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**2008/2009
STRATEGIC PANORAMA**

**SPANISH INSTITUTE FOR STRATEGIC STUDIES
REAL INSTITUTO ELCANO**



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INTRODUCTION

INTRODUCTION

EDUARDO SERRA REXACH
Coordinator of the Working Group

Once again I am honoured to coordinate this joint publication on the Strategic Panorama that stems from the collaboration between the Instituto Español de Estudios Estratégicos (IEEE) of the Spanish Ministry of Defence and the Real Instituto Elcano (RIE), with contributions by some of the best specialists in their respective areas of expertise. It sets out to provide a Spanish, and, accordingly, European and Western, vision of the most important world events of 2008 from a strategic security perspective.

The year 2008 was dominated from start to finish by an economic crisis that has progressively cast a shadow over all the other issues that can affect any strategic outlook. What was identified as a major crisis from the outset gradually worsened day by day, arousing doubts as to whether it was a recession or even a depression. Originating not long earlier in the United States, it rapidly spread to all the world economies. Addressing the Senate Select Committee on Intelligence on 12 February 2009, the US Director of National Intelligence, Admiral Dennis C. Blair, stated that the main threat to his country's security was not Al Qaeda but the economic crisis. Indeed, throughout 2008 the world security landscape was dominated by a crisis that is jeopardising the security of all the countries of the world, albeit not to the same extent.

I

Therefore this year's edition of the *Panorama* begins with a paper by Professor Iranzo on the financial crisis and its impact on the United States, which also makes explicit reference to the case of Spain.

The first thing that should be pointed out is that we are dealing with an «endogenous» crisis—that is, it originates from internal factors relat-

ing to the system and is not, as on other occasions, caused by external factors such as oil price rises. Expansive monetary policies, flaws in regulation and, above all, supervision, and the non-transparent, irresponsible and sometimes criminal conduct of some financial agents triggered the bursting of the US property market bubble («subprime» mortgages) which spread like wildfire across the entire world financial system, giving rise to a huge liquidity crisis as a result of the sudden, simultaneous and reciprocal lack of confidence of the various financial agents.

The massive injections of liquidity made by central banks and the granting of state guarantees have not, for the time being, managed to restore market confidence. But since these liquidity injections are financed by public debt, they have contributed to a sudden increase in budget imbalance, on the one hand, and, on the other, have tightened the financial restrictions of private agents; even so, we consider that without them the system could have collapsed.

At the time of writing, it is not known what the way out of the crisis will be. However, it seems clear that it will entail adopting measures of greater transparency and increased state intervention, and there are even doubts whether it will not involve going so far as the—declared to be provisional—nationalisation of much of the Western banking sector; in this connection Professor Iranzo states that disproportionate state intervention might provide (essential) security in the short term, but that «these reforms will only be successful if grounded in a commitment to free market principles, including the rule of law, respect for private property, open trade and investment», as the representatives of the industrialised countries and emerging economies recognised at the end of 2008.

As already stated, the crisis originated in the United States in the summer of 2007 when the real estate market crashed as a result of the high-risk mortgages known as «subprime» loans. Therefore Professor Iranzo's paper focuses on the economic and political situation of the United States and the great novelty of the arrival in power of President Obama's new Administration.

The United States has the world's biggest economy (21.3 percent of world GDP) which has enjoyed a long expansion phase and has the highest level of productivity in the world, as recognised by the *World Economic Forum*; the application of new technologies, the flexibility of the entire productive system and the validity of its effective antitrust policies are the factors that undeniably make it the leading economy in the world. However, this strength began to wane in the third quarter of 2008 and within a short time the country was

heading for recession; a key factor in this development was the shrinkage of private consumption and fall in fixed capital investment. Furthermore, the substantial budget deficit and insufficient growth rate have led the US economy to become heavily dependent on foreign capital, and this caused the economic crisis to spread rapidly throughout the world.

Such was the backdrop to the swearing-in of President Obama, whose victory in the presidential elections by a substantial majority was greeted with unprecedented worldwide rejoicing and whose first challenge will be to reactivate the economy as soon as possible while causing as little social damage as possible. The chief doubt is therefore whether he will favour what might be called «social» measures designed to alleviate the damages of the crisis, underpinned by a protectionist, interventionist and, basically, nationalist spirit, or whether, on the contrary, he will adopt strict and unpopular measures to bring about the quickest possible solution to the crisis. Four areas seem to us to be decisive in gauging the intentions of the new Administration: the labour market, with the announced tax incentive for companies that create new jobs; reducing energy dependence with billion-dollar investments in renewable alternative energy sources (though nuclear might be envisaged); third, public investment, basically in transport and education infrastructure and in making the health scheme universal; and, lastly, fiscal policy and its effects on the highest incomes, in order to offset the introduction of lower rates of taxation for low and medium incomes aimed at stimulating private consumption.

Even so, defence policy will be the first to reflect the ideas of the new Administration owing to the huge repercussion of military expenditure for the budget deficit. In this respect it seems clear that it will work towards the progressive withdrawal of military presence in Iraq made possible by the recent achievements there; on the contrary, in Afghanistan and the neighbouring Pakistan it will almost certainly be necessary to make new efforts; the situation requires this and Obama regards Pakistan as a key to America's national security; therefore, not only will the international mission in Afghanistan be maintained, but it will be reinforced. The clash between this goal and that of reducing the budget deficit will most likely be resolved, partially at least, by requiring a greater military and financial effort of the NATO allies.

The author explicitly mentions the repercussion of the international crisis in Spain, which is also suffering from its own crisis triggered by the bursting of the real estate bubble, together with the unsustainability of the growth model owing to a sizeable loss of competitiveness. In this situation,

the impact of the world financial crisis has had a double accelerating and intensifying effect, causing the Spanish economy to nosedive in 2008, and leading to sharp drops in nearly all indicators with particularly dramatic unemployment figures as 200,000 jobs are lost each month. As could not be otherwise, this has had repercussions on government accounts: overnight Spain has gone from a surplus of 2.2 percent in 2007 to a public deficit that will amount to no lower than 4 percent in 2009; in the current year, 2009, an unemployment rate of over 15 percent and a trade deficit of 8 percent of GDP complete the outlook which will make it necessary to carry out the structural reforms that have been postponed in recent years: to shore up the productive fabric, provide the economy with sufficient flexibility and capacity for adjustment and increase the productivity of all factors will be the major challenges that will need addressing in order to deepen the essential structural reforms (tax system, labour market, social security, market unity, etc.) so as to improve the competitiveness of our enterprises and boost our exports. Professor Iranzo ends with proposals for combating the crisis. These will require—my own addition—a wide-ranging political and social pact, which is essential in order to be able to adopt unpopular surgical measures which are the only kind that will make this possible.

II

This year Charles Powell, Deputy Director for Research and Analysis at the Real Instituto Elcano, has written the chapter on Europe, doing so with his usual mastery and from his well-known approach that is pragmatic and not inclined to enthusiasm and vain hopes. He explains, ironically, the latest of the countless hurdles to Europe's institutional architecture which came in June 2008 when the Treaty of Lisbon was rejected in the Irish referendum, giving rise to a new constitutional crisis that once again dented the European Union's credibility and its ability to face the major challenges it needs to address, such as climate change, energy supplies and irregular immigration. In addition to this negative episode, Powell unravels the crises experienced in 2008 which put to the test the European Union's ability to behave as a significant global actor—precisely one of the goals that had inspired the constitutional reform process.

When analysing the causes of the Irish «no», it is necessary to underline the ambiguity that once again characterised the European initiatives; furthermore, Irish voters admitted not having received sufficient information and not understanding the questions raised. In view of this failure, the European leaders began negotiations with the Irish government to appease its public opinion over issues that appear to be the root cause of the rejection (tax matters,

policy of neutrality, requirement of one commissioner per member state and others) in order to call a second referendum, due to take place this year.

As regards the crises experienced by the European Union in its own territory or in neighbouring countries, the first was that of Kosovo (a province of Serbia under international administration since 1999) and its unilateral declaration of independence. Powell entitles it «the Kosovo crisis or policy of the lesser evil» and it is, to date, the latest manifestation of instability in the Balkans and, regrettably, a further example of how the European Union finds it difficult not just to be a leading international actor but simply to speak in a single voice. The Yugoslavian constitution of 1974 granted Kosovo (90 percent of whose population was Albanian and only 7 percent Serb) a certain degree of political autonomy. Milosevic put an end to this situation in 1988 and initiated a brutal campaign of ethnic cleansing leading to the expulsion of nearly half the Kosovo Albanian population. NATO's reaction against Belgrade in turn caused the territory to be abandoned by two-thirds of the Kosovo Serbs, leaving the territory under the administration of the United Nations (UNMIK)—a solution that satisfied nobody and gave rise to an outbreak of violence in 2004. A permanent solution for Kosovo was therefore sought by appointing Martti Ahtisaari as the UN's special envoy. He drew up a report which concluded that the only realistic solution was independence for Kosovo, backed by a NATO military mission. The Security Council did not approve of this project and bilateral negotiations were proposed between Belgrade and Pristina under the aegis of a troika (Washington, Moscow, Brussels), ending in December 2007 without an agreement having been reached. At the same time, the European Council felt that the European Union should involve itself fully, setting up a European mission (EULEX-KOSOVO) equipped with appropriate resources and budgets. In this state of affairs, on 17 February 2008, the Kosovo Assembly issued a unilateral declaration of independence, which was immediately rejected by Serbia and Russia, and viewed favourably by the Western powers at the Security Council meeting on 18 February. That day the Council of the European Union, incapable of reaching an agreement, allowed the member states to decide individually whether or not they recognised the new state of Kosovo, declaring it to be a case «sui generis» that did not set a precedent.

A declaration of independence not approved by the United Nations Security Council, and apparently a violation of international law, amounted to an extraordinarily controversial situation. Furthermore, at its November 2008 meeting the Security Council agreed that the deployment of the EULEX mission should take place under the umbrella of the UN, and the expiry of the protectorate and

UNMIK would require Serbia's approval. Serbia also requested the International Court of Justice for a consultative opinion on the legality of the declaration, a fact that leaves the final situation of the territory even more up in the air.

The second crisis Europe experienced in 2008 involved Georgia, and is referred to by Powell as «the five day war». On 7 August President Mikheil Saakashvili ordered his armies to occupy South Ossetia (which, together with Abkhazia, had enjoyed de facto independence under Russia protection since 1991), in turn triggering a Russian invasion.

Once again the ball was tossed between international organisations, with the responsibility falling ultimately to Nicolas Sarkozy as president of the European Union. The French president achieved an immediate ceasefire and the withdrawal of both armies until an international mechanism was created to take over from them; it was likewise agreed to hold talks on both territories. Here too serious differences surfaced between the European Union member states: between the «hardliners» who favoured a vigorous response to Moscow, and the more accommodating «soft liners». In order to prevent these differences from going any further, Sarkozy called a special council which agreed to condemn both Russia's invasion and its recognition of the independence of South Ossetia and Abkhazia, announcing the suspension of negotiations with Russia over the renewal of the collaboration agreement while promising a close relationship with Tbilisi. Finally, it was decided to organise an international conference and to furnish substantial economic assistance for the reconstruction of Georgia.

The apparent paradox between these two conflicts (Russia vigorously rejects Kosovo's unilateral independence, as it is contrary to law, yet is quick to recognise the independence of South Ossetia and Abkhazia, which is at least as contrary to law as the previous case) may be explained by the fact that the second conflict is but a response to the first one, and they both point, if not to a new post-Soviet Russian imperialism, at least to a radical about-turn fostered by Putin (and perhaps the new oil and gas prices) in Russia's post-Cold War policy.

The third conflict of 2008 for the European Union involved Ukraine. Powell subtitles this section «privileged neighbour or accession candidate?» and also makes direct reference to the relations between the European Union and Russia. Owing precisely to the importance Ukraine has also had for Russia, it was of very special interest to the European Union from very early on; Kiev and Brussels signed a partnership and cooperation agreement in 1994 and Ukraine later joined the European Union's neighbourhood policy. Therefore, the invasion of Georgia by Russian troops prompted the member states to

raise the status of their relations with Kiev, offering it (September 2008) a future association agreement. Differences again surfaced within the European Union over this, once again between «hardliners» (in favour of clearer and more explicit prospects of accession) and «soft liners» (keen to avoid problems with Moscow). In this state of affairs, in January 2009 Gazprom interrupted the supply of gas to Ukraine, causing some European states serious problems. The European Union reacted promptly and efficiently, and the supply was re-established relatively quickly, but question marks remained hovering over the core issue of its relations with Russia.

As we have seen in these three conflicts, Russia has established itself as a counterpoint to the European Union, making it clear, as Powell states, that «it is of little use to stay out of problems with the vain hope that time will sort them out» and so, while during the immediate post-Cold War period Russia posed no major difficulties to the European Union's foreign policy, Putin's arrival in power has made it more necessary than before for the Union to clarify its position, as Russia appears to wish to establish itself as an alternative pole to that embodied by Brussels. What is curious about the situation is that the relationship between them is clearly asymmetric, as the Union obviously enjoys demographic, military and economic superiority (especially in the field of trade, and it has reduced its dependency on Russia for energy in recent years). The only factor that counterbalances this asymmetric situation is Russia's evident desire for power, whereas the European Union has problems even expressing itself with a single voice. Indeed, Powell discusses a classification of the different European Union states on the basis of the type of relations they maintain with Russia, with five categories ranging from Trojan warriors (Cyprus and Greece) to the new cold warriors (Poland and Lithuania).

In conclusion, the conflicts Europe has had to deal with in 2008, which are closely linked, have as a common denominator the at times unseen but always palpable presence of Russia; these conflicts underline the complexity of the international system, which is increasingly proving to be ill-adapted to the realities of the twenty-first century, and also how difficult the European Union finds it to speak with a single voice. On the contrary, the historical differences and various strategic interests of the member states surface with crystal clarity whenever a conflict arises, however small.

III

Given the foregoing, it was logical to go on to analyse the situation in Russia and the most significant events and trends observed. This is what Admiral Del Pozo does in his contribution to this year's *Panorama* with the thought-

provoking title «New Russian Empire», which introduces us to the power politics that explain the relations Putin's Moscow maintains with the former allies and states that split off from the former USSR. In his paper Admiral Del Pozo takes a look at Russia's periphery, drawing a clear distinction between the members of the now extinct Warsaw Pact and the republics of the former USSR, for while the separation of the former was even desired by the Russian leaders, who considered them a hindrance to their ends, that of the latter was an unforeseen and certainly undesired consequence of the modernisation process begun following the collapse of the so-called fourth Russian empire (the Soviet empire). He begins with the Baltic republics, which he deals with more as a whole than separately, as despite their differences, the similarity of their relations with Russia puts them on the same footing; perhaps their joining of NATO and the European Union in 2004 has provided these republics with a stability which has fortunately kept them out of any conflicts in 2008.

The following group is that of the GUAM organisation for democracy and economic development (Georgia, Ukraine, Azerbaijan and Moldova), whose purpose is to establish a forum for cooperation and discussion to help protect them from the dominating ambitions of the former imperial power. In the case of Georgia, Admiral Del Pozo also gives his vision of the conflict of South Ossetia and Abkhazia in the context of the traditional clashes between Russia and Georgia.

He also examines Ukraine, where, added to the conflict described in the previous chapter is the older conflict over the naval base of Sebastopol and, in general, that of the Crimea in relation to the Black Sea Fleet. He likewise mentions Azerbaijan and its various ethnic exclaves (prominent among which is the traditional, historic Nagorno-Karabakh, which has pitted the Russian empire against Turkey over control of the Caucasus) and Moldova.

The Admiral goes on to give an enlightening historical account of relations between Russia and Belarus, underlining the similarity with Ukraine in developments since 1994, although in recent years Saakashvili's pro-Western leanings and Lukashenko's pro-Russian stance have steered them along opposite paths—a fact which can be explained by the mutual economic dependence that has not prevented serious quarrels over the price of crude oil supplies to Belarus, which have ended with the republic having to give in, owing, perhaps, to its isolation from the rest of the world.

The last group of countries studied is those belonging to the Shanghai Cooperation Organisation (SCO) (Turkmenistan, Kazakhstan, Uzbekistan, Kirghizstan and Tajikistan), all of them relatively stable republics—too sta-

ble, perhaps, as the Admiral points out, as their rulers tend towards authoritarianism and permanence. The organisation's aim is to curtail American influence in Central Asia and it reflects the different directions in which Russia (more interested in military and energy issues) and China (more concerned with solving local problems) intend to steer it.

After reviewing Russia's periphery, Admiral Del Pozo concludes that Vladimir Putin's ultimate objective is to build the fifth Russian empire; he has paved the way, in agreement with Dmitri Medvedev, for the possibility of returning to the presidency, which would assure him the post until 2024, practically a quarter-century in total. Furthermore, his statement that the disintegration of the USSR was the biggest geopolitical disaster of the twentieth century reveals his intention of alleviating the effects of this disaster at the least. With this nationalistic victimism, Putin has clearly begun to show a confrontational attitude, especially with respect to the former European republics of the USSR, and is much more tolerant with the Central Asian former republics. Both attitudes can be clearly explained by the issue of energy, which, it should not be forgotten, is the main instrument (along with other raw materials) that allows Russia to carry on playing the role of global actor.

Europe's energy dependence on Russia, although diminishing in recent years, explains the attitude witnessed in the cases of Georgia and Ukraine. However, we should also be aware that the dependence is mutual, and, above all, that the economic crisis and consequent fall in energy prices are weakening Russia's position and making it harder for Putin to pull off his plans. Russia is thus one of the worst hit by the economic crisis.

IV

Nor could the *Panorama* fail to include a review of the Middle East: the presence of Western troops in Iraq and Afghanistan, the opposite trends in the two countries, their importance in the US election campaign and the uncertainty of their immediate future required a chapter to be devoted to them.

The Middle East has traditionally been a source of instability and continued to be in 2008. Perhaps the potentially most serious issue is Iran's nuclear programme coupled with its express wishes to do away with the state of Israel, although it was Iraq and Afghanistan (the latter indissolubly linked to Pakistan) that most captured the attention of public opinion during the year. The Palestinian conflict continues as usual, though the possibilities of a prompt solution appear to be waning owing to Israel's political crisis and the rift between Hamas and the Palestinian authority. Lieutenant Colonel Calvo Albero addresses this subject and states that,

with regard to Iraq, the situation of violence has improved substantially over the past year: the number of US casualties and deaths of Iraqi civilians has fallen drastically. As could not be otherwise, the drop in violence has brought about an improvement in the economic situation (for the first time oil production has surpassed levels prior to the allied intervention); and it has also brought a certain amount of institutional consolidation.

The author attributes this substantial improvement in Iraq's situation to three factors:

- a) The so-called Sunni awakening. The main core of Sunni and Baathist resistance was considerably fatigued by its struggle against the allies, which led it to seek support from foreign Jihadist volunteers who could also provide substantial resources. However, these volunteers acquired a prominence that led them to pursue their own strategic objectives, which were often contrary to those of the Iraqi insurgency, such as triggering clashes between Sunnis and Shiites. This sparked the Sunni awakening back in 2005, which drove them to prefer to make pacts with the US forces than to fight against them. This awakening enabled the US troops to exert more pressure on the Shia militias until they decided to declare a unilateral ceasefire.
- b) The second element is the diplomatic change of direction marked by Colin Powell's replacement as Secretary of State by Condoleezza Rice, who enjoyed greater freedom of action from the outset, perhaps because she was more in tune with President Bush. Through *transformational diplomacy* American diplomacy improved its ability to influence, while regional solutions were sought to the conflicts—in this case through discreet communication systems with Iran and Syria—though perhaps the key factor in this transformation was the confidence shown in Al Maliki's government and the decision to support and transfer powers to it, thereby enhancing its prestige and room for manoeuvre.
- c) The third element is the military strategy initially termed the *new way forward*, which entailed the so-called surge, an increase of forces in Iraq at least for a time, the ultimate aim of which was to prevent a deterioration in the situation in order to keep the risk of open civil war at bay through a change of attitude in the troops (led by General David Petraeus), meaning a greater presence and visibility and ongoing collaboration with the local forces and civilian institutions. This change of attitude and the increase in troops which came about shortly afterwards, through successive phases that progressively encompassed more and more

territory, achieved the desired effect of stability in the area allowing the new US Administration to continue it, hardly needing to modify its electoral programme on the withdrawal of troops.

The future prospects are relatively optimistic; though it is difficult to imagine the future Iraq being an ally of the United States, it is not preposterous to expect that it could be a good mediator with Iran or Syria. In any event, it is essential to prevent Iraq ending up becoming, as Lieutenant Colonel Calvo states, a case similar to that of Lebanon, where various clashing ethnic and religious groups are creating a permanent climate of more or less open civil war—which would make Iraq, instead of a significant actor in the region, a mere chessboard on which its neighbours play out their interests.

While in Iraq the future may be viewed with moderate optimism, the opposite is true of Afghanistan, where 2008 can hardly be regarded positively; on the contrary, the widespread sensation is of discouragement among both the Afghan population and public opinion in the western countries.

Breaking this dynamic requires considerable effort—something that is more difficult to achieve in times of crisis and will most likely involve the western countries to a greater extent and must undoubtedly extend to Pakistan, not only Afghanistan.

As Lieutenant Colonel Calvo Albero states, we are not dealing with simply quashing an insurgency but are up against a complex web of tribal groups, drug traffickers, warlords, transnational terrorist networks and regional interests. It should especially be considered that, unlike Iraq, Afghanistan, which has never been a true state, currently has an inefficient government that is burdened by corruption.

The current situation is the result of a progressive deterioration in the relative stability that existed until 2005, when a large portion of the US's military and financial resources were concentrated on Iraq and neither did the Afghan security forces receive proper support nor were the living conditions of the population considerably improved.

As was only to be expected, the political transition carried out was unable to put an end to the country's traditional tribal and semi-feudal system; what is more, the reinforcement of central government powers aroused the concern of many tribal chiefs—a concern that was heightened by the progressive deployment of multinational forces and also by the growing discourse against opium growing (the chief source of financing for many tribes).

As a result, violence soared to levels that had not been witnessed since 2001, owing not so much to a return of the Taliban but to an uprising of the Pashtun tribes which, financed by drug traffickers, ended up destabilising the entire country. This required a forceful reaction from the international community, which proceeded to reinforce both economic and military resources, the latter divided between the NATO-led ISAF and the US-led operation «Enduring Freedom», which increased their coordination by being placed under the command of a US general.

So far these measures have proved insufficient to put a brake on the deterioration; it is necessary to bear in mind the huge scale of the problem of Afghanistan, one of the poorest countries in the world, traditionally governed by tribal and religious leaders (indeed, it has never had state institutions) and with an almost total absence of material and human (educational) resources. To this should be added the existence of Pakistan as a haven; in fact, the federally administrated tribal areas (FATAs) located to the northeast of Pakistan and inhabited by a Pashtun majority have been used as havens for the insurgency, and Pakistan's government has only nominal control over the territory.

US intervention in the area, in view of the poor results obtained by the Pakistani government, have sparked reactions from the latter, causing the new government (resulting from the 2008 elections) to maintain the same ambiguous attitude as its predecessor. From the military point of view, the situation has clearly worsened as the insurgents have succeeded in extending their areas of action, by diminishing the control of the Kabul government using a strategy similar to that of the Taliban in the 1990s (progressively isolating the major cities and advancing from their bases in the south in two directions, eastwards towards Kabul and westwards towards Herat).

V

The *Strategic Panorama* again takes a look at Latin America. This year Professor Sonia Alda conducts a thought-provoking analysis of Latin American reality from the viewpoint of the process of regional integration as a means of achieving the autonomy of the region, probably under the leadership of Brazil, as she considers that, rhetoric aside, 2008 saw significant changes that may alter the direction—and the possibilities of success, increasing them—integration projects have had to date.

The establishment of a subregional organisation such as the Union of South American Nations and the holding of the First Summit of Latin American Nations, both without the participation of any countries from outside

the region, are a clear sign of the region's explicit wish for autonomy, as in both cases there is a clear aim to foster confidence between the countries as a basis for building regional integration.

A fundamental premise for understanding the change of direction is the relative neglect of the region by the United States, which is occupied with more pressing issues and other foreign-policy priorities now that communism as a threat to the region has disappeared. Since the previous decade this withdrawal has made possible the development of intra-Latin American relations as well as external relations with Europe and with the Pacific countries, and this diversification has naturally been reflected in trade relations.

Even so, the process has not been uniform—nor could it be—in the various countries: whereas some clearly opted for unilateral national initiatives (Chile), others, like Mexico, continued to attach absolute priority to the United States; and others still favoured intra-Latin American cooperation projects, such as the Central American Common Market (MCCA), the Caribbean Community (CARICOM) and the Andean Community of Nations (CAN).

To these projects should be added, as signs of aspiration to autonomy, the meetings of presidents (such as the Rio Group and the Ibero-American summits).

This does not mean to say that the region wishes to break off its relations with the United States—rather, it aims to base them on more balanced foundations. The adoption of a common position would have been more than desirable for this purpose, but experience has shown that for the time being this is a utopian aspiration. At any rate, throughout this lengthy period, even though the United States' interest in the region has waned since 11 September 2001, there have been no initiatives aimed at making Latin America an international actor; on the contrary, inertia and even victimism over the major power's neglect have continued to prevail.

Nevertheless, it would appear that the region began to shake off this lethargy in 2008; President Lula's repeated statements that it is time for Latin America to become a lead actor and cease to be a spectator, and his initiatives for regional meetings to foster integration seem to bear this out.

Professor Alda answers the question of what factors have brought about this change by attaching great importance to the leadership role that Brazil and President Lula have unambiguously taken on. President Chávez, with his unconcealed desire for protagonism and leadership, has acted as a catalyst and promoter of the foregoing, as he represents a

threat and a rival. It likewise seems undisputable that the positive economic situation of the primary products market, at least in 2008, also influenced this by providing the Latin American countries with sufficient security so as not to require further aid from the northern giant and stand on their own two feet.

One of the most interesting points Sonia Alda makes is the fact that the populist governments on the one hand and the democratic left-wing governments on the other agree on achieving greater autonomy for the region (lesser dependence on the United States) and have chosen the path of regional integration. Her paper is not only interesting for this but above all for the clear distinction she draws between the two on the basis of criteria which, in my opinion, it is hard to argue with (respect for the rule of law and human rights, respect for private property and certainty of law, defence of representative democracy, income redistribution policies, balanced public accounts and control of public expenditure, among others).

Given these differences, it is hardly surprising that the integration proposals of the left-wing democratic governments differ profoundly from those of the populist governments. Indeed, although all the governments coincide in advocating regional integration and they have all also ruled out simple trade liberalisation, pursuing goals that make possible sustainable development by giving priority to infrastructures, energy resources and institutional development, there are major differences. Whereas the democratic governments are scrupulously respectful of foreign investment, the populist governments have shown hostility to them, either through nationalisations (Bolivia) or by taking legal action against them (Ecuador). Similarly, in these countries anti-imperialism plays a leading role that converts the integration process simply into an instrument that serves its own purposes, to the extent that, as the author states, «it appears that regional integration and autonomy will serve more to isolate the region than to bring it into the international community».

The last part of the essay is devoted to Brazil, a country that is in all likelihood set to become the regional leader; the size of its territory, its population and also its GDP make Brazil not only the largest Latin American nation but also one of the most important in the world, hence its leadership vocation. After pursuing an ambiguous and rather contradictory policy in this respect—owing perhaps to the costs that leadership might entail, it seems that President Lula is at last willing to assume them; at least this is what he has shown with his prominent role and initiatives for meetings at the end of 2008, and with various actions intended to consolidate Brazil as

regional leader and at the same time as an emerging power (it is one of the now famous BRICs), on the understanding that this leadership reinforces Brazil's role in the international concert.

President Lula has adopted a variety of initiatives, such as enhancing South-South regions and relegating relations with Europe and the United States to second place, and, *en passant*, opening the door to new markets or acting as a mediating power in Latin American conflicts and crises. For this purpose Brazil uses, as a medium sized power, the strategy of cooperative hegemony and «soft power» as a tool.

It is evident that in order to boost its influence in the region Brazil needs the United States to remain discreetly in the background (it is impossible to make it disappear from the picture altogether), and is achieving this by means of free-flowing, cordial diplomatic relations and by proving that it is capable of ensuring the area's stability.

