ferry, of the Bruegel think tank, has suggested that there is a much stronger case for eurozone members to coordinate their structural reforms than there is for the wider EU membership to do so. At some point, the eurozone countries may even wish to simplify and strengthen the currently ragged rules of the stability and growth pact.

The other area where more variable geometry is likely is in the domain of justice and home affairs. The Schengen agreement was a successful piece of variable geometry, conceived outside the treaties but later shifted into them. The recent Treaty of Prüm suggests that more variable geometry is on the way, as do the 'G-5' meetings of interior ministers.

### **Transitional arrangements**

When a country joins the EU, it is normally subject to transitional arrangements that exclude it from full participation in certain policies for a number of years. Sometimes these work to the benefit of the new member state. Eastern European countries that joined the EU in 2004 will not have to apply all the (very costly) environmental rules for up to seven years. Sometimes the transitional arrangements work, supposedly, in the interests of the old member states. Thus, many of the old member states have insisted on limiting the right to work of citizens from the new member states for seven years.

Most applicants naturally resist that kind of measure, resenting the implication of a status that is 'membership minus'. Moreover, some applicants and future applicants should think very seriously about tolerating some long or even indefinite transitional periods. The biggest reason why many people fear Turkish membership is that they fear its workers will take their jobs. Free movement of labour would be good for Turkey and in most respects good for the existing member states. But given Turkey's current poverty – with per capita GDP at around 30% of the EU

average – fears of Turkish immigration are understandable. Turkey should be prepared to envisage a provision that would, for example, allow a member state to limit inflows of Turkish labour indefinitely, but only for as long as Turkey's per capita GDP was below 50% of the EU average.

Once Turkey had been in the Union for a few years, many member states would probably not wish to apply such restrictions. After all, the Turkey that joins the EU, if it does, will be very different from and much richer than the Turkey of today. Some Turks would see membership with limits on free movement of labour as an insult. Yet as a last resort, Turkish negotiators should be prepared to accept such limits. Turkey would be much better off inside the EU, with restrictions, than outside. This approach would be a kind of variable geometry, in the sense that not every member state would be taking part in every policy. Like the other kinds of variable geometry, it should make enlargement less threatening to those who fear it.

### **Associate membership of the CFSP**

Turkey and Croatia have started accession negotiations. Macedonia, Serbia, Bosnia and Albania are likely to start negotiations at some point. If Montenegro and Kosovo become independent, they too will probably become candidates. Such countries are currently far from being ready for membership. If these Balkan states make good progress, however, and if they can convince the French electorate that their people share European values, they may be able to join the EU in the long run.

But there are other countries, further afield, that have very little prospect of joining. Ukraine, a large country with a lot of farmers, has enhanced its democratic credentials over the past year. Nonetheless, apart from Poland and Lithuania, very few member states are keen to see it join the Union. Belarus and Moldova are unquestionably in Europe, but are very far from meeting the basic conditions for membership. Georgia believes itself in Europe, as do its neighbours Armenia and Azerbaijan, though many Europeans would disagree. Unlike Armenia and Azerbaijan, Georgia has undergone a quasi-democratic revolution and it is keen to move closer to the EU.

Over the past two years, the EU has started to implement a new European Neighbourhood Policy (ENP), which aims at enhancing ties with the countries that have no prospect of joining in the foreseeable future. The point of the policy is to turn the countries of North Africa, the Middle East,



the South Caucasus and the EU's eastern hinterland into a 'ring of friends'. The EU has already negotiated country-specific or tailored action plans with Ukraine, Moldova, Israel, Palestine, Tunisia, Jordan and Morocco. Others, such as the three Caucasus countries plus Egypt and Libya are now starting to negotiate action plans. Each plan sets out the reforms the neighbour intends to undertake to align its economic and political system with EU norms. It also sets out what the EU can offer in terms of trade, aid, political contacts and participation in its programmes.

The neighbourhood policy is a sensible initiative and it is too soon to judge its effectiveness. Yet the EU seems to be having difficulty in fleshing out the promises it has made in the action plans. Several Commission directorates-general have moved too slowly to deliver on commitments made under the ENP (DG External Relations being an exception). And many of the member states appear unenthusiastic. Some of those most hostile to enlargement are in no hurry to deepen ties with countries just beyond the EU's borders. For their part, the neighbours have moved very slowly to fulfil their promises.

In time, hopefully, both the EU and its neighbours will make a real effort to implement the action plans. But even if they do, a more fundamental problem will remain. Most of the neighbours believe that the neighbourhood policy does not go far enough in offering to integrate them into the EU. Nothing in the policy or the action plans mentions the possibility of the neighbours ultimately joining the EU. This omission limits the EU's ability to influence its neighbours. The EU probably needs to offer juicier carrots in order to wield meaningful influence. It should therefore beef up the ENP by rewarding the best-performing neighbours with 'security partnerships' – in effect, much closer ties to the CFSP.

This author owes this idea to a conversation with Salome Zurabashvili, the former Georgian foreign minister. She considered that while Georgia was not yet ready for the rigours of the single market, it would benefit hugely from being part of the EU's foreign policy. As far as she was concerned, Georgia's greater involvement in the EU's CFSP would bring with it an implicit security guarantee.

She is right that the neighbours should not try to adopt most of the *acquis communautaire*. Their economies are too backward to thrive in the single market and their administrative systems are not capable of enforcing the EU's 80,000-page rulebook. The neighbours could adopt the foreign policy *acquis*, however, which is mostly declarations rather than legislation, without much difficulty. Adopting policies is much easier than enacting

laws – both technically and politically. Candidate countries often find the implementation of EU law very politically painful. But the alignment of a country's foreign policy with that of the EU is seldom so sensitive.

The European Economic Area (EEA) could offer a kind of analogy for neighbours becoming security partners of the EU. In the EEA, Norway, Iceland and Liechtenstein are consulted on the shaping of single market rules but cannot take part in the formal decision-making. When the EU takes a decision, the EEA countries have to accept it. Although the EEA is about economics, and has no bearing on foreign policy, the proposed security partnerships would work similarly. These partners would engage in the CSFP but not in the single market.

Suppose that Georgia and Ukraine make good progress with reform, and the EU asks them to become security partners. How might this work? The EU governments and those of Georgia and Ukraine would agree that they had common interests on certain subjects. The security partners would then join in discussions on those issues. While they would help to shape EU policy, they would not take part in decision-making. When the EU decided on a common policy, the associates would have the right to sign up to it (opting in) or not. Each partner would have a small team of diplomats in the Council of Ministers' Justus Lipsius building, sending representatives to the relevant committees and working groups. The partners would also send a senior diplomat to attend and speak at the Political and Security Committee when the subjects covered by the security partnership were discussed.

Under such arrangements, the security partners would be more intimately involved in the CFSP's institutions than are current candidate countries such as Croatia and Turkey (Bulgaria and Romania, having signed accession treaties, are allowed to take part in EU meetings). Candidates have the right to associate themselves with EU foreign policy, but they do not have diplomats in the CFSP machinery. Therefore, the concept of security partnerships could not work unless candidates for full membership were included in discussions on foreign policy (that in itself could positively affect the EU's accession talks with these countries).

Security partnerships should not be just about procedures and institutions. The point should be for the EU and its partners to help each other to deal with real problems. The flow of benefits should not be just one way, from the EU to the partners, but in both directions. For example, some neighbours could help the EU to stabilise some of the very problematic regions that adjoin them.

Suitable areas for cooperation between the EU and its security partners could be, for example, the Caucasus, the Balkans, counter-terrorism, non-proliferation and the Middle East peace process. The partnership should also extend to the European security and defence policy (ESDP). Already, some countries in the ENP send troops on EU military missions, but their involvement should be extended. Security partners should be encouraged not only to send troops and other essential personnel on ESDP operations, but also to take part in their management.

This kind of link to the EU would probably have a beneficial impact on the neighbours concerned. Their diplomats would learn how the EU makes policy. Their governments would be acclimatised to EU ways of working. The model proposed is very different to the NATO-Russia Council, which treats the NATO countries and Russia as two distinct entities. In contrast, this idea would aim at integrating neighbours into EU foreign policy as a way of bringing them closer to the EU more generally.

There is a risk that the arrival of security partners in the Council of Ministers would make the EU's diplomatic machinery more complicated and slow it down. Therefore, it would be wise for the EU and its partners to start off by working together on only a limited range of issues. And if the EU did find the involvement of partners overly burdensome, it would have the right to press ahead and decide its own policies. Conversely, if the partners found that their views were disregarded and that their presence was merely symbolic, they could pull out of discussions on a particular subject. Or they could resign from their security partner status.

One obvious criticism of this concept is that it would fail to deter neighbours from applying for membership. After all, Jacques Delors designed the EEA to prevent countries in the European Free Trade Association from seeking EU membership, but most of them did so anyway. Nevertheless, faced with a choice between no membership or CFSP membership, some neighbours might prefer the latter. If for example a large group of member states suddenly started campaigning for full Ukrainian membership, the government in Kyiv would of course have no incentive to pursue membership of the CFSP alone. Still, in the current climate that seems unlikely.

In any case, the point of the proposed security partnerships is not to dissuade neighbours from applying to join the EU, but rather to encourage mutually beneficial cooperation. As with the action plans that exist under the ENP, the security partnerships should contain implicit conditionality.

The partners that were most helpful to the EU could expect more economic and political dividends in their broader relationship with the EU.

In the long run, if Russia becomes a truer democracy and a better respecter of civil liberties than it is today, the EU should consider offering it this kind of scheme. Some analysts will argue that member states such as Poland and Latvia would never agree to embrace Russia in such a way. But if at the same time the EU extended the same offer to countries such as Moldova, Armenia and Azerbaijan – assuming that political and economic freedom were firmly entrenched in those countries and in Russia – would Poles and Latvians really be so hostile?

Other analysts would say that Russia is too proud ever to agree to be treated in the same way as Ukraine and Georgia. Today that is the case, but one may imagine that, at some point in the future, Russia might see that participation in a broader CFSP zone could help it to build friendly relations with its neighbours. In any case, the prize of involvement in EU policy-making would be attractive to many liberal Russians, who may one day be more influential than they are today. If the EU could extend its CFSP across the entire continent, its member states, Russia and the countries between them would probably all get along better.

# **The Strategic Implications of the EU's 'Crisis'**

## **A Russian Perspective**

**Timofei V. Bordachev\***

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Russia is becoming more and more of an insider in European Union political and economic life, although there are no signs of its 'Europeanisation', at least in the sense now generally accepted at the official level in the EU. Russia and the EU are linked by centuries of shared history, culture, tradition and economic interdependence. This interdependence cannot be destroyed even by today's preoccupation (in Moscow and some European capitals) with oil and gas pipelines.

The 70 years of the Communist experiment made an additional contribution to Russia's Europeanisation by instilling in Russians a deep devotion to the idea of social solidarity and support for weak individuals by the state and society. In other words, contemporary Russian lifestyle is much closer to (old) French Orleans than to New Orleans.

Irrespective of the real intentions of the official authorities and contrary to the tactical interests of some among the Russian business community, EU standards and rules for regulating economic activities are becoming increasingly customary in this country. The well-being and stability of more and more Russian businesses are becoming dependent on decisions made by the Council of the European Union rather than by the Russian government. The 'road maps', approved by Russia and the EU at their May 2005 summit, will also contribute to this process.<sup>1</sup> Even though their overarching goal – the establishment of an open and integrated

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<sup>1</sup> See the Russian-EU road maps (Russian version) on the Kremlin's website ([http://www.kremlin.ru/interdocs/2005/05/10/1940\\_type72067\\_87994.shtml](http://www.kremlin.ru/interdocs/2005/05/10/1940_type72067_87994.shtml)).

market – will not be reached for some time, the fact that the guidelines exist will steer Russia, however slowly, towards the EU's social and economic model. In terms of security policy, despite the fact that its internal situation can be considered a challenge in itself, Russia shares with the EU the sense of facing a threat from transnational crime, unstable regions in the southern periphery of Eurasia and the potentially explosive (or aggressive) consequences of the transition of some countries in the Far East.

All these factors point to a Russia that has ceased to be only an external partner of the EU but a Russia that has already evolved into an 'odd insider' of EU politics. It shares not only the same soil with the EU, but also most of the same fears and threats. This conclusion leads us to the following four observations to help us analyse the consequences of the current crisis in the EU both for the future of Europe as a whole and for Russia's approach to EU integration:

- 1) Russia is a European country that is now outside the European integration process.
- 2) The progress of the European integration project and its final shape will be key in determining Russia's place in the European space.
- 3) The transformation and viability of the European integration project cannot be dealt with in isolation from EU-Russian cooperation.
- 4) The complexity of the situation and the recognition of the EU's crisis at the highest political level mean that it is possible to move away from a literal interpretation of the political documents adopted in recent years by the European Commission and the Russian government. In any case, these documents have become part and parcel of the crisis in the EU's foreign policy and its relations with Russia. Nothing in them is worthy of praise but it is too late to criticise them.

Based on this analytical framework, it can be assumed that further enlargement and Russia's inclusion in it in some form within 10 to 15 years will be among the major consequences of the EU's crisis (which reached its peak in 2005). It can be assumed that, by the year 2020, Russia and other European countries, including current EU member states, will be able to coordinate closely on the management of a considerable amount of their political and economic resources.

## The end of the ‘normative empire’?

Some may say that statements like this are debateable and sound over-optimistic, at least today. Yet even several months ago, no one could have predicted that in the autumn of 2005 the EU would be absorbed in heated debates about its own future, while its main supranational body, the European Commission, would be paralysed and unable to exercise its authority or to perform the functions of a suprastate actor in full.

The machinery of European integration has quickly turned into an international community of political and economic actors torn between calls to integrate further (Brussels) and proposals to divide according to interests (London). The institutional crisis in the EU, which began in 1997 and which has now reached close to its peak, is most likely to run for another 10 years. So now is precisely the time to think about the foundations for a Europe that will be built, in the foreseeable future, from the Atlantic to Vladivostok.

Looking back, 2005 will be seen as the end of the EU’s ‘widening and deepening’ phase and as the beginning of a slow recovery, a return to the fundamentals of EU integration. Enlargement, a mechanical expansion of the EU’s normative empire based on introducing more and more new exceptions and in the process increasing the EU’s *de facto* divisions, has come to an end. It has culminated in the new neighbourhood programmes and the joint EU–Russian road maps.<sup>2</sup>

In this sense, deepening – the development of a purely regulatory function for Brussels, which has replaced the transfer of competences (and which is again based on countless hidden exceptions) – cannot work in its former guise any longer either. This approach has resulted in attempts by the incumbent European Commission to overcome the divisions of the member states into groups and to initiate macroeconomic changes. Therefore, overall, the year 2005 is not a time for decisions. It is rather a time for reflection.

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<sup>2</sup> See M. Emerson, *Four Common Spaces and the Proliferation of the Fuzzy*, CEPS Policy Brief No. 71, Centre for European Policy Studies, Brussels, May 2005 (retrieved from [http://shop.ceps.be/BookDetail.php?item\\_id=1224](http://shop.ceps.be/BookDetail.php?item_id=1224)).

### Three challenges

An unbiased analysis of the events of the last decade shows that the EU has been heading towards crisis since 1997 and that the enlargement and the drafting of a Constitutional Treaty were attempts to prevent the crisis from becoming worse. Both attempts failed to achieve the desired effect. Let us now consider in more detail the main elements of the European crisis, which are characteristic of both the situation inside the EU and of its relations with other European countries.

First, there is a problem of trust on the part of a substantial share of the population and elites in EU countries and beyond towards the European integration process. The double failure of the ratification of the EU Constitution has changed public moods. The percentage of the Constitution's opponents has increased even in countries that were once ardent supporters of it. The leaders of those countries had initially declared that they would hold referenda on the Constitution.

The mutual confidence between member countries and their citizens has fallen sharply. Internal solidarity within the EU has been undermined. Some of the 'engines' behind European integration do not hesitate to conclude unilateral deals on the side, which trigger indignation, legally quite unfounded, among the states of 'new' Europe. The most recent accession of 10 new member states from Central, Eastern and southern Europe to the EU has been an important factor in this respect as it has introduced a much greater degree of diversity to what had been a more or less uniform EU in terms of social, political and economic development as well as mentality. Although the candidate countries were required to adhere unconditionally to all 'common policies', their internal make-up (attitudes towards sovereignty, the quality of their political processes, the absence of a culture of compromise and hawkish foreign policies) meant that they were a far cry from the principles, rules and norms that had been developed in Western Europe over decades.

It has to be admitted that the majority of the new member states are not yet ready to conduct political dialogue in the language of Western Europe. In this sense the 'enlargement', as an extrapolation of norms and rules that have been developed in 'old' Europe, has proven to be much less successful than expected. The enlargement has considerably increased the number of small states within the EU but has not strengthened the supranational bodies, as these countries might have wanted. The legacy of the Communist period is still marked in some of the new EU member states



and this has influenced the general level of political culture in the Union. The EU has become less able, as a political body, to set and implement large-scale strategic tasks. Moreover, the conduct of some of the new member states, often unintentional and devoid of evil intent, has led to the revival of conservative rhetoric and aroused 'demons of the past' (nationalism) in some of the EU founder countries.<sup>3</sup>

Similar changes have taken place in relations between EU citizens and Brussels, i.e. the Commission. Brussels, which has never enjoyed much popularity, has found itself in an even more difficult and ambiguous position. The democratic shortfall with respect to the processes of European integration and the alienation of the supranational bureaucracy, centred in and personified by the European Commission, in relation to ordinary EU citizens, have become problems that are even more glaring. The Commission's 're-nationalisation' and the adoption of the 'one country, one commissioner' principle have fuelled national egoisms. The integration process has proceeded smoothly only when major decisions are made in Brussels and the political elites of the member states obediently endorse them. But when decision-making has been entrusted to the citizens, the process has stalled.

Second, there is a crisis of the EU institutions and the governability of the processes taking place in the EU's political and economic space. The authority of the European Commission and its ability to perform political and technical functions have been called into question and seriously compromised in the last few years. The clear establishment of the Commission's powers, as proposed in the Constitutional Treaty, was an attempt to overcome this consequence of the EU's enlargement. At the same time, things must have gone too far and the attempt by Brussels to safeguard its powers through the Constitution has provoked the opposite result.

There have been no formal changes in the division of powers. Nevertheless, after the admission that the EU is "not in a crisis, but in a

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<sup>3</sup> Less than two weeks before the referendum in the Netherlands, public opinion polls showed a sharp increase in the number of the Constitution's opponents. The increase took place after a Eurovision song contest in which Eastern European countries allegedly voted for each other, thus preventing singers from 'old' Europe from winning the contest.

deep crisis",<sup>4</sup> the process of giving the Commission additional powers has slowed down markedly, even in areas where these powers are required to accomplish the tasks set by the EU member states. At the same time, there has been a certain redistribution of forces inside the EU, between individual countries and supranational institutions, and between the Commission and the European Parliament. The Commission, headed by President José Manuel Barroso, was a lame duck from the very beginning, having experienced several setbacks at the time commissioner nominees were being approved by the European Parliament. The political defeat suffered by President Barroso in the European Parliament in October 2004 undermined the Commission's reputation.

The crisis in the summer of 2005 eroded the Commission's authority still further and at the same time strengthened the European Parliament, the only supranational body in the EU to be directly elected. But the fact that the European Parliament does not have any real opportunities or the legal grounds to take charge of the situation may create a dangerous vacuum until it can act as a pan-European source of political legitimacy.

A recent meeting of the Council of the European Union, which discussed transport, telecommunications and energy issues, is a good example of this. It considered a proposal to grant the Commission a 'vertical' mandate for negotiations with Russia and China in the field of air transport. The Commission had submitted the request in March 2005 when the office of Jacques Barrot, Vice President of the European Commission in charge of transport, had made public an ambitious plan to create a common air space with these two partners.<sup>5</sup> The ministers of the 25 member states turned down the Commission's proposal and said that relations with non-EU countries in the field of civil aviation would continue to be based on bilateral agreements. Moreover, the Council reinforced the rights of EU member states to conduct negotiations and conclude agreements with non-EU countries on their own. In addition, the Council demanded that the

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<sup>4</sup> See the statement of Luxembourg Prime Minister Jean-Claude Juncker on 18 June (retrieved from <http://www.eu2005.lu/en/actualites/communiqués/2005/06/17jcl-pf/index.html>).

<sup>5</sup> See European Commission, A Framework for Developing Relations with the Russian Federation in the Field of Air Transport, COM(2005) 77 final, European Commission, Brussels, March 2005 (retrieved from [http://europa.eu.int/comm/transport/air/international/doc/com\\_2005\\_0077\\_en.pdf](http://europa.eu.int/comm/transport/air/international/doc/com_2005_0077_en.pdf)).

Commission seek a complete and unconditional abolition by Russia of trans-Siberian overflight payments imposed on EU airlines. It emphasised that an unconditional fulfilment by Russia of this requirement was a “prerequisite for making further progress with the Russian Federation”.<sup>6</sup> The Commission was thus put in an exceptionally difficult position, with the only way out of it involving cooperation with the Russian government.

The EU’s crisis of governability has largely resulted from the practice of making exceptions so that the enlargement process would go ahead despite the inability of a majority of the new member countries to meet all the membership requirements. The history of European integration has many examples of specially introduced exceptions, such as the Schengen system and the European economic and monetary union. Now, however, there are so many exceptions that they are starting to define the very nature of the EU:

- The Amsterdam Treaty of 1997 legally set in stone the practice of exceptions (Art. 11 – 11a).
- Never before have proposals to build a ‘Europe of exceptions’ been discussed as a possible scenario to preserve the viability of the entire EU project.

The latter refers to the theory of a ‘Europe of variable geometry’, which proposes formalising the possibility of member states being able to establish closer associations according to their capabilities and wishes in order to keep the policy of widening and deepening afloat.

The issue of how viable this strategy could be for pan-European institutions and solidarity is hardly worth a serious discussion. But if the logic of establishing ‘clubs of interests’ were to be continued, the freest possible association would be for the EU flag to be hoisted in front of official buildings, as is now done in Georgia.

In general, the range of national priorities (in economic terms whether aimed at market liberalisation or emphasising high standards in social provision, and in foreign policy terms in setting priorities and assessing threats) has grown much broader since the 2004 enlargement

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<sup>6</sup> See European Council, Press Release, 2671<sup>st</sup> Council Meeting, Transport, Telecommunications and Energy, held in Luxembourg on 27–28 June 2005, 10285/05 (Press 156) (retrieved from <http://ue.eu.int/ueDocs/newsWord/en/trans/85602.doc>).

than was expected. In terms of security, the lack of a shared vision and a major threat has prompted some EU countries to present their national agendas as pan-European ones. The EU interest is, however, more than a simple sum of the national interests of EU member states. As a result, the benefits generated by the EU's collective strength and capabilities have proven insufficient to compensate for the formal reduction of individual countries' roles and delegation of sovereignties to the supranational level.

The EU's inability to formulate a shared set of interests for the 25 member states has led to growing national egoisms and the formation of groups of countries with shared interests in domestic and foreign policies. This result also applies to relations with Russia, where we can see at least three groups with different interests and ideas about a rational approach – the alliance of France, Germany and Italy; the group of new member states and Brussels. The Commission's report of February 2005 provides an example of an artificial formulation of the EU interest. The approach it proposed was both softer and tougher towards Moscow and its leaders. Subsequent analytical studies that followed up the Commission's initiatives, by that time already approved by the European Council, suggested working on the basis of almost open competition in relations with Russia, including on human rights and other humanitarian issues, however paradoxical this may sound.<sup>7</sup>

Another vivid example is a proposal to demonstrate 'tough love'(!) towards Russia, which can mean very different things to different people.<sup>8</sup> It seems that the 'love' was to emanate from Berlin and Paris, while the 'toughness' was to be displayed by Riga and Warsaw. The result is well known. Such proof of the EU's inability to work out a shared strategy with regard to a major European nation outside the EU is telltale evidence of the loss of governability within the entire EU.

Third, there is an obvious crisis in the strategic goals of the European integration project. If we set aside destructive proposals on reform of the

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<sup>7</sup> See K. Barysch, *The EU and Russia – Strategic partners or squabbling neighbours*, Centre for European Reform, London, May 2004 (retrieved from <http://www.cer.org.uk/publications/564.html>).

<sup>8</sup> See H. Grabbe and H. Tewes, "Tough Love for the EU's Eastern Neighbours", CER Bulletin, Issue No. 31, Centre for European Reform, London, 2003; for further information on the Russia programme, see the website of the Centre for European Reform (<http://www.cer.org.uk/world/russia.html>).

EU, which can either turn it into a 'gentleman's club of interests' or completely destroy the supranational supporting structure of the EU, the choice of proposed strategic goals are limited as never before. The EU's development into the most competitive economy in the world by 2010 is quite an ambitious task undertaking, which would go well beyond the work of preserving the social model that distinguishes Europe and the European way of life from the United States and Third World countries. The protection of 'socially responsible' Europe from Anglo-Saxon encroachments would also be a huge and hardly attractive task.

The protection of human rights – from the threat of their being eroded under the banner of the struggle against the terrorist threat – would also be unlikely to lay a good foundation for the political unity of the governments and citizens of the EU. Not all EU citizens are equally threatened by international terrorism and not all have the same vision of where the limits lie for the state's interference in people's private lives. A still worse foundation for European unity would be technical or economic projects stemming from the EU's increased ambitions on the international stage and its attempts to play the role of a global power. Initially, the main integrating factor was peaceful intentions based on benefits for each party. Substituting this policy with belligerence towards the outside world would bring about a complete failure of political efforts.

## **Reflected in Russia**

All three crises are fully reflected in the EU's relations with its largest European partner – Russia. The crisis of confidence, or rather the complete absence of confidence, is almost openly admitted by politicians and officials on both sides.<sup>9</sup> There is evidence of a crisis of governability in the 'impressive' rates of implementation of agreements and in the 'enthusiasm' of administrative bodies of Russia and the EU in this field. Many individuals can confirm the example of a project for the establishment of a

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<sup>9</sup> See the representative survey of Russian academics, businesspersons and officials taken during the brainstorming session in January 2006. Results of the brainstorming have been published as "Russia's European Strategy: A New Start", *Russia in Global Affairs*, No. 3, July-September 2005. See also S. Karaganov, T. Bordachev, V. Guseinov, F. Lukyanov and D. Suslov, *Russia-EU Relations: The Present Situation and Prospects*, CEPS Working Document No. 225, CEPS, Brussels, July 2005 (retrieved from [http://shop.ceps.be/BookDetail.php?item\\_id=1246&](http://shop.ceps.be/BookDetail.php?item_id=1246&)).

European college at the Moscow State Institute of International Relations. The project was given the green light at the EU–Russia summit in the autumn of 2004 yet has never made it further than the blueprint stage. The crisis in strategic goals is pretty self-evident as it is fully reflected in the unintelligible wording of the documents on the ‘four common spaces’. All the three difficulties in Russian–EU relations are interconnected. There needs to be a comprehensive approach towards solving them in a long-term manner. Otherwise, a failure to meet any of the three challenges would bring a halt to progress in other fields, as has happened repeatedly over the last 15 years.

The problems facing Russian–EU relations have been discussed in a large number of analytical works, so there is no need to focus on them all here. Moreover, this paper is not intended solely as an analysis of problems within the EU and its relations with other European countries. At the same time, these problems can offer subjects for political and expert discourse both inside and around the EU in the next few years. Of special importance is the problem of the two sides’ lack of a common strategic goal.

This problem is best illustrated by the strategic documents on bilateral relations, adopted by Russia and the EU in 1999.<sup>10</sup> In these documents, the parties set out their goals for cooperation and rapprochement, which differed in both the substance and the ways to achieve these goals. The EU, following the paradigm of enlargement in different forms, gave top priority to Russia’s transformation. Moscow assigned more importance to establishing an equitable dialogue between two independent actors of international relations and did not link its cooperation with the EU to changes in the Russian economy or society. The lack of a shared strategy of Russian–EU relations was the focus of numerous seminars and conferences held in subsequent years outside the framework of official top-level dialogue. Following the changes that have taken place in Russia’s domestic policy since 2000, the two sides have

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<sup>10</sup> With regard to the EU’s common strategy on Russia (European Commission document 1999/414/CFSP, 4 June 1999), see the europa website (retrieved from [http://trade.ec.europa.eu/doclib/docs/2003/november/tradoc\\_114137.pdf](http://trade.ec.europa.eu/doclib/docs/2003/november/tradoc_114137.pdf)). Concerning the Medium-Term Strategy for the Development of Relations between the Russian Federation and the EU (2000–2010), see the website of the Finnish presidency of the EU (retrieved from <http://presidency.finland.fi/netcomm/News/showarticle1610.html>).

preferred to avoid this subject completely. They have never formulated a common goal for their cooperation and, quite possibly, the crisis in the EU will promote a more in-depth discussion of this issue.

## **High politics**

What changes of a conceptual nature may occur in EU foreign policy, particularly vis-à-vis Russia, as the EU recovers from the current crisis? There are but a few options, given the EU's internal constraints, decades of experience of integration and external factors.

By all appearances, European integration will see a slowdown in the EU's foreign policy as it emerges from its crisis. There will need to be some kind of inward-looking analysis to bring the EU member states closer together and improve the quality of transnational European democracy and the authority of the EU institutions. In the meantime, it cannot be ruled out that a less self-assured EU will require a sufficiently reliable partner who will, at least, neither compete with the EU nor bring economic pressure to bear on it. This may be the basis for building more trust.

As regards relations with the largest European nation outside the EU, an attempt at a neo-functionalist approach – exploring the integration phenomenon in terms of deriving new political benefits from closer cooperation in purely technological spheres – may turn out to be an exciting intellectual exercise. Yet for all its seeming advantages (a rather successful record in the 1950s, relative equality of the participants and the easing of normative requirements imposed on them), such a vision of the future is unlikely ever to materialise. In the short term, functional cooperation may indeed be useful to some extent at the very basic level but this cooperation will be too meagre for this approach to be considered promising when it comes to the strategy of developing relations.

The EU's own record of the past few years goes to show that even in-depth economic integration is insufficient for the purposes of diminishing the impact of nationally-specific political behaviour and motivation in the decision-making process. The dramatic changes that the UK's European policy has undergone over the past 18 to 24 months, just as those within the members of the European Economic Community in the mid-1960s, put beyond all reasonable doubt that political leadership at the national level will have a decisive role to play even in the midst of apparently profound economic integration. As far as Russia is concerned, one of the partners lacking the economic motivation (from an extensive assessment of potential

advantages) that made possible the implementation by the EU founding fathers of their visionary plans in the 1950s may regrettably be decisive. The partners' potential contributions are hardly comparable except in the sphere of space exploration. Integration in such a narrow field would not amount to much in political terms. Rather, it may itself fall victim to political circumstances.

The bottom line is clearly Russian and EU convergence in standards and values. But such convergence does not seem attainable even in the medium term. Given that completely conflicting value systems have caused a crisis within the EU, the issue of new countries' formal association with or accession to the EU should be given even more thought.

The slowing down of the EU's rate of expansion (instead of enlargement) – and above all legal expansion – may contribute towards a more sustainable form of cooperation with Russia. This cooperation cannot, at this juncture, include elements of integration. Rather it is more likely to proceed along the lines of a search for more equitable forms of understanding each side's national priorities, as they take shape in the course of internal political processes. On that foundation, cooperation will be particularly surefooted. Further attempts at blending 'pragmatism' in relations (as declared in the statement to the effect that Russia is not going to join the EU) with a pursuit of integration as expressed in the road maps are unlikely to be successful.

In this respect, promoting *de facto* equality in developing a joint agenda (dominated by the EU's approach until recently) could become a priority in Russia's relations with EU-centred Europe in the wake of the EU crisis. External international circumstances favouring rapprochement between Russia and the EU would reinforce this approach.

Moreover, this approach could be spurred on by another consequence of the 2005 crisis – a higher standard of internal democracy and transparency within the EU's decision-making mechanisms. Until recently, EU policy towards Russia had been shaped by the European Commission largely as an extension or a simplified version of plans for cooperation with new neighbour nations. As a result, the gap between the official order of the day and the two sides' real potential grew wider, and reviews of bilateral relationships focused on polishing decisions already made at the bureaucratic level. Making this process more open to EU member states and representatives of their expert communities, on the one hand, and to Russian experts on the other, may lead to more balanced policy documents.



On the whole, since all the three elements of the EU's crisis can be identified in its relations with Russia as well, the answer to these challenges may have a wholesome effect on the future of greater Europe from the Atlantic to Vladivostok. The possibility of Russia joining the community of nations that transfer their sovereign rights to the supranational level is still a distant prospect. Nevertheless, the process of EU recovery after the events of summer 2005 may set the stage for such truly strategic developments.

### **... and low politics**

Apart from the much more vivid discussion about the future of the EU and its external policies, the EU crisis may have several far-reaching ramifications at the lower and medium levels of European life, including Russian-EU relations (low politics). Among them, the most important one will be the beginning of a major discussion about internal democracy and democratic legitimacy in the European integration process. The discussion of Europe's future, with this Constitution or another, cannot be conducted without at least the intellectual engagement of Russia, the 'odd insider(s)' and the largest European country remaining outside the EU. It would be worth involving Russian experts, public figures and businesspersons in European forums, conferences and round-table meetings.

The EU could also improve the quality of communication between citizens and supranational bodies in Brussels. This area can open new opportunities for the EU's relations with Russia and its non-governmental actors. In the long term, the direct interaction of supranational EU bodies, along with the businesses and societies of the two sides will help create an atmosphere of confidence – something that the relations between Russia and the EU and, perhaps, among the EU countries themselves, lack most of all. In the sphere of business, the representation of interests is a major factor of stability in the European integration model. The degree of Russian and EU interdependence is so considerable that official bodies of the two sides must make efforts to broaden the frameworks and opportunities for the representation of business interests in Moscow and Brussels. Lobbying by civil society is no longer the preserve of companies alone and it must be supported at the state level. Otherwise, it will continue to be replaced by other forms of interest protection. In this specific case, Russia and the EU now need the following:

- a common legislative base for representing private interests (a special agreement on access to government information and participation in preliminary consultations);

- the allocation of state funds to support the activities of representative offices of business associations in Moscow and Brussels; and
- investment (support) in the training of Russia's EU experts.

To sum up, the EU, which is now in a state of internal difficulty and uncertainty, is a major political and economic actor in contemporary Europe. It thus deserves greater attention in terms of expert analysis and consideration as a partner.

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**BETWEEN SUICIDE BOMBINGS  
AND THE BURNING *BANLIEUES***

**THE MULTIPLE CRISES OF EUROPE'S  
PARALLEL SOCIETIES**

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**WITH CONTRIBUTIONS BY**

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# Chairman's Summing-up

François Heisbourg\*

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To introduce a vital topic replete with semantic and political difficulties, we were fortunate to benefit from a number of excellent presentations.

Delivering his paper on “The Multiple Crises in Dutch Parallel Societies”, Rob de Wijk (from Clingendael and the Royal Military Academy) laid emphasis on four points:

- the frustration of reasonably well-educated middle classes in parallel societies at being blocked from climbing the social ladder. This situation, rather than the difficulties of the underprivileged, has been a major source of radicalisation;
- the importance of second-generation citizens of Moroccan (often Rifan Berber) origin in Dutch parallel societies;
- the existence of ‘virtual *ummahs*’ motivated by external causes (rather than by endogenous economic or social grievances), which find a ready home in the infrastructure of parallel societies; and
- the need for innovative approaches to acquire inside knowledge of such groups, notably in terms of the role of social workers.

Amel Boubekur, from CEPS and Ecole des Hautes Etudes en Sciences Sociales (EHESS, in Paris) underscored points made in the paper she wrote with Samir Amghar (also from EHESS), on “The Role of Islam?” in Europe’s multiple crises. She recalled the weak role of Islam in France’s ‘*crise des banlieues*’. Conversely, she singled out three roles of Islam in French and European society: Islam as a source of integration (‘*embourgeoisement*’), Islam as a territory in which to retreat (a quiet ‘*lieu de repli*’) and Islam as a vector of jihad.

Alexei Malashenko, from the Carnegie Centre in Moscow, pointed out that while Russia has had its share of suicide bombings it has hardly had any burning *banlieues*. He made the point that ‘parallel societies’

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outside the modern economic mainstream were something the former USSR and especially Russia were rather accustomed to. In the case of Moscow, with a population of Muslim origin of some 1.5-2 million, mostly from the Caucasus, there was little ethnic ghettoisation, and only weak community organisation (setting aside criminal gangs). As a first-generation population, they had strong links to their family and friends back home and did not suffer high rates of unemployment. Moscow's immigration situation was different from the current situation in France and most other European countries – notwithstanding the existence of anti-Caucasian and anti-Muslim racism.

Speaking from his paper, “Islam in Russia in 2020”, he noted that Islam was often linked to nationalism – ‘burning regions’, rather than ‘burning *banlieues*’. With between 14.5 and 20 million Muslims, Russia could witness major, converging troubles with its Muslim ‘south’ broadly defined (from the Volga to the North Caucasus) or a series of successive explosions in its individual Muslim republics.

Responding to the question arising from the relative absence of home-grown jihad attacks in the United States, Steve Simon (from the Council of Foreign Relations) noted the particular characteristics of Islam in the US: a median income of \$50,000 (above the national average) and a proportionately high representation in the professions. Nevertheless, complacency about America's ‘immunity’ would be misplaced, given a number of factors. Among these are that anti-Muslim sentiment has become more acceptable since 9/11; generational issues are emerging with a quest for Salafi-type purity among some of the Muslim youth – not necessarily effective but damaging because of indiscriminate sweeps by the FBI. In addition is the over-representation of Muslims in the prison population (19% in the New York state prison system). Concerning Europe's integration problems, he discounted the corresponding neo-conservative literature, with its odd mix of Oswald Spengler and Winston S. Churchill appearing in American bookstores of late (*inter alia* Bruce Bawer's 2006 work entitled *While Europe Slept*): the ‘*banlieues*’ were more about Karl Marx than about Osama bin Laden, notwithstanding the realities of political under-representation of the Muslim population.

In the first round of discussions, a representative of the International Crisis Group (ICG) underscored the findings of the ICG's recent report “La France face à ses Musulmans: émeutes, jihadisme et dépolitisation”, noting also the waning of political Islam in the French *banlieues* and stating that French politician Nicolas Sarkozy is wrong in his attempts to build up

Islamic organisations. On Russian issues, he asked among other things how the war in Chechnya has affected the attitudes of Muslims in other parts of Russia. An American participant with expert knowledge of the French scene criticised the juxtaposition of the 'burning *banlieues*' and 'suicide bombers': the two expressions do not actually go together. Terrorism is largely tied to external causes while the burning of suburbs is a result of internal factors, going well beyond issues related to either Islam or terrorism. He emphasised the need for growth in Europe to alleviate socio-economic disaffection.

A Danish discussant remarked that 70% or so of Danish public opinion supported both the publication of the cartoons and the policy of the Danish government; the reaction of mainstream European opinion needed to be watched.

In the panel response, Alexei Malashenko noted the low level of Muslim solidarity with the Chechens, outside the immediate vicinity of Chechnya. Yet he singled out the apparent popularity of Osama bin Laden in much of the Muslim population.

Rob de Wijk and the chairman both underscored the similarities rather than the differences between the situations in European countries: the better educated groups go radical and global; the less educated ones riot locally. In other words, simply improving conditions in the neighbourhoods is not going to deal with terrorism. He joked about the 'I' in 'ICG': it was a sign of the times that 'international' concern converges with internal issues.

In the second round of discussions, a former US official reacted against the use of the expression 'political Islam' by the ICG: it was a play on words to indicate that political Islam was on the wane while at the same time pointing to the rise of radical expression and organisation. What was on the wane was traditional religious pressure groups. He shared the concern of those worried about the reactions of the mainstream population. Finally, he drew a parallel in both sociological and organisational terms between the jihadists and the Bolsheviks.

Another participant queried the role of politicians in coping with the current problems in the Netherlands, and more broadly wondered about the possibility of promoting policies that are more inclusive. This query followed a remark by the chairman on the French government's White Paper on terrorism, which supports policies of inclusiveness of the population as a whole (along the 7 July lines in London) rather than

policies of simply mobilising majority support (e.g. the 70% pro-cartoon Danes). A member of CEPS echoed another participant's question about successful policies: Was Belgium doing something right as compared with the Netherlands?

Finally, a representative of the ICG emphasised the basics of fighting terrorism: good intelligence, good policing and the like, rather than relying on socio-economic programmes, which are necessary but are put in place for other reasons.

The panel picked up the Bolshevik analogy and the remark by the ICG representative. Rob de Wijk noted that social workers and law-and-order officers have to learn to work together to improve the overall intelligence position. He expressed limited approval of the record of some Dutch politicians. Commenting on Miss Ayaan Hirsi Ali's role, he remarked that she may be courageous, but she may also have further radicalised an already polarised situation.

Amel Boubekeur remarked that the depoliticisation of structures does not imply the depoliticisation of people, posing the question: What will follow the November riots in France, since traditional politics do not work?

Steve Simon eschewed the apparent simplicity of the 'radical = global' and 'rioting = local' paradigm. Local situations can prompt change in global visions, as occurred with young Che Guevara's motorcycle tour of South America. He emphasised the importance of conferring citizenship in order to enable political activity. Finally, he recalled that areas with large concentrations of youth – and the *banlieues* are places with large shares of youth – lead to rowdy collective behaviour...

Alexei Malashenko denounced Salafism as a challenge for both Islam and the world. Communism was an ideology that could be got rid of, but it is more difficult to deal with a religious belief.

In his closing speech, the chairman strongly supported the concern about the reactions of the majority of the population. He also remarked that the period of violence in America's black ghettos in the 1960s came to a close when the mainstream political parties took the corresponding issues to heart – and not as a result of the activity of more narrowly-based organisations such as the Black Panthers or the SNCC (Student Non-Violent Coordinating Committee).

# The Role of Islam in Europe

## Multiple crises?

Amel Boubekeur and Samir Amghar\*

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The contemporary history of Muslims in Europe extends over 50 years. Until the early 1980s, when a new generation of young Muslims born in Europe began rising to prominence, their presence was not particularly visible and European public policies tended to categorise them as temporary immigrants. Policies intended to curb discrimination and unemployment were developed along ethnic lines (in particular French migration and social policies affecting the *beur* children of immigrant parents from North Africa), sparking social discontent and rioting. Beginning in the 1990s, public discourse increasingly identified Islam as a major part of the problem. Developments including the terrorist attacks in Europe (Paris, Madrid and London), the Salman Rushdie controversy in the UK, the process of 're-Islamisation' of young persons born in Europe, questions about the separation of religion and politics (*laïcité*), struggles against anti-Semitism and even concerns about delinquency in poor districts predominantly inhabited by Muslims reinforced the view that a new phenomenon – a 'crisis of Islam' – called for drastic policy prescriptions.

Over time, virtually all social problems involving European Muslim communities have been reconceptualised within the framework of Islam as a crisis phenomenon. Questions of Muslim political and social integration have become inextricably tied to the 'Islam crisis'. Traditional ideas of a 'clash of civilisations' and the consequent need for intercultural policies to prevent crises involving Islam have dominated public debates surrounding the headscarf, French rioting and cartoon controversies. European policy-

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makers engaging in these debates are finding it difficult to agree on whether Europe's Muslim citizens should be defined as minorities, immigrants or new Europeans.

These multiple Islam crises and controversies are reflections of the existing gap between Europe's policy elite and Muslim citizens living on the social periphery. The apparent failure of 30 years of European social policies to integrate Muslims is directly related to the lack of Muslim political participation in European affairs at both national and local levels on issues other than security and terrorism. Although the radicalisation of Islam is an important and urgent issue, the policy relevant concerns of most Muslims in Europe instead involve day-to-day problems of Islamophobia, worship management, and social, cultural and political exclusion – problems that tend to be ignored or poorly articulated at the policy level.

To gain a better understanding of the role of political Islam in European society today, it is necessary to examine Islamic movements from many different angles, including their European roots, the external influences of Muslim countries and the Islamic arguments of some of Europe's most prominent Muslim leaders. Any balanced analysis should also question whether radicalisation is rooted in Islam per se or more the result of deliberate attempts by various religious actors to garner influence through *communautarisme* – the establishment of ethnic or religious communities separate from mainstream life.

### **Imported crises?**

Islam is now considered a European religion. Crises involving Muslim populations in Europe are often blamed on influences from 'foreign' Islam, with blame most often assigned to two types of external phenomena.

First is what has been called 'consular' Islam. During the 1970s and 1980s, the first Muslim immigrants to Europe (mainly from Algeria, Morocco and Turkey) organised worship, mosque finances, imam activities and Koranic teaching through their countries' consulates. The consulates were intent on diffusing Muslim protests or crises in Europe carried out in the name of Islam.

More recently, a second phenomenon – transnational or 'foreign' Islamic movements – have begun to compete for control over Muslims in Europe. These include the Tabligh from Pakistan, the Salafi movement from Saudi Arabia and the Muslim Brotherhood organised by an Islamist elite in exile from Middle Eastern and North African countries.

These ‘imported’ groups and other Muslim diaspora communities employ various means in their attempts to influence the ideological and normative landscape of Islam in Europe. During the 2003 elections to establish the French council of Muslim worship organised by conservative French politician Nicolas Sarkozy, for example, Moroccan and Algerian consulates in France tried to affect the voting process. The goal was to secure a kind of national political majority among Muslim leaders from these countries through the elections. The Turkish diaspora has played an important role in advocating Turkey’s accession to the European Union. After fatwas were issued related to the Iraqi and Israeli-Palestinian conflict from Yusuf al-Qaradawi (an Egyptian-Qatari theologian with the Muslim Brotherhood movement), many European Muslims chose to oppose the war by boycotting Israeli and American products. Some among these ‘foreign’ groups consider Palestinian suicide attacks as justified. Apparently, foreign Islamic activists living in Europe have been largely responsible for using violent videos advocating religious war against infidels (jihad), foreign fighter narratives and websites to recruit young European Muslims to fight among the Chechen and Iraqi jihad networks.

Such movements promoting violence and terrorism can serve as an outlet for disenfranchised and frustrated European Muslim youth seeking upward social mobility. While most vent their frustrations through peaceful means (more and more young Salafis in Europe are returning to their native Saudi Arabia or Gulf countries, for example), a small number choose jihad.

### **European responses to ‘foreign’ Islam**

This incursion of ‘foreign’ Islamic movements has led European policy-makers to search for external solutions to European crises involving Islam. For example, in an attempt to fight radicalisation, France, the UK, Germany, Austria and the Netherlands have launched expulsion campaigns against foreign imams to their countries of origin (Morocco, Algeria and Turkey). During the headscarf controversy, Nicolas Sarkozy travelled to the al-Azhar University in Egypt to obtain a fatwa from the Egyptian mufti Mohammed Sayed Tantawi requiring girls to remove their veils at school. During the riots, French media described the young Muslim rioters as foreigners leading an “*intifada des banlieues*” with France becoming ‘Baghdad’, while some commentators in the United States asserted that France was paying the price for its pro-Arab policies. Such clichés only serve to further convince Islamic actors of the need to be more

effective in influencing policy-making affecting Muslims in Europe. Following Mr Sarkozy's Egyptian trip, Islamist movements led demonstrations against the veil law.

Experience has shown that Muslim religious leaders are not able to defuse social crises affecting Muslims in Europe. The majority of young rioters in French cities were not practising Muslims; nevertheless, it is interesting that a fatwa to stop the riots issued by the Union of France's Islamic Associations of France (UOIF) – one of the principal federations of Islamic associations close to the Muslim Brotherhood and member of the French Council of the Muslim Faith – had no effect.

At the same time, most European Muslim citizens rally around European values during such crises. During the veil and cartoon controversies, European Muslims turned to their local judiciaries and the European Court of Human Rights in support of European values of freedom of belief, multiculturalism and even of secularity. In the same spirit, French rioters did not have clearly defined political proposals because they were not contesting the French model of integration, but rather sought its effective application.

### **The religious factor in the processes of political radicalisation**

Three distinct groups of activist Muslims can be distinguished according to their views on the relationship between religion and politics: Muslims who develop a 'religious citizenship', those who reject all non-Muslim political systems and an ultra-radical minority that places jihadist Islam at the core of their political commitment.

For the first group, Islam is their starting point for a sense of citizenship and commitment to European society. Demonstrations against the veil law, for example, were for them a political negotiation emphasising the need for citizens' participation to build a common society in which Muslims act as a positive minority. They vote, engage in traditional secular political parties and participate in European political events such as the referenda on the European Constitution, organised events related to globalisation, etc. European Muslim leaders such as Tariq Ramadan contributed to the development of the concept of religious citizenship.

We find the second group among Salafi and Tablighi disciples. Their conception of politics does not lead to violence, but rather a withdrawal from all political processes based on non-Muslim concepts. Their religiosity is sectarian in nature, meaning that they reject all interaction with non-Muslim institutions. Islam is for them universalistic and timeless. The only

priority is to imitate the normative ways of the life of the Prophet. Thus, commitment to a secular state is not relevant. They do not conceptualise themselves within the framework of a non-Muslim political system. Withdrawal is considered to be preferable to participation. This group was not concerned by the demonstrations against the veil law or the publication of cartoon caricatures of the Prophet.

The last group is the jihadist one. Although they do not share any particular social status, they do share the experience of social decline and displacement. Their reason for choosing violence stems less from religious conviction than from painful personal experiences of social and political injustice as a Muslim. They trust that Islam will defend Muslims from European/Western threats against them. They place jihad at the core of their religious beliefs and rely on violence as the only way to defend Muslims from discriminatory policies enforced by EU member states. They may believe that the London and Madrid bombings were justified because, in their view, they forced Spain and the UK to consider the withdrawal of troops from Iraq more seriously.

### **Integration rather than confrontation**

The role of Islam in Europe's multiple crises is as complex as are the various Muslim communities living in Europe. To address such crises better we need to understand the common interests shared by European institutions, EU member states and Muslim countries. These interests rarely converge, leaving European Muslims feeling trapped in a tug-of-war while Europe struggles to discern its changing identity. Muslim groups can be categorised according to their mode of political protest during European crises involving Islam, but they are extremely diverse. The single feature they have in common is their disappointment in European policies affecting their everyday lives in Europe.

More than ever, Europe has a role to play in rethinking what can be proposed to its Muslim citizens in terms of political representation and participation. To minimise the likelihood of violence, Europe needs to create and make visible an alternative and common public space that provides its Muslims with a voice, especially concerning questions related to terrorism, religious radicalisation, Islamophobia, etc.

The strength of the foundations of a new Europe will depend upon the extent to which Muslims are allowed to participate in the construction of a new European identity.

# The Multiple Crises in Dutch Parallel Societies

Rob de Wijk\*

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In the Netherlands the debate on the causes of radicalisation, terrorism and social unrest in the suburbs of major cities has narrowed down to failed integration and the social and economic deprivation of ethnic groups. The emergence of a subclass of underprivileged ethnic minorities is thought to be the root cause of both the riots in Amsterdam and the emergence of terrorist networks such as the Hofstad Group, members of which stood trial in early 2006. The reality, however, is more complex.