This regional leadership project is not without its direct rivals (Venezuela and Mexico) or countries that are opposed or reluctant to any leadership and specifically to that of Brazil. Hugo Chávez, who clearly aspires to regional leadership, is using for this purpose, in addition to his media profile, the power of petrodollars (which is visibly shrinking with the fall in crude oil prices as a result of the crisis) and intense diplomatic activity. Compared to him Lula is employing (especially in his second term in office) an intelligent strategy of containment, involving Venezuela in his initiatives and avoiding direct confrontation—a strategy that has already reaped positive results in the case of defence.

With the other rival, Mexico, the opposite strategy has been used, that of exclusion—and this is because, unlike Venezuela, Mexico is objectively in a position to vie with Brazil for primacy. However, lately the exclusion strategy seems to have been replaced by one of «dividing up» areas: Mexico in Central America, South America with Brazil, making it possible to uphold common positions at international forums while increasing regional stability.

In conclusion, although there are not yet any concrete integration proposals, it does seem that the region has embarked on the path towards autonomy and the ability to speak with a single voice, for which it will use the instrument of regional integration that is currently taking shape: to dispel misgivings and mistrust among the various countries, in which populism is a clearly disturbing element.

VI

Africa, the forgotten continent, has become a topical issue owing to migratory movements. As Carmen González begins by stating, migration is one of the very few individual responses to the situation of most of the African continent, which is plagued by economic isolation, an agricultural subsistence economy, weak, if not failed, states, tribal wars, a high birth rate and lack of expectations. With 900 million inhabitants (the figure will double in 25 years), there are no signs that it will be able to muster substantial economic growth capable of absorbing this increase in population; the outlook thus points to a sizeable increase in migratory pressure on Europe.

The first point that Professor González Enríquez analyses in her study is Africa's current demographic explosion: the vaccines, wider health care and adoption of hygiene measure that reached Europe in the nineteenth century arrived in Africa over a century later, introduced by the colonisers, and achieved a substantial reduction in mortality, particularly child mortality (one-third lower since 1960); however, poverty, together with other cultural, religious and socioeconomic reasons, has prevented a correlative decrease in the birth rate (5.5 children per woman); the combination of both factors has given rise to this explosion.

Furthermore, the vicious circle formed by poverty and the high birth rate is being dramatically altered by the incidence of AIDS and the resulting increase in the use of contraceptive methods (in 2007 AIDS affected 22 million Africans of fertile age). Despite this, the African population is by far that which grew the most in the twentieth century, going from 142 million in 1929 to 200 million in 1950 and 900 million currently.

Since this demographic growth was not accompanied by economic growth, it has led to a huge imbalance: accounting for 14 percent of the world's population, Africa produces only 1 percent of world product, making it, also by far, the poorest continent in the world. Despite this, the situation is improving, albeit very slowly, although with very considerable GDP growth (72 percent over the past 20 years) and much lower increases in per capita income (18 percent over the same period) owing to the repeated demographic explosion.

In view of the foregoing it is not surprising that what is most characteristic of Africa in the present age of new technologies and globalisation is migration, which is perceived as one of the few opportunities for individuals and the main expectation of whole nations that depend on remittances.

Curiously, it is not only the poor who emigrate; the elite do so even more as they have greater means and better prospects.

The analysis distinguishes between intra-African and extra-African migrations and unspecialised readers will be surprised to find that the former type are numerically greater than the latter. Indeed, although statistics are unreliable, it is reckoned that intra-African emigration amounts to 17 million (not including refugees), whereas extra-African migration totals some seven million people, and the figure is gradually rising.

It is also curious to note who the Africans who emigrate outside the continent are, as there are new profiles that are different from the traditional ones. We find that:

- Female emigration is on the rise, with the men staying to take care of the children: women traders, professionals, doctors and nurses who go to countries as disparate as the UK and Saudi Arabia.
- There is also a growing tendency towards the migration of traders and small-scale entrepreneurs, particularly in the casual sector (submerged economy).
- There is a very worrying and also growing outflow of qualified professionals (particularly doctors and nurses), as a result of which the—growing—needs of their countries of origins are not being catered to, and also a brain drain (which entails a squandering of Africa's paltry resources).

The destinations of the migratory movements are logically the African countries with the highest levels of economic activity as well as Europe, North America and the Persian Gulf. With respect to the intra-African migrants, it is important to stress their growing number and the correlative decline in the hospitality of the host countries. Carmen González Enríquez identifies four major areas:

- a) North Africa and the Sahara; here Libya (also Algeria) has been an important country of destination since the first oil crisis (1973) which gave rise to the rapid development of the oil producing countries.
- b) East Africa and the Horn of Africa. During British rule there were major cross-border and circular (non-permanent) movements triggered by economic factors. However, in recent times such movements have been due to armed conflicts (basically ethnic) and half of the continent's refugees originate from these areas.
- c) West Africa, which is the region with the most migratory movements, as both origin and destination, and also of transit, mostly for economic reasons.

- d) Southern Africa. South Africa is the key country as, since the end of apartheid, it has become the country of origin of qualified whites who migrate to English-speaking countries (nearly a million since 1994); this population is replaced by black immigrants, also qualified, from West Africa. There is also a much larger inflow of unqualified immigrants from neighbouring countries that are substantially poorer.

As for foreign destinations, given that the Strait of Gibraltar is the border that marks the biggest differences in the world, both religious and cultural and demographic and economic (Spanish income per capita is 13 times as high as that of Morocco), it is hardly surprising that emigration has been considerable since time immemorial from the Maghreb region to Europe, where some five million Maghrebis live today holding posts that economic growth and higher levels of education in Europe left vacant for them.

As the Southern European countries have progressively tightened restrictions, immigrants are using truly dramatic means of travel, exploited by unscrupulous organisations. A growing number of Sub-Saharanans arrive in the Maghreb countries with the intention of travelling on to Europe. In view of this phenomenon, the European countries have reacted by adopting restrictive measures and border checks, which has diverted the migratory flows, especially to the Canary Islands. The collaboration of the European Union and, above all, the governments of the Maghreb countries, appears to be pointing to a solution. In the medium term, it seems that the best option would be to improve the standard of living in Africa, at least in the Maghreb, in order to dampen the incentive to cross over to Europe. The Euro-Mediterranean Partnership Agreements aimed at establishing a free-trade area within a few years seem to point in this direction. The major doubt lies in the fact that it is not the poorest states or classes who emigrate, and a higher standard of living in these countries therefore may not bring about a decrease in the number of emigrants coming from them. This makes it necessary to turn attention to birth control (the ultimate cause of migratory movements), which, surprisingly, is not among the UN's «Millennium Goals» for Africa.

We have attempted to address a number of themes that were highly topical during 2008 and combine optimism and pessimism in varying measures, but, once again, they are all overshadowed by a crisis that has left a considerable amount of certainty hovering over the present year. Let us hope that the final outcome proves to be positive.

CHAPTER ONE

THE FINANCIAL CRISIS ITS IMPACT ON THE UNITED STATES AND THE COLLATERAL EFFECTS ON SPAIN

THE FINANCIAL CRISIS ITS IMPACT ON THE UNITED STATES AND THE COLLATERAL EFFECTS ON SPAIN

*JUAN E. IRANZO MARTÍN**

THE FINANCIAL CRISIS

The world economy continues to suffer the scourge of one of the most serious financial crises in history. The causes of the crisis are to be found in the collapse of a combination of factors. As a result of the recession in the United States and Japan in 2001 and slow growth in Europe, it was decided to apply monetary policies that were excessively expansive, with negative real exchange rates in most cases. This led to the indebtedness of the economic agents as a whole and reduced the margin for risk discrimination. Moreover, there were failures in regulation and supervision, all in the public sector. In turn, the so-called problems of asymmetric information multiplied (the institutions which bought packages of redeemed mortgages did not have the same information on the characteristics of these assets as the institutions which issued them), constituting a major market failure.

To be fair, another element at the origin of this crisis must not be forgotten. This was the irresponsible behaviour of some of the financial institutions that deviated from traditional banking principles. The latter could be the result of errors in the incentive systems that govern management conduct, which has focused on short-term profit and rapid increases in share values without always conducting proper risk evaluations. The right approach for minimising transaction problems would be for company executives and management to have a significant part of their remuneration linked to long-term company growth, so that in the event that a company

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were to go bankrupt, not only would its shareholders lose, but also the managers who, not being shareholders, had received remuneration based on the short-term success of the profits and/or shares. «Shadow financial system» institutions, which elude regulation and supervision, have multiplied. Furthermore, major problems have arisen in investment banking. However, Spanish banking, which is commercial, has generally operated very rationally, diversifying risks geographically and by client, and with adequate regulation and supervision.

The wholesale capital markets were the first to be affected by the context of uncertainty that prevailed in the summer of 2007. This triggered a liquidity crisis whereby the financial institutions stopped lending to each other on the inter-bank markets, but when they did, they increased their differences in respect of risk investments. Together with the financial crisis, the other factor that most marked the evolution of the world economy in recent times, and constituted one of the main reasons for concern, has been the sharp and continuous rise in the prices of oil and agricultural commodities until a few months ago. As a result, inflation rates shot up globally during the first half of the year. This contributed to aggravating the economic situation since consumer purchasing power was reduced and the European Central Bank was obliged to toughen its monetary policy despite the serious liquidity problems of the inter-bank market, and only started to ease it in mid-October.

Following several episodes of reduced solvency and bank bail-outs throughout the year in different parts of the world, tensions were exacerbated to the point of posing a real risk to the system in September, when Lehman Brothers investment bank went into liquidation. After this new turn of the screw, investor confidence, which was already much diminished as a result of a turbulent year, plummeted, dragging down the stock market indexes and causing risk premiums for private debt to shoot up. The tensions in inter-bank markets heightened, pushing up the short-term interest rates—whose upward trend had been interrupted in August—and making access to credit even more difficult. Nevertheless, over the past few months there has been a significant reduction in interest rates by the Central Banks, which has succeeded in «dragging down» the Euribor; however, risk premiums have continued to grow. The result of all this has been a brake on consumption and business investment, which were already greatly weakened by the end of the cyclical expansion phase and the collapse of the housing sector in many countries and the sinking of the world economy towards recession in the developed countries. Under these

circumstances, all the international bodies have substantially lowered their growth predictions. The forecast for this year is that practically all the developed countries will be in recession, although in 2010 some, including the United States, may start to recover. Currently there is growth only in the emerging countries.

The billion-dollar bail-outs for the banking system by the Federal Reserve and the ECB, among others, and the reductions in the official interest rates have not yet restored confidence to the economic and financial agents. For this reason, and in view of the danger of a melt-down of the financial system, the governments on both sides of the Atlantic have been forced to adopt a set of measures aimed at restoring the institutions' balance sheets to health, by means of their recapitalisation with public money and, in some cases, their nationalisation. In the United States where, in the words of the former Secretary of the Treasury, Henry Paulson, the objective was «to restore confidence in our markets and our financial institutions, so they can fuel continued growth and prosperity», the setting up of a \$70 billion fund for the acquisition of toxic assets was approved, although its objective subsequently underwent a complete about-turn: it will now be allocated to recapitalising banks and other relevant institutions devoted to financing household consumption.

The basic problem of these bail-outs is that if they are aimed at injecting liquidity, it is possible they are being effectively implemented. Given the acceptance of longer deadlines and lower-quality assets as collateral they imply an additional source of liquidity. But the dysfunction arises if they are a mechanism for facilitating liquidity to mask solvency problems. In this case it would seem better to have direct holdings in the capital of the financial institutions so that the risk of bankruptcy to which public sector investment is exposed is compensated by the possibility of sharing the profits derived from the recovery of the institutions that are bailed out. What is more, the moral hazard is being played down that misconduct would ultimately be rewarded in the long run by the state, which only intervenes asymmetrically by bailing out or socialising losses.

The financing of public injections of capital is carried out through the issuing of public debt, which contributes further to budget imbalances. Measures have also been taken to restore the functioning of markets, such as public guaranteeing of their debt. To this is added the increase in the minimum amounts covered by deposit-guarantee funds, the purpose of which is to avoid loss of confidence on the part of depositors which could lead to banking panic. It is possible that these are the least bad solutions

for cushioning the impact of the crisis, but it must not be forgotten that this type of action is not free, and that it has an opportunity cost which is none other than that of aggravating the financial restrictions on the other agents through crowding-out. In fact, we are witnessing how companies are being compelled to pay larger risk premiums than ever, in a measure that is not justified by the evaluation models of the objective probabilities that they will become insolvent, but rather because most savers take refuge in public debt, whose long-term returns are maintained without declining because it is planned and issued in accordance with public liquidity injection policies.

The need to remedy the current state of the financial system, and to avoid the recurrence of similar situations in the future and the negative economic results, led to the meeting of the G-20 leaders in November at which the principles were laid down according to which reform of the global financial system would be carried out. The importance of increased transparency was stressed, for which a greater degree of information would be required. Especially for products with the most complex structures, the information would have to be truthful, timely and relevant. Moreover, market transparency would avoid their illegal manipulation and fraudulent practices. The Group of Twenty considers it essential to intensify the effectiveness of regulation, although not to the extent of converting it into a barrier to innovation and market functioning. It also advocates market integrity, the strengthening of international cooperation and the reform of the financial institutions. With regard to the latter, the Financial Stability Forum should urgently allow the emerging economies to become members and revise its admission requirements.

Among the recommendations on financial markets discussed at the summit was one on the revision of the compensation mechanisms that encourage risk-taking, given that among the factors which triggered the crisis was the temerity of some investment banks in which the remuneration incentives for executives proved to be a misdirected instrument. The discredit and lack of trust that hangs over the rating agencies after they under-estimated the risks taken by some institutions will have to be dispelled as a result of the important role that they play on the market as independent conveyors of information. Therefore, they must assume the same responsibilities in the performance of their duties as those required of auditors. For their part, the responsibility of top executives of the financial institutions must be similar to that assumed by directors of these institutions, given that they have more information and executive power of

decision. The heterogeneousness of accounting rules worldwide makes the task of supervision difficult and can give rise to creative accounting operations, and therefore the unification of accounting rules and the harmonisation of capital definitions for the purpose of achieving coherent capital estimates is advisable. Some experts also recommend enhancing the elasticity and transparency of the credit derivative markets, defining the institutions' sphere of action and determining proper regulation and supervision.

When it seemed that confidence was gradually returning to the financial markets, and that the high premiums attached to the inter-bank interest rates had started to fall, the Madoff scandal erupted, constituting a fresh blow for the deteriorated confidence in the system. It is therefore too soon to say that the worst of the crisis is over, and in any case, the problem of credit restrictions will continue for some time, until the financial institutions restore their balance sheets. The process of de-leveraging in which the world economy is now immersed will mean a major brake on growth for still some time. Thus, the confidence indicators in every country announce a greater economic decline, while the heavy losses on the stock markets are causing very pronounced falls in business profits. The international organisations are already announcing that the world economy will probably enter into recession.

It seems there is an irresistible temptation on the part of some politicians to take advantage of the crisis as a great opportunity to increase the state's weight in the economy. Excessive intervention in the economy on the part of the state is perhaps able to provide security in the short term, but does not solve the prevailing problems; it merely postpones them to some future date. As the representatives of the so-called industrialised countries and emerging economies acknowledged, «these reforms will only be successful if grounded in a commitment to free market principles, including the rule of law, respect for private property, open trade and investment, competitive markets, and efficient, effectively regulated financial systems. These principles are essential to economic growth and prosperity and have lifted millions out of poverty, and have significantly raised the global standard of living. Recognizing the necessity to improve financial sector regulation, we must avoid over-regulation that would hamper economic growth and exacerbate the contraction of capital flows, including to developing countries». In short, asymmetric information can indeed be considered «a market failure», but crazily expansive monetary policy and regula-

tion problems are clearly «failures of the public sector». Therefore it is necessary to strengthen the market economy as the only mechanism for future growth and progress, as opposed to the protectionism or interventionism proposed in many countries.

THE MACRO-ECONOMIC SITUATION IN THE UNITED STATES AND THE OUTLOOK

The United States is one of the main industrialised economies, accounting for 21.36 percent of global GDP in 2007. The long stage of expansion of the economic cycle undergone by the US after having overcome the crisis at the start of the nineties is basically explained by its favourable economic structure, which fostered increased productivity, and with it growth. According to the ranking of the World Economic Forum, the US economy was the most productive globally in 2008, notwithstanding the current economic situation. On the one hand, labour market flexibility has facilitated the adjustment between job supply and demand because the transaction costs associated with this process (i.e. dismissal and redundancy costs) are lower than in other countries, and due to a greater job and geographic mobility of the labour force. High productivity is also the result of the significant level of competition in the goods and services markets, which in turn is encouraged by effective antitrust policies and the few barriers against new business start-ups. Access to new technologies and their rapid incorporation into the productive processes have contributed to the dynamism of the so-called new economy, generating an important added value. Despite the instability of many of the macro-economic indicators (e.g., the large budget deficit and the low rate of savings), the structure of the US economy and the more flexible goods, services and labour markets will enable the transition to be less traumatic than in other more rigid economies, and may promote a more dynamic recovery.

The strength shown by the US economy during the first two quarters of 2008, with a surprising inter-annual GDP growth of 2.8 percent in the second quarter, started to evaporate in the third quarter, with a half-point drop in domestic output. It is undoubtedly the data on the last quarter of the year which provided evidence of the recession in the American economy, with a more marked contraction of the GDP for the second consecutive quarter, estimated at 3.8 percent. This was basically caused by a 12.3 percent decrease in fixed-capital investment and a 3.5 percent

drop in private consumption. The growth observed in the second quarter was a result of the fiscal stimulus measures (tax rebates) taken by the government and the fall of the dollar, which stimulated demand from abroad. Once the tax effects on consumption had been exhausted, there was a major contraction in domestic demand, which was not entirely reflected in the final result of GDP growth because it was once more counteracted by the foreign sector, as well as by inventory accumulation and an increase in public expenditure. But, on the one hand the entry into recession of the European economies, together with the recovery of the dollar (which in November reached levels not seen since October 2006), put a brake on the export drive, and on the other, the inventory accumulation in the third quarter, led to further reduced activity in the fourth, making recession inevitable.

According to the Institute for Supply Management, the prospects of the manufacturing companies for 2009 are rather pessimistic. Those polled said that they were operating at 75 percent of their capacity, and they foresaw a 2.7 percent reduction in employment in their activities. The slowdown is also seen in the retail business, with a decline in aggregate sales of 9.8 percent from December 2007 to December 2008. Business in many sectors has declined, with the auto industry showing the greatest drop. Sales of cars and other motor vehicles decreased by nearly 24 percent. The response on the supply side has been to put a temporary stop to production, as in the cases of Chrysler and Ford, whereas General Motors, which faces major financial difficulties, slowed the pace of its activities by reducing its employees' work shifts. Sales likewise decreased in inter-annual terms: those of petrol decreased by 35 percent, of household furnishings by 13 percent, of building materials by 8.9 percent, and of clothing by 7 percent. Food was the only item that ended the year with growth of slightly over 1 percent.

The American labour market continues to follow the trend that started in December 2007, in which nearly 806,000 jobs were lost in December 2008 relative to the previous month. The labour force employed in the production of goods—specifically in manufacturing, construction, professional services and services to companies—has been the most affected: almost 45 percent of the drop in employment took place in these sectors. The number of jobless in November was over 11 million, bringing the rate of unemployment to 7.2 percent. The rate of increase of the jobless is significant, given that the proportion of the unemployed relative to active population has grown by more than two percentage points since Decem-

ber 2007. One of the most worrying facts concerning the labour market is the increase in non-temporary layoffs, which rose by 202,000 in December. Before predicting a considerable increase in the unemployment rate if the global economic situation remains as it is at present, we shall have to wait to see the effect on employment of the measures to rescue and reactivate the economy that are being considered by the White House, such as the more than \$13 billion to be made available to Detroit's Big Three, or the ability of some companies to create jobs following the application of the tax benefits that Obama wants to introduce.

The rate of inflation, which in July and August peaked at over 5 percent on account of the high cost of energy, has decreased over the past three months, dropping by 0.7 percent in December, and resulting in a 0.1 percent price increase for the past twelve months. The lower price index in the last month of the year is due to the fall in energy prices, especially for petrol and transport, with decreases of about 8.3 and 4.4 percent respectively. At the same time the underlying rate of inflation puts an end to the upward trend of the first three quarters of the year which had growth rates of 2.0, 2.5 and 2.7 percent respectively. There was a contraction of 0.3 percent in the fourth quarter of 2008. The Federal Reserve lowered the interest rates to 0.25 percent after the aggravation of the financial crisis in September, following the bankruptcy of Lehman Brothers. The search for shelter from the storm that swamped the markets has destroyed the profitability of short-term public debt. Thus, for instance, the three-month rates produced negative results and the long-term rates, for their part, which were on the rise until August, also fell after that, not only on account of the flight for safety, but also as a result of more favourable expectations regarding inflation.

The housing sector has been one of the worst hit by the economic crisis. Low interest rates and financial innovations facilitated credit for house purchases (not only in the US, because countries like Spain and Ireland experienced similar situations), which led to increased demand and with it inflated prices for residential housing construction, making the latter an attractive investment for companies. The proliferation of sub-prime mortgages and the negative wealth effect caused by the brake on price rises for housing triggered mortgage payment arrears and foreclosures. Currently investment in residential construction continues on the downward trend that started in 2006, with a fall of 23.6 percent in the last quarter of the year in comparison with the previous period. In December 2008, the average price of new housing relative to the same month of the previous year fell

by more than 13 percent, while the number of housing start-ups fell by 45 percent. The fall in sales of second-hand housing became more moderate in the final months of 2008, even recording positive growth in the month of September following reductions of around 20 percent at the beginning of September, before the continued decrease during the last months of the year. The persistent rise in the rate of unemployment, together with the credit restrictions, and notwithstanding the laxity of the Fed's monetary policy, are circumstances that point to a very limited probability of an early recovery for the building sector.

The scarcity of domestic savings in the US economy, and the increased demand for financing for investment projects, motivated to a large extent by the housing boom in recent times and the dot coms boom at the end of the nineties, have generated strong dependence on foreign capital. The current account deficit in the third quarter of 2008 exceeded \$174 billion, despite the more moderate increase in imports (which recorded a modest recovery of 0.67 percent relative to the previous quarter) and the stimulus of exports, whose rate of inter-quarter variation reached 1.75 percent. Transfers, for their part, showed a net negative balance of \$28.3 billion, amounting to a decrease of 2.2 percent. The acquisition of assets by foreign residents exceeded \$125 billion, making a net financial balance of \$116 billion. The negative rate of domestic savings in the American economy is largely due to the public sector, whose budget deficit has burdened public finances since 2001; in the third quarter the need for financing amounted to \$842 billion. The increase in public spending during George Bush's term in office was not a major problem as long as the economic bonanza financed part of it through tax collection. With the crisis, the Federal Government's income was considerably reduced, while the policies that President Barack Obama intends to pursue suggest tax reductions (which in turn mean fewer resources) and increased public spending, and thus a greater need for financing. Given the instability of the financial system and the negative prospects for global growth, the issuing of public debt presents itself as the most probable form of financing, thereby contributing to increasing the budgetary imbalance and jeopardising the possibilities of future growth for the US economy.

Notwithstanding all the problems analysed, the flexibility of its goods, services, and above all its labour, markets, as well as its growing technological potential, make a more rapid recovery than in other countries foreseeable. Thus GDP could grow in 2010 in a scenario of price stability which, fortunately, would not be deflationary.

Table 1¹. Evolution and forecasts for the main indicators of the American economy

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Real GDP	4.5	4.2	4.4	3.7	0.8	1.6	2.5	3.6	2.9	2.8	2.0	1.4	-0.9
Private Consumption	3.8	5.0	5.1	4.7	2.5	2.7	2.8	3.6	3.0	3.0	2.8	0.4	-1.2
Public Consumption	1.8	1.6	3.1	1.7	3.1	4.3	2.5	1.5	0.3	1.6	1.9	2.8	2.3
Gross Fixed Capital Formation	8.0	9.1	8.2	6.1	-1.7	-3.5	3.2	6.1	5.8	2.0	-2.0	-3.1	-7.3
-Non-residential	12.1	11.1	9.2	8.7	-4.2	-9.2	1.0	5.8	7.2	7.5	4.9	2.4	-7.6
-Residential	1.9	7.6	6.0	0.8	0.4	4.8	8.4	10.0	6.3	-7.1	-17.9	-21.3	-16.8
Domestic Demand	4.8	5.3	5.3	4.4	0.9	2.2	2.8	4.1	3.0	2.6	1.4	-0.1	-1.6
Balance of Current Account (%GDP)	-1.7	-2.5	-3.3	-4.3	-3.8	-4.4	-4.8	-5.3	-5.9	-6.0	-5.3	-4.9	-3.9
Remuneration per employee	4.0	5.4	4.5	6.7	2.6	3.3	3.3	4.5	3.4	3.9	4.0	3.5	3.0
Rate of Unemployment (% labour force)	4.9	4.5	4.2	4.0	4.8	5.8	6.0	5.5	5.1	4.6	4.6	5.7	7.3
Consumer Price Index	2.3	1.5	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.9	4.3	1.6
²General Government Financial Balances													
Deficit (-)/ Surplus (+)	-0.5	0.4	0.4	0.9	-0.7	-3.6	-4.6	-4.4	-3.6	-2.6	-3.2	-5.1	-5.5
Annual short-term interest rate (%)	5.7	5.5	5.4	6.5	3.7	1.8	1.2	1.6	3.5	5.2	5.3	3.3	1.7
Long-term annual interest rate (%)	6.4	5.3	5.6	6.0	5.0	4.6	4.0	4.3	4.3	4.8	4.6	3.8	4.1

1 The variables are expressed in Inter-annual percentage variations except when otherwise specified.

2 In % of nominal GDP.

Source: OECD Economic Outlook

THE OBAMA ADMINISTRATION'S ECONOMIC PROGRAMME

President Barack Obama and Vice President Joe Biden are advocating a series of economic policy measures aimed at reactivating the economy and achieving a greater degree of wealth redistribution, the implementation of which would mean a larger government presence and increased protectionism. These measures would go against the G-20 commitment to free market principles and the WTO principles. The bail-out of important financial institutions has led to the nationalisation of part of the US banking system which, together with the president's intentions to establish a much stricter and more interventionist regulatory framework, could prevent its development in view of the limitations placed on financial innovation. The most urgent need for the system is to make it more transparent, since the opacity previously surrounding operations was one of the causes that triggered the crisis. Americans could cease to benefit from free trade and at the same time the inequalities in wealth distribution among the least-developed countries could be accentuated if the renegotiation of the WTO Free Trade Treaty intended by the Obama Administration goes forward, given that it would involve the imposing of stricter environmental and labour conditions on imports.

The worrying pace of job losses that is devastating the US economy has meant that job creation is one of the priorities on the presidential agenda. In order to stimulate hiring, the president wants to introduce tax incentives for companies, like the one granting a tax credit of \$3,000 for each job created during 2009 and 2010. With the exemption from capital gains tax of investment for setting up or developing small companies, the intention is to stimulate hiring in the retail market. However, the reduction of the tax burden is not applicable to all companies; for instance, those located abroad will not be eligible to benefit from this measure.

Reducing energy dependence, and therefore the country's vulnerability, is one of the great challenges of the new US president's economic policy. In order to achieve this, he proposes an investment of \$150 billion in renewable energy, but it is possible that he is also contemplating the promotion of nuclear energy. According to estimates in the electoral platform, this plan could generate more than two and a half million jobs.

Obama's and Biden's emergency plan envisages an allocation of \$25 billion for the rebuilding of transport infrastructure and for school repairs. This measure has a three-fold purpose since, apart from creating jobs for nearly a million people, the investment will strengthen the productive fabric

in the medium term and improve safety for the users of this infrastructure. It does however make the mistake of allowing only the use of steel and cement produced in the country. As for the automobile industry, which is one of the most significant for the US economy although technologically outdated and at the same time one of the most affected by the US recession (more than 27,000 jobs were lost in only one month, from October to November 2008), the aim is to provide a \$50 billion bail-out to reactivate the sector.

The negative wealth effect caused by the crisis in the housing sector (on average, the fall in house prices exceeded an inter-annual 12 percent in October 2008), together with wage weakness and the rise in unemployment, have reduced the purchasing power of a good number of households. The Obama Administration hopes to reduce taxes for low- and medium-income earners by up to \$500 for workers and \$1000 for families, with the slogan of «making work pay». This would mean a cost for the Federal Budget of \$72 billion over the period to 2013, as calculated by the Committee for a Responsible Federal Budget. Moreover, the incomes of older people which do not exceed \$50,000 would be exempt from taxation. This, according to the Administration, would lead to savings by individuals in this segment of the population of approximately \$1,400. The reduced revenues resulting from the lower receipts from income tax would be compensated by the increase of almost five percentage points (until reaching the 2001 levels) of the marginal rate at which the highest incomes are taxed, which currently is 35 percent. The expected tax revenues from this source for the next four years are \$48 billion. Nevertheless, according to the Laffer curve, the increase in the ratio of tax revenues as a percentage of GDP could have the opposite effect to that desired on the amount of tax collected if the marginal rate is fixed higher than the optimum one (on the right side), as decisions related to work would be distorted.

The impossibility for many American families of meeting their mortgage payments is one of the basic problems of the US economy. The Obama plan includes the setting-up of a Foreclosure Prevention Fund with an allocation of \$10 billion for the purpose of helping first-time house owners to renegotiate their mortgages or sell their homes so that they will not be repossessed. A new source of public financing that will penalise savings by those with the highest incomes and raise the foreign deficit is the establishment of a new tax rate of 20 percent on capital gains and dividends for incomes of over \$250,000, while on the other hand, 15 percent is retained for incomes below that level.

During the last electoral campaign both McCain and Obama pointed out the need to reform the US health system to achieve a more universal scheme given that, despite being one of the best in the world (even bearing in mind the distortions caused by the tax system in the insurance market) it leaves more than 47 million people without coverage (the public programmes only cover older people and the disadvantaged). Among the Democratic candidate's proposals was the setting up of a medical insurance market (National Health Insurance) in which private companies with offerings similar to those for public employees (Federal Employees Health Benefits Program) would participate. They would have fair premiums and minimum costs for preventive health care. These measures would mean a cost for the Obama Administration of between \$115 and 144 billion until 2013, which hopefully would be financed by the increase in the tax burden on individuals with the largest incomes. However, the disappointing economic results shown each month by the main macro-economic indicators have forced the President to consider a postponement of this health reform.

Following the serious terrorist attacks of 11 September 2001 in the United States, national defence became one of the White House's priorities. The president's aim to enlarge the Navy and the Marine Corps by 65,000 and 27,000 personnel respectively, would amount to a cost of \$20 billion until 2013. On the other hand, the gradual withdrawal of troops from Iraq over 16 months, proposed by Obama, would mean savings, according to official estimates, of \$156 billion over the next four years. However this matter will be studied in greater detail under the next heading.

All in all, the estimated cost of the economic and social policies proposed by the Democrats would lead to a budget deficit ranging between \$264 and 318 billion in 2013, according to the Committee for a Responsible Federal Budget. In this respect, the most controversial aspect is the form of financing this expenditure since the lower tax returns, on account of reduced economic activity, together with the absence of savings that characterises the US economy, point to the need for financing through the massive issuing of public debt on international markets, limiting the capacity of medium-term private financing, and with it job creation and, in short, economic growth.

The first package of measures put into force under the Economic Stimulus Plan passed by Congress has a budget of \$819 billion, to be divided between tax incentives and major public investment. It carries with it the condition that the projects financed by the stimulus plan must use iron

and steel produced in the US. This is an idea revived from the government interventions during the Great Depression and the eighties.

This plan could have a total cost approaching \$900 billion. It goes much further than the protectionist requirements known as «Buy American» as it specifies that all the projects financed by the stimulus plan use materials and equipment produced in the US. For the defenders of «Buy American», amongst whose supporters are the trade unions and the employers' organisations with the greatest prospects of profit, these protectionist requirements are the only way to guarantee that the stimulus plan will create jobs within the United States. In fact, in defence of its stimulus plan, the Obama Administration has stressed the objective of creating or saving between three and four million jobs. The opponents of mixing economic stimulus needs with protectionist measures, and the critical voices which include large American multinationals such as General Electric or Caterpillar, say that the insistence on «Buy American» at this time constitutes a dangerous initiative against free trade.

THE DEFENCE PROGRAMME

It seems logical to think that any decision concerning security and defence taken by the new American Administration should bear in mind not only its strategic component, but also its economic scope and its effects on the budget. Among the reasons that carry the greatest weight and could influence the new president's security strategy are two which will almost certainly be very important. One is his firm decision, reiterated throughout his electoral campaign, to bring back the US troops from Iraq in order to transfer the centre of gravity of the military operations of the «war on terror» to Afghanistan and its border with Pakistan, and the other is the need to balance his future security and defence policy against the slim margin of manoeuvre available, which is a result of the major budget commitments previously acquired and the serious economic and financial crisis facing the global economy in general, and the United States in particular.

With regard to the new focus in the security and defence policy for Iraq and Afghanistan, the first course of action that illustrates to the world the change that the new Administration wishes to introduce into the fight against terror is a series of most interesting elements, such as the retention in his post of the current Secretary of Defence to direct the change in the security strategy. In other words, beyond any other considerations of a political, strategic, economic or budgetary nature that we shall analyse

later, this decision leads us to believe that the profound changes proposed by the new president in this area will be carried out by a team who are fully knowledgeable about the scenario and the current problems. Although this does not guarantee the success of the planned changes, at least it provides assurance that the uncertainties inherent in such a complex and delicate course of action, not only for US security but also for its possible effects and consequences for global security, will be greatly reduced, as analysed in the paper by Lieutenant Colonel Calvo.

Relative to future budget allocations for the Defence Department and the war on terror, the new tenant in the White House must make the effects arising from the new direction in which he wants to steer his strategy in Iraq and Afghanistan compatible with the budget margin available during the course of his term in office. As this matter is not independent from the other public policies, it will have to square with many other ambitious electoral proposals and with a complex and difficult economic and financial situation. In this sense, President Obama has not hesitated to acknowledge that in a period of deficit and economic crisis like the present one, budget reform «is not an option but an imperative» (1). To this end he has put his recently-appointed economic team to work on the revision of the Federal budget, «page by page and line by line», eliminating the programmes that are not needed and insisting on those that work with an advantageous cost-benefit ratio. The order to his economic team is clear and forceful, on demanding that it «think again and act again». For this purpose it will have to revise the financing of those programmes that are obsolete, or that may be the result not of efficient action in the political and economic sphere, but of vested interests that are only conducive to increased fiscal pressure on taxpayers.

There is no overall consensus on the part of economic analysts and researchers when it comes to assessing the effects that more or less directly could have influenced the American economy and finances as a result of the military operations conducted until now in Iraq, Afghanistan and in general in the fight against global terror inspired and carried out by Al-Qaeda and its franchises in their different forms and actions. A basic fact to be borne in mind when dealing with matters connected with security and defence, is that these are highly politicised questions, in which at times the decisions transcend what is recommendable solely from the point of view of military action understood in its technical and professional sense, and of the efficient

(1) Cf. B. Obama (2008): «Press Conference of November 25». The U.S. budget deficit reached the record figure in 2008 of \$458 billion, exceeding that of the previous year by nearly \$161.5 billion.

application of the financial resources necessary for implementing this action. Therefore, it is not surprising that economists and researchers should disagree even over matters of principle, such as the fact of evolving a scientific argument based on economic theory that would make it possible to demonstrate analytically whether armed conflicts induce effects that are finally favourable to prospects of the economic development of the countries involved or if, on the contrary, they worsen the situation.

Now, disregarding scientific and speculative considerations, and focusing on the current study of the possible effects on the US economy deriving from the war on terror in Iraq and Afghanistan, one sees that it is not easy to reach a definitive conclusion; different interpretations of the results are provided, depending on the sources used for analysing them. Thus, the Congressional Budget Office (CBO) stated in a report submitted in October 2007 that military expenditure in Iraq amounted to \$368 billion, plus another \$45 billion for veteran care, training and diplomatic services, while direct expenditure in Afghanistan amounted to almost another \$200 billion. On this basis the CBO made a projection of the cost of the Iraq war until 2017, whereby it could reach a trillion dollars, plus another \$705 billion in the form of interest which, together with the projection of expenditure for the war in Afghanistan, would give a total expenditure prediction for both conflicts of 2.4 trillion dollars (2). If this prediction were acknowledged to be correct, taking into account the current level of the US population, that would mean an average total cost of \$7,973 per capita, or \$570 per capita and year. On the other hand, the Economic Committee of the Democratic Party and some economists with views similar to those of this party (3) assert that these projections underestimate the cost of the military operations in Iraq and Afghanistan as a whole. According to their predictions, the cost of both wars as a whole will amount to 3.5 trillion in 2007, as a result of which the total cost of the war will be an average of \$11,627 per capita or \$830 per capita and year (4).

(2) Cf. Congressional Budget Office (2007): *Estimated costs of U.S. Operation in Iraq and Afghanistan and of Other Activities Related to the War on Terrorism*.

(3) The former adviser to President Clinton, Joseph E. Stiglitz, together with Linda Bilmes, published a projection in 2007 that was later continued in a book entitled, «*The Three Trillion Dollar War*», in which the total cost of the war in Iraq would exceed the figure put forward by the CBO, assuming that it was necessary to include additional costs to those budgeted. This projection was refuted by the CBO at the end of its 2007 report, adducing that part of the difference could be the result of factors such as inflation and wage increases, which have little or nothing to do with the military operations in Iraq and Afghanistan.

(4) Cf. Schumer C.E and Maloney C.B. (2007): *War at Any Price? The total Economic Cost of the War Beyond the Federal Budget*, A Report by the Joint Committee Majority Staff. Both predictions bear in mind the payment of interest arising from the debt.

In his electoral platform, Obama promised that once he had been elected president he would start immediately to bring back the US troops from Iraq, and declared that he would bring home one or two brigades per month—in other words, complete the withdrawal within sixteen months. A residual force would remain, its task being «to protect American diplomatic and military personnel in Iraq and continue striking at Al-Qaeda in the country» (5). When General Petraeus, Commander of the U.S. forces in Iraq, appeared before the United States Senate Committee on Armed Services in April 2008 in order to report on the progress made as a result of the change of doctrine put into practice by President Bush in January 2007, which involved an increase of the troops stationed in Iraq, Obama stated that the war continued to cost too much, both in terms of human lives and of the Federal budget. For that reason he opposed General Petraeus's plan, which proposed maintaining the American military presence at levels similar to those prior to those existing before the shock plan till after the summer of 2008. Obama confirmed his complete opposition «to a war without end in Iraq while ignoring mounting costs to our troops and their families, our security and our economy» (6).

On the other hand, the current president considers that the stabilisation of Afghanistan plays a key part in American national security and has undertaken to maintain and strengthen the mission in that country. Moreover, Barack Obama wants to transfer to Afghanistan some of the troops that he will withdraw from Iraq. In a speech entitled, «The war we need to win», in August 2007 he said that if he were elected president he would send «at least an additional two brigades [...]to Afghanistan to reinforce our counter-terrorism operations and support NATO's efforts to fight the Taliban» (7). This measure was later implemented by the Bush Administration itself. Furthermore, he maintained that the wars in Iraq and Afghanistan are inter-related and require a combined strategy. Thus, the centre of attention was displaced from Iraq to Afghanistan, which the new President has defined repeatedly as «the central front of the war on terror». According to Obama, notwithstanding some advances made in improving the living conditions of the Afghan people, and in the light of the serious difficulties that are arising, together with the strengthening of the Taliban guerrillas, the mission in Afghanistan is in danger. For this reason, according to the President, «we should pursue an integrated strategy that reinforces our troops in Afghanistan [...] and] must

(5) Cf. «Obama's Plan to Responsibly End the War in Iraq», <http://www.barackobama.com/>.

(6) Cf. CFR, «Campaign 2008 - The Candidates on Iraq».

(7) B. Obama, Speech delivered in Washington on August 1, 2007, www.barackobama.com.

also include sustained diplomacy to isolate the Taliban and more effective development programs» (8).

The current president of the United States also asks for greater commitment and an enhanced military and economic effort from the NATO allies, as well as an easing of their national limits on the use of European troops in operations against the Taliban. In this context he stated during the campaign, «I've been very clear that we do need more support [from our European allies]. We may also need to lift some of the constraints that they have placed on their forces there». He went on to say that «you can't have a situation where the United States is called upon to do the dirty work, or the United States and Great Britain are called upon to do the dirty work, and nobody else wants to engage in actual firefights with the Taliban.»(9) In the month of June 2008 the international forces stationed in Afghanistan within the framework of the mission headed by the NATO International Security Assistance Force (ISAF), and those headed by the US Enduring Freedom, suffered the largest number of casualties since the defeat of the Taliban at the end of 2001. The rise in casualties can be explained by the increase in forces hostile to the coalition (Taliban, warlords, groups linked to Al-Qaeda), with the consequent increase in numbers of foreign soldiers and the use of ISAF in more dangerous areas of Afghanistan. The number of NATO troops and their deployment in combat operations has for some time been a source of friction as a result of the limits placed by some countries on their contingents. In this connection it is probable that the Spanish government will have to reconsider its future role in this mission, as will the other NATO allies.

The president's policy for change in the Pentagon does not end with his electoral promise to terminate the war in Iraq and transfer the centre of gravity of the operations in the «war on terror» to Afghanistan. Rather, according to his electoral platform, he would seek to raise the level of human resources in the most basic structure of the US armed forces, improve the care programmes for veterans, increase expenditure on certain industrial programmes (such as unmanned aircraft or refuelling planes) and promote any kind of policy aimed at placing nuclear weapons under control. Therefore it seems that a new approach is being adopted in respect of the future US security and defence policies, which very possibly will mark the Pentagon's course of action.

(8) B. Obama, «Renewing American Leadership», *Foreign Affairs* July/August, 2007.

(9) Cf. «Election 2008 – Debate tracker: Afghanistan & Nato», GMFUS.

It is not clear how the president will be able to act in the present circumstances of financial crisis with a view to restructuring the armed forces and the working of the Pentagon. According to some experts, his priorities are unpredictable, given that he is not bound by many restrictions vis-à-vis the defence establishment, thus enabling him to carry out important changes in this area. Nevertheless, at no time has the president wanted to appear weak in defence matters. Other experts, however, consider that, on the contrary, nothing is going to change, at least in the short term. This appears to be corroborated by Obama's decision to confirm the continuance of Robert Gates in his present position as Secretary of Defence. It is obvious that it would be very complicated to cut industrial defence programmes at a time of profound economic crisis, since that would significantly affect employment levels in a technologically very qualified sector. However, it does seem probable that, in one way or another, the United States military expenditure will undergo a thorough-going review in keeping with the future financial situation and the electoral commitments made by the president.

EFFECTS OF THE CRISIS IN SPAIN

The origin of the crisis in Spain is basically domestic, and can be found in the end of a stage of expansion and the inevitable processes of adjustment deriving from this circumstance, through which the imbalances generated during this stage are corrected. Thus, on the one hand, the heavy indebtedness of households, together with the high interest rates and, during the first half of the year, the price rise in commodities, led to a major contraction of expenditure and the paralysation of housing investment. The price fall in real estate assets also generated a negative wealth effect that reinforced the downward trend in consumption and generated expectations of further falls, which in turn had the effect of postponing decisions to purchase housing and deepening the decreased activity in the housing sector. At the same time, the abrupt end to the real estate expansion left the building sector over-sized, with a large stock of housing units unsold; this requires major adjustments in the levels of employment and activity compatible with the new conditions of more sustainable demand. At the same time, there is a marked loss of competitiveness, mainly as a consequence of the strength of our currency, of the increase in labour and financial costs, and of the increase in production costs caused by the end of market unity.

However, the considerable impact of the global financial crisis cannot be disregarded, since it is greatly accelerating and intensifying the real crisis of our economy. During the initial nine months of 2008 its effect on Spanish economic activity was basically transmitted through the high interest rates on the inter-bank market, to which a large part of the debt of Spanish households and companies is linked. More recently, especially after the aggravation of international tensions, credit restrictions have constituted an additional factor, as a result of the difficulties of the Spanish financial institutions in obtaining resources on international markets. Notwithstanding the solidity, solvency and good management of the Spanish banks and saving banks, they have been unable to escape the consequences of the lack of confidence prevailing in international markets, as a result of which the traditional sources of liquidity supply have dried up. This circumstance is particularly serious in the case of the Spanish economy, which is a net receiver of resources in the international financial markets on account of having one of the largest current account deficits in the world. It is true that the credit drop in Spain is partly the result of decreased demand arising from shrinking consumption and investment in a context of serious domestic crisis. This circumstance has accelerated the decrease in economic activity and employment. The risk premium on credit to companies and families has also increased.

The IBEX has overreacted downwards, with a 39 percent fall in 2008—the largest in its history. Viewing the situation more calmly, it must be acknowledged that we are weathering the storm thanks to the fact that our banking system is commercial; this has allowed it at the present time to stress the importance of liabilities rather than assets. Spain experienced a very serious banking crisis between 1979 and 1983, causing 51 banks to avail themselves of the guarantee fund, whereby they learned from their mistakes and regulation was maximised. At the same time, commercial banks have greatly diversified their risks, and even have connections in the international sphere within a very efficient policy of opening up to banking abroad, promoted by strong competition from the international financial system. The key has been to attract deposits through the diversification of their networks, with the help of their—in general—high solvency and efficiency ratios, achieved by solid provisions accumulated during the bull cycle. Our problem is that we have to finance a foreign deficit of more than 10.5 percent, as well as part of the previously accumulated debt, which makes us especially vulnerable to episodes of foreign credit restrictions. This explains the somewhat tight credit, since on expanding it the institutions are at the same time attempting to consolidate the financing of what

they already have (through additional provisions) and trying to bolster their capital reserves by selling non-strategic assets. Our financial system is sound enough to guarantee all the deposits on its own, and to merge with and absorb some small banks with problems. However, it must also be remembered that there is a direct relationship between risk and profitability, and being exposed to greater risk implies having to assume the losses arising from it. The measures implemented by the government have made it possible to extend the financing deadlines, and through the guarantees allow for better financing on the international markets.

In this context, the dramatic decline in the Spanish economy was exacerbated in the final quarter of 2008. The activity suffered an inter-quarterly drop of 0.2 percent in the third quarter and an even greater one in the fourth, of nearly 1.1 percent. This, on the one hand, confirmed the entry into recession of the Spanish economy, and on the other augured modest annual growth in aggregate output of 1.1 percent, or 2.6 points below 2007. All the components of Spanish demand, except public consumption, underwent a retraction in the fourth quarter, so that its contribution to inter-quarterly growth was -2.4 percentage points, whereas the contribution of the foreign sector was 1.7 percentage points. And so, for the second quarter running, the contribution of the foreign sector was higher than that of domestic demand, although this was due to the contraction in imports. Consumption continued to decline in the fourth quarter of the year: there was a dramatic collapse of the expenditure indicators during that time, including that of car sales which exceeded 50 percent inter-annually in December 2008, the confidence indicators which fell to historic minimums, and retail sales which decreased by 7.5 percent inter-annually during the fourth quarter. Fortunately, two of the factors that most led to the retraction of this macro-economic variable—the high rates of interest and the increased price of commodities—have significantly improved, which could put a brake on the fall during the next few quarters. However, as long as there is no reduction in the level of indebtedness, and the process of adjustment in construction has not been completed, consumption will continue its downward trend.

Gross fixed capital formation continued to decrease in the last quarter of the year. The main reason for the investment adjustment can therefore be found in the acute worsening of expectations, as shown by the sharp decline in company confidence indicators, which are at their lowest level since the 1993 crisis. To this must be added the high interest rates, the difficulties faced in obtaining financing and the high level of company indebtedness.

Investment in building continued to shrink in the last quarter of the year, with housing construction suffering a major reverse. Thus, the number of building permits plummeted, at rates of over 60 percent, and the number of housing units started decreased to half over the course of the past year. Moreover, the real estate market remains paralysed. Buying and selling of houses and flats continued to plunge, with inter-annual drops of over 35 percent, as shown by indicators such as those of real estate buying and selling and the number of mortgages transacted. The price index for housing that the INE (National Institute of Statistics) began to draw up recently, based on the prices recorded in deeds, shows a slight fall in the fourth quarter of the year, of 0.7 percent. The current crisis of the real estate market will drag on for some time. Given the conditions of high household indebtedness, deteriorating confidence, credit restrictions and increased unemployment, as well as excess demand and high expectations (whether founded or not) of price decreases, there is no sign of a reactivation in the medium term. In short, it is foreseeable that the Spanish Gross Domestic Profit will contract by more than 2 percent during 2009, and the doubt remains whether the recession will continue in 2010 as well or whether, if appropriate measures are taken, the situation can be reversed at the end of this year.

Employment, measured in terms of full-time jobs, fell by 0.8 percent in the third quarter of the year in comparison with the previous quarter, and already shows negative inter-annual rates. According to the Labour Force Survey, the year ended with a drop in employment of 2.4 percent in the last quarter of 2008, equivalent to 640,000 job losses relative to the previous year. The number of Social Security contributors showed a 1.9 percent drop relative to the previous quarter, in corrected seasonal figures. In absolute terms, the number of contributors was reduced by somewhat more than 800,000 from the beginning of this year, most of which were in construction. In services, although the number of contributors remained steady in general during the third quarter, reductions started to be detected in September and October. Only slight growth in the number of active population, together with job losses, led to a dramatic increase in unemployment, which in inter-annual comparison rose by 61 percent in the fourth quarter, causing the unemployment rate to shoot up by 13.99 percent. Registered unemployment also showed a marked rise, with an inter-annual increase of over 45 percent. It was among the foreign workers that the rise in unemployment was most acute, although it was more on account of the increase in their working population than of job lay-offs. Unemployment in Spain is due to exceed 4 million people, and the jobless rate may exceed 18 percent of the active population.

The crisis situation is taking a heavy and rapid toll on state finances. Revenue is decreasing at an accelerating speed as a result, in the first place, of the lower economic activity and, secondly, on account of the different measures taken by the government such as the 400 euros tax rebate and the maternity deduction in personal income tax (IRPF), and the lowering of the tax rate in the case of the company tax. The deterioration was even more pronounced in the final months of 2008, with an increase in the public deficit to 3 percent of GDP and the likelihood that it will reach 7 percent at the end of 2009.

At the fifth ambassadors' conference on public diplomacy and foreign policy, held in September 2008, the president of the government, José Luis Rodríguez Zapatero, stressed Spain's solid commitment to peace building, for which he considered it essential to implement new measures to combat the new conflicts. The Spanish army is present in Lebanon, Afghanistan, Bosnia-Herzegovina, Kosovo and the Democratic Republic of Congo, with nearly 3,000 soldiers, and everything indicates that there will be an increase in the number of troops for international missions, given the political instability of areas such as Afghanistan. Although the General State Budget for 2009 envisages an almost 3 percent reduction in expenditure for defence, the increased number of troops for peacekeeping missions abroad would mean an increase of almost 560 million euros a year (if the entire capacity were used), which would contribute to increasing even more the large budget imbalance in the public accounts for next year.

The reduced debt of the general government as a whole has been one of the great achievements of Spanish budget policy. It was at a minimum in 2007 when it amounted to 36.2 percent of GDP. Unfortunately, the relaxation of budget discipline in the 2008 financial year pushed the debt up to 39 percent of GDP. It must not be forgotten here that this reversal of trend, at a time of large international issuance of public debt, can intensify the crowding-out process or boost financial restrictions and higher cost of financing to which our country is subject. These can undermine the foundations for its future sustainability, as shown by the fact that the risk premium for our sovereign debt to Germany, which was inexistent in 2006, had already reached 110 basic points in January, with the very high needs for public and private financing. This even led to a lowering of the risk assessment for the debt of the Kingdom of Spain.

The deficit in the current account balance, which underwent an acceleration in the initial months of the year on account of higher costs for oil and agricultural commodities, continued to climb in the following months

till October (the last month for which information is available), although at a lower rate. At the same time, the positive balance for the tourist sector has continued to grow, above all because of the fall in tourist flows of Spaniards abroad. Thus the current account deficit rose by 4.3 percent to November 2008.

The pattern for financing the current account deficit has undergone a notable change since the third quarter of 2007. Before the start of the mortgage crisis in August, the equilibrating role of the balance of payments basically affected the net inflows for portfolio investments (essentially fixed-income securities, above all mortgage redemption assets). But following the crisis the situation has been reversed and they have become net outflows, because international investors are getting rid of their Spanish assets. Since the fourth quarter of 2007, it has been other investments, made up of loans, repos and deposits, that have compensated with their surplus for the foreign current account deficit, helped by direct investments, whose last year's deficit has become a surplus. This was due, on the one hand, to the decrease in Spanish investment abroad, and on the other, to the rise in foreign investment in Spain, although concentrated in some corporate transactions. In any event, the positive balance of these two items was not sufficient to compensate for the current account deficit, and the assets of the Bank of Spain have therefore decreased relative to foreign assets. It is likely that this situation will prevail for some time, until the financial system resumes normal functioning. This illustrates the unsustainability of the Spanish model of growth, which is based on excessive dependence on foreign financing, as well as the constraints on growth that derive from the scarcity of this financing.

As soon as confidence in the financial markets has been restored, we shall see that the great challenges which have been facing Spain for some time still remain. It is a matter of strengthening the productive fabric, providing the economy with sufficient flexibility and capacity for adjustment, increasing the productivity of all the factors and raising the potential for growth. Therefore, the structural reforms on which a brake has been put in recent years (in the labour market, the tax system, Social Security, and administrative bureaucracy, among others) must be addressed with renewed vigour. The financial crisis is a negative supply shock, and therefore the remedy must be applied to the supply side of the economy. It is there, within a framework of macro-economic stability and micro-economic efficiency, that the productivity and competitiveness levels and the degree of intensity in fixed capital formation, business investment, and human and knowledge

capital are determined. Nevertheless, anti-cycle, and especially fiscal, policies, do not work properly with a view to promoting activity. Therefore, public expenditure will have to be restrained and public investment only allocated to productive investment that increases the potential for growth, and thus our competitiveness. Spain has a savings deficit, and overcoming the crisis can only take place through the foreign sector. Economic policy will have to focus on achieving an improvement in our competitiveness in order to promote the potential of our firms, which constitute a fundamental asset in the face of this deep and differential crisis in Spain. The Great Depression was not overcome by means of Keynesian policies, but rather by the positive supply shocks caused by the Second World War: the tremendous technological development, and the incorporation of women into the productive process, which enabled the output and competitiveness of the Western economies to be significantly increased.

The United States and China need each other and Russia has fundamentally changed its strategic approaches and military capabilities, so that another world confrontation is fortunately not possible. Therefore the positive supply shocks must come from proper structural reforms that will improve market efficiency, and from R+D processes and training that will allow for increased productivity.

CHAPTER TWO

THE YEAR OF LIVING DANGEROUSLY: THE EUROPEAN UNION AND ITS EASTERN NEIGHBOURS IN 2008

THE YEAR OF LIVING DANGEROUSLY: THE EUROPEAN UNION AND ITS EASTERN NEIGHBOURS IN 2008

CHARLES POWELL

INTRODUCTION

In his excellent contribution to the 2007/2008 edition of the *Strategic Panorama*, José Ignacio Torreblanca—writing, no doubt, under the impact of the recent signing of the Treaty of Lisbon on 13 December 2007—optimistically augured the «end of the constitutional quagmire» in which the European Union had been caught since the defeat of the Constitutional Treaty in the French and Dutch referendums of 2005. In his opinion, overcoming this situation would at last enable the EU to project itself «much more decisively towards the future and, in particularly, beyond its borders» (1). However, the rejection of the Treaty of Lisbon in the binding referendum held in Ireland on 14 June 2008 dashed this hope, at least in the short term, further prolonging the uncertainty surrounding the reform process inaugurated by the adoption of the Laeken Declaration in 2001, which has been going on for over seven years now. This new constitutional crisis no doubt dented the EU's credibility, giving fuel to those who usually criticise it for devoting too much time and effort to internal reforms of no interest to public opinion instead of focusing on the major challenges it faces, such as climate change, energy security and immigration.