In some of the major cities, parallel societies have emerged. Yet the concept of a 'parallel society' is hard to define. Major cities have seen the appearance of underprivileged groups of dissatisfied and disappointed ethnic minorities living in the poorest districts. But within these districts, a new middle class of ethnic entrepreneurs running a shadow economy has also evolved. The fact that these districts (partly) escape from government control makes them parallel societies.

The emergence of parallel societies has three consequences. First, social and economic deprivation can lead to unrest, which is not necessarily related to cultural or religious grievances. Second, within parallel societies the new, better educated middle class tends to become increasingly indignant at the lack of upward social mobility. Members of this group are prone to radicalisation. Third, owing to their closed nature, parallel societies provide the perfect cover for criminal activities and consequently shield the infrastructure for terrorist networks. As a result, social unrest, criminal activities and radicalisation could ultimately go hand in hand with the development of terrorist networks. Moroccans are the cause of many problems in both cases. Some youngsters terrorise entire neighbourhoods while others turn into terrorists.

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This paper tries to unravel the complex problem of the development of parallel societies in the Netherlands.

## **Parallel societies in the Netherlands**

Contrary to public perception, according to two reports integration has not really been a failure.<sup>1</sup> Nevertheless, there are some disturbing trends. First, non-Western ethnic groups are structurally underprivileged. Second, inter-ethnic contact is decreasing. Third, ethnic and indigenous groups increasingly have negative feelings towards each other. The problems are concentrated in a limited number of districts in the four biggest cities. In Amsterdam, Rotterdam, Utrecht and The Hague, one out of three residents is now of non-Western origin. In the top 10 'ethnic neighbourhoods', an average of 74% are of non-Western origin.

In major cities, a high degree of segregation of different population groups can be observed. Contact with the indigenous population is at its lowest in the neighbourhoods with large numbers of ethnic minorities. One study illustrated that if more than half of residents are from non-Western ethnic minorities, contact and interaction between the indigenous and ethnic populations generally declines.<sup>2</sup> People of Turkish and Moroccan origin have the strongest orientation towards their own ethnic groups. Approximately two out of three living in the Netherlands focus on their own group. In concluding, the study stated:

[I]n the last 10 years the frequency of social contact with the native population by Turks and Moroccans has declined...The social distance from the native population is thus not reducing. Of great significance in this interaction is that contacts between second-generation Turkish and Moroccan immigrants and the indigenous population have been steadily declining in recent years, a development that is linked to the steady rise in the numbers of ethnic minorities in the large cities...A further factor is the continuing high influx of Turkish and Moroccan 'marriage migrants' who...remain largely ensconced in their own community.

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<sup>1</sup> See the report by the Blok Committee, the parliamentary commission set up to study integration (Tweede Kamer 2003–2004, 28689, no. 17) and *RMO advise* no. 37, The Hague, October 2005 ("Niet langer met de ruggen tegen elkaar").

<sup>2</sup> See M. Gijsberts and J. Dagevos, *Uit elkaars buurt* [Love thy neighbour], Sociaal en Cultureel Planbureau, The Hague, 10 October 2005.

As a consequence, many also have a poor command of the Dutch language.

Another problem is that second-generation non-Western minorities have a more negative attitude towards indigenous groups. More highly educated non-Western minorities, however, have extremely negative feelings towards indigenous groups. This attitude is explained by the poorly functioning labour market and a lack of upward social mobility.<sup>3</sup>

Until recently, most Dutch politicians turned a blind eye to these developments. By providing generous unemployment benefits, many assumed that the social security system would simply prevent the emergence of truly deprived areas and parallel societies. In contrast to the United States, 'ghettos' simply could not exist. They pointed at the large number of heavily subsidised welfare projects, while the police could still patrol the streets. They also argued that no easy conclusions could be drawn because no districts were dominated by a single ethnic minority.

Nonetheless, the situation in the Schilderswijk and Laakkwartier areas (The Hague), het Oude Noorden (Rotterdam), Amsterdam-West and the Kanaleneiland (Utrecht) is alarming. These districts have developed into parallel societies with limited government control, a mixture of underprivileged ethnic groups and a new middle class of entrepreneurs. As municipalities put a lot of money into housing projects aimed at improving their quality of life, some of these neighbourhoods do not even look poor.

## **Moroccans**

The main problem is second-generation Moroccans. Their ancestors were born in the rural area of the Rif Mountains. This is an extremely poor and remote area in the northern part of Morocco, which successfully broke away from the influence of central government. As a result, education, infrastructure and food production lagged behind the rest of the country. The Rif area grew increasingly poor and underdeveloped. After unsuccessful attempts to find jobs in Algeria, many Berbers came to the Netherlands in the 1970s. Owing to recession, many became unemployed during the 1980s and 1990s. Supported by the government, they have continued to stay in the Netherlands and have been joined by family members from Morocco. The first generation is still largely unemployed,

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<sup>3</sup> See Sociaal en Cultureel Planbureau (SCP), *De sociale staat van Nederland 2005*, SCP, The Hague, 2005, pp. 82-85.

poorly educated and not integrated. Most first-generation Moroccans do not speak Dutch despite the fact that they have lived in the country for over 30 years. Consequently, they are unable to assist their children in building a better future. While being Dutch citizens, second-generation Moroccans also struggle with the language and lack proper education. Moroccans born in the Netherlands have grown up without proper support from their poorly integrated parents and have been caught between the proud but repressive culture of the Berbers and the indifferent liberal culture of the Netherlands. As a direct result, a generation has been set adrift. Almost 40% of young, second-generation Moroccan men are unemployed, against 23% of first-generation men. Of course, there are many other poorly integrated minorities, but lacking the specific background of the Berbers, these groups cause fewer problems for public order.

Problems with second-generation Moroccans are well illustrated by the case of the relatively wealthy Slotervaart district in Amsterdam. Slotervaart has some 45,000 inhabitants, with some 50% of autochthonous origin. Unemployment is at only 9%. To improve the quality of life, housing projects are in full swing. The municipality invests heavily in language courses as well as other education projects, such as computer courses. Nevertheless, the tension is clearly visible. Petty crime, intimidation, harassment and lack of respect for the authorities, especially for the police, cause severe problems. On 23 April 1998 the first major clash between Moroccans and the police occurred. In January 2006, small-scale riots again took place, with citizens harassed, cars destroyed and windows smashed. The riots broke out after a Moroccan, fearing a police chase, had a fatal car accident trying to escape. The trigger for the riots was comparable to the situation in Clichy-sous-Bois, the working-class Parisian suburb where an outbreak of French violence began on 27 October 2006. According to a report by the DCRG (Direction Centrale des Renseignements Généraux), the intelligence service of the French police, the riots were not caused by criminal gangs or Islam extremism, but by groups of angry, 'economically excluded' youngsters feeling neglected because of their social and ethnic background. In Amsterdam, as district chairman Henk Goettsch has argued, the problem centres around a small group of 100 to 150 Moroccans who are "completely and utterly mad" and who are "from



top to toe unreligious and completely lost for Islam".<sup>4</sup> Goettsch maintains that the only remaining option is to remove them from the street and put them in re-education camps for a long period of time. Politicians, however, fear that this measure conflicts with civil rights. This solution was put forward during the early 1990s by former Prime Minister Ruud Lubbers, and now large parts of the population believe there is no other option but to send these groups to re-education camps.

### **Schilderswijk: The poorest of them all**

A relatively prosperous district, Slotervaart's 'only' problem is Moroccans terrorising the neighbourhood. In other districts the situation is far worse. The Schilderswijk district in The Hague is the Netherlands's poorest district. It is the archetype of a parallel society: 89% is of non-Western origin with Turks, Moroccans and Surinamers as the dominant minorities. The Schilderswijk area is the most densely populated in the country (23,500 inhabitants per square kilometre, compared to 4,000 inhabitants per square kilometre in the major cities). Finally, more than half of the population is aged less than 25, and some 80% are unemployed.<sup>5</sup>

Over the last 15 years, the Schilderswijk and to a lesser extent the adjacent Laakkwartier areas have developed into parallel societies, including a grey economy based on crime, semi-legal and illegal jobs and activities such as underground banking, caused in part by banks and insurance companies denying mortgages to residents in some postal code areas. Ethnic lawyers, housing agents, shops, bars, restaurants and phone houses focus exclusively on the neighbourhood. There is some evidence that Sharia has been introduced in some of these neighbourhoods. Citizens focusing on the outside world watch Al Jazeera and other Arabic stations, such as Al Manar (Libya), Sahar TV1 and Al Alam (Iran), Art Iqraa (Saudi Arabia), some of which were banned by the minister of justice in January 2006. The main problem is crime, burglaries, car thefts and youth gangs committing violence against fellow citizens, especially against Jews and gay persons. Some criminal activities, such as the production of false

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<sup>4</sup> See H. Goettsch, "Zo maf als een deur zijn ze van top tot teen los van god", *NRC-Handelsblad*, 22 January 2006.

<sup>5</sup> Figures are derived from the Centraal Bureau voor de Statistiek, The Hague, 15 August 2005.

passports, money laundering, robberies and the drugs trade, are related to terrorism.

Having completely renovated many of the houses, the municipality has created a district that is visually appealing. Ignoring the huge differences between ethnic groups in the city and the emergence of a parallel society, authorities have argued that all citizens of The Hague are '*Hagenaren*'.

In sum, the Schilderswijk district has turned into a separate area from the city of The Hague with a different economic and social structure and people with distinct values. This development has provided the perfect infrastructure for the supporters of terrorist networks such as the Hofstad Group, with some of its members living in the district and in adjacent neighbourhoods.

## **Action plans**

Recently the authorities have embarked on radical action plans to deal with the emergence of parallel societies. Undoubtedly, the murder of Theo van Gogh and the riots in the French suburbs have contributed to new initiatives. Rotterdam has been a forerunner in these developments. In Rotterdam the political heirs of Pim Fortuyn (the politician who was murdered in 2002, having instigated radical political change), have experimented with various different measures. For example, a 120% minimum wage requirement was set for those citizens considering a house rent of over €250. Radical measures were codified in the 'Rotterdam Law'. By 1 January 2006, every major city could impose tough income requirements for accommodation seekers; could create favourable conditions for entrepreneurs in specific streets or neighbourhoods and could prevent jobless persons moving from one city to another.

Another interesting development is the so-called 'Rotterdam Code' – a code of conduct for all citizens of Rotterdam. Aimed at improving integration, the code asks citizens of Rotterdam to accept rules, including the use of Dutch as a common language, and actively to reject discrimination, radicalisation and extremism. Together with the publication of the code in January 2006, the town council started to organise debates in the city's districts between the 160 ethnic minorities and the native Dutch. The Rotterdam Code is part of a broader attempt to prevent the emergence of parallel societies and to reduce the danger of radicalisation and extremism. Rotterdam is also planning experiments to change the ethnic

and social composition of neighbourhoods: housing projects that include more expensive houses for higher income groups, income quotas and the relocation of the poorest people within the city as well as a ban on the influx of the more underprivileged into certain neighbourhoods.

Another project called *Wij Amsterdammers* [We, the citizens of Amsterdam], aimed specifically at reducing the risk of radicalisation, was set up after the assassination of Theo van Gogh in November 2004. This project focuses primarily on combating terrorism by complementing the work of the police with specific integration projects seeking to prevent radicalisation by mobilising positive forces in society. So far, the results of this seemingly soft approach are quite encouraging. In practice, the approach is not that soft, because overt and covert counter-terrorism measures are actually quite tough. On the one hand, authorities try to win the 'hearts and minds' of the people. On the other hand, activities related to terrorism are continuously disturbed. It is probably this combination of hard and soft measures that makes the strategy of Job Cohen, the mayor of Amsterdam, quite successful. A major problem, however, is the lack of instruments for assessing the level of radicalisation and the processes taking place within these parallel societies.

All action plans focus on winning the hearts and the minds of the people. The aim is to prevent social unrest, riots and radicalisation by improving social and economic conditions and facilitating communication between ethnic groups. Action plans most probably ease tensions, but it is unlikely that these measures can prevent radicalisation and terrorism as well.

### **Fighting terrorists**

As has been argued before, within parallel societies the poor usually do not turn into fundamentalist extremists. Rather, the problem seems to lie with the more highly educated and the emerging middle class. Reinforced by relative success in the black and grey economies, many have turned their backs on Dutch society.<sup>6</sup> Some have become extremists. Radicalisation requires some degree of abstract thinking, of which only the better educated are capable. They transform religious, cultural and historical

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<sup>6</sup> See P.C. van Duyve, "Economisch succes zorgt niet automatisch voor integratie", *NRC-Handelsblad*, 24 November 2005.

grievances into action. This process is exactly what happened with the Hofstad Group.

The case of Mohammed Bouyeri serves as an example. During the 1990s, he was active as a community worker in Amsterdam and a capable student who graduated from high school with good marks. Without providing an alternative, the authorities closed down the local youth centre in 1998. Until then Mr Bouyeri was quite successful in keeping young Moroccans off the street, but after losing the centre, they had no other choice but to gather in the streets of their neighbourhood. This consequence contributed to the riots of 1998 mentioned earlier. Nevertheless, Mr Bouyeri fruitlessly attempted to establish a new youth centre, and as time progressed, became radicalised and turned violent. He fought with the police and was sent to prison for 12 weeks. After being released, nine days after 9/11, he told his councillor about his new hero, Osama bin Laden. It is unclear to what extent his battle for a youth centre contributed to his radicalisation. His friends later observed that his detention and the death of his mother in December 2001 were the real turning points. It is clear however that his change of conviction cannot be solely attributed to an underlying hatred of the West in general and the Netherlands in particular.

In a recent interview on Dutch television, the interior minister estimated that some 15 to 20 radicalised groups of some 10 to 15 members each are active in the country. Mohammed Bouyeri, who assassinated Theo van Gogh, was among the members of the Hofstad Group (Hofstad being another name for The Hague, where most of the bombings were to take place). Other members of the 16 who stood trial in 2005 and 2006 included Samir Azzuz, who was accused of planning attacks on parliament, the offices of the Intelligence Services, the nuclear power plant of Borsele, Schiphol Airport and the Ministry of Defence in The Hague. The group's characteristics became well known:

- Physically, the members of the group lived in the parallel societies of The Hague, Rotterdam, Amsterdam and Utrecht.
- Spiritually, they lived in a virtual, anti-Western world created on the internet and in private houses during sessions with self-appointed imams. They not only discussed Islam, but watched extremely violent jihadist videos and 'snuff movies' as well.
- Most members had known each other for a long time. Kinship and friendship were important.

- Some suspects, including Mohammed Bouyeri, Jason Walters and Ismail Akhnikh had already developed a reputation of violence.
- Most members were second-generation Moroccans who had become radicalised as teenagers. Some members, including Jason and Jermaine Walters and Martine van den Oever, had been converts.
- Most were well educated. Some terminated their studies after becoming radicalised. The Koran rather than school became the source of all knowledge.

As has been argued before, there is little evidence that parallel societies and social and economic deprivation contribute to radicalisation. A possible explanation lies in the role of the virtual *ummah* for radicalised individuals – a Muslim world created behind closed doors and on the internet. In the absence of a formal Islamic doctrine, the ‘citizens’ of this virtual *ummah* create their own truths, norms and values based on their own explanations of history and the Koran. If needed, fatwas can be obtained from unknown internet imams.

Still, terrorist networks can only develop with at least some form of (passive) support of a majority of the citizens. Therefore, parallel societies provide cover and infrastructure for networks of radicals and extremists, but the virtual *ummah* reveal their true motivation. Their motivation usually comes not from social and economic grievances but from hate against the West. Conceptually, the emergence of home-grown terrorism has a resemblance to communist cells in Europe during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries and the insurgencies in former colonies. Consequently, counter-insurgency doctrine still provides some guidance for conceptual thinking. As a matter of fact, some elements of traditional counter-insurgency doctrine could be used to fight today’s home-grown terrorists, applied as follows:

- Protection should be given to the local, neutral and receptive part of the population against the insurgents. This undertaking requires improving the security of the neighbourhood by reducing criminal activities, especially those criminal activities in support of terrorism.
- The reduction of crime is also necessary to deprive the insurgents of their support system. The objective is to isolate home-grown terrorists physically and psychologically.
- Efforts in this area should include eliminating the insurgents’ intelligence network – closing down websites, television channels and the denial of internet access.

- 'Hearts-and-minds' activities should seek to separate insurgents from their support base. This objective requires dialogue between ethnic groups and projects aimed at improving the social and economic conditions of the population. Moderate ethnic groups must be convinced that the indigenous population is on their side.
- A well-coordinated and continuous flow of intelligence based on human intelligence (HUMINT) is crucial. This element is an important by-product of the hearts-and-minds campaign. Close cooperation between the police and community workers is of great importance for knowing what is going on in parallel societies.
- Direct, small-scale and possibly covert action should be taken against the insurgents to disturb their activities and arrest them if necessary. The use of force against home-grown terrorists could jeopardise the hearts-and-minds campaign and should therefore be a measure of last resort.

To many, this approach is rather controversial. For example, community workers will have difficulties using the hearts-and-minds campaign to improve the intelligence position of the authorities. Close cooperation with the police could lead to mistrust among the population and losing hearts and minds. But, considering the nature of home-grown terrorism, there is no other alternative except to complement the infiltration of terrorist networks with HUMINT from community workers. Needless to say, HUMINT is also useful in preventing riots and criminal activities.

### **Why do they radicalise?**

If social and economic deprivation is not the root cause of radicalisation, the key question is why Muslims radicalise. Mr Bouyeri's radicalisation mentioned above seems to fit a broader pattern. After 9/11, many Western European countries saw the emergence of networks of extremists, including the Hofstad Group. They were part of the development of an international Salafi jihad as a force to be reckoned with in Europe.

There are two sets of contributing background factors – origins and catalysts. Both are only marginally related to the development of parallel societies and underprivileged groups. The violent struggle against 'corrupt, decadent and pro-Western' governments in the Arabic world, which started in Egypt in the 1960s, is considered one of the root causes of the violent Salafi jihad. The Soviet intervention in Afghanistan in 1979 provided the international dimension. This vector was formalised by the

shift from the near to the far enemy during the 1990s, especially with Osama bin Laden's declaration of war in 1996 and his fatwas of 1998.

Another root cause is Islamic culture. Fundamentalism is both a product of this development and Muslims' attempt to deal with this development by rejecting Western culture and influence, and committing to Islam as the guide to life in the modern world. Muslim extremism is closely linked to this. Many Muslims consider fundamentalism as the solution to political and socio-economic problems that had become manifest in the 1970s. Owing to increasing oil revenues, rapid but uneven modernisation, urbanisation and economic liberalisation took place, which led to social tensions in large parts of the Muslim world, especially the Middle East. Youngsters in the fast-growing cities felt betrayed by their leaders, who failed to use the oil revenues to create a civil society based on Islamic values, and instead used the spoils for their own purposes. They also accused their leaders of becoming the puppets of Western companies and governments. In *Jihad vs. McWorld*, Benjamin Barber argues that a collision is occurring between the forces of Islamic disintegral tribalism and reactionary fundamentalism (jihad) and the forces of integrative modernism and aggressive economic and cultural globalism ('McWorld'). Mr Barber sees this as a "dialectic expression of tensions built into a single global civilization as it emerges against the backdrop of traditional ethnic and religious divisions, many of which are actually created by McWorld and its infotainment industries and technological innovations".<sup>7</sup>

Osama bin Laden's goal, to unite all Muslims and to establish a government that follows the rule of the Caliphs – the ancient religious rulers – is widely shared by extremists, including the Hofstad Group. Agreeing with Osama bin Laden that the Caliphate can only be established by force, the overthrow of all Muslim governments is deemed necessary. In this view, governments are corrupt and influenced by the 'Judeo-Crusader Alliance', an alliance of Jews and Christians, embodied by Israel and the US and supported by liberal democracies in general. This unholy alliance has occupied the land of Islam's holy places (Mecca, Medina and Jerusalem) and is trying to crush Islam. To end this influence, the destruction of Israel and the US is a prerequisite for the reform of Muslim societies. In January 2006, Mohammed Bouyeri made his criticisms abundantly clear during a

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<sup>7</sup> See B. Barber, *Jihad vs. McWorld, Terrorism's Challenge to Democracy*, New York, NY: Random House Publishing Group, 1996, p. xvi.

three-hour long testimony in court, mentioning the West's hatred against Islam as his main grievance.

In sum, the origins of radicalisation have little to do with parallel societies and the existence of an underprivileged class. The same holds true for most of the catalyst factors. Our as yet unpublished piece of research on some 35 plots and successful acts of terrorism revealed a number of catalyst factors:

- 1) the ongoing struggle in the Middle East;
- 2) the war against terrorism and how it is being fought in Afghanistan and Iraq. Especially the indiscriminate counter-insurgency tactics used by the Americans – at Abu Graibh and Guantanamo Bay – have become symbols of Western attempts to oppress Muslims;
- 3) the ideology of the West, namely President George W. Bush's solutions for peace in the wider Middle East;
- 4) the successful attacks of 11 September 2001. The events inspired young Muslims to turn into extremists and to join terrorist networks. The Hofstad Group is an example of this development. After 9/11, Europe witnessed an explosion in the number of attempted terrorist attacks, usually instigated by home-grown terrorist groups. Generally speaking, all successful attacks around the world are strong motivators; and
- 5) calls by radical leaders such as Osama bin Laden and Ayman al-Zawahiri.

The terrorist's inspiration is usually of foreign origin. Similar conclusions were drawn by a Norwegian study. It concluded that home-grown terrorists were motivated by 'global jihad' rather than domestic grievances.<sup>8</sup>

Mohammed Bouyeri declared war on the Netherlands. As there is no higher authority but Allah and the Koran he rejected politicians and other authorities as 'non-believers' and saw democracy and the rule of law as antithetic to God's word and Sharia. His views were widely supported by other members of the Hofstad Group. As these grievances are common for

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<sup>8</sup> See P. Nesser, *Jihad in Europe: A survey of the motivations for Sunni Islamist terrorism in post-millennium Europe*, FFI/Rapport-2004/01146, Forsvarets Forskningsinstitut, Norwegian Defence Research Establishment, Kjeller, Norway, 2004, p. 69.



the supporters of the international Salafi jihad, they cannot be considered domestic catalysts. In the Netherlands, only a few domestic catalysts could be identified:

- 1) Over-reaction by local politicians – in 2002 the Netherlands Security and Intelligence Service AIVD found evidence that opinion leaders contributed to the radicalisation of Muslims. Indeed, the film *Submission*, by MP Ayaan Hirsi Ali and Theo van Gogh, undoubtedly contributed to the death of the latter. The recent cartoon affair is certainly also contributing to further radicalisation.
- 2) Although the lack of social mobility merely confirms the West's attitude towards Muslims, it does not seem to be a root cause of radicalisation. The same holds true for social and economic deprivation.

In sum, while domestic grievances are held to show the West's negative attitude towards Islam, home-grown terrorists such as the Hofstad Group are part of the international Salafi jihad. The movement is rooted in the Arabic world, which has gained momentum after 9/11 and has complemented al-Qaeda and its franchises with home-grown radicals setting up local terrorist networks. Some of these loose networks have international connections, as was the case with the Hofstad Group. Some of its members knew Abdelhamid Akoudad (alias Naoufel), who was arrested in Spain for his involvement in the 2003 Casablanca bombings. The Hofstad Group and most of the Madrid bombers share the same Moroccan background.

## Conclusion

The emergence of parallel societies contributes to fractured societies. When entire districts no longer take part in the democratic process, they pose a threat to the constitutional state. Parallel societies are not only the source of criminal activities, illegal economic practices, intimidation and violence – they also provide the perfect cover and infrastructure for networks of extremists. In the Netherlands, major cities have embarked on a strategy of dealing with parallel societies. Most initiatives are aimed at winning the hearts and minds of ethnic minorities by improving social and economic conditions and by increasing interethnic communication. Such efforts could have two effects. First, raising the standard of living could reinforce stability and reduce the danger of riots. Second, winning hearts and minds is a prerequisite for counter-terrorist operations. Finally, local authorities

should study counter-insurgency doctrine and the lessons learned from military operations to find solutions for dealing with home-grown terrorist networks.

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# Islam in Russia in 2020

Alexey Malashenko\*

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The influence of the 'Islamic factor' on the socio-political process in Russia has long become routine. People are accustomed to it and it arouses concern mostly in connection with sporadic excesses of terror that occur in the context of religious extremism. At the same time, demonstrations under Islamic slogans and efforts by Muslim politicians and clergy to provide religious grounds or religious interpretations of contradictions and conflicts promote a slow but rising influence of Islam on society and politics. (The classical example is the Chechen war, which was proclaimed as a jihad by separatists and explained by some Russian politicians as a 'clash of civilisations'.)

According to the official census of 2002, there are 14.5 million Muslims in Russia. In reality, there are about 19 to 20 million (taking migrants into account), which is equivalent to 12% of the population.<sup>1</sup>

A consolidated Muslim community with a common religious centre has not formed in Russia. The Islamic society of the country consists of two large groups. The first group lives in the Volga-Ural region, Western Siberia and Moscow, where the Tatars and Bashkirs live; and the second group exists in the nations of the North Caucasus. The largest Islamic ethnicity in Russia is the Tatars (7 million people), followed by the Bashkirs (about 1.5 million people), and among the Caucasians, the Chechens (1 million people).

In recent years, the intensive migration of North Caucasian Muslims to the central region of Russia has been observed. This phenomenon has aggravated inter-ethnic relations as well as those among different Muslim ethnic groups.

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<sup>1</sup> According to different data, 1.5–2 million Azerbaijanis, 0.8–1 million Uzbeks and over 1 million Kazakhs, Kirghizis and Tajiks permanently, and predominantly illegally, live in Russia.

The short history of Islam in Russia (after the disintegration of the Soviet Union) may be divided into several stages. The first stage was characterised by the beginning of religious revival, a rapid rise in the number of mosques, the forming of an Islamic educational system and a major emphasis on religion in people's consciousness. The second stage, which took place in the middle of the 1990s, was characterised by the politicisation of Islam. Nationwide religious-political groups, such as the Union of Muslims of Russia, the 'Nur' movement and the 'Refakh' party, as well as regional religious-political organisations appeared. At this time, among Russian Muslims (primarily in the North Caucasus) the Islamist movement was formed, which was greatly although not entirely provoked by the Chechen war. Islamists began to operate in Dagestan, Kabardino-Balkaria and Ingushetia. Centres of Islamism appeared in Tatarstan as well. The third stage occurred from 2000 to 2002, when the total level of Islamic politicisation fell and Islamists of the North Caucasus suffered losses during the second Chechen campaign.

Still, from approximately the beginning of 2003, the activity of Islamic radicals was back on the upswing. The number of Jamaats in the North Caucasus grew and Islamists in the Volga region became more active despite the fact that in the opinion of some specialists they practically disappeared at the end of 1990s. Thus, it is possible to assume that a fourth stage began during this period.

The radical ideology of some Muslims in Russia has proven more persistent than was assumed. In our view, various independent factors contributed to this. First, the growth of Islamic observance contributes to an awakening of interest among adherents in other areas besides just traditional Islam. The second factor is the formation among the young generation of Muslim clergy of various concepts coming from the Arabic East. Graduates of the universities in Saudi Arabia, Kuwait, Egypt and Turkey offer their compatriots some different, more radical (including Hanabilah) versions of Islam, as well as 'Islam without maskhabs' or, in other words, Salafism. Third, as is typical primarily in the North Caucasus, domestic Jamaats continue to propagandise the organisation of society on the basis of Shariat and advocate the idea that social justice may be ensured only through Islam. Fourth, in connection with the previous thesis, Islam appears to be the natural form of protest against the injustice of local and central power and its corruption. Fifth, aid continues to arrive from outside (though not on the previous scale). Finally, the radicals' activities contribute to the confrontational atmosphere between Islam and the West.

Although as noted above, Russia's Muslims are not homogeneous, it is the radicals who most often manage to overcome 'Tatar-Caucasian' mutual alienation. The non-traditional interpretation of Islam currently being spread all around Russia transcends ethno-cultural barriers and consolidates Muslims on the basis of radical ideology. At the same time, contacts between Russia's radicals and like-minded persons from Central Asia are gradually growing. This development is related to the periodical appearance of emissaries of Hizb at-Tahrir al-Islami in the Volga region and the South Urals.

The integration process based on radical religious ideology is certainly dangerous because it supports extremist tendencies and as a result produces the basic conditions for destabilisation. Yet, it should not be forgotten that the sympathies of common Muslims frequently turn out to be on the side of Islamists, for Muslims understand Islam as connected to hopes for an improvement in their material position and securing social justice. Islamists, not being angels themselves, become allies of the disadvantaged part of society and gain popularity by virtue of their confrontation with authorities. In the North Caucasus, there is a view that local Islamists are the single power that authorities seriously fear.

Islamism has the greatest prospects in the North Caucasus. The waning of war in Chechnya (which in itself does not mean the end of the conflict) is occurring simultaneously with the revival of Islamist activity in the whole region. Authorities who have fought the Wahhabists almost entirely by military means since 1999 have failed to prevent its expansion. Thus, Islamists have become the constant and *de facto* legitimate political power. It is indicative that the new separatists' leader Abdul-Khalim Sajdullaev, who succeeded Aslan Maskhadov (killed in 2005), emphasises the creation of a 'Caucasian front' of jihad. There is no common front, but the coordination between Islamist groups in separate republics is growing.

The self-confidence of the Islamists is also evolving. An increasing number of them believe that they are not fighting solely against the local administration and Moscow, but are part of a world jihad. Thus, they enhance their status not only in their own opinion, but also in that of the local and federal authorities opposing them. Authorities always emphasise that they are fighting not just bandits but rather the 'vanguard' of international terrorism.

It should be acknowledged that during the last two years, Russian special services have achieved some success in annihilating several leaders of Jamaats in Dagestan, Ingushetia and Kabardino-Balkaria as well as

Chechen field commanders. In 2005, almost every week newspapers published stories about the successful operations of federal force units ('*siloviki*') against Islamists.

At the same time, there is a feeling that the authorities did not manage to achieve the most important goal – to stop the influx of young 18-20 year olds into Islamism. Recently, a 'rejuvenation' of Islamism has occurred. This phenomena may be observed, for example, in the Muslim Volga region where groups of followers organise themselves around young and radical imams.

Throughout the entire, culturally Islamic area of Russia, intra-Muslim confrontation between traditionalists and those who try to indoctrinate individuals in 'Arabic Islam' continues – indeed, it is even increasing. This struggle is particularly intense because at stake is the influence of the present clergy on their flocks, access to material and other secular blessings, and also their authority in front of secular power, which is afraid of losing control over Islam. (It should be noted that the emergence of the liberal trend towards 'Euro-Islam' did not receive support from the clergy; it is still unknown among believers and has been relegated to the narrow circle of secular intelligentsia.)

To some extent, the processes occurring within Russian Islam may be linked to a generation gap. Imams aged 40-50 who obtained recognition during *perestroika* (after the fall of the Soviet Union) are being opposed by ambitious 20 year-old young men. The latter have received an education in the Arabic language, know Fiqh and Shariat fairly well, and, most importantly, have acquired and are improving their preaching skills.

The intensity of the conflict greatly depends on the tolerance of both sides, on the general situation in the country and also on the devotion of Russian Muslims to their historical and cultural traditions.

Followers of traditional Islam are particularly anxious about the state of the educational process, the training programmes of many *madrasahs* and institutes and the abundance of books that popularise the views of traditional Islamic fundamentalists such as Said Kutba, Yusuf al-Qaradawi and others. Such a situation is characteristic not only for Russia but also for all Muslim states in post-Soviet space. There, attempts to found educational and informative programmes that may help to move the believers out of the influence of Islamists are being undertaken.

In the past decade, Russian Muslims have persistently striven for integration into the world of *umma*. In certain cases, this tendency may

contradict Moscow's official policy. Thus, the Muslim clerical and political elite opposed the Kremlin's pro-Serbian policy and expressed solidarity with Muslims in Bosnia and in particular in Kosovo. Yet, the Kremlin position in the conflict around Iraq in 2002 was generally supported. Moreover, it is known that in Dagestan there was an initiative to help Iraqis by sending Caucasian volunteer units of (according to some data) up to 6,000 persons. At that time, the head of the Central Clerical Board of Muslims of Russia Talgat Tatzhutdin publicly declared "Jihad to America". (This fact significantly irritated the Kremlin.) In 2006, Russian Muslims expressed their solidarity with people of their faith during the scandal about the cartoons of the Prophet Muhammad published in some European newspapers. In the capital of Dagestan, Makhachkala, a protest march was organised, and acting Prime Minister of Chechnya Ramzan Kadyrov expelled the Danish humanitarian mission from the country. (Moscow later disavowed knowledge of this decision.)

It is obvious that the central object of general *ummah* unity is still the conflict in the Middle East. After the unconditional support that was given to Palestine by the former Soviet Union, Russian Muslims were genuinely disappointed by the new policy of maintaining equal distance from the opposing sides. That is why President Vladimir Putin's invitation to Hamas to send a delegation to Moscow, after it had just won at the parliamentary elections in 2006, was greeted by Russian Muslims with great satisfaction. (Incidentally, Hamas is not listed by Russia as a terrorist organisation.)

In 1998-99, the Union of Muslims of Russia made the first (unsuccessful) attempt to bring Russia into the Organisation of the Islamic Conference (OIC). In 2002-03, this idea was developed by the Ministry of Foreign Affairs and approved by President Putin. And in spite of the fact that Russia still has not received the status (and it is unknown if it will) of an OIC observer, the fact that this question was even discussed gives Russian Muslims additional opportunity for self-identification as full members of the *umma*.

Confessional self-identification may be in discord with one's civil identity. In other words, the sense of affiliation with Islam becomes more acute than the sense of belonging to the nation state. In the Russian poly-confessional state, this contradiction is catalysed by complicated interactions between major religions. The proclaimed constitutional equality of all religions is not always observed. The Russian Orthodox Church (the majority of the country's population practises Orthodox Christianity) confidently lays claim to the special, leading role in the life of

society while underlining its exceptional importance to the building of a nation state. Ideologists of the Church are fully confident that it is Orthodox Christianity that must form the basis of the 'Russian national idea'. Attempts to develop it have been made throughout the past decade but the process has never been completed.

The head of the Russian Orthodox Church, Patriarch Aleksii II, consistently ranks between 10<sup>th</sup> and 15<sup>th</sup> place in the list of top Russian politicians. The Church actively penetrates the army and primary schools, trying to influence educational programmes.

There have been cases when representatives of the Russian Orthodox Church unofficially impeded the building of new mosques, the registration of Islamic communities and creation of Islamic centres.

All of these facts cannot but irritate the Muslim elite, the overwhelming majority of whom have a benevolent relationship with the Russian Orthodox Church. Considerable conflicts are concealed behind the façade of the official inter-confessional dialogue, and from time to time they leak out onto the pages of newspapers and magazines and into the speeches of some representatives of the clergy. (For example, Andrey Kuraev, one of the leading ideologists of the Russian Orthodox Church, stated that it was necessary to establish total state control over Islamic education.)

The latest conflict to break out over national Russian symbols is, in our opinion, the most absurd. The crown and the orb topped with crosses have always been depicted on the state emblem of Russia. In the autumn of 2005, the All-Tatars public centre unexpectedly demanded the removal of this sign of Christianity from the state emblem. A rather heated dispute began. Several well-known religious figures, such as Deputy Chairman of the Council of Muftis of Russia Nafigulla Ashirov, were involved. Picked up by mass media, this senseless debate contributed to the rise of mutual irritation between Muslims and Orthodox believers.

Nor did Russia avoid the notorious 'headscarf conflict' seen elsewhere in Europe. The Union of Muslim Women of Tatarstan demanded that women be allowed to be photographed for passports wearing a headscarf. Secular authorities, such as the Ministry of Foreign Affairs and then later judicial bodies, reacted quite tactfully and permitted Tatar ladies to be photographed for the official documents with their heads covered. As a result, this appeal of the Union of Muslim Women did not receive any significant backing from society and the conflict dissipated.



Another more noticeable attempt to bring back some standards of an Islamic way of living came in the form of appeals to restore the right to polygamy. In Russia, such discussions have gone on since the mid-1990s. One of those backing this idea is Ruslan Aushev, the former President of Ingushetia. The idea was also discussed at length by some Tatar politicians. In 2005, Ramzan Kadyrov insisted on legalising polygamy, arguing that the number of women in the republic exceeds the number of men by 10% and that polygamy would be the only way to rescue the Chechen nation from extinction. Some politicians and religious figures of Dagestan regard this idea favourably, and of course, Islamists support it unconditionally. It should be noticed that while polygamy is already practised by prosperous individuals, it is unlikely to become widespread. (Occasionally it is not clear what is behind the aspiration to legalise polygamy – the willingness to affirm Islamic custom or to legitimise someone's family status.)

Nevertheless, it should be accepted that the re-incorporation of Islamic models of behaviour into society really exists. One can judge it by how strictly the fasting and all sorts of food prohibitions are kept, in particular, those on alcohol. In the first part of 1990s, some politicians and experts expressed the view that Islam is in fashion. Of course, there is some truth to that. Yet the re-Islamisation of Russian Muslims has turned out to be much more profound than was imagined, and it appears that this process is still ongoing.

What can be expected in 15 years, in 2020? What will happen to the Russian Islamic community in 30 years?

The number of Muslims will increase and may amount to about 25 million people, taking into account the population growth particularly in the North Caucasus, as well as the current rate of migration. And if one takes into consideration that the total number of Russian citizens will decrease to 130 million, the share of Muslims will be around 17 to 19% (with or without migration.) Simultaneously, the internal conversion of Muslims will occur, and the majority of them will be from the Caucasus. The number of migrants from the Caucasus who settle in Russian cities will likely increase in both absolute and relative terms.

Two contrary tendencies will become more marked in the future. On the one hand, there will be the dispersion of Muslims, and in particular Caucasians, in Russian society. On the other hand, they will aspire to protect their identity and ethnic character, especially during the first stage of their businesses. Hence, the new generation of politicians who will

represent the interests of various groups will be based on different ethno-confessional affiliations.

Quasi-religious movements may appear. (Something similar took place in the 1990s, but an authoritative all-Russian party with social-Islamic motivation was never founded.) Such movements will not be of an inherently separatist nature.

Russia and the rest of the world will not 'get rid' of radical Islam, which will continue to exist in different forms, such as Wahhabism, Islamism and fundamentalism. It will persist in its most pronounced form in the North Caucasus. Centres of religious radicalism will remain in the Volga region as well because of the preaching activities of a new generation of the clergy, who received education in Arab countries.

The next 15 years of terrorism under religious slogans will continue to be a disaster in Russia and beyond. In spite of these circumstances, the authorities (and federal authorities as well) will have to begin a systematic dialogue with moderate Islamists.

Ethno-confessional relations will remain somewhat strained, with direct clashes. Such a situation may already be observed now. And if the administration of all levels, leaders of ethnic communities and authoritative priests play the waiting game, such conflicts will become more frequent and violent (right up to 'mini-wars').

Islamophobia will rise and will become part of the political and domestic consciousness and included in the behaviour of a significant proportion of Russian citizens. Such a rise will be furthered not only by ethno-confessional problems, but also by mutual prejudice between the West and the Muslim world.

Thus, Russia will not become the Muslim state that is predicted by some of our contemporaries – political scientists and writers. But the 'Islamic factor' will become more visible in social life and in the orientation of various political groups.

# **EUROPEAN ENERGY SECURITY**

**WHAT SHOULD IT MEAN?**

**WHAT TO DO?**

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**WITH CONTRIBUTIONS BY**

**CHRISTIAN EGENHOFER**

**LEONID GRIGORIEV**

**VLADIMIR SOCOR**

**ALAN RILEY**

# Chairman's Summing-up

**François Heisbourg\***

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In addressing the theme of European energy security, we were fortunate to have written presentations from Christian Egenhofer (CEPS, Brussels), Leonid Grigoriev (Institute of Energy and Finance, Moscow), Alan Riley (CEPS, Brussels) and Vladimir Socor (Jamestown Foundation, Washington, D.C.).

In introducing the speakers, the chairman urged them to turn their thoughts to the following questions, *inter alia*:

- Is energy a strategic good? If it is, to what extent does it make sense to deny the extraction of political leverage from energy policy? In criticising Russian energy policy, are we not protesting too much against the fact that Russia (as others) is using energy for political ends – instead of criticising, as we should, the content of Russia's policy? And if energy is strategic, should a European Union energy policy be primarily about the liberalisation of the energy market?
- Is claiming reciprocity always smart? After all, do we really want Russian firms to control both the downstream as well as the upstream elements of the EU's energy supply chain, in exchange for access by EU firms to Russian energy production and transport?
- Should it really be EU policy to help Turkey to make full use of its potential as a major energy hub? After all, half of Russia's oil exports already pass through the Bosphorus, creating a major risk if that very vulnerable route were to be cut.

In addition to his written contribution, Christian Egenhofer stated that within the EU framework there is no basic contradiction between the quest for liberalisation and the need for energy security. He noted that four major risks needed to be addressed:

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- at the economic level, insufficient long-term investment. The EU would, *inter alia*, have to double its electricity plant infrastructure (600 GW) by 2030, in terms of both new and replacement plants;
- failed regulatory environments leading to 'California electricity'-type outcomes;
- political risks, notably Russian; and
- environmental issues. On this score, he observed that climate change requirements and energy needs are not automatically congruent (thus the Athabasca tar sands in Canada could help alleviate the latter but at the expense of the former).

He agreed with the view that political leverage would be sought by both suppliers and consumers. In this respect, diversification is rational behaviour on the part of both.

Leonid Grigoriev noted the parallel evolution of Russian GDP and oil production. In the same way that oil production was now back to Soviet-era highs, Russia's GDP was now back to 'normal' (with personal consumption in 2005 at 140% of its 1990 level). Since 2000, however, Russian oil exports had doubled; this discontinuity had a major impact on world markets. He observed that the diversification of sources (by the consuming countries) and of the conduits of transit (by the supplying countries) were mirror cases. Nevertheless, diversification could also become a very costly 'tax on fear' – something that should be avoided.

From a Russian standpoint, a tax on fear would push Russia towards securing new markets in the Far East (China) and through exports of liquefied natural gas.

For his part, Alan Riley noted that the Russians had some reasons to oppose any liberalisation in EU access to Russia's gas market that would go beyond that practised within the EU itself. Like Christian Egenhofer, he considered that liberalisation and security are not in opposition; on the contrary, the bigger the energy market (and the EU would be very big indeed), the greater the security of that market vis-à-vis any given external shock, hence the need for liberalisation from an energy security standpoint.

On specific issues, he considered that the problems of liberalisation in the UK's energy market were largely owing to incompetence: there had been no strategy for coping with the well-forecasted depletion of reserves. He noted that in Russia, Gazprom has a major problem in terms of refurbishing its infrastructure – some \$170 billion were needed, but

Gazprom already has debts of \$38 billion. Meanwhile, there still has not been any significant development of the Yamal field in Siberia.

Walter Slocombe, who had kindly accepted to stand in for Vladimir Socor, underscored the need for EU-US (or NATO) consultations for an energy security strategy. He noted the EU's focus on long-term goals through energy types, versus the short-term supply of oil and gas or transit issues.

In contrast to Alan Riley, Vladimir Socor's paper considers that ownership does matter. He holds that joint Russian-Ukrainian ownership of the gas pipeline is a strategic negative.

To launch the first round of discussions, we were able to count on the interventions of two senior European Commission officials. The first noted that the Commission's Green Paper (March 2006) on energy rested on three pillars: Lisbon (through the European Council's aims of economic competitiveness as set out in the Lisbon agenda), Kyoto (concerning the environmental goals of the Kyoto Protocol) and Moscow (for the security of supply). These three were neither identical, nor even in some cases congruent (he noted, as did Christian Egenhofer, that energy supply and environmental issues could be in conflict). The choice of the energy mix required to achieve an EU policy was left to each member state, within the constraints set by the Kyoto targets.

The German 'Energy Gipfel' [summit] and the UK's energy review were examples on this score. Naturally, the Moscow pillar was linked to the ongoing Russia-WTO negotiations. As for reciprocity, the situation was not black or white; a lot of investment was already in place in both directions and it would be useful to take stock of the state of affairs in this regard.

The other Commission representative noted that it is usually the monopoly suppliers who explain that security and competition are contradictory. Yet the old system did not deliver energy security. Furthermore, there could be no EU-wide energy security policy without having created a liberalised energy market across the EU. The issue of reciprocity (i.e. by Russia in downstream activity in the EU and by EU firms in upstream operations in Russia) remained a difficult one, on which advice was sought.

In the first round of questions and comments, one participant wondered whether the makings of an EU-Russian energy deal were not

already to be found in the draft transit protocol to be discussed at the St Petersburg summit.

On another score, he noted that the extension of the EU *acquis* to south-eastern Europe (the Balkans, Turkey and eventually Ukraine) would create a new situation. He expressed some doubt about the advisability of doubling the capacity of the Blue Stream natural gas pipeline (between Russia and Turkey), as suggested by Russia.

Another participant, from 'new Europe', underlined that energy is special merchandise and that market approaches would not be enough to keep the Russians in line. When European Commissioner for External Relations Benita Ferraro-Waldner notes that 75% of Gazprom's profits come from its sales to the EU, she is only giving a statistic, not an operative tool vis-à-vis Russia. In addition, for the EU, the geopolitics of energy extend far beyond the case of Ukraine.

In response to these comments and remarks by the other presenters, Leonid Grigoriev observed that Gazprom is now trying to increase domestic prices (against the wishes of the energy-consuming industries), which are now at a level reaching profitability. Ukraine should be considered a special case. Ukraine had enough of its own gas for household use and Russian gas had essentially been provided 'for free' to local industry in exchange for political influence. A big problem now is that of the deteriorating transit pipeline through Ukraine, which needs repair. He disagreed with the notion that Russia would lack resources for oil and gas development, as 18% of Russia's GDP is now available for domestic investment, after debt repayments and contributions to the stabilisation fund. The Stockman field (in the Barents Sea) would be an important precedent in terms of foreign investment.

Christian Egenhofer provided a nuance concerning the importance of ownership: it does matter in the sense that the market is not going to work if the pipelines are all controlled by one single upstream agent. He cautioned, however, against exaggerating the focus on Russia alone.

Walter Slocombe reminded participants that 'one can't drink oil'. Ownership thus may not be significant in the long run. But in the short term, monopoly ownership can act in a disruptive manner, for political or other reasons.

In the subsequent round of discussions, a Ukrainian participant considered that Russia was not abiding by its agreements. During the 1990s, Ukraine had benefited from major price rebates in exchange for very

low transit and storage fees. Ukraine was no longer purchasing Russian gas, which was only transiting. Ukraine's gas comes from Central Asia as well as from domestic sources. He added a reminder that out of 160 billion cubic metres of Russian gas exports, 145 billion transited via Ukraine.

Another participant, with an International Energy Agency background, observed that Gazprom was now taking over producers in Central Asia, in part because of Gazprom's fear that it would not be able to deliver on its numerous commitments. Turkey, for its part, was moving from its role as an East-West corridor bypassing Russia (i.e. the Baku-Tbilisi-Ceyhan pipeline) to a Russian-European corridor through 'Blue Stream plus'. This move could have strategic implications. Finally, he noted that Russia's economy was being distorted by its oil and gas dependency.

A Scandinavian participant suggested that Gazprom should really be viewed as two companies – an international operator on the one hand and the owner of domestic infrastructure on the other.

In conclusion, a participant raised the issue of trust, which along with rule of law and democratic decision-making were crucial to the EU's ambitions: Where is trust in the energy relationship with Russia? In this respect, Leonid Grigoriev made the point that Russia's cut-off of gas through Ukraine at the start of 2006 was not a smart move.

Alan Riley posed a question that many oil and gas professionals have been quietly voicing: What happens when it becomes clear that Russia's many commitments (notably in the field of gas) simply cannot be fulfilled?



# **Integrating Security of Supply, Market Liberalisation and Climate Change**

## **The European Commission's Green Paper on Secure, Competitive and Sustainable Energy for Europe from a Security-of-Supply Perspective**

**Christian Egenhofer\***

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The security of energy supply, having attracted only limited interest on the part of policy-makers in recent years, is back on the agenda. This interest was first evident in the wide-ranging debate launched by the European Commission with the publication of its 2000 Green Paper on the security of supply (European Commission, 2000). It was triggered among other things by the revival of OPEC, higher crude oil prices and international political instability, and underscored by terrorist attacks and the wars in Afghanistan and Iraq as well as recent developments in Iran and Russia. Anxieties in the EU over Russia were fed by the Russia-Ukraine standoff in early January 2006. Fears were then reinforced by Russian attempts to increase its natural gas outlets in Asia. Higher than projected demand growth with a limited or belated supply reaction has led to worries of permanent shortages and the perception that securing energy supply is a zero-sum game, wherein nations or regional blocs scramble for decreasing supplies.

Against this background the European Commission's 2006 Green Paper on energy (European Commission, 2006) has launched a debate on a comprehensive response to the challenges facing the European Union. The overarching question is how to ensure secure and low-carbon yet

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affordable energy. Hence, it focuses on the interface of market liberalisation, security of supply and climate change.

Energy market liberalisation and growing international economic interdependence have affected the ability of governments to react to security-of-supply challenges. Prior to energy market liberalisation, security-of-supply policy predominantly consisted of government-initiated diplomatic (and sometimes military) actions to ensure physical supply, with limited emphasis on costs. With regard to the external aspects of security-of-supply policy, the focus was on diversification, in terms of both regions and types of fuel. This focus often led to relatively rigid long-term contracts, along with an accent on physical infrastructures, a dialogue between consumer and producer countries, and mechanisms that could deal with emergency situations (e.g. strategic stocks or interconnections). The frame of reference was usually the member state and seldom the EU. Domestically, the member states' response was to commit resources to developing indigenous energy sources, such as coal, peat, hydro or nuclear fission (considered almost indigenous), combined with largely unconvincing demand-side policies. Moreover, strong domestic companies or even monopolies were created, which could carry the 'necessary weight' externally and be able to support heavy investments internally. There were some initiatives at the EU level, however, such as in the fields of research and external relations, and national borders played a smaller role in areas where market integration was more advanced, such as for oil products. With market liberalisation, many of these measures no longer work and other policy goals such as diversification need to be built into the new logic or markets (see Egenhofer & Legge, 2001).

Yet meanwhile, a case has been made that the EU faces an energy 'trilemma', in the form of potentially conflicting goals for security of supply, liberalisation and environmental objectives, and notably the link between energy supply and climate change.

This short paper attempts a first analysis of the challenges related to security of supply and climate change and how they can be integrated into an overall energy policy, which increasingly has to work with the grain of the market. The paper is based on previous CEPS work on energy security

and climate change, notably the INDES Working Paper series.<sup>1</sup> As the European Commission's 2006 Green Paper arguably raises many more questions, which this short paper does not address, the analysis will necessarily be partial.

### **Are the risks associated with Russia unique?**

Following the publication of the 2006 Green Paper on 8 March, the public discussion has largely been focused on Russia and the EU-Russian energy relationship, including the role that external policy can play. The Polish government has even called for a NATO-type of approach for energy. This section first reviews concepts of security of supply and the risks posed to it. It then considers the question of whether the risks involving Russia are special or unique and thus whether a particular approach to the Russian import dependency is needed.