As has usually occurred during other episodes of extreme internal uncertainty in Europe, the world did not have the courtesy to stop and give the EU a chance to put its house in order at its own pace. As was to be

(1) JOSÉ IGNACIO TORREBLANCA, «*El fin del atolladero constitucional: nuevos líderes, nuevos instrumentos, desafíos pendientes*», in *Panorama Estratégico 2007/2008*, Instituto Español de Estudios Estratégicos and Real Instituto Elcano (Ministerio de Defensa, Madrid, 2008), p. 137 et seq (English Edition «The end of the constitutional quagmire: new leaders, new instruments, pending challenges).

feared, several crises that afflicted the EU's immediate neighbours in 2008 (particularly in the east) put to the test its internal cohesion, the leadership capacity of its senior representatives, the versatility of its instruments and policies and, ultimately, its ability to behave like a significant global actor. The first of these crises was triggered by Kosovo's declaration of independence in February 2008 and opened up wounds that have not yet fully healed. The second involved Georgia, which was invaded by Russian troops in August, giving rise to what was, despite its brevity, the first European war of the twenty-first century. Russia also played the leading role in the third of these crises, the interruption of the gas supply to Ukraine at the end of the year and, consequently, to several EU member states. These three conflicts raised doubts and fears about the possibility of establishing satisfactory relations with Russia and also about the EU's neighbourhood policy and its ability to export stability and security to the states in its immediate vicinity.

Inevitably, these conflicts and the tensions they sparked heightened EU citizens' interest in the US presidential campaign and its outcome in November 2008. Although the opinion polls revealed that, save very rare exceptions (Poland), the Europeans were overwhelmingly in favour of the Democratic candidate, Barack Obama, the future president did not devote much attention to his future relations with the EU in his campaign, which focused increasingly on domestic issues as the international financial and economic crisis worsened. As a result, shortly after his resounding victory, serious doubts were voiced—in both the United States and Europe—about the impact the change of White House tenant would have on transatlantic relations.

LISBON AND ITS RATIFICATION DIFFICULTIES

As readers will recall, one of the aims which had inspired—brought about, even—the opening of this reform process was precisely the realisation that the EU as an international actor needed to play a bigger role that was more in keeping with its economic weight and political ambition. Although less ambitious in this area than many would have wished, both the Constitutional Treaty and its successor, the Treaty of Lisbon, envisaged modifications designed to make the EU more effective in this field. However, the conflicts that arose during 2008, which we will go on to analyse, merely confirmed the need for the EU to implement these reforms as soon as possible in order to be able to intervene more decisively and effectively in them. Furthermore, Ireland's «no» vote and its impact on the entry into

force of the Lisbon Treaty could slow down the EU's forthcoming West Balkan enlargement, on which definitive peace in the region probably depends (2). In short, although some experts had exaggerated the disastrous consequences of the Treaty of Nice on the EU's decision making process, there were sound reasons why the twenty-seven member states could not resign themselves to not implementing the Treaty of Lisbon.

When analysing the causes of the negative result of the Irish referendum, it should be recalled as a starting point that turning the Constitutional Treaty into the Lisbon Treaty was an extremely risky operation. Basically, the aim was none other than to convince the supporters of integration that Lisbon did not substantially alter the Constitutional Treaty and, at the same time, convince its opponents that it was a sufficiently thorough modification for the French and Dutch to accept it without putting it to a second referendum. This introduced a clearly disturbing element of ambiguity—not to use a stronger term—into the ratification procedures, which was not precisely conducive to the establishment of an in-depth public debate on the contents and real scope of the treaty, particularly in some member states. In the short term, this tactic appeared to work, especially when the French parliament ratified the treaty in February 2008 (3). However, as many observers had predicted, in the referendum held in Ireland on 12 June 2008, with a turnout of 53.1 percent, the treaty was rejected by 53.4 percent of the population compared to 46.6 percent who supported it (4).

The public opinion surveys conducted after the referendum did not take long to conclude that Irish voters had rejected the Lisbon Treaty because they were neither familiar with its content nor understood it (5). The main reasons given by those who admitted having abstained (nearly one out of every two Irish people with the right to vote) were failure to understand the issues it raised, being too busy to vote, and the feeling of not being sufficiently well informed. Of those who voted against it, 42 percent of respondents put their decision down to lack of knowledge and lack of infor-

(2) The seven countries the EU regards as potential member states of the future are Albania, Bosnia-Herzegovina, Croatia, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.

(3) There were 336 votes in favour and 52 against the Lisbon Treaty and 17 abstentions in the French National Assembly on 7 and 8 February 2008, while the Senate adopted it with 265 in favour, 42 against and 13 abstentions.

(4) See HUGO BRADY, «*Precaución: Irlanda puede guillotinar Lisboa*», ARI No. 56/2008.

(5) European Commission, 'Post-referendum Survey in Ireland', Flash Eurobarometer 245, 18 June 2008, available from http://ec.europa.eu/public_opinion/flash/fl_245_full_en.pdf. See also MILLWARD BROWN IMS, «*Post-Lisbon Treaty referendum research findings. September 2008*».

mation; 13 percent to their fear that Ireland would be dominated by «more powerful nations»; 8 percent thought it «was a bad treaty for Ireland»; and 5 percent said they identified Lisbon with a future «loss of sovereignty». Amazingly, even those who voted in favour felt that the «no» campaign had been the more convincing (6).

Pursuing our analysis a little further, most of those who voted «no» viewed the Lisbon Treaty as a possible threat to Ireland's neutrality in foreign policy matters. Many voters living in rural areas—who are conservative by nature—were also concerned that the Treaty could pave the way for a reform of Ireland's restrictive legislation on abortion (and even for the legalisation of gay marriages). What is more, at a time of economic slowdown and rising unemployment, many citizens feared that the Treaty would increase the tax burden on enterprises, resulting in a loss of foreign investment. Finally, fear that Ireland would lose its commissioner and institutional weight within the EU also played a role. As can be seen, nearly everything would appear to indicate that most voters did not read the text of the Treaty or did not understand what it was about—which is hardly surprising given its considerable complexity. Despite the results, this and other surveys confirmed that Irish citizens' support for the EU continued to be much greater than the European average, even among those who had voted «no» to Lisbon.

Given the difficulties of transforming the Constitutional Treaty into the Lisbon Treaty, the European leaders were quick to dismiss the possibility of reforming it to take into account the sensibilities of the Irish electorate, in view of which the island's authorities realised that what was expected of them (unlike what happened after the French and Dutch «no») was an «Irish solution to a European problem». And so, following complex (albeit discreet) negotiations between the Irish government, the Commission and the French presidency of the EU, the European Council of 11-12 December 2008 promised to issue «the necessary legal guarantees» to respond to the concerns expressed by the Irish people about the scope or exercise of the EU's competences in tax matters; the compatibility of the Treaty with Ireland's traditional policy of neutrality; the null impact of the adoption of the EU's Charter of Fundamental Rights on the provisions of the Irish Constitution with respect to the right to life, education and the family; and the importance the EU attaches to protecting workers' rights and public services as an instrument of social and regional cohesion. However, the most salient

(6) See also RAJ CHARI, «¿Por qué rechazaron los irlandeses el Tratado de Lisboa? Un análisis de los resultados del referéndum», ARI No. 69/2008.

feature was the Council's decision in relation to the future composition of the Commission, as it agreed that, when the Treaty entered into force, one commissioner per member state would be maintained, a possibility already envisaged—thinking very far ahead—in the articles of the Lisbon Treaty (7). (A possible lesson that could be drawn from the Irish referendum is precisely that the EU failed to take sufficiently into account the huge importance the smaller member states attach to their commissioner; according to the rotation set out in the Treaty, one-third of the member states would be deprived of a commissioner of their nationality for a five-year period). In exchange for all this, the Irish government undertook to put the Lisbon Treaty to a second referendum before the mandate of the Barroso Commission expired (on 31 October 2009), raising hopes that it could at last enter into force before the year was out. Whatever the case, it would mean holding the European Parliamentary elections scheduled for 4-7 June 2009 without yet having resolved the constitutional impasse; this could have a negative impact on voter turnout, which has fallen by an average of 17 percentage points since 1979, from 62 to the 45.5 percent recorded in 2004.

THE KOSOVO CRISIS OR THE POLICY OF THE LESSER EVIL

Although the Balkan region has been a source of instability and concern to Europe for well over a decade, it was surprising to note the amount of international tension sparked throughout 2008 by the crisis of Kosovo, a territory with less than two million inhabitants. This territory, 90 percent of whose population was Albanian and 7 percent Serb, had enjoyed a certain amount of political autonomy in accordance with the 1974 constitution of the Federal Republic of Yugoslavia. However, following the death of Tito, President Slobodan Milosevic put an end to this situation in 1988. This gave rise to a brutal campaign of ethnic cleansing carried out by the Serbian military and police forces, resulting in the expulsion of nearly half of Kosovo's Albanian population and the killing of more than five thousand civilians. The action subsequently taken by NATO against Belgrade, which in turn led some 100,000 Kosovo Serbs to flee the territory, gave rise to the adoption of Security Council Resolution 1244 in June 1999 whereby Kosovo was placed under international administration. As time passed, the United Nations Mission for Kosovo (UNMIK) progressively transferred

(7) For a recent defence of the need to keep a commissioner per member state in order to guarantee the Commission's legitimacy and efficiency, see JOHN TEMPLE LANG & EAMONN GALLAGHER, «*Essential steps for the European Union after the 'No' votes in France, the Netherlands and Ireland*», CEPS Policy Brief No. 166, August 2008.

more and more competences to the local authorities and the situation was made official by a constitutional agreement adopted in 2001 without the participation of Belgrade, although the enclave of Mitrovica, inhabited by a Serbian majority, retained a parallel administration. This situation generated growing frustration among the Kosovo Albanian population, triggering an outbreak of violence in March 2004, in which some 50,000 people mobilised against the Serb minority and their cultural and religious symbols. In view of the deterioration of the situation, the UN secretary general recommended stepping up efforts to find a permanent solution to the status of Kosovo, a suggestion that was formally approved by the Security Council in October 2005. The Council also agreed to place negotiations in the hands of a special envoy, former Finnish president Martti Ahtisaari, who was to work closely with a Contact Group formed by France, Germany, Italy, the Russian Federation, the United Kingdom and the United States. It was found almost immediately that, with the exception of Russia, the members of the group considered Kosovo's independence to be inevitable, and Serbia further complicated the situation by adopting a new constitution in September 2006 that failed to provide sufficient guarantees of Kosovo's autonomy, thereby confirming the fears of the Albanian majority. A month later Moscow warned that it would not agree to any formula that was unacceptable to Belgrade.

Following several months of UN-sponsored talks between the representatives of Kosovo and Serbia, in February 2007 Ahtisaari forwarded a proposal that was immediately rejected by Belgrade. Even so, the UN secretary general put it before the Security Council, while adopting the recommendations made by the special envoy on the future status of the territory, according to which «the only viable option for Kosovo is independence, to be supervised for an initial period by the international community». Although the so-called «Ahtisaari plan» did not explicitly mention independence, it envisaged transferring powers from UNMIK to the Kosovo authorities, which would have enabled it to attain the aforementioned status in the not so distant future. At the same time, it envisioned the appointment of an International Civilian Representative who would also be the EU special representative, and the existence of a NATO-led military mission, both with «considerable» competences. Both states thought that the subtle distinction between the plan and Ahtisaari's recommendations would make it possible for the former to be approved even after the rejection of the latter, but this was not the case. Owing chiefly to Russia's head-on opposition, the Security Council was unable to adopt the plan, as a result of which a new round of ne-

gotiations was held between Serbia and the representatives of Kosovo with the intermediation of a troika formed by Washington, Moscow and Brussels. These talks ended in December 2007 without an agreement having been reached (8).

In view of this impasse, a major debate took place on the Kosovo crisis at the European Council of 14 December 2007. The public conclusion reached was that the existing situation was untenable and that the EU should involve itself as fully as possible by setting up an ESDP mission to consolidate the rule of law, as well as the office of the International Civil Representative, which would coordinate the international presence in Kosovo, and by making a financial contribution to help mitigate the extremely serious economic crisis the territory was experiencing. Anticipating a unilateral response from Kosovo to the failure of the negotiations fostered by the troika, the European Council conclusions included a somewhat peculiar observation that «resolving the pending status of Kosovo constitutes a sui generis case that does not set any precedent».

As it had announced in December, on 4 February the EU unanimously agreed to establish the European Rule of Law Mission in Kosovo (EULEX Kosovo), to support the Kosovo institutions, judicial authorities and law enforcement agencies in their «progress towards sustainability and accountability», and to appoint a special representative, Pieter Feith, for the territory. A few days later the French general Yves de Kermabon was appointed as head of the mission, which, after a transitory period of 120 days, was to replace UNMIK, with nearly 2.000 international personnel including police, judges, prosecutors and customs agents from all the member states (except Cyprus), a local corps over a thousand strong and a budget of €205 million for its first 16 months of life, all of which should make it the most important civilian operation of those sponsored to date by the EU's European Security and Defence Policy (ESDP). The fact that these decisions were adopted before the formal declaration of independence suggests that the most influential EU members had already concluded that Kosovo's independence was inevitable, and that the very existence of EULEX would provide some reassurance to the member states harbouring doubts about the legality of this *fait accompli*. The latter agreed to the creation of EULEX provided that its existence did not signify formal recognition of an independent Kosovo.

(8) See in this connection the excellent essay by MARC WELLER, «*Negotiating the final status of Kosovo*», Chaillot Paper no. 114, Institute for Security Studies, Paris, December 2008.

As expected, the Assembly of Kosovo unilaterally declared the territory to be independent on 17 February 2008, quoting for the purpose Ahtisaari's proposal and recommendations Like the European Council text, the declaration described the secession of Kosovo as «a special case arising from Yugoslavia's non-consensual breakup» and «not a precedent for any other situation». As previously warned, at the Security Council meeting of 18 February 2008 this decision was rejected by Serbia and its main ally, Russia, which questioned its legality in international law (while China adopted a more toned down stance), in contrast to the favourable opinion of the representatives of the United States, the United Kingdom, Italy and Belgium. The EU Council hastily met the following day and concluded that the independence of Kosovo was a *sui generis* case which did not call into question the principles of the United Nations Charter or the Helsinki Final Act on sovereignty and territorial integrity. However, when it became apparent that this decision was of concern to a not inconsiderable number of European partners, particularly Spain, Greece, Cyprus, Slovakia, Bulgaria and Romania, it was agreed to allow the member states to decide freely whether or not they recognised the new state of Kosovo. Above all, the EU wished to avoid a repetition of the tricky situation experienced in December 1991 in connection with the recognition of the independence of Croatia and Slovenia, although it did not entirely succeed in doing so. As had occurred in relation to Bosnia, and later at Rambouillet, when the EU proved incapable of speaking with a single voice, it was Washington's intervention that led to the final outcome.

Pristina's unilateral declaration of independence sparked an intense political, academic and media debate on its legality all over the world—and especially in Europe. The objections raised by Serbia and Russia, and backed with varying degrees of enthusiasm by other states, were fairly simple: the secession of Kosovo had not been authorised by Serbia, nor had it been given the go-ahead by the Security Council (which, as we have seen, had not even formally approved the Ahtisaari Plan), in view of which the declaration of independence was contrary to international law. Much of the debate revolved around how to interpret Resolution 1244 of 10 June 1999 whereby the Security Council had ordered Belgrade to withdraw its troops from Kosovo and hand the territory over to the UN. More specifically, while those in favour of secession stressed that Resolution 1244 had established only a transitory regime, «pending a final settlement» (Art. 11a), to facilitate «a political process designed to determine Kosovo's future status» (Article 11e), its opponents underlined that the regime provided for «a substantial self-government for Kosovo, taking full account of [...] the

principles of sovereignty and territorial integrity of the Federal Republic of Yugoslavia» (Annex 1) (9).

Whatever the case, Kosovo's declaration of independence once again highlighted the difficulty of getting twenty-seven states with different geostrategic interests and political cultures to adopt an EU common position on such a controversial issue. For Cyprus, Romania and Slovakia, recognition of the new state would have set a dangerous precedent, in the first case in relation to the Turkish-Cypriot minority and in the other two in relation to the Hungarian population. Greece, for its part, could not fail to show its traditional solidarity with Cyprus, as well as its concern about the possible impact of Kosovo's initiative on the Albanian minority in the neighbouring Macedonia. As for Spain, many foreign analysts attributed the government's position—which for once was unequivocally shared by the leading opposition party—to a comparable fear with respect to Catalonia and the Basque country. Certainly, some nationalist sectors in both autonomous regions interpreted the Kosovo declaration as an incentive to their independence demands, as had occurred in the nineties when the Baltic republics gained their independence. However, another factor that powerfully influenced the adoption of this stance was the deep respect for international law and the UN that characterised both the foreign service and the university community devoted to studying international relations—a feature of Spanish political and academic culture that should be interpreted partly as a reaction to the authoritarian legacy of the Franco regime and the international isolation to which it gave rise (10). A certain role was most likely played—though this would not explain the attitude of the Popular Party—by the wish to underline the contrast between this staunch defence of international law and the attitude of José María Aznar's governments towards the Iraq war. Lastly, a certain amount of irritation was caused—and not only in Spain—by the attitude of the United States and some of the major European powers, which had approved the secessionist option without waiting for the troika-led talks between Belgrade and Pristina to finalise, as this logically took away any incentive for the Kosovars to reach a negotiated settlement.

From the EU's perspective, the unilateral nature of Kosovo's declaration of independence and the fact that it did not have the backing of the

(9) Resolution 1244 (1999) at <http://www.un.org/spanish/docs/comitesanciones/1160/sres1244.pdf>. See in this connection CESÁREO GUTIÉRREZ ESPADA & ROMUALDO BERMEJO GARCÍA, «Kosovo de nuevo: apuntes críticos sobre su declaración de independencia, su constitución y otras reflexiones», Real Instituto Elcano, Documento de Trabajo No. 41/2008.

(10) See BERNARDINO LEÓN, «La posición española sobre Kosovo», Cinco Días, 20 February 2008.

Security Council was a serious hindrance to the implementation of its policies. On the one hand, June 2008 saw the entry into force of Kosovo's new constitution, which made no mention of UNMIK but did refer to Resolution 1244 (1999). EULEX was initially scheduled to take over from UNMIK when the former became operational, but Serbia, with Russia's full support, refused to allow the transfer of powers without the approval of the Security Council. Following a long diplomatic wrestling match, in November 2008 the Security Council at last approved the deployment of EULEX provided that it took place under the umbrella of UNMIK, and showed a neutral stance towards the status of Kosovo. This raised significant doubts about the future efficiency of EULEX—namely, whether it is possible in practice to defend the rule of law and contribute to strengthening the institutions of a particular territory without previously dispelling existing doubts about the legitimacy of the state that claims to represent it. These discrepancies made it necessary to postpone the start of the EU mission's mandate, which was finally implemented on 9 December 2008, its credibility not precisely bolstered by the situation. In practice, in the mainly Serb-inhabited parts of Kosovo north of the river Ibar, the police would continue to act under the supervision of UNMIK, as would also occur with the customs checkpoint at the border between northern Kosovo and Serbia. If it is really UNMIK which guarantees law enforcement in northern Kosovo, what validity can be attributed to the country's new constitution? Against all odds, and much to the consternation of the supporters of independence, the eventual full transfer of UNMIK mandate to EULEX will require the future approval of Belgrade (and of Moscow). All this raises the possibility that what started out as a unilateral declaration of independence could, over time, come to be remembered as a unilateral declaration of dependence (11).

Before the deployment of the EULEX mission, in October 2008 the UN General Assembly agreed—by 7 votes in favour and 6 against, with 74 abstentions—to Serbia's request for an advisory opinion from the International Court of Justice on the legality of the declaration of independence, a motion that commanded the support of several EU member states, among them Spain. Although its ruling will not be binding and could take several years, a decision against Pristina's unilateral action would place the international community—including the UN itself—in a very awkward situation, as Kosovo's independence is probably irreversible, irrespective of its

(11) See JOHANN DEIMEL & ARMANDO GARCÍA SCHMIDT, «Kosovo 2009: Uncertain future», *Spotlight Europe* 2009/01, January 2009, BERTELSMANN STIFTUNG, and DANIEL KORSKI, «Kosovo: Between Kiribati and Kuwait», European Council on Foreign Relations, 16 February 2008.

undoubtedly questionable legality. We may therefore assume that the five member states which have not yet recognised the new state of Kosovo—Spain, Romania, Slovakia, Greece and Cyprus—will be impelled to do so in the not too distant future, as urged by the European Parliament in February 2009 by 424 votes in favour and 133 against, with 24 abstentions. Otherwise, the EU's ability to contribute to a definitive peace in the western Balkans would probably be undermined.

In short, although Kosovo's unilateral declaration of independence may hardly be considered an optimum result, the existing alternatives were no more attractive, as the Serbian authorities never convinced the international community of the seriousness of their convictions of autonomy for Kosovo, and the status of the international protectorate which had existed since 1999 was clearly unviable in the medium term. Even so, although acceptable as a lesser evil, from the EU's perspective the independence of Kosovo—and, in general, the whole process of the dismembering of the former Yugoslavia—amounts to something of a failure, as the proliferation of new states based on ethnic criteria is barely compatible with the yearning for overcoming the old nation-state concept that is supposedly inherent in the European project.

GEORGIA, AUGUST 2008: THE FIVE-DAY WAR

The second territorial conflict that required the EU's intervention in 2008 arose at a certain geographical distance from Kosovo, but sparked questions and debates that bore some relation to the situation there. The Georgian crisis formally erupted on 7 August 2008, when President Mikheil Saakashvili ordered an attack on Tsjinvali, the capital of South Ossetia, supposedly in retaliation for the movements of Russian troops, the magnitude and purposes of which it has not been possible to document reliably. This action in turn triggered a forceful military response from Russia, launched from South Ossetia and also from Abkhazia—a territory where Georgia had committed no aggression—which Moscow justified with the argument of wishing to prevent an imminent Ossetian genocide, even though in order to do so its troops invaded Georgian territory whose sovereignty was not under debate. (Although the Russians initially claimed that Georgia's action had caused over two thousand casualties, the organisation Human Rights Watch placed the number of dead at around two hundred). The fact that Russia destroyed communications between Tbilisi and the west of the country indicates that its intention was to inflict a harsh punishment on Georgia, so that its humiliation would serve as an example

to other unruly neighbours. It should furthermore be remembered that this was the first time Moscow had ordered a military invasion of a sovereign state since it occupied Afghanistan in 1978 (12).

Ever since Georgia's separation from the former Soviet Union in 1991, both South Ossetia and Abkhazia had enjoyed a peculiar de facto independence which had allowed them to develop their own political and economic systems under the protection of the Russian military peacekeeping forces that have been present uninterruptedly in these territories for a decade and a half. The Tbilisi authorities had already taken military action against the secessionists of South Ossetia on various occasions—the most recent in 2004—but Moscow's assistance had always ensured the defeat of these initiatives. Furthermore, the secession of Kosovo could be interpreted as an invitation to South Ossetia and Abkhazia to gain independence. In view of these antecedents, Saakashvili's decision is not easy to explain, although it is no less certain that the speed of Russia's military response suggests that it had been prepared somewhat in advance. If the Georgians thought that the United States would come to their aid given the support the Bush Administration has shown to Georgia's NATO accession in the recent past, they were sorely mistaken. In addition to being busy on other fronts in Iraq and Afghanistan and only months away from the end of his second term in office, the US president was no doubt aware of the need to avoid any confrontation with Russia that might endanger Russia's collaboration in relation to containment of the Iranian nuclear threat. Furthermore, it is possible that NATO's refusal to provide Georgia with a *Membership Action Plan* (MAP), expressed at the Bucharest summit in April 2008, influenced President Saakashvili, particularly bearing in mind Angela Merkel's comments that the Alliance could not take in a state with unresolved territorial conflicts.

Be this as it may, since both Russia and the USA seats on the UN Security Council, making it impossible for the organisation to take any measures, the initiative was soon taken up by the French president, Nicolas Sarkozy, who, as luck would have it, had held the six-month EU presidency since the previous month. The French president got Russia and Georgia to agree to a ceasefire on 12 August based on a six-point plan, and the following day an emergency meeting of the EU foreign ministers authorised the Commission and Javier Solana to study the political and

(12) See SVANTE E. CORNELL, JOHANNA POPJANESVSKI & NIKLAS NILSSON, «*Russia's war in Georgia: causes and implications for Georgia and the world*», Central Asia – Caucasus Institute & Silk Road Studies Program, Policy Paper, August 2008.

economic measures required to ensure its feasibility. The peace plan envisaged the withdrawal of both armies to the positions they had occupied before the outbreak of the war, although the Russians were authorised to remain in the occupied areas—supposedly for peacekeeping purposes—until an «international mechanism» was created to take over. Both parties also undertook to take part in any international talks on the future security and stability of South Ossetia and Abkhazia. Although this clause did not explicitly mention the legal status of these territories, the fact that Russia agreed to participate in negotiations of this kind amounted to recognition that the issue was negotiable.

As was only to be expected, the text was not to the liking of all the member states, and it was not long before serious differences of opinion within the EU surfaced, as had occurred in relation to Kosovo. In this case they drove a wedge between the «hardliners» (the United Kingdom, Sweden and the ten Central and East European partners) who wanted a forceful response to Russia's aggression, and the «soft liners» (headed by France and Germany) who showed themselves to be more compliant. Some observers were quick to establish comparisons with the crisis the invasion of Iraq triggered in the EU, but the situation was very different. Above all, Washington considered that Georgia belonged to the EU's «back yard», and during her visit to Tbilisi on 12 August, far from encouraging them to adopt a belligerent attitude towards Russia, the Secretary of State, Condoleezza Rice, urged the Georgians to accept the ceasefire negotiated by Sarkozy. (After all, Georgia had joined the EU's European Neighbourhood Policy in November 2006). On this occasion the «hardliners» were less numerous than in 2003 (as Spain, Italy and Portugal had gone over to the other side) and also less influential (owing mainly to the United Kingdom's loss of prominence and the rather ambivalent attitude of states like Hungary and Slovenia, and even more so Bulgaria and Romania, which showed themselves to be much less belligerent than Poland). Lastly, on this occasion the «soft liners» were able to join forces around a sounder position than before, which furthermore did not seek confrontation with Washington (13).

Sarkozy was fully conscious that these divisions could seriously dent the EU's credibility and called a special European Council meeting for 1 September—the first of this kind since that of 17 February 2003, at which the EU's leaders failed in their attempt to establish a common position

(13) PETER LUDLOW, «*The EU and the Georgian crisis. The making of the French Presidency*». Eurocomment, Briefing Note. Vol. 6, No. 3, September 2008, pp. 1-6.

on Iraq—to analyse all aspects of the Georgia conflict. Although some of the «soft liners» did not believe calling such a meeting was justified, Russian's provocative decision to unilaterally recognise the independence of South Ossetia and Abkhazia on 26 August, its refusal to withdraw its troops and the belligerent declarations made by the Russian president, Dmitri Medvedev, shortly afterwards, appeared to prove the French president right. It is rather ironic that one of the arguments used by Russia to justify this recognition was the fact that South Ossetia and Abkhazia had not been able to participate fully in Georgia's political system, something that Moscow had striven to prevent at all costs. The Russians also argued in favour of the self-determination of these territories based on the fact that their populations had been assaulted militarily by the Georgian forces, a position that should have led them to view the demands of the Kosovo separatists more favourably (14).

Despite the objections of some leaders—such as the president of Lithuania, who would have preferred the EU to impose some sort of sanction on Russia—the conclusions proposed to the European Council by the French presidency were approved without much difficulty. The text condemned both Russia's military invasion and the subsequent political recognition of South Ossetia and Abkhazia, announced the calling-off of the negotiations that had been held with a view to renewing the Partnership and Cooperation Agreement between Russia and the EU, at least until Russia withdrew its troops, and promised a closer relationship with Tbilisi in order to establish a free-trade area as soon as possible. However, although it recognised Georgia's right to decide freely on its foreign policy, it also recognised Russia's right to guarantee its own security, provided that it respected the sovereignty and territorial integrity of its neighbours. Accompanied by Solana and the president of the Commission, José Manuel Barroso, Sarkozy made these conclusions known to the Russian president, Medvedev, during a long, tense meeting held in Moscow on 8 September. As a result, Russia agreed to withdraw its troops from the areas of Georgia that had been under the control of the Tbilisi government within a week, as well as the supposed peacekeeping forces occupying the so-called «buffer zone» by 10 October, provided that a (civilian) international observer force capable of taking its place—to which the EU would contribute at least 200 personnel—had been deployed at the beginning of that month, as subsequently occurred. This might be considered an example of successful

(14) EKATERINA STEPANOVA, «*South Ossetia and Abkhazia: placing the conflict in context*», SIPRI Policy Brief, November 2008.