#### *Definitions of security of supply*

On previous occasions (e.g. Egenhofer et al., 2004) CEPS has reviewed a number of concepts of security of supply (see also Box 1). They all have in common that they see security of supply essentially as a strategy to reduce or hedge risks that derive from energy use, production and imports. These security-of-supply concepts consist of a variety of approaches aimed at 'insuring' against supply risks with an emphasis on cost-effectiveness and the shared responsibility of governments, firms and consumers.

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<sup>1</sup> See the following INDES papers: P. Cayrade, *Investments in Gas Pipelines and Liquefied Natural Gas Infrastructure: What is the Impact on the Security of Supply?*, INDES Working Paper No. 3, CEPS, Brussels, March 2004; V. Costantini and F. Gracceva, *Social Costs of Energy Disruptions*, INDES Working Paper No. 6, CEPS, Brussels, March 2004(a); V. Costantini and F. Gracceva, *Oil Security: Short- and Long-Term Policies*, INDES Working Paper No. 7, CEPS, Brussels, March 2004(b); L.J. de Vries and R.A. Hakvoort, *The Question of Generation Adequacy in Liberalised Electricity Markets*, INDES Working Paper No. 5, CEPS, Brussels, March 2004; C. Egenhofer, K. Gialoglou and G. Luciani, *Market-based Options for Security of Energy Supply – Summary and Conclusions*, INDES Working Paper No. 1, CEPS, Brussels, March 2004; and G. Luciani, *Security of Supply for Natural Gas Markets: What is it and what is it not?*, INDES Working Paper No. 2, CEPS, Brussels, March 2004.

*Box 1. Concepts of security of supply*

In its 2000 Green Paper on the security of supply the European Commission notes that “energy supply security must be geared to ensuring...the proper functioning of the economy, the uninterrupted physical availability...at a price which is affordable...while respecting environmental concerns...Security of supply does not seek to maximise energy self-sufficiency or to minimise dependence, but aims to reduce the risks linked to such dependence” (European Commission, 2000, p. 2). The 2006 energy Green Paper very much stays in this line of thinking by describing the proposed energy strategy for Europe as an attempt “to balance security of supply, competitiveness and environmental protection” (European Commission, 2006). The International Energy Agency (IEA) attaches more importance to the market:

Technological developments will affect the choice and cost of future energy systems but the pace and direction of change is highly uncertain. Governments will...have an important role to play in reducing the risk of supply disruptions. Regulatory and market reforms...will also affect supply. Increased competition between different fuels and between different suppliers of the same fuel will tend to narrow the gap between production cost and market prices, reducing monopoly rents, encouraging greater efficiency and lowering the cost of supply (IEA, 2001).

The European Parliament sees that “being dependent on imports is neither necessarily a bad thing nor economically inefficient provided the sources are diverse, no one supplier is dominant and we can produce sufficient goods and services to pay for them” (European Parliament, 2001).

There are nuances regarding cost-effectiveness, which are mainly driven by different appreciations of risks. Either directly or indirectly, the approaches include price as a concern. While price volatility can be seen as proof that markets work, nevertheless, security of supply is, albeit more loosely, tied to a concept of price. Energy must be available at a ‘reasonable’ price – not at any price. By definition, if the price were allowed to increase without a limit, there would always be a sufficiently high price at which demand would equate to available supplies – but it would be naïve to say in this case that the security of supply was guaranteed.

If we were to lift any restrictions on the movement of prices, the issue of security of supply would simply evaporate (see Luciani, 2004).<sup>2</sup>

### *What is a risk?*

The literature traditionally distinguishes between two different kinds of risks: short term and long term (see for example IEA, 1995 and Stern, 2002).<sup>3</sup> Short-term risks are generally associated with supply shortages because of accidents, terrorist attacks, extreme weather conditions or technical failure of the grid. Such risks are sometimes described as 'operational security' or 'systems security'. Long-term security concerns the long-term adequacy of supply, the infrastructure for delivering this supply to markets and a framework to provide strategic security against major risks (such as non-delivery for political, economic, *force majeure* or other reasons). In line with the European Commission's 2000 Green Paper on the security of energy supply, the following types of risks can be identified:

- *Technical risks* include systems failure owing to weather, lack of capital investment or generally poor conditions of the energy system.
- *Economic risks* mainly cover imbalances between demand and supply, stemming from a lack of investment or insufficient contracting.
- *Political risks* concern potential government decisions to suspend deliveries because of deliberate policies, war or civil strife, or as a result of failed regulation, which is referred to as 'regulatory risk'.

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<sup>2</sup> Yet just how far is it acceptable to allow prices to move in order to restrict demand and allocate scarce supplies is a question that can only be decided politically (by the government or regulator) or contractually (by the parties accepting limits to price increases) and not by a theoretical discussion. At times the Directorate-General for Energy and Transport (DG TREN) appears to consider price fluctuations themselves as a threat to security – in particular with respect to crude oil. Indeed, in the case of crude oil, the logistics are such that the risk of physical shortages is minimal and any tightness of supplies would immediately be reflected in prices. Gas, however, is different – it has different logistics, different pricing mechanisms, etc.

<sup>3</sup> There is no agreement on terminology. Different terms are used for the same concepts.

- *Environmental risks* describe the potential damage from accidents (oil spills or nuclear accidents), which include pollution, the effects of which are less tangible or predictable (e.g. greenhouse gas emissions).

It is also interesting to note that all recent supply disruptions in the EU have had domestic causes, for example grid failure, a lack of reserve capacity or oil product shortages as a result of refinery blockages.

As this above list shows, there are many different risks to the security of supply, of which import dependence on politically unstable or unpredictable countries is but one. Therefore, in order to identify a suitable response, it is necessary to first clarify the exact nature of the risk including its likelihood and potential consequences (i.e. a risk assessment) (Table 1). The second step is then to identify the possible responses and the responsible actor/s (i.e. risk management).<sup>4</sup>

Turning to gas and notably European dependence on Russia, the risks associated with import dependency can be mitigated by a number of general, well-known (horizontal) measures. These not only include diversification by region or by fuel to the extent possible, but also storage requirements, mutual solidarity and the development of liquefied natural gas. In addition are measures for network development and for improving the functioning of the internal gas and electricity markets, which will provide for further flexibility within the gas markets and which by extension should increase security. Moreover, previous work by CEPS (Luciani, 2004) has shown that in the case of Russian gas, import dependence does not necessarily entail greater insecurity<sup>5</sup> – actually, the opposite may well be the case, provided adequate EU policies are in place, as the next section and Box 2 shows.

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<sup>4</sup> Note that some risks might deliberately go ‘uninsured’ because they are ‘uninsurable’, at least in the short term (e.g. terrorist attacks) or may be extremely unlikely (e.g. a meteorite falling on a major installation). It is impossible to maintain security of supply in any circumstance, for instance, if all major exporters to the EU were simultaneously to decide to interrupt exports.

<sup>5</sup> Such a threat means that if gas of a significant proportion is not delivered, it can cause physical interruptions over a period of time but not indefinitely.

*Table 1. Classification of security-of-supply risks in the EU by sector – Oil, gas, coal, nuclear, renewable energy sources (RES) and electricity*

Classification		Event	Disruption	Price rise		Probability in 20 years	Duration	Fuel affected					
				Intl.	Domestic			Oil	Gas	Coal	Nuclear	RES	Elec.
Political risks													
1	Export embargo	Embargo of a specific exporter (e.g. Iraq)	Little	Little	Little	High	Months, years	x	x	-	-	-	-
2	Output reduction	Quotas on production to raise prices (e.g. OPEC cartel)	Yes	Yes	Yes	High	Months, years	x	-	-	-	-	x
3	Local market disruption I	By pressure groups (e.g. fuel price protest)	Yes	-	Yes	Medium-high	Weeks, months	x	-	-	-	-	x
4	Local market disruption II	Regulatory shortcomings (e.g. California power crisis, Nordic market)	Yes	No	Yes	Medium-high	Weeks, months	-	-	-	-	-	x
5	International market disruption	Regulatory failure (e.g. regulation, competition and financial markets)	Yes	Yes (or rationing)	Yes	Medium	Weeks, months, years	x	x	-	-	-	x

Table 1. cont.

6	Force majeure	Civil unrest, war, deliberate blockage of trade routes	Yes	Yes	Yes	Low-medium	Variable	x	x	-	-	-	-
7	Import embargo	Embargo of importing state by ex- port or transit country (e.g. gas cut-off )	Yes	No	Yes	Very low for EU	Months, years	-	x?	-	-	-	-
Economic risks													
8	Public opinion on large-scale investment	Delay in planning, under-investment	Yes	No	Yes	High	Years	x	x	x	x	x	x
9	Supply discontinuity	Lack of infrastructure	Yes	Yes	Yes	Low-medium	Months, years	x	x	-	-	-	x
10	Production discontinuity	Shortage of production capacity	Yes	Yes	Yes	Low	Years	x	x	-	-	-	x
Environmental risks*													
11a	Accidents	- Major oil spill (land or sea)	No	Yes	Yes	Medium	Weeks, months	x	-	-	-	-	-
11b		- Major nuclear accident	Yes	No	Yes	Low	Months, years	-	-	-	x	-	x
11c		- Burst of major gas pipeline	Yes	Yes	Yes	Low	Weeks, months	x	x	-	-	-	x



*Table 1. cont.*

12a	Disruption/ destruction of habitat	– Massive biomass plantations; – Ultrasonic waves (of wind turbines);	Yes	No	Yes	High	Months, years	–	–	–	–	–	–
12b	Run-away greenhouse effect	Clear indicators in biosphere (e.g. the melting of permafrost)	Yes	No	–	Very low	Perm./ irreversible	x	x	x	–	x	x
Technical risks													
13	System failure	Technical failure, e.g. due to extreme weather conditions, technical neglect	No	No	Yes	Medium	Days, weeks	–	–	–	–	–	x

\* Environmental risks are risks to supply only in an indirect way. Risks from accidents or other environmental dangers are related to subsequent government action, which might act as a dampener to investment and therefore create bottlenecks. Strictly speaking, environmental risks could also be listed under political risks.

*Source:* Adapted from Egenhofer & Legge (2001).

*Box 2. A market-based mechanism to hedge risks arising from import dependence*

Luciani's (2004) proposal for a market mechanism to deal with Russian import dependence starts with the premise that not all consumers have the same needs. He therefore makes a distinction between priority (firm or non-interruptible) and interruptible customers. Gas suppliers should be required to protect their priority customers, in essence households and other small consumers. As long as their exposure to the possible negative event (percentage shortfall in supplies) is lower than the share of priority over total customers, they may not need to worry about the security of supplies. This idea suggests that the security-of-supply standard could be defined as the guarantee that all the gas volumes demanded by non-interruptible (firm or protected) customers are available at a reasonable price. Such a standard is best established at the EU level. As a result, an increase of natural gas in power generation will improve the non-interruptible and interruptible consumer ratio and therefore increase the security of supply for gas. Nevertheless, to some extent this increases the risks for power generators, who would eventually need to invest in dual-fired generation, which is likely to increase their costs. Interruptible customers need to be offered lower prices since they do not require protection in the event of a crisis (they may opt to withdraw from the market or maintain their own alternative fuel capacity).

*Source:* Luciani (2004).

## **Security of supply as an externality**

The old monopolists used to claim that they guaranteed the security of supply – a statement supported by the experience of decades of service to the public, during which very little disruption was experienced. It is not clear, however, that security of supply was truly guaranteed in the past – as it was in fact never challenged by any major disruption. The old monopolists were in a position to decide unilaterally how much security they intended to provide and did engage in some precautionary investment, thanks to their ability to pass on the cost to the final consumer. The security they provided may have been too little or too much. There was no benchmark for measurement.

The concern about security of supply in liberalised markets is connected to viewing security as a public good or externality. In liberalised markets, new competitors will be tempted to 'free-ride' on the security

provided by the incumbent suppliers and competition may have a negative effect by downplaying security or prioritising cost-cutting. Similar fears have been expressed with regard to other network industries such as airlines, railways and electrical grids.

Normally, security is viewed as a matter for governments to look after. This perception holds true for small commercial or household customers, who will not be in a position to judge their security requirements exactly and will need standard contract formulae that set the level of protection to be decided by the regulator. The level of protection does not need to be 100%. Gas in households and small commercial establishments is primarily used for cooking and for ambient- and water-heating. In situations of emergency, all such uses can be reasonably curbed to some degree. It is therefore also reasonable to set the guaranteed level of supplies at an appropriate percentage of 'standard' consumption.

Not all customers need to be protected against supply disruptions. In liberal markets, customers have a choice of whether to assume responsibility for security of supply themselves or to allow the supply company to bear the responsibility and subsequently pay for it<sup>6</sup> through higher energy prices. The former is typically done by large industrial users, for which (short-term) security might not be a problem if they can switch fuels. A large industrial user may choose to buy gas from a risky but cheap source, accepting the risk of higher short-term prices from a spot market or mitigating the risk by installing a dual-firing capability or a back-up from another supplier. See also Box 2, which proposes a market-based mechanism to cope with risky supplies.

Indeed, the Commission has frequently argued that a unified EU gas market would be intrinsically more secure than the individual member countries' markets. The reasoning here appears to be based primarily on scale: a larger market, served by a wider and well-interconnected network that receives supplies from a larger number of exporters, may be expected to be more stable. This conjecture may well be the case; however, numerous conditions need to be fulfilled, notably that the markets function, that the

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<sup>6</sup> Payment in this respect includes a risk premium. With oil, for example, prices in long-term energy supply contracts tend to be higher than in spot markets, reflecting a lower security-of-supply risk.

interconnections are established and more generally that the necessary regulatory or contractual arrangements are in place.

### **Integrating climate change and security-of-supply policies**

In addition to availability (the physical dimension) and affordability (the price dimension), the Green Paper adds a third element, sustainability (the environmental dimension), to the security of supply, more specifically to address climate change.

According to the Intergovernmental Panel on Climate Change (IPCC) in its Third Assessment Report (IPCC, 2001), evidence is growing stronger that most of the temperature rise that has occurred over the last 50 years is attributable to human activity. This authoritative scientific body warns that an increase in global temperatures is likely to trigger serious consequences for humanity and other life forms, including a rise in sea levels (which will endanger coastal areas and small islands) and a greater frequency and severity of extreme weather events.<sup>7</sup> The spring 2005 European Council endorsed the target of limiting the future global average temperature increase to 2°C above its pre-industrial level and indicated its willingness to explore with other countries the possibility of reducing greenhouse gas emissions from industrialised countries by 15% to 30% from a 1990 level by the year 2020 (see Egenhofer & van Schaik, 2005).

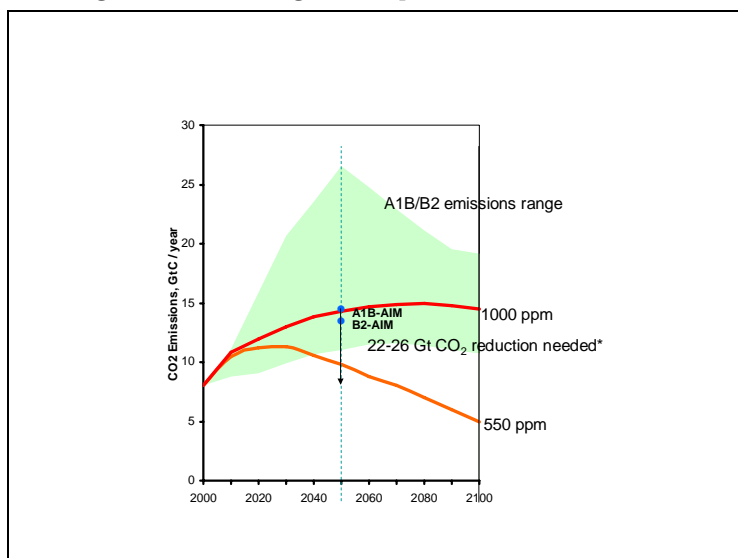
In the long term there is probably a need to reduce some 25 billion tonnes of CO<sub>2</sub> per year globally after 2050 (IPCC, 2001 and WBCSD, 2004; see also Figure 1) to avoid dangerous climate change. For comparison, the initial Kyoto Protocol target of the EU was around 400 mn tonnes, i.e. a tiny fraction of it. The 25 billion tonne reduction assumes that in the long term industrial countries will need to reduce emissions by some 50-60% by 2050 and 80% or beyond by 2100. Given that within the EU 80% of all emissions

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<sup>7</sup> For the EU, the European Environment Agency has found similar indications (see EEA, *Impacts of Europe's changing climate: An indicator-based assessment*, EEA Report No. 2/2004, EEA, Copenhagen, 2004). For the most recent update on climate impacts, see H.J. Schellnhuber et al., *Avoiding Dangerous Climate Change*, Cambridge, MA: Cambridge University Press, 2006 (retrieved from <http://www.stabilisation2005.com/index.html>).

are related to fossil fuel burning in the energy, transport, household and industry sectors, energy policy will increasingly be constrained by climate change objectives.<sup>8</sup>

*Figure 1. Achieving an acceptable CO<sub>2</sub> stabilisation*



*Notes:* The figure of 22-26 Gt of CO<sub>2</sub> is equal to 6-7 Gt of carbon. A1B-AIM/B2-AIM are IPCC scenarios used by the WBCSD; B2 describes the lower energy-use scenario, i.e. an intermediate level of global growth while A1B is the higher energy-use scenario, i.e. very rapid global economic growth.

*Source:* WBCSD (2004), based on scenarios from the IPCC's *Third Assessment Report* (IPCC, 2001).

Table 2 shows the scale of the task by breaking down the overall target into specific activities, the implementation of which could achieve reductions of 3.7 billion tonnes of CO<sub>2</sub> emissions (or 1 gigatonne (Gt) of

<sup>8</sup> It is generally assumed that fossil fuel use will not peak not because of resource availability but because of requirements to mitigate greenhouse gas emissions. Although oil is predicted to peak around 2020, fossil fuel use (i.e. when including coal) is not expected to do so before 2050.

carbon), out of the total 22-26 Gt of CO<sub>2</sub> that will be needed. For example, one could install 150 times the current wind power capacity, bring into operation 1 billion hydrogen cars to replace conventional cars offering 30 (US) miles per gallon (7.84 litres per 100 kms) or install five times the current nuclear capacity. Alternatively, one could use half of the US agricultural area for biomass production.

*Table 2. The challenge: A fall of CO<sub>2</sub> emissions by 3.7 billion tonnes per year requires reductions to achieve 550 ppm of stabilisation (a decrease of 25 Gt of CO<sub>2</sub> by 2100)*

<b>Technology</b>	<b>Required for 3.3 Gt of CO<sub>2</sub> per year</b>
Coal-fired power plant with CO <sub>2</sub> capture/storage	700 x 1 GW plants
Nuclear power plants replace average plants	1500 x 1 GW (5 x current)
Wind power replaces average plants	150 x current
Solar PV displaces average plants	5 x 1 million ha (2000 x current)
Hydrogen fuel	1 billion H <sub>2</sub> cars (CO <sub>2</sub> -free H <sub>2</sub> ) replacing 1 billion conventional cars of 30 mpg (7.84 litres per 100 kms)
Geological storage of CO <sub>2</sub>	Inject 100 mb/d fluid at reservoir conditions
Biomass fuels from plantations	100 x 1 million ha (half of the US agricultural area)

*Notes:* Based on an assumed stabilisation at 550 ppm (parts per million); an 'average plant' describes the current fuel mix; mb/d = million barrels per day.

*Source:* Egenhofer & van Schaik (2005), p. 8, updated.

For illustration, the World Business Council for Sustainable Development (WBCSD), a pro-environmental grouping of multinational companies including most energy industries, has developed a possible EU-25 pathway (WBCSD, 2005). It foresees an overall reduction in primary energy demand, electricity as the main end-use energy source, a broad-based energy mix including nuclear power, petroleum, bio-fuel or hydrogen in the transport sector and the large-scale use of renewable energy sources. Milestones by 2025 would include some 30-plus large generating stations using carbon capture and storage, a rise in the use of natural gas by 35% from 2002 (mainly for power generation) and a restart

in nuclear power growth. Alongside these targets would be a rapid spread of renewable energy, an increase in the use of wind power by some 10-15 times the 2002 level and vehicle efficiency improvements by nearly 50% with bio-fuels or hydrogen (or both) having a strong foothold (resulting in 10% of on-the-road usage). Going down such a pathway will have a fundamental impact on energy policy.

The EU has claimed on several occasions (European Commission, 2005a and 2005b) that energy security and climate change policy are compatible, and even mutually reinforcing. Both energy security and climate change objectives would benefit from an improvement in energy efficiency, a higher market share of renewables as well as investment in technology development. While this is the case for the short term (i.e. meeting the Kyoto Protocol targets), the relationship between energy security and climate change might also see tensions. Strategies to reduce import dependence on oil and natural gas could lead to a shift to 'dirty' substitutes such as tar sands, oil shales, coal or coal-to-liquids, all of which are available from countries seen as more friendly by the West. Similarly, worries about nuclear proliferation could lead to a rethinking of the expansion of atomic energy. The natural substitute for nuclear fuel is coal.

The likely absence of a global climate-change agreement – as the setting of a carbon constraint at the global level is unlikely to be achieved before 2020 – will reduce investment certainty, principally in the energy sector. The resulting uncertainty might lead to insufficient investment in low-carbon technologies that are in line with long-term climate change targets, necessitating an early retirement of the capital stock that is currently built. The importance of this issue at the present time is underlined by the need for investments in the capital stock over the next 20 years. For example, the EU will require 600 GW in new investment before 2030 in the power sector alone, while being unsure about the exact nature of the future carbon constraint.

## **Conclusion**

In 1963, in a book Harold Lubbell expressed his concern about the vulnerability of the Western economies to potential future events. He sketched some possible scenarios, including an Iraqi invasion of Kuwait, a revolution in Iran, a coup in Iraq that brings a 'young Turk' to the helm, a breakdown in relations between oil companies and governments, civil war in Lebanon and the nationalisation of the Arabian American Oil Company

(Horsnell, 2000, p. 1). In 2006, talk about similar scenarios can be observed. There is a lot of discussion about the new role of governments and generally more interest in the 'securitisation' of energy policy, i.e. using security and defence policies for security-of-supply purposes. Markets and security policy can make strange bedfellows, however.

Our analysis has found little evidence that market liberalisation is in conflict with the security of supply, and hence the need for heavy state intervention, other than traditional measures such as diversification, consumer-producer dialogue or technology development. As the 2006 Green Paper argues, by and large market liberalisation will enhance the security of supply, provided adequate provisions are put in place to deal with certain specific risks. While dependency on Russian gas may indeed pose a supply risk, the point has been made that there are many other supply risks of which Russia is but one. In fact, all recent supply disruptions have been 'domestic', i.e. caused by events within the EU. Some possible market-based measures have also been sketched out to deal with gas-import dependence on Russia.

Further attention is needed, however, to address the climate change dimension of energy security. While energy security and climate change policies have synergies with regard to energy efficiency, renewable energy sources, nuclear fuel (where politically acceptable), public R&D spending and technology development, there are equally tensions between the two objectives. Fears about import dependence for oil and natural gas might lead to a revival of high-carbon fuels such as tar sands, oil shales, coal and coal-to-liquids, notably for the power sector. Worries about nuclear proliferation could undermine further nuclear investment. Moreover, current uncertainty about the future global climate regime is likely to stop or at least delay investment in the power sector, which will put added pressures on energy supplies and potentially increase the risks surrounding supply adequacy.

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# Growth with Energy and Energy Security

Leonid Grigoriev\*

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The global economy has been enjoying an economic upturn for four years. Normally, at this stage of the global cycle economists would be discussing the threat of inflation and high interest rates coming from high commodity prices. The current situation is different, however.<sup>1</sup> If one had expected that high oil prices would slow down economic growth in OECD countries (as has happened before), the effect has yet materialise. So far, the strong import demand from oil-producing countries has been facilitating a rise in the exports of manufactured goods and services from the United States, Germany, China and other countries. A few of the other important features that have emerged in the first decade of the 21<sup>st</sup> century include

- persistent major imbalances (such as in the US current accounts);
- the continual move of manufacturing to Asia;
- the demands for heating/cooling and fuel by a growing middle-class worldwide;
- oil (and gas) prices that remain high (although still under 1982 levels in real terms); and
- the savings that are accrued from emerging market economies (especially Russia) are not being utilised domestically.

The current situation follows 15 years (1986–2000) of relatively low oil prices – \$19–20 per barrel. The long period of low prices resulted in a low level of investment in the oil industry. During this period, supply was sufficient and in 1998–2000, it seemed that inexpensive oil was assured for

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<sup>1</sup> See for example D. Gros, T. Mayer and A. Ubide, *A World out of Balance?*, Special Report of the CEPS Macroeconomic Policy Group, CEPS, Brussels, 2006.

the time being.<sup>2</sup> But seemingly overnight, political events rapidly began to destabilise some of the oil-producing countries. At first, no one believed that oil prices would exceed \$30-40 per barrel, but it soon became a new reality. During 2001-04, an additional 3 million barrels of oil per day from the countries of the Commonwealth of Independent States – chiefly Russia – helped to balance the market. Yet with OPEC's spare capacity (if any) sitting at its lowest level historically and no immediate prospects for tranquillity in the Middle East, the price of oil shot up to the range of \$60-70 per barrel, pushing up the price of natural gas alongside it.

Here we have three initial points to make. First, the global political instability – especially in oil-producing countries – makes everyone nervous about future investments and supplies. Second, Russia and Russian companies have played a positive role recent years. Third, the prospect of global energy demand growing by 50% (according to the International Energy Agency or IEA) by 2030 makes a perfect case for international cooperation, given that time is rather short.

### **Current trends in Russia – Economic growth and the interests of companies**

Russian economic recovery in 2000-03 was based on four factors: devaluation of the ruble, spare capacity in many industries, a devaluation (or writing off) of enterprise debt and the growth in oil prices. By that time, the country had made a short-cut from a quasi-egalitarian society to one similar to those in Latin America in terms of market liberalisation, but had failed to revive manufacturing and innovation. The long-awaited macroeconomic stabilisation did not bring modernisation and a burst of investment. The specific aspects of privatisation favoured the formation of big industrial groups, mostly in the natural resource sectors. Russia's elite and intellectuals keep hoping that after the prolonged and painful transitional crisis the country will eventually re-emerge as an intellectual and cultural force. That is important with regard to the case of energy because Russia's main problems (which influence everything) are domestic: democracy and modernisation. Domestic debates mostly concern health

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<sup>2</sup> See J. Mitchell, K. Morita, N. Selley and J. Stern, *The New Economy of Oil – Impact on Business, Geopolitics and Society*, Royal Institute of International Affairs, London, 2001.

care and education, administrative reform and the survival of hi-tech industries.

After two more years of economic upturn, Russia's GDP had reached 89% of its 1990 level and 140% of real personal consumption. Nevertheless, Table 1 shows evidence of what Russia still lacked economically at that stage.

*Table 1. Main economic indicators for key EU countries, Russia and the US (2001–05 averages)*

	<b>GDP per capita 2005 (\$)</b>	<b>GDP 2005/1990</b>	<b>GDP average growth rate (%)</b>	<b>Savings rate (% of GDP)</b>	<b>Invest- ment rate (% of GDP)</b>	<b>General gov. expend- itures (% of GDP)</b>	<b>General gov. budget deficit (% of GDP)</b>
EU-15	33,390	1.35	1.6	20.8	19.5	47.4	-2.2
France	33,734	1.35	1.5	19.8	19.2	52.9	-3.1
Germany	33,922	1.23	0.7	22.2	18.1	47.5	-3.5
Italy	30,450	1.23	0.6	21.3	20.8	47.8	-3.4
UK	36,599	1.44	2.3	13.2	16.4	42.3	-2.2
NMS-10	9,450	n/a	3.6	19.3	22.0	42.3	-3.3
Poland	7,875	1.67	2.9	16.4	18.8	43.6	-3.6
Norway	64,268	1.63	2.1	33.2	18.1	45.7	11.6
Russia	5,369	0.89	6.7	36.0	18.2	28.8	3.6
US	42,101	1.56	2.7	14.2	19.1	33.0	-3.7

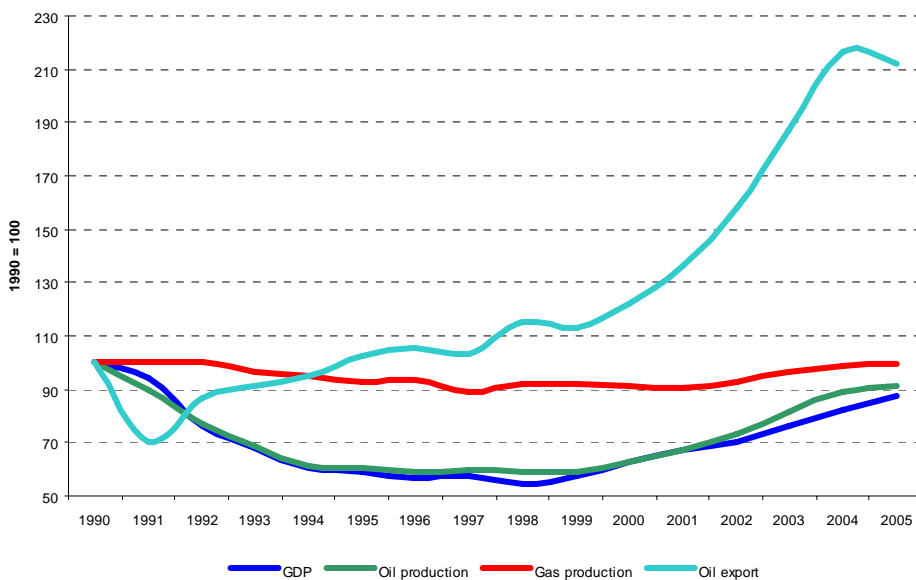
*Sources:* Eurostat, Rosstat, IMF and the Bureau of Economic Analysis, US Department of Commerce.

Russia could not utilise its savings (36% of GDP) and turn them into capital formation (18%). Russia exports commodities and imports consumer goods because the strong ruble makes a substantial proportion of domestic industries less competitive. The export of capital from Russia is composed of foreign direct investment in addition to capital flight, while the import of capital is mostly portfolio-related (including some round-tripping). Without improvements to its investment climate, strengthened property-rights protection, reductions to corruption and the development of small and medium-sized firms, etc., it is hard make better use of its own savings. So far, the country has failed to use available financing for investments, either private or public. Russia's budget surplus represents a

relatively low level of government expenditures – 29% of GDP versus 47% for the EU-15. In any case, Russia is a country with substantial economic problems, supplying energy and other materials to more developed and prosperous countries.

Actually, Russia is just coming out of the crisis and may reach its 1990 GDP level in 2007 (Figure 1). High oil prices have brought new income to the government budget and to companies, which serves as a resource to solve some problems, but it has come hand-in-hand with a severe case of the 'Dutch disease'. The government is experimenting with national projects in an effort to find a way to put some money into housing, agriculture and the rehabilitation of education and health care systems.

*Figure 1. Dynamics of GDP, oil and gas production, and oil exports for Russia during 1990–2005 (1990=100)*



*Sources:* Rosstat, BP Statistical Review and the IMF.

Figure 1 shows that the economic decline and recovery in terms of real GDP and oil extraction were quite similar. The limited domestic demand for oil provided for substantial additional exports of oil in the period of 2001–04. Russian oil exports have doubled in recent years. The gas industry was able to prevent a major reduction in upstream gas during the transitional crisis in the 1990s but has had limited additional supply in

the last few years. Recently, the blackout in Moscow on 25 May 2005 led to the discovery that regional limitations may appear in the supply of electricity.

In these conditions, we believe the government is taking into account the interests of large companies in terms of economic legislation and regulation. Russian firms in the energy sector are trying to extend their service chains and achieve higher tariffs for gas and electricity in the domestic market. The interests of Russia's national utility firm RAO UES and Gazprom are often involved in the conflicts over tariffs, with their general aim of higher domestic prices. Oil companies are trying to establish a name for themselves globally and are hiring good technicians, lawyers and financiers to pave the way to the world of major international companies.

Russian energy companies are positioning themselves strategically for long-range development. They have just come to the global market to compete with the veterans of a century of competition. This approach is rather close to one that the World Bank suggested for large net exporters, whereby the reasonable strategy would focus on three major goals:

- establishing a position on the strategic markets with reasonable prices;
- diversifying the export markets for energy; and
- securing financing for investments in infrastructure and the exploration of energy resources.

Russian national interests lie in modernising its society and the state, strengthening democracy and advancing its economy from being oil- to technology-driven. From our point of view, corporate governance and financial systems are still very weak. Building a national financial market and institutions is not an easy task in a country with huge social and regional inequalities, along with the dominating interests of big companies. While oil money is useful, it is causing a rise in the ruble and import competition. At the same time, the general advice for Russian monetary authorities is to put such income into a portfolio fund. Currently, public and other new investment funds for financing domestic projects are small, especially in the circumstances created by 15 years of low investment. The varying interests of companies and regions are not easy to reconcile with federal policy. In this situation, large Russian companies are positioning themselves globally as any trans-national corporation would do in their

place. And domestically they are trying to improve and protect their positions in taxation and competition policies.

What is described here is not a situation of 'Russia Incorporated' as some view from the outside, but a multifaceted world of competing interests. Domestically it is a problem for economists and politicians to find an effective way of rebuilding such a complex country, which has lost 15 years of development during the very period of strong technological progress worldwide. Russia's energy sector and policy cannot be studied separately from the deep modernisation problems the country currently faces or the analysis may be doomed to be incomplete and from time to time mistaken.

### **Current trends in the EU – Economic objectives and energy security**

Economic growth in the EU in recent years required relatively little additional oil but a lot of gas – as shown in Figure 2. There are numerous forecasts for the future needs of the EU-25 in terms of oil and gas, but most were formulated before the last surge in prices. Now the EU is facing the time of decision on its energy future. Actually, the energy security issue has a long history, during which the supply of oil from the Middle East has come into focus in recent years: "Russian oil is being seen as a 'security blanket' in case of a Saudi disruption".<sup>3</sup> The cold winter of 2006 forged a new angle in the problem – the sufficiency and security of gas supplies to the EU.

The European Commission's Green Paper of March 2006 is an excellent document describing the actual problems of sustainability, competitiveness and the security of energy supply for the EU-25. Growing EU dependence on imported energy resources is considered a threat for three reasons: a rising dependence on imports (for up to 70% of overall energy and 80% of gas by 2030), too large a share of imports are derived from just three neighbouring countries and high prices affect competitiveness.<sup>4</sup> From the Russian perspective we need to look at the

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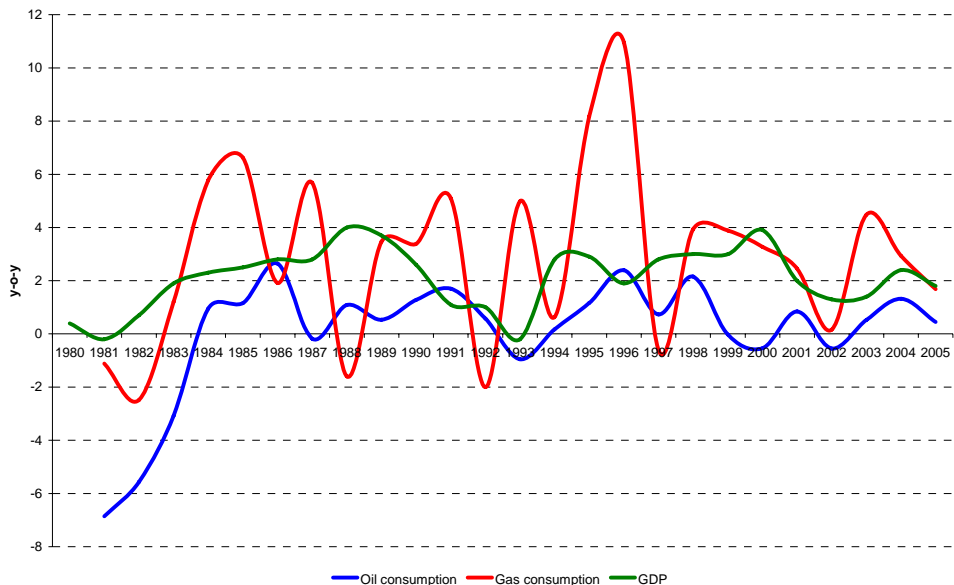
<sup>3</sup> This quote is derived from J. Nanay, "Russia and the Caspian Sea", in *Energy Security*, Baltimore, MA: John Hopkins University Press, 2005, p. 133.

<sup>4</sup> See European Commission, *Secure, Competitive and Sustainable Energy for Europe*, Green Paper, Brussels, 8 March 2006.



forecasting process anew – how the demand for imported energy would be affected by high prices and decisions about saving energy in the long run. At least the demand for energy in the EU with respect to GDP growth was somewhat lower for 2005. Still, the objectives the Green Paper presents for meeting the EU's energy demands are very wide-ranging and complex – and it is indeed a very complicated undertaking even for developed countries with the huge economic, financial and managerial capacities of the EU. The economic analysis is quite correct on the trends and forecasts of energy needs. But in the short run it is a very hard to expect an effective solution for all problems.

*Figure 2. Growth rates of GDP and consumption of oil and gas in the EU-15 (1980–2005)*



*Source:* BP Statistical Review.

Prioritisation is an important issue, as a multi-objective policy may be overly complex and experience delays and indecision. We will not judge for the EU or its countries but it appears that hard budget constraints must be considered when sequencing actions. The costs related to high energy prices plus EU enlargement and other important tasks are considerable. A figure of €1 trillion for energy investments breaks down into €50 billion per year, so it still looks like prioritisation is needed. We do not doubt the

possibility of achieving all three goals (ensuring competitiveness of the economy and environmental protection along with securing energy supplies) in the long run. But it is a gargantuan job to achieve all of them at the same time. We see the prioritisation of EU energy objectives as follows: 1) sustainability, 2) competitiveness (liberalisation) and 3) security.

First, on the goal of sustainability, stabilising the climate is the real problem now and in the near future. Natural disasters are becoming more and more damaging and costly in terms of human lives, infrastructure, financial costs (e.g. insurance), repairs, etc. Climate change is also starting to affect the lifestyles and expectations of people. All decisions in this sphere are expensive because they limit output, but there is no escape.<sup>5</sup> This objective invokes the issue of nuclear energy policy, which is not popular in Germany or among the majority of non-governmental organisations (NGOs) worldwide. Climate change is growing more serious and exacerbating the global situation; it will inevitably lead to political decisions and spending.

Renewable energy sources are still rather costly and in the next 25 years we will not be able to change the lifestyles and modalities of energy consumption radically. Major technological changes are on the horizon but are not ready for use today. The Russian government is ready to go forward on a major revival of nuclear electricity, which is likely to face less resistance from domestic NGOs. The American-Russian nuclear initiative and all other sophisticated aspects of this issue are connected to the trade of nuclear materials and potentially to the Energy Charter negotiations.

Second, the liberalisation of energy markets looks like a natural and low-cost option for governments but not for companies.<sup>6</sup> It affects the interests of major players in the energy sector on the corporate level. Sometimes it is much easier to change legislation than the method of operation. Furthermore, the openness of a market affects the way outsiders (large companies from supply countries) see their future in that market and

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<sup>5</sup> See the statement published by Civil G8 of the NGO meeting in Moscow on 9-10 March 2006, "On Activities to Ensure Global Energy Security, Recommendations of the Forum on the Meeting of the Heads of G8 Countries in St. Petersburg in July 2006", Civil G8 Documents, G8 Civil Forum, 2006 (retrieved from <http://www.civilg8.ru>).

<sup>6</sup> The European Commission is conducting an investigation into corporate behaviour in the gas market.

how much investment they can bring to the EU. We sometimes read statements by incumbent companies on 'preventing' new entrants in the EU downstream (retail) market, which are not consistent with official EU policy.

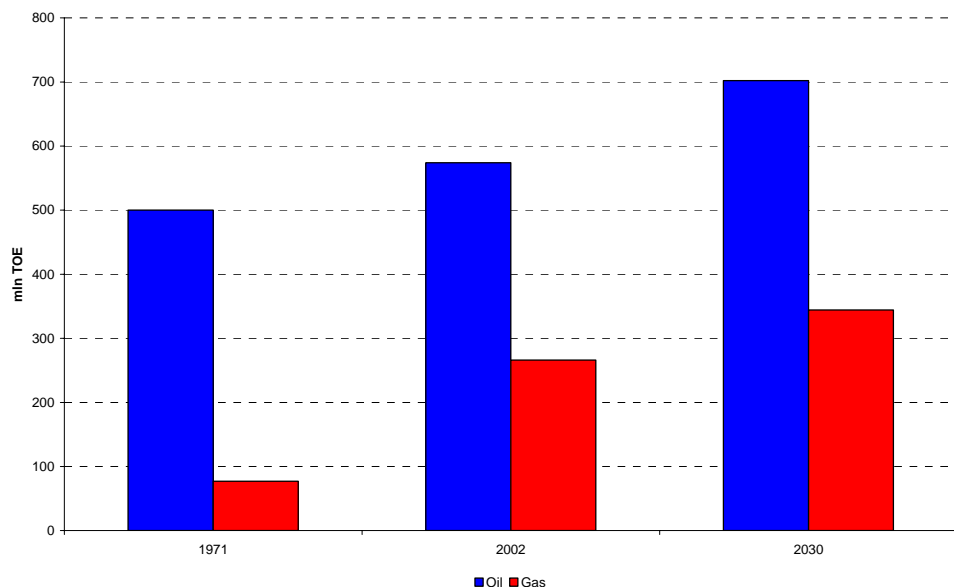
The success of gas market liberalisation in the UK is obvious – only in the UK do we observe the predominance of short-term contracts and transparent access to pipes. But it has not been able to prevent price rises in 2004–06 for general reasons. Gas prices in the winter of 2006 exceeded those on the continent, despite the fact that the interconnector was half-empty (or half full).<sup>7</sup> In any case, in the short run the EU is dealing with the potential gas supplies covering the period 2015–20. In this respect, the effectiveness of policies should not be overestimated, while gas requirements should not be underestimated (Figure 3).

The continued concentration of dominant businesses in the EU's energy sector is affecting competition in this market. At the same time, it is clear that the EU-wide liberalisation of the gas market is still mostly at the 'paper and regulation' stage. Actual access to pipelines and the number of contracts remain very limited in the EU. In this situation, outsiders are naturally very cautious about subscribing to future rules. The history of negotiations on the transit of energy resources across the EU shows that the rules of conduct associated with this important matter have not been defined so far within the EU. A liberalised gas market in the EU will take years to build additional physical infrastructure, information systems, legal rules on the ground and actual good practice. It would be much easier to convince outsiders in neighbouring countries to liberalise after such liberalisation in the EU market shows some attractive success.

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<sup>7</sup> See IEA/OECD, *Natural Gas Market Review*, IEA/OECD, Paris, 2006, p. 28, Fig. 8.

*Figure 3. Forecasts of demand for oil and gas by the EU-25 (mn tonnes of oil equivalent (TOE))*



*Source:* International Energy Agency, *World Energy Outlook 2004*, IEA/OECD, Paris (2004).

The liberalisation of energy markets with huge energy (combined gas-electrical) companies as major players will not be easy. To assure the positive competitive result some new players would be helpful. New producers will be trying to reach the retail level of gas distribution by applying the old market rule of squeezing 'the middle man'. The positive impact would as usual be shared between consumers and suppliers. With the prospect of falling oil and gas prices in the medium term it is important to have these players enter the market and start spending their profits on investments before these entrants face cash limitations. One may expect that companies from outside the EU would come from a different business culture and business climate. From our point of view, the obligations undertaken by entrants, the amount of money paid for equity stakes and the legal and business environment for new entrants in the sophisticated world of the EU (institutions!) matter. These factors could help companies to adjust their practices to EU standards much faster than the EU's trade agreements in terms of the agreements' aim of changing the business climate in the countries from which the entrants originate. Again, some of these new players may be Russian – and include Gazprom at the very least. Russian capital is pouring out abroad because of limitations in the business

climate at home and the amount of available financing. Many analysts foresee different possibilities for corporate deals in the future – including downstream activities for upstream participation. And actually, the transformation of wholesale suppliers into a vertical structure with a retail chain for a major share of final customers is something trivial in the history of economic development.

Third, the secure delivery of energy is a complicated matter for at least four reasons:

- At all stages, the access (rights) to resources, upstream operations and the transit or transport of energy have their specific risks, possible reasons for delays, etc.
- The existing delivery infrastructure inside and outside the EU was built for different historical, commercial and other reasons, and sometimes for different purposes (especially that in the former USSR area).
- Demand forecasting, investment planning and the actual construction of infrastructure and the development of big fields take years and are very risky for investors.
- Finally, there is the subjectivity of risk perception, the difference in the languages of comfort and assurance between nations and political cultures, the different readings of real events and the political and mass media interference in economic considerations.

The security of energy supply leads us to the issue of contracting and pricing. We have contracting conflicts of the usual nature with deep historical roots. Sometimes it is hard to distinguish between political pressure for enforcing a contract and political pressure for rent protection.

The so-called ‘Ukrainian gas conflict’ in the winter of 2006 had two stages and may now be used as a learning experiment. At first, it was essentially a conflict over gas prices in a country that has a monopoly of transit, yet a dominating supplier. Gazprom sought higher prices, since, as the IEA states, “Ukrainian prices were at very low levels compared to those paid by Western European countries in 2005”.<sup>8</sup> Another reason for the conflict was an attempt by Gazprom to disentangle the fees for transit from

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<sup>8</sup> Ibid., p. 26.

the price of gas, in accordance with the rules of the Energy Charter. The gap between Ukrainian prices and those charged for the EU had been creating huge levels of rent for Ukrainian enterprises in the steel, chemical and fertiliser sectors. Gazprom had been unable not single out and cut supplies to Ukraine alone because of the structure of the pipeline system. It thus tried to reduce deliveries to the transit country without affecting contracts in the EU. The reduction lasted for a day and a half and totalled 150 mn cubic metres (m<sup>3</sup>) (1 *promille* of annual transit capacity) according to IEA/OECD estimates.<sup>9</sup>

The second episode happened later in January and February against the background of a very cold winter in Europe. Regarding this instance Gazprom insists that it had tried to increase delivery but that the additional gas had been consumed in Ukraine outside any contract. So far, there have been no formal claims against Gazprom for non-delivery against contracts. Additional demand in the EU was probably offset by stored gas, which is considered a normal approach to shortfalls.

The nature and history of this conflict was covered by some very informative works by Western analysts.<sup>10</sup> The position of this author has already been published (in the spring of 2006).<sup>11</sup> We believe that the political (and emotional) reading of this event was inevitable under the circumstances (one year after the Orange Revolution). The point is that a new contract for gas supply is a step in the right direction and closer to the Energy Charter rules (especially with regard to separating transit fees and the price for gas). It stirred up serious resistance because of the huge rent costs involved (\$230 minus \$50 per 1,000 m<sup>3</sup>). Diplomatic relations were involved since the previous low prices had been politically motivated.

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<sup>9</sup> Ibid., p. 25.

<sup>10</sup> See J. Stern, *The Russian-Ukrainian gas crisis of January 2006*, Oxford Institute for Energy Studies, Oxford, 16 January 2006; see also PACE Global Energy Services, *White Paper: Russia-Ukraine natural gas dispute*, PACE, Fairfax, VA, 13 January 2006, p. 2 (retrieved from <http://www.paceglobal.com>).

<sup>11</sup> See L. Grigoriev and M. Salikhov, "Ukraine: Growth and Gas", *Economic Survey*, No. 2, Institute for Energy and Finance, Moscow, 2006 (in Russian – but also published in English in *Russia in Global Affairs, April-June 2006*, St Petersburg: Globus Publishing House, 2006, pp. 156-76).

Basically, Ukraine has enough of its own gas for its households (20 billion m<sup>3</sup>), and the cheap Russian gas was more for boosting the competitiveness of local chemical, fertiliser and metal companies (including Mittal Steel) and their profits. It is likely that the political side of the story was significantly exaggerated to protect the rent. Nevertheless, Ukrainian President Viktor Yushchenko finally supported the new deal. An American proposal for phasing in the new gas prices looks very attractive. But a few implementation problems and questions remain: Why has gas been singled out among all other market commodities? Why, after 15 years of shock-style ('therapy') transition for the 25 countries of Central and Eastern Europe, has this case become so prominent? Why should Gazprom as a commercial entity continue to subsidise Ukrainian manufacturing, and if so, how (and who bears the cost)? Actually, as things have evolved, the price package agreed looks like the proposal for phasing-in – from \$50 to \$95 and up to \$130 by autumn 2006. It should be noted, however, that the story of 2006 is again becoming difficult: Ukraine's state-owned energy firm Naftogaz is in debt (to the level of \$600 mn in June) and it appears that it is not pumping enough gas into storage for winter 2006–07 to offset seasonal fluctuations in demand by local consumers.

Finally, the hard issue of trust is difficult to discuss and predict. Yet we would just suggest separating the actual events from the media coverage of them in the gas delivery story, and ask business people from the EU energy community about the contractual issues in the supply of gas along Russian–German pipelines. We would all probably like to avoid being driven by the media into costly debates ('Hurst wars') and delays of important investment decisions. We have a 25-year history of honoured contracts. Given the time and investment constraints, it is important to look at the rational interests of the parties involved. If we try to apply the Basel principles of weighing banking risks to assessing the sources of supplies by political instability in the respective countries, we would find Russia – the traditional supplier to the EU – in the low-risk quarters.

### **Investment and diversification costs**

We believe that some costs of ensuring alternative routes of oil and gas delivery and the diversification of supplies for countries are inevitable. But these costs should not be excessive and should be an avoidable burden for both sides. We hope some of the security costs will be reduced in the course of achieving two major objectives: more renewable energy sources or

nuclear power stations and a greater number of corporate deals. Both sides – suppliers and consumers – must work to create more transparent rules, which will provide greater assurance to all the parties with regard to expected events, contractual requirements and so forth. These rules will not necessarily be the EU's internal ones; nevertheless, harmonisation of the legal space is important and achievable.

For suppliers the assurance of safe transit is a very important matter. Diversification of the sources of supplies and methods of transit are 'mirror' cases. Here it is important to avoid what we would call a 'tax on fear' – an escalation in the building of pipelines and other facilities to create the illusion of independence on both sides. It is even more important to avoid overspending on these goals, as that would take money away from climate objectives and investing in upstream operations. And it would probably delay solutions to the problems of high prices and reserve capacity. With the naturally increasing role of different sources of oil and gas across the globe and the rise of liquefied natural gas, the immediate diversification of supplies looks by our account to be the third priority among the three tasks of the European energy policy.

In many ways, the existing delivery infrastructure in Eastern Europe represents the sunk costs of previous projects. It especially matters in the case of pipelines from Russia and Central Asia. For example, gas from Turkmenistan is physically processed (for quality reasons) in Orenburg. In another case, the Ukrainian transit system actually does not have the capability to limit consumption from the transit pipelines – the latter were built mostly for local supply and now badly need renovation. It is difficult to account for old and new investments in the case of the former Soviet Union – nothing is simple in the separating segments of the originally integrated systems.