Community diplomacy, as before the meeting the Russian foreign minister had announced that he would only agree to the deployment of observers from the OSCE, to which Russia also belongs, and which was already present in South Ossetia before the invasion. (However, the Russian government did not take long to clarify that, in its opinion, this international contingent could only operate in the buffer zone and not in South Ossetia or Abkhazia, despite the fact that Solana had insinuated that they could do so throughout the entire territory Georgia regarded as its own). Following the evacuation of the buffer zone, with respect to South Ossetia and Abkhazia the Russians undertook to return to the positions they had occupied up until 7 August. This proved to be a problem—among other reasons because, after recognising the independence of these territories, Moscow had promised to deploy a 7,600-strong force in them, much larger than the existing one before the summer invasion. Despite the doubts it may have harboured about the feasibility of the agreement, Georgia agreed to withdraw its troops to their barracks by 1 October. Surprisingly, the EU representatives undertook to guarantee that the Tbilisi government would in future refrain from using force in relation to the dispute, despite the doubts in Brussels and other capitals as to the reliability of President Saakashvili. Indeed, those who later objected that the EU had admitted its weakness by failing to demand that its observers' right to operate freely in the territories under dispute be clearly established were not far wrong. However, it is evident that Russia would never have accepted this demand as a precondition, and the EU would have had to choose between considering the negotiations settled and accepting an explicit exclusion that would have amounted to a *de facto* recognition of these provinces (15).

The agreement reached also encompassed the proposal included in the August ceasefire of organising an international conference to debate the security and stability of South Ossetia and Abkhazia, although without prejudice to the result of the negotiations on the future status of these territories. The conference, which was held in Geneva in November 2008 under the aegis of the UN, OSCE and EU a month later than initially scheduled, served above all to adopt certain decisions on the refugees and civilians displaced by the conflict, although it was also agreed to set up a committee to study the causes of the summer outbreak. A few weeks earlier, in

(15) According to Eurobarometer 70, published in December 2008, 26 percent of respondents thought that the EU had played the most important role in the cessation of hostilities in Georgia, a contribution that only 12 percent attributed to the UN, and 9 percent to both the US and NATO. However, 35 percent had no opinion on this, Spain being the member state where lack of knowledge was the greatest (57 percent).

October, the international community sponsored a donor conference. The participants pledged to contribute \$4.5 billion in donations and loans for the reconstruction of Georgia, of which \$763 million would be provided by the United States and \$863 million by the Commission and EU member states. Finally, in December 2008, after a meeting of the EU-Georgia cooperation council established under the umbrella of the European Neighbourhood Policy, Brussels announced the imminent opening of negotiations to facilitate the granting of visas and other measures designed to speed up the signing of a free-trade agreement between the parties.

The Georgia conflict of August 2008 was highly revealing of the complexity of the current international system. On the one hand, by unilaterally recognising the independence of South Ossetia and Abkhazia when the memory of its irate rejection of the secession of Kosovo was still fresh, Russia showed that its attachment to international law was, to say the least, as selective and motivated by self interest as that of the states it had criticised for recognising Pristina. At the same time, in its desire to prove that, contrary to the claims of the promoters of Kosovo's secession, the latter could not be considered *sui generis* or unrepeatable, Moscow may have fallen into the trap of a self-fulfilling prophecy, as recognition of these territories could fuel secessionist movements in some territories belonging to the Russian Federation, such as North Ossetia and Chechnya. In this connection, it is most telling that no other state—except Nicaragua—has seconded Moscow in its recognition of South Ossetia and Abkhazia. China could hardly have done so, for example, given the situation of Taiwan, Xingjian and Tibet.

Irrespective of the responsibility that can be attributed to Saaskashvili for the events of summer 2008, it is likely that Georgia has permanently lost control over one-fifth of the territory it traditionally considered its own, and over the 200,000 people who currently inhabit it. However, the most striking feature of the conflict is not that Russia was prepared to deploy its troops in the two territories under dispute—which, after all, had considered themselves to be independent for over a decade—but that it did not hesitate to invade the rest of Georgia and destroy much of its armed forces, even though it was relatively quick to pull out of the defeated country. Moscow acted without warning, totally unconcerned by the international reaction it might trigger, and made barely any effort to justify its actions. Some experts have deduced from the above that this crisis will be remembered as a turning point in the emergence of a new post-Soviet Russian imperialism and as a decisive landmark in the history of post-1989 international relations. However, it may be more prudent and realistic to conclude that

from now on Russia will not hesitate to use force to protect what it perceives to be its traditional sphere of influence, especially the areas where the United States intended to take advantage of its political and economic difficulties during the immediate post-Cold-War period to undermine its presence, as in the Caucasus (16). This explains, for example, Russia's bombing of air force bases such as Senaki and Murelli, and ports such as Poti, which Washington had identified as installations of special strategic value. Nor should we ignore the economic impact of the crisis and its geostrategic reading: among other consequences, Russia's actions in South Ossetia caused an interruption in the use of the Baku-Tbilisi-Ceyhan oil pipeline that crosses the territory, forcing Azerbaijan—which has had serious difficulties in its relations with Moscow recently—to drastically reduce its crude oil production.

UKRAINE: PRIVILEGED NEIGHBOUR OR ACCESSION CANDIDATE?

The invasion of Georgia by Russian troops was followed with particular interest (and apprehension) in Ukraine, the state that has suffered the most from the resurgence of Russian militarist nationalism in recent years. Owing to its size, population, economic potential and geostrategic importance, Ukraine has become a very special partner for the European Union. Back in 1994, Kiev and Brussels signed a Partnership and Cooperation Agreement which entered into force in 1998, and laid the foundations a bilateral relationship that was enhanced following the Orange Revolution of 2004. A year later, in February 2005, Ukraine joined the EU's Neighbourhood Policy by signing a three-year joint action plan, which it was agreed to extend for a further year in March 2008. However, the invasion of Georgia spurred the member states to raise the status of their relations with Kiev, and at the annual bilateral meeting in September 2008 the EU offered Ukraine a future Association Agreement in a formal declaration recognising it to be «a European country which shares, with the EU countries, a common history and values». The fact that Brussels opted for an Association Agreement—as the agreements signed in the 1990s with the Central and East European countries that joined the EU in 2004 were called—went down very well with Kiev, even though it is equally true that the member states have not yet formally decided whether Ukraine will become a full-fledged partner one day. (In practice, the association agreement, which could be signed in the second half

(16) See CHARLES KING, «*The Five-Day War. Managing Moscow after the Georgia crisis*», in *Foreign Affairs*, vol. 87, no. 6, November/December 2008, pp. 2-11.

of 2009, will be a «deep» free-trade agreement granting Ukrainian products almost unlimited access to the European internal market). Once again, at the September summit divergent stances within the EU as to its future eastward enlargement prevented the adoption of a more ambitious position: whereas the United Kingdom, Sweden and the Central and East European countries would have liked to offer Ukraine a more explicit accession «perspective», Germany, Italy, the Benelux countries and Spain were more wary, owing at least in part to their desire to avoid problems with Moscow (17).

Indeed, the announcement of this Association Agreement did not prevent the Russian authorities from ordering Gazprom to interrupt gas supplies to Ukraine for over a week in early January 2009, as had occurred in January 2006, on the pretext of failure to make certain payments and irregularities on the part of Kiev, leading to serious problems of supply in some member states, particularly Slovakia and Bulgaria. However, on this occasion the EU mediated successfully between Moscow and Kiev, as a result of which supplies were re-established relatively quickly. In the view of the majority of the Ukrainian population at least, the EU fittingly played its role of guarantor of the rule of law and legal certainty—no mean achievement given the level of corruption that characterises Ukraine’s political and economic life.

In its ongoing effort to strengthen its influence in the region, the EU has progressively updated its eastern Neighbourhood Policy every so often, though it has yet to come up with a fully satisfactory response. The most recent expression of this effort was the Eastern partnership presented by the European Commission in December 2008, based on a proposal by Poland and Sweden and designed for Ukraine, Moldova, Belarus, Armenia, Azerbaijan and Georgia. The underlying purpose of this proposal is none other than to speed up these eastern neighbours’ convergence with the Union member states, minimising the barriers that currently hinder the free movement of goods and people, and considerably increasing Brussels’ economic assistance to these states. Actually this eastern partnership would not have much of an effect on the situation of Ukraine, whose imminent Partnership Agreement will enable it to develop a privileged relationship with the EU. Nonetheless, it might help convince the Ukrainian public opinion—and the Russian elites—that full accession for Ukraine is not a pipe dream. In fact this is the dilemma which the EU has faced for years, and should endeavour to settle as soon as possible: if it makes Kiev a more explicit accession offer,

(17) TOMAS VALASEK, «*Why Ukraine matters to Europe*», Centre for European Reform essays, December 2008.

granting it potential candidate status, Ukraine's (and the EU's) relations with Russia could take a turn for the worse; if it does not, the Ukrainian population, currently very much in favour of future accession, will conclude that they are doomed to remain under the shadow of Moscow indefinitely. After all, experience shows that the promise of EU accession continues to be the best incentive for the social, economic and political reforms that a state like Ukraine still needs to implement. Therefore, perhaps the time has come to differentiate more clearly between the possible beneficiaries of the EU's future eastward enlargements and states that will have to settle for the status of mere neighbours, if possible reasonably stable and friendly ones.

EUROPEAN UNION – RUSSIA RELATIONS: TOWARDS A THIRD WAY?

The Kosovo conflict, the Georgia war and the almost structural tension between Kiev and Moscow may be considered a serious challenge to an EU that claims to seek to move beyond old paradigms such as the balance of power, spheres of influence and the use of military force, and to replace them with the instruments of regional negotiation, multilateral negotiation and the rule of law. The most important lesson the EU ought to learn from these conflicts is that it is of little use to stay out of problems with the vain hope that time will sort them out: «frozen conflicts» are actually never what their name implies. For fear of irking Russia, the EU was extraordinarily reluctant to involve itself directly in Georgia's problems: in 2005, when Moscow put an end to an OSCE mission that was monitoring its border with Georgia, Tbilisi asked the EU to replace it with a mission of its own, to which Brussels responded by sending a dozen experts on border control systems. Granted, Georgia's membership of the European Neighbourhood Policy in 2006 brought with it a few tangible benefits. But Brussels did nothing to involve itself in peacekeeping operations that Moscow managed at its own convenience, despite the OSCE's repeated warnings about the deterioration of the situation and growing militarisation of the area. When the war erupted, the EU found itself facing a tricky dilemma: it could not ignore the fact that Russia had invaded a neighbour, but it required Moscow's cooperation to stabilise the region, which made a merely punitive reaction unfeasible. This raises the question of whether the EU will be capable of finding an intermediate solution allowing Russia to join a long-term project of democratisation and regional stabilisation.

In the immediate post-Cold War period Russia did not pose major difficulties to the foreign policy of the EU, which had no problem joining forc-

es around a project that sought the democratisation, modernisation and westernisation of the former Soviet colossus. However, the combination of Vladimir Putin's advent to power and a substantial rise in the price of oil and gas brought about the downfall of this project, for which the EU has not been capable of finding a replacement. Throughout 2008, doubts about the compatibility of Russia's political system with the values championed by the EU did not cease to grow, and Russia's action in Kosovo, the Caucasus, Ukraine and Moldova put Brussels' influence in those regions to the test. In the opinion of some authors, the current danger lies not so much in the fact that Russia is hindering the EU's energy policy or blocking its initiatives in the UN Security Council, but in its aims to establish itself as an alternative ideological pole to that which Brussels wishes to embody.

What is paradoxical about the case is that EU-Russia relations are clearly asymmetrical given the demographic, economic and military superiority of the former: the EU's population is three and a half times Russia's; its economic weight is fifteen times larger (Russia's GDP is barely higher than that of Belgium and the Netherlands together); and its military expenditure is seven times greater. This asymmetry is particular evident in the field of trade: the EU purchases 56 percent of Russian exports and sells Russia 44 percent of its imports, whereas Russia's purchases account for only 6 percent of the EU's exports and Russia's sales amount to only 10 percent of the EU's foreign purchases. Contrary to what is generally thought, the EU's global energy dependence on Russia, although undoubtedly important, has diminished in recent years: Russian gas accounted for 75 percent of the EU's gas imports in 1995, but for only 30 percent in 2008, and dependence on Russian oil is even less. The level of dependence varies enormously from some member states to others: whereas 80 percent of the gas Bulgaria consumes is Russian, Spain imports its gas from other geographical areas. At any rate, the relationship between energy dependence and political positioning is more complex than it might seem. Roughly speaking, in Central and Eastern Europe the energy markets are small and not very diversified, whereas in Western Europe they are larger and also more diversified. The paradox is that Moscow grants preferential treatment to the two biggest purchasers of Russian gas, Germany and Italy, which are less dependent in relative terms but owing to their size account for 50 percent of the Russian gas imported by the EU; in contrast, Russia can afford to be more demanding with the member states of Central and Eastern Europe, which are captive clients and whose gas purchases account for a very modest proportion of the total. Therefore Russia's power to drive a wedge between EU member states would be considerably weakened

if they did more to progress towards a genuine integrated gas market in Europe, which would provide the most vulnerable partners with greater security (18).

In any event, the degree of the EU member states' energy dependence on Russia is just one of many factors that may help explain their attitude to the policies emanating from Moscow and the EU's difficulties in adopting a common position. An interesting study published by the European Council on Foreign Relations attempted to simplify the enormously complex bilateral relations of the 27 EU partners with Russia based on the existence of five possible different attitudes towards the country. According to this classification, Cyprus and Greece, whose proximity to Moscow occasionally leads them to veto community initiatives that Russia could consider detrimental, fall into the category of *Trojan horses*; France, Italy, Germany and Spain, who supposedly enjoy a «special relationship» with Russia, are its *strategic partners*; Austria, Belgium, Bulgaria, Finland, Hungary, Luxembourg, Malta, Portugal, Slovakia and Slovenia, who enjoy close business relations, might be considered *friendly pragmatists*; the Czech Republic, Denmark, Estonia, Ireland, Latvia, the Netherlands, Romania, Sweden and the United Kingdom, who also value their business relations, though this does not make them any less demanding in areas such as human rights, would belong to the group of *frosty pragmatists*; and lastly, Poland and Lithuania, who have developed an overtly hostile attitude towards Moscow and are also willing to use their veto, constitute the *new cold warriors*. (19)

According to the authors of this study, these five European attitudes towards Russia could be plotted along a continuum, at one extreme of which are those who view the country as a down-at-heel authoritarian and imperial power that can therefore be considered structurally revisionist, while at the other we find those who maintain that it is a state that is still undergoing democratisation and can be influenced positively by the EU. According to this scheme, the former are in favour of a policy of «soft containment» that involves excluding Russia from the G8, expanding NATO to take in Georgia and Ukraine as soon as possible, building missile shields and protecting the European energy sector from Russian investment. The problem this vision poses is that, even leaving aside the energy dependence of some EU states, it would not address the need to count on Russia when it comes to

(18) See PIERRE NOËL, «*Beyond dependence: how to deal with Russian gas*», Policy Brief, European Council on Foreign Relations, November 2008.

(19) MARK LEONARD & NICO POPESCU, *A power audit of EU-Russia relations*, European Council on Foreign Relations, November 2007.

resolving other major transnational problems such as climate change and nuclear proliferation. The latter, in contrast, favour Russia's «creeping integration» into the European political, economic and cultural sphere, through increasingly close interdependence. However, this strategy presupposes the existence of certain shared values (democracy; rule of law; multilateralism) or the possibility of sharing them in the not too distant future, something that may not be very realistic. One of the biggest immediate challenges to the EU's foreign policy is therefore defining an intermediate position, a «third way» in relations with Russia, based on a minimum European common denominator that has so far been glaringly absent.

CODA

The year 2008 appeared to prove right those who had warned that, far from progressing towards a neo-Kantian and postmodern new international order, we would witness a certain «return of history» that could give rise to a situation characterised by the existence of conflicts and rivalries between states, motivated, as in the olden days, by the pursuit of resources, power and prestige, which would considerably hinder the redefinition of institutions of global governance—both economic and political—that are clearly becoming increasingly overwhelmed by events. This situation poses an even bigger challenge to the European Union than it does to conventional international actors, as it not only questions to an extent the philosophy that inspired the Union's founding and underpins its current and future development, but undermines its methodology, its influence and its capacity for manoeuvre beyond its frontiers. Although the ratification of the Lisbon Treaty will not cause these problems to vanish as if by magic, it is to be hoped that it will at least allow the EU to operate with greater coherence and credibility as a global actor.

CHAPTER THREE

THE NEW RUSSIAN EMPIRE

THE NEW RUSSIAN EMPIRE

FERNANDO DEL POZO
Admiral (R)

Melians: So that you would not consent to our being neutral, friends instead of enemies, but allies of neither side.

Athenians: No; for your hostility cannot so much hurt us as your friendship will be an argument to our subjects of our weakness, and your enmity of our power.

Thucydides, History of the Peloponnesian War, The Melian Dialogue

INTRODUCTION

During the Cold War years it was very fashionable for war analysts to evoke the Peloponnesian War, which dragged on for most of the second half of the fifth century BC and pitted two coalitions against each other, by comparing the allies with the Athenians and the Soviet bloc with the Spartans. The reason for this tendency lay in the fact that Athens and its colonies were governed by democratic regimes, whereas the governments of the Lacadaemonians or Spartans and their colonies were dictatorial. In addition, Athens was a maritime power, whereas Sparta's main forte was warfare on land. However, the similarities really end here, and there are many sounder reasons in support of the opposite attribution. The names «Spartan alliance» and «Athenian empire», as the two sides were known, are very telling in this respect, stemming from Athens's undoubtedly imperial manner of treating its colonies.

Thucydides tells how in 416 BC, by which time Athens had abandoned the benevolent imperial policy of Pericles which had reaped so many benefits, it was decided to subdue the island of Melos, the only one of the Cyclades that was still independent. For this purpose the Athenians sent a well-armed expedition in which allies participated, clearly superior to the

modest Melian forces. However, they first attempted persuasion, albeit underpinned by the presence of arms.

The dialogue, or debate, that ensued between the Melian elite and the Athenian envoys is deservedly famous. There is no better expression of what we would call *power politics* nowadays. But in a stricter sense it recalls very closely the relations between Putin's (or Medvedev's) Moscow and the states that split off from the former USSR. The dialogue, give or take the differences stemming from the twenty-five-century gap, one of the most significant passages from which is quoted at the beginning of this essay, could have taken place between Moscow's envoys and the Georgian leaders between March and July 2008 following the compromise solution adopted at the Bucharest Summit which avoided the decision—on which there would have been no turning back—to incorporate Ukraine and Georgia into the *Membership Action Plan*. Such a decision would have led them inexorably, perhaps in the space of a year, to become fully-fledged allies and, accordingly, to enjoy the protection conferred by Article 5 of the Treaty of Washington.

A passage of the debate that provides particular food for thought today is that in which the Melians, after mentioning the possibility of enlisting the help of their powerful friends, but not formal allies, the Spartans, are mocked by the Athenians, who state more or less that the Spartans only come to their friends' aid when they are sure of winning, but do not risk their lives in campaigns with dubious results and of little benefit to themselves.

RUSSIA'S PERIPHERY FOLLOWING THE FALL OF THE FOURTH EMPIRE

Collective memory, with its characteristic viewpoint of an inverted telescope, tends to confuse and mix up the disappearance of the Warsaw Pact and its former members' abandonment of Communism with the disintegration of the Union of Soviet Socialist Republics in many of its component republics. Granted, everything happened in a very short period of time, but the two groups of events had a very different significance, and each left a distinct legacy. Suffice it to say that Gorbachev even spurred the changes in East Germany—on 7 October 1989 he publicly blurted out to Erich Honecker: «Life punishes those who fall behind the times». Days later Honecker was replaced by Egon Krenz, and blamed Gorbachev, whose far-reaching hand is suspected of being behind the events of 17 November in Prague, when the simulated beating of a student—actually

a member of the secret police—was the trigger that activated the Prague revolution captained by Vaclav Havel. The reason is that Gorbachev, and many who, like him, regarded *perestroika* and *glasnost* as the only possible path to *uskorenje* (increased production and, implicitly, an improvement in the impoverished economy), viewed courting Warsaw Pact Communist countries as a hindrance to these aims, as they were more «conservative» than the Kremlin itself, largely because their leaders feared the personal consequences of a political opening-up (and rightly so, as most were tried, persecuted or even, as in Ceausescu’s case, executed).

Furthermore, the dismembering of the empire strictly speaking was traumatic and indeed undesired, an unforeseen consequence of the modernisation process embarked on. Basically, save for a few border adjustments, the Soviet empire, the fourth Russian empire according to the historian Philip Longworth, (1) was almost exactly the same size and included the same nations, republics, communities and ethnic groups as the Romanov empire. Therefore, the independence of Belarus, Ukraine, the Baltic and Asian republics and those of the Caucasus was perceived more as an amputation than as a divorce.

Even so, not all the independences were equally dramatic or felt in the same way, and, above all, nor are the current consequences and relations the same. In the following pages we will attempt to analyse Russia’s present relations with each of the new republics as a consequence of shared history, the process of independence, and the events that followed it, concentrating more on those with the greatest conflict potential or closer relations with Europe. After dealing individually with each tree, we will attempt to describe the forest, in order to establish in what direction Russia is moving and why, and what may be expected of these tricky relations in the near future.

THE BALTIC REPUBLICS

If any of the aforementioned trees can be dealt with as a group it is the so-called Baltic republics. The remote history of Estonia, Latvia and Lithuania is as varied as that of any other group of three European nations chosen at random, and as a result their languages, cultures, majority religions and other ethnic features are equally disparate. However, ever since,

(1) *Russia’s Empires. Their Rise and Fall: From Prehistory to Putin.* PHILIP LONGWORTH. John Murray Publishers, 2006

one by one, they ended up belonging to the Russian empire throughout the eighteenth century, their political vicissitudes, sometimes independent but always dominated by the shadow of their huge neighbour, have been so alike that today it is not possible to separate them, either in political decisions—which seem inevitably to need to be made for all three at once—or in the popular imaginary, which needs to consult a map to find out which is being talked about when one is mentioned. The most important of these vicissitudes, as they are the most recent, were their annexation by the USSR in 1940 (2) as a result of the Molotov-Ribbentrop pact, and their declaration of independence in 1991. Other subsequent political events, albeit of lesser significance, also coincided in time: all three republics joined NATO on 29 March 2004, after sixteen months of waiting following the invitation issued at the Prague Summit, and became European Union members the following 1 May.

The three republics' defence capabilities, whether viewed separately or jointly, are insufficient to maintain an air force capable of guaranteeing sovereignty in their air space. Therefore, at the request of these countries, which are greatly prone to violations perpetrated fairly frequently by Russia owing to their closeness and to the lack of land connections of the Kaliningrad Oblast, for some years now NATO has been permanently deploying Lithuanian-based interception aircraft supplied on a rotational basis by the allies equipped with such forces, including Spain, to carry out what in military jargon is termed *air policing* of the three republics—that is the capability to deploy a pair of fighter planes within a short space of time to intercept any flight that is unauthorised or suspect for any reason. This mission, which is rather burdensome, is accepted by the allies only with a fair amount of protests and considerable reluctance. Worse still, the example is spreading: since the defence treaty with the USA expired in September 2006, without being renewed, Iceland has requested NATO for the provision of air policing similar to that enjoyed by the Baltic republics (and Slovenia, whose policing is provided by Italy as an extension of its own). But the request for help from these nations located far from Europe's centre of gravity which, on account of their size, are unlikely ever to have their own autonomous air policing capability, is not unjustified: in September 2005, for example, a Russian SU-27 jet peeled away from a group of seven

(2) Several nations, particularly the USA and also Spain, never accepted the aforementioned annexation, and even maintained their recognition of diplomats who continued to represent formally non-existent nations. This contributed significantly to keeping alive the spirit of independence and facilitated international recognition of their independence, which was formally as simple as re-establishing diplomatic relations.

flying over the Gulf of Finland from St Petersburg to Kaliningrad, entered Lithuanian airspace and crashed after the pilot ejected. The incident was officially attributed to a failure in the navigational system, but it illustrated the vulnerability of the Baltic republics' airspace, even though the interceptors (German aircraft on this occasion) duly scrambled but were late arriving.

ESTONIA

Estonia's special cultural and affective ties, above all with Finland but also with Sweden and other Northern European countries, set it apart somewhat from the other two republics. It has withstood fifty years of intense Russification, and although ethnic Estonians account for approximately 70 percent of the population and Russians for practically all the rest, the Estonians have retained a powerful personality. Soviet domination prohibited all maritime activities, including fishing—presumably to prevent escapes or espionage of its naval base in Tallin—but the Estonians soon recovered the maritime tradition that made Tallin, formerly Reval, one of the Hanseatic cities, and within a remarkably short space of time have rebuilt an enviable trade structure, particularly maritime (3), which has secured the economy of this country with few natural resources an honourable 40th place on the list of gross domestic product in terms of purchasing power parity (PPP), just behind Portugal and ahead of Slovakia, but above all way ahead of Russia and all the other former Soviet republics.

Like their relatives on the other side of the Gulf of Finland, Estonia's armed forces have shown no interest in adopting the professionalised structure that prevails throughout Europe, and they remain based on military service. However, in other aspects the Estonian armed forces have striven to be up among the most advanced. In 2006 they submitted to NATO for approval the project to set up a Cyber Defence Centre of Excellence, offering its research and teachings to military personnel of the allied nations. The project was approved, but was still being installed when the so-called «Bronze Soldier» incidents took place. On 27 April 2007 the Estonian authorities decided to remove and relocate to a cemetery a monument to the Soviet soldier which, together with a tomb of the unknown soldier (actually they are known soldiers), stood in the centre of Tallin. This

(3) Enthusiasm and haste were at times counterproductive, such as the tragic sinking of the ferry «Estonia» in 1994 with 852 victims, the causes of which included a deficient National Maritime Security organisation and a poorly qualified crew.

decision, which was a hot topic of debate and powerfully influenced the results of the recent legislative elections—incidentally the first in the world to allow online voting—sparked heavy rioting chiefly by Russian citizens residing in Estonia and a siege of the Estonian embassy in Moscow, while the nation was branded as «fascist» and had other insults hurled at it. A few days later a series of cyber attacks was launched against the nation’s computer infrastructure, both public and private, and was so intense that it managed to collapse all communications, causing losses of information and considerable economic damage. Despite being sophisticatedly redirected, the attacks, which lasted two weeks, were identified as originally coming from Moscow. It is presumed that Estonia’s already considerable interest in cyber warfare would have heightened after this experience.



Above and beyond Russia’s specific relations with Estonia, the incident marked the «coming out» of Putin’s new ideological stance of vindicating Russia’s Communist past and denying or forgetting its heinous crimes, which will be dealt with further on.

LATVIA

Latvia’s ethnic makeup is not much different today from that of Estonia (60 percent Latvians, slightly more than 30 percent Russians, and the rest other minorities), though in the past this nation has been ethnically

more heterogeneous than its neighbours, with a significant presence of Teutonic knights and other peoples owing to Riga's status as a Hanseatic city, and nationalist sentiment has perhaps been less pronounced as a result. This did not prevent its process of independence from taking place at almost exactly the same time as those of its neighbours, but may explain why the integration of citizens belonging to the abundant Russian minority has been much less conflictive. Following a few ups and downs, which can be explained by the considerable political instability that has led to one change of government per year on average in recent times, the only requirements for a Russian resident—or one belonging to any other minority, such as an Ukrainian or Belarusian—wishing to acquire citizenship are knowledge of the constitution and the Latvian language. This and the recent border agreement with Russia are fortunately keeping conflicts with the latter at bay.

LITHUANIA

Lithuania has had a historical affinity with Poland, with which it shared many vicissitudes and the Catholic religion until the twentieth century. Its ethnic makeup is remarkably uniform, breaking down into 85 percent of genuine Lithuanians, and the rest divided almost equally between Poles and Russians. Lithuania, which is culturally deeply rooted in Central Europe, was the first of the three Baltic republics to proclaim its independence (4), the first to secure the return of the Russian forces stationed there, and the first to achieve a border agreement. The latter achievement is perhaps more surprising because Lithuania (in combination with Latvia and Belarus) separates Russia from its exclave in the former Könisberg, the Kaliningrad Oblast, which has changed hands so radically and frequently that the least that can be said of it is that its borders are notoriously debatable. However, following the initial period, the level of conflict with Russia has been very low. Almost too low we might say with a certain amount of cynicism, as in April 2004 the country underwent the traumatic experience, unique in Europe, of having its president, Rolandas Paksas, impeached for favouring Russian citizens (and his own interests). However, this was handled in an exquisitely constitutional manner, as a result of which Lithuania's national self-esteem and international esteem have not suffered.

(4) But not the USSR's first. This honour fell to Nakhchivan, Azerbaijan's autonomous enclave in Armenia.

THE GUAM

The GUAM Organization for Democracy and Economic Development takes its name from the four nations that make up this regional group, Georgia, Ukraine, Azerbaijan and Moldova. The previous existence of the Russian-captained Confederation of Independent States (CIS) as a substitute for the newly extinct USSR, which included among others the four members of the GUAM, is a fairly clear indication that the true aim of the latter is to establish a forum for cooperation and discussion to protect them against the dominating ambitions of the former imperial power. Indeed, it started out as a common front of the four nations in debates within the CIS; subsequently, once the GUAM had a life of its own, Uzbekistan joined in 1999, causing the name to be changed to GUUAM, only to withdraw in 2005.

The aims of this regional organisation, expressed in its official name, could not be more praiseworthy; indeed, the Black Sea-Caucasus-Caspian region is in need of forums for cooperation, in both economic and conflict prevention matters. But the curious observer cannot help noticing that the four constituent nations harbour more or less «frozen» conflicts which we shall see when analysing each one of them, and that behind them the *longa manus* of Russia is perfectly perceptible—that is, if Russia is not directly responsible for the conflict, as with that in which it is embroiled with Ukraine. This supports the aforementioned idea that the members of GUAM seek mutual reinforcement—however not only dialectically but also of a more substantial kind.

GEORGIA

Its age-old history as a nation and population composed almost exclusively of Georgians (85 percent, Russians 1.5 percent, and the rest a considerable number of internal minorities or from other neighbouring states) have enabled Georgia to avert the problems of national assertion posed by the independence process without further ado. It was one of the first republics to proclaim its independence; its first president, Zviad Gamsakhurdia, was a well-known nationalist, and the second, Eduard Shevardnadze, although a former USSR foreign minister (with Gorbachov), had a clearly Western and democratic bias. But the pro-Western leanings of its first leaders and the great majority of the population, and its significant ethnic uniformity were not sufficient guarantees of lack of problems, as re-



flected by the major instability and powerful centrifugal movements of the following years. No less than three regions, South Ossetia, Abkhazia and Adzharia, soon expressed in turn a more or less historically grounded desire for independence and the violence this triggered led many Georgians to abandon the first two, as a result of which the minorities soon became local majorities. In all three cases, and in general in all matters relating to Georgia, Russia has exercised its traditional *droit de regard* over the former imperial possessions brazenly and much more intensely than in any of the other now independent former republics, with unsolicited mediation between parties or factions and the presence of Russian troops well beyond what would be reasonable after independence, some under the transparent guise of peace forces, with actions such as issuing a formal protest at the US president's visit to Tiflis, as if Georgia were still a Russian province, manipulating energy prices or even cutting off supplies, for which Georgia depends entirely on Gazprom (5), or with embargoes on Georgian mineral water and wine, extremely important sources of income for this as yet under-industrialised nation.

(5) The identification of Gazprom with the Kremlin, and its importance as an instrument of the latter, is illustrated by the fact that the Russian government controls 50.002 percent of Gazprom and has granted it the monopoly of all Russian gas exports; it is chaired by the deputy prime minister, Zubkov, and previously by the current president, Medvedev; and has been authorised to set up a sizeable quasi-military security force. Its influence and scope have secured it the spectacular triumph of adding to its payroll the name of the previous German chancellor, Gerhard Schröder (a job that has led him to be dubbed a «political prostitute» by a scandalised American politician).

Clashes between Russia and Georgia have also been witnessed in very different forms in the sphere of violence. Russia has accused Georgia of backing the Chechen rebels during the second Chechen war (1999), and has, in turn, encouraged separatist movements within Georgia, both those of Abkhazia and South Ossetia, Russia's neighbours, and Adjara bordering Turkey, albeit with varying degrees of success owing largely to the geographical rather than ethnical factor, as in Georgia and any of its regions Russian minorities are very insignificant.

No doubt carried away by the euphoric effects of Georgia's national independence, the population of the latter region, Adjara, which is chiefly Georgian but of Muslim faith and includes a Turkish minority, thought that the greater the freedom the greater the euphoria and, commanded by a leader with mafia connections, Aslan Abashidze, promptly declared the independence of a presumed micro-nation less than 3,000 sq km in area with 350,000 inhabitants. As in the cases of the other two separatist regions, the Adjarians found a friendly ear in Russia and a few supplies of arms from the Russian military base in Batumi, but little else owing to the lack of a shared frontier and the autocratic streak of Abashidze, who soon came to be loathed by the Adjarians themselves. Turning these circumstances to its own advantage, the Tiflis government decided to take only economic measures and the rebellion was soon dissolved and Abashidze sought refuge in Moscow with the protection of a non-extradition agreement.

The case of South Ossetia, and, as a result, that of Abkhazia, proved more dramatic and supplied the international press with plenty of headlines last summer. Encouraged, perhaps, by his earlier success in Adjara, Georgia's president, Mikheil Saakashvili, who, following an interim period succeeded the humiliatingly deposed Shevardnadze, decided to do the same with South Ossetia, where the conflict had been «frozen» since 1991. But economic pressure did not seem so easy to apply to a neighbour and protégé of Russia over which furthermore loomed the shadow of its long track record of separatist violence, and he therefore decided to use armed force. The presidential palace at Tiflis is evidently not good at keeping information secret and by the time Saakashvili, whose unpopularity was growing for other reasons, decided at the beginning of August that the moment had come to take action with his paltry, raw forces trained by US instructors, the much more powerful and seasoned (at least in Chechnya) Russian forces were ready for them. A few days earlier, using the excuse of humanitarian tasks, railway forces—which in Russian military doctrine pre-

cede an offensive—had entered South Ossetia via the Roki tunnel, joined up with the Russian light peace forces stationed in South Ossetia since the semi-war of 1991 pursuant to an agreement between Russia (mainly), Georgia (less) and South Ossetia itself (delighted to be considered a nation even if only for this purpose), blazed the trail for heavier forces, and, with the enthusiastic collaboration of the South Ossetian guerrillas, methodically proceeded to wipe out first the Georgian land forces and subsequently, after entering Abkhazia and landing at Poti, Georgian naval forces, communications and other strictly Georgian infrastructures (6).

The European Union, which was then presided by France—a fortunate coincidence, as President Sarkozy was able to invoke to his advantage the weight of the cloak of responsibility of Europe and also that of France, which is no less significant—rose to the challenge. However, after a pitiful period of deadlock, following arduous negotiations, it achieved a cease-fire which was put into effect promptly by Georgia and considerably less speedily by Russia, which was brazen enough to recognise the independence of Abkhazia and South Ossetia (7), adding this barefaced action to the recent indiscriminate granting of Russian citizenship to citizens of these two provinces.

But in order to set Russian's action, which was unanimously condemned as excessive, in its proper context, it is necessary to mention the NATO Summit held in Bucharest on 2 and 3 April 2008, and the energy structures that provide Europe with an alternative via Georgia to Russian supplies of gas and oil. At the summit the US president requested restricted meetings both of the Heads of State or Government and of the Ministers of Foreign Affairs to be attended by only the incumbents, without advisors, in order to force the acceptance of the candidatures of Ukraine and Georgia. Several European allies, particularly Germany and France, opposed this, as they had previously hinted, and all that President Bush achieved was consensus on a formula included in the formal Summit Declaration promising a MAP at an indeterminate point in the future, and subsequent accession to

(6) According to the *International Institute for Strategic Studies* (IISS), Georgian casualties amounted to 295 dead, including 109 civilians, and 1500 wounded; in addition three missile patrol boats were put out of action and 150 pieces of various types of heavy ground equipment. Russian casualties numbered 71 dead and 340 wounded, and at least seven, probably ten, aircraft were shot down.

(7) Of all the UN nations, only Nicaragua backed this recognition, sharing Russia's cynical stance of failing to recognise (properly) the unilaterally proclaimed independence of Kosovo, but using the arguments of those who do recognise it to apply them *ad pedem literam* to the case of the secessionist provinces of Georgia.

the Treaty (8). It is plausible to assume that Russia has taken advantage of this impasse to make it clear that the future of Georgia, and, by extension, that of other former USSR republics with their sights set on the West, is decided by the former imperial power. Indeed, it has done so before a hypothetical membership of the Alliance could automatically jeopardise Article 5 of the Washington Treaty, on mutual defence, with the disastrous consequences that can be imagined. What is more, it has carefully considered that the West is ill placed to criticise Russia's action from an ethical perspective, as the Russian authorities, by implicitly invoking the case of Kosovo, have merely applied the same arguments and remedies to what they claim is a similar situation—that is, the ethnic cleansing of the South Ossetians by the Georgians (as the Serbs did with the Albanians), requiring a declaration of independence to solve the problem. The fact that Russia fiercely opposed NATO's action in Kosovo and, more precisely, the recognition of its independence years later by the USA and several allies does not appear to cause them any moral anguish.

As for energy transport, the Baku-Tiflis-Erzurum (BTE) gas pipeline, which links the Turkish province of Erzurum with Europe's future gas pipeline Nabucco (Erzurum - Baumgarten am der March, Austria, via the Dardanelles and the Balkans) and the important Baku-Tiflis-Ceyhan (BTC) oil pipeline which shares the same route with the BTE until Erzurum and continues as far as Turkey's Mediterranean port of Ceyhan, were designed as an alternative to Russia's virtual monopoly of the supply of fuel from the Caspian Sea area to Europe—the risks of which were clearly evidenced by the incidents with Ukraine and Belarus—as well as providing an OPEC-independent source, which would remove from service the equivalent of some 350 oil tankers a year between the Dardanelles and the Bosphorus. This was not the only possible route, but the very poor relations between Armenia, on the one hand, and Azerbaijan and Turkey, on the other, made it necessary to lengthen it by making it pass through Georgia. When these projects come to fruition, the loss of business for Russia—but above all the

(8) *NATO welcomes Ukraine's and Georgia's Euro-Atlantic aspirations for membership in NATO. We agreed today that these countries will become members of NATO. Both nations have made valuable contributions to Alliance operations. We welcome the democratic reforms in Ukraine and Georgia and look forward to free and fair parliamentary elections in Georgia in May. MAP is the next step for Ukraine and Georgia on their direct way to membership. Today we make clear that we support these countries' applications for MAP. Therefore we will now begin a period of intensive engagement with both at a high political level to address the questions still outstanding pertaining to their MAP applications. We have asked Foreign Ministers to make a first assessment of progress at their December 2008 meeting. Foreign Ministers have the authority to decide on the MAP applications of Ukraine and Georgia. (Bucharest Summit Declaration, para 23)*

loss of a powerful lever for exerting pressure on Europe—will be considerable, so much so that it is worthwhile taking political, economic and even military risks now in order to hinder them. There can be no doubt that these thoughts were also entertained by the Russian leaders when planning and implementing the Georgian campaign, which has evidently exposed the vulnerability of a route whose integrity depends on a secure and stable Georgia, the basis of which has been undermined. The energy issue in relation to both Georgia and other former Soviet Socialist republics will be discussed at greater length in the conclusions.

UKRAINE

If the separation of all the republics that split off from the empire felt like amputations, that of Ukraine has been one of the most painful, chiefly as it is the second largest and most populated after Russia and is also its breadbasket—as it was known in the age of the USSR. Ever since the leader of the Ukrainian Cossacks, Khymelnytsky, and all its nobles (except for one who was distrustful) swore allegiance to the tsar at Pereiaslav in 1654, two interpretations of history have been handed down, biased, naturally, by the interest of the interpreter. For the Russians, the subjugation was voluntary and unconditional, and for the Ukrainians it was conditional on a mutual loyalty that they repeatedly missed out on centuries later. In any case, the voluntary nature of the alliance allowed Ukraine to retain its personality even within the USSR, with the rare privilege—shared only with Belarus—of having a seat on the United Nations General Assembly, in addition to that of the USSR itself. All this history has enabled the Ukrainians, despite having a language that is closely related to Russian, so much so that direct communication is possible, to retain a personality and national awareness that are just as strong as those of Georgia and the Baltic republics. But unlike these other nations, Ukraine suffers from a problem that Huntington describes as being a *cleft country* (9). Ukraine is ethnically very uniform (close to 80 percent of the population is Ukrainian), but whereas its western half, measured approximately from the Dnieper river, is Uniate (obedient to the Roman see) or Western Christian, and speaks Ukrainian, the eastern half is Orthodox and speaks Russian. This division is reflected with great accuracy in the elections: the pro-Western leaders and parties secure much better results in the western half, and fare much worse in the

(9) *The Clash of Civilizations and the Remaking of World Order*, SAMUEL P. HUNTINGTON, Touchstone 1996.

east. The situation repeats itself faithfully election after election and as a result the slightest fluctuations in the electorate—which Russia is skilled at engineering—cause substantial swings of direction in foreign policy.

Special mention should be made of the Crimea in this clash of identities and the corresponding stormy relations with Russia. Whereas 18 percent of Ukraine's overall population is ethnic Russian, in the Crimea the proportion is 55 percent (10), and Ukrainians account for only 25 percent. Indeed, the history of this region is very different. For a long time it was under the influence of the Ottoman Empire, and the Tartars, the main inhabitants of the Crimea, professed the Muslim faith. At the end of the eighteenth century it fell into the hands of the Russian empire, and thereafter was subject to Russian influence. The Communist regime did not hesitate to deport most of the Crimean Tartars to Siberia in 1940 in an attempt to eradicate the still existing sympathies towards Turkey and nip the slightest hint of local nationalism in the bud. This action was completed by Khrushchev, who, in February 1964 secured a decree from the Presidium of the Soviet Supreme transferring the administration of the peninsula from the Soviet Socialist Republic of Russia to the SSR of Ukraine, with the highly original explanation that it was a gift marking the third centenary of the «indissoluble» union of Ukraine and Russia. Actually what they wanted was to confuse patriotic feelings, thereby doing away with the little that remained of identity awareness. Forty years on, the Tartars are returning to the seat of their ancestors and establishing communities governed by their ancient laws and customs, but the identity confusion among the Crimea's approximately two million inhabitants is considerable.

Such is the backdrop to one of the several conflicts that are pitting Russia against Ukraine, that of the naval base at Sebastopol. When Ukraine proclaimed its independence in 1992, with the support of the majority of the Crimean population despite their ethnic belonging (11), Russia first attempted to remove the Crimea from the new nation, claiming that its belonging to the Soviet Socialist Republic of Ukraine was contrived and, at the most, purely administrative—an argument which, as we have seen, was not without a certain logic. When this attempt proved to be unfeasible owing to the opposition of the Ukrainian Rada (Parliament), the claim was

(10) According to Ukrainian sources, others put it at 70 percent, although to decide which figure is the more reliable it would be necessary to split hairs, distinguishing between Russophones and ethnic Russians, which is very difficult to do in this context.

(11) A year later, in a movement similar to that described earlier in connection with Adjara, the Crimeans declared their own independence from the independent Ukraine which they had helped emancipate. Negotiations led things to return to their normal course in Ukraine.

reduced to Sebastopol and its district, considered an intrinsic part of the Black Sea Fleet, which Russia was keen to hold on to as the sole heir of the USSR. This was also disputed by Ukraine, which argued that 97 percent of the fleet's officers had sworn allegiance to Ukraine. They cannot have been far wrong, because it was not long before the incident of the SKR-112 patrol boat occurred, which hoisted the Ukrainian flag and fled to Odessa, chased and captured by the Russian units but applauded and supported by many others; only days later Ukrainian officers took possession of the new command and control ship *Slavutych*. The talks lasted five years, including diplomatic (if somewhat partial) intervention from the USA, unanimous declarations from the Duma of inalienable sovereignty over Sebastopol, a period of shared command, many belligerent declarations from naval and military commanders, and several occasions on which they were on the verge of coming to blows.

The talks concluded formally with the signing of the Peace and Friendship Treaty in 1997. Russia was allocated most of the Black Sea Fleet and ownership of the name. Ukraine was given a smaller portion, 18.3 percent, and money in the form of pardoning of the 41.7 percent of debt needed to make up the eclectic figure of 50 percent, and for the nuclear armaments it was renouncing, and retained ownership of Sebastopol, with the obligation to rent it to Russia for a 20-year period which can be extended (but is not going to be according to Ukraine) for the price of \$100 million per year, to be revised (upwardly, of course). As a result, the Russian Black Sea Fleet vessels that dock at Sebastopol are one Russian and one Ukrainian *Slava*-class cruise ship (which would be classified as a destroyer in the West); three destroyers (i.e. frigates), one Ukrainian; an Ukrainian command and control ship, the aforementioned *Slavutych*—which is somewhat out of place in such a modest fleet; and a total of 50 Russian and 27 Ukrainian smaller units, all that remains of the formerly very numerous though never very technologically advanced Black Sea Fleet.

When the contract expires in 2017, unless things change substantially Russia will have no choice but to seek a new base, though its possibilities are greatly limited by a number of physical reasons. It seems that the only viable base is Novorossiysk, which has a scant capacity and is vulnerable to the *bora*, a ferocious wind that ravages the ships moored there, owing to its orientation and position with respect to the surrounding mountains. Other possible locations in the Sea of Azov, such as Taganrog, have become impracticable owing to the division of the Kerch Strait, which was disputed by Russia but today favours Ukraine to the extent that the latter

enjoys absolute control over maritime traffic between the Black Sea and the Sea of Azov. The therefore inevitable choice of Novorossiysk is forcing Russia to make a major economic effort to enlarge the base but also to replace the industrial hinterland which serves a navy that has built in Sebastopol all its past and present aircraft carriers, and a considerable proportion of its finest units. The price of not doing so would involve renouncing an important naval presence in the Black Sea, or, what amounts to the same thing, renouncing an important military and political presence in the Caucasus region, something Russia does not seem willing to do.

Russia's ever keen interest in the near abroad—which has heightened since Putin came to power—found a new occasion to show itself in the last presidential elections in 2004. Viktor Yushchenko, a pro-Westerner and the promoter of the «orange revolution», and Viktor Yanukovich, a pro-Russian backed by President Kuchma, vied for the presidency with very similar support—typical of Ukraine as we have seen. The initial results favourable to Yanukovich were disputed by the orange camp, branded as rigged by international observers who provided proof of irregularities, and finally declared illegal by the Supreme Court. Following tricky negotiations it was agreed, even with Kuchma's consent, to hold fresh elections, much to the annoyance of Putin, whose involvement in this affair does not stand up to the slightest objective analysis. The result which, as was to be expected, was clearly favourable to Yushchenko, has left the friendship between Russia and Ukraine—which ought to be based on the principle of non-intervention—at a level that is vastly improvable, and a humiliated Putin who did not take long to wreak vengeance. In December 2005 Gazprom raised the price of the gas it supplied to Ukraine from \$50 to \$230 per thousand cubic metres. Russia retorted to Ukraine's non acceptance by stopping all gas supplies during the harshest part of winter, also affecting Poland, Austria and other central European nations, to which Ukraine reacted by siphoning off gas destined for Europe (through a different pipeline) for its own use, reducing Europe's supplies. Subsequent negotiations made it possible to reach a solution in which both sides saved their face by agreeing on a price of \$100, but Putin's manners clearly showed that he is unscrupulous when it comes to getting his own way and uses Gazprom as an international political tool, and were a harbinger of further interferences. Indeed, new elections were held at the end of 2007 owing to the instability which seems inevitable in Ukraine, and Putin chose the (un)timely moment when the results of the parliamentary elections (in the end Yulia Tymoshenko was prime minister again) were being disputed in the Rada on account of errors or rigging of the voting system, to launch new threats of shutting off gas unless the debts were promptly

paid. The conflict reared its head again when 2008 turned into 2009 and was temporarily settled with an agreement that will presumably last a year. The regrettable coincidence of the expiry of the contracts with the coldest days of the year does not bode well for calm, unhurried negotiations.

Lastly, there is the most recent addition to the list of problems between Russia and Ukraine: at the Bucharest Summit, the thwarting of America's wishes to have Ukraine and Georgia join NATO promptly as allies was celebrated as a victory by Moscow, which perhaps interpreted it as being due to an extent to its fresh threats to reduce or cut off gas supplies if such a step were taken. With the intention of rounding things off and making the most of what they perceived as a good psychological moment, the Russians decided to teach Georgia the lesson that is explained in the relevant section. Ukraine, as a faithful GUAM colleague and, more importantly, a travelling companion on the journey towards NATO and the EU, threatened to prevent any Russian warships taking part in an attack on Georgia from entering Sebastopol. However, this turned out to be a somewhat empty threat, as by the time it was issued most of the ships were already back, and it did not come to be carried out with the rest, even though it would certainly have been feasible under international law.

AZERBAIJAN

The ethnic distribution in the south Caucasus, of which Azerbaijan occupies a significant part, has little to envy the centre of the Balkans, from which several European languages took their word for fruit salad (*macedonia* for example in Spanish and Italian) at the beginning of the last century, in allusion to the mixture of small ethnic enclaves. As a result of the ebb and flow of the Seleucid, Sassanid and Byzantine empires, the Umayyad and Abbasid caliphates, the Ottoman and Russian empires, all keen to dominate what is a strategic area for east-west communications, Azerbaijan has become consolidated as a discontinuous territory with an Azeri enclave, Nakhchivan, between Armenia, Iran and Turkey, and a predominantly Armenian populated enclave, High-Karabakh (12), consisting of some 200,000 inhabitants, as a *bantustan* in the centre of Azerbaijan, which has been and continues to be the biggest source of the problems that have plagued this nation's recent history. The number of minorities on the cen-

(12) As journalists have taken the transliteration of the Cyrillic name to be a translation, it has come to be known in most Western languages as Nagorno-Karabakh (from the Russian, highland).

sus is no less than fifteen, each with its own spoken language, although, except for High-Karabakh, the Azeri ethnic group is totally dominant. The language is mutually intelligible with Turkish, whose footsteps it followed in adopting the Latin alphabet, and the religion is predominantly Muslim.

The problem of High-Karabakh dates back a considerable way, and is part of a broader conflict that has historically pitted the Russian empire against the Sublime Porte over the control of the Caucasus. The current acute period began shortly before the dissolution of the USSR and continues to this day with the heirs of those empires, Russia and Turkey, backing respectively (or rather waging the same battle through proxies) Armenia and Azerbaijan, supplying arms and training to the sides, and uttering threats from official positions that have even included the expression «Third World War» with no intention to exaggerate. Other actors in this drama are Iran, which also supports the Azeris but competes with Turkey to influence them, and the sizeable Armenian diaspora in the United States and Europe, which is engaged in a propaganda battle that has at the very least succeeded in poisoning relations between Turkey and its allies the USA and France by triggering the adoption of untimely resolutions declaring the undeniably numerous killings of Armenians by the no longer existent Ottoman Empire in 1915 during the First World War—both in 2007 in the US House of Representatives through the pressure of the influential Armenian lobby, and this year in France on the initiative of a deputy of Armenian origin. It is possible—certainly, such was the intention—that the invocation of the Armenian genocide has deprived Turkey of the support that might otherwise be expected of its Western allies were the conflict to get out of hand.

Russia in particular—unlike Turkey, whose position is soundly underpinned by its ethnic, cultural and religious ties to the Azeris—plays a complicated role that is not much different from a rigadoon, alternating steps forward, back and sideward. As stated, its national sympathies lie with Armenia, but over the past years it has found it appropriate to make overtures to Azerbaijan from time to time in order to keep check on Armenia, which such movements fill with anxiety, and to curb the undesired influence of Turkey and Iran. The result of these dances has been chronic instability in Azerbaijan, paradoxically combined with the strange phenomenon of a hereditary presidency of the republic, as in 2003 President Heydar Aliyev appointed as prime minister his son Ilham, who later succeeded to the presidency when Heydar was incapacitated and died shortly afterwards (13).

(13) It appears to be a growing phenomenon: the Aliev dynasty of Azerbaijan is following the example of that of Kim Il in Korea, that of Assad in Syria, and that of Castro in Cuba.

The prospects of settling the High-Karabakh conflict are not optimistic. The recurrence of outbursts of violence in recent years and the lack of sound agreements above and beyond the occasional temporary ceasefire are a guarantee that the episodic «thaws» in the conflict will continue to occur, with considerable potential to draw in other players of greater stature.

MOLDOVA

The former Bessarabia has cultural ties with its neighbour Romania which, during the period it belonged to the USSR, were only betrayed by the use of the Cyrillic alphabet for the same language. It is therefore not surprising that the first cultural measure taken by Moldova after gaining its independence should have been to adopt the Latin alphabet and call its language «Romanian». But these national attachments are not shared by all Moldovan citizens, and precisely, fearing a closer allegiance with Romania, the inhabitants of Transdnistria (some 550,000), who are chiefly Russian and Ukrainian (these groups account for 20 percent of the national total, but two-thirds are concentrated in this relatively small area) proclaimed their independence when the USSR broke up, and were so hasty that they did so even before Moldova itself. This proclamation was merely the harbinger of a conflict that is now entrenched, with recurrent armed clashes often over ill-defined or non-agreed border delimitations.

The independence of this long, narrow valley which occupies most of the border area between Moldova and Ukraine has not been internationally recognised (14); it is formally considered an integral part of Moldova, but in practice it operates with total independence, with Russia's well-disposed collaboration. Russia has a consulate in the capital, Tiraspol, which issues Russian passports on application, and as in the secessionist provinces of Georgia it has a pacification force in Transdnistria with no other mandate than its own. It is therefore hardly surprising that the regime of the secessionist republic, which retains its Communist symbols and sympathies beneath a thin coating of democracy, should have expressed a wish to return to the familiar Russian fold. If this has not yet occurred it is due to the unfortunate circumstance that Transdnistria shares no borders with Russia but it does with Ukraine, which is not overly enthusiastic about such movements, though in the long term this will not be a hindrance to Russia,

(14) Though the brand new republics of South Ossetia and Abkhazia, also recognised solely by Russia and Nicaragua, have been hasty to do so for reasons that are easily understandable but hardly respectable.

which already has a precedent of a territory with no land connection in the Kaliningrad Oblast.

This preference was expressed in a referendum held in September 2006 on joining the Russian Federation, which was approved by a great majority, objected to by the USA and the European Union, and supported by Russia, which cited in its support the cases of Montenegro—the applicability of which is more than dubious—and Kosovo (which at that point had not yet reached the extreme of having proclaimed its independence, a development that nonetheless seemed to be on the cards as an unfortunate result of the Ahtisaari plan), an example that was not very applicable to the case of Transdniestria either. However, following the achievement of the desired effect of support for the project of joining Russia, nothing has actually happened: neither has Russia made any move towards putting it into effect, nor has it withdrawn the peace forces stationed in Transdniestria.

It is worth asking what Russia's interests are, above and beyond the habitual expression of its traditional *droit de regard*, in this small territory of scant economic significance which is poisoning its relations with Moldova and other nations, and in defence of which it has not hesitated to use its traditional weapon of raising the price of the gas it supplies to Moldova. However, these interests are not sufficient to spur Russia to take advantage of what would appear to be a permanent solution in its favour, integration. The only possible answer is that it merely wants a reason—or rather a pretext—for keeping a considerable military force «on the other side» of Ukraine, which, in the eyes of a Russian strategist, might put the brake on Ukraine's hypothetical integration into the West.

BELARUS

Relations between Belarus and Russia are a case of family love-hate which would delight a psychiatrist specialising in nations. Or simply in people, as the personality of President Alexander Lukashenko has dominated and continues to dominate all the inconsistent shifts in foreign policy, particularly with respect to Russia, in addition to having an iron grip on domestic policy to the extent of widely earning the nickname of the «last dictator in Europe» whose political system is branded a «tyranny» (Lukashenko, in an attempt to refute what he considers to be a somewhat offensive description, refers to his style of government as merely authoritarian).