The global reserve and supply situation is rather clear (Table 2). Consumers may try to make some energy savings and increase their energy efficiency but China, India and other growing countries are looking for sources of energy and trying to secure future supplies. For the next 25-30 years, the upstream operations for oil and gas will depend on reserves and the transaction costs of access and investments to a greater degree than in the recent past. At the very least, it will be a major factor for returning to 'affordable' prices.



*Table 2. Production, consumption and reserves of oil and gas (2005)*

	Oil						Gas					
	Production		Consumption		Reserves		Production		Consumption		Reserves	
	(Mn t)	World (%)	(Mn t)	World (%)	(Bn t)	World (%)	(Bcm)	World (%)	(Bcm)	World (%)	(Bcm)	World (%)
Canada	145	3.7	100	2.6	2	1.4	186	6.7	91	3.3	1.6	0.9
France	–	–	93	2.4	–	–	–	–	45	1.6	–	–
Germany	–	–	122	3.2	–	–	16	0.6	86	3.1	0.2	0.1
Italy	–	–	86	2.2	0	0.1	12	0.4	79	2.9	0.2	0.1
Japan	–	–	244	6.4	–	–	–	–	81	2.9	–	–
UK	85	2.2	83	2.2	1	0.3	88	3.2	95	3.4	0.5	0.3
US	310	8.0	945	24.6	4	2.2	526	19.0	634	23.0	5.5	3.0
<b>Russia</b>	470	12.1	130	3.4	10	6.2	598	21.6	405	14.7	47.8	26.6
<b>G-8</b>	1,010	25.9	1,803	47.0	17	10.2	1,425	51.6	1,516	55.1	55.7	31.0
EU-15	109	2.8	647	16.9	1	0.5	189	6.8	422	15.4	2.4	1.3
NMS-10	5	0.1	45	1.2	0	0.1	11	0.4	49	1.8	0.2	0.1
China	181	4.6	327	8.5	2	1.3	50	1.8	47	1.7	2.4	1.3
OPEC	1,626	41.7	363	9.5	123	75.3	488	17.7	343	12.5	88.1	49.0
Saudi Arabia	526	13.5	87	2.3	36	22.2	70	2.5	70	2.5	6.9	3.8
<b>Total world</b>	3,895	100.0	3,837	100.0	164	100.0	2,763	100.0	2,750	100.0	179.8	100.0

Notes: Mn t = million tonnes; bn t = billion tonnes; bcm = billion cubic metres

Source: BP Statistical Review.

A speed race for new upstream input against the depletion of old fields and additional demand for oil and gas is the reality of daily life. The cost of diversification is growing because of multiple needs and objectives. In any case, the EU-25 is too large a consumer to have any security from global affairs. Any country may try to achieve some diversity in energy input by spending some money on infrastructure and developing a system of supply contracts, strategic reserves, spare capacity, etc. All it takes is just time and investments. But by no means can one avoid interdependence on a global scale. Table 3 presents well-known numbers for Russian involvement in supplying the EU. Given Russian reserves, that involvement will be continued in the future. The EU and EU companies may predictably spend enough money on liquefied natural gas, nuclear energy and renewable energy sources to limit Russia's share in the delivery of total energy supplies. That process will naturally force Russian

companies to diversify their exports according to the situation. The global share of Russian deliveries of oil and gas will probably be flat, but may rise after coal and electricity are included. Naturally, any uncertainty in the terms of operation for outsiders usually postpones investment decisions. Companies may tend to divert exports to countries with low legal barriers and administrative costs in terms of operations.

*Table 3. Russia's share in EU oil and gas imports, 2004 (%)*

	<b>Oil</b>	<b>Gas</b>
EU-15, including	24.4	39.1 (EU-25)
Germany	33.7	43.3
France	14.9	21.2
Italy	23.5	34.8
UK	14.7	n/a
NMS-10, including	90.6	58.1
Poland	94.3	62.3

*Sources:* Eurostat and IEF estimates.

The economic cost of supporting the supply of energy for 2001–30 was put by the IEA at 1% of global GDP for this period or \$16 trillion.<sup>12</sup> Although this figure is widely accepted, we have the courage to weigh it with some doubt – we think it will cost more. First, the current exchange rate of the dollar may have an impact on the final number. Second, the IEA's 2003 report was prepared before the price surge and the reality is already different. Third, for oil alone some analysts estimate the figure for investments at \$5 trillion for 2006–30 (whereas an estimated figure for 2005 is \$205 billion) while the 2003 report for this sector assigns it just \$3 trillion. In this respect, even the new figure of €1 trillion for the EU for the next 20 years does not look sufficient. We should probably add to that the investments made outside the EU in the search for future suppliers.

The 2003 report expected Russia to contribute 5% of its cumulative GDP in 30 years to energy investments alone. At that time, such a figure looked excessive and unaffordable. Now Russia exports (or cannot use) three times more of its savings. Russian companies are either trying to

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<sup>12</sup> See the International Energy Agency's *World Energy Investment Outlook 2003*, IEA/OECD, Paris, November 2003.

develop energy projects on their own or on a joint venture basis, subcontracting the technology inputs. The successful example of oil from Western Siberia may continue and see certain aspects replicated elsewhere. Yet the country has domestic problems in using its own savings for development. Companies will be pushed hard to use their own national ground and resources as a platform for establishing themselves in the global economy.

Russia hopes to promote the growth of those branches of its economy that are not related to its natural resources. Progress in more advanced areas of manufacturing and innovation would make Russian society more receptive to the idea of greater extraction of natural resources for financing its modernisation and raise confidence about its future. An increasingly modernised and democratic Russia will be a better partner for the EU and will help to meet long-term energy needs.

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# **The Caspian–Black Sea Region: The Key to Diversifying Europe’s Energy Supplies**

**Vladimir Socor\***

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Europe woke up suddenly in 2006 to a massive Russian challenge to its energy security. The challenge is five-fold. First is the seemingly unchecked growth in the market share captured in Europe by Russia’s state-connected energy companies – a process fraught with political risks. Second is Moscow’s ability to manipulate the flow of supplies, demonstrated in Ukraine’s gas crisis this past winter, with repercussions in European countries farther downstream. (Russian oil companies have also cut supplies to Latvia and Lithuania for extended periods in recent years.) Third is the disruption of energy export flows even before leaving Russian territory: thus, in the winter just past, a Siberian cold wave briefly reduced the gas volume available for Europe, while a well-organised though never-explained sabotage of three energy supply lines on a single day in the North Caucasus had a devastating impact on Georgia and Armenia. Fourth is Moscow’s middleman-monopoly on eastern Caspian hydrocarbons – a novel type of leverage, usable on producer as well as consumer countries. And fifth are the rapid inroads made by Russian state-connected energy companies into downstream infrastructure and distribution systems in Europe, aiming at locking out potential competitors.

These ongoing processes directly conflict with the European Union’s supply diversification and de-monopolisation goals and are incompatible with market economics. In the short to medium term, growing dependency on Russian energy supplies could impinge on the EU’s and some member countries’ foreign policy decisions and the political cohesion of the Euro-Atlantic community.

Last winter’s events have highlighted these long-neglected but now rapidly mounting risks to the energy security of the enlarged West and its partners in Europe’s east. Brussels and Washington are beginning to

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acknowledge some aspects of this manifold challenge. But they have yet to focus on the dangerous nexus now forming between disruptions by Russia or in Russia and growing dependence upon Russia.

The EU needs to organise consultation and coordination with the United States towards an overall strategic concept and measures for energy security. Brussels ought to clarify for itself and for the European public that energy security has become a key dimension to overall Euro-Atlantic security, and on that basis propose the establishment of a standing EU-US consultative mechanism that can evolve into a policy-planning framework.

Were the EU to stop short of proposing a Euro-Atlantic approach, then consideration might be given to asking NATO to initiate such an approach to energy security. A start to the discussion of this problem within NATO would seem to be a natural development. The alliance is rapidly evolving into a multidimensional security organisation; energy security has become more critical to the enlarged West's overall security than at any time in modern history; and NATO remains – as it must – the principal trans-Atlantic consultation and policy-making forum.

The EU is moving piecemeal towards its declared long-term goal of a common foreign and security policy, but it has never proposed to develop a common energy-supply policy or at least an energy-security strategy. Such a step can no longer be delayed after last winter's experience. Brussels should announce that goal and propose the necessary institutional format.

The relevance of EU policy will hinge on identifying these risks and calling for the development of a common energy-security strategy. This strategy must be based on the diversification of supply sources, with direct access via the Black Sea region to the eastern Caspian as a major objective, and on ensuring national or EU control (as opposed to Russian-shared control) of energy transport systems in Europe.

Although Western companies have found and are extracting the oil and gas from Caspian countries, Russia holds a near-monopoly on the transit routes to consumer countries from the eastern Caspian shore, where the great bulk of reserves are concentrated. This situation has no precedent and no parallel in the world of energy and geopolitics. Russia, the world's second-largest producer and exporter of oil (behind only Saudi Arabia), and the global 'no. 1' for gas, absorbs the oil and gas produced in the eastern Caspian basin. As a result, Europe, the main potential consumer of Caspian energy, is sliding into a dual dependence on Russia – for Russian supplies as well as the Russian transit of supplies from this region. Such

dependence on a single, powerful transit country is economically damaging and politically risky to producer countries as well.

Any EU strategy must recognise that eastern Caspian oil and gas and its westbound transit via the Black Sea region are key to diversification away from EU dependency on Russia. Such recognition is long overdue and yet seems far from the grasp of policy-makers even now. Policy prescriptions in Brussels tend to focus mainly on diversifying the types of energy being used, and less so on diversifying the oil and gas supply sources in general or obtaining direct access to Caspian reserves in particular. While conservation and saving, greater use of renewable sources, interconnection of energy systems and additions to storage capacity on EU territory are all necessary measures, it would be unrealistic to expect any significant decline in hydrocarbon requirements for at least the medium term.

Thus, a viable strategy for supply diversification should aim at linking the EU with the transit and producer countries in the Black Sea and Caspian basins. This link means opening up direct access to eastern Caspian supplies, and not going through Russian territory. In parallel, the EU needs to ensure that Ukraine and other countries that traditionally carry Russian energy to Europe do not lose control of their transit systems to Gazprom or other Russian interests. At the moment, the first of these goals has not yet been declared by the EU, while the second is in jeopardy, as Moscow began setting the stage this winter for transfers of control over the Ukrainian and other transit systems.

Transit projects indispensable to EU energy security (as defined above) and vital to anchoring the countries of Europe's east include the following, among other proposals:

- 1) *Trans-Caspian westbound pipeline for Turkmen gas via the Black Sea region*  
Turkmenistan's gas output potential may well approach 80 billion cubic metres (bcm) annually at present, from incompletely explored reserves. The trans-Caspian pipeline project, initiated by the US in the late 1990s, envisaged an annual export volume of 16 bcm annually in the first stage (mainly to Turkey) and 32 bcm in the second stage (to south-eastern and potentially Central Europe). This project was shelved in the face of Moscow's opposition (in tandem with Tehran) and the Turkmen president's prevarications, which largely stemmed from fear of Russian reprisals against him.

The gas export potential of Turkmenistan – augmented by that of Kazakhstan – increases the commercial attractiveness of this project. The import requirements of the EU, Ukraine and the Balkan countries demand its reactivation and energy security considerations make it imperative. Russian objections to a trans-Caspian pipeline on legal and environmental grounds are poorly substantiated excuses for imposing a Russian monopsony on Turkmen and other Central Asian gas.

2) *Expansion of the Shah Deniz (Azerbaijan)–Tbilisi–Erzurum (Turkey) gas pipeline*

The line is due on stream in 2007. Proven reserves at Shah Deniz, considerably exceeding the earlier estimates, now suggest that exports of more than 20 bcm per year are realistic. With the Turkish market oversubscribed, Turkey's primary role in this project can change from that of a consumer to that of transit country for Azerbaijani gas en route to Greece and the Balkans.

Yet Azerbaijani gas volumes – even if augmented by volumes anticipated from Kazakhstan in the next few years – are too small to meet the needs of markets targeted by Gazprom for its expansion. Governments in those countries do not seem convinced by the argument that they can hold off Gazprom while awaiting supplies from Azerbaijan and Kazakhstan. Those volumes would need to be combined with volumes from Turkmenistan in order to compete with Gazprom.

3) *Kazakhstani oil transport and the Baku–Ceyhan pipeline*

Along with the completion of the Baku–Tbilisi–Ceyhan pipeline, a framework agreement was signed in June 2006 on a Kazakhstan–Azerbaijan oil transport system that would feed Kazakhstani oil into that pipeline. This agreement signifies the first serious dent into Russia's monopoly on the transit of oil from Kazakhstan. But it seems limited for the time being to transport by tankers (not pipeline) and an annual volume of only 7 mn tonnes initially, reaching 20 mn tonnes annually in the peak phase several years from now.

Therefore, this system should be seen as a short-term palliative. Tanker transport in the Caspian Sea is not cost-effective. Ultimately, this system will not be viable without a pipeline. Kazakhstan's oil output is projected at some 150 mn tonnes annually after 2015, largely on the strength of the Kashagan offshore field, which is due to come



on stream by 2009. Routing that field's output via Russia would be unacceptable from the standpoint of energy security. The necessary solution is a westbound pipeline on the Caspian seabed to handle the volumes from Kashagan.

4) *Extending Ukraine's Odessa-Brody oil pipeline into Poland*

Originally intended to carry Caspian oil via Ukraine for refining in Poland and to serve Central European oil product markets, the Odessa-Brody pipeline lacks Caspian oil and is being used in the reverse direction by Russian oil-producing companies. Reverting to the originally intended function would necessitate supplies of Kazakhstani oil via the Black Sea to Odessa and enlarging the pipeline's annual capacity from 8 mn tonnes to 14 mn. This would make it commercially attractive and is considered technically feasible.

Two possible terminal destinations in Poland have been envisaged for this pipeline: the refining centre at Plock or the port and refinery of Gdansk. The Gdansk option might now be receding, as the Polish PKN Orlen company has just acquired the majority stake in Lithuania's Mazeikiiai refinery and proposes to target the market for oil products in northern Poland and north-eastern Germany. This leaves the Plock option of extending the Odessa-Brody pipeline or – an alternative proposed by some Ukrainian officials – of building a refinery at Brody for Kazakh crude oil. This solution would reduce Ukraine's dependence on Russian crude oil and Russian-controlled refineries.

A European policy focus on the Caspian Sea-Black Sea region holds major opportunities for common EU-US policies on energy security. The US initiated the East-West Energy Corridor almost 10 years ago, largely in the interest of European consumer countries' security of supply within the Euro-Atlantic community. The Corridor project has only materialised from Azerbaijan to Turkey, but stopped short of extending as planned in the 1990s to the far larger eastern-shore reserves in Kazakhstan and Turkmenistan.

The EU ought to make clear that monopolisation of access to eastern Caspian hydrocarbons is unacceptable – a principle that can also form a basis for EU-US policy coordination – and that the EU has legitimate, indeed pressing, interests in obtaining direct access.

A credible EU policy would need to demonstrate that the EU means business in the Black Sea and Caspian regions. Brussels must include energy supply and transit as high priorities in the mandates of its special representatives for the South Caucasus and Central Asia and of its delegations in Ukraine, Georgia and Kazakhstan. The EU can also propose launching and institutionalising discussions with Turkmenistan and Uzbekistan on commercial development of their energy deposits and a European alternative to the Russian monopsony.

The EU also needs to step in with expert assistance to Ukraine and Moldova, as these countries are having to renegotiate their gas agreements with Russia under pressure. Russia seeks to extend its dominance over gas transit to EU countries by obtaining incremental control over Ukraine's pipeline system and full control over Moldova's, leveraging the supplier's monopoly. Ukraine now apparently wishes to extricate itself from the dangerous five-year agreements it signed in January and February with Gazprom and RosUkrEnergo, while Moldova faces the expiry of its interim agreement with Gazprom. At Chisinau's initiative, Kyiv and Chisinau jointly requested the EU in January to provide advice on the formation of market prices for gas supplies and transit and to delegate expert observers to the Ukraine-Russia and Moldova-Russia negotiations. The EU missed that unprecedented opportunity in January. But it is still not too late to become involved.

Preventing a transfer of Ukraine's gas transit pipelines to some form of 'joint' Russian-Ukrainian control (as a guise for Russian *de facto* control) is a major EU interest in Europe's east. Moscow holds out two rationales to Ukraine for such a transfer: the incentive of price and debt relief, and that of Russian investment in the pipelines' modernisation. A transfer into Russian co-ownership would increase Gazprom's market dominance in the EU as a whole and would place Ukraine's western neighbours in the EU under pressure to cede portions of their national infrastructure to the monopoly supplier.

Before Ukraine's energy predicament deepens any further, the EU can immediately offer to send a taskforce of experts to Kyiv for an overall assessment of the situation. The assessment process could soon evolve into an EU-Ukraine standing consultative mechanism. Such a body could help formulate a Ukrainian energy strategy, map out energy sector reforms, plan the modernisation of its ageing transit systems for gas and oil to the EU and consider the formation of a European investment consortium to overhaul those systems as an alternative to a Russian-dominated consortium.

By the end of 2006, the European Commission will table specific proposals for action at the level of member states and the EU, taking into account suggestions from member governments, energy companies, analysts and neighbouring countries. The Commission's proposals should highlight the Caspian basin and Black Sea region if the EU wishes to seek a credible common policy and an external strategy for supply diversification.

# **Energy Security, Gas Market Liberalisation and Our Energy Relationship with Russia**

**Alan Riley\***

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The thrust of this short paper is to argue that despite member state and European Union institutional endorsement of market liberalisation in the gas sector, liberalisation has almost entirely failed. The recent sectoral review paper in March 2006 by the European Commission's Directorate-General (DG) for Competition reads like a bill of indictment against the institutions, the member states and the incumbent energy firms as to their collective failure to liberalise European gas markets. Liberalisation is not a rightist free-market ideology; it is itself a means of enhancing European gas security and should reduce consumer prices over time.

This paper goes on to argue that while DG Competition's current focus on energy and particularly gas markets is welcome, the exclusion of upstream producers from the scope of its review is misguided. Only by reviewing the whole of the market upstream and downstream can the market be effectively liberalised and energy security enhanced.

In respect of Russia, the paper argues that the major threat to energy security does not come from the 'energy weapon' – the threat of politically motivated gas 'cut-offs' – but from the lack of investment in new gas fields. As a consequence, there is a serious developing threat to gas supplies to the EU as existing Russian fields go into decline. The solution to this problem is for Russia to liberalise its markets and improve legal security for investors to enter Russian energy markets by, for example, honouring the obligations under the Energy Charter Treaty and signing up to the Transit Protocol. The Russian state is currently opposed to such a development and the

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Kremlin can legitimately point to the EU and question why Russia should liberalise its gas market when the EU itself has signally failed to do so.

The paper argues for substantial and real market liberalisation including ownership unbundling to begin liberalisation and enhance energy security. In respect of Russia, the EU needs to focus on the real issue, the lack of gas supplies, and engage with Russia on the potential problems of falling gas supplies for both the EU member states and Russia.

### **Market liberalisation**

Classically the EU gas markets were national markets in which a national energy company owned the pipelines and supplied the gas down the value chain, sometimes exclusively all the way to the consumer. In some markets, there may have been a number of retail companies but usually the national incumbent dominated the wholesale market and had exclusive import rights with any producers. The national incumbent had long-term supply contracts with both the retailers and the producers, which effectively foreclosed large parts, if not all the market to any potential competition.

Russia participated enthusiastically and was (and still is) part of this European managed-market system. Even after the end of the cold war, it continued, renewed or enacted new long-term supply contracts (LTSCs) with the newly independent Eastern European states, and it continued to develop and renew LTSCs in Western Europe.

This managed-market system had its advantages. It provided a significant degree of predictability. The LTSCs certainly provided a means of funding major pipe construction programmes such as Yamal. It also secured the market to a few operators, minimised competition, limited innovation and kept prices high.

By contrast with almost all European markets (Spain and parts of Scandinavia being exceptions), under a Thatcherite ethos the UK liberalised its energy markets. As a result, the British market saw full ownership unbundling, the access of several players at the wholesale and retail levels and low gas prices compared with most of the rest of Europe.

Now in principle the single market rules applied to the gas market. Yet aside from some very early and weak single market legislation, along with the 1990 price transparency and 1991 transit directives, very little happened in the gas sector. In 1994, a European Energy Council meeting

took the decision to prioritise the opening-up of the electricity market – effectively putting gas liberalisation on the back burner.

The gas market only saw its first sector-specific liberalising instrument in 1998, with the first gas directive. This directive was a relatively timid beast, however, in that it only required the unbundling of accounting, i.e. the separate accounting of the transmission pipes operation and the supply operation, and limited opportunity for third-party access to pipelines. It was only with the Lisbon European summit in 2000 that the EU member states formally committed themselves to market liberalisation of the gas sector. That political impetus resulted in the second gas directive and gas regulation, which require legal unbundling (i.e. the formal separation of the national incumbents into transmission and supply businesses) along with the establishment of a national regulator to ensure third-party access to the supply network and binding non-discrimination rules. Under the second directive, commercial gas customers were supposed to be free to choose suppliers by July 2004; residential customers are to have the ability to do so by July 2007.

Liberalisation, if achieved, would have a major energy-security benefit. Moving from national managed markets to a single European energy market massively increases energy security. By simply being a much larger market, the EU is better protected from the consequences of disruption. In a genuine, single European market, it is much easier to allocate the additional energy resources to deal with a market disruption than in a smaller national market.

### **Application of the competition rules to the gas market**

Unfortunately, liberalisation has been comprehensively frustrated by the member states and domestic incumbents. DG Competition has launched a major sectoral review into the state of competition in the gas and electricity markets. The preliminary report of this review published in March suggests that many member states and their domestic incumbents have effectively sidestepped the liberalisation directives and the gas regulation. Although the laws may be on the statute books, effective circumvention practices are in place, for example:

- *Legacy contracts.* Just prior to markets opening up, dominant incumbents have been tying up both upstream and wholesale markets with 20-year contracts with renewal clauses, effectively foreclosing markets for the foreseeable future.

- *Confidentiality clauses.* Specific clauses are used to deny information on capacity and storage to potential new market entrants.
- *Possible market-sharing agreements among incumbents.* There is very little cross-border trade even where interconnectors make it possible. There is concern that this may be because some incumbents have colluded in illegal market-sharing.

From the evidence collected by DG Competition, it would appear that despite EU legislation the domestic incumbents remain in place across a large swathe of the EU and are largely unaffected by liberalisation. Any new entrants are wholly dependent on incumbents.

The European Commission has identified a whole host of problems concerning the European gas market. These problems include

- *Market concentration.* This problem essentially concerns the high level of concentration of the domestic incumbents of the pre-liberalisation era.
- *Vertical foreclosure.* This effect exists through both ownership and long-term supply contracts, and in both cases the result is similar – the foreclosure of new entrants.
- *Market integration.* Cross-border sales are not presently exerting any competitive pressure. Incumbents rarely enter each other's national markets; new entrants have difficulty obtaining pipeline access and LTSCs make it hard to obtain capacity.
- *Lack of transparency.* Potential entrants complain again and again about the lack of reliable and timely information on markets, particularly concerning capacity and storage.
- *Price issues.* Price formation is very opaque and many producer contracts are linked to oil prices, which do not reflect the levels of demand, supply or seasonal flows.

The determination of Ms Neelie Kroes, the European Commissioner for Competition, to tackle anti-competitive practices is welcome as is the opening of EU energy markets. Nevertheless, DG Competition has expressly left out of its energy review upstream issues, i.e. the role of energy producers in the market. This omission is unfortunate as it is difficult to leave out upstream or downstream actors without undermining any effective liberalisation process.

In particular, there is concern about a number of specific issues. One of these is the effectiveness of the competitive process upstream in the gas sector in relation to the potential for collusive activity by producers. Another issue is price formation and especially the link between oil and gas. There is also the matter of the destination clauses in supply contracts – the LTSCs between gas producers and domestic incumbents foreclosing national markets, as well as the impact within the EU of anti-competitive acts that foreclose foreign gas resources to the EU. An example of this latter issue is Gazprom's refusal to permit its pipeline to be used to export Central Asian gas into EU markets.

## **Russia**

Although the Central and Eastern European states have faced approximately 40 energy cut-offs since the end of the cold war, and may face some more, the major threat to EU gas supplies from Russia does not stem from the 'energy weapon'.

The major threat in the gas sector is Gazprom's lack of investment in new gas fields resulting in the company, despite 47 trillion cubic metres of gas in the ground, being unable to supply the EU with gas. According to former Russian energy minister Vladimir Milov, Russia already has a gas deficit between foreign and domestic demand and its actual gas supplies of 69 billion cubic metres (bcm) – which may explain why Russia was not able to fulfil its contractual supply requirements to some EU member states last winter. He conservatively estimates that the supply gap could be approximately 130 bcm by 2010.

Gazprom's problems arise to a large extent from the need to supply a domestic market at very low prices, as a result of which the company does little more than break even in its domestic gas supplies. Even with the revenues coming in from the EU, Gazprom still does not have the financial firepower to refurbish the Soviet-era pipelines and compressor stations or develop new fields, which would cost tens of billions of dollars. The International Energy Agency recently put the figures required at over \$170 billion. Gazprom, it should be noted, is currently \$38 billion in debt.

A second factor is the lack (and perceived lack) of legal security in Russia for property rights, which makes Western investors wary of providing the scale of investment required. A third practical factor is that currently it is extremely difficult for Western investors to acquire upstream or downstream assets in the Russian gas sector (whereas by contrast Russian investors can easily buy up EU energy assets).



Part of the solution would be to honour the Energy Charter Treaty and sign up to the Transit Protocol, which provide guarantees of legal security to foreign investors to encourage Western capital to come into the Russian gas market. Currently, however, the Kremlin appears to be against such a development. The Kremlin can legitimately ask the question: Why should Russia liberalise its energy market when the EU has so signally failed to do so?

## **Conclusion**

If the EU wants to engage with Russia in respect of encouraging Russia to open up its energy market it must take real and effective steps to liberalise its own market. The European Commission's DG Competition may have a very valuable role to play here. Evidence of substantial frustration of the EU's liberalisation rules by the member states and domestic energy incumbents gives the Commission justification to bring out its big antitrust guns. DG Competition has two major weapons to enforce liberalisation. The first is Art. 86(3), under which the Commission can adopt directives without recourse to the Council or Parliament requiring the member states to open up national markets. The second is the new power contained in Art. 7(1) of Regulation 1/2003, to adopt structural remedies against companies. Using these two weapons the Commission could potentially enforce liberalisation in the gas and electricity sectors by ordering the complete unbundling of ownership.

Such a step would enhance EU energy security through the liberalisation process and demonstrate to Russia the value of liberalisation. In the engagement process, the point has to be made to the Kremlin that both the EU and Russia face real problems if the gas runs dry. Thus, it is in both the EU's and Russia's interest to encourage large-scale investment into Russian energy markets, with the EU providing the capital and Russia providing legal security through the Energy Charter Treaty. Russia is misunderstanding its own vital interests in restricting foreign investment. The Russians do not have to listen to the EU on this point; they just have to take note of the policy of their ancestors. The greatest period of growth in Russian history, from the emancipation of the serfs in 1861 to 1914, was fuelled to a very large extent by a huge volume of foreign direct investment (FDI). FDI does not threaten a loss of control of the 'crown jewels' of the energy sector, it is the means by which Russia can rebuild itself as a wealthy, great European power.

# ***QUID* UKRAINE'S STRATEGIC SECURITY?**

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**WITH CONTRIBUTIONS BY**

**ALEXANDER BOGOMOLOV**

**JAMES SHERR**

**ARKADY MOSHES**

**F. STEPHEN LARRABEE**

# Chairman's Summing-up

**François Heisbourg\***

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To introduce our proceedings we were fortunate to benefit from four papers, presented by their authors: Alexander Bogomolov of Maidan Alliance, James Sherr of the UK Defence Academy and Lincoln College, Arkady Moshes of the Finnish Institute for International Relations and Stephen Larrabee of the Rand Corporation, Washington, D.C.

They were urged by the chairman to address in their reflections four questions:

- 1) What kind of country has Ukraine become? (Is it like the Baltics, with a politically dominant non-Russian population? Or is it a bilingual contract with a common nationhood, democracy and civil society? Or is it basically a divided country?)
- 2) What kind of state is Ukraine? (Is it presidential or parliamentary? Is its structure oligarchic and clientelist or that of a civil society democracy?)
- 3) What is the ability of the outside world – the West but also Russia – to influence outcomes in Ukraine?
- 4) What is the potential for developments in the Crimea to present new difficulties for Ukraine?

In presenting his paper, Alexander Bogomolov emphasised that neutrality would lead to isolation; thus it is a threat alongside other negative outcomes such as authoritarianism 'à la Putin', separatism or division, or becoming part of a larger unstable region stretching from Transnistria to the Caucasus. He considered that the Crimea constituted the most serious ethnic issue. Overall, there was strong support in Ukraine for 'moving towards Europe'.

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James Sherr stressed that Ukraine's basic problem and weakness lies in the connection between politics, business and crime, with rent-seeking groups having a vested interest in avoiding political transparency and the conditions for entrepreneurship. The RosUkrEnergo saga was symbolic of the trouble. The presence of the Russian Black Sea Fleet is not simply a status-of-forces issue but constitutes criminal problem as well. Crimea could become like Transnistria.

NATO's interest is less about Ukraine moving towards NATO's Membership Action Plan than about sustaining the agenda of change.

Although Ukraine's separate existence is now accepted by Russia, the freestanding exercise of its independence is not. And Ukraine takes insufficient heed of President Vladimir Putin's reminders that only the strong are respected in international relations. More generally, there is dissonance between the post-modernism of the European Union (and NATO and Ukraine's need for classical nation-building. The situation is not improved by Ukraine's current behaviour, with the risk that the West will lose interest.

Nevertheless, Arkady Moshes indicated that there were three reasons for cautious optimism:

- Ukraine is and will remain pluralistic; it may well complete its democratic transition. The continuity of Ukraine's language policy also deserves to be noted.
- There will be no return to the kind of Russian-Ukrainian relations that characterised the Kuchma regime (preferential treatment in exchange for loyalty). Even Prime Minister Viktor Yanukovych had American consultants run his successful 2006 campaign. By moving away from preferential energy prices, Russia is speeding up this process; Ukraine, like the Baltics of 15 years ago, should go for world energy prices.
- The West can continue to exert influence by supporting reform and through its energy policy, even in the absence of EU and NATO membership.

But again, there are causes for concern:

- The quality of governance is low.
- There is a lack of transparency along with a wide prevalence of corruption.

- Finally yet importantly, there is the possibility for the manipulation of general public opinion in Eastern Ukraine.

The keys for the future are threefold:

- The efforts to increase domestic transparency need to be continued.
- The West should judge Ukraine by what it is actually doing rather than playing favourites with this or that party.
- An agenda is needed that includes the prospect of EU accession.

Stephen Larrabee saw his perspective as being closer to that of James Sherr than to Arkady Moshes. The Orange coalition had never had a unified purpose. Ukraine now has two policies, one with a Euro-Atlantic orientation, the other being neo-Kuchma (with the dissolution of Foreign Minister Borys Tarasyuk's Euro-Atlantic Committee and the reduction of funding for defence reform).

Mr Yanukovych's policies, like those of former President Leonid Kuchma, are not strictly pro-Russian. Rather, the West is viewed as a useful counterweight vis-à-vis Russia. Indeed, it should be recalled that Mr Yanukovych had supported NATO membership when he served as President Kuchma's premier.

In the discussion, a NATO official viewed the Ukrainian situation as being different from that of the Baltics during the 1990s. NATO membership is not popular in Ukraine: a notable aspect of the recent elections was the fact that parties viewed as friends of the West had decided that supporting NATO membership was not going to help them. He further noted that those who push for NATO membership in the United States are also those who want to limit the Russian-NATO relationship. This will not do.

A Ukrainian politician emphasised that the Orange Revolution was not about East versus West but about democracy versus autocracy. Ukraine is becoming a normal European country (and not solely in its capital), even if it has had an abnormal past. Civil society and the free press are not at all in the same situation as they are in Russia. The current paradox is that Mr Yanukovych has received a measure of legitimisation in the West, but not in Russia – Moscow wants him to deliver first on the gas package. And there will be no return to President Kuchma's 'milking two cows' policy: Mr Yanukovych has neither the constitutional nor political power for that. Like others, this participant was worried about the Crimea and Russia's policy of instability.

An EU official, like the previous speaker, compared Ukraine with traditional stereotypes of Italy: the situation is critical but not serious. Ukraine has become a nation, whereas that was an open question 15 years ago. Crimea may be the exception. Ukraine has democracy at the popular level. Indeed, in that regard, the population at large is more predisposed than are the elites. Russia's options in relation to Ukraine are limited. The Donbass oligarchs are not pro-Russian in structural terms, given that their greatest economic competitors are in Russia. Meanwhile, the European carrot, alluded to by Stephen Larrabee, exists: membership is not on the agenda but then again it is not excluded either.

In the broader discussion, Arkady Moshes, in replying to the chairman on energy issues, observed that Ukrainians were beginning to realise that energy efficiency was necessary. Ukraine has managed to digest the increase in gas prices from \$50 to \$130 per 1,000 m<sup>3</sup> quite well. Russia no longer scares the Ukrainians in the field of energy. It was Moscow that had pressed for rapid settlement after the January 2006 cuts, in part for lack of storage space for the gas.

A Finnish participant stressed that the political issue of energy dependency would be greatly mitigated by the reduction of energy over-consumption through higher prices. James Sherr remarked that the Ukrainian energy sector was even less transparent than that of Russia. Others agreed with this, with the question being put: Who runs the Ukrainian energy sector? One participant noted that there was no systematic approach by Ukrainian civil society towards the control of the energy sector or tariffs.

An American participant reminded the Ukrainians that what happens next depends not only on Ukraine getting its act together but also on NATO and other Western institutions.

A European analyst considered that the debate should not go too far in the direction of de-dramatisation: Russia is playing games in the Crimea and is strongly asserting itself in the field of energy.

In his final remarks, Stephen Larrabee stressed that President Putin and other Russian officials had lost no time in raising the issues 'associated' with the gas deal (e.g. NATO, Sebastopol and World Trade Organisation (WTO) membership) when the Russian news agency Kommersant leaked its version of that deal. Yet Arkady Moshes urged that what counted was

what was actually going to happen: Ukraine would join the WTO in 2007 and there would be no referendum on NATO membership.

James Sherr considered that Russia was behaving in a pre-1914 mode. As for the EU, the talk should not be about membership but about the actual integration of Ukraine in specific areas, such as visa policy. Functioning democratic institutions in Ukraine are of the essence.

Finally, Alexander Bogomolov remarked that the EU's relations with Ukraine are more heavily influenced by the question, "What about the effects on the relationship with Russia?" than by the actual status of Ukrainian-Russian relations.

# **Ukraine's Strategic Security**

## **On a Crossroads between Democracy and Neutrality**

**Alexander Bogomolov\***

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Over the past 15 years, Ukraine has certainly become a much freer nation than many of its former Soviet neighbours. Yet, as events in 2006 have demonstrated, the point of no return in the transition towards a sustainable democracy has not been passed. Elements of an authoritarian culture are still preserved within a number of institutions, notably the security sector. There are powerful forces in the region working to undo the nascent democracy. The latter's very institutional structure is still too incomplete to be immune from these challenges.

The Orange Revolution has put before Ukraine a number of choices. It would be an oversimplification to reduce their complexity to a cultural choice formulated in terms of an East/West dilemma or an issue of the nation's political and geographical attribution – to Europe or some imaginary Eurasia. The dilemma is more complicated, concerning the essence of numerous institutional and policy steps taken by a variety of actors at different levels as well as the relative timing of such steps, which altogether will define what kind of country we will have in the next several decades – a successful or a failed one, a democratic one or otherwise. From a security perspective, the most important issues currently include accession to NATO, the development of state institutions (including those in the security sector), the emergence of a consistent regional policy and finally the sustainability of the nation's political progress towards a fully-fledged participatory democracy.

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## Political scene

With the adoption of new electoral legislation abolishing the majority voting system, political parties became the main actors in Ukrainian politics. The major issue, hence, is what these parties are actually comprised of and whether they adequately represent Ukrainian society's complicated social, class and cultural make-up. The simple answer is no, they certainly do not. Political party development lags behind society's growing diversity and dynamics. The persistently low credibility of the parliament, with 30% of the population declaring that they do not trust it, provides a numerical indicator of its incapacity to reflect society's interests. A sociological study found that party programmes in the wake of the March 2006 parliamentary elections had little or no overlap with the actual expectations of the electorate.<sup>1</sup>

Of the five parties that won seats in the recent parliamentary elections, three of them – the Party of Regions of Ukraine (PRU), the Socialist Party and the Communist Party – finally formed the so-called 'anti-crisis coalition' in July 2006. For all the seeming ideological inappropriateness of this alliance of leftist and oligarchic forces, their common denominator is a reference to what has remained of the Soviet identity (mainly in the eastern and southern regions) and appeal to certain age- and culturally-specific populations, which explains such epiphenomena in the coalition policies as a clear pro-Russian tilt. Over time, the distribution of votes across this group has shown an interesting trend – a change of hearts in the combined 'pro-Soviet' target audience away from the left and towards a more nationalist interpretation of the common Soviet references, which mirrors a similar ideological trend in neighbouring Russia.

The other two parties include Our Ukraine, a bloc of liberal, patriotically minded groups forming the main political force that won in the Orange Revolution of 2004, and Yulia Tymoshenko's Bloc (BYT), another partner/competitor in the Orange team. The competitive

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<sup>1</sup> See Maidan Alliance, *Usvidomlenn'a vyboru 2006: Interaktyvne spivsatvlenn'a interesiv vybortsiv ta obits'anok politychnykh syl*. [Conscious Choice 2006: An interactive comparative study of the voters' interests and promises of the political forces], Halyts'ka Vydavnycha Spilka – 200 UV, Maidan Alliance, 2006.

advantages of the latter are its appeal to broader cross-sections of society and greater political flexibility, which are offset by an ideological uncertainty. Over a short period of time the faction has shifted from rather vaguely expressed populism to outdated 'solidarism' and finally to socialism (consider Ms Tymoshenko's most recent decision to seek membership in Socialist International), contrasting with its material dependence on large business groups as its major resource base.

Despite their failure to pass the threshold in the March parliamentary elections, ethnic nationalist parties such as the Ukrainian People's Party (an offshoot of Rukh) and the bloc consisting of PORa and the PRP (the Reforms and Order Party) have not disappeared from the political scene, having retained a high level of presence in regional politics – particularly in Western and Central Ukraine. With these parties, the local political spectrum looks significantly more pluralistic than it does at the top political level.

In 2005, the Orange bloc had the chance to mobilise an unprecedented level of popular support for a new national project, but failed to do so because of its incapacity to formulate such a project and to see beyond its immediate social base – groups and individuals representing or affiliated with a patriotic segment of the business elite. The two major Orange parties, Our Ukraine and BYT, initially had a seemingly correct distribution of support across the social strata – the former as a liberal project reflecting the interests of the business elite, the latter in terms of what the Orange parties interpreted as reflecting the 'people'. Eventually, both of them missed the golden middle – failing to find support among the most active and motivated segment, the middle class. To be fair, the task was not as easy as it may now sound. The ability to mobilise the middle class at that time would have called for the capacity to see several steps ahead of the current situation. The Ukrainian middle class is not an accomplished social phenomenon, but rather a process, a class/group identity in the making. But the two processes, the political and the social one, could have been mutually re-enforcing.

Ukraine's approach to the politically decisive March 2006 elections involved a protracted debate among the team of the apparent winners. The defection of a minor Orange partner, the Socialists, overturned the shaky political balance and ended the hopes for the Orange coalition. The ensuing political developments, although hardly yet final, have inflicted much damage upon Ukraine's international standing. Domestically, the

enormous drawbacks became very obvious of the new political system of the so-called 'presidential-parliamentary' democracy with its party list-based electoral system, which resulted from the European Union-blessed pact transition in November 2004.

A major issue remains the identification of the differences between the PRU and the Orange parties, given the large overlap between them in both ideology and social base. From the perspective of the perceived threats to democracy associated with the rise of the PRU to power, at least one point merits attention. The Conscious Choice 2006 project<sup>2</sup> analysed key elements in the political cultures of the top 15 parties that ran for the March 2006 parliamentary elections. Sharp differences were found with regard to openness and the willingness to go for social dialogue, with the BYT and Our Ukraine ranking second and third and the PRU almost at the bottom of the 15-party list. There are other indications as well of reduced transparency in the decision-making process of the PRU-led government as opposed to its predecessors.

The central theme of domestic politics is the competition for power between the cabinet and the president's office. While President Viktor Yushchenko's Our Ukraine party has lost much of its power base, the presidential office, including the National Security and Defence Council (NSDC), is gaining more support backed by the Industrial Union of Donbass. Although in the amended constitution security, defence and foreign policy fall under the competence of the president, the cabinet is effectively striving to put these policy domains under its control as well. The cabinet is following the same course of action with respect to local government, in trying to impose financial control over the executive committees of the local councils. The government is thus split over the foundations of its foreign policy and energy security and by its internal, economically-driven feuds.

The political scene in Ukraine should not be viewed as confined to party politics alone, however. There are many new developments at the grass-roots level, as revealed in the regions, in local government and in various forms of citizens' self-organisation, which are no less (and probably more) important for the nation's future than the party politics at the top of

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<sup>2</sup> Ibid., p. 9.

the political ladder. The change from the unprecedented high level of support for the Orange forces immediately after the Orange Revolution to the vast withdrawal of this support carries a different meaning from the traditional Soviet or Russian distrust of politics (the notorious post-Soviet 'gap' between the government and the governed). It reflects significantly higher demands being made on politicians by society and the perceived inadequacies of the current political class in addressing these demands, which create space for new political projects with a broader social base as well as those better adjusted to regional needs.

### **The NATO debate**

The issue of NATO accession in Ukraine emerged in the context of the so-called 'multi-vector' policy approach of the Kuchma government – mainly reflecting the need to offset Russia's influence. In 2004, the NATO issue assumed greater prominence in the oppositional electoral programme, being seen as both an efficient security arrangement and an instrument to upgrade the country's global standing. Earlier, on 23 May 2002 the NSDC had passed a resolution on Ukraine's accession to NATO, which on 19 June 2002 was signed as the Law on the Foundations of the National Security of Ukraine. According to the Razumkov Centre for Economic and Political Research, it was since that time that references in the official language changed from the euphemistic 'Euro-Atlantic integration' to the unambiguous 'NATO accession'.<sup>3</sup> Finally, in 2005 Ukraine entered the stage of intensified dialogue with NATO. Yet the above-mentioned law is currently being disputed in parliament by the PRU-led coalition. The NATO Membership Action Plan (MAP) that was expected soon to follow was put on hold by the visit of Prime Minister Viktor Yanukovich to Brussels in September 2006, on the pretext of low public support for the accession.

The Kyiv-based Razumkov Centre, the most-quoted source of public opinion polls on the NATO issue, found in 2002 that 31.4% of voters supported NATO accession, 32% were against it and 22.3% were

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<sup>3</sup> See the article on the Intellect.org.ua website (retrieved from [http://www.intellect.org.ua/index.php?lang=u&material\\_id=31774&theme\\_id=0](http://www.intellect.org.ua/index.php?lang=u&material_id=31774&theme_id=0)).

undecided.<sup>4</sup> Characteristically, those in the younger age groups showed significantly more support for the accession compared with the rest (40.4% vs. 22.4%), with almost the same proportion of undecided respondents (19.8%).

On 6 October 2006, the survey figures showed a dramatic decline in public support for NATO accession, with 18.2% for and 60.9% against it. These figures were extensively publicised by the historic opponents of NATO. They served as a convenient argument for the newly appointed Prime Minister Yanukovych in his effort to condition Ukraine's accession on a public referendum when signing a deal with President Yushchenko in August 2006 and to later back away from Ukraine's commitment towards the adoption of the MAP. The validity of this argument was hard to dismiss, but it left Western politicians wondering what could have happened to a nation that had demonstrated its strong commitment to democratic values just two years ago, i.e. the values whose protection is the very *raison d'être* of NATO. Moreover, the nation, whose majority voted for a president explicitly calling for the country's accession, had at least suggested by default that the majority of Ukrainians were pro-NATO.

Viktor Yanukovych's electoral campaign of 2004 was the first and so far the last electoral campaign in Ukraine that so heavily exploited the subject of NATO. It produced tonnes of flyers and posters portraying Mr Yushchenko as an agent of the West.<sup>5</sup> The campaign ideology was not so much directed against NATO as it was built upon the assumption that NATO is negative and Mr Yushchenko's association with it was used to weaken his positive image. Although this approach proved ineffective in 2004, having failed to undermine Mr Yushchenko's chances, it formed the basis for a subsequent anti-NATO propaganda campaign, particularly with the deployment of Natalia Vitrenko's group (the Progressive Socialist

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<sup>4</sup> See the website of the Razumkov Centre for Economic and Political Research (retrieved from [http://www.uceps.org/ua/opros/16/?show\\_q\\_id=15&idTema=0&m\\_razdel=102](http://www.uceps.org/ua/opros/16/?show_q_id=15&idTema=0&m_razdel=102)).

<sup>5</sup> In October 2004, the opposition uncovered a stock of 100 tonnes of posters and other propaganda material of this kind at the storage facilities of the Kyiv National Exhibition Centre. Even with this stock excluded from circulation, the anti-Western propaganda campaign associated with the PRU remained extremely visible throughout Ukraine.

Party) as a prop for the PRU. Ms Vitrenko made the topic a key issue in her political campaign up to the March 2006 parliamentary elections and part of her group's political brand. It soon became clear that anti-NATO campaigning represented a political commodity in its own right regardless of the elections. A hyper-visible anti-NATO issue group thus began to form – with Ms Vitrenko and Russian nationalist organisations, Communists, religious activists and a task force of Russian politicians showing persistent interest in Ukraine.<sup>6</sup> The most recent actions of the issue group include the Communist Party-led campaign “Crimea – An anti-NATO stronghold”.

The backdrop of the war on terror and the perceived threats associated with Ukraine's engagement in the Middle East are being used as evidence for anti-NATO campaigning. But more important is the fact that, backed by the ongoing propaganda on Russian television, the issue group has succeeded in forming a direct cognitive link between NATO and Russia, and in sending a message that NATO means some serious problems with Russia. Furthermore, the public activities of the anti-NATO group and the ongoing hot party debate surrounding the issue have fostered strong negative connotations of domestic unrest. Bearing all this in mind it is clear that when asked about NATO accession,<sup>7</sup> an average Ukrainian would be answering quite a different question – relating to what the accession would imply for Ukraine's political identity and the situation in the country. In other words, when asked about NATO, most respondents would probably think of wars, terror, Russia, the annoying Ms Vitrenko and ‘commies’. They certainly would not be thinking of security guarantees against what happened to Georgia or another Tuzla (or Kerch Strait) incident, a better military service and membership in a real Western club, to which, according to the same polls, so many aspire.

The problem is not so much the declining popularity of NATO, which has been undermined by a synergy of efforts of the anti-NATO group, the Russian media and so forth. More worrying is that even some liberal

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<sup>6</sup> The most outstanding case in point is that of the Russian MP Konstantine Zatulin, who was declared *persona non grata* by the Ukrainian Security Service for organising the June 2006 anti-NATO rallies in Feodosia, Crimea.

<sup>7</sup> The usual question in the opinion polls is along these lines: If the referendum on NATO accession were held tomorrow, how would you vote (for accession to NATO, against the accession to NATO, difficult to answer or would not vote)?

politicians outside the PRU-led parliamentary bloc have found a convenient excuse in the new social dynamic and embarked upon a campaign promoting the idea of Ukraine's neutrality. The main argument that this school of thought offers is the reference to Switzerland and four EU member states. The argument, however, disregards the realities that Ukraine is not Switzerland and that it is located in a significantly different security environment, let alone that other collective security arrangements – such as the EU's emerging security and defence policies – have largely overwritten the neutrality status of European non-NATO members.

A political commentator of distinctly non-Orange background, Kost Bondarenko, has succinctly formulated the basic tenets of the neutrality doctrine, stating

[T]he foreign policy doctrine changes: the President abandons the previous Rybachuk's conception – [of] immediate entry to Europe – and Tarasiuk's one – [of] turning Ukraine into Georgia, and stakes on Chalyi – multi-vector policy, good-neighbour relations with the EU, Russia and NATO – *without integration into supranational projects that harm the national sovereignty of Ukraine* (emphasis added).<sup>8</sup>

Although such a programme probably implies refraining from Russian-led integration schemes as much as Euro-Atlantic ones, it is clear that such an autarchic stance would be too difficult to maintain and, if adopted, the policy would effectively trigger a backslide into the grip of Ukraine's more powerful neighbour, running a risk of *de facto* international isolation. The project's philosophical underpinnings become clear in the other parts of Mr Bondarenko's five-point programme. The energy issue is presented as the primary (implicitly the only real) problem of Ukraine's

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<sup>8</sup> See K. Bondarenko, "Mysterious Hayduk: Final Part", *Ukrainska Pravda*, 16 October 2006 (retrieved from <http://www2.pravda.com.ua/news/2006/10/16/49107.htm>). The whole lengthy article is dedicated to interpreting (or promoting) the appointments made in the presidential administration of individuals affiliated with the Industrial Union of Donbass – Vitaliy Hayduk, Oleksandr Chalyi and Arseniy Yatseniuk (the latter of whom publicly denied the link). Of the threesome, former Deputy Minister of Foreign Affairs Chalyi has become a symbol of the neutrality doctrine. Although the author's view is not necessarily representative of the presidential secretariat's position, the foreign policy ideas outlined in the article rings bells with a cross-section of corporate politicians both inside and outside the parliament.

national security,<sup>9</sup> and a special line is dedicated to what the author sees as the adoption of the interests of Ukrainian-based transnational corporations as the guiding lights to foreign policy formulation. Important though these things may be, this technocratic tilt reveals the incapacity to see the strategic issue, namely the plight of the nation's integrity.

For all the prominence of the energy agenda, the Eastern European security dilemma stems not so much from energy disputes as from the conflicting visions of the mode of political and social development of these countries and the entire region. The energy issues, essential and troublesome as they are, come lower down in the taxonomic rank. For Ukraine, issues other than energy are more pressing: how to hold the nation together and stimulate social and political progress towards a fully-fledged democracy, for which the key words are the rule of law, isonomy and good governance (participatory democracy, local self-government, effective anti-corruption mechanisms, etc.). Solutions for the socially explosive issue of increasing energy tariffs lie in the fields of tax and property reform, housing and land privatisation, and ending the *de facto* policy of artificially limiting wage growth – i.e. measures to ensure the steady and commensurable growth of household income.

Moreover, modern Ukraine emerged as an independent state at the very moment when the bipolar world collapsed. Born into the complexity of post-modernity, would the nation be able to go all the way back on the axis of time to recreate all the stages that other historic nation states went through? At a time when the world's interdependency is growing, and the very notion of a nation state is being dramatically re-assessed and in reality overwritten by more complex forms of political organisation (the EU for one), it seems that an isolationist project would be a bit outdated.<sup>10</sup>

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<sup>9</sup> It is interesting to note that adherents to this school of thought richly utilise the old Soviet ideological clichés – such as the base/superstructure model – drawing on the assumption that once economic needs are satisfied, all the other problems will be sorted out automatically.