Historically, White Russia belonged to the cultural sphere of Poland and Lithuania, but by the time the Soviet Union broke up it was totally Russified. However, its vicissitudes of the early years were not much different from those of most of the breakaway republics, including the cultural fact—in this case the use of the Belarusian language—among the factors of national assertion. But there were other specific factors that drove the Belarusians to independence. The Chernobyl disaster, which affected not only Ukraine but also much of Belarus, and, in 1988, the discovery in Kurapaty of a mass grave with no less than 30,000 corpses of people killed by the NKVD (15), in a case of ethnic cleansing that was not very different from the more famous and much earlier discovery of Katyn in Poland, fuelled a nationalist flame which until then had been expressed only in membership of the United Nations General Assembly as a nation in its own right, an honour shared only with Ukraine in the USSR. In ethnic terms, the majority of the population is Belarusian (over 80 percent), a fact which is conducive to awareness of identity, but the language is much less widespread (spoken by a total of 37 percent).

From the breakup of the USSR until 1994, Belarus's evolution mirrored that of other republics, being closest perhaps to Ukraine. The Communist Party was outlawed (though it was later re-legalised), nuclear weapons were returned to Russia following the non-nuclearisation declaration, and Belarus joined the OSCE (when it was still called CSCE) and other international organisations, particularly the NATO *Euro-Atlantic Partnership Council*. But this pro-Western policy line promoted by the first president, Shushkevich, found a stumbling block in the pro-Communist prime minister, Kevich, ending in the mutual political destruction of both in 1994. Subsequently, after the extremely short interval of President Grib's stint, power fell into Lukashenko's hands—literally, as was soon evidenced by the successive constitutional reforms approved in referendums which empowered the president first to dissolve parliament and later to renew his mandate indefinitely, and he continues to exercise these powers enthusiastically fourteen years on. His capricious and dictatorial manners were clearly shown in the famous embassies' crisis: in order to carry out a certain land development project, Lukashenko, openly defying international laws and customs, ordered all the embassies in a certain area to vacate

(15) The case is still under debate. The executions took place during the Second World War, and the attribution of responsibility to the NKVD is disputed by those who claim it was the Germans, and that the victims were Jews. Naturally neither theory is backed by objective arguments and the debate is ideologically charged. Lukashenko has never referred publicly to this matter.

the buildings they owned. The scandal was huge, the nations recalled their ambassadors and Lukashenko engaged in a wrestling match with them—which he naturally lost.

Other issues subjected to successive referendums were the adoption of Russian as the official language and the intensification of relations with Russia, after the CIS, of which Belarus was one of the most enthusiastic founders, proved to be inefficient. This intensification, backed by referendums which confirmed, time and time again—unsurprisingly—the wisdom of the president's arrangements, came to acquire a pathetic tone, with Lukashenko assuring that the alliance with Russia was around the corner (in 1996 it was only two months away, in 1997 it signed an integration agreement with Yeltsin, in 1999 the Russian-Belarusian Confederation was established, of which Lukashenko was to be president, though it never entered into force, and, to shorten the long list of examples, in May 2008 he declared that V. Putin would be prime minister of the confederation) (16). All these efforts have been received by Russia, whether Yeltsin, Putin or Medvedev was president, with indulgent disinterest, without opposition—the 1996 declaration took place in the Moscow Duma itself, and in other cases the Russian president has put his signature to them—but without making the slightest effort or even referring to them after the declaration (17). Given this background history, it can be safely said, without fear of being mistaken, that interest in the alliance will disappear when Lukashenko finally becomes convinced that he will never be the president of the confederation, with or without Putin as prime minister, and will certainly not survive past Lukashenko's retirement. Meanwhile, Belarus's isolation continues to grow: it has not been allowed to join the World Trade Organization, it does not belong to the Council of Europe, and although expulsion is not possible, some time ago NATO stopped inviting it to the political and military versions of the EAPC.

However, behind these theatrical overtures made by Belarus to Russia lies a reality of mutual economic dependence. The biggest volume of Belarusian exports and imports of all kinds is, by far, to and from Russia. But

(16) *The Belarusian president said Tuesday he had named Russian Prime Minister Vladimir Putin the prime minister of the Russia-Belarus alliance. Russia and Belarus signed an agreement in 1996 that envisaged close political, economic and military ties, but efforts to achieve a full merger have foundered. Structures of the alliance have limited powers. The meaning of the move Tuesday by Belarusian President Alexander Lukashenko was not immediately clear.* Associated Press, Minsk, Belarus, 27 May 2008.

(17) But the shameful elections that Lukashenko brazenly rigs and are denounced, among others, by organisations as unsuspect as the OECD, are routinely declared to be «clean» by Moscow.

more importantly, particularly for a European observer, Russia exports to Europe 20 percent of its natural gas from the Yamal peninsula (“end of the world» in the local tongue) in Siberia via Belarus, in addition to using the same pipeline to sell gas to Belarus itself. However, Gazprom, the state energy giant, sets the prices based on not strictly market considerations, to put it mildly. The line came into service in 1997, and until 2006 Belarus paid approximately \$47 per thousand cubic metres, a fraction of the price paid by Germany, Poland and Lithuania, the main customers, but also much less than other «special» customers such as Moldova (\$170), Georgia (\$325), Ukraine (\$100 following the then recent rise) and Armenia (\$110), which are served by different pipelines, and all charged different rates. When Gazprom—or, what amounts to the same thing, the Kremlin—announced that when the current contract expired rate prices would be raised to the level of international rates, Belarus’s annoyance was considerable, particularly as the announcement was made at the end of the year, giving it no time to seek an alternative supplier—that alone was difficult for Belarus, which had no other friend than its tyrant—before the cold of winter became a vivid reminder to all Belarusians of the problems caused by the bad company Lukashenko keeps for the purpose of fuelling his personal ambitions. It was not until the night of 31 December, when the contract was about to expire, that Lukashenko agreed to a price double the previous one. But the last word had not yet been spoken, and the dictator must have thought he still had a few cards up his sleeve. Three days later he demanded to be paid a tariff on the oil that runs through Belarus in a pipeline parallel to the gas pipeline, which accounts for 12.5 percent of that consumed by the EU. In view of Russia’s refusal—legally irreproachable—to pay, he decided to shut down the oil pipeline on 8 January, fortunately without causing any serious immediate harm to Europe, which has sufficient strategic reserves. In the end, after sparking a hostile reaction all round, with no more cards to play to withstand the impositions of Gazprom-Russia, once more a humiliated Lukashenko had to give in.

The nature of these clashes suggests they will be recurrent. It is unlikely that Lukashenko will accept, let alone foster, reforms to make his political system more acceptable to the West, and the only name he appears to have added of late to his very short list of friends is Hugo Chávez, ever willing to help out an authoritarian colleague in distress. The alliance with Russia, whatever form it takes, although culturally plausible, is not favoured by the presence in Minsk of a person of the likes of the current president, whom even the Russians, generally not fussy about such things, appear to regard as an unwanted relative.

ARMENIA

Most of the factors that shape the current geopolitical situation of Armenia and, in particular, the subject dealt with in this section, its relationship with Russia, have already been mentioned in connection with the High-Karabakh conflict, a problem that extends beyond the fate of 200,000 Armenians living in the middle of Azerbaijan. Indeed, it is the focal point of a struggle for influence and control waged by forces that are much greater than local. The current situation of this quintessential «frozen conflict» is that High-Karabakh operates in practice as an independent nation with the consent of the USA and Russia, but without official recognition from these or practically any other country, because even Armenia itself is unhappy with a situation that is hindering its political and economic recovery (18), despite the fact that no less than two of its recent presidents hail from High-Karabakh.

The population, whose ethnic uniformity is unmatched in the Caucasus, or, more to the point, by any of the former Soviet Socialist republics, therefore has an acute nationalist sentiment that has led it to show hostility towards Azerbaijan and Turkey, in the latter case worsened by the genocide—as the Armenians insist on calling it—perpetrated by the Ottoman Empire against citizens of this ethnic group during the Second World War. In 2006, the Armenian diaspora, which is unusually numerous, scattered and influential, managed to get France to adopt a resolution declaring denial of the Armenian genocide to be a punishable offence, an example that has been followed by other countries like Switzerland, where there has been at least one conviction. It has also achieved a declaration by the US Congress condemning the genocide; and, in general, a division of the nations which in many cases have been forced to take sides in a debate that is impossible to solve (19), as Turkey has reacted with a nationalist spirit that forces it to deny the events, even though they occurred during the Ottoman Empire and under the mandate of the Committee of Union and Progress party (CUP), better known as the «Young Turks», an empire and party with which the current

(18) An interesting model of the future development of relations between Armenia and High-Karabakh may probably be found in the current relationship between Serbia and Republika Srpska, an autonomous part of Bosnia-Herzegovina: popular sympathy and covert aid, but official distancing.

(19) In Spain, the Basque parliament, in a decision that is out of keeping with its responsibilities, which evidently do not extend to the international sphere, has also condemned the genocide. By doing so it has inhibited and made it difficult for the Spanish government to adopt a stance, which would now be seen to be a reaction to or consequence of the Basque decision. (*Boletín del Parlamento Vasco* no. 99, p. 16312, 22 April 2007).



nation, founded *ex novo* by Mustapha Kemal, and today's Turkish parties, unquestionably more democratic, should feel little solidarity.

An intensification of the debate may end up becoming counterproductive for Armenia, which can still boast of its good relations with nearly everyone (the exceptions being Azerbaijan and Turkey) but could see them become poisoned. It is currently on very good terms with Russia which, despite not sharing a border with Armenia, has a military garrison in Gyumri (which has the symbolic value of having been occupied by the Ottomans during the First World War), about which both are happy. Needless to say that owing to its enmity with Turkey, Armenia enjoys particularly good relations with Greece, but also with France (thanks partly to Charles Aznavour[jian], the Franco-Armenian singer) and with the European Union in general. It is an active member of the EAPC on which—by a fluke of alphabetic order—it sits beside Azerbaijan and makes use of the meetings to launch its favourite denunciations.

THE «STAN COUNTRIES» AND THE SHANGHAI COOPERATION ORGANISATION

The five former Soviet republics of Central Asia—Turkmenistan, Kazakhstan, Uzbekistan, Kirghizstan and Tajikistan—share certain characteris-

tics as a result of their history, such as Turkic culture (except for Tajikistan, which is related to Iranian culture), the Muslim religion, the silk route that linked them from east to west, and the circumstance of having been the setting of the famous «Great Game» that pitted the Russian and English empires against each other for much of the nineteenth century over control of an area that Russia wanted to be the key to the Indian Ocean. Today, having gained their independence, which failed to arouse much enthusiasm from either, and following a somewhat turbulent running-in period in some cases, such as Kirghizstan, they are relatively stable. Too stable perhaps, as their rulers are tending towards authoritarianism and permanence. Such is the case, for example, of President Nursultan Nazarbayev of Kazakhstan, the largest and richest of the group, who has held power uninterruptedly since independence and has recently added a clause to the constitution limiting the term in office of successive presidents (...but not his own—he may stand for election as many times as he wishes, for the good of the nation). All five have also signed a denuclearisation agreement, albeit with the destructive proviso of permitting the transit of Russian nuclear weapons.

Two of these nations, the Caspian coastal states of Turkmenistan and Kazakhstan, have 50 percent more gas reserves than Saudi Arabia, and oil reserves equivalent to approximately one-third of the considerable reserves of Iraq (20). But agreement has yet to be reached on the delimitation of petroleum exploration between these, Russia, Azerbaijan and Iran, the main point of disagreement being whether the Caspian is a large lake or small sea (which are treated differently in international law). So far the only effect has been Kazakhstan's announcement that it will equip itself with a naval force, but in the long term, if no agreement is reached, it could become a source of conflicts when the oil wells start running dry. Another initiative of Kazakhstan was the announcement that it would study the possibility of building a canal from the Caspian to the Sea of Azov (therefore on Russian soil) to bring down the cost of transporting all kinds of goods, no doubt including fuel.

All these states, except for Turkmenistan, are members along with Russia and China of the Shanghai Cooperation Organization (SCO), which has as observers Iran, Pakistan, India and Mongolia. Although it does not even enjoy observer status, Belarus has promoted itself in order to join this group, true to its tendency of attempting to attach itself to a stronger part-

(20) *Asia Central en el fluido horizonte estratégico de la UE*, AUGUSTO SOTO, DT Real Instituto Elcano, 21 June 2007, p. 7.

ner, though—such is its sorry fate—it stands no chance of being accepted. The SCO's aim is to offer a forum for debate on security problems in the area, with emphasis on terrorism, separatism and extremism, but the declarations made by its leaders have deliberately excluded any idea of forming a military bloc. However, given the basic aim, military exercises are an indispensable tool, and several of considerable scope have been conducted, which, according to some observers, may cause it to evolve towards a shared, stable military organisation. Founded in 2001, it has shown a considerable vitality that places it above the numerous attempts at forming international or supranational structures following the dissolution of the Soviet Union, as it has met every year since then at head of state and head of government level (but only at those levels, a fact which evidences the lack of a permanent structure), and its agenda has progressively grown to include above all energy and other economic issues.

An unrecognised, but fairly evident, goal of the SCO is to curb American influence in Central Asia, and ultimately to prevent US or NATO intervention in any crisis situation in the area—a situation that is not at all unlikely given the rise in Islamic terrorist movements. In keeping with these unrecognised aims, in 2005 the SCO asked America to withdraw from Central Asia. Uzbekistan's actions of closing down an American air base and Kirghizstan's abusive raising of the price it charges for use of the air base facilities on its territory (centuplicated all at once) would also appear to be linked to its membership of the SCO.

In the energy field, the SCO provides a forum for discussion for the important new projects for transporting gas and petroleum from the Russian and Uzbek oilfields to thirsty China and India, which will be mentioned in a broader context in the final conclusions.

The expansion of the SCO to include a few observers is being closely monitored by Turkey and, in general, by the USA and Europe. Russia would approve of the Iran's accession, which would help keep Islamist extremism in check in the area, but China would not be keen to sponsor a country presumed to harbour plans for nuclear proliferation. India would be another of Russia's favourites, though its pro-Western sympathies make its membership unlikely, and China would veto it unless the unstable Pakistan were admitted at the same time—which would not be to Russia's liking, apart from the fact that it would prevent any progress towards a common military structure, in view of the latent state of war between the two. Turkmenistan, the only of the «stan» countries that is still absent from it, would also be a desirable addition, as it would help turn the agenda more firmly towards

the energy question thanks to its huge gas reserves. Basically, Russia is in favour of the SCO taking in more members, a greater military emphasis, and a strong energy agenda, in order to make it a tool for promoting its own global influence. China, the other leader, is more interested in solving local problems, which are closely related to the demographic and social problems of its neighbouring regions, and in doing so in a less militant way, without seeking quarrels with the West, which China considers unnecessary.

CONCLUSION

The movements witnessed in the Kremlin at the beginning of last year deserved greater comment than they aroused. Following Vladimir Putin's second—and last, according to the constitution—term as president, during which he progressively laid the new ideological foundations of a regime that initially had nothing to build on but Yeltsin's paltry legacy or mere acceptance of Western values, the outgoing president pointed out his successor ("designated" would not be the right term; expressing who his favourite was and clearly backing him was about the closest he could get without doing anything illegal). Dmitri Medvedev, the «pointed out» successor, who shortly before that was the president of Gazprom, hastily declared that, if elected, he would appoint Putin as his prime minister—who better and with such great experience, he practically said. Putin modestly accepted; nobody seemed worried that such a situation could undermine the status and authority of the future president, and the result of the elections (with a few involuntary irregularities, petty details, that were soon rectified) was totally predictable. A few malicious observers have commented that Putin's future return to the presidency, in a manner consistent with law, cannot be ruled out, and a constitutional reform that Medvedev has pushed through only months after becoming president increasing the term from four to six years has only heightened suspicions. If Medvedev decides not to stand again in 2012 and, for example, returns to the presidency of Gazprom, a still young Putin at the zenith of his prestige would have no problem being elected president and could sit on his seat in the Kremlin until 2024 no less. Practically a quarter century in total devoted to building the fifth Russian empire.

Any doubts about the plausibility of such a prospect ought to be dispelled by the recent and unusual showing on television of carefully staged consultations (on the subject of Georgia) in which Medvedev, in front of the cameras, gives instructions to Putin; this merely sheds doubts on some-

thing that would not need to be publicised were it what it were purported and should be. Furthermore, the ideological identification between the two is absolute, a fact that is significant when the ideology in question is as unintelligible as that which they have christened «sovereign democracy»—an expression even more airy-fairy than the adjective «organic» that formerly adorned the Spanish democracy when it was not yet a democracy, or that of «popular» that adorns others that are no less dubious (21).

Putin has been universally praised, not only within his country, for having put an end to the disorder that followed the Soviet era and to the scandalous enrichment of some bureaucrats, although the end result has been the enrichment of others, only those closer to the regime. But his enthusiasm for this task has led him to deny or forget the crimes of Stalin and, in general, the evils of Communism. Without actually advocating its return, his comment to the Russian Federal Assembly in 2005 that «the disintegration of the USSR was the biggest geopolitical disaster of the twentieth century» (22), the support he draws from the *siloviki*, former comrades of the KGB, his tribute to the founder of the Cheka, Feliks Dzierżyński, and his tendency to provide refuge to pro-Communist tyrants who have fled from coups d'état in former SSRs raise serious doubts about his democratic and anti-Communist convictions. Zbigniew Brzezinski argues that this authoritarian system has been deliberately created by Putin, with nothing to make it inevitable or merely convenient, and without considering the need to break away from the unfortunate Communist past. He cites as a contrast the case of Ukraine, a country with similar cultural roots and an identical recent history, which has succeeded in putting in place a system that amply meets the criteria for being classed as democratic.

It is with this perspective of a growing nationalism that is devoid of ideology but full of claims and based on the lamentation of a historical defeat—though in this case not on the battlefield—as all nationalist movements tend to be, that we should regard many of the actions taken so far, but above all those we will see in the future, in the context of relations with the former republics of the USSR. Summing up and considering as a whole the country-by-country accounts of the previous pages, the outlook shaped by these relations is a militant, unrepentant attitude with a tendency to intervene with respect to those belonging to Europe (although the

(21) As Russian wits like to say, «sovereign democracy» and «democracy» are as different as «electric chair» and «chair.». Stated by LEON ARON, *The New Republic*, «To understand Vladimir Putin we must understand his view of Russian history», 24 Sept 2008.

(22) Quoted, among others, by ZBIGNIEW BRZEZINSKI, *Política Exterior*, no. 125, Sept-Oct 2008.

Baltic states, having completed their Western integration very promptly, have been spared some, but not all, of the pressures and threats) and the Caucasus, and a stance that is much more tolerant, cooperative even, towards those of Central Asia. Naturally there is a common factor that accounts for both attitudes at once, and that factor is energy and how emerging Russian nationalism uses it to benefit Russia's role as a new—continued—global actor.

In Europe, Russia is an important supplier of oil and the dominant gas supplier. But this dependence is mutual: while it is a source of problems and weaknesses for Europe, prone to vicissitudes such as those illustrated by the incidents with Ukraine and Belarus, Russia in turn needs the cash that flows in as payment for this fuel to update its obsolete infrastructures (23), including those of the gas and oil pipelines, but above all to sustain its boundless ambitions pinned on the leading role the Soviet Union played throughout much of the twentieth century; the fact that this role was linked to ideological polarisation is insignificant in the opinion of today's Russian leaders. Europe, aware of and concerned by the consequences of energy being controlled by a partner who could prove to be not entirely rational at some point, is actively seeking to get round the problems by purchasing from Azerbaijan, Turkmenistan and Kazakhstan via the BTE gas pipeline and its extension with the Nabucco, and the BTC oil pipeline that will supply to petrol tankers in Ceyhan (24). Russia is responding to this risk to its position of control in several ways: by proving its ability to control the «T» (of Tiflis, Georgia) of the BTE and BTC pipelines, for which Georgia's President Saakashvili provided it with a tailor-made opportunity last August (and gave the other former SSR republics grounds for fearing their former master, *oderint dum metuant*); by reaching agreements with Turkmenistan and Kazakhstan within or outside the SCO, allowing it to control their exports (25) and prevent Europe from using them as alternatives; by promoting the direct incorporation of Gazprom and other major companies like Lukoil

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- (23) Incredibly in a modern country with such economic resources, the first motorway in the whole of Russia, which will connect Moscow and St Petersburg, is still in the planning stage.
- (24) Other measures too complex to analyse here are holdings in joint ventures in the sector. For example, the Spanish company Repsol holds 25 percent of some drillings in the Caspian; another 25 percent is owned by Lukoil of Russia and the remaining 50 percent by the Kazakh company Kazmunaigaz. See AUGUSTO SOTO, *ibid.*, p. 9.
- (25) Until approximately two years ago Russia purchased gas from Turkmenistan for \$57, part of the bill being paid in kind (it is now up to 100), while selling its own gas to Europe for \$250.

into the European national distribution networks, reducing the risk of a European common position that would increase Russia's vulnerability; by opening a corridor with a huge potential across the «silk route», with India and China as alternative customers to Europe, in order to overcome the mutual blockage derived from the almost monopsonistic position of Europe, which so far has kept at bay Russia's possible temptations of turning off the tap (26); and lastly, by maintaining an anti-gas-OPEC stance which, although stemming partly from the inflexibility inherent in the use of gas pipelines instead of gas tankers, is also due to its desire to hold on to its freedom to set «political» prices, differentiating between friends and mere customers, and altering them at its own convenience rather than according to the market (27).

We may therefore conclude that Putin's regime, with its confrontational attitude and imperial ambitions, poses a risk to Europe. Its movements and attitudes are consistent with a project to establish itself as a global actor distinct from Europe, which it views as neither a model nor as an equal partner but rather as a cash cow to be milked, and its favourite tool is control over energy supplies combined with intimidation of the countries of its near abroad, which it wishes to demote to their former status of vassals. Its weakness lies in the fact that it has no control over world energy prices and their significant and unpredictable fluctuations, as in the second half of 2008, when oil was in the region of \$150 per barrel and plummeted to below \$50 in barely four months. Figures equal to or—as some analysts predict in the not so distant future—higher than the former would result in the fulfilment of these imperial ambitions and more. On the contrary, if prices remain low, Russia will be forced to moderate its imperial tendency and adopt more cooperative attitudes, no doubt awaiting «better times».

In Russia's optimistic mindset, the United States and its global power are a tiresome hindrance, as illustrated by the address on the state of the Federation which Medvedev chose to deliver the day after Barack Obama was elected president yet made no mention of this capital event, announc-

(26) Monopsony is intrinsic when gas is supplied by pipeline, unless it is diversified at source, as is being attempted with the future eastern corridor. Russia, in contrast, cannot be monopolistic, or can only be so in Central Europe, as the coastal nations can resort to supplies from other sources via gas tankers, with the added advantage that this allows them to build up reserves. Other nations that are more peripheral with respect to Russia, such as Spain and Portugal, have the option of purchasing gas from the Maghreb.

(27) Russia's position on this latter aspect is ambivalent, and has changed several times; equally ambivalent is the position of Europe, whose alternative to Russian manipulations, which are partially offset by other sources, would be vulnerability to the less volatile but irremediable price manipulations by the gas OPEC.

ing however the deployment of Iskander tactical missiles in the Kaliningrad Oblast in an inappropriate response to the ABM silos in Poland and radars in the Czech Republic, which obviously neither are nor can be a threat to Russia for kinematic reasons (28). The constant accusations of expansionism at Russia's cost that are levelled at NATO and the European Union are a further expression, and fail to realise that this expansionism is in fact a centrifugal movement of the former vassals with respect to Moscow, caused by its reprehensible manners in the past and present, which indicate that Putin forgets about the fragility of the energy market and his dependence on it, but does not forget the teachings of Thucydides quoted at the beginning of this essay or Machiavelli's maxim that «It is safer to be feared than loved».

(28) Recent indications by the new US Administration of the lower priority of the ABM system have resulted in an announcement by Medvedev of the suspension of the Iskander deployment.

CHAPTER FOUR

THE MIDDLE EAST IRAQ AND AFGHANISTAN

THE MIDDLE EAST IRAQ AND AFGHANISTAN

JOSÉ LUIS CALVO ALBERO

Throughout 2008 the Middle East region has continued to play its traditional, sorry role as the main focus of conflict worldwide. As in previous years the endemic Arab-Israeli conflict there has frequently ceded its place in the newspaper headlines to western intervention in the region led by the US in Iraq and Afghanistan. Added to these are two potential scenarios of conflict which are much more worrying: Iran and the doubtful objectives of its nuclear programme, and Pakistan, a country whose risk of implosion is becoming increasingly evident.

In Iraq and Afghanistan developments have continued the trend witnessed in 2007. The situation of stability seems to be taking root in the first case, despite all the doubts about its continuity in the medium and long term. In Afghanistan, on the contrary, the situation continues to deteriorate, and 2008 has been the worst year since the fall of the Taliban regime in 2001. The problem is not so much that the insurgent groups are gaining victory on the ground but rather the fact that the lack of results in the military, political and economic sphere are causing progressive weariness amongst both the local population and international public opinion.

The crisis triggered by the Iranian nuclear programme continues, although the possibilities of a US or Israeli military attack seem to be fading away in the face of the technical difficulties of such an operation; the possible repercussions in Iraq and Afghanistan; and also certain hopes that the elections next year will bring an Iranian government which is less radical in its approach.

For Pakistan 2008 has been a transcendental year, as it witnessed the abandonment of power by former President Musharraf, the elections and the murder of Benazir Butho, and the intensification of the conflicts on

the Afghan border and in Kashmir. The country is moreover earning itself the dubious privilege of progressively becoming the main scenario of war against transnational terrorism; and both the new US administration and the Jihadist groups agree on this analysis—too many events for a state which is already unstable, greatly shaken by the international financial crisis and, furthermore, possesses nuclear weapons.

Meanwhile, the confrontation between Palestinians and Israelis continues with its usual tone of successive truces and violations, with both parties considerably blocked as regards their possibilities of advancing towards a solution to the problem: Israel, due to a political crisis it has been unable to shake off for over a year, and the Palestinians due to a rift that has turned from time to time into open warfare between Hamas and the Palestinian National Authority. The Israeli offensive begun at the end of December, which caused the greatest number of Palestinian victims in many years, was intended to weaken Hamas's grip on Gaza, perhaps decisively. But the electioneering component was not absent either, with the party in the Kadima government attempting to demonstrate its ability to take a firm hand, clawing back votes from the Likud rightist bloc, which appeared as favourites in the February elections.

For the time being, Israeli intervention is serving to increase irritation in the Arab world and cause alarm in the western world, and its real possibilities of putting an end to Hamas are doubtful. In any case, the moment when it launched the offensive, just before the elections and also before the new US administration took office, it seemed to be aiming for a decisive effect, albeit also a limited and short-term one.

In any case, in spite of its tragic results (1300 Palestinians and 13 Israelis killed in scarcely three weeks), the end of the offensive has scarcely altered the situation in the Gaza Strip. Initiatives from the new US administration are now awaited, the first step of which was the appointment of George Mitchell as special envoy to the conflict. In addition, the very narrow victory of the Kadima party in the February elections augurs a long period of negotiations to form a government— something that will not benefit the present indirect talks between Israel and Hamas aimed at establishing a stable, long-lasting truce.

Only the news of a more moderate attitude on the part of Syria, which has contributed to taking some of the heat out of the explosive situation in Lebanon, and which could open the door to negotiation with Israel, this year cast timid rays of hope upon an apparently insoluble conflict.

Over the complex and violent panorama of a Middle East that resembles an enormous explosives factory with some of its facilities already in flames looms the shadow of the Jihadist movement, even though 2008 has not been an excessively positive year for its aims. Iraq has already spelled defeat and, in spite of the promising situation in Afghanistan and Pakistan, a certain weariness can be perceived in Muslim public opinion regarding the irrational message of the Jihad's radical global ideologists. The transnational Jihadist groups are progressively losing their protagonism to groups with more local and realistic interests and objectives and they are increasingly at risk of going from being lead actors to extras.

IRAQ

The situation of violence in Iraq has improved substantially over the last year with losses amongst US forces reaching an all-time low for the entire conflict during the last months of 2008. Around the same time deaths of civilians fell 80 percent with respect to what was the norm in the first half of 2007. And although terrorist attacks continue to occur daily, the drop in violence has made it possible, in most of the provinces, to transfer responsibility for the maintenance of law and order from the multinational forces over to the Iraqis. As an indication of the new situation, the provincial elections of 31st January 2009 were held in an unexpectedly peaceful climate.