<sup>10</sup> Refer to G. Yavorska, “Constructing European identity in Ukraine”, paper presented at the Conference International et Pluridisciplinaire: Pour une Maison de l'Europe contemporaine, « L'Europe: utopie ou levier du changement », held in



Apart from other risks, this neutrality tilt bears another domestic policy risk – the only way for modern Ukraine to produce a new national project that is capable of engaging people living in regions, where Ukrainian ethnic culture does not dominate, is by re-interpreting the Ukrainian ethnic nationalist ideology as a Ukrainian-European one. In all the opinion polls, Europe appears as the only ideologically common denominator across all the regions.<sup>11</sup> Needless to say, without a clear EU membership prospect there is no way that such a model could succeed. And that is something that only a united EU can help with but it appears not to have enough political will. The notorious social division of Ukraine that has been widely discussed since the March 2006 parliamentary elections – having most clearly transpired over the issue of NATO – does not reflect a case of Russian vs. Ukrainian ethnic nationalism but in fact a nascent European-Ukrainian identity vs. the Soviet one. Obviously, domestic peace in Ukraine is not about reconciling these two identities, as it hardly makes sense to reconcile concepts that belong to the past with those of the future. A democratic, Europe-oriented project has the capacity to engage more followers while a Soviet-oriented identity is not even a project. A similar situation can be observed elsewhere in the region and a common European identity may provide clues to solving the region's chronic ills: in Transnistria, Moldovan identity is not attractive to Russian or Ukrainian speakers, while the new sense of belonging to Europe is capable of overcoming the rift. Paradoxically, while the EU is struggling to construct a common European identity, it is already functioning outside its borders.

A thorough analysis of the official texts of political programmes performed on the eve of the March 2006 parliamentary elections in Ukraine revealed that the hidden intent of most parties was neither EU nor NATO

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Paris on 16-17 June 2006. The author maintains that if Ukraine does not develop into a post-modern European nation it risks becoming a pre-modern one, and eventually, a failed state.

<sup>11</sup> Consider the following figures in favour Ukraine's accession to the EU by region: Western – 67.4%, Central – 57.1%, Southern – 28.8% and Eastern – 39.1%.

aspirations – but rather some kind of ‘third way’ development.<sup>12</sup> This conclusion could be corroborated by the impressions of some EU politicians working closely with Ukraine. A month before the elections, former EU Commissioner Sandra Kalniete said just as much, stating, “The impression is that the majority of the elite would like to have Ukraine to themselves, as their own fiefdom, to do whatever they want.”<sup>13</sup>

Another verbal tactic in public campaigning used by the proponents of Ukraine making its own way is to present the EU, the United States and NATO as disconnected items, among which Ukraine can choose.<sup>14</sup> The argument goes that we can drop out of NATO, which is presented as solely the project of the Americans, and head towards the EU, which is presented more positively. This rhetoric clearly resonates with the opinion polls, which show the greater popularity of the European Union as opposed to

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<sup>12</sup> See the website article by S. Mykhailiv, “Unexpected soul-mates: European values in the mirror of elections”, Maidan Alliance, March 2006 (retrieved from <http://maidan.org.ua/static/mai/1142845102.html>). While most Ukrainian commentators dismissed the programmes as irrelevant to understanding the ‘real’ intentions of politicians, the author (using discourse-analysis techniques) found a number of characteristic omissions in the texts of the programmes – key concepts associated with European integration – across the entire ideological spectrum from the Orange parties (except Our Ukraine) to the ethnic nationalists, centrists, leftists and liberals.

<sup>13</sup> Sandra Kalniete’s comments appeared in the website article by H.M. Kloth, “Eastern Europe in Crisis: Democrats versus Dictators”, Spiegel Online International, 21 February 2006 (retrieved from <http://www.spiegel.de/international/0,1518,402135,00.html>).

<sup>14</sup> It is interesting to compare this line of argumentation with slogans used as part of the Communist Party-led anti-NATO campaign in Crimea: “Yushchenko, enough [dancing] to US tunes!”; “This is our land, and not [that] of the Americans!”; and “Ukraine – neutral [*vneblokovaya*]”. The presupposition of US-NATO aggression is just as clear here as in the television programmes hosted by Igor Slisarenko (Channel 5), and overlaps with the rhetoric of the proponents of neutrality.

NATO and the United States, with 48.8% favouring membership in the EU in comparison with 31.9% who support accession to NATO.<sup>15</sup>

## Business and politics

In many ways, politics, business and justice have become a single marketplace in Ukraine. The nature of this marketplace suggests that not just market but *black* market types of relations have served as the model, as a kind of parallel economic universe with loose and inherently opaque regulating principles and ever-present uncertainties, which are particularly dangerous for strangers. Political authority represents an economic value just as much as the presidency of a corporation or an enterprise would. The economic value of posts on the local council or in the mayor's office comes from the capacity to affect the distribution of land resources. In a recent interview, Mykhailo Brodsky refers to an episode in which Ms Tymoshenko called her faction leader in the Kyiv city hall to ask him to facilitate the allotment of 11 hectares of forestland to judges of the Supreme Court.<sup>16</sup> This little episode provides the best description of the basic scheme underlying how the networks involving political, judicial and business authorities operate. Of course, in another cultural context, this kind of scheme would be interpreted as corruption, and indeed Mr Brodsky objects to it. What makes this particular episode absolutely legal, despite the obvious actual loss incurred to the local budget, is the existence of a very Soviet-style law allowing local councils to allot land free of charge to any Ukrainian citizen for housing purposes anywhere in Ukraine.<sup>17</sup> Clearly, those who actually obtain the land titles are Ukraine's 'most equal' citizens.

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<sup>15</sup> Even in Western Ukraine, where 67.4% are for EU membership vs. 11.7% against, the polls on NATO accession are still not clear-cut, with 39% in favour vs. 24.6% against.

<sup>16</sup> See the interview of Mr Brodsky by the Glavred news agency, "Mikhail Brodsky: 'I am the party's doctor: I will cure the BYT - I give you my word'", 19 October 2006 (retrieved from <http://www.glavred.info/print.php?article=/archive/2006/10/19/112637-5.html>) (in Russian). The use of material pertaining to Yulia Tymoshenko's faction as an illustration here is of course purely random, but the conclusions drawn on its basis hold true just as well for all other political actors.

<sup>17</sup> More specifically, the legislation referred to here is the Law on Local Self-Governance of 21 May 1997.

The logic of cross-sector networking – much as the black market ideology – is not a new one, and dates back to the shortages-ridden and privilege-driven planned economy. Hence, informal networks of persons with similar social and corporate backgrounds continue to play powerful roles in politics and business. As elsewhere in post-socialist countries, the formation of large-scale businesses and the development of state institutions in Ukraine went hand-in-hand, and was largely performed by the same set of individual actors/groups and represents elements of almost the same process. With such logic inherent in the economic reform and privatisation programme, which rendered those controlling the distribution of vast public property assets both economically and politically powerful, the process could hardly have produced a different result. Western consultants and governments that acted as the designers and sponsors of privatisations bear as much responsibility for the consequences, including widespread corruption, as the local parties themselves. Many of the failures and inadequacies that provided a fertile ground for the growth of the grey economy – such as improperly developed mechanisms of property disputes – could also be attributed to the legal, cultural and institutional heritage of the past, which resisted quick decomposition. Consider the following statement by the Harriman Institute project on “Networks, Institutions, and Economic Transformation”:

Seventeen years have passed since the process of reform began. Yet, deal-making and ties between businesspeople and politicians still greatly affect the performance of markets; the consolidation of institutions; and the process of policy-making in both the economically well-performing post-socialist countries and those that have fared poorly [*sic*].<sup>18</sup>

Mr Brodsky’s comments on the way the party lists for the Kyiv City Council had been formed before the March 2006 elections also provide an insight into the way business and politics interact at the local government level:

I demanded not to enlist the former members of the Kyiv Council, explaining to them, ‘Guys, you should not do it. These people already

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<sup>18</sup> For further information, see the description of the Harriman Institute initiative, “Networks, Institutions and Economic Transformation in Post-socialism” (retrieved from <http://networks.harrimaninstitute.org/project.html>).

have their schemes, they are involved in [other people's] schemes, they are not public figures anymore, and they will not protect the interests of Kyiv.' ...God forbid they will all leave the faction, it will be a blow in the face of the party.<sup>19</sup>

Within the network, motivations may vary from economic ones to those that are more political. But they are so interlaced that purely political ones are more likely to be an exception that only proves the rule. A characteristic phrase was once dropped by a local businessman-cum-politician in Lviv: "There are people, who with their businesses, just cannot afford to be in opposition". After the Orange Revolution the phenomenon of so-called 'changed colours' was widely discussed – referring mainly to those who supported the blue-and-white PRU and then quickly changed to an Orange alliance – with new recruits often outnumbering the genuine Orange supporters in the local party and government lists. These apparent changes-of-heart became visible for the general public with the notable ideological rift that was highlighted by the revolution. They represent a rather established habit when changes at the top provoke clients in the lower ranks to seek a new patron up the hierarchy. Officials act as resource managers (with resources having both economic and political values, and being mutually convertible anyway) when one type of power is converted into another. Ukraine's predicament, compared with neighbouring countries such as Poland, comes from the fact that in the latter the core structural, institutional and legal changes were undertaken at the peak of political movements still very popular in their nature and led by ideologically motivated and economically very modest politicians. The Orange Revolution brought large numbers of new individuals into the local political process, many of whom were initially involved with the new Orange parties, but were subsequently sidelined in much the same way as described above. Yet this glass can also be seen as half full – the revolution highlighted the willingness and the availability of local civic activists, and hence the potential of further civil society development. Apart from a purely ideological impetus, there is also the potential economic motivation for a change towards a more participatory democracy and rule of law, which after all is the best-tested way to protect oneself from most unpleasant uncertainties, such as those related to widespread raiding.

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<sup>19</sup> Derived from the interview of Mr Brodsky by the Glavred news agency, *supra*.

According to Olena Bondarenko of *Ukrainska Pravda*,<sup>20</sup> during the last several months a new wave of raiders' attacks (i.e. the illegal takeover of assets) has been mounting in Ukraine. It has included a crane-building factory in Brovary in the Kyiv region, a steel-casting factory in Kremenchuk, an oil-extracting factory in Dnipropetrovsk and many others.<sup>21</sup> The author marks as a new development the fact that the focus of the attacks has shifted to medium-sized enterprises, while previously large business groups were featured as parties to such property disputes.<sup>22</sup>

Although the raider normally seeks a court ruling to obtain a legal title to the property, according to the author the real deal occurs 'behind the scenes' between more powerful actors, who back the disputing parties. This description highlights the importance of vertically integrated power networks based on client-patron principles. According to *Ukrainska Pravda's* other source,<sup>23</sup> the cabinet has recently formed a special commission to curb the illegal takeover of assets. For all the importance and scale of the phenomenon, however, there is practically no mention of the commission's existence let alone its proceedings on the internet.

The issues of raiding and 'free' land distribution highlight a serious legislative and policy gap that constitutes a major domestic security threat – which is the inadequacy of private and public property regulations. The problem stems from an earlier spate of ideological fence-sitting, which created a major opening for the grey economy and multiple opportunities for property manipulations.

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<sup>20</sup> See O. Bondarenko, "Kirovohrad trial", *Ukrainska Pravda*, 18 October 2006 (retrieved from <http://pravda.com.ua/news/2006/10/18/49224.htm>).

<sup>21</sup> There are numerous other cases reported in the media – see for example the business daily *Delo* article of 16 October 2006 on the shopping mall *Detsky Myr* in Kirovohrad and the bread-baking plants in Zhytomyr.

<sup>22</sup> The author quotes experts who believe these enterprises have attracted raiders for two reasons: the lower costs associated with these types of raiding operations and the comparatively higher potential for profitability in view of the fact that such enterprises remain under priced in the market.

<sup>23</sup> See K. Matvienko, "Society does not need such [a] state", *Ukrainska Pravda*, 19 October 2006 (retrieved from <http://pravda.com.ua/news/2006/10/19/49311.htm>).

Multiple other problems, including those immediately affecting the household economy such as the current housing utilities crisis, are connected to this issue. A weak household economy represents a major problem in its own right. The situation in which any miniscule rise in food prices or housing utility tariffs makes the nation easy prey for immense external pressures and heats up domestic policy temperatures is hardly normal and as such, it should be viewed as a major security threat. Meanwhile, a series of Ukrainian governments have artificially prevented the growth of wages and now the means to mitigate the current gas-price burden are only discussed at the level of subsidy programmes.

Ukraine's economy shows little intensive development primarily because much of the effort of its business elite goes into the extensive dimension – protecting those assets that have been appropriated already and acquiring new ones, along with investing in the creation of political strongholds in order to secure and improve the economic status quo. For many Ukrainian oligarchs, development is tantamount to expansion.

Large foreign investments, such as those occurring in the banking and steel sectors, certainly have a role to play in changing the paradigm for Ukrainian corporate governance in due course. But this will take time.

## **Regional challenges**

One of the major challenges Ukraine faces today is the fact that there are still parts of the country that have not fully integrated culturally into the new Ukraine. This challenge permeates all levels, notably the local bureaucracy, which theoretically has to be representative of the nation state. Those affected remain in a political limbo – referring largely to and greatly influenced by modern Russia primarily as a substitute for the former Soviet state. Throughout the electoral history of the past 15 years the political and cultural frontiers of the Ukrainian nation – as opposed to just those regions that are mainly ethnically Ukrainian – have been gradually moving eastwards and have engulfed much of the south and east, and certainly the centre,<sup>24</sup> even in the context of the March 2006

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<sup>24</sup> In this context, 'moving' refers to the change in the geographical distribution of voters' preferences, shifting from political models built on elements of Soviet identity to those that are more Ukraine-oriented.

parliamentary elections. This shift was somewhat interrupted by the rise to power of the Party of Regions, but there is no reason yet to say that the trend has reversed. The pro-Ukraine movement did not stem from a conscious government policy, but rather came about by default – through regions with large or dominant populations of ethnic Ukrainians (including the Russian-speaking patches). When the stumbling blocks were encountered, the Orange leaders appeared incapable of realising that a systematic policy was needed to address the challenge. The issue was generally interpreted as a linguistic one – Russian-speakers as opposed to Ukrainian-speakers – and the Orange team naively thought it would be able to cope by occasionally speaking in Russian alongside the official Ukrainian on trips to eastern regions and when asked questions in Russian during public sessions.

The lessons of the Orange Revolution, which demonstrated the potential of civic activism, have not remained the exclusive property of Ukraine's civil society and have been eagerly picked up by anti-democratic forces. Over the past couple of years, the Western newly independent states, with the exception of Belarus, have witnessed an onslaught of a host of fake civic groups sponsored by political technologists mainly with roots in Russia. The most prominent names include Proryv [Breakthrough] in Transnistria and subsequently in Sevastopol, where it openly called for Crimea's succession from Ukraine in January 2006. Proryv is also affiliated with the Che Guevara School of Political Leadership.<sup>25</sup> Branches of either Russian or pan-Slavic extreme nationalist organisations – such as the Eurasian Youth Union – have also sprouted in Ukraine since late 2004.<sup>26</sup>

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<sup>25</sup> The International Youth Corporation Proryv and the High School of Political Leadership named after Ernesto Che Guevara are joined by some Ukrainian organisations such as Dmitro Korchynsky's rent-a-crowd Bratstvo in this Tiraspol-based project.

<sup>26</sup> The list of Russian-affiliated (or even Russian Federation-based) organisations in Crimea is growing. Recently, the Kremlin-sponsored youth movement Nashi [Ours – in reference to 'our people'] appeared in Simferopol distributing anti-American flyers. Consider some of their characteristic slogans: "Do not buy dollars! [The] ruble is our currency"; "Stop investing money in [the] American economy, a time will come when its might will turn against you" (see [http://www2.maidan.org.ua/news/index.php3?bn=maidan\\_krym&key=1161340216&action=view](http://www2.maidan.org.ua/news/index.php3?bn=maidan_krym&key=1161340216&action=view)).



They have acquired some media prominence and caused concern among Ukrainian authorities by organising anti-NATO rallies under the banners of Russian nationalism in Crimea and campaigning against official recognition of the Ukrainian Rebels' Army (UPA).<sup>27</sup> Together these groups' activities contribute to creating an impression that the essence of modern Ukraine's plight is a dispute over a pro-Russian versus a pro-Western orientation, and not democracy versus authoritarianism.

The combined efforts of these groups and local Russian nationalists in Crimea, who established a stronghold in the regional parliament,<sup>28</sup> are now working to undermine the inter-ethnic peace on the peninsula. On 11 August 2006, the Crimean MP and Russian community activist Oleg Rodivilov orchestrated a violent assault on the peaceful Crimean Tatar rally in Bakhchisarai. Since the mid-1990s, paramilitary units under a common umbrella of Cossacks and a Russian nationalist ideology have been proliferating in Crimea.<sup>29</sup> There are up to a hundred Cossack organisations that are registered at a district level, and together they make up four regional associations. They most frequently appear on the other side of any conflict involving the Crimean Tatars and are actively engaged in the war of religious symbols – which involves marking visible places with large stone crosses much to the chagrin of the local Muslim population. If the

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<sup>27</sup> The UPA fought for Ukraine's independence against both the Nazis and Soviets in the period from World War II to 1953.

<sup>28</sup> An alliance with the Party of Regions helped the nationalist *Russkaya Obschyna* [Russian Bloc] win 7 seats within the largest 43-person strong faction of 'For Yanukovych', including the influential post of the First Deputy Chairman of the Parliament (Sergei Tsekov).

<sup>29</sup> The units have a military kind of hierarchy: ranks and uniforms, and in clashes they use whips but are not noted for possessing firearms. The Cossacks were instituted through a decree by Crimean President Yuriy Meshkov on 16 May 1994. Mr Meshkov was expelled and the institution of the Crimean presidency was abolished, but the Cossacks have continued to develop since then. They not only busy themselves with bothering the local Tatar population, but also are involved in businesses (particularly corporate security) and offer their members other advantages of an informal network that connects them with persons in authority across various sectors. Of course these modern militants have nothing much to do with the historic Cossacks, who were severely persecuted by the Bolsheviks in the 1920–30s, perhaps with the exception of aesthetic inspiration.

tensions between the Muslim population and ethnic Russians continue to grow, the Cossacks have the capacity to provide an infrastructure for an armed phase of potential conflict.

The Bakhchisarai events were a milestone in the growing inter-ethnic tension. They were followed by a series of fights between young Crimean Tatars and Russians in various localities and a graffiti campaign openly calling for a war against Tatars in Simferopol and other localities in Crimea. During the March 2006 elections, the national government lost much of its control over the regional authorities, as even the local supporters of the PRU in the regional parliament showed little willingness to heed the cabinet on many issues, notably including the cabinet's attempts to deal with the inter-ethnic tensions.

A new warning signal as to the security situation in Crimea was sent in the recent declaration of President Vladimir Putin, when in response to a question on the situation in Crimea, he stated that Russia is ready in case Ukraine appeals for protection from interference from abroad into internal Ukrainian affairs.<sup>30</sup> This message all too obviously rings bells for those who recall Hungary in 1956 or Afghanistan in 1979 and it subsequently generated a heated discussion in Ukraine.

### **The security sector**

The institutional culture and underlying philosophy of the security service largely remains Soviet-style and intellectually dependent on modern Russian sources. The system is not capable of assimilating modern, Western security thinking as much for the reason of suspicion as for the lack of appropriate background knowledge in social sciences and humanities, which are still largely unpopular and underdeveloped fields in local security training. The security sector continues to cooperate uncritically with neighbouring authoritarian regimes and there is always a risk of re-enforcing or adopting unlawful practices through such cooperation. In February 2006, the Security Services of Ukraine (SBU) attracted much criticism on the part of civic groups when it detained 11

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<sup>30</sup> See the Unian News Agency website article "Russia ready for talks to extend Black Sea Fleet's stay in Crimea", 25 October 2006 (retrieved from <http://www.unian.net/ukr/news/news-170874.html>).

asylum-seekers in Crimea based on Uzbek extradition warrants, and forcibly returned 10 of them to Uzbekistan on the night of 14-15 February. As the most recent example of a negative influence upon law enforcement practices, our sources in Crimea reported a visit to the local interior department in October by a group of police from Krasnodar, a region of Russia that gained notoriety for local government-sponsored persecutions on ethnic grounds. Ostensibly, the purpose of the visit was to share experience in dealing with migrants, which received much praise on the part of their Crimean colleagues. The law enforcement agencies seem not to have a policy as to how far cooperation with regional neighbours should go. On the other hand, Crimean Tatars often complain that the local police and security departments have an ethnic bias against them.

Ambitious security-sector reform based on a Western-inspired model and developed by the NSDC in 2005 has so far only produced a numerical reduction in staff (in the SBU) and one major structural change – the Governmental Communications Service has been singled out and become an agency in its own right directly subordinated to the cabinet. Now, in the context of the new budget for 2007, a struggle for financial control over the SBU is underway: the scheme of funding proposed by the cabinet provides for the cabinet-controlled Treasury to underwrite the SBU's bills, as opposed to the National Bank as has been the case so far. The logic of seeing government agencies as political assets hinders proper institutional development. In as much as security sector agencies are seen as assets of one politico-economic group versus another, any serious structural reform could hardly be expected despite ongoing sporadic attempts to push forward the reform at the level of the NSDC. It seems that only major security crises, such as the recent one in Crimea highlighting the low regional capacity of the security services, could stimulate significant changes in human resource strategies and organisational arrangements.

## Conclusions

At the crossroads at which we are now, when choosing which way to go, it hardly would be wise to go backwards. Partial solutions such as the neutrality doctrine (which claims that it would protect “the national sovereignty of Ukraine”<sup>31</sup> from integration into supranational models)

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<sup>31</sup> See K. Bondarenko (2006), *op. cit.*

stand only to reduce the country to subnational status, immerse it in isolation and fall short of mending its internal social divides. Such a doctrine would obviously put at peril the level of democracy that the nation has already achieved just as much as integration with authoritarian neighbours. The outcome may be detrimental to both Ukraine's national security and that of Europe. Instead of contributing to regional stability, a neutral or otherwise non-European, non-democratic Ukraine runs a risk of becoming a source of instability and a connecting link to other conflict areas beyond its borders. The major internal and external threats that the nation now faces are outlined below.

- 1) **Backsliding into an authoritarian mode.** This threat concerns the prospect of adopting a model that takes inspiration from Mr Putin's Russia or, much worse, becoming its satellite. The formation of a PRU-led oligarchic monopoly could be the starting point for this mode of governance. So far, the PRU shows many signs of heading there. To avoid it, Ukraine needs to preserve at least its current levels of political and economic competition.
- 2) **Political isolation and hence arrested democratic development.** If the country continues to follow an ambiguous and indecisive political course towards two major actors – Russia and the West – sugar-coating it with outdated political concepts such as neutrality or multi-vector policies, or if it openly joins any of the Russian-led integrationist initiatives such as the Single Economic Space, Ukraine risks *de facto* international isolation. Meanwhile, democracy and an open society can only thrive in an open world. It seems that to ensure a stable solution to this problem, Ukraine needs to find a better arrangement for solving its energy dilemma – such as being part of a common energy system with the EU – or strive as much as possible to divide these two issues, which will be impossible without European partnership.
- 3) **Social division, regional instability, separatism and loss of sovereignty over parts of the territory.** This challenge most seriously concerns Crimea. It calls for upgrading the institutional capacity of the security sector, but even more so for a serious, open public discussion and a new inclusive national project, which would be able to overcome the constraints of ethnic nationalism. Without a new Ukrainian–European national project, Ukraine will hardly be capable of addressing either of these two aspects.

- 4) **Becoming part of a larger instable region, which might include the continuously destabilised Northern Caucasus, South Ossetia, Abkhazia and Transnistria.** This sad prospect seems possible and presents a security concern for both Ukraine and the EU in the medium to longer term. Factors in the neighbouring Russian Federation that are likely to contribute to it include the ongoing civil war in Chechnya and the militant re-Islamisation of the Northern Caucasus, growing xenophobia, state-sponsored persecution on ethnic and religious grounds and the proliferation of radical Russian nationalism. All this comes against the backdrop of policies effectively reducing the nation's immunity to these negative influences – such as limitations on democratic freedoms, police harassment, censorship of the media and the persecution of journalists, and restrictions on civil society organisations.

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# Ukraine's Security

## The Interplay of Internal & External Factors

James Sherr\*

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The failures of the Orange interlude and the return to power of Viktor Yanukovych ought to draw attention to three long-standing features of Ukraine's predicament:

- Ukraine's internal condition, not its foreign policy, is the main factor defining the 'art of the possible' in its external relationships.
- Across all parts of the political spectrum, Ukraine's emphatically modern preoccupations (statehood, nationhood and geopolitics) create a cognitive dissonance with the essentially post-modern outlook of the European Union and, to a lesser degree, NATO.
- In the absence of external allies and internal strength, a 'brotherly' policy towards Russia will fail no less than an 'anti-Russian' policy.

### The Gordian knot

For all its aura of dramatic change, the collapse of the Soviet Union and the emergence of 'independent Ukraine' merely completed a process of systemic mutation that had been underway since the time of the Brezhnevite stagnation. This process involved the transfer of real power from the structures of 'command administration' to the illicit and often criminal networks that had come to exercise *de facto* control over resources and their distribution. Because these networks were embedded in the very system they supposedly were subverting, the system's subsequent 'reform' and 'liberalisation' became a process of mutual co-optation between those who ostensibly ran and those who in practice owned the country. The process of *nomenklatura* privatisation consummated and partially legalised

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a process whereby bureaucratic power was transformed into financial power. The principal custodians of this power remained, as before, an inbred, collusive elite, unrepresentative of the wider society and, in ethos and practice, largely unaccountable to it. It is therefore perfectly fair to say that the Soviet system was destroyed by malign as well as positive forces – forces that not only consisted of its national and democratic opponents, but also some of its most privileged beneficiaries.

Dominance of resources and Leninist habits of governance – the instinct for organisation, administrative intrusiveness, the politicisation of law, the techniques of divide and rule, the skills of informational struggle and, in all things, an obsessive regard for the question of power – partially explain how the pillars of the old regime took control of Ukraine's 'revolution' in 1990–91. They also explain the relationship between politics, business and crime that has become characteristic of Ukraine since that time. The country's conflicted national identity, regional divisions, social fragmentation and the hollowing-out of civil society complete the explanation. In these respects, the 1990's snapshots of Ukraine under Presidents Leonid Kravchuk and Leonid Kuchma are not very different from that of Russia under President Boris Yeltsin.

But with Russian President Vladimir Putin, it has become different in one key respect: Russia has become an effective actor. For the leaders of a country not simply 'doomed' to be a great power (*pace* Andrey Kozyrev), but (by the time of Mr Putin's election in 2000) determined to be one, the national security implications of the Yeltsin system had become both obvious and intolerable. If in terms of diplomatic courtesy and international law the Russian Federation was a state, by the time of Mr Yeltsin's re-election in 1996 it bore more resemblance in operational terms to an arena upon which oligarchic interests competed for wealth and power – quite literally at Russia's expense. The semi-privatisation of this state corrupted and decimated several traditional instruments of power (notably the armed forces and defence-industrial complex) while keeping newer, softer and more effective elements (energy, finance, trade and investment) unsubordinated to either the law or the state. The *leitmotif* of President Putin's domestic agenda – the 'restoration of the administrative vertical' – represented a statist, authoritarian answer to notoriously Darwinian and anarchic conditions. It was just as much the prerequisite of an international agenda that included the partial re-subordination of former Soviet republics that had become juridically independent states.



## The weakness of the state

What is favourably commented upon in Ukraine – the absence of great power pretensions – somewhat explains a blatantly unfavourable fact: the failure of Ukraine's state leadership to transform, or even meaningfully reform, the post-Soviet framework inherited in 1991. But this is a very partial explanation. The deeper explanation is less flattering, which is the absence of any state tradition in Ukraine, and with that, a political class schooled in traditions of public spiritedness and conditioned to assume responsibility for the country's affairs. Despite an impressive exercise in state building, some astute crisis management (e.g. the peaceful demobilisation of the Soviet armed forces), highpoints of courage (e.g. nuclear disarmament) and, of more secular importance, the emergence of democratically-minded and Euro-Atlantic centres of opinion inside the state apparatus, the system and culture of power in Ukraine continue to weaken the state. The adaptation of a Sovietised political establishment to a 'market-driven' process of collapse explains why many of Ukraine's state institutions lack legitimacy and effectiveness:

- For a start, they are not *public* institutions, in either their ethos or their modus operandi. Instead, they are more likely to function as personal fiefdoms with strong undercurrents of struggle between subcultures and financially-driven, clan-based interests. The template of Ukraine's culture of power – collusive, self-referential, unaccountable (and opaque) to outsiders, motivated by subjective interests and restrained only by equal or greater power – is, like all templates, a simplification of the situation. It is nonetheless based on reality and the lesson of the Orange Revolution is that this culture remains strong. What is weak in Ukraine is the culture of authority, more specifically the expectation that power will be confined to legally recognised persons and used for legitimate and openly avowed purposes.
- Institutional growth has not been accompanied by institutionalisation, i.e. the process whereby rules not only establish authority and a basis for action, but also checks on authority, mechanisms of internal oversight and a normative framework that outlasts the tenure of office holders. Ukraine's administrative staffs have lacked a tradition of political neutrality and have never enjoyed the safeguards that preserve it. They are not civil servants as in the Western model. They are state functionaries still largely schooled in

the habits of Soviet bureaucracy, notably servility, rigid adherence to the most petty regulation, lack of regard for the opinions and feelings of subordinates, complete dependence on instructions, the incapacity to make decisions independently and a total lack of interest in the effect of their actions on ordinary citizens. At times, these functionaries exhibit the characteristics of their worst Western counterparts, including evasion, concealment, duplicity, 'working to rule' and disdain for ideas 'not invented here'. Yet there is no incentive to cultivate the attributes that Western civil servants also exhibit, such as professional pride, standards of rightful conduct, initiative, teamwork and an ethos of public responsibility. This culture of inertia, obduracy and submissiveness explains why, *pace* Anatoliy Hrytsenko, "high and middle level authorities come and go, producing no system, no continuity and no results in the long-term".<sup>1</sup> It also explains why Ukraine's state bodies are poor agents of change.

- During the Kravchuk and Kuchma eras, the legal order, once verbally defined by Françoise Thom as a "system of codified arbitrariness", was a charter of harassment for every power in the land. It created a universe of petty offences, withdrew two rights for every right given, taxed before there was money to tax, nullified contracts at the drop of a hat and left everyone confused about what was permitted and what was forbidden. For those who were well connected (or able to pay), it was entirely negotiable. For everyone else, it was intolerable. The principal antidotes of *kriyshi* (shelters) by way of shadow structures or 'arrangements' with the authorities lay well outside the law. Is it any wonder that the system of law and the system of crime became closely related or that judges found themselves practically defenceless? Since 1991, there has been a continual process of 'legal reform' in Ukraine and some of it has actually made things better. But it has not changed these core realities, and those who had hoped that the Orange Revolution would usher in a different type of enterprise have been largely disappointed.

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<sup>1</sup> See A. Grytsenko [Hrytsenko], *Civil-Military Relations in Ukraine: A System Emerging from Chaos*, Harmonie Paper 1, Centre for European Security Studies, Groningen, the Netherlands, 1997, p. 1.

The state of affairs outlined above has definite national security implications:

- A rent-seeking local government and bureaucracy that do not allow legal entrepreneurship to flourish will not establish the conditions of fairness and trust that enable taxes to be paid and essential services (armed forces, police and bureaucracy itself) to be adequately funded by the state.
- Those who live in dread of *kompromat* (incriminating information) are equally likely to live in dread of transparency, i.e. the ability to know what decisions are taken, where they are taken, by whom they are taken and why – in other words, the ability to reveal what has been kept hidden. These habits of concealment make it very difficult to ensure that resources are allocated as intended, to identify and curb the role of intermediaries between buyer and seller, and to establish who owns Ukrainian enterprises along with the connection between these owners, official structures and foreign countries. Without the mechanisms and data that produce transparency, it is also exceedingly difficult to discern which actors, domestic and foreign, influence the strategic direction of the economy and state.
- Those who treat information as a form of power rather than a public good will not only be dysfunctional administrators, they will also hinder the timely sharing of information with those better able to assess it and utilise it than themselves. Defence against today's unconventional threats depends upon mid-level and subunit competence, the delegation of authority and, above all, the horizontal ('joined up') integration of agencies, branches and departments. Nevertheless, the method, well understood in the British Army, of communicating 'one level up, one level down, one level to the left and one level to the right' is suspect to an administrative and security culture that reveres the 'administrative vertical', which in practice institutionalises distrust.
- Those whose business model is built upon deal-making and collusion with the state will not be able to advance integration into the competitive, rules-based EU system even if they wish to do so. The prevalence of this model leaves Ukraine, by default, significantly dependent on the former USSR and gives Russian economic actors an inbuilt advantage in the Ukrainian economic environment. It is

partially for this reason – as well as the more obvious factors of language, history and the sympathies of much of the population – that Russia remains a powerful *internal* factor in Ukraine and not only a subject of international relations.

No one of consequence expected these realities to vanish after President Viktor Yushchenko's victory, but those who fought for it expected them to be addressed. In the event, Mr Yushchenko showed an entirely haphazard appreciation of the importance of institutions. He appointed some key figures (like Minister of Defence Anatoliy Hrytsenko) who have made a substantial difference and others (like Minister of Interior Yuriy Lutsenko) who have tried to do so with mixed results. More notoriously, he also appointed close personal associates (Petro Poroshenko, ex-Secretary of the National Security and Defence Council (NSDC) and Oleksandr Tretyakov, Head of the Office of the President) who engaged in a destructive spree of empire-building. By way of explanation, there is no need to add to what already has been said about Mr Yushchenko and a large proportion of the Orange elite: "[F]or all their repugnance towards the culture of power in Ukraine...[they are also] part of it".<sup>2</sup>

The question then arising is how, without transforming these realities, it will be possible to address glaring security problems, particularly:

- *Ukraine's energy dependency and security.* Even by the dubious standards of Russia's state-dominated energy complex, Ukraine's is less well managed and more opaque. Unlike the former, which according to the official Energy Strategy of the Russian Federation to 2020, is an "instrument for the conduct of internal and external policy" that "to a large extent determines [Russia's] geopolitical influence",<sup>3</sup> it is far from clear that the structure and policies of

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<sup>2</sup> See J. Sherr, "Ukraine's Scissors: Between Internal Weakness and External Dependence", *Russie.Nei. Visions n. 9*, Institut français des relations internationales, Paris, March 2006, pp. 9-10.

<sup>3</sup> The *Energeticheskaya strategiya Russisskoy Federatsii do 2020* states "Russia disposes of significant reserves of energy resources and a powerful fuel and energy complex, which constitutes a base for the development of the economy as well as an instrument of internal and foreign policy. The role of the country in world energy markets to a significant extent determines its geopolitical influence."

Ukraine's energy sector promote Ukraine's national interests. Even if it were not plain before, the RosUkrEnergo saga – which unfolded outside the machinery of the cabinet and the NSDC – demonstrates that it undermines these interests. By now, only the most polite could claim that there is a meaningful connection between rhetorical commitments to diminishing dependency and adopting EU standards and the *de facto* energy policy of the state.

- *Crimea and the Black Sea Fleet.* The ingredients of Ukrainian state weakness in Crimea – an almost endemic criminality, a Russian-dominated business sector, the abysmally regulated Russian naval presence, the increasingly provocative activity of Russian-financed NGOs and 'civic' groups and a potential (if still largely mythical) catalogue of ethnic and linguistic disputes – create a brew potent enough to resist the antidotes that Kyiv is so far able and willing to administer. Until the state meaningfully and constructively exercises its authority, too much will depend upon Russia, including Russians who might be tempted to sharpen all these interfaces until Ukraine bows to the reality of limited sovereignty. The presence of the Black Sea Fleet cannot be divorced from this context. As a purely military formation bound by an agreed, transparent (i.e. published) status-of-forces agreement, its deployment might not arouse serious controversy, and it is for this reason that NATO has declined on principle to characterise the basing of the fleet as an obstacle to Ukraine's ultimate membership. The fleet is not a purely military formation, however. It is also a commercial structure with a permissive set of prerogatives over an ill-defined inventory of property and facilities; it possesses a powerful and potentially malign intelligence component and, rather like Gazprom, it has been used as an instrument of economic and political leverage. Therefore, on these terms, the Black Sea Fleet is bound to serve as a reminder of Ukraine's weakness and a source of tension.

### **The security sector: A key variable**

In any country, the security sector plays a pivotal role in establishing what the legal and political orders mean in practice. Like other post-communist countries, Ukraine inherited a defence and security sector terribly unsuited to its new circumstances. In their present, half-reformed state, the security services hinder the transformation of the country.

Yet the demands and pressures of reform vary considerably. The roles of the armed forces are to defend state sovereignty and territorial integrity, insulate the country from external conflicts and, in the worst case, defend the country against external opponents. In short, they are not a component of internal political struggle. But the military and civilian components of the other structures (not to say the *militia*) are on the cutting edge of the relationships between the state and society and between the law and criminality, and hence they are subject to all of the strains and distortions in these relationships. This difference alone is enough to explain why the armed forces in the Kuchma era were reasonably well trusted by society, while the Security Services of Ukraine (SBU) were somewhat trusted and the Ministry of Interior (MVS) and ordinary police (*militia*) were not trusted at all.

This difference might also suggest that the demands of defence reform are easier to meet than those of the security sector are and that the urgency of meeting them is less. For four reasons, however, that would be a hasty conclusion to draw. First, measured by its property and assets, the Ministry of Defence (MOD) is one of the largest commercial enterprises in the country and is capable of behaving like one unless its *matériel* is carefully inventoried, its personnel properly motivated and a strict system of internal controls put in place. Anyone attempting to introduce and enforce such controls will have to contend with the power of those who have benefited from their absence, as the current Minister, Anatoliy Hrytsenko, knows. These interests harassed him when Petro Poroshenko was in charge of the NSDC, and now that Mr Yanukovich has returned to the premiership, they might destroy him. Second, the post-Soviet surplus in bases and facilities, toxic fuels, weaponry and ordnance – and the pilferage of budgetary funds for demolition, storage and safety – is a security problem in its own right, as well as a colossal environmental one. Third, with the exception of the police, the MOD is the largest employer of persons equipped with arms and trained to use them. The peril lies not in coup-making (for which there is no tradition in Ukraine) but in freelance activity by servicemen demobilised and officers retired without retraining and resettlement into civilian accommodation and jobs. Finally, the MOD/armed forces is the second largest item in the state budget, and the budget will need to be larger if the reforms and force reductions in the state programme are to be realised. In a presidential system, such as that which existed until January 2006, these budgetary needs make the MOD/armed

forces dependent on a supportive and authoritative president. In today's system – a quasi-parliamentary republic of 'people's deputies' who are also multi-millionaires, tempered only by a cabinet of ministers who resemble a board of directors – they are likely to find that there are quid pro quos for money.

The risk today is that these quid pro quos will damage a system that not only has put controls in place and brought transparency to the armed forces, but which at long last is also bringing resources into balance, training regimes, career structures and the roles and commitments of the armed services. With inevitable mistakes, the team surrounding Mr Hrytsenko has been 'destroying the army', as its critics allege; yet with remarkable astuteness and care, it has also been creating a new one. Mr Hrytsenko describes his role as 'doing MAP' (NATO's Membership Action Plan), whether or not NATO or his own government remain interested in it.

The post-Kuchma record of the security sector is more problematic. Even more so are the challenges they face. If a *milititioner* is paid a wage inconsistent with life, he will cheat rather than die. If the state cannot afford to fund the Ministry of Internal Affairs, the SBU, the border protection service, the state customs service and the tax police, someone else will. These facts should define and discipline expectations. The expectations of Mr Yushchenko's newly appointed Minister of Interior, Yuriy Lutsenko, were very decent, but were they disciplined? Like most democrats, his priority was to eliminate corruption in Ukraine. Unlike most, he actually tried to do so, and by October 2005 he had secured 5,000 resignations from the MVS, dismissed 2,000 other officers and servicemen and placed 400 under judicial investigation. Still, if it is not possible to eliminate corruption in the UK or in Belgium, how can it be possible in Ukraine? What is possible, and surely urgent, is to eliminate the necessity for corruption in Ukraine: to reduce it to a matter of choice. But that will not be accomplished by dismissals and resignations alone. Neither will it be accomplished solely by money. Money will not overcome the harm caused by misguided policies, incoherent security concepts, poor motivation and flawed programmes. What is needed is a systematic effort to create skills and capabilities that are fit for purpose, to bring manpower and resources into balance, to rekindle an ethos of professionalism and give the professional a system of career development that expands his/her horizons and prospects. The MOD's efforts in this direction are arduous; the MVS's efforts questionable.

# Ukraine's Strategic Security

## Crossroads passed, bumpy road ahead or an optimistic view?

Arkady Moshes\*

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Banal as it is, the key to Ukraine's strategic security is the continuation of the process of internal reforms. With Russian influence in Ukraine decreasing rather than increasing over time and the channels of interaction between Ukraine and the West firmly established, it is the outcome of transformation at home that will determine the long-term future of the country. Today's Ukraine is stable and secure to a degree that very few observers would have dared predicted at the beginning of independence or even at the turn of this century. But if further progress in reforms is not achieved, the country may find itself unable to cope with future security challenges, both internal and external, whereas the temptation to exploit Ukraine's *de facto* limited economic sovereignty will affect the thinking and behaviour of outside players, Russia above all.

### From pluralism to democracy or not yet?

A really strategic question that should be asked at the very start of this analysis is whether Ukraine is able to complete the democratic transformation and, if so, whether it is currently moving in the right or wrong direction. It appears to this author that a cautiously optimistic argument can be made.

First, in sharp contrast with many other post-Soviet states, Ukraine became (and remains) a pluralist state. For Ukraine, with its huge regional differences, pluralism and the multi-layer compromise among elites that it implies was perhaps the only way to remain a single country. Later on, a polycentric political system emerged to become a major characteristic of the

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country. The idea that one group of people could successfully attempt to monopolise all the power in the country would have looked as equally inconceivable in the days when former President Leonid Kuchma fought the parliamentary opposition while refereeing the disputes of oligarchic groupings as amidst the height of the euphoria surrounding the Orange Revolution. This polycentrism of decision-making is very far from a classic separation of powers, but it creates a certain system of checks and balances and fosters tolerance towards different thinking and diverging interests. It impedes the chances of a fast breakthrough on reforms, yet serves as a safeguard against destabilisation of the situation and trends to the reverse.

After the 2006 parliamentary elections, power was once again redistributed, but remained polycentric. Although it is not easy to dismiss concerns as regards the implications of transferring control over Ukraine's economic course into the hands of Viktor Yanukovych's Party of Regions – the backbone of the current governmental coalition, with its assertive cadre policy and notorious power appetites – other players possess strong instruments as well. President Viktor Yushchenko can use his veto, which the parliament will not be able to override without the support of pro-presidential forces. He has clear constitutional prerogatives in external policy and directly appoints the foreign minister as well as the ministers of the so-called 'power bloc'. The current presidential staff combines traditional national democrats and individuals linked with the powerful Industrial Union of Donbass, an eastern Ukrainian competitor to the Party of Regions, and this fact can be interpreted as further evidence of the impossibility of one group being able to dominate even regionally. The speaker of the parliament, Socialist leader Olexander Moroz, also has his bureaucratic means of interference in the power struggle. And the list of persons whose positions should be reckoned with can be extended. If the Party of Regions fails to understand this fundamental rule of Ukraine's politics and tries to accumulate too much power, it will meet consolidated resistance and may lose everything.

The constitutional reform that entered into force in January 2006 adds to the same logic. Briefly put, the reform redrew the balance of power in the country in favour of the parliament and made Ukraine a parliamentary-presidential republic, which brought Ukraine closer to Central European political models and, again, further differentiated it from Russia or Belarus.

Ukraine has developed a certain culture of opposition. Opposition in Ukraine is not suppressed or ostracised, but plays a recognised political

role. And while sometimes the fortunes of those who make up its economic power base may be as opaque in terms of origin those of the authorities' supporters, they are not usually persecuted through the law enforcement system – for better or worse. After the opposition came to power in 2004 and again in 2006, the position of being in opposition can less than ever be viewed as a political failure, but rather as a comfortable niche and even a springboard for future electoral success.

Ukraine has a tradition of a relatively independent judiciary. Without exaggerating the depth of this independence, it is worth remembering that both before and after the Orange Revolution some court rulings indeed put effective brakes on the actions of the executive. The fact that the transfer of power in 2004 was made within the confines of the existing law and not the 'logic of the revolution' further raised the value of legal procedures. At the moment Ukraine's highest legal authorities, the Constitutional Court and the Supreme Court, are headed by independent figures, a situation that provides hope for impartiality and compliance with the law.

Free, competing and high quality media are struggling to attain the status of a real fourth power. There are no forbidden issues, nor are there politicians who can feel insulated or immune from criticism. In big cities at least, there is an experience of powerful civic activism.

Ukraine's pluralism is coupled with the acceptance, although not necessarily universal preference, of elections as a mechanism that legitimises power. The 2006 elections were found to be fair and free by international observers. Whether this will be a rule in the future remains to be seen, but reliance on strategies aimed at winning the vote rather than manipulating the count may have set an important precedent.

Finally, the 2006 elections showed that the majority of the population remained supportive of the pro-reform choice and that the motivation that had driven the Orange Revolution was not lost. The combined support of the forces that once belonged to the pro-Yushchenko Power to the People coalition fell just a bit short of the 52% that Mr Yushchenko had garnered in December 2004, notwithstanding the fact that his own party only obtained 14%.

All these factors are cited here to support the assumption made above that Ukraine has a fairly good chance to go forward and that there is no easy way to undo the changes that the Orange Revolution introduced or consolidated. But it is no less evident that today's Ukraine is solely an

electoral democracy – where people can indeed elect their future leaders – and not yet a full democracy, where their leaders conduct policies based on the people's interests and expectations and where voters can also affect the behaviour of the leadership during the term.

The situation may be suspended in this way for a rather long period. In these circumstances, Ukraine will be exposed to a number of political risks that could be grouped into three categories. The first one deals with the weakness of Ukraine's institutions and the low quality of governance. In a way, this is the flip side of polycentrism. Rather than finding a balance that would allow the branches of power and other powerful actors to work in concert, participants in the political process may concentrate on blocking each other's moves regardless of the national interests. Cohabitation between the president and the prime minister – names as such are not important here – in the new system will be extremely difficult at times, negatively affecting the performance of the executive power. If they are not willing to take the risk of early elections, those in power may agree not to rock the boat just to keep what they have, which may lead to stagnation at best. Meanwhile, the opposition may be tempted to exploit populist slogans rather than to work hard at improving laws and putting together a professional shadow government. Since the constitutional reform entered into force before all the necessary legal norms were harmonised or even adopted, legal collisions are inevitable. In particular, the activities of local authorities (governors and local officials) could be paralysed soon, as it is not clear whether in the parliamentary-presidential republic governors should still be appointed by the president, nor is it clear whether these appointed officials could be affiliated with the opposition.

The second major challenge involves the lack of transparency of the decision-making process and corruption. Already the Orange administration has been unable to answer many questions raised in this regard, particularly after January 2006, in which it signed a very strange agreement that entrusted a Swiss intermediary company with the task of ensuring Ukraine's gas supply. Obviously (and unfortunately), after the change of government it would not be realistic to expect rapid improvement. The fact that it was normal for observers to presume that Olexander Moroz (once the instigator of the 'tapegate' scandal and a champion of honesty in politics) could have been paid a bribe for withdrawing from the coalition talks with the Orange parties and joining Mr Yanukovych is indicative. Indeed, it may be more telling about the

situation than the ratings of Transparency International, which rank Ukraine among the second hundred of states studied.

The third risk is the possibility of abusing the sensitivities of Ukraine's *de facto* multicultural society and exploiting its regional differences. This risk does not mean that there is any likelihood of a split or secession in Ukraine.<sup>1</sup> Regional elites in the east of the country see the prospects of coming to power in Kyiv, taking part in governing the whole country and using the instruments of sovereignty to protect their own interests vis-à-vis Russia as very lucrative. Therefore, they are very unlikely to instigate a separatist movement. But they are building their power base around the idea of a special relationship with Russia, something that postpones the emergence of the Ukrainian political nation. Mr Yanukovych's return to power in this context may have a sobering effect. Moreover, if the possibilities open up for his cooperation with President Yushchenko, if the education and language policies of the new government display continuity and if at the same time it cannot be denied that the east is represented in the decision-making process, an incentive for rethinking may finally arrive.

### **Ukraine–Russia: Is there a reversal?**

The Orange Revolution did a lot to free Ukraine – and Ukraine's image in the world – of a 'little brother' complex, as the Yushchenko administration did not seek Moscow's approval on domestic, bilateral or wider international issues. Mr Yanukovych, in turn, was uncritically labelled a pro-Russian politician, despite the fact that during his first term the government pushed the legislation on Ukraine's future accession to NATO, negotiated the EU–Ukraine Action Plan, stood firm during the Tuzla crisis over the undelimited border in the Strait of Kerch and preserved full control over Ukraine's gas transport system. So, when Mr Yanukovych became Prime Minister again, there was neither a shortage of concerns in the Western media nor a shortage of euphoria in Russian officialdom.

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<sup>1</sup> The only hypothetical exception here could be Crimea. In the long-distant future, if the demographic situation changes further in favour of the Tatar population, and if only this ethnic group at the same time finds itself receptive to the ideas of radical Islamism, secessionist claims on its side cannot be ruled out.

Yet these reactions may have been erroneous and short-lived. So far, Russian-Ukrainian relations have not been qualitatively different from what they were before March 2006. The centrifugal drift between Russia and Ukraine goes on. It is doubtful that the new government will be willing or able to stop it. And it is even more doubtful that Russia will regain the capacity it once had to project influence internally and externally on Ukraine.

First, Russia has lost a decisive role in Ukrainian domestic politics. After Russia's ineffective interference in the presidential elections in 2004, Moscow's support or lack thereof is no longer a critical factor. It can be seen as symbolic that Mr Yanukovich's victorious 2006 campaign was not run by Kremlin spin-doctors, but by American political consultants. Russia, no doubt, still matters in Ukrainian politics as both a theme and a player. It can work through individual politicians. It possesses financial and media resources. But parties that place 'pro-Russianness' at the centre of their political platforms are marginalised and are left outside parliament.

The Declaration of National Unity (Universal), with which President Yushchenko conditioned his consent to propose Viktor Yanukovich to the parliament for confirmation, is an interesting document to analyse in this context. Incredibly, it does not mention the name 'Russia' at all. Not overestimating the significance of papers in the Ukrainian context, this omission should still be treated as remarkable, as the EU, NATO and the World Trade Organisation (WTO) are dealt with in the text of the document. If Russia was left out of the document on purpose, after negotiations it is probably time to re-examine the real depth of the pro-Russian sentiment in the eastern regions, since presumably their top representatives do not see any problem in such a big concession. If Russia were 'forgotten' intuitively, this would be even more telling. The issue of joining the Single Economic Space (SES) with Russia is addressed, but only to repeat that Ukraine would be ready to participate in the free trade zone and not in the customs union. Furthermore, it adds that the WTO rules would be applied to Ukraine's entry into the SES, which is a clear indication of where the priorities of the new government lie.

Second, the return of the privileged energy treatment of Ukraine by Russia is practically excluded. 'Privileged' in this context does not equate to 'lowest in the region', but rather means the low prices in absolute terms to which Ukraine was addicted. Now it looks as though the gas price that Ukraine will have to pay in 2007 will be nearly triple that in 2005, having

reached \$130 for 1,000 cubic metres (m<sup>3</sup>). This author argued earlier that the gas price increase in January 2006, i.e. before the elections, had revealed that Moscow had slim expectations regarding whether Mr Yanukovich's success could lead to the restoration of the old model of cheap gas in exchange for formal political loyalty. And now Moscow sees little reason to drop the policy aimed at maximising economic gains. The major economic incentive for Ukraine to align itself with Russia or even to pay ritual lip service to it therefore quickly erodes. Another problem for Moscow is that the Ukrainian economy digested the doubling of the gas price, from \$50 to \$95 dollars for 1,000 m<sup>3</sup> in 2006, with surprising ease. As a textbook case of diplomacy, the situation in which the threat of sanction works more effectively as an instrument than sanction itself found further confirmation in practice. Ukraine's elites are now less concerned with further price rises – even \$160 is seen as acceptable by some analysts – and are less inclined to consider concessions than before. Furthermore, it was announced in October 2006 that Ukraine would no longer buy gas originating in Russia, but only import Central Asian gas going through Russia. If these plans materialise, the essence of the relations will change. Instead of a seller-buyer relationship, the two countries will be transit partners, which will give Ukraine more freedom of manoeuvre.

That being said, Ukraine's energy security concerns and problems are not to be downplayed. Moscow's new gas policy is likely to be more painful for Ukraine exactly for the reason that it cannot be met by political declarations and promises. Russia seeks tangible benefits in general, not just words, and in particular control over Ukrainian pipelines and the internal energy market. Nevertheless, the ability of Ukraine to resist the pressure is stronger today than ever. As Kyiv learned from experience last winter, a transit state has huge leverage over a supplier. Given the problems between Russia and Belarus on the same issue of control over the pipelines, a strategic alliance between Kyiv and Minsk is quite feasible, while at present the tactic of playing these two countries against each other on the transit issue is not. The increasing contradictions between Russia and Europe in the energy sphere make it impossible for the former to persuade consumers to put all the blame on Ukraine if problems emerge and gain their sympathies. Also, it would be wrong to think that Ukrainian business leaders in the east do not understand that a weakening of Ukraine's economic or political sovereignty would directly affect their interests. Deals between Moscow and these elites are possible (and taking

into account a generally corrupt environment in Ukraine such deals can be potentially dangerous), but there are also serious structural limitations as to how much they will be willing to negotiate.

Third, all the traditional controversies are still on the bilateral agenda. Mutual trade protectionism, the border issues, the status of the Russian language in Ukraine, grey areas in regulations concerning the Russian military presence in Crimea and other problems have to be dealt with. And if Russia grows more persistent – as happened with the statement by the Russian foreign ministry on the language issue in September 2006, apparently made to remind Mr Yanukovich about his unfulfilled promises – and thus potentially able to complicate the Mr Yanukovich's relationship with the electorate, the restoration of confidence between Moscow and Kyiv will grow less likely.

Finally, on many occasions the new government has confirmed the priority it gives to the Euro-Atlantic choice. The fact that Mr Yanukovich refused to submit Ukraine's application to join NATO's Membership Action Plan (MAP) is, of course, a serious revision of the previous line and cannot be ignored; but nor should an underestimation be made of the continuous statements that treat Russia as an important, but not an **equally** important partner for Ukraine as Europe.

The appearance of Russian-Ukrainian relations may look less conflicted. Today Moscow can be less concerned about the challenges posed by Ukraine than it was in early 2005. It is clear that there will be no noticeable spillover effect of the Orange Revolution domestically, and that the new frontiers of Europe will not be re-drawn along the Russian-Ukrainian border anytime soon. Ukraine, it seems, has postponed the NATO option, whereas the EU refuses to discuss even a hypothetical possibility of Ukraine's membership in the Union. Also, Moscow now seems to realise that the politicians capable of coming to power in Ukraine are destined to be much more pro-Ukrainian than previously thought; others just do not have a chance. Therefore, for the lack of better partners, it will have to offer Mr Yanukovich more than it offered Mr Yushchenko and claim normalisation. Kyiv, in turn, will most likely not push forward initiatives that provoke Russia's anxiety, such as the Community of Democratic Choice or a re-launched version of the regional organisation GUAM (Georgia, Ukraine, Azerbaijan and Moldova). Yet this will only be the façade. There is no way to return to the status quo of the Leonid Kuchma days.

## Ukraine and the West: Change or continuity?

The decision of Prime Minister Yanukovych that Ukraine should not for the moment seek to join NATO's MAP, *post hoc* formally supported by the parliament, is often interpreted as a U-turn in Kyiv's foreign policy. But to what extent is it really?

The strategic goals of accession to the EU and NATO have not been abandoned and the corresponding provisions of the national legislation remain in force. In Mr Yanukovych's own words, pronounced during his trip to Brussels, Ukraine will cooperate with NATO on the basis of the intensified **membership** dialogue and this cooperation will include Ukraine's participation in NATO operations in different regions of the world.

So far, the words have not diverged from reality. On the very same day that Mr Yanukovych was confirmed as the head of government, the Verkhovna Rada [parliament] adopted the legislation necessary to allow military exercises in Ukraine with the participation of NATO countries, which the previous parliament had failed to do. There are no signs that Kyiv is preparing to renounce its solidarity with EU positions on hot issues in the neighbouring post-Soviet states. Ukraine joined EU statements on Belarus in July 2006 (as regards the conviction of the former presidential candidate Alexander Kozulin) and, more importantly, on the non-recognition of the independence referendum in Transnistria in September. The tightened controls on the border with Transnistria (a breakaway entity of Moldova) introduced in March remain intact.

The momentum in bureaucratic interaction, particularly in Ukrainian-EU relations, does not have to disappear. Implementation of the Action Plan – as well as the yearly target plans of cooperation with NATO – can continue and the new framework treaty that should replace the expiring Partnership and Cooperation Agreement is to be negotiated. Contingent on Ukraine's WTO entry, the EU is also ready to negotiate a free trade agreement with Ukraine, which could be a major step on the way to Ukraine's *de facto* integration with Europe. At the EU-Ukrainian summit in October 2006, the parties initialled the visa facilitation and readmission agreements. In the latter agreement the EU chose to treat Ukraine less favourably than Russia (Russia will have up to three years to re-admit nationals and even third-country nationals who illegally migrate from Russia to the EU after a similar treaty will enter into force, whereas Ukraine



will have to do so after only a two-year delay). Although this is a worrying sign in many respects, it is still possible to assume that bureaucratic inertia will push the relationship forward.

In view of all this, there is no need to dramatise the pause in Ukraine's movement towards NATO membership (and to be fair, NATO itself does not). Some may regret that Ukraine lost the chance to gain a new quality in its relations with the alliance and to attain a new foreign policy status as a candidate country and predict that this move will have a demobilising effect on the reforms in the country. Yet others can argue that in principle, most of the measures can be taken outside the MAP and that Mr Yanukovych's decision is less in conflict with reality than NATO romanticism.

From a sociological perspective, it is well established that an accession referendum at the moment would be doomed to failure, while taking the decision to join the alliance against the known will of the people would be undemocratic and potentially destabilising. Unlike EU membership, the NATO option is supported only by a minority of the political class; in Ukraine there is not a ruling coalition (or even a hypothetical one) that would be unanimously in favour of it. Ukraine needs a dual-membership prospect, for both the EU and NATO. Unless this is secured, joining NATO only makes limited sense, as Ukraine would be at risk of ending up included in the Western security zone, but not in the prosperity zone. To campaign for such a dual prospect is difficult, particularly when concerns are strong in the eastern regions that entry into NATO may ruin relations with Russia.

In the short run, progress in Ukraine's relations with the West will primarily depend on the outcome of the tug of war between the prime minister and the president and the actual ability of the latter to guide Ukraine's foreign policy, which is his constitutional prerogative. In the longer run, it will again depend on the results of the country's internal transformation. If it is successful in making an internal transition, Ukraine will be a much better partner for the West regardless of whether or not it becomes a member of the EU or NATO.

## Conclusions

To ensure Ukraine's strategic security, its Western partners should do their best to promote its internal reforms. Now that expectations of a quick

breakthrough both inside and outside the country have been replaced by frustration and scepticism, it is more important than ever to sustain the efforts of engagement within Ukraine and to support its case internationally. Ukraine is also a country of strategic opportunities and importance, because if it is successful in its transition Ukraine will be able to serve as a positive example for Russia and the whole region.

The transfer of transition expertise to Ukraine should continue. Promoting pluralism and the rule of law, fighting corruption, fostering new elites and other requirements of transformation remain important goals. These goals are far from having been reached.

A reform scoreboard should be the major criteria against which Ukrainian policy should be judged as opposed to geopolitical rhetoric or, worse, Western expectations. In this regard, it is time to stop dividing Ukrainian politicians into those who are pro-Russian or pro-Western. After 15 years of independence, such demarcations are often inaccurate (as politicians tend to follow the own agendas) as well as being politically detrimental. Arguably, Western preferences in favour of re-building the Orange coalition after the 2006 elections, voiced loudly and based on concerns about the 'pro-Russian' stance of Mr Yanukovich, protracted the stalemate. Eventually these factors contributed to the emergence of the present government, the composition of which is more problematic for the cause of reform than that which could have been achieved if Mr Yushchenko had immediately opted for a 'big' coalition with Mr Yanukovich.

Instead, it is advisable to tackle Ukraine by means of a conditionality policy. The leadership in Kyiv should be fully aware of what it may or may not receive in the case of implementation of or non-compliance with certain agreements. The EU role here will be crucial, of course, as it can offer incentives that no other player can – those both immediate and, ideally, when the situation allows, the mega-incentive of a membership prospect, which has proven to be the most successful instrument of transformation in the post-socialist world so far.

What the West can do without delay is help Ukraine to address its energy concerns and promote reforms in the energy sector. Only once it is energy efficient and able to pay the real price for what it consumes will the country be fully sovereign. Even in the short term, the Ukrainian economy would benefit greatly from the introduction of energy-saving technologies, the means for which could partly come from the West. In the longer term,

the EU and Ukraine clearly share a common interest in building a new infrastructure for the transit of Caspian energy.

Such actions are easier said than done; nevertheless, the incentives to transform should reach the micro level of Ukraine's society. Average citizens should have reasons to believe that if their country implements reforms, there will be a positive effect on their lives, as for example a more professional and less corrupt law enforcement system can indeed be a pass to visa-free travel to Europe. If the stakes are personalised, and the West can assist in this process, with its revived tradition of civic activism Ukraine will have a good chance.

# **Ukrainian Foreign and Security Policy after the Collapse of the Orange Coalition**

**F. Stephen Larrabee\***

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The election of Viktor Yushchenko as president of Ukraine in December 2004 was an important turning point in Ukraine's political evolution. With his election, Ukraine appeared to have unequivocally embarked on a course of Euro-Atlantic integration. In the months afterwards, President Yushchenko stressed that his two top foreign policy priorities were obtaining European Union and NATO membership. Relations with the United States were given new impetus during his trip to Washington in April 2005, where he and President George W. Bush outlined a comprehensive agenda for improving bilateral relations.

Today, two years later, Ukraine's foreign policy orientation is much less clear. The Orange coalition has collapsed – a victim of personal animosities and petty political ambitions. The current governing coalition is headed by Prime Minister Viktor Yanukovich, Mr Yushchenko's rival in the 2004 presidential elections and a man whom a year ago many observers had written off as politically dead. In addition to Mr Yanukovich's Party of Regions, the coalition includes the Communist and Socialist Parties, both of which oppose Ukraine's NATO membership.

The collapse of the Orange coalition and Mr Yanukovich's return to power raise several critical questions about Ukraine's political future. First, will Ukraine continue to pursue a policy of Euro-Atlantic integration – including seeking membership in NATO? Second, will Russian influence over Ukraine's internal and external policies increase? Finally, how should the US and its European allies respond to these changes?

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## Foreign policy and the internal struggle for power

At present, Ukrainian foreign policy is in limbo. Two parallel Ukrainian foreign policies exist: the foreign policy of President Yushchenko and Our Ukraine, which is aimed at integration into Euro-Atlantic institutions, and the policy of Prime Minister Yanukovych and his Party of Regions, which resembles the 'multi-vector' foreign policy pursued by former President Leonid Kuchma. Which of these two policies ultimately prevails will heavily depend on the evolution of the internal balance of power between Messrs Yushchenko and Yanukovych.

Under the amended 2006 constitution the president has responsibility for foreign and security policy. The president nominates the foreign minister, defence minister and head of the security service, the secretary of the National Security and Defence Council (NSDC) and the prosecutor. But they must be approved by the Verkhovna Rada [parliament], in which the Party of Regions has the most seats. The remaining cabinet posts are nominated by the prime minister. Thus, President Yushchenko will have to build an internal consensus for his policies and obtain Prime Minister Yanukovych's cooperation if he wants his policies implemented.

The Declaration of National Unity (Universal), signed by President Yushchenko, Prime Minister Yanukovych and the leaders of the Communist Party, Socialist Party and Our Ukraine on 3 August 2006 sets the basic framework and priorities for Ukraine's future foreign policy. It puts strong emphasis on Ukraine's integration into Euro-Atlantic structures. The Universal is a political accord, however, and not a legally binding document. Its implementation will ultimately depend on the balance of power between Mr Yushchenko and Mr Yanukovych.

Mr Yanukovych has already begun to challenge the president's authority to define Ukraine's foreign policy. During his trip to Brussels in mid-September 2006, Mr Yanukovych sought to set the contours – and limits – of Ukraine's policy towards NATO, declaring that Ukraine was not prepared to embark on a Membership Action Plan (MAP) and calling for a pause in Ukraine's quest for NATO membership.<sup>1</sup> In so doing, Mr

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<sup>1</sup> See P. Finn, "Ukraine's Yanukovych Halts NATO Entry Talks", *Washington Post*, 15 September 2006; see also D. Dombey & R. Olearchyk, "Yanukovych puts Kyiv's NATO plans on hold", *Financial Times*, 15 September 2006.

Yanukovych not only highlighted his differences with Mr Yushchenko on policy towards NATO but also openly challenged the president's constitutional role in defining Ukraine's foreign policy.

Since becoming Prime Minister, Mr Yanukovych has taken several steps to strengthen his influence over foreign policy. One of his first moves was to appoint Anatoliy Orel as a Foreign Policy Adviser. Mr Orel had previously served as Chief Foreign Policy Adviser to President Kuchma; he is well known for his pro-Russian views and ties to the Russian security services. During his tenure under Mr Kuchma, the Ministry of Foreign Affairs was little more than a transmission belt for implementing decisions of the presidential administration.

Several of Mr Yanukovych's other appointments also give reason for concern – particularly those of Andriy Kluev as Deputy Prime Minister and Mykola Azarov (former First Deputy Prime Minister and head of the Tax Administration under President Kuchma) as First Deputy Prime Minister. Their appointments could presage a return to a Soviet-style centralisation of power. As architects of President Kuchma's administrative system, both men turned state and public institutions into tools of presidential power.<sup>2</sup>

In another move with important implications for foreign policy, Mr Yanukovych eliminated the Committee on European and Euro-Atlantic Integration, chaired by Foreign Minister Borys Tarasyuk, which had coordinated the policy of the ministries implementing cooperation with NATO and the EU. This committee had allowed the minister of foreign affairs to influence domestic policy related to European and Euro-Atlantic integration. This function will now be performed by a Committee on Legal, Defence and European Integration, which will be chaired by Mr Yanukovych.

In short, Mr Yanukovych seems intent on nibbling away at Mr Yushchenko's authority and exploiting ambiguities in existing legislation to aggrandise his power at the president's expense. Mr Yushchenko will have to fight to preserve his right to define Ukraine's foreign policy. If he is not vigilant, he could find his ability to influence foreign policy significantly eroded.

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<sup>2</sup> See J. Sherr, "Ukraine: Prospects and Risks", *Action Report Ukraine*, No. 780, 25 October 2006, p. 6.

In an effort to protect his prerogatives in foreign policy, Mr Yushchenko has sought to strengthen the presidential apparatus. He appointed former Economics Minister Arseniy Yatsenyuk as one of his two first deputies and Oleksandr Chalyi, a former Deputy Foreign Minister and Vice president of the Industrial Union of Donbass (ISD), as one of three deputies. Both men are closely associated with the ISD, as is Vitaliy Hayduk, the recently appointed head of the NSDC. Their appointment, together with that of Mr Hayduk, provides an important counterweight to the pro-Russian orientation of Mr Yanukovych's economic policy. It also represents an important political realignment. Instead of tapping figures from Western Ukraine, his traditional area of support, the president has turned for help to officials from Eastern Ukraine, Mr Yanukovych's base and an area where Mr Yushchenko has not traditionally had strong political support.

Yet, Our Ukraine's decision on 19 October to withdraw its ministers from the government and join the opposition may reduce President Yushchenko's leverage.<sup>3</sup> Two close Yushchenko allies, Foreign Minister Borys Tarasyuk, who represents the People's Union of Ukraine, and Anatoliy Hrytsenko, who is not a member of any political party, remain in the cabinet. But they are likely to find themselves increasingly isolated and may also resign or be forced out, further reducing the Mr Yushchenko's ability to influence foreign and defence policy.<sup>4</sup>

Over time, the president risks becoming more marginalised as *de facto* power gravitates to the prime minister. President Yushchenko will be able to use his veto power to block certain initiatives, but he is unlikely to be

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<sup>3</sup> It is not clear whether the decision to go into opposition is final. The decision was announced by the Our Ukraine leader Roman Bezsmertny in parliament on 17 October. At the Our Ukraine's congress on 21 October, however, Mr Yushchenko expressed disagreement with the decision and argued for a continuation of coalition talks with Mr Yanukovych. It is possible that Our Ukraine could split, with one faction joining Yulia Tymoshenko in opposition and another faction remaining part of the coalition. There is also talk that President Yushchenko may form a new party backed by the ISD.

<sup>4</sup> Significantly, Messrs Tarasyuk and Hrytsenko, both strong proponents of Ukraine's membership in NATO, did not accompany Mr Yanukovych on his trip to Brussels in mid-September 2006.

able to provide strong and effective leadership on foreign policy – something he failed to do even when his power was unchallenged. There is thus a danger that he will become a figurehead with little real power to affect policy.

### **The role of the National Security and Defence Council**

The role played by the NSDC – and whether it serves as an effective coordination and decision-making body – will be an important factor shaping Ukrainian foreign and security policy in the future. Under the Ukrainian constitution, the NSDC is supposed to act as the mechanism for coordinating national security and defence policy. During President Kuchma's first term, when it was headed by Volodymyr Horbulin, the NSDC was an important policy actor until Mr Horbulin fell out of favour with Mr Kuchma.

Nevertheless, the NSDC has been largely ineffective during President Yushchenko's tenure. He has tended to regard the NSDC as a sinecure to pay off political debts rather than using it as a mechanism for coordinating foreign and security policy. Petro Poroshenko, the first head of the NSDC under Mr Yushchenko, had no experience in security and defence matters. He made no effort to restructure the NSDC in order to make it an effective instrument for managing and coordinating security and defence policy. Instead, he used the NSDC as a means to undermine Yulia Tymoshenko, whom he hoped to replace as prime minister. The result was a dysfunctional system for decision-making on national security, increased internal dissension and growing policy incoherence. Mr Poroshenko's successor, Anatoliy Kinakh, a former Prime Minister, also lacked experience in the defence and security domain. He acted more as a caretaker than an innovative policy thinker or manager.

It is unclear what role the NSDC will play in the new period of cohabitation. Mr Yushchenko appears to envisage the NSDC acting as a sort of advisory body to the president, but with expanded powers in economic and social policy and some decision-making capacity. The new Secretary of the NSDC, Vitaliy Hayduk, the former head of the ISD, again lacks experience in the security field. His appointment suggests that Mr Yushchenko may try to use the NSDC as a vehicle to exert some influence over economic and social policy – areas for which Mr Yanukovych is primarily responsible. This move could exacerbate the internal struggle for power.



## NATO

The collapse of the Orange coalition has cast the NATO issue in a new light. Before the fall of the Orange alliance there was a possibility that Ukraine might be offered a NATO MAP at the Riga summit in November 2006. This move is now highly unlikely. Most NATO members are opposed to granting Ukraine a MAP at Riga. They want to wait and see how the Yanukovych government performs before making any decision about the MAP.

This consequence fits well with Mr Yanukovych's 'go slow' strategy as outlined in Brussels. He insisted that NATO membership is premature because it lacks widespread political support and that before a final decision is made the issue of NATO membership should be submitted to a referendum. This stance essentially kicks the issue off the political agenda for the near future, given that if a referendum were held soon, NATO membership would not receive sufficient political support.

Any future decision about Ukrainian membership in NATO will strongly depend on Ukraine's performance, not only in terms of implementing military reforms but also in carrying out political and economic reforms. Indeed, Ukraine's performance in the latter two areas is likely to be more important than the former. NATO member states will want to be assured that Ukraine is seriously committed to the basic values of the alliance and not just its military aspects.

The level of public support for membership will also be an important factor. Today only about 15-20% of the population supports Ukraine's membership in NATO. These figures are lower than was the case for most new members from Eastern Europe when they joined the alliance. Support, moreover, varies depending on the region. It is considerably higher in Western and Central Ukraine than in the heavily Russified areas of Southern and Eastern Ukraine. Still, a large percentage of the population – as much as 40-45% in the western regions – has no opinion about NATO membership. Much of this segment of the public could be mobilised to support Ukraine's joining the alliance if the Ukrainian government conducted an effective campaign to educate the public about NATO.

The Eastern European experience is instructive in this regard. Public support for NATO membership was low in several of the Eastern European countries that eventually achieved membership – particularly Bulgaria, Slovenia and Slovakia. After the leaderships in these countries launched

successful campaigns to raise public awareness about NATO, they were able to increase public support substantially by the time these countries received membership invitations. The same thing could occur in Ukraine if the Ukrainian leadership embarks on a concerted effort to inform the Ukrainian public better about NATO.

## **The European Union**

In contrast to NATO, there is a much greater consensus in Ukraine about EU membership. All the major parties, with the exception of the Communist party, favour Ukrainian membership in the EU. Public support for Ukraine becoming part of the EU is also much higher than it is for joining NATO.<sup>5</sup>

Under President Kuchma, Ukrainian leaders continually sought to persuade the EU to give Ukraine a prospect for EU membership. But the EU refused to do so, arguing that such a move was premature. The Political and Cooperation Agreement, which expires in 2007, calls for closer relations in a number of areas but does not contain the possibility of membership.

The EU's attitude did not fundamentally change after the Orange Revolution.<sup>6</sup> Ukraine was included in the EU's European Neighbourhood Policy, which was designed to foster closer ties to neighbouring countries on the EU's periphery. While the Action Plan approved by the EU-Ukraine Council in February 2005 lays the basis for the EU's relationship with Ukraine until 2008, it does not extend a prospect for membership.

Ukrainian officials hope that negotiations on an association agreement that contains a possibility for membership can begin soon after the expiration of the Action Plan in 2008. The EU, however, continues to consider Ukrainian membership premature. EU officials argue that Ukraine has a lot of work to do before it can be considered for accession. Ukraine's

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<sup>5</sup> See TNS Sofres, *Europeans and the Accession of Ukraine to the European Union: Wave 2, Main Conclusions*, TNS Sofres, Montrouge, France, November 2005; for more information, see also the website of the International Network for Ukraine in the EU (retrieved from <http://www.yes-ukraine.org/en/survey/november.html>).

<sup>6</sup> See T. Kuzio, "Is Ukraine Part of Europe's Future?", *Washington Quarterly*, Vol. 29, No. 3, summer, 2006, pp. 89-108.

concern with membership is seen as distracting from the primary task – the implementation of a coherent reform programme.

Many EU member states are worried about the EU's absorption capacity and the dangers of taking on new commitments before it has digested the recent round of enlargement. A sense of enlargement fatigue had already been palpable before the French and Dutch referenda in May–June 2004. The referenda reinforced the anti-enlargement mood. Bulgaria and Romania are expected to be admitted in January 2007, but after that there is likely to be 'pause' in the process of enlargement while the EU seeks to sort out its internal priorities and adjust to new circumstances.

The EU hopes to string out a series of small rewards – market economy status, relaxation of visa restrictions, expanded educational opportunities, etc. – to encourage Ukraine to move forward with reform without committing itself to offering Ukraine EU membership. The problem with this approach is that membership is the 'golden carrot'. It provides an incentive for countries to implement painful reforms. It also provides important cover for governments to justify to their publics the sacrifices that must be made to implement the reforms. Without the prospect of EU membership – even in the distant future – Ukrainian governments may be reluctant to pay the social and political costs involved in carrying out the type of restructuring and reform that is needed.

Moreover, the EU's approach is likely to reinforce the impression that Ukraine is in a geo-political grey zone. Together with a weakening of Ukraine's quest for NATO membership, this could encourage Russia to step up its pressure on Ukraine to reorient its policy towards Russia and the Commonwealth of Independent States (CIS). In particular, Russia could be tempted to exploit Ukraine's dependence on Russian energy as a lever to pressure Kyiv to weaken its ties to the West.

## **Relations with Russia**

Besides NATO, relations with Russia are likely to spark the most controversy and to be marked by the deepest differences. President Yushchenko has by no means pursued an anti-Russian policy; indeed, he has recognised the importance of good relations with Russia and sought to keep them on an even keel. Nevertheless, his top priority has been to further Ukraine's integration into Euro-Atlantic structures. By contrast, it

can be anticipated that Mr Yanukovych will give higher priority to Ukraine's relations with Russia, especially economic ones.

Ukraine's dependence on Russian energy – especially natural gas – provides Russia with considerable leverage in dealing with Ukraine. Moscow is likely to use the gas issue to pressure Ukraine to adopt policies more in line with Russian interests, especially regarding NATO membership. On 24 October 2006, Russia agreed to supply Ukraine with natural gas for \$130 per 1,000 cubic metres (m<sup>3</sup>) in 2007. This price is nearly 50% more than the price Ukraine is currently paying under the agreement signed on 5 January 2006 but much less than the \$230-240 per 1,000 m<sup>3</sup> Russia charges European countries.

Yet it is unclear what concessions – if any – Ukraine made in order to obtain the \$130 price. Russian sources have suggested that the \$130 figure was part of a package deal in return for which Russia demanded that Ukraine make several concessions. The most important was that Ukraine would agree to hold a referendum on NATO membership in the near future.<sup>7</sup> Given current popular opinion in Ukraine at the moment – some 60% of the population currently opposes NATO membership – the results of a referendum would almost certainly be negative, thus ending talk of Ukraine becoming a member of NATO in the near future.

Russian Prime Minister Mikhail Fradkov also suggested that Ukraine and Russia synchronise their entries into the World Trade Organisation (WTO) – a move explicitly rejected by Oleksandr Chalyi, Deputy Head of the Presidential Secretariat. Ukraine is slightly ahead of Russia in its preparations to enter the WTO and has little incentive to synchronise its entry with Russia's. If Ukraine joined the WTO first, it could possibly influence the terms of Russia's entry, thus increasing its bargaining leverage with Moscow.

President Vladimir Putin's offer to extend the stationing of the Russian Black Sea Fleet in Crimea beyond the 2017 deadline agreed upon in the Russian-Ukrainian accord signed in 1997 should also be seen in this context.<sup>8</sup> The offer came out of the blue and caught many Ukrainian

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<sup>7</sup> See the Russian online daily Kommersant, 20 October 2006.

<sup>8</sup> Mr Putin made the offer in his annual phone-in dialogue with Russian citizens, televised on 25 October 2006. See V. Socor, "Putin Offers Ukraine 'Protection' for

officials by surprise. It takes on particular significance because the Russian media have suggested that an extension of the accord is one of the concessions that Russia is demanding for supplying Ukraine natural gas at the relatively low price of \$130 per 1,000 m<sup>3</sup>.

Although President Putin strongly backed Mr Yanukovych in the 2004 presidential election in Ukraine, it would be a mistake to see Mr Yanukovych or the Party of Regions as 'pro-Russian'. Eastern Ukraine, the stronghold of the Party of Regions, shares a cultural and linguistic affinity with Russia. But that does not mean that the party will slavishly obey Moscow's beck and call. Mr Yanukovych is likely to show greater interest in participating in the CIS Single Economic Space than Mr Yushchenko, yet he is likely to balk at further integration into a free trade zone, customs union or monetary zone, as Moscow wishes. He is also unlikely to be willing to transfer Ukraine's gas pipelines to Russia, as Belarus did, in return for low gas prices. Such a deal would be seen by large parts of the Ukrainian population as compromising Ukraine's sovereignty and independence.

### **The Polish connection**

The collapse of the Orange coalition will have an impact on Ukraine's relations with Eastern Europe, particularly Poland. Historically, relations between Ukraine and Poland have been marked by considerable tension. Over the last decade and a half, however, the two countries have succeeded in overcoming past antagonisms and developing remarkably cordial relations. Poland has become the most outspoken advocate of Ukraine's integration into Euro-Atlantic structures.

Indeed, a new strategic alliance has begun to emerge in recent years between the two countries. Former Polish President Alexander Kwasniewski played a critical role in brokering the roundtable that defused the crisis in Ukraine in November–December 2004, ultimately leading to Mr Yushchenko's election as president. Without Mr Kwasniewski's mediation, the crisis might have escalated out of control and ended in bloodshed. Moreover, as a result of Mr Kwasniewski's personal initiative,

Javier Solana, the High Representative for the EU's common foreign and security policy, became directly involved in the negotiations, giving them a broader European character.

Maintaining this strong strategic relationship is likely to be more difficult over the next few years. Polish support for Mr Yushchenko in the 2004 presidential elections may make it harder for Warsaw to develop close ties to Mr Yanukovych's government. Prime Minister Yanukovych is likely to maintain the current direction of the Odessa-Brody pipeline carrying Russian oil north rather than reversing its direction so oil could be piped to Western Europe.

### **The Black Sea region**

Ukraine's policy towards the Black Sea region may also witness some changes. Under the Orange coalition, Black Sea security received high priority. Mr Yushchenko sought to revitalise GUAM – a regional group composed of Georgia, Ukraine, Azerbaijan and Moldova – and transform it into a serious regional organisation. At the GUAM summit in Chisinau in April 2005, Mr Yushchenko proposed that the group be transformed from an informal group to a formal regional organisation with its own office, secretariat and plan of activities.

President Yushchenko also sought to build a strong strategic partnership with Georgia. During President Mikhail Saakashvili's visit to Kyiv in March 2005, the two leaders issued a joint declaration stating they would support each other's aspirations to join NATO and the EU. In August 2005, they also launched a joint initiative calling for the creation of a Community of Democratic Choice (CDC), which was designed to forge a common front among democratic states in the region. The initiative provoked irritation in Moscow.

The Black Sea will probably remain an important Ukrainian policy priority. Nevertheless, Mr Yanukovych and the Party of Regions are likely to be more sensitive to Russian concerns and put less emphasis on democratisation – a key priority during the first year under Mr Yushchenko – and more emphasis on economic cooperation, especially in the energy field. The CDC, with its strong focus on democratisation, is also liable to less emphasis, as are relations with Georgia, especially if Russian-Georgian relations remain tense.

# **AFGHANISTAN: MISSION IMPOSSIBLE?**

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**WITH CONTRIBUTIONS BY**

**JULIAN LINDLEY-FRENCH**

**ANDREI ZAGORSKI**

**PETER BERGEN**

**HEKMAT KARZAI**

**ISMAIL KHAN**

# Chairman's Summing-up

**François Heisbourg\***

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To address a most difficult question, we benefited from presentations by Julian Lindley-French (Centre for Applied Policy, University of Munich and Defence Academy of the UK), Andrei Zagorski (MGIMO-University, Moscow) and Peter Berger (New America Foundation and John Hopkins University). These were complemented by written and oral contributions from Hekmat Karzai (CASE National Security Institute, Kabul) and Ismail Khan (The Dawn Group of Newspapers, Peshawar).

Before the experts delivered their oral presentations, the chairman put three questions to them:

- Can a NATO-led operation (even one in which the European Union would be doing the 'civilian' work) succeed or is internationalisation ('de-Westernisation') a prerequisite for success and if so, under what entities?
- Can a form of stability be established without the incorporation of Pashtun concerns (an issue much discussed in Julian Lindley-French's paper)?
- Is the status quo (as opposed to either a successful outcome or outright failure) anyone's preferred option?

After a severe critique of European policy (characterised by the failure of strategic imagination) and American attitudes (notably the 'not invented here' syndrome), Julian Lindley-French made several points:

- The West as a group has the resources to succeed but wider and deeper engagement is necessary, and this entails de-Westernisation. All 25 provincial reconstruction teams (PRTs) need to be multilateralised. There must be no "hiding places".
- The West has to remind all and sundry that it is not in Afghanistan out of altruism – its vital security interests are at stake. There would

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be major consequences regionally and globally if the Afghanistan venture were to end in division and failure. This outcome would spell the end of NATO and of the EU as a defence organisation. The potential is high for estrangement between the United States and the United Kingdom (and a handful of other countries) on one hand and most of the continental powers on the other. Furthermore, Euro-isolationism is a real risk. He reminded us *inter alia* that vision without a strategy is delusion and a strategy without commitment is deceit.

Andrei Zagorski had been asked to focus on the lessons from the long period of Soviet presence (from 1975 onwards) and military intervention (from the end of 1979 to 1989) in Afghanistan. The first lesson he drew was "If you don't believe in a mission, don't get into it". The Soviets had few illusions about their ability to transform Afghan society and yet that is what they tried to do. The second lesson is to avoid saying, "You can't afford to fail". This idea can lead to overcommitment in trying to implement an impossible mission.

Lesson number three is that the amount of material and human assistance counts, but less so than its quality: indeed, the greater the assistance, the less its quality and the more the people, the less their average quality. Lesson number four is to not set "perfect" goals such as transforming a society – learn instead how to work with imperfect partners in developing broad ownership of the mission.

Peter Berger noted some of the basic differences between the West's involvement and that of the former Soviet Union ("We didn't kill 1.5 million people and drive out 5 million Afghans"). He remarked that the West has the ability to "surge" but that al-Qaeda and the Taliban are back. There is widespread perception of the weakness (and the ongoing weakening) of the Karzai presidency, notwithstanding his initial 55% electoral success, partly across ethnic lines. Without the drug economy, there would not be much left: there is an absolute need to subsidise other produce. Above and beyond initial US mistakes (under-resourced operations, not allowing the International Security Assistance Force out of Kabul and letting the drug economy develop), current aid policies are largely failing in the face of local absorption limits and the recycling of much of the aid back into Western pockets.

There has been a successful amnesty programme, however, with a low recidivism rate. Conversely, in the tribal areas of Pakistan, neither militarisation nor appeasement has worked. Much could be gained by focusing on specific mosques and clerics.

In his response, Hekmat Karzai stressed that aid should have been greater than it has been (after all, 80% of Afghan infrastructure has been destroyed) and more directly handled by the Afghan government. He considered that most Afghans still support the Western intervention. The Taliban campaign has been largely aimed against education, with 160 schools destroyed by them in 2006. In reacting to the paper by Julian Lindley-French, he expressed broad agreement, but with the significant reservation that the Taliban resurgence is not a consequence of Pashtun grievances. *Vis-à-vis* Andrei Zagorski's lessons from the former Soviet Union, he noted that the Soviets simply did not understand the local scene and that the same situation is being repeated now – yet the population is the centre of gravity. He concurred with the lesson that there is no success in trying to create a society in one's image. One of the lessons of the Soviet presence is that it placed too much emphasis on the capital and the major towns; the Soviets never secured the rural areas. The same mistake is being made by many of the PRTs.

In his response, Ismail Khan made clear that both the Pashtun and Pakistan's Inter-Services Intelligence agency are major factors and that not too much should be made of the absence of an explicit discussion thereof in his paper. He dwelled on the pendulum swings between militarisation and engagement in both North and South Waziristan, noting that the local tribes, in both Pakistan and Afghanistan, tend to side with the group that is seen as winning. He argued that the approach taken in the case of the Musa Qala agreement is necessary, because no development could occur without a degree of stability and security; notably, the Taliban were not happy with the Musa Qala agreement between the UK forces and the local leaders. He made the point that peace in Afghanistan could mean trouble in Pakistan, because their militants from the tribal areas could turn their guns on Pakistan rather than become involved in Afghanistan. (This important contention provoked, in the subsequent discussion, a remark about the dangers of beggar-thy-neighbour policies.) In his view there hardly exists a Pakistani strategy; furthermore, the recent spate of suicide bombings in Pakistan sends a message to Islamabad that it should not try to stop cross-border infiltration ahead of the spring offensive. Overall, as an institution,

the Inter-Services Intelligence agency is now targeting the Taliban. He argued that the presence of 80,000 Pakistani troops in 167 border posts should be enough to patrol the boundary but a blind eye is sometimes turned out of fear of reprisals against isolated posts.

In the opening round of discussions, the question of Iran's policy was posed, while an EU official noted that Afghan drugs are now having a corrupting and damaging effect in the fragile states and populations of Central Asia. Given that some 10,000 tonnes of chemical precursors are being imported into Afghanistan for drug processing, such substances should be tracked. On the question of capabilities, Julian Lindley-French was queried by a military analyst about the possibility of squaring the admonition that the West needs to increase its effort with the observation that we already face a capabilities crunch.

In response, Hekmat Karzai remarked on Iran's great activity on all fronts (commerce, aid and intelligence), noting that the Iranians are now waiting for the West's next move. On drugs, he reminded us that if we do not deal with drugs, drugs will deal with us. Physical eradication is largely a waste of time; the real issue is the generation of alternate resources. On capabilities, he assumed that NATO's attention span could hardly be expected to last more than a decade.

Julian Lindley-French suggested that it should be possible to engage the Iranians on a specific track concerning Afghanistan. Moving to India's involvement (Hekmat Karzai having observed that India is still seen as exercising a major positive influence), he considered that it is playing a game that could be called "What happens after the West is gone?", in other words, thinking in terms of future relations with Islamabad. On drugs, he reiterated the view that alternate crops have to be subsidised. He also suggested that there should be some form of *de facto* autonomy for the Pashtun on both sides of the border, while respecting the Durand line, holding that the Pashtun are key to the security situation. On capabilities, he stressed that conflict and reconstruction must be viewed not as sequential but as simultaneous; this requires a doctrinal shift and a harmonisation of civil-military capabilities among NATO, the EU, the UN and the regional players. Finally, he indicated that US-UK relations concerning Afghanistan have suffered as a result of US action against the Musa Qala agreement.

Ismail Khan held that for the Taliban, religious motivation is of the essence rather than a sense of Pashtun identity.

Peter Berger remarked that Iran has done nothing basically wrong in Afghanistan; moreover, Iran is on the receiving end of the drug problem. He agreed that poppy eradication would not help, as it will send more people into the arms of the Taliban. Substitutes and subsidies are the answer, whereas at present we are spending more money on eradication than paying farmers to stop growing drugs.

Andrei Zagorski stressed that although Tehran has no reason to bring the Taliban back, it will be tempting for Iran to hurt the West in Afghanistan. Concerning the penetration of rural regions, he argued that it is neither necessary nor desirable, since it is a source of trouble; instead, what you need is a strong interface.

In a second round of questions, an Indian official disagreed with the proposition that Delhi is playing a waiting game and highlighted the \$750 million of Indian assistance. A German analyst raised the issue of those Western allies who do not want to go south; he indicated that the Afghan government wants the Germans to stay in the north. A Dutch analyst wondered how one could channel more aid through the Afghan government given its weak structure. An EU official underscored the fact that the EU alone had made a seven-year commitment in Afghanistan. He noted that there were many calls for “Afghanisation”, but like the previous participant, he too wondered how one could do that outside of Kabul. He noted the great difficulty of building up the rule of law on the basis of three legal systems (traditional rules, Sharia law and Western norms).

A Pakistani official pointed out that Pakistan deserves gratitude, since it had made possible the overthrow of the Taliban after having hosted over 4 million refugees. More than 700 Pakistani soldiers had been killed in the Waziristan operation. Some 35,000 Afghans are crossing the Afghan border legally on a daily basis.

A NATO official remarked that the process is actually worse than the content: we have great trouble in going beyond a piecemeal *ad hoc* approach.

A defence analyst expressed interest in the effectiveness of actual and potential measures aimed at controlling the Afghan border and the chairman asked our guests for their views on a contact group format for

dealing with Afghanistan. Meanwhile, a question was put by the CEPS representative concerning 'Greater Afghanistan': Who wants it and is it serious?

Ismail Khan noted that 74% of the population of the North-West Frontier Province of Pakistan speak Pashtun while the 3.5 million inhabitants of the seven tribal areas are mostly Pashtun (of which 700,000 live outside of the government unit in South Waziristan). Nevertheless, "Pashtunistan" is a nationalism that has been diluted with economic improvement in Pakistan (the North-West Frontier Province comes immediately after the Punjab in terms of economic prosperity).

Hekmat Karzai remarked that there is a massive brain drain in Afghanistan from the government to the aid agencies, a process that weakens the government. While expressing gratitude for the support Pakistan's people provided while he was a refugee, he noted that Afghan-Pakistani relations tend to mimic Indo-Pakistani relations, despite the fact that both Pakistan and Afghanistan are Muslim countries. He viewed the revival of the grand *loya jirga* for the Pashtun on both sides of the border as a positive step.

Peter Berger raised the issue of the legalisation of growing poppies for medicinal purposes. He agreed that Pakistan had been instrumental in the fall of the Taliban – but that it had also contributed to their rise.

Andrei Zagorski did not take kindly to the notion of mining the border between Pakistan and Afghanistan (to prevent militants from crossing); setting aside other considerations this has never worked. On the overall situation, he considered that we needed to define what would be a satisfactory outcome.

Julian Lindley-French stressed that if we fail in Afghanistan, the strategic situation for India and Pakistan would worsen, particularly for Pakistan. He repeated the serious effect German reticence was having on UK-German relations. And in conclusion, he supported the idea of creating a contact group.

# **‘Afghanistan-lite’: The Crunch**

**Julian Lindley-French\***

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## **Introduction**

Afghanistan is at a crunch point. Put simply, either the 37 countries currently engaged in the reconstruction of Afghanistan through the UN-mandated International Security Assistance Force (ISAF) recognise and stand up to the enormity of the challenge (and the opportunity) or the West’s signature mission will fail at the start of the new strategic age. Those are the stakes. In other words, Afghanistan is about so much more than Afghanistan. Today, there are not enough resources, in spite of the \$10 billion pledged by donors. And, even at 35,000 strong, there are not enough forces (helicopters or troops). The Afghan people, who have a tradition of backing those most likely to prevail, have lost or are losing faith in the West. It is a set of failing circumstances that must be changed and changed rapidly if the defeatism that is beginning to predominate in the West is not to spread.

Such defeatism is in fact a paradox because given cohesion and political will the West could actually generate the power and effect so required. Indeed, the West today is the richest, most powerful grouping the world has ever known but for reasons best known to its leaders, it is attempting to change the very nature of security governance with at least one metaphorical arm tied behind its collective back. Ultimately, it is not the Taliban, al-Qaeda or the Pashtun who are threatening the West with failure, complex though the situation in Afghanistan may be. Rather, it is the refusal of political leaders in the West to recognise the importance of success, the full implications of failure and invest accordingly. Moreover, it is failure that is leading inexorably to the coalescence of Taliban, al-Qaeda and Pashtun interests, something that would have been unthinkable when Operation Enduring Freedom (OEF) began on 7 October 2001.

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The core message of this analysis is therefore simple: now is the time to re-double the effort, not reduce it. If the West is not to lose Afghanistan, and with it much of its strategic leadership credibility, then the petty infighting and double-speak of the past three years must end. This is an age of strategic change in desperate need of grand stability. Furthermore, the successful governance of such change must necessarily be founded on security architecture with the enlightened West as its cornerstone. Consequently, Afghanistan will help to define not just the age, but also the role of the West therein. Therefore, the shortsighted and self-defeating factional game playing in the West that places marginal advantage before strategic effect must end. It is doing incalculable damage, not just to the future of Afghanistan, but also to the future of Europeans and North Americans alike in a world more dangerous by the day. Make no mistake, if the West is forced out of Afghanistan and the Karzai regime in Kabul evaporates, like that of the Najibullah regime before it, then the message to friends and foe alike will be clear – given time, given effort and given resolve, the West will always be forced out. No one said it would be easy, but mission impossible? Only if the West chooses to make it so.

This analysis looks at the situation in Afghanistan on four levels – the grand strategic, the regional-strategic, the Afghan national and the military-operational. It then concludes with a brief agenda for the future. History has been hard on Afghanistan but the West today is neither the America of 1970s Vietnam nor the Soviet Union of 1980s Afghanistan. It is time the West got on with the job of doing what it takes to make Afghanistan work. There can be no ‘Afghanistan-lite’.

### **The new great game – The grand strategic crunch**

Afghanistan-lite represents a collective failure of strategic imagination in the West. In addition, Afghanistan has become the place where the over-militarised American war on terror has come face to face with the over-civilianised and locally focused anachronism of contemporary European peacekeeping. Consequently, both elements are forced to apply what they have, in pursuit of what they must do in a place notoriously unforgiving on those who fail to comprehend the relationship between strategic impact and the dark side of globalisation.

This failure of strategic imagination is founded upon several factors: first, an American oversimplification of what is required to generate effect in a place where the borders drawn by 19<sup>th</sup> century Europeans have little or

no meaning to the people on the ground. Second, there is a collective psychosis about the influence of history, particularly in Europe, that makes its re-living all the more likely. Third, there is a lack of consensus over the role of Afghanistan in the sense of grand stability. This is partly because of poor American strategic leadership since 2001, and partly because too many Europeans put doing the least possible there before doing what must be done to render the place stable. Fourth, it is a consequence of the inversion of the natural order through a profound confusion over values and interests, which has placed democracy before stability and conflated the two. Fifth, there is a simple lack of cash to outbid the Taliban for the support of the Pashtun.

As a result, nothing like the resources have been invested in Afghanistan that its grand strategic importance demands and nothing like the political cohesion is being generated that is vital to success. Current operations in Afghanistan take place in a region that is not only becoming the centre of gravity of world security but also where many of the actors thereabouts are themselves emerging as grand strategic players. They are all watching and waiting to understand the extent or otherwise of Western resolve and will draw conclusions accordingly as to whether the West is to be supported or not. Iran, flanked on either border by Western forces in Iraq and Afghanistan, is gauging not only the collective resolve of the West but also whether such an entity retains any wider meaning, given Tehran's own regional ambitions. Russia, still smarting over its 'defeat' in the cold war, still obsessed by NATO and still conscious of the support the West gave to the Mujahideen in Afghanistan in the 1980s, seems willing to do little to pave the way for success. China, emerging on the world stage, notes with interest the inner-game of Western politics and concludes that when push comes to shove European support for American strategic leadership is to say the very least lukewarm as far as matters Asian are concerned. India, conscious of China's growing influence and all too aware of the implications of Western failure in the North-West Frontier for disputed Jammu and Kashmir waits and watches to see if the new strategic partnership with the West will be one worth having. The West today may be more idea than place, but is it one that new powers still see as credible in a new world? Like it or not, Afghanistan will do much to answer that question. Thus, the utility, *bona fides* and credibility of the West must be demonstrated to states, people and those of faith alike and it will take much



time and great effort to do so. That begs two questions: Has the West got the stomach for it? Is the West up to it?

Equally, those in Europe who think that the West in any case no longer exists and propose simply withdrawing from Afghanistan need to think long and hard. The British went into Afghanistan in the late 19<sup>th</sup> century partly to obstruct Russian ambitions for a warm sea port, but also because of the instability of the North-West Frontier and the pressure it was placing on British India. The Soviets went into Afghanistan in 1979 mainly because of concerns over the growing influence of radical Islam in its southern republics. In other words, Afghanistan has long been a crossroads of influence and a theatre for strategic and regional change. Indeed, that is part of Afghanistan's tragedy. Today, the very nature of globalisation means that 'black holes' of security are not simply lost to civilised order. Connectivity and disorder are strange bedfellows but in this world, illegal activity can rapidly make them so. As a consequence, such places very quickly become the epicentres of strategic crime, where business in illegal commodities are at their most intense, be it hard drugs, small arms or weapons of mass destruction.

Therefore, contemporary security policy is more often than not about hard choices in hard places like Afghanistan. Withdrawal is not an option because unmolested strategic crime and systemic terrorism will chase the West back to its own back streets. Again, like it or not, pulling out of Afghanistan will greatly exacerbate 'blowback', not least because in this age the democratisation of mass destruction, which is the dark side of globalisation, means that anyone can get anything given time, determination and freedom from the pressure of positive power. Thus, the only 'option' is to stay and make the benefits of legality outweigh what is by Western standards the benefits of illegality across the broad spectrum of criminal effect.

That is a message that resonates across the great belt of instability, which has its buckle in Afghanistan. For the broader Middle East, the regimes there and those who seek to overturn them, the loss of Afghanistan will have a strategic eloquence that will resonate far and wide. Why? Because unlike Iraq the West is engaged in Afghanistan as the legitimate West and if it loses there then the whole concept of the West as the cornerstone security power in the new grand strategic architecture will be dealt the most searing of blows. What price Europe's and North America's vital resources then?

And yet, the sheer economic power of the West means it is doomed to retain the leadership mantle. The East might be emerging, but the West is not declining. It is another paradox of this strange strategic age that there is as yet no Newtonian balance between growth and decline. China and India may collectively represent 30% of global gross domestic product by 2020 but today North America and Western Europe together represent some 70% of it. Even the most pessimistic of economic assumptions suggest that by 2020 North America and Western Europe will still be the dominant economic, political and strategic grouping in the world. This view makes the West's half-hearted attempts in Afghanistan at first glance so puzzling. The West has invested nothing like the resources in pursuit of success that it could. The reason for this is far more than the lingering discord over Iraq, which continues to pollute the mission in Afghanistan. It is more than the collective weakness or absence of European strategic vision. It is rather to do with the very incertitude back home in the West that the likes of al-Qaeda seek to create. The West is profoundly split about the balance to be struck between projection and protection. Thus, what passes for 'strategy' has become focused on the delusion of millions (particularly in Europe) that they are not engaged in a war. It is also about the maintenance of that delusion by breaking the link between the provision of security and its cost. It is about governments having to end the strategic vacation and telling people that taxes will have to be increased. It is about the defeat of the long term by the short term. It is about the absence of leadership.

Tragically, the popular security delusion has broken the essential link between much of Western society and the young men and women who act on their behalf in places like Afghanistan. That is why one sees the emergence of military ghettos across the West full of soldiers and their families under the most intense pressure, detached from a society that understands little of what they do and cares even less.

Afghanistan is a grand strategic crunch. It is time to face up to that reality and act, organise and invest accordingly.

### **Rescuing the state – The regional strategic crunch**

Afghanistan is not so much a state as a space in which the interest of players is played out. There are many players – states and non-states alike. Indeed, the end-state of the West's involvement has much to do with rescuing the state in Central and South Asia. Afghanistan is thus the pith of the regional-strategic game over order and hierarchy in the region. Sadly,

for many of the actors engaged there the game is increasingly about what happens after the West has gone. In its most pressing form, this regional-strategic game concerns the future of Afghanistan and Pakistan as states. Without doubt, there can be no solution to Afghanistan without a permanent settlement in Pakistan and herein lies the essential dilemma. Islamabad is in an invidious position, trapped between its external relations with the West and others, such as India and China, and its internal cocktail of secularism, fundamentalism and tribalism.

Therefore, if the West is to prove itself a credible, long-term, strategic security stabiliser it must be equally credible in its commitments to both Kabul and Islamabad. Much of the credibility of the West in the region and the wider Islamic world will be founded on the role it plays in resolving the Pakistan-Afghanistan-Pashtun triangle. Pakistani Prime Minister Shaukat Aziz was right during a visit to NATO on 30 January 2007 when he said, "Pakistan is committed to a strong, stable Afghanistan. The one country that will benefit most, after Afghanistan itself, will be Pakistan." At the very least the West must convince those senior Pakistanis equivocal about the West's role in Afghanistan that Pakistan's best hope for such an outcome is full support for the OEF and ISAF and the wider, comprehensive security approach the West is trying to foster. Moreover, winning Pakistan could over time help to persuade many in the Islamic world, wherever they may be, that latter-day grand stability missions led by the West are not the latest iteration of some crusading/imperialist impulse. At the very least, there needs to be a stronger Islamic flavour to current operations in Afghanistan in spite of the presence of Albanians, Azeris and Turks in the ISAF.

Equally, significant parts of the Islamic world are in some form of devotional civil war and this conflict undermines the very states, such as Afghanistan and Pakistan, which by definition of being states owe their origins to the organisation of power and society by the West. Thus, there is a continuum between geo-politics, state security and stability, and human security, which finds its centre of gravity and its crisis point in that region. Certainly, the strategic continuum should be central to the strategic narrative that the West has proved so poor at telling be it to those at home or to those whom it seeks to assist. The message is a simple one: while the West is committed to a stable state structure, it does not and will not seek to influence the creed of any state. At the same time, the West will confront all forms of extremism that threaten order. That is why a regional-strategic

solution is so pressing. The possibility of the Pakistani nuclear programme falling into extremist Islamist hands with a jihadist agenda cannot be discounted. Such a possibility is clearly linked to the ability of such elements to operate and organise almost with impunity in Waziristan and across the northern areas, and thus the strengthening of the Pakistani state is as much an essential interest of the West as the strengthening of the Afghan state.

While the West must help strengthen both the Pakistani and Afghan states, it must also grasp the pivotal importance of a Pashtun settlement. Finding a solution to the Pashtun dilemma on both sides of the border is in many ways the crux of the entire mission. The easing of the dilemma will require sacrifices. It will entail the ending of efforts by those in Kabul who dream of a 'Greater Afghanistan' and the neutering of those elements in Pakistani intelligence who believe that the ambitions of India (rightly or wrongly) in Afghanistan and the north-west territories must be countered, even if that means implicitly or explicitly supporting the Taliban in its struggle against 'foreigners'. Changing that dynamic will only be achieved if the West demonstrates once and for all that the 'after the West has gone' game is not an option.

Indeed, only through the easing of the Pashtun dilemma will the re-separation of Taliban, al-Qaeda and Pashtun interests likely be achieved, which is crucial. A not insignificant part of the dilemma stems from the Durand line, which separates south-east Afghanistan from north-west Pakistan. Drawn by a British imperial official in 1893, it denies the Pashtun an effective homeland. But that was then and this is now. An ideal approach would be to carve out a new homeland from the areas of Pakistan and Afghanistan for the Pashtun. Yet such a 'solution' would clearly offend both Islamabad and Kabul to the point of rupture in their relations with the West. At the same time, both capitals must understand that there is a price for the continued support of both capitals by the West and surely the offer of *de facto* autonomy for a Pashtun homeland could be one such instrument. This approach would shift the interests of Pashtun leaders back to supporting both states and the West and thus break the link with the Taliban and al-Qaeda, who still operate across the 'border' with impunity and apparently total alacrity, especially since the Waziristan Accords of 5 September 2006.

Radical though such a solution may be, it is necessary that this kind of lateral thinking be at least put on the table, because a regional-strategic

solution is essential to success and that will only take place if the old imperial band-aid is replaced with something more reflective of the reality on the ground. The first step is thus to generate solidarity through a common appreciation of the problem, particularly among the all-important intelligence communities (which are so much more and in some cases can be players in their own right). Albeit modest, such hopes received a significant boost with the creation of the Afghan, ISAF, Pakistan Intelligence Centre in Kabul. It is a start. The rescuing of the state will require a re-arranging of relationships over time that will need to be smoothed, of course, by the expeditious use of large amounts of Western aid and support. With a new spring offensive by the Taliban in the offing this kind of lateral thinking is an imperative.

### **Making Afghanistan work – The national crunch**

The Afghan people, especially those in the south and east, have suffered long and hard. It is not surprising that they are suspicious of the promises of foreigners. They have heard and seen it all before and it can be expected that have little trust for outsiders. Creating an Afghanistan that can and will improve the lot of its people is no easy task. That has traditionally been the role of the clan or tribe rather than the state, although there have been periods when the state has functioned to more or less effect. The model so chosen has been to try to embrace those with power by bringing them within the framework of legitimate government. The complexities of that approach have been evident since the establishment of the *loya jirga* [grand council] in 2003 and through national and regional elections. Nevertheless, some success has been realised. In what the British would recognise as a classically colonial method of governance, this has meant buying off warlords and tribal chiefs and attempting to bring them into government. Strangely, the West has failed to buy the people as well, which in the overall scheme of things would represent a modest investment.

Still, such an approach has its weaknesses and it can only be justified if there is a parallel strengthening of regional government and governance. The paradox is that while it is critical that such controversial figures as General Rashid Dostum, General Atta Mohammed and either Gul Agha Sherzai or Abdul Rassoul Sayyaf (or both) are brought into government their bitter rivalry and past warlordism has prevented the establishment of a better balance in central government. Thus, the complexity faced by the West in Afghanistan is compounded by the very solution sought. That is

Afghanistan. Its complexity is reinforced in the crucial south and east by the role of the mainly Uzbek and Tajik Northern Alliance, which aided the American-led coalition back in 2001. So many of the Afghan people have become disillusioned by so many 'familiar' and unwelcome faces re-appearing in and around the government – elections or no elections. This disillusionment will take time to dissipate.

There is no easy solution. It will of course take time to change the dynamic of leadership in Afghanistan and there are certain power realities that cannot be avoided. Frankly, for the foreseeable future the price – and there will be a price – of buying stability will be high. Far greater efforts will be needed to improve the behaviour of those with tainted pasts, render transparent their current dealings and provide confidence, as well as alternative sources of income to poppy production. According to the UN, Afghanistan produced 92% of the world's opium in 2006, some 30% more than the market can bear and which is up some 500% since 2002. Only 6 of Afghanistan's 34 provinces are now drug-free. However one looks at it, the ISAF has overseen the re-emergence of the world's largest narco-economy. The very real question is whether the West has the will to make the investment that could wean farmers and tribes off such produce and the will to stand firm against those in government and beyond with connections to it. That is a big question.

Clearly, any 'solution' to this conundrum is not going to happen now or next year but requires an enormous security investment over many years, 90% of which will need to be civilian in nature. At the very least five parallel tracks must be pursued. First is the further strengthening in the short to medium term of the institutions of state, with specific reference to re-building the judicial system, police and the Afghan National Army. Second is the progressive involvement of regional partners also keen on a stable Afghanistan in a practical reconstruction role that creates a new, legitimate 'single' market in the region. Third is the progressive civilianisation of the West's presence in Afghanistan linked to an economic plan for the further restructuring of the Afghan economy. Then over time, one objective must be the de-Westernisation of both the mission and the presence. Fourth, justice must be seen to be done. It is important that Gulbuddin Hekmatyar is apprehended as soon as possible and brought to justice for the range of attacks he has instigated. It is even more important that the rampant corruption is weeded out and seen to be so. Fifth, Afghanistan's capacity to absorb aid must be markedly improved.

Ultimately, central to the Afghan conundrum is the reconstitution of viable local administration. As indicated above it is requisite to the long-term stability of Afghanistan and at least as important as a strong government in Kabul. There will be setbacks but the British and the UN are right to see initiatives to strengthen regional and local government and governance as crucial. Washington needs to support such efforts and avoid the 'not invented here' attitude that too often undermines the efforts of coalition partners, particularly as it relates to the Musa Qala agreement (and its like) with the Pashtun. Ethnically dominant in the south and east of the country, they represent a deeply tribal society that is split into many different clan-based groupings. They are long used to arguing over everything: the distribution of money, drugs, guns, access to education, water and business (legal and illegal). Nonetheless, a form of order does assert itself with the right incentives. The Pashtun by and large feel that the 2005 elections to the National Assembly did not further their interests (and it is tribal interests that matter) and have regrettably thus returned to more traditional tactics such as violence and intimidation. This basic dynamic has enabled the Taliban to reconstitute and given al-Qaeda the space and protection to begin to restore some form of command structure. There will always be a complex mix of tribe, religion and money that dictates relationships but history suggests that such a reality should not prevent efforts to do business with dominant groupings, such as the Alozia tribe. It might also help if more effort was put into curbing demand for heroin in the West.

The bottom line is this: one cannot ultimately be effective in a place such as Afghanistan without also being legitimate. That works two ways. First, the transfer of authority for the construction of civil society must be handed over to the UN as soon as possible. Second, the ongoing building of trust with tribal elders and moderate mullahs must continue. It must be in their interests to change. If that means buying such influence for a time then so be it. However one cuts it the key to this is an awful lot of Western money. Hopefully, such a project in time can involve the money of the newly rich, such as China and India, and the classically rich such as Japan. The 'Afghanistan/London Compact' was a beginning but much more is needed, because while Afghanistan is a test for the West, it is also a test for the whole system of institutionalised security governance that all the big powers claim to support.

If such a global approach and effort is not adopted, then for all the Stage 4 expansion of the ISAF and the work of the 25 provincial reconstruction teams (PRTs), NATO's mission and by extension that of the West will come down to the open-ended protection of a little-loved and unrepresentative government in and around Kabul. If that is the case then Afghanistan is not working.

### **Filling the security space – The capability–capacity crunch**

NATO forces are doing an admirable job in many parts of Afghanistan. Nevertheless, Western forces in Afghanistan face a capability–capacity crunch. Indeed, armed forces designed to create the security space are rarely capable of filling it over time, intensity and distance. Without wishing to underestimate the difficulty of their role in such a place, the search-and-destroy forces attached to Operation Enduring Freedom (OEF) have a reasonably clear mandate and mission. Unfortunately, Afghanistan, as so often in the past, is exposing the weaknesses and contradictions of Western military planning over the last 15 years. It may well be the case now that respective missions of counter-terrorism, stabilisation and reconstruction are becoming mutually counterproductive. Re-building one day then 'unbuilding' or even 'non-building' when the military have created the security space the next hardly demonstrates the shared sense of mission that is demanded by such complex places and a comprehensive approach to a strategic and security impact. The plain fact is that the forces in Afghanistan are organised to mask weakness, not to generate effect.

The European concept of peacekeeping, encapsulated in the 1992 Petersberg tasks of rescue and humanitarian missions, and the role of combat troops in peacemaking belong to a different time and a different place. Within the context of Afghanistan, they are hopelessly anachronistic as is the mindset that underpins them. The refusal of many European allies to support their British, Dutch and Canadian partners in robust counter-insurgency operations in the Helmand and Uruzgan provinces is only partly owing to political weakness. Afghanistan has exposed the sham of force planning in a host of European states that possess neither the numbers nor the quality to sustain operations in such a place if organised in such a shambolic way. Consequently, NATO faces the most profound crisis of capacity given the forces needed for adequate stabilisation and reconstruction missions. Although 35,000 might sound like a formidable force the ratios required to undertake effective operations in a place like



Afghanistan demands a far greater force. Moreover, the differences in the quality of the equipment, training and doctrine of the personnel available to NATO commanders are striking; together these differences compound the capability–capacity crunch markedly.

The capacity crunch has also been compounded by capability-led force transformation. Under American leadership, NATO forces have been invited to become more professional, to be more effective, more mobile and more lethal. For most NATO nations, however, that has led to a hard choice having to be made between such capabilities and the capacity needed to sustain stabilisation and reconstruction missions. Some states are trying to find a way to resolve this dilemma through a comprehensive approach to security, or what NATO calls Comprehensive Planning and Action (CPA). Much of it is predicated on the belief that reconstruction comes after conflict and stabilisation. Yet as Afghanistan is so clearly demonstrating, one reconstructs during conflict and stabilisation, not after it. Reconstruction is in many ways the essential process that bridges conflict and stabilisation.

These tensions have led to a virtual breakdown of alliance solidarity, which could have profound implications for both NATO and European Union security and defence. Indeed, those Europeans who talk about Afghanistan presaging the demise of NATO had better clear their woolly minds, for such a failure would also put an end to any hope of effective and relevant European defence. Put simply, trust among allies is being lost day by day and will take a long time to recover. In the context of Afghanistan it is evident that while states such as the US and UK will continue to endeavour to energise chains of command within the OEF and ISAF they will also look for non-European partners who over time can be better trusted and perhaps have a better grasp of the significance of current change than many Europeans. Make no mistake, relations between the US, the UK, Canada, Australia and the Netherlands on one hand, and France, Germany and Italy et al. on the other are being sorely tested by Afghanistan. Given the lessons learned, a country such as the UK now has little or no choice BUT to look for alternative partners the world over who will likely be more willing to support British forces in dangerous places at dangerous moments.

The situation comes down to this: those Europeans who refuse military support to their allies at crunch points had better understand that

they have crossed an important threshold and they are no longer seen as indispensable allies by the Americans and British.

Nor is this simply an exclusively European problem. For all its many faults the Musa Qala agreement with tribal elders led to a ceasefire with local Taliban forces commanded by the late Mullah Ghaffour, which held for some four months. What is more, it opened up a possible similar agreement for the northern Helmand town of Nawzad as part of a process of a UN- and British-led counter-radicalisation that the US either does not understand or does not want to understand. These are important early steps towards trying to change the political dynamics on the ground. The US was wrong to brief so heavily against it. What this situation demonstrates again is that too much of the energy being expended in Afghanistan is lost trying to forge an effective strategy between the over-militarised (stick) Americans and the over-civilianised (carrot) Europeans, with the British, Dutch and Canadians too often forced to be the meat in the sandwich. Hence a further 800 British troops were dispatched to southern Afghanistan. At the very least, any state that sends its troops to Afghanistan must make an unequivocal commitment to do whatever is needed, wherever it is so required to achieve the necessary effect.

Above all there is an urgent need for a lessons-learned debate within the West about the role of coercion, stabilisation and reconstruction in places where the West seems neither welcomed or wanted yet which are vital to Western interests. Given the prevailing environment the alternative is that the West, or at least the US, simply retreats into a punishment strategy. Certainly, the very real danger exists that those who misunderstand Afghanistan and its importance will permit what is a crucial debate over the nature of engagement to be hijacked by those who have no strategic concept at all. If the danger of 'losing' the West's armed forces down a black hole of Afghan stabilisation and reconstruction efforts is deemed greater than the need to establish a stabilisation and reconstruction 'shop window', then the crunch will grind this operation down. If that really is the case then the West should stop its own strategic pretence. It should also stop pretending to the Afghan people that the West is in for the long haul and committed to the improvement of their lives. If that is the case then the West should get out now. Then, at least, the Afghans can sort it out in a traditionally Afghan way, and the Taliban and al-Qaeda can return to their core business.

Nothing dramatic will happen in the short term but the damage is being done. Undoubtedly, a continued lack of support or endless disingenuous quibbling over rules of engagement will ultimately result in the re-nationalisation of security and defence in Europe and the forming of new partnerships. This is what is at stake...and this is a tipping point.

### **Afghanistan-lite: The crunch**

To reiterate, Afghanistan is at crunch point. Afghanistan-lite is not working. Decisions taken over the next few months will decide whether the West is serious about giving Afghanistan a stability that has only ever been known fleetingly or whether it begins the process of disengagement. Over the next year, NATO and OEF forces will face repeated attacks by the Taliban and al-Qaeda. Moreover, after a series of crushing losses at the hands of NATO forces the Taliban will doubtless resort to terrorism and other forms of asymmetric warfare. If things go horribly wrong, the Pashtun elders could throw their lot in with NATO's adversaries. Together these circumstances are truly going to be a pivotal point in the struggle for Afghanistan.

At the very least, the West's Afghanistan agenda should be informed by the issues that are at stake and what is needed to widen and deepen its impact in this crucible of strategic effort, as set out below.

*The grand strategic agenda.* It is imperative that a new great game is avoided. A contact group comprising the West, China, India, Pakistan, Russia and, if possible Iran, would expand ownership of the solution and the legitimacy of the engagement. The UN has a key role to play in legitimising such a group but the West under American leadership must widen the partnership.

*The regional strategic agenda.* Afghanistan's future is not simply to be found within its borders. The whole region needs a new economic grouping underpinned by the West, Russia, India and China, which includes the likes of Pakistan, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan and Iran to help develop a model for regional economic interaction. Such group interaction will help to introduce the benefits of regional dynamism and in time turn Afghanistan from being a victim of change into a beneficiary.

*The national agenda.* In solving the problem of the Pashtun, at the very least the challenge of Afghanistan will be eased, if not that of the wider

region. It is evident that trying to create a strong central government in Kabul and then extending its writ to places such as Kandahar is not working. Rather, much greater consideration needs to be given to an autonomous, self-administered Pashtun region that is overseen by a joint Afghan-Pakistani commission. It is essential that a new relationship be established on both sides of the border between the 28 million Pashtun in Pakistan and the 12.5 million Pashtun in Afghanistan, Islamabad and Kabul.

*The military-operational agenda.* The new US commander of the ISAF, General Dan McNeill, needs:

- a) a strategic reserve that he can deploy to any part of the country at any time should the situation so require it. The Taliban (and al-Qaeda) must understand that they will be struck and struck hard when they make incursions or break agreements such as that forged in Musa Qala;
- b) a unity of command covering all the forces in Afghanistan. That includes merging the ISAF and OEF; and
- c) the organisation of all forces and commands on a multinational basis so that the PRTs cannot become an excuse for national contingents to 'hide'.

Finally, General McNeill will also have to curb his erstwhile lust for air power (earning him the nickname 'bomber') and prove adept at the balance between the comprehensive approach and counter-insurgency operations. Above all, he must be given the people and the tools to do the job. A good start would be the creation of one force, committed to one end with all the allies willing and able to share the burden of effect.

At this crunch point for Afghanistan, only time will tell if the West has the vision, the commitment and the will to invest the resources that only it can. If not, then the crunch will doom not only the Afghan people to servitude and misery, but any pretence the West has for the governance of peaceful change on this troubled planet. Some places forgive mediocrity; Afghanistan is no such place. No one said it would be easy but those are the stakes.

# **Lessons from Soviet Experiences of Socialist Modernisation in Afghanistan (1978–89)**

**Andrei Zagorski\***

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The Soviet Afghanistan policy in 1978–89 (from the April 1978 coup organised by the People's Democratic Party of Afghanistan or PDPA to the withdrawal of Soviet forces in 1989) went through several phases. At each stage, a comprehensive set of policy tools was applied by Moscow in order to assist the PDPA in a socialist kind of modernisation by political, military, economic, social and ideological means. The emphasis in applying those tools was ever-changing, depending on the objectives and the lessons learned by the Soviet leadership during this period.

The coup took Moscow by surprise, but it quickly embraced the 'April revolution' and engaged in a large-scale Sovietisation experiment. This experiment failed, leaving behind significant fallout. Although one could argue that the attempt to implant Soviet practices forcibly in Afghanistan was doomed to fail, the experience gathered during those years has broader relevance. While Soviet or socialist in nature, it reveals features in common with many other attempts at the accelerated modernisation of a poor country with a traditional society.

At the start of the 1978 coup, the Soviet leadership did not believe in the feasibility of a socialist experiment in what it described as a backward feudal country with incapable leadership. Afghanistan was not considered ripe for a socialist transformation as it found itself among the poorest countries in the world dominated by a rural population engaged in an agrarian economy. Nevertheless, acting within the context of the cold war, once the PDPA took over Kabul, Moscow signalled its readiness to support the new regime, underpinned by the belief that the Soviet Union could not afford to lose Afghanistan to the 'enemy'. Once this doctrine took hold, it

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triggered a chain of fatal decisions that eventually led the Soviet Union to invade the country in December 1979.

The focus on preserving a weak, unpopular regime and the identification of the Afghan army as the single most important institution for keeping the government in power implied the pre-eminence of military means in Moscow's policy. All the governments in Afghanistan between 1978 and 1992 were comfortable with this policy as they did not rely on domestic support and sought a powerful external actor to compensate for their weakness. Nevertheless, Soviet policy was not restricted to just providing military assistance to Kabul. It applied a complex mix of policy instruments, such as financial and technical assistance, economic development and institution- and capacity-building, including the training of personnel within the country and abroad.

This paper focuses on the non-military aspects of Moscow's reconstruction and modernisation policy against the background of developments in Afghanistan in 1978–89. After a brief summary of Soviet assistance to Afghanistan prior to the 1978 coup, it discusses Moscow's agenda for Afghanistan in 1978–79, before the invasion. During this phase, the Soviet Union concentrated on capacity-building and technical assistance in the expectation that this would help to avoid direct intervention. The third section summarises Soviet policy between 1980 and 1986, after its invasion of Afghanistan. This period is characterised by the heavy reliance of the Karmal government on Moscow and by the regime's failure to ensure domestic political support, particularly in rural areas. The fourth section looks at the Soviet exit strategy in 1986–89, which went hand-in-hand with the attempt to achieve a domestic and international political settlement to allow a face-saving pullout of Soviet troops. The concluding section presents some generalisations about Soviet experiences with Afghanistan.

## **1. Soviet assistance to Afghanistan prior to the 1978 coup**

Afghanistan had been a Soviet client state since 1919 but was increasingly so after World War II. Moscow regularly provided the country with financial assistance, supplied it with arms and trained its officers. It helped to develop the country's infrastructure, which included telegraph and radio communications, the construction of roads and pipelines and the modernisation of airports. These projects were concentrated in the north of the country, which helped to connect Afghanistan with the Soviet Union.

Especially after World War II, Moscow engaged in economic development in Afghanistan, assisting with the building of electric plants and irrigation systems, raw materials extraction (oil, gas and copper), as well as the development of the social infrastructure, such as educational facilities. By 1955, the Soviet Union was the leading country providing foreign assistance to Afghanistan.

Special importance was given to equipping the Afghan army with Soviet (Warsaw Pact) weapons systems and to training the officer corps in both the Soviet Union and in the country itself. In 1977, the Soviet Union had 350 technical and military advisers in Afghanistan. In the period 1956–78, 3,000 Afghan officers (air force, air defence, artillery, medical personnel and others) were trained in the Soviet Union. An even larger number of them were trained in different Warsaw Pact countries. As a result, the Soviet Union was not just providing assistance but also directly training the new armed forces of Afghanistan. The programme was ambitious and foresaw the introduction of new weapons systems and new types of forces, namely special forces. Many officers were indoctrinated during their education in the Soviet Union and were considered important Soviet resources in the country, although the authorities in Kabul did not trust them and hesitated in promoting them to senior positions. For this reason among others the PDPA and notably its radical wing developed strong roots in the army. By 1978, its 5,000 officer members represented roughly one-third of the entire membership of the party.

Afghanistan did not appear to Soviet officials as a *terra incognita*. Moscow had gathered long experience in assisting the country, although no single attempt at modernisation, from the 1920s onwards, had succeeded. Both Islamic and leftist opposition to the regularly changing governments in Kabul had grown considerably in the country before the 1978 coup. Gulbuddin Hekmatyar and Burhanuddin Rabbani, two prominent leaders of the armed resistance to the PDPA regime, had both recruited their supporters from the Muslim youth movement that had been established in the late 1960s, which had grown almost in parallel to the national democratic youth movement led by Nur Mohammed Taraki, the official leader of the 1978 coup.

## 2. Technical assistance and capacity-building for the Taraki regime

After taking over in Kabul in April 1978, the PDPA regime declared a policy of 'socialist' transformation of the country. It sought to win political and social support through the quick implementation of a series of reforms not entirely new to Afghanistan. These included, *inter alia*, the accelerated pursuit of land reform by distributing confiscated land among peasants. It put an emphasis on providing education to the predominantly illiterate population. The government intended to expand the state sector in the economy by developing industries. It also promoted the idea of women's emancipation and particularly that of increasing women's literacy. The government promised to ensure the equality of all peoples residing in the country. Mr Taraki (who served as President from May 1978 to September 1979) verbally committed himself to Islam and the neutral status of the country.

At the same time, the regime developed ambitious plans for building state institutions. Given that local specialists had left the state administration en masse after the coup, the PDPA sought to compensate their exodus by importing expertise and know-how from the Soviet Union. This move resulted in the large-scale experiment of Sovietisation.

### 2.1 The toolbox of the Soviet policy

Following the request from Kabul, the Soviet Union launched a massive effort to provide technical assistance by seconding hundreds of **advisers** to the government in Kabul. A group of senior advisers from the Communist Party of the Soviet Union (CPSU) consulted the PDPA leadership on all relevant policy issues and specifically on the build-up of the PDPA party itself. Soviet advisers were seconded to all ministries. Each minister was provided with at least two advisers who worked on decisions to be taken and consulted with the ministers. Soviet advisers were tasked with building the security service, intelligence, social organisations and mass media. Particular importance was attached to restructuring the Afghan armed forces along the lines of the Soviet model. Priority was also given to modernisation and increased mobility. Advisers were seconded down to the regiment level. Political officers were introduced in the army in order to ensure its loyalty.



By the end of 1979, 1,500 Soviet advisers had been seconded to the civil agencies of Afghanistan, with 3,500 to 4,000 military personnel and technical experts working in the armed forces of the country. Their general assignment was to transfer Soviet know-how in their respective areas by assisting the administration in decision-making and in the organisation of practical work. The more specific mandate of the advisers' teams included four main objectives, to

- consolidate and broaden political and social support for the PDPA;
- increase the influence of the PDPA in the army;
- create social organisations with broad membership (youth, women's and labour organisations); and
- set up the structures of the central government.

In the government domain, the emphasis was put on seconding Soviet staff to central government. There were almost no advisers seconded to provincial administrations, which were left on their own.

The Soviet Union took over the burden of **economic assistance** to Afghanistan, which steadily grew with demands from Kabul. It included, among other things:

- the supply of energy sources, especially petroleum products. Moscow compensated the interrupted supply from Iran and covered 62% of Afghanistan's annual consumption;
- the provision of long-term credit on beneficial conditions;
- coverage of 80% of the costs of agreed projects worth some \$450 million annually, totalling almost \$2.3 billion appropriated over a period of five years;
- the costs of Afghanistan's imports of consumption goods worth \$250 million a year;
- food supplies; and
- training in the Soviet Union for students and military personnel.

Moscow also massively increased the amount of **military assistance** (arms transfers) to the Kabul government.

## 2.2 The effect

While the Soviet Union was providing intensive technical and material assistance to the Taraki government, *the political ownership of the process*

*largely remained with Kabul.* The Taraki regime revealed little competence or comprehension of the developments in the provinces. Most importantly, the government displayed little ability or willingness to learn from those developments and improve its performance. All appointments were made on the basis of the political, tribal or clan affiliations of the candidates. Competence was not an issue at all. The inner strife between the two factions (Khalq and Parcham) of the PDPA paralysed the government, which had never managed to reach out to the provinces and had further isolated itself. At the same time, the majority of the Soviet advisers not only proved to have little knowledge themselves but also failed to appreciate the real situation in Afghanistan. Their advice was predominantly dogmatic and often exacerbated the failures of the government in Kabul.

As a result, the top-down reforms did not increase the popularity of the government. Instead, they triggered a flow of refugees and opposition. It is characteristic, however, that it was not specifically the introduction of Soviet practices but largely *changes towards social modernisation that alienated the initially rather indifferent population.* Notably land reform provoked strong resistance in the rural areas. Peasants, en masse, refused to take land from the landlords whom they had traditionally seen as a buffer and a source of protection from the central government. The majority of provinces did not even think of introducing the reform. In July 1979, Kabul was forced to stop its implementation programme. Previously, the first major crisis that had shaken the Kabul government and alarmed Moscow concerned another issue, being the upheaval in Herat in March 1979 that had begun with a protest against women's education.

In addition, Kabul messed up its relations with the Muslim clerics who led the protest and resistance. It failed to deliver on the promise to ensure the equality of peoples. On the contrary, Hafizullah Amin, the mastermind behind the 1978 coup and Kabul's policies in 1978 and 1979 (serving as Prime Minister in the Taraki government before succeeding as President), pursued the policy of further 'Pashtunisation' of the country.

The government in Kabul responded to the political strife within the party, the resistance to reforms and the mounting opposition by increasing the repressive nature of the regime. It not only sought to force through top-down reforms but also began to use military force intensively against the opposition. These tactics increased the isolation of the government and weakened support for it, which led to its loss of the army as an instrument of its policy. The number of deserters grew sharply. By the end of 1979, the

army had shrunk from 90,000 to 40,000 and had lost half of the officers. The government units often changed sides and joined the opposition. Units loyal to different factions in the PDPA repeatedly fought each other. The regime no longer trusted the army and sought to escape the collapse by Soviet military intervention.

### **2.3 Moscow's response**

The Soviet leadership was aware of the danger of military intervention as it saw the Kabul regime increasingly being isolated and realised that intervention would result in fighting against the population. Therefore, Moscow's response was threefold. It urged President Taraki to change his policies. Moscow was also prepared to increase the support given to the regime significantly and considered assistance to raise the combat readiness of Afghanistan's armed forces dramatically.

*Kabul was urged* in particular to

- broaden its social and political support by establishing a united front that brought together different strata of Afghan society. Such a front was viewed as a tool for political education and engaging the population;
- restore the unity of the PDPA and reintegrate the Parcham faction into the government. Moscow went as far as to advise Kabul to include the moderate Islamic opposition in the political consultations and even in the government;
- stop repression and torture, and abide by the legal norms;
- consolidate and strengthen the army;
- end the practice of government appointments based on loyalty to the Taraki (Khalq) faction;
- establish control along the borders with Pakistan and Iran in order to prevent insurgency;
- seek an arrangement with Pakistan; and
- combat the armed resistance on its own.

*Moscow was prepared* to increase significantly its financial, economic, military, ideological and technical assistance to help Kabul meet those ends. In April 1979, in a memorandum to the Politburo, the KGB Chief Yuri Andropov, Foreign Minister Andrei Gromyko, Defence Minister Dimitri

Ustinov and the head of the CPSU Central Committee for the International Department Boris Ponomarev laid out what was to become the Soviet policy:

- continued political support for Kabul;
- increased arms supplies, financial and economic assistance;
- the training of personnel;
- support for establishing a system of political education;
- the intensification of visits and exchanges at various levels;
- political and diplomatic measures to curb external interference; and
- briefings to other socialist countries about the measures to be taken.

Yet few believed that this policy would work. In another memorandum of late June 1979, the same senior group on Afghanistan questioned the effectiveness of providing further support to Kabul. It described **the army as the single most important instrument that could alleviate the situation**. Hence, the emphasis was put on increasing the capacity of the armed forces to combat the insurgency. A large group of senior Soviet military staff inspected Kabul's army in August 1979 in order to assess its needs and recommend policies to improve its performance substantially.

### 3. The invasion

Moscow's strategy to increase the capacity of the Afghan armed forces was never properly tested, although there were signs that it was unlikely to work. From September 1979 onwards, any larger operation of the army was conducted only with the approval of the Soviet military advisers. The latter worked on raising the army's readiness and took over the planning of operations. Although the Soviet military registered some improvements in autumn 1979, this effect began vanishing by the end of the year.

The strategy was not given time to be tested because of the coup in Kabul in September, which resulted in the murder of President Taraki and the takeover by Mr Amin (who served as President from September to December 1979). Few in Moscow would have expected President Amin to follow the political advice given and be able to consolidate the regime. Particularly the KGB was convinced that no arrangement with Mr Amin would help and that only his replacement could save the regime. The

Soviet Union was prepared to intervene militarily in order to remove President Amin and install a more cooperative leader, doing so in December 1979.

### 3.1 Moscow's objectives and tools

The political agenda for Afghanistan was set in Moscow only after the invasion, in January 1980, and was similar to what the Kremlin had wanted from the late President Taraki. In succeeding Mr Amin as President, Babrak Karmal (the leader of the PDPA's Parcham faction), was expected to

- consistently pursue the policy of restoring the overall unity of the PDPA;
- form a broad alliance of 'leftist and democratic' organisations under the leadership of the PDPA and reach out to young persons, especially students;
- negotiate with key tribes the terms necessary for ceasing the resistance;
- collaborate with moderate Islamic clerics in order to isolate 'reactionary' ones; and
- develop cooperative relations with the Shiites.

The Soviet contingent dispatched to the country included 50,000 military personnel, 2,000 civil personnel and 1,000 KGB officers. This contingent was not only supposed to take control of important facilities and communications, but also to cultivate **civil services**, such as medical assistance to the population, and build schools, hospitals and repair roads. It was further tasked with establishing a system of political education around the PDPA in order to raise a new political elite in the country that would be committed to the socialist option.

**The strengthening of political education and propaganda** was given high priority. Moscow provided additional staff for the Kabul bureau of the press agency Novosti, who were to help their Afghan counterparts prepare materials for printed media and disseminate printed matter and films. The Soviet measures included support for Afghan journalists. The focus was on the younger generation. Ideological cadres of the PDPA were trained at the Academy of Social Sciences under the PDPA Central Committee. Moscow finally shipped to Kabul the radio station that had been promised to the late President Taraki.

### 3.2 The effect

President Karmal was more responsive to the advice given, yet at the same time he was perceived as a very weak leader. He began by promising a radical change in policy. A new constitution was adopted. The red banner of the rival Khalq faction was replaced by a green, black and red one. Some 15,000 political prisoners were released. Decrees were issued to reverse the property confiscations that had taken place under the late President Amin. Wages and officers' salaries were raised. Peasants were provided with seeds, fertilisers and credit. Prices for agricultural products were increased. The intentions to admit other 'progressive patriotic parties' and to hold free elections were declared.

Kabul signalled a policy of reconciliation with Islam by readmitting religious symbols, although steps in that direction largely reproduced the rigid Soviet model. A department for religious affairs was established under the Council of Ministers and then transformed into a ministry at a later stage. In Kabul, 20 new mosques were constructed and 800 were repaired. The institute of field mullahs was introduced in the army, which partially helped to improve the morale of the troops. State funding was given to newly established religious institutions for the purposes of 'explaining the goals of the April revolution'. State funding was also available for pilgrims.

The key project President Karmal was supposed to work on was the establishment of a united national front to increase acceptance of the regime. A conference of Afghan 'national and patriotic forces' was established in 1980, which later became a national front in 1981 and included the PDPA, trade unions, the PDPA youth organisation, the Women's Union, and the Union of Writers and Journalists. Those organisations represented 2% of the Afghan population. By 1983, President Karmal had succeeded in increasing the membership of the PDPA from 80,000 to 100,000.

Despite some changes, the regime largely failed to meet the benchmarks set by the Soviet Union. The national front failed to find anchorage in the provinces. President Karmal sought to substitute it by reviving the traditional institution of the *loya jirga* - a grand council of the seniors of the local tribes. Kabul never risked holding 'free elections'. And in 1981, it publicly admitted the failure of the land reform.

The record on consolidating the army was ambiguous. By 1981, the number of servicemen had further dropped to some 25,000. Following pressure from Soviet advisers, Kabul reduced the age of the draft from 22 to 20, drafted reservists under the age of 35 for a second term and extended the length of military service to three years. These steps enabled the army to grow to 130,000 but did not help to improve its morale. The army continuously avoided engaging in fighting.

Meanwhile, inner strife within the party continued. The PDPA and particularly its leadership remained isolated from society. The perpetual practice of politically biased appointments resulted in a further deterioration of the administration's competence at all levels. The initiation of negotiations with Pakistan and Iran failed, as Islamabad insisted on the formation of a government with free elections.

The more President Karmal failed to meet the benchmarks, the more repressive his regime became. Furthermore, Mr Karmal consistently pursued the policy of *transferring burdens and responsibilities* to the Soviet representatives. He largely succeeded in doing so. As a result, it was particularly the Soviet troops who were not only directly involved in warfare but who also took over the main burden of it from the summer of 1980.

### 3.3 Moscow's response

The Soviet Union grew increasingly disappointed with developments in Afghanistan and especially the performance of the leadership of the PDPA. Tension developed between Moscow and Kabul. As dangerous developments became more apparent, the Soviet leadership sought to respond by **increasing weapons and food supplies**, and by **accelerating the training of Afghan officers**. Yet it also became clear to Moscow that this strategy was not working out. The more resources were invested, the less was the effect of Moscow's policy.

The Kremlin gradually came to realise that continuing the war was not a viable option. In 1985, the commander of the 40<sup>th</sup> army, the operative group of the Defence Ministry and the General Staff assessed the situation as hopeless and urged pulling out of Afghanistan. The option of improving the capacity of the PDPA regime to the extent that it would be able to master the problems on its own was no longer considered realistic. Previously, in 1982, Yuri Andropov, by then General Secretary of the CPSU

Central Committee, had sought to explore the possibility of a political solution that was to be negotiated with Pakistan, but he had not been prepared to negotiate a regime change in Kabul. Even this limited attempt to change Soviet policy expired at the moment when Mr Andropov passed away in 1984. A thorough review of Soviet policy in Afghanistan was not initiated until 1985, under President Mikhail Gorbachev.

#### **4. The policy of national reconciliation**

The Gorbachev years are less instructive for the purposes of this paper. At this juncture, Soviet policy was no longer about the modernisation or reconstruction of the country but rather about identifying the best possible exit strategy. As President Karmal vehemently opposed the idea of a Soviet pullout, Moscow embarked on another change of leadership in Kabul, replacing Mr Karmal with Mohammed Najibullah, who took over as President in November 1986.

Moscow pushed a policy of 'national reconciliation', which abandoned the concept of political monopoly on the part of the PDPA and admitted the possibility of transforming the regime by embracing the idea of a coalition government that included the opposition. This shift was the beginning of a gradual dismantling of the socialist experiment in Afghanistan.

Despite some positive steps from that policy during 1987, not a single relevant resistance group engaged with Kabul. The opposition prepared for a decisive power struggle after the pullout of Soviet troops. In January 1989, it announced the creation of its own interim government in Rawalpindi in Pakistan. The United States insisted on the resignation of the PDPA. Pakistan insisted on the introduction of an Islamic regime and demanded the creation of an interim government in which the opposition was to comprise the majority. The Peshawar alliance would only agree to the establishment of an interim government for the purpose of monitoring the withdrawal of Soviet troops, provided it was led by Gulbuddin Hekmatyar and Ahmad Shah Masood. President Najibullah was not ready to give in to the Peshawar alliance's demand for a majority. Moscow began to explore the possibility of inviting the former king, Zahir Shah, to return from abroad and lead national reconciliation efforts.



Meanwhile, the single most important question was how long President Najibullah would be able to remain in Kabul after the Soviet pullout. Experts in neither the West nor the Soviet Union gave him more than three to four months.

Therefore, Moscow's exit strategy was focused on the means to extend the lifespan of the Kabul regime. The main component of this policy was establishing excessive reserves of weapons, ammunition and food prior to the Soviet withdrawal and sustaining these supplies thereafter. Moscow agreed to transfer weapons systems that were more sophisticated to Afghanistan. It continued to supply Kabul heavily with weapons and food throughout 1989 and 1990. Moscow intensified the training of Afghan officers, maintained a group of senior military advisers to the government and agreed to retain Soviet technicians in Afghanistan to assist in repairing military equipment. It also pledged to assist Kabul in establishing contacts with the opposition residing in Pakistan, Iran and Western Europe.

Because of the massive economic and military support, the regime kept going longer than expected. Nevertheless, in September 1991, the Soviet Union and the US reached an agreement to cease weapons supplies to Afghanistan from 1 January 1992. From that point, the Najibullah regime survived only four more months.

## **Conclusions**

The Soviet leadership became hostage to the idea first set out in 1979 that by no means could it afford to lose Afghanistan. That view triggered a fatal dynamic of conflict escalation, leaving little room for reconsidering and amending Moscow's policy objectives to enable them to become more realistic.

The Soviet knowledge of Afghanistan was rather superficial and the reality on the ground could not be comprehended through a pre-set template. The readiness of the Afghan population to embrace social change was not to the extent that Soviet leaders had assumed. And the assumptions made about the ability to mobilise wider political support for social change in the country's Islamic society proved wrong as well. So too did the assumption that land reform could induce such support.

The rejection of policy emanating from the Kabul government grew as a consequence of the heavy external presence – of both advisers and

troops. The long record of friendly relations between Afghanistan and the Soviet Union was unable to alleviate the friction.

Moscow saw technical assistance and military intervention merely as technical tools to strengthen the government in Kabul and stabilise the situation. Despite a dramatic increase in the amount of assistance provided, the situation did not improve – indeed, it worsened. The gap between the amount of assistance given and the effect achieved constantly rose. The dramatic growth in the number of Soviet advisers dispatched to the country did not make a difference. The advisers did not register any significant progress in achieving the benchmarks set by Moscow.

The majority of Soviet advisers had little knowledge of the country. They proved rather incompetent and failed to provide Moscow with appropriate feedback. Yet Soviet discourse remained highly indoctrinated, thus preventing both Moscow and Kabul from sharing ownership of the process with the different political and social forces in Afghanistan. Furthermore, there was little or no coordination of activities among the groups of advisers. Representatives of various agencies developed different, even diverging views of the objectives to be achieved.

The PDPA proved to be a weak and incompetent partner. At the same time, either Moscow had limited leverage over Kabul (during 1978–79) or Kabul demonstrated responsiveness (after 1980) but was unable or unwilling to follow the direction Moscow recommended. The regime remained isolated and failed to reach out to the provinces.

The Soviet Union largely failed in capacity-building as regards both central and local government. As a result, Moscow allowed Kabul largely to transfer the burden and the responsibility for the unpopular policy onto Soviet advisers and troops.

# Afghanistan 2007: Problems, Opportunities and Possible Solutions

**Peter Bergen\***

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The year 2007 will likely be a 'make or break' year for Afghanistan, for the international efforts there, and conversely, for the efforts of the Taliban and their al-Qaeda allies to turn the country back into a failed state.

Afghanistan today looks something like Iraq did in the summer of 2003 with a growing insurgency in terms of the exponentially rising use of improvised explosive devices (IEDs) and the deployment of suicide bombers, the decline of reconstruction efforts because of security concerns and a descent into chaotic violence in substantial portions of the country. Add to this the sad fact that the United States-led occupation of Afghanistan has coincided with the country becoming the world's premier source of heroin.

There are, however, some key differences between Afghanistan and Iraq: Afghans have already suffered through more than 20 years of war and they are tired of conflict; in addition, the Taliban remain deeply unpopular and the American and NATO military presence is welcomed by the vast majority of Afghans.

And so, 2007 represents a real opportunity to put the country back on course. Afghanistan will, of course, never become Belgium, but it does have a chance to succeed, as long as success is defined realistically: Afghanistan is likely to be a fragile, poor, weak state for the foreseeable future, but one where security can be significantly improved, allowing for the emergence of a more open society and a more vibrant economy.

This paper is divided into three sections. The first part analyses Afghanistan's problems. The second section of the paper addresses potential opportunities that exist for the country and the third section examines some possible solutions to Afghanistan's problems.

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## **1. The problems**

### **1.1 The return of the Taliban**

NATO and the US military are now battling the Taliban on a scale not witnessed since 2001 when the war against the Taliban began. When this author travelled in Afghanistan in 2002 and 2003, the Taliban threat had receded into little more than a nuisance. But now the movement has regrouped and rearmed. Mullah Dadullah, a key Taliban commander, gave an interview to al-Jazeera in the past year in which he made an illuminating observation about the scale of the insurgency. Mr Dadullah put Taliban forces at some 12,000 fighters – larger than the estimate informally conveyed by a US military official of between 7,000 and 10,000, yet a number that could have some validity given the numerous part-time Taliban farmer/fighters. Bolstered by a compliant Pakistani government, hefty cash inflows from the drug trade and a population disillusioned by battered infrastructure and lacklustre reconstruction efforts, the Taliban are back.

In the past year, this author travelled to Afghanistan four times, meeting with government officials and ordinary Afghans. On two occasions, the journeys involved embedding with American soldiers of the 10<sup>th</sup> Mountain Division fighting the Taliban in the east and south of the country and on one travelling with a NATO delegation and interviewing key American military officers to get a sense of the seriousness of the renewed Taliban insurgency. The impression gathered was that while the Taliban may not yet constitute a major strategic threat to the Karzai government, it has become a serious tactical challenge for both US troops and NATO soldiers.

A hundred miles to the south of Kabul, for instance, the Taliban have appeared in force in nearly half the districts of the Ghazni province, which sits astride the most important road in the country, between Kabul and the southern city of Kandahar. It is today considered suicidal for non-Afghans to drive along that road without security. In southern Afghanistan, reconstruction has ground to halt and foreigners can only move around safely if they are embedded with the military or have substantial private security. Around Kandahar itself this past summer, fierce battles raged between the Taliban and NATO forces, with the latter encountering much stiffer resistance than they had anticipated. As put by a former senior

Afghan cabinet member in September 2006, "If international forces leave, the Taliban will take over in one hour".

### *Why did the Taliban come back?*

First, key mistakes were made by the Bush administration in the first years of the US-led occupation of Afghanistan, owing to a variety of ideological *idée fixes* that included a dislike of 'nation building', an aversion to reliance on international forces and a preoccupation with Iraq as a supposed centre of world terrorism. That meant that Afghanistan was short-changed on a number of levels. The initial deployment of international troops was the lowest per capita commitment of peacekeepers to any post-conflict environment since World War II. The Pentagon also initially blocked efforts by soldiers of the International Security Assistance Force (ISAF) to patrol outside Kabul and to extend a security umbrella to other parts of the country until August 2003. These early errors helped pave the way for the resurgence of the Taliban.

Second, Afghanistan's ballooning drug trade has succeeded in expanding the Taliban ranks. It is no coincidence that opium and heroin production, which now is equivalent to one-third (36%) of Afghanistan's licit economy spiked at the same time that the Taliban staged a comeback. A US military official remarked that charities and individual donations from the Middle East are also boosting the Taliban's coffers. These twin revenue streams – drug money and Middle East contributions – allow the Taliban to pay their fighters \$100 or more a month, which compares favourably to the \$70 salary of an Afghan police officer. Whatever the source, the Taliban can draw upon significant resources, at least by Afghan standards. One US military raid on a Taliban safe house in 2006 recovered \$900,000 in cash.

A third key to the resurgence of the Taliban can be summarised in one word: Pakistan. The Pakistani government has proven unwilling or incapable (or both) of clamping down on the religious militia, despite the fact that the headquarters of the Taliban and its key allies are located in Pakistan. According to a senior US military official, not a single senior Taliban leader has been arrested or killed in Pakistan since 2001 – nor have any of the top leaders of the militias headed by Gulbuddin Hekmatyar and Jalaluddin Haqqani, who are fighting US forces alongside the Taliban. For example, Amir Haqqani, the leader of the Taliban in the central province of

Zabul, “never comes across the border” from Pakistan into Afghanistan, as noted by a US military official based in Zabul.

US military officials hold that the Taliban’s most important leadership council, the Quetta Shura, is based in the capital of Pakistan’s Balochistan Province; the important Peshawar Shura is headquartered in Pakistan’s North-West Frontier Province. In addition, Gulbuddin Hekmatyar operates in the tribal areas of Dir and Bajur. Jalaluddin Haqqani is based in Waziristan and al-Qaeda has a presence in both Waziristan and Chitral – all Pakistani regions that border Afghanistan. A senior US military official observed that the Pakistanis have taken “no decisive action on their border” to deal with the Taliban. In view of Pakistan’s upcoming 2007 presidential election, it can be inferred that the Pakistani government is doing even less than in the past because the Musharraf government is aware of how unpopular military action against the Taliban is in their border regions with Afghanistan.

It should be noted, however, that the Taliban has released videotapes over the past year in which they attack the Musharraf government as an ‘infidel’ government because of its cooperation with the US in the war on terrorism. Moreover, the Taliban has attacked Pakistani government posts on the Afghan–Pakistani border. One such attack killed six soldiers of the Tochi Scouts in January 2006, an attack that the Taliban’s new propaganda arm, Ummat studios, recorded on video and distributed to jihadist websites. The Pakistani government also denies it is providing a safe haven for the Taliban leadership.

An explanation for the seeming dichotomy between the fact that US intelligence and military officials universally share the view that the Taliban is headquartered in Pakistan and the Pakistani government’s denial of this is that the Musharraf government does not completely control its own territory or security agencies. Under this line of thinking the Inter-Services Intelligence, the Pakistani military intelligence agency, at some levels continues to tolerate or maintain links with Taliban leaders. Many members of the Taliban grew up in refugee camps in Pakistan and they are very familiar with the country. In addition, an alliance of Pakistani religious political parties broadly sympathetic to the Taliban, the Muttahida Majlis-e-Amal (or MMA), controls both the North-West Frontier Province and, to some degree, Balochistan, the regions where the Taliban are presently headquartered.

A fourth reason for the Taliban's recent resurgence is that it has increasingly morphed tactically and ideologically with al-Qaeda, which itself is experiencing a comeback along the Afghan-Pakistani border. The story of al-Qaeda's renaissance begins with its eviction from Afghanistan in late 2001. Unfortunately, the group did not disintegrate – it merely moved across the border to the tribal regions of western Pakistan, where today it operates a network of training camps. A former American intelligence official stationed in Pakistan held that there are currently more than 2,000 "foreign fighters" in the region. The camps are relatively modest in size. "People want to see barracks. [In fact,] the camps use dry riverbeds for shooting and are housed in compounds for 20 people, where they are taught callisthenics and bomb-making", explained a senior American military intelligence official. Taliban and al-Qaeda videotapes released in 2006 on jihadist websites also demonstrate that the camps in Pakistan's tribal areas are training new recruits.

Al-Qaeda's resurgence in Pakistan was noted by Dame Eliza Mannigham-Buller, the head of the UK's domestic intelligence service MI5, who in a rare public statement in November said, "We are aware of numerous plots to kill people and damage our economy...thirty that we know of. These plots often have linked back to al-Qaeda in Pakistan and through these links al-Qaeda gives guidance and training to its largely British foot soldiers here on an extensive and growing scale." Similarly, the plot by a group of British citizens to blow up as many as 10 American passenger jets with liquid explosives, uncovered in the UK last August, was "directed by al-Qaeda leadership in Pakistan", according to the Director of the Defence Intelligence Agency, Lieut. General Michael D. Maples in his recent testimony to the US Senate Intelligence Committee.

### *The Taliban's strengthening influence*

The Taliban were a provincial bunch when they held power in Afghanistan, but in the past couple of years, they have increasingly identified themselves as part of the global jihadist movement, their rhetoric full of references to Iraq and Palestine in a manner that mirrors Osama bin Laden's public statements. Mullah Dadullah, the Taliban commander, gave an interview to CBS News in December 2006 in which he outlined how the Taliban and al-Qaeda cooperate: "Osama bin Laden, thank God, is alive and in good health. We are in contact with his top aides and sharing plans and operations with each other." Indeed, a senior American military

intelligence official observed, “trying to separate Taliban and al-Qaeda in Pakistan serves no purpose. It’s like picking grey hairs out of your head.”

Suicide attacks, IEDs and the beheadings of hostages – all techniques al-Qaeda perfected in Iraq – are being employed by the Taliban to strengthen their influence in the southern and eastern parts of Afghanistan. Hekmat Karzai, an Afghan national security expert, points out that suicide bombings were virtually unknown in Afghanistan until 2005, when there were 21 such attacks.<sup>1</sup> According to the US military, there were 139 suicide attacks in 2006. This exponentially rising number of suicide attacks is mirrored by other grim statistics – IED attacks in Afghanistan more than doubled from 783 in 2005 to 1,677 in 2006, and the number of ‘direct’ attacks by insurgents using weapons against international forces tripled from 1,558 to 4,542 during the same period. The year 2006 also saw a record number of 98 US military and 93 NATO deaths. At least 1,000 Afghan civilians died last year in clashes between the Taliban and the coalition; 100 of those deaths were the result of US or NATO actions, as reported by Human Rights Watch.

Just as suicide bombings in Iraq have had an enormous strategic impact – from pushing the UN out of the country to helping spark a civil war – such attacks might also plunge Afghanistan into chaos. Already, suicide attacks and the Taliban resurgence have made much of southern Afghanistan a ‘no-go’ area for both foreigners and any reconstruction efforts. Luckily, for the moment the suicide attackers in Afghanistan have not been nearly as deadly their counterparts in Iraq. As one US military official commented, almost all of the Taliban’s suicide bombers are “Pashtun country guys from Pakistan”, with little effective training.

## 1.2 The drug economy

That Afghanistan has a large drug economy is well known. Poppy cultivation for opium in Afghanistan grew by 60% last year and it is widely acknowledged that the Taliban resurgence is being fuelled by the profits of this opium trade. Afghanistan is the source of an astonishing 92% of the world’s heroin supply.

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<sup>1</sup> This finding is reported in Hekmat Karzai’s analysis in this ESF Working Paper.



Nevertheless, four fundamental propositions must be understood about the drug economy in Afghanistan: first, abruptly ending it would put millions of people out of work and impoverish millions more, as the only really functional part of the economy is poppy and opium production. Second, Afghanistan is one of the poorest countries in the world and many rural Afghans have very few options to make money other than to engage in poppy-growing. Third, Afghan support for poppy cultivation is on the upswing – 40% now call it acceptable if there is no other way to earn a living, with two out of three Afghans living in the south-west saying it is acceptable, the region where much of the poppy is grown. And so ending the drug economy is simply not going to happen anytime in the foreseeable future. Fourth, and most importantly from an American and NATO national security perspective, drug policy in Afghanistan as it is presently constructed is helping the Taliban to thrive as they benefit from the trade. Bizarrely, our drug policy helps to fund our enemies. (Possible solutions to this problem can be found below.)

### **1.3 Weakness of the Afghan state – A result of the lacklustre reconstruction efforts, corruption, weakness of the police and failures of Afghan governance**

The outgoing commander of US troops in Afghanistan, Lieut. General Karl Eikenberry, has drawn a clear link between reconstruction and violence: “Wherever the roads end, that’s where the Taliban starts”. Certainly, Afghanistan needs much more reconstruction. The key road from Kabul to Kandahar – a nightmarish 17-hour slalom course when taken under the Taliban regime and now a smoother 7-hour drive – remains the only large-scale reconstruction project completed in the country since the US-led invasion. Kabul residents have access to electricity only four to six hours a day, if they have electricity at all. Along with endemic corruption and the common perception that the billions of dollars of promised aid has mostly lined the pockets of non-governmental organisations, the infrastructure gap feeds resentment among ordinary Afghans, some of whom may be tempted to throw in their lot with the Taliban.

Some of the failures in Afghanistan are, of course, the responsibility of Afghans. Warlords such as Gul Agha Sherzai in Kandahar were given high political office. President Hamid Karzai’s staff is widely viewed as

weak and inexperienced, although Mr Karzai has recently replaced his chief of staff. Highly competent ministers such as Foreign Minister Dr Abdullah and the finance minister Ashraf Ghani have been forced out of the government for no discernible good reason. There is little true representation of Pashtun political interests in parliament because President Karzai appears to distrust political parties.

## **2. Opportunities**

There have been successes since the fall of the Taliban – as many as 5 million refugees have returned to Afghanistan from neighbouring Pakistan and Iran. Refugees do not return to places they do not see as having a future. Presidential and parliamentary elections have occurred with a high degree of participation by Afghan voters. Millions of boys and girls are back in school and the Afghan army has developed into a somewhat functional organisation. Afghanistan has also developed something of an independent press, with private television stations such as Tolo TV springing up.

An ABC News/BBC poll released in December 2006 shows that despite the disappointments that Afghans have felt about inadequate reconstruction and declining security on a wide range of key issues, they have positive attitudes. It is classic counter-insurgency doctrine that the centre of gravity in a conflict is the people. And the Afghan people, unlike the Iraqis, have positive feelings about the US-led occupation, their own government and their lives. The conclusions of the ABC/BBC poll are worth quoting in some detail:

Sixty-eight percent approve of [President] Karzai's work – down from 83 percent last year, but still a level most national leaders would envy. Fifty-nine percent think the parliament is working for the benefit of the Afghan people – down from 77 percent, but still far better than Americans' ratings of the U.S. Congress...Big majorities continue to call the U.S.-led invasion a good thing for their country (88 percent), to express a favourable opinion of the United States (74 percent) and to prefer the current Afghan government to Taliban rule (88 percent). Indeed eight in 10 Afghans support the presence of U.S., British and other international forces on their soil; that compares with five percent support for Taliban fighters...Fifty-five percent of Afghans still say the country's going in the right direction, but that's down sharply from 77 percent last year. Whatever the problems, 74 percent

say their living conditions today are better now than they were under the Taliban. That rating, however, is 11 points lower now than it was a year ago.<sup>2</sup>

These poll results, which are very similar to another poll taken in December 2006 by World Public Opinion.org through their Program on International Policy Attitudes, demonstrate that there remains strong support for the Afghan central government and US/NATO efforts in Afghanistan. Two other interesting points to note: according to both the ABC/BBC poll and that of World Public Opinion.org, no other Muslim nation appears to have a more negative view of Osama bin Laden. Both polls found that nine out of ten Afghans had a negative view of al-Qaeda's leader. Similarly, nine out of ten Afghans say there is no justification for suicide bombings.

### **3. Solutions**

#### **3.1 On the drug trade**

The current counter-narcotics strategy that favours poppy eradication is by all accounts a failure. This is the conclusion of a range of sources, from Afghan experts to narco-terrorism specialists to the reports by the US Government Accountability Office and the United Nations Office of Drug Control (both of which were published recently).

Vanda Felbab-Brown, a Research Fellow at the Kennedy School at Harvard, has researched counter-narcotics strategies in Columbia, Peru, Lebanon, Turkey and Afghanistan and found that terrorists and insurgents do not simply use the drug trade as a financial resource, but also draw substantial political gains and legitimacy from drug-trafficking. Consequently, an 'eradication first' policy is not only bound to fail – the crops will simply shift and appear elsewhere – but it will also foment a backlash among that segment of the local population that has developed ties to the belligerents through the narco-economy. For instance, local populations could withhold human intelligence that could be critical to the campaign against the reinvigorated Taliban insurgency. Instead, the US

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<sup>2</sup> Derived from a nationwide ABC News/BBC World Service survey conducted by Charney Research of New York with fieldwork by the Afghan Centre for Social and Opinion Research in Kabul.

should focus on defeating the insurgents and concentrate their anti-narcotics efforts on interdiction and money laundering.

The administration's new plan to begin chemical ground spraying – a plan the US has pressured the Afghan government into accepting and which is supposed to begin in the spring (although it may have already begun), is in fact nothing new at all. It is simply another version of the eradication first policy, which will only solidify alliances between farmers and the Taliban. A new strategy is called for.

Instead of eradication, we need to begin splitting the fragile links between farmers/local populations and the Taliban by concentrating our efforts on building up viable alternative livelihoods in both farming and other sectors. This approach means providing seeds for crop substitution and a build-up of roadways to transport those crops to market. In the short term, while that infrastructure is being established crop substitution will only really work if Afghans can obtain roughly the same income that they receive from poppy production for whatever crops are substituted. This point suggests that the international community should consider subsidies for Afghan crops such as cotton, fruits and nuts similar to the subsidies that the US and the European Union pay for the products of many of their farmers. This plan would not come cheap, but if it could substantially reduce the drug economy, it would weaken the Taliban and make the country much more secure – which is a trade-off worth the costs involved.

While the narco-economy is valued at around \$3 billion, most of that flows out of Afghanistan and farmers only receive about \$600 million of it. Meanwhile, in FY2005, the US allocated almost \$800 million for the counter-narcotics effort in Afghanistan, yet no more than 20% of that was targeted towards alternative livelihoods, and even that share was not spent in a coordinated fashion for national economic build-up. The US is clearly spending more money per year than the farmers make from opium and that money could be redirected towards subsidies for crop substitution.

Another additional approach is to allow Afghanistan to enter into the legalised opiate trade for morphine used for pain relief, a trade that is presently dominated by countries such as India and Turkey. Despite some legitimate criticisms of this idea – principally how one would make sure that Afghan opium was only going into the legitimate market – one low-risk strategy would be to allow the legalised opiate trade to debut as a pilot project on a small scale in a province with reasonable security and smaller-scale opium production, thus allowing greater regulatory control. If this

strategy worked in one province, it could then be implemented in other provinces. And the crop-substitution approach and the legalised opiate-trade approach are not 'either/or' solutions. Both could be implemented at the same time in different Afghan provinces.

Congress could then amend the '80-20 law' requiring US opiate manufacturers to purchase 80% of their opiate from India and Turkey (affording them a guaranteed market) to include Afghanistan. The latter is by far the most fragile democracy and economy of the three and the one in which the US has vital national security interests at stake, as the Taliban and al-Qaeda are substantially regrouping along the Afghan-Pakistani border. It is also worth noting that according to the UN, about 80% of the world's population living in developing countries consumes only 6% of the morphine distributed worldwide, which suggests that there is a large untapped market for legal opiates.

### **3.2 Rolling back the Taliban – More troops, better troops, fewer NATO caveats, a successful amnesty programme, more reconstruction, transforming the tribal belt in Pakistan and building up the Afghan police**

By all accounts, the spring of 2007 will be a bloody one. The present NATO strength of 33,250 is judged by NATO commanders to be insufficient by around 4,500 soldiers. The calls by US Defense Secretary Robert Gates in January 2007 for additional American troops to be sent to Afghanistan are to be welcomed as not only will those forces help fight the Taliban, they will also send a signal to regional players such as Pakistan that the US is in Afghanistan for the long haul. Around two years ago, the then Secretary of Defense Donald Rumsfeld announced that the US was planning to draw down its forces in Afghanistan. That sent precisely the wrong signal to the region. (For the moment, 3,200 US troops have had their tours extended by four months to cover the NATO shortfall.)

One caveat about the call by Secretary Gates for more American troops is that it depends on which troops are eventually sent. According to Afghan officials, US Special Forces working with the Afghan National Army are the most effective soldiers to attack the Taliban and al-Qaeda. Similarly, NATO member states must increase their troop strength and reduce the number of 'national caveats' that prevent, say, the Germans from flying at night and other such caveats that hamper the effectiveness of NATO forces on the ground in Afghanistan. In December 2005, one senior

NATO commander said he had 14 pages of national caveats with which to contend. While the British, Canadians and Dutch fought bravely over the summer in southern Afghanistan, other NATO member states that are part of the coalition must do more to match their efforts. NATO is also severely hampered by the lack of air assets it is able to draw upon.

An amnesty programme formally launched in 2005 by the Karzai government offers one promising approach to containing the Taliban threat. In Qalat, the provincial capital of Zabul, in the spring of 2006 this author witnessed US forces release Mullah Abdul Ali Akundzada, who was accused of sheltering Taliban members and had been arrested near the site of an IED detonation. In a deal brokered by the Karzai government and the US military, Mr Akundzada was handed over to a group of about 30 religious and tribal leaders, who publicly pledged that the released mullah would support the government. In an honour-based society such as Afghanistan, this programme is working well. According to both Afghan and US officials, only a handful of the more than 1,000 Taliban fighters taking advantage of the amnesty have gone back to fighting the government and coalition forces.

Transforming Pakistan's tribal belt is a critical national security interest of Afghanistan, Pakistan, the US and NATO countries, as that is where the Taliban has a safe haven and al-Qaeda is regrouping. Pakistan deployed at least 70,000 troops to the area in 2002, but they suffered hundreds of casualties and heavy-handed Pakistani tactics further alienated the population of the tribal areas. Over the past two years Pakistan has abandoned its 'military first' policy and started concluding peace agreements with militants in both South Waziristan and North Waziristan. Unfortunately, after the conclusion of the peace agreement in North Waziristan in early September 2006, there was a 300% rise in attacks from that region into Afghanistan according to the US military. And militants in Waziristan have since set up a parallel judicial system lynching and torturing civilians for infringements such as drinking, and documenting this on videotapes distributed by Ummat video, the Taliban's propaganda arm. Much of what is going on in the tribal areas is opaque as the Pakistani government has prevented international journalists from travelling anywhere near these areas, and Pakistani journalists have been detained or even killed when they report on the tribal regions.

This analysis is not the place to rehash the history of British and Pakistani rule in the tribal regions, which has certainly contributed to their

problems, but the present Pakistani policy that has wavered between the fist and appeasement has not worked well either. Pakistan has promised an aid package to the region of \$150 million while the US may also be prepared to grant substantial aid. A quid pro quo for this American aid is that the Pakistani government should allow international journalists and other neutral observers to visit the tribal areas (and not only for dog-and-pony shows organised by the Pakistani military). A further quid pro quo is that the Pakistani government should arrest Taliban leaders living in Pakistan, a policy that should be strongly endorsed by NATO countries such as Canada, the UK and the Netherlands, countries that bore the brunt of Taliban attacks in the summer of 2006.

The US should also pressure Afghanistan to recognise the Durand line drawn by the British in 1893 as the border between Afghanistan and the Raj. The fact that Afghanistan does not recognise this border aggravates tensions with Pakistan and helps the militants to move back and forth across the border. (Suggestions by Pakistan that they will mine the 1,500-mile border to prevent militants crossing are both impractical and strongly opposed by Afghanistan, which has suffered thousands of civilian deaths and injuries from mines left over from the Soviet conflict and subsequent Afghan civil war.)

Thus far, the US government has appropriated \$27 billion for Iraqi reconstruction, but only \$7 billion for Afghanistan – a country that is roughly the same size in population, a third larger geographically and utterly destroyed by two decades of war. Of the money appropriated, a State Department official has conveyed that only \$2.5 billion has actually been spent, despite Afghanistan's larger land mass and greater infrastructural needs. That works out to a paltry \$20 per year per Afghan over the past five years. Without greater investments in roads, power and water resources throughout Afghanistan, the Taliban will surely prosper and continue to gain adherents.

For that reason, the Bush administration calls for up to \$10 billion in aid to Afghanistan, of which the \$2 billion for reconstruction and \$8 billion for building up the Afghan police and army are to be welcomed. One important caveat on the reconstruction aid is that much of that aid should be funnelled through the Afghan government rather than recycled to US contractors. According to Ann Jones, a writer who has worked in Afghanistan as an aid worker, unlike countries such as Sweden (typically incurring only 4% of its aid costs from "technical assistance", which goes

back home to Sweden), “eighty-six cents of every dollar of American aid is phantom aid”, ultimately lining American pockets rather than going directly to Afghans.<sup>3</sup> For their part, Afghan government ministries must be more efficient at spending reconstruction money. Last year these ministries only spent 44% of the aid they were given. This year they are likely to spend 60%.

It is also time for the US to institute a long-term mini-Marshall Plan for Afghanistan. In early 2006, the Afghan government published the Afghanistan development strategy, which estimated that \$4 billion a year in aid for the next five years was needed to reconstruct the country. For this reason, the US should contribute at least half that sum every year for many years to come. Give the fact that the 9/11 attacks emerged from Afghanistan and cost the American economy at least \$500 billion, aid for Afghanistan so that it does not return to a failed state is a good investment. The US should commit itself to long-term reconstruction efforts in part to counter the Taliban, which is likely to be a threat for several years to come, but also because having overthrown the Taliban the US has responsibilities to Afghanistan. And a functioning, democratic Afghanistan will have a powerful demonstration effect on countries that surround Afghanistan such as Iran, Pakistan and the Central Asian republics, none of which are truly democratic states.

American aid should be tied to an Afghan public employment scheme similar to the Works Progress Administration programme implemented in the US following the Great Depression. Afghanistan has a chronic unemployment problem with a 40% unemployment rate and a desperate need for roads, dams and the clearing of agricultural aqueducts destroyed by years of war. Much of the labour required for these projects does not require great skill and millions of Afghans should be set to work rebuilding their country as a *quid pro quo* for a real American Marshall Plan for the country.

In short, there should be a military, diplomatic and reconstruction ‘surge’ to Afghanistan, a country where such efforts have a fighting chance of real success.

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<sup>3</sup> See A. Jones, *Kabul in Winter: Life without peace in Afghanistan*, New York, NY: Metropolitan Books, 2006, p. 267.



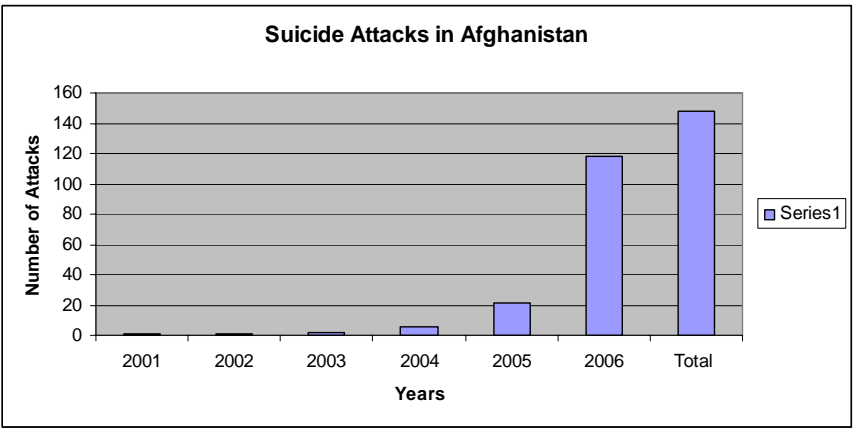
# Strategic and Operational Measures to Curb the Growing Threat of Suicide Terrorism in Afghanistan

Hekmat Karzai\*

Conflict has been a constant factor during the last three decades of Afghan history, but there was no record of suicide attacks until 9 September 2001, when two al-Qaeda members assassinated Commander Ahmad Shah Masood, the leader of the Northern Alliance.

After the coalition forces came to Afghanistan, the trend of suicide attacks started to emerge very slowly, with one attack in 2002, two in 2003 and six in 2004 (Figure 1). From this point onwards, however, the pace changed. Learning from the effectiveness of the insurgents in Iraq and other places, the groups carried out 21 attacks in 2005, with the southern city of Kandahar and the capital Kabul being the primary targets (Figure 2).

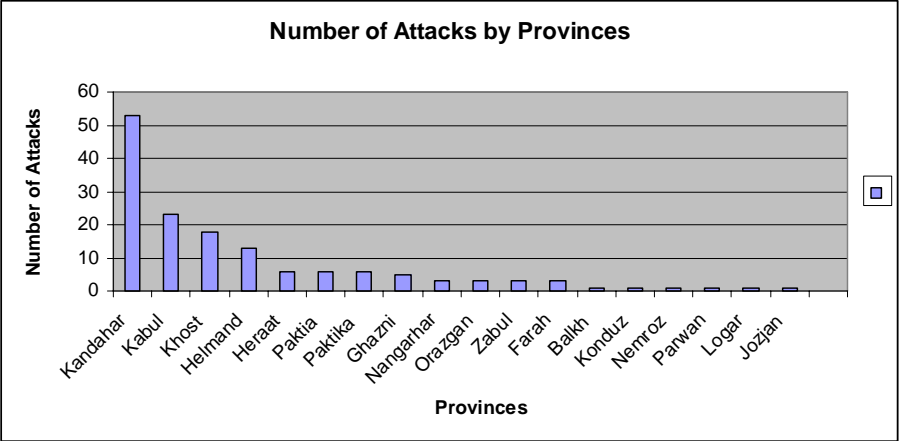
*Figure 1. Suicide attacks since 2001*



Source: Data from the CAPS Violent Actors Project, Centre for Conflict and Peace Studies, Kabul.

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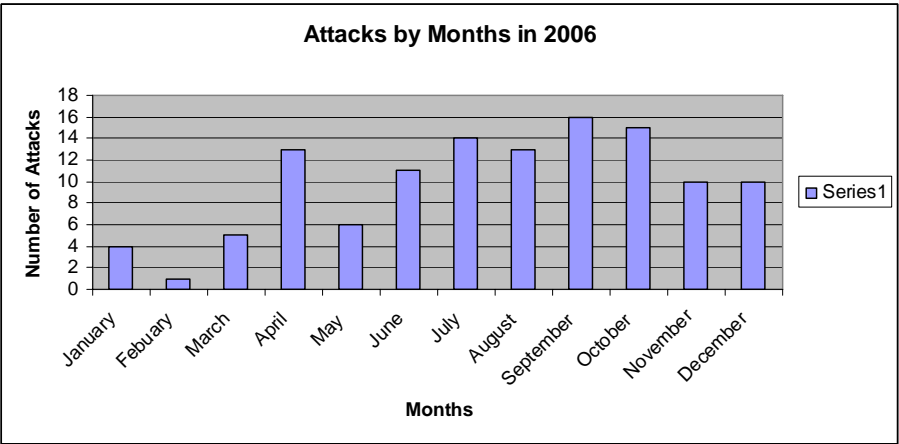
Figure 2. Suicide attacks by province



Source: Data from the CAPS Violent Actors Project, Centre for Conflict and Peace Studies, Kabul.

In 2006, there were 118 suicide attacks (Figure 3), with the latest ones targeting political and religious figures including the former President and current Senate leader, Professor Sibghatullah Mujaddedi and the late Governor of Paktia, Hakim Taniwal.

Figure 3. Suicide attacks carried out during 2006



Source: Data from the CAPS Violent Actors Project, Centre for Conflict and Peace Studies, Kabul.

As noted earlier, there are no records of suicide attacks taking place in Afghanistan prior to 9 September 2001. It is also true that the Afghan Mujahideen (freedom fighters) have no history of employing this tactic against the Russians; nor was it used by the Taliban or Northern Alliance against each other. Thus, a crucial question arises: Why did the Taliban, al-Qaeda and others shift towards this tactic?

There are several specific reasons why the Taliban and the foreign elements have decided that suicide terrorism is a useful tactic for Afghanistan.

First, the Taliban and al-Qaeda have concluded that suicide bombing is more effective than other tactics in killing Afghan and coalition forces. This conclusion is a direct result of the success of such groups as Hamas in Palestine, Hezbollah in Lebanon, the Tamil Tigers in Sri Lanka and various groups operating in Iraq. Suicide attacks allow insurgents to achieve maximum impact with minimal resources. Data show that when the insurgents fight US and coalition forces directly in Afghanistan, there is only a 5% probability of inflicting casualties. With suicide attacks, however, the chance of killing people increases several fold.

Second, the Taliban and al-Qaeda believe that devastating suicide attacks instil fear in people's hearts, leading people to believe that the government cannot protect them and thus further destabilising the authority of local government institutions. Consequently, the gap between the government and the population is slowly expanding.

Third, the Taliban and al-Qaeda have successfully tapped into the expertise and training of the broader jihadist community. Militants have imparted knowledge on suicide tactics to Afghan groups through the internet and face-to-face exchanges, and these militants – with al-Qaeda's assistance and recruitment from *madrasahs* in Pakistan – have supplied a steady stream of suicide bombers.

Fourth, suicide attacks are extremely effective as an assassination tactic, particularly when there is substantial security around the target. Since 2006 the Taliban and al-Qaeda have begun to use suicide attackers as assassins targeting important personalities, including the late Governor of Paktia, Hakim Taniwal, the former Governor of Helmand, Mohammed Daoud and Pacha Khan Zadran, a member of the Afghan parliament.

Finally yet importantly, suicide attacks have provided renewed visibility for the Taliban and their allies, which the guerrilla attacks were

failing to generate. Given their high casualty rates and high profile nature, every suicide attack conducted is reported in the regional and international media, providing greater exposure for the cause.

### **The origin of the attackers**

At the outset, there was a major debate about the identity of the attackers. Afghans especially were under the assumption that the majority of the suicide bombers were foreigners and such a tactic was an imported product. Yet the data implicates two groups of individuals who are involved in the attacks.

The first group of attackers who are indeed responsible for a significant number of attacks consists of men of foreign origins, who are influenced by the global ideological jihad against the West, most notably the US. They see Afghanistan as the second front of that jihad (the first being Iraq), which provides them an opportunity to face the enemy in battle. These individuals are profoundly inspired by the various radical clerics and even the Taliban, who are constantly preaching around the world and on the thousands of jihadist websites, with statements like “Afghanistan has been occupied by the crusaders and it is a personal obligation of the Muslims to fight against them”.<sup>1</sup> Thus encouraged and motivated they come to Afghanistan with the ultimate goal of attaining the esteemed status of martyrdom and setting an example for the rest of the Muslim *ummah*. Many of them are from countries such as Pakistan, Saudi Arabia and Chechnya.

A second, small group of attackers carrying out suicide attacks comprises Afghans.<sup>2</sup> While Afghans believe it is neither culturally acceptable nor a characteristic tactic of the Afghan people, they ignore the fact that Afghan culture is no longer as isolated as it may have been in the

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<sup>1</sup> This quote by Mullah Dadullah is derived from his interview with Al Jazeera on 14 February 2006.

<sup>2</sup> This assessment recognises that many of the bombers may originate from training camps in Pakistan. But the fact that they may come over the border does not necessarily make them Pakistani. An Afghan war orphan, having been educated and trained in a *madrasah* in Pakistan and perhaps having lived there for 15 years, who then returns to Afghanistan as a suicide bomber is still an Afghan irrespective of whether he still has any relatives or roots in Afghanistan.

past. At one point, a quarter of Afghanistan's population of 25 million became refugees and a certain segment of that population attended *madrasahs* in Pakistan, where they were radicalised and immersed in extremist ideologies. The training continues today and there is no shortage of recruits from these *madrasahs*.

Additionally, the relatively easy to access DVDs, VCDs and other forms of technology allows ideas to spread rapidly.<sup>3</sup> Underlying all of this is the exposure of Afghans to al-Qaeda, which has spread its extremist global ideology to various groups. During their reign, from June 1996 to November 2001, al-Qaeda and the Taliban established a very close 'marriage of convenience' wherein al-Qaeda supported and trained many Taliban cadres. Following the post-9/11 transformation of the Taliban from a conventional military force to an insurgent one, the effects of this training and indoctrination have become clear.

## Recommendations

Afghanistan is not the first nation to face the threat of suicide attacks and is unlikely to be the last. Although dealing with the threat may be difficult for any state, it is not impossible, especially if operational and strategic measures are implemented.

### *Operational measures*

- Most importantly, the Afghan government must enhance the capacity of its intelligence in order to disrupt the network that organises and supports such activities. Intelligence is the initial link in the chain of thwarting any terror attack, but is crucial for thwarting suicide attacks before these occur. As many researchers note, suicide attackers hardly ever work alone. There is always an underground infrastructure that provides the essential financial and material resources and arranges everything else, including target identification and the time and date

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<sup>3</sup> During the course of this research, the author found many DVDs and VCDs that depict suicide operations, the wills of martyrs and ideological sermons. The objective of most of them is straightforward – to inspire and motivate the particular segment of the population that is disillusioned with the coalition forces and the Afghan government to become involved in the jihad.

of the attack. Thus, the “crucial requirement in this struggle is ‘intelligence, intelligence, intelligence’”.<sup>4</sup>

- Police training in particular should be enhanced to better deal with tactics and strategies. Currently, the Afghan National Police is given a couple of weeks of general training and nothing specific on threat assessment or analysis. The police should be taught two sets of skills: a) methods for engaging the local community in a friendly and professional manner, which can lead to information about anything unusual witnessed in the area; and b) advanced counter-terrorism and counter-insurgency techniques, so they are better able to deal with violent groups. Police should also be provided with the necessary resources to handle the threat efficiently.
- The military, including both the coalition forces and the Afghans, have to stop using a heavy-handed approach, most notably the kind that results in the killing of innocent civilians. Instead, they must work with the communities and develop trust among one another. On countless occasions, the Taliban and al-Qaeda have exploited the behaviour of the coalition forces to expand their pool of recruitment for suicide attacks. Similarly, the force used in operations should be controlled because if one innocent civilian is killed, it takes a way the goodwill of an entire family, community and tribe.
- The Afghan military has to familiarise itself with the Taliban’s modus operandi and analyse their pattern of attacks. Analysing the data, it is quite clear that the two main targets of suicide attacks are the southern city of Kandahar and the capital; accordingly, the security for both of these ‘hot spots’ must be increased with due diligence. Only by knowing the environment and protecting it will the military be able to anticipate future attacks.
- The Afghan coalition force must improve human intelligence in certain areas, whether in Afghanistan or Pakistan, where the majority of the Taliban and al-Qaeda recruit. There are several *madrasahs* in Waziristan, located in the North-Western Frontier Province of

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<sup>4</sup> Quote derived from an interview with Dr Rohan Gunaratna, Head of the International Centre for Political Violence and Terrorism Research, Institute of Defence and Strategic Studies, Singapore, 21 April 2006.

Pakistan, which have been known for spreading a radical ideology of hate and instigating jihad in Afghanistan. Gathering information about them and monitoring their activities can lead to further success.

- The coalition forces and the Afghan security sector must share whatever operational intelligence or information they collect on specific threats with their partners for regional cooperation. Only with the support and cooperation of the regional partners can those attacks that might have been planned from the outside be successfully prevented.

### *Strategic measures*

- The Afghan ulema [panel of religious authorities] must continue to oppose suicide bombing and issue fatwas to that effect. They should clearly explain that suicide bombing does not lead to an eternal life in paradise, nor the permission to see the face of Allah or the loving-kindness of 72 *houris* [beautiful maidens] who will serve the suicide bomber in heaven. The ulema should not allow fatwas to be manipulated by the extremists for negative effects in either Afghanistan or the Muslim world.
- The moderate religious leadership throughout Afghanistan should be empowered and given opportunities to spread their message of peace and tolerance on the centre stage. Importantly, counter-ideological measures should be used such that religious clerics are engaged in initiating dialogue first with the population and second with the militants as well as their sympathisers in order to dispel ideologically the notions of suicide being compatible with Islamic jurisprudence.
- The international community must remain active in Afghanistan until it has developed its own institutions that can deal with matters of state security. Without continued assistance, Afghanistan's fragile security institutions would crumble, repeating the history of the early 1990s when the country was a hub of international terrorism and drug production. Moreover, it is vital that the organic capacity of the state security agencies is developed, so it does not appear to citizens as the mouthpiece of the West.
- Afghanistan's relations with its neighbours are critical to its long-term stability and as such the country must establish strong regional ties, whether in commerce and trade or in the transfer of knowledge.

Because of its landlocked status, Afghanistan must explore ways to develop its relations with its neighbours beyond basic diplomacy. The two most important neighbours are clearly Pakistan and Iran, and their support and assistance are essential in curbing the flow of terrorists from either the Middle East or Pakistan itself. In order to carry out attacks, terrorists must cross either of these two countries to enter Afghanistan.

- It is imperative that strong but informal ties be forged with village communities that live along the Afghan-Pakistani border, as some of these have been known to be safe havens for the Taliban and al-Qaeda operatives. The government must have an 'overall plan' to deal with these communities and provide them with necessary services such as education and health care. It is crucial that the plan includes goals that improve the living standards of the average villagers. Concepts such as 'winning hearts and minds' must be employed. The majority of the population resent the Taliban; they do not wish to go back to the draconian rule that was forced upon them when the Taliban were in power.

## **Conclusions**

Looking at the experiences of other states such as the US, the UK and many others – it does not really matter how strong or capable the government and security sector is – no government has been able to fully immunise itself from suicide attacks carried out by a group or an insurgency movement. For sure, Afghanistan will mirror this pattern. Yet by drawing from best practice, while incorporating issues of cultural and religious sensitivity, a rational middle way towards preventing them may be achieved.



# Afghanistan: Mission impossible?

## The Pakistani Perspective

Ismail Khan\*

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When the Soviet Union invaded Afghanistan in December 1979, the Americans were caught off-guard and did not initially respond to it. So for a year and a half, interest in Afghanistan on the part of the United States remained limited, looking at the country as an extension or satellite of the Soviet Union.

Towards the mid-1980s, however, the influx of Afghan refugees into Pakistan and Afghan resistance to the Soviet occupation drew the US into the conflict. The US soon realised that it had no other option than to operate through Pakistan's Inter-Services Intelligence to support and finance the Afghan resistance. All the funding came through Pakistan and was in turn distributed among the various resistance groups. In a way, by using Pakistan as a surrogate, the Americans did not know which group was receiving how much of the money being pumped in to shore up the Afghan resistance to the Soviets.

There was recognition that while it was clear that the war was winnable, such an outcome was possible only with Pakistan's help.

But by the time the Soviets were beginning to leave Afghanistan, Pakistan had developed in-depth knowledge and experience in organising a guerrilla war to defeat one of the best and well-trained armies in the world. The Pakistanis came to understand that in order to make the guerrilla war a success it was imperative to bring the most powerful or most influential man on board. This tactic spawned what came to be known as warlordism in Afghanistan, which meant that whatever semblance of governance there had been, it fell apart and was replaced by anarchy.

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Anarchy spawned something worse: jihad for Islam, which became an overriding factor. The Arabs came over, led by the fiery Palestinian ideologue Sheik Abdullah Azzam, to use Afghanistan as a base and springboard for jihad. At the time, Pakistan and the so-called 'free world' led by the US were not very discerning about who came to help as long as they aided the cause – even Israel helped by supplying arms to the Mujahideen.

The result was that the old system crumbled and no new system was put in place, which gave rise to the creation of small fiefdoms. There was total anarchy. The Arabs, who had come mostly from countries with dictatorial regimes, became outspoken and started to challenge their own governments. They had a stake in the anarchy, the power vacuum and the absence of centralised governance.

The Taliban appeared on the horizon, initially supported by everyone among the war-weary Afghans. Pakistan had tired of supporting one group against the other and saw in the Taliban an opportunity to bring a friendly centralised government to its western borders. By promising to restore order, the Taliban did not have to use force. Wherever they went, they negotiated to seize control of districts, cities and eventually provinces as a way of gaining control of almost the entire country. And they succeeded in doing so without firing a single bullet, with the exception of the Shomali plain where they met stiff resistance from forces loyal to Ahmad Shah Masood.

While the Taliban, who had come from religious seminaries with their own interpretations of puritanical Islam, decided to implement Islamic laws as they interpreted them, the West also made the diplomatic and political blunder of ostracising them instead of engaging them. This approach served to strengthen the Taliban – when the Taliban needed and looked for support it came from Osama bin Laden, who offered them a hand of friendship and cooperation.

Al-Qaeda made Afghanistan its base, not because they loved the country but because they needed a launch pad to plan and execute attacks like those of 9/11. When the Americans decided to invade Afghanistan, they decided to do so yet again on their own, enlisting Pakistan's support but without involving it, apparently owing to a lack of trust. Washington tried to prop up an English-speaking Afghan commander and former Police Chief of Kabul, Abdul Haq, known among his Afghan colleagues as 'Hollywood Haq' for his theatrics in leading the resistance to rout the

Taliban. He was caught and executed by the Taliban while attempting to sneak into Afghanistan, by co-opting some Taliban commanders who had formerly been Mujahideen commanders and were up for sale. The plan fell through.

His execution and tragic exit created a big void, soon filled by another English-speaking Pashtun, Hamid Karzai. The Americans established direct contact with former Mujahideen commanders, unleashing the Northern Alliance on the Taliban and supporting their forces with targeted bombings. The Taliban dissipated into the countryside. The US had electronic intelligence but no human intelligence on the ground. Its effort to gather good human intelligence was further impeded by not involving Pakistan.

The Northern Alliance, helped by American B-52 bombers, walked triumphantly into Kabul and set up a transitional government. The Taliban were cowed and the people genuinely believed they would see the advent of a new era of development and security.

That did not happen, however; money was too short and too slow to come and security was on a back burner. The US-led coalition repeated the same error that the Soviets had made when they had invaded Afghanistan, by fortifying important cities and towns but overlooking key security arrangements to secure the eastern and southern Pashtun belt, largely inhabiting the Pakistani–Afghan border. Other initial mistakes by US-led coalition forces – such as targeting civilians on wrong information provided by commanders to settle personal scores together with the inability to move into the countryside and carry out development work – created an environment ripe for the resurgence of the Taliban.

The winds began to change. For ordinary Afghans the myth of American invincibility and technological superiority dissolved when six years after the invasion the US had been unable to catch any of the so-called ‘high-value targets’ such as Mullah Omar, Osama bin Laden or his deputy Ayman al-Zawahiri. The Afghan Pashtun began to doubt the effectiveness and professionalism of the American forces, through the forces’ failure to:

- 1) carry out widespread development;
- 2) catch any of the high-value targets;
- 3) provide security and introduce some semblance of governance;
- 4) reduce corruption;

- 5) deter President Hamid Karzai's appointment of and reliance upon former Mujahideen commanders, who were viewed as warlords by the common Afghans;
- 6) take steps to alleviate the perception that the Pashtun were under-represented in a government dominated by the Northern Alliance; and
- 7) stem the fear of reprisal attacks from Taliban insurgents (especially around Kabul) and to provide security to prevent them.

Because of these and other factors, according to some analysts, the common man gravitated back to the Taliban, who were there on the ground – unlike the Americans and other forces who were largely confined or restricted to their camps. The Taliban were not the Mujahideen of 1979; they were better trained in guerrilla warfare and better motivated to oust 'occupation forces'. Indeed, the Taliban seemed to the people to be a winning side because of their presence on the ground, unlike the American and allied forces.

The fact that most of the former Mujahideen or the Taliban had been living in Pakistan as refugees for decades made it a lot easier for them to move in and out of Pakistan and Afghanistan. They knew and understood the system as well as how to circumvent or bypass it without being caught. For decades, the Mujahideen and later the Taliban used Pakistan's tribal region straddling along the Afghan border as a base from which to organise and launch attacks, recruit soldiers to their cause, find finances and return to as a fallback position. A careful study and analysis of the Mujahideen incursions into Afghanistan during the Soviet era would show that the Taliban continued to use more or less the same bases and routes to hit out at places in Afghanistan.

Interestingly though, while Afghanistan blames Pakistan for all its troubles, many Pakistanis believe that extremism in Pakistan is fuelled from Afghanistan and not vice versa. The success of the Taliban in challenging the American-backed government in Kabul and the international forces has encouraged Pakistan's own tribal militants (who had hitherto been subservient to Pakistani laws) to challenge the writ of the Pakistani government. The Pakistani tribal militants are beholden to the Taliban for finance and direction and look to them for leadership rather than the other way around, although the Taliban do obtain many of their recruits from Pakistan.

A case in point is the situation in North and South Waziristan and the Bajaur tribal regions along with the Tank, Dera Ismail Khan and Bannu districts of the North-West Frontier Province, which are affected by what is generally called 'Talibanisation'. Pakistani militants draw their strength and inspiration from the Taliban in Afghanistan. The Pakistani militants have wanted to emulate the sort of system the Taliban introduced in Afghanistan and some analysts hold that this has stemmed from their own weariness of the colonial system that Pakistan has followed since the British ruled the Indian subcontinent. For them, the Taliban system was based on locally accepted norms and values on both sides of the border. Therefore, it has been the inability of Pakistan, the US, NATO and the Afghan government to give them an efficient system of governance that has moved them to the Taliban camp.

The tribes on both sides of the Pakistani-Afghan border have always obeyed the mandate of the strongest force – in this case, the Taliban and the militants – which in turn has raised the spectre of vigilantism. They are doing what the government should have been doing for them, providing security and dispensing justice.

### **Pakistan's tribal conundrum**

Pakistan sent thousands of soldiers, for the first time since its inception in 1947, to its tribal borders with Afghanistan in order to stop the al-Qaeda operatives fleeing American bombings in Tora Bora in eastern Afghanistan from entering Pakistan.

Although Islamabad had been able to control its borders in the Khyber and Kurram tribal regions effectively and as a result managed to round up over a 150 al-Qaeda operatives in a single haul, it is not clear why similar action was not taken in the restive North and South Waziristan tribal region. At the time, the regional military commander (now the Governor of the North-West Frontier Province), Lieut. General (retired) Ali Muhammad Jan Aurakzai denied that there were foreign militants in the tribal region, an argument vehemently rebutted by Pakistan's premier intelligence bureau, Inter-Services Intelligence. Initially reluctant, when the army finally did move to act on good sound intelligence in June 2002 in Azam Warsak in South Waziristan, the bloody gun battle that left ten soldiers including two officers dead made abundantly clear the challenges that lay ahead.

More troops were rushed in and in March 2004, an operation was launched to flush out foreign militants in Kaloosha, South Waziristan. The security forces suffered massive casualties. The operation led to a series of attacks involving improvised explosive devices (IEDs), ambushes and rocket attacks on government and security installations.

The situation was pretty grim, with security forces almost confined to their military barracks and garrison. The government entered into an agreement with tribal militant commanders known to have been harbouring foreign militants. The military commander at that time, Lieut. General Safdar Hussain, flew into Shakai in South Waziristan in April 2004 to sign the controversial agreement with top militant commander Nek Mohammad and four others.

Predictably, the agreement soon collapsed after the militants refused to agree to the registration of foreign militants with the government, a key element of the agreement. The collapse led to more attacks and Nek Mohammad was killed in a precision missile attack a few months later.

Violence escalated and spread to the more difficult tribal region of South Waziristan, dominated by the Mehsud tribe, where military convoys came under ambush and IED attacks. A tribal militant and a former Guantanamo Bay prisoner, Abdullah Mehsud, plotted and kidnapped two Chinese engineers working on an irrigation project. One of the engineers was killed in a rescue operation.

The attacks continued throughout 2004–05 and 160 pro-government tribal elders were eliminated by militants in targeting killing. Journalists also came under fire: two were killed, one was kidnapped and others were forced to flee the region.

The government once again reached out to militants, this time signing a peace agreement with top militant commander Baitullah Mehsud in February 2005. The agreement has brought relative peace although in the process the government writ in South Waziristan has been utterly lost. Militants, both local and foreign, hold complete sway over the entire tribal region, operating a virtually parallel administration. The government writ is confined to the front walls of the Scouts Camp in Wana, the regional headquarters of South Waziristan.

By 2006, the situation had also begun to deteriorate in neighbouring North Waziristan, where militants had started challenging the writ of the government by attacking government and security installations. The

government soon entered into another peace agreement, this time with the militants in Miramshah in North Waziristan. The 5 September 2006 peace agreement with the militants stipulated that the government would not carry out air or ground offensives, and in return, the militants agreed not to attack government or security installations. The agreement was seen by critics as a major concession to the militants, having failed to address two key demands: a) cross-border infiltration and b) the presence of foreign militants.

At the same time, the government was also striving to strike a similar peace deal with the militants in the Bajaur tribal region. The American air strike in Damadola, apparently targeting al-Qaeda's 'no. 2', also killed women and children, prompting public uproar. The air strike was followed by another in the same area; this time Pakistan owned up to the strike much against local belief that it was carried out by the Americans, effectively sealing the fate of any government-militants' deal in Bajaur.

The two attacks in Bajaur and the January 2006 attack on a cluster of compounds in South Waziristan led to a spate of suicide bombings aimed at military and police officials, leaving more than 50 dead. These incidents were demonstrative of how the government swung like a pendulum from one extreme to the other, from using force to what appeared total appeasement and capitulation to the militants and in so doing effectively ceding the writ of the state to the militants.

Arguably, the Waziristan tribal region is now more difficult to administer than it was say, three years ago. As is evident, the agreements have failed to address key issues of cross-border infiltration and the presence of foreign militants in Pakistan's tribal region, where militants continue to operate and recruit more freely than ever.

Islamabad, which has continued to scoff at international criticism that Pakistan is not doing enough to stop cross-border infiltration, has pointed to the deployment of around 80,000 troops and 187 border posts. But at a press conference in Islamabad on 2 February, President Pervez Musharraf candidly admitted that there had been incidents in which some border guards had turned a blind eye to cross-border infiltration: "So similarly I imagine that others may be doing the same", he said.

Pakistan, as it appears, is facing its own dilemmas. It has been finding it hard to explain and persuade its own tribespeople of what has largely

been seen at home as a policy U-turn by Islamabad, in rejecting the Taliban and allying itself with the US in the post-9/11 war on terror.

The tribespeople, predominantly illiterate, poor and conservative, are finding it hard to understand the difference between the Soviet 'occupying forces' and the US 'liberating forces' and just how the Mujahideen, who had earlier been hailed by the West as heroes, turned into villains overnight. This seemingly quick shift in policy and transition is too complicated a business for the tribespeople, who are now flocking to the Taliban to 'liberate' Afghanistan from 'foreign invaders'. So while President Musharraf has taken the stance of allying himself with the US, there are many in Pakistan's tribal regions who do not share his view.

Pakistan's other predicament is that if it tries to control and rein in tribal militants from crossing the border to fight in Afghanistan, the militants level their guns at Pakistani forces and target government and security installations through ambushes, IED and suicide attacks.

Thus, the situation in the tribal regions has a direct bearing on internal security. There are also political implications. Military operations and air strikes have resulted in a political backlash and outcry, particularly from the religious-political alliance that is ruling Pakistan's North-West Frontier Province and sharing power with the pro-Musharraf Pakistan Muslim League in the province of Balochistan. While there have been some discussions and debates in the Pakistani parliament about the situation in the tribal regions as well as the violence and subsequent military operations, the government has not been able to formulate a consensus or achieve across-the-board political or public support for its policies there.

With national elections only a few months away it also remains to be seen whether General Musharraf, so close to his bid to seek re-election as President, will want to take the political risk of launching yet another military operation in Waziristan to wrestle control from the militants. Such a move is especially questionable given the absence of broader political support for his pro-US policies and his reluctance to reach out to more secular political parties, such as the Pakistan Peoples' Party of former Prime Minister Benazir Bhutto and Pashtun nationalist parties like the Awami National Party.

After exercising different options, from the use of military force to deal with militancy to engaging the militants directly, the government does not appear to be in the mood to go for a massive military operation. If



statements by President Musharraf are any indication, the government intends to give the political process a chance, with the military approach taking a backseat.

The political process means engaging tribespeople as well as tribal militants in an effort to restore peace in the region, buy time to carry out development, foster tribal stakes in the system and extend the state's authority and writ. It is a long and time-consuming process and it is not clear whether Afghanistan and its international backers, chiefly the US, will have the patience to let Pakistan try out the option amid growing violence across the border.

This proposition is a difficult one and something that has crumbled in the past after air attacks by either the US or Pakistan under pressure from Washington, reigniting the flames of violence in the restive tribal region. But government officials are hopeful that if allowed, with patience and perseverance, they can turn the tide against militancy in the region. They argue that by cutting deals with tribespeople and militants, the government could buy enough time to carry out massive development and create job opportunities to wean unemployed, poor youth away from militancy.

Peace is essential for development and requires concerted effort by Pakistan and the international community to inject funds to build up what are clearly the most underdeveloped regions in the country. There are already some signs that the tribespeople who had wholeheartedly welcomed their foreign 'guests' are growing weary of them in the face of the rising killings, kidnappings and robberies that have hit the region, leading to a stand-off between foreign and local militants. It is another matter that a much weaker administration there could not exploit such public sentiments and turn the tide against the foreign militants.

### **A strategy to deal with the situation**

What then could work in the tribal region? The answer may lie somewhere half-way between a military and a political process: an intelligent combination of the two could create an atmosphere of peace and development, which in turn requires a well thought-out strategy to deal with the situation.

What is needed therefore is a good and efficient system that brings development, security and job opportunities to a population with the

lowest socio-economic indicators in the entire region. It is a protracted process but a recipe for lasting peace devoid of any militancy.

There is also a need to change the overall strategy from a colonial approach to a neo-colonial one, which entails the necessary development along with more cash and better security. Again, the solution is not going to be further militarisation of the conflict but a considered combination of the political as well as the military approaches.

The government, in consultation with local tribes and taking into account their sensitivities needs to re-establish the network of checkpoints that it abandoned after the peace agreements with the militants, as well as disperse the militants and deny them territory in which to operate and train.

Some analysts believe that tribespeople on both sides of the border can settle political matters among themselves and with the Taliban and militants, if allowed to do so freely without attaching any pre-conditions or strings. The worst of them, the former Mujahideen commanders who have always had their daggers drawn, would also continue to negotiate with each other through intermediaries. There is a sense in some circles in Pakistan that this could still be achieved. And in so doing, while the Taliban would not be immediately removed from the political scene, they could become important power brokers who could later be neutralised over a period of time.

In addition, the forces would have to go and occupy the area, spreading out and preventing the Taliban the freedom to move. They would have to operate or initiate massive development and reconstruction projects involving the local tribespeople, buying-off the influential tribal elders by awarding them contracts for road construction, hospitals, schools, irrigation systems, etc., and thus enabling the tribes to have a stake in the new order.

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**François Heisbourg** was successively First Secretary at the French Permanent Mission to the UN, dealing with international security and disarmament issues (1979–81); an international security adviser to the French Minister of Defence; a founding member of the French–German Commission on Security and Defence (1981–84); Vice-President at Thomson-CSF, in charge of European and Euro-American cooperation (1984–87); Director of the IISS (1987–92); and Senior Vice-President (Strategic Development), MATRA-Défense-Espace (1992–98). Currently, he is a Senior Adviser to the Fondation pour la Recherche Stratégique in Paris and Chairman of the Foundation Council of the Geneva Centre for Security Policy as well as Chairman of the Council of the IISS (since 2001). François Heisbourg is the author of numerous articles and interviews in the academic and general media. Among other works, he has authored and edited *European Defence: Making it Work*, WEU Policy for Security Studies, Paris (2000) and *Hyperterrorisme: la nouvelle guerre*, Editions Odile Jacob (2001).

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