The improvement in the security situation has had its logical repercussions for the economic situation. For the first time since the beginning of the conflict the production of crude oil has risen above pre-US-intervention levels, and for the first time in the major cities the supply of electrical energy has approached what Saddam Hussein's regime was able to provide. Both business and quality of life have improved substantially in many areas of the country which, only two years ago, could be described as a battlefield.

This relative stability has also made a certain degree of institutional consolidation possible. The figure of the prime minister, Nuri-al Maliki, whom the Bush Administration considered totally inefficient at the end of 2006, has been enormously reinforced by the events, and this has apparently been borne out by the results of the provincial elections of 2009. The endemic rivalries between Sunni, Shiite and Kurdish political groups have not prevented agreement over subjects which are fundamental for the country, such as the withdrawal plan for the US troops.

Most of the merit for the new and hopeful situation has been attributed to Lieutenant General David Petraeus, appointed commander-in-chief of the Multinational Force in Iraq in January 2007, a post from which he directed the change in strategy on land that was known popularly as «The Surge». Nevertheless, without wishing to take away any merit from the work of General Petraeus, it should be stressed that the change of course in Iraq was probably the result of a long and complex process, to which the strategies applied previously also contributed, such as the rapprochement towards the Sunni tribes; a change in the diplomatic approach; and the almost total replacement of those in charge of the conflict between 2005 and 2006.

The Elements of the Strategic Change

The Sunni Awakening

At the end of 2005 the main core of the insurgency, originally Sunni and Ba'athist, located in the centre and west of the country, was already badly debilitated by its fight against the multinational forces. Although the American offensives had proved insufficient to put an end to the insurgency, the latter was encountering increasingly greater difficulties in maintaining control of areas and towns. The losses and destruction suffered in the areas of Sunni population also weighed heavily on the morale of the insurgents whose leaders were, in many cases, local chiefs.

The difficulties of the local Sunni insurgency led to an increasingly greater significance of the groups of foreign volunteers within the international Jihadist movement. The action which the latter had specialised in, such as suicide attacks and kidnapping of western hostages, had major repercussions in the media at relatively little cost. The Jihadists could also contribute major resources using their financing, recruitment and propaganda networks. Thus, although the foreign combatants in Iraq never exceeded 10 percent of the total insurgents, their relative importance increased disproportionately. The **Monotheism and Jihad group**, led by Abu Musab al Zaqawi, became especially famous, later officially becoming **Al Qaeda in Iraq**.

The progressive weight of foreign volunteers reached the point of alarming local insurgency leaders. The attention accorded to them by the media was not liked, but what really alarmed them was both their methods and their growing strength which was difficult to control. The main problem

was the divergence of strategic interests between the Jihadists and the Iraqi insurgency—a phenomenon that is traditionally found in all conflicts in which a local group is reinforced by volunteers belonging to an internationalist movement. Volunteers are initially well received, since they are an appreciable source of resources, propaganda and even legitimacy. But if their power becomes excessive, they become more of a problem than an asset, and this also happened in Iraq.

The Jihadists' goal was part of a global strategy of fighting against the West and the «deviant» governments of the Muslim world. According to that strategy, it mattered little if Iraq was razed to the ground, provided progress was made towards global objectives. Evidently the Sunni insurgents, whose interests were much more local, held a very different view. And the fight against the occupier was not to be fought at any cost. Therefore, when the Jihadists began to make indiscriminate attacks, to execute local leaders they considered unenthusiastic, and to organise armed groups that vied with Sunni militias over control of the territory, many insurgent chiefs felt that the situation was becoming untenable.

In 2005 clashes began to be witnessed between groups of Jihadists and local militias, albeit of a sporadic nature and normally related to control of specific areas. Nevertheless, the breaking point occurred in February 2006, on the occasion of the Askari Mosque explosion, a sacred site for Iraqi Shiites. The attack was perpetrated by Jihadists, as part of a strategy to promote confrontation between Sunnis and Shiites, creating a situation of widespread civil strife that would be beneficial to their interests.

But for the local Sunni insurgency the consequences were disastrous. Firstly it realised that the Shiite militias, which had grown in the shadows, without suffering the pressure of US operations to the same extent, had attained an unsuspected degree of strength. Within months they swept the Sunni militias from extensive areas of Iraqi territory, including entire districts of Baghdad. The Sunni population was the target of a brutal campaign of ethnic cleansing, which the Jihadist's equally brutal terrorist campaign could not equal. Suddenly the leaders of the insurgency were driven into a corner and, exhausted by the US combat operations, were exterminated in some areas by unexpectedly powerful Shiite militias, allied with a number of Jihadist groups who were applying an irrational strategy, and moreover threatening to take over total control of the insurgency.

The consequence of this situation translated into a progressive change of sides. The US occupiers now represented a much more acceptable

threat than the combination of Shiite and Jihadist groups. Tribal leaders began to negotiate with the US military authorities, committing themselves to ceasing their operations against the occupying forces provided the latter respected the existence of the militias and supported their fight against the Al Qaeda Jihadists. This was the so-called «Sunni Awakening», a movement which fought openly against the foreign Jihadist volunteers but which was deeply rooted in the attempts of the leaders of the insurgency to emerge from a strategic tunnel which was leading them directly towards disaster.

The Sunni Awakening began in the province of Al Anbar in 2005, however it intensified throughout 2006. Although the initiative to negotiate with these groups is frequently attributed to General Petraeus, in actual fact it was his predecessor, General Casey, who began this process long before Petraeus took over control in Iraq. In fact, the idea of negotiating with insurgent groups fitted in much more with Casey's strategy, more inclined to seeking local solutions, than Petraeus' later approach which was significantly more aggressive.

The US was not only prepared to negotiate with Sunni leaders. It also agreed to finance their militias, who began to call themselves «Sons of Iraq», and to provide them with arms and equipment. Evidently, the danger of this strategy did not go unnoticed. And the most alarmed was Al Maliki's own Iraqi government, who viewed the **Sons of Iraq** more as a threat than a solution. But the movement grew, fuelled by US support, and in 2008 its members numbered some 100,000 (1).

The appearance on the scene of the Sons of Iraq came as a harsh blow to Al Qaeda in Iraq. Their members were practically expelled from their previous havens in the province of Al Anbar and had to take precarious refuge in the area of Diyala. However, the Jihadists have not disappeared and have made the leaders who initiated the movement pay dearly for this. One of their founders, Sheik Abdul al Rishawi, was murdered in September 2007, and dozens of Sunni leaders have suffered the same fate. On the other hand Al Qaeda in Iraq, although debilitated, has continued its terrorist attacks almost daily. However, its members now have to resort much more to secrecy; they have become much more vulnerable and without doubt much less influential.

The Sunni Awakening also made it possible to turn the tables in the struggle between Sunnis and Shiites, something which enormously bene-

(1) BBC News. http://news.bbc.co.uk/2/hi/middle_east/7644448.stm

fited the US strategy, particularly the Surge in 2007. The pacification of the most conflictive areas, such as the province of Al Anbar, allowed Petraeus to devote a major part of his forces to pressurising Shiite militias in the Baghdad area. The latter, especially the Mahdi army, found themselves suddenly in a situation similar to that of their enemies a year earlier: harassed by the US and the revitalised Sunni militias. This pressure forced its leader, Moqtada al Sadr, to declare a unilateral ceasefire in the summer of 2007, which probably constituted the decisive moment of the Surge.

In short, the Sunni Awakening was really one of the main elements in the change of course in Iraq, although its short-term usefulness for the US strategy may have its downside in the possible long term consequences if the militias either fail to become fully integrated within the Iraqi security forces or disband.

The diplomatic change of course

In January 2005 Colin Powell stood down as Secretary of State and was replaced by Condoleezza Rice, until then Security Adviser to the President. The relieving of Powell by Rice gave fresh impetus to the role of the Department of State in the management of the Iraqi conflict.

Colin Powell never saw eye to eye with President Bush on the handling of the conflict, and his ideas were sometimes in outright disagreement with those of the Defence Secretary, Donald Rumsfeld. This lack of harmony was the main reason for the changeover. Condoleezza Rice had gained the total confidence of Bush in her previous position and had an undoubted influence over the President. Paradoxically, being more in tune with the official line provided her with much greater freedom of action to vary the diplomatic goals. Her arrival in the Secretary of State's office moreover made it possible to rescue the department from the marginalisation within the administration that it had suffered in Powell's day.

Rice undertook a project to reform US diplomacy termed **Transformational Diplomacy**. Its objectives were, above all, to reinforce diplomacy's capacity to influence areas in crisis. One of the consequences was the increase in diplomatic personnel posted to Iraq and Afghanistan, and also better management of development assistance after the creation of the position of Director of Foreign Assistance.

Rice also promoted the search for regional solutions to conflicts, which had a clear consequence in the case of Iraq and Afghanistan: it was necessary to improve communications with both Iran and Syria, countries

with which relations were frozen but which exerted a considerable influence (normally negative) on the Iraqi conflict. The report by the Iraqi Study Group, published at the end of 2006 at the behest of President Bush, had also pointed in this direction.

Rice's diplomatic activity in 2005 was centred on allowing the political process in Iraq to develop successfully. An essential concern was that both institutions and the new Constitution should enjoy a broad degree of consensus, and this meant integrating fairly problematic groups into the political process, such as the Sunni population, bent on supporting the insurgency, and the Shiite radicals of Moqtada al Sadr. In spite of some initial results which gave little hope for optimism, in 2006 both some moderate Sunni political parties and the followers of Al Sadr were represented in the Iraqi Parliament.

The subject of relations with Syria and Iran was, if anything, even more delicate. Mahmoud Ahmadinejad's advent to the presidency and the reactivation of the Iranian nuclear programme were not the best backdrop for improving diplomatic relations. To boot, Iran's role in the Iraqi conflict grew progressively, and the capture of personnel from the Qods groups (2) within Iraqi territory demonstrated the support of the Tehran regime for diverse Shiite militias. The power of these groups had increased spectacularly in 2006, to the extent of becoming the greatest threat to the US forces.

In these circumstances Rice always expressed a very firm attitude towards Iran, unreservedly condemning its nuclear programme and its support for both Iraqi militias and the **Hezbollah** in Lebanon. But in spite of the condemnation, pressure, and even threats, she never totally closed the door to discreet negotiations. US diplomacy played with the discomfort of many Iranian leaders over the excesses of Ahmadinejad, as well as the possibility of spectacularly increasing support to the Iranian opposition, or the threat of a military attack, formally geared towards curtailing the Iranian nuclear programme. It escaped nobody's notice, however, that this would mean a major threat to the survival of the Islamic regime.

But perhaps the cleverest card in this diplomatic tug-o'-war was played by Rice in Iraq itself. At the end of 2006, coinciding with the preparations for the escalation, US diplomacy put aside the many suspicions they had had about the government of Prime Minister Al-Maliki, and decided to support it against all odds. The US endorsement, which involved transferring powers and al-

(2) The Qods Force (Jerusalem) is a special operations group of the Iranian Revolutionary Guard specialised in the support and training of Shiite Islamic militias abroad.

lowing through decisions hitherto vetoed, gave Al Maliki more room for manoeuvre, increasing his independence with respect to Iran and reinforcing his prestige. The risk that US support and confidence could push the leaders of the Dawa (3) party definitively out of Iran's sphere of influence had much to do with the waning of Iranian support for Shiite radical militias, and consequently the reduction in violence from the summer of 2007 onwards.

«The Surge» and the change in attitude on the ground

The idea that an extraordinarily major effort was needed in Iraq to achieve a radical turnaround in the situation, especially in Baghdad, arose after the Republican defeat in the legislative elections of November 2006. The strategy to be applied was initially termed the **New Way Forward** and included a series of political, economic and military measures. Nevertheless, the attention of the public and the media was concentrated on the military measures, especially on the announced increase in forces (Surge) in Iraq for some months. And, finally, the term **Surge** replaced the **New Way Forward** as the popular term for the new strategic line.

Actually, from the military point of view, the **Surge** was not a hugely new feature, but it certainly came at a bad time. The levels at which forces were to be increased, up to 20 combat brigades, with the number of troops around 160,000, had been reached previously; for example during the elections of January and December 2005. But at the beginning of 2007 a major proportion of armed forces personnel, particularly the army and the marines, were already exhausted. The first alone had deployed 683,330 soldiers (including National Guard and Reserve) in Iraq and Afghanistan between 2001 and the end of 2006. Of this number 163,949—practically 25 percent—had served more than one stint (4). Casualties of both conflicts had amounted to 33,000 between dead and injured, and many of the reservists had used up the mobilisation periods for which they were hired. In addition, it had been necessary to increase the length of service in Iraq to 15 months to cope with the personnel crisis. Under these conditions many military commanders, including General Casey, thought that an increase in 30,000 troops might be unsustainable.

(3) During the dictatorship of Saddam Hussein the Dawa Party was the main opposing Shiite group. Many of its leaders were exiled in Iran and it is accepted that the Iranian regime still has a strong influence over its decisions. In recent years the Dawa has been the Shiite party with most votes, although it has always been forced to govern in coalition.

(4) *Tan, Michelle*. «Deployment Data underscore the strain of military operations». *Army Times*. Dec 06. <http://www.armytimes.com/legacy/new/1-292925-2395712.php>

Initially the **Surge** had limited objectives confined to the area of Baghdad. The ultimate aim of the operation was to halt the breakdown in the security situation in the capital, banishing the risk of outright civil war and giving the Iraqi government a window of opportunity to consolidate its control in Baghdad at least. To direct the operation Lieutenant Colonel David Petraeus was appointed. His previous work in Mosul, in charge of the 101st Airborne Division, had been praised for its efficiency. Moreover, he had directed the drafting of a new counterinsurgency manual for the army, in which he defended procedures which were different from the ones used until then in Iraq, encouraging the visibility of the troops and their constant interaction with local forces and civilian agencies and institutions.

The main new feature of the **Surge** was precisely this change in attitude, which in fact took place long before the expected reinforcements reached the theatre of operations. Right from the start Petraeus removed his forces from their hyper-fortified bases, constructing advance command posts from which US and Iraqi forces were to control each district by means of frequent patrols and contacts with their inhabitants. In this deployment none of the most conflictive locations was avoided, not even the Baghdad district of Al Sadr, which was totally dominated by the militias of the Mahdi army.

Most of the 30,000 new troops belonged to five new brigades. Two of them were to be deployed directly in the capital while the other three went to adjacent areas: the provinces of Diyala, Salah-Din, Al Anbar and Babil. Previous experience had shown that increasing the pressure only in the capital would be of little use, as the insurgents would seek refuge in the surrounding areas, waiting for a better moment to return to Baghdad. What was needed was to create a giant pincer to envelop the surrounding areas of the capital, progressively crushing the Jihadists, the still hostile Sunni tribes and Shiite militias, and preventing them from seeking refuge in their traditional fiefdom.

In February 2007, with the first reinforcement troops still arriving at the theatre of war, the operation **Fard**—al Qanoon began. The idea was basically to extend deployment of American and Iraqi forces from their usual positions towards the most dangerous areas of the capital. This extension was carried out by establishing Advance Posts, small fortified positions which the joint patrols used as a base for patrolling and setting up controls. Once the area was safe, the advance post was extended to become a **Joint Security Station** (JSS). These stations deployed not only American-

Iraqi military patrols but also police forces and CIMIC teams (5), which attempted to convey a sensation of security and normality to the civilian population. Thousands of development projects financed with CERP funds were planned (6), aimed at improving the quality of life of the population and gaining their support.

Actually it was a question of reversing the status quo, handing back the initiative to the forces of the Coalition, and putting the insurgents on the defensive. This course of action was highly risky, as was borne out between February and June of 2007, a period which became the bloodiest in the war for the US, with 493 dead. But the benefits soon became evident. The greater contact with the civilian population made it possible to obtain much more specific intelligence on the adversary. And the improved coordination between multinational forces, local forces and reconstruction projects made it possible to complete the military operation-stabilisation-reconstruction cycle, something that had rarely been achieved previously.

The cumulative effect of the progressive arrival of US reinforcements was also noticeable and, in June 2007, with the five additional brigades already deployed in the country, Petraeus launched the second phase of Surge operations. Operation **Phantom Thunder** extended operations beyond the area of Baghdad, centring on adjacent provinces, particularly in Diyala, where numerous Jihadist groups had taken refuge, escaping the Sunni Awakening of Al Anbar. Finally, in August Operation **Phantom Strike** was launched, the goal of which was to attack residual groups of Al Qaeda in Iraq and the Mahdi army throughout Iraqi territory.

The fact is that Petraeus had not been given much time to obtain tangible results. In September 2007 he was to appear before Congress, along with Ambassador Crocker, to provide an account of the results obtained with the new strategy. This appearance was considered a test to decide whether it was working or not, and to make new decisions as a consequence. The increasing pressure of many congressmen and democratic senators for a plan to withdraw forces from Iraq was turning the occasion into a crucial event from the political point of view.

(5) CIMIC: Civil Military Cooperation. Branch of the Armed Forces which handles relations and coordination of military authorities with civilians and humanitarian agencies.

(6) CERP (Commander's Emergency Response Programme) Funds made available to the unit commanders to carry out humanitarian aid and reconstruction projects that would help to attain the objectives of each operation.

Petraeus and Crocker succeeded in presenting a positive outcome of the Surge, although the fact is that the most encouraging events had taken place scarcely a month before. The incidents in Al Anbar and Baghdad had scaled down significantly in August, and on the 29th of that month Moqtada al Sadr had ordered his militias to initiate a six-month ceasefire. The reasons for this decision were related to his followers' exhaustion from the US offensive, a situation which other Shiite militias such as the Badr groups (7) had taken advantage of to forcibly snatch control of key areas, such as the holy city of Kerbala.

The combination of alliances with Sunni tribes, the cornering of Al Qaeda and the truce of the Mahdi army was promising to confirm the validity of the new strategy. This allowed Petraeus to request a prolongation of the Surge until 2008, making only a limited withdrawal of forces at Christmas 2007. With the 20 brigades still in the country it was possible to prolong the Phantom Strike operation until January 2008, and later launch «Phantom Phoenix» to consolidate control of Baghdad and adjacent areas.

The number of civilian and military casualties plummeted between September 2007 and February 2008. In that last month 29 US soldiers were killed, plus around 700 Iraqis, civilians, police and soldiers. In August 2007 the numbers had been 84 and 1674 respectively. Nevertheless, in March and April of 2008 the violence escalated again, demonstrating, as General Petraeus had himself admitted before Congress, the fragility and reversibility of the progress attained.

The cause of the increase in violence was the Iraqi security forces' offensive against the Mahdi army, which had renewed its truce in February but maintained control over the cities of Basra and Amara, as well as major areas of Baghdad. The government offensive had the novelty of being the first large-scale operation to be launched exclusively by Iraqi forces, the multinational troops taking a stance of mere support. One of the primary objectives was to demonstrate the abilities of the government to use force, and its will to dispute the control of cities with any militia.

From the military point of view the operation was a disaster. The Iraqi forces, badly coordinated, lost dozens of armoured vehicles in the street

(7) The Badr groups are the armed division of the Islamic Supreme Council of Iraq, a Shiite political organisation which, along with the Dawa Party, maintained its opposition to the regime of Saddam Hussein in exile. Currently, the Council is participating in the government of Al Maliki but the Badr groups continue to be a security problem, although they have sometimes been used as a counterbalance to the Moqtada al Sadr's Mahdi army.

fighting. Hundreds of police deserted or refused to accept orders, and US and British troops finally had to engage in combat to save the day.

But in spite of these disappointing results, the offensive convinced Al Sadr that the government of Al Maliki was prepared to fight, and that it could mobilise considerable resources. And inevitably the next operation would be better organised. Given this dynamic of increasing pressure from the security forces, and also from the US. forces, for which the Mahdi army had become the only sizeable insurgency still active, Al Sadr realised that his militias would finally be crushed if they acted too aggressively. In the summer of 2008 he did not only prolong the truce but also made an attempt to demobilise part of his militias, turning them into a cultural and religious organisation.

In April 2008 Petraeus and Crocker appeared again before Congress. The general's appearance was once again optimistic but cautious, in spite of the fact that the situation on the ground had improved substantially in comparison with September of the previous year. He requested that, although the reinforcement units used in the Surge had finished withdrawing in July, he be granted a month and a half's period of assessment before deciding on any later pull-back. In practical terms, and bearing in mind the upcoming presidential elections in the US in November, this meant that the level of forces would remain at around 140,000 until the end of the year.

The future of Iraq

As a year, 2008 has seen a certain amount of consolidation of the results obtained from the Surge in 2007. At the end of the year, despite the persistence of suicide attacks, attacks against members of the government, and some sectarian murders, the level of violence is the lowest in the five years of the conflict. This is particularly applicable to casualties of US troops, which no group seems too enthusiastic about attacking, probably because none of them wants to wear themselves out too much acting against an occupier who is already preparing to withdraw.

The US withdrawal of troops became precisely the most important political topic in 2008. A major part of the year has been taken up by arduous negotiations to nail down the terms of US presence in the country once the United Nations mandate finalises on 31 December. In November, the US and Iraqi governments reached an agreement on the guidelines that the process must follow. According to this, in mid 2009 the US forces would pull out of the major cities, leaving most of the security tasks to the Iraqi

forces and centring on training and support for those forces if necessary. At the end of 2011 the last US soldiers would leave the country.

This calendar, drafted by the Bush administration, fits in relatively well with the agenda of Barack Obama's incoming administration. Obama had promised to pull out US forces in 16 months, which would mark a date for the end of the withdrawal at some point in the second half of 2010, i.e. more than a year before what was finally agreed. But the fact that the US troops cease offensives in the middle of 2009 may make the deadline acceptable. In any case, it escapes no-one's notice that the withdrawal of US forces from Iraq is going to be an enormously complex operation from the point of view of both security and even just logistics. Consequently to try to unilaterally impose very tight terms could be quite detrimental.

Nevertheless, the surprising thing about the negotiations is not so much the agreement between the Iraqi and US governments as that reached by the Iraqi institutions themselves, until now characterised by their almost total inability to reach a consensus. And there is certainly no lack of points of disagreement between the main parties in the country. Some radical groups, even within the government, such as the Al Sadr bloc, supported a much faster withdrawal, whereas the Sunni bloc, fearful of the prospects of remaining alone in a country with an essentially Shiite government, requested longer terms.

It has been the pragmatic attitude of Al Maliki and his political group, Dawa, which has facilitated agreement to a great extent. On the one hand the text clearly stresses Iraq's will to see an end to the US presence and sets a date for that end, therefore satisfying the radicals to a great extent. On the other hand, the three year deadline is sufficiently extensive, and there is a certain degree of flexibility to modify certain details of this agreement later. In fact, the possibility of maintaining a limited presence of US forces beyond 2011 cannot be dismissed. Thus, the parties fearful of an excessively hasty withdrawal may also be reasonably satisfied.

But the relative ease with which an agreement was reached leads one to think that, apart from the negotiating ability of the government of Al Maliki, Iran may have facilitated the process somewhat. In fact, the text of the agreement includes an extremely interesting point for the Iranian government, which is the US commitment not to use Iraqi territory to attack its neighbours. This, in fact, partly banishes the possibility of the US launching an attack on Iranian territory to put an end to its nuclear programme. Such an attack would still be still possible from Kuwait, or from an aircraft carrier

in the Persian Gulf (8), but the possibilities of a prolonged air campaign are becoming increasingly remote. Those of ground operations have practically been ruled out.

It is therefore inevitable to consider some type of understanding between the US and Iran, at least at the level of token gestures. The limitation in the activity of the Shiite militias that has made it possible to reduce levels of violence in the country probably has something to do with a new Iranian attitude. In this respect it is significant that the use of improved explosive devices, such as EFPs, has dropped spectacularly (9). These devices, originating in Iran, caused most of the American deaths. The new Iranian attitude may have had its counterpart in a progressively moderate US rhetoric with regard to the possibility of a military attack on Iranian territory.

When the Surge was planned at the end of 2006, nobody was unaware of its nature of a last opportunity to make amends for the disastrous course the Iraqi conflict had taken—and also to prepare a dignified withdrawal of US forces. It was therefore not expected that the new strategy would succeed in rescuing the objectives that the Bush administration proposed in 2003, not even those of the National Strategy for Victory in 2005. It was simply hoped that the worst scenarios could be avoided in the future.

And in this respect the Surge has worked reasonably well. The worst possible scenario, an Iraq plunged into the chaos of a civil war between multiple factions, perhaps fragmented, and a terrorist haven and the focus of instability in the region, seems to have been avoided for the meantime. The second least favourable scenario, which would be identified as an Iraq hostile to the US and Israel, perhaps allied with Iranian and Syrian interests, does not seem likely either, although this will depend to a great extent on how relations between the Iraqi government and the US evolve during the period of withdrawal of the multinational forces. Nevertheless, the balance between the diverse factions within the country and the marked nationalism of both Sunnis and Shiites makes it very unlikely that Iraq would turn totally towards Iran or Syria.

(8) There are also possibilities of using Afghan territory for the attack but this is quite a problematic option; firstly due to the foreseeable opposition of the government, and secondly due to the lack of infrastructures in the west of Afghanistan in order to sustain a sizeable air attack.

(9) EFP: Explosively Formed Penetrate. This is a type of explosive device where the charge is moulded in the form of an inverted cone. On exploding, it produces an incandescent jet of gas that can perforate almost any armour plating when directed towards the target. Its sophistication, as well as other evidence, points to Iran as the producer of these devices, used particularly by the Shiite insurgency.

Nevertheless, if the two least favourable scenarios appear improbable, something similar may be said of the optimistic scenario pursued in 2003. An Iraq closely allied with the US—the Trojan horse of the western democracies in the Middle East, and regulator of the crude oil market—is today even more improbable than a country in profound chaos. The future we can expect will be more modest for strategic US expectations but even then it will not lack extremely interesting possibilities.

Without doubt it is unlikely that the future Iraq will be a faithful ally of the US, however it is still possible to ensure that at least it will not be a hostile player. And its role as mediator in the region for the incoming US administration may be enormously valuable. An Iraq that maintains civil relations with the US could be an excellent intermediary with Iran, as well as a player able to position Syria in the dilemma of isolating itself more and more, or adopting a more conciliatory attitude in the region. In addition, there is no doubt that a stabilised Iraq will be able to add several million barrels a day to world oil production, which will help to moderate future energy crises once world growth recovers from its present paralysis.

The key point in achieving this more favourable scenario lies in preventing Iraq from becoming a scenario similar to that of Lebanon. Iraq is a relatively prosperous country, albeit caught in a complex balance between ethnic and religious groups with endemic instability, in which periods of calm may alternate with others of crisis and armed conflict. As in the case of Lebanon, this situation would prevent Iraq from achieving the status of major player with an ability to influence the region, and would turn it, in contrast, into the chessboard upon which the interests of its neighbours would be played out.

AFGHANISTAN

If one had to define in one word the sensation caused by the events in Afghanistan throughout 2008, it would be despondency. This sensation affects, on the one hand, the Afghan population itself who, in 2001, pinned great hopes on the international intervention being able to extricate the country from the deep-seated violence and misery into which it had sunk during the previous 20 years. Furthermore, this despondency has also had a marked effect on western public opinion, faced with the worsening of a remote conflict that had supposedly been resolved years ago.

But stemming the current trend in the conflict will involve considerable effort, as throughout the years of relative neglect the situation in Afghanistan has become enormously complicated, now fully affecting its Pakistani neighbour. And now is not the best time for requesting an additional effort, owing both to the financial crisis and the fatigue after seven years of conflict.

The fact is that it is no longer a question of fighting against a more or less numerous insurgency movement but rather against a complex framework of tribal groups, drug trafficking, transnational terrorist networks and regional interests. Facing these is an inefficient government, weighed down by corruption, and international forces that are insufficient and engulfed by the immensity of the territory, the lack of infrastructures and an increasingly sceptical population.

The causes of the deterioration

After the fall of the Taliban regime the situation in Afghanistan remained reasonably stable until 2005. A major part of that stability was due to the fact that most of the population was very favourable to the presence of foreign forces—reduced in number—and also to them playing down their visibility. What was left of the Taliban movement continued fighting, using Pakistani tribal areas as a haven and keeping up sporadic activity in the border area. But their actions were very limited, and most of the country was totally free of them.

The possibilities offered by these years of stability failed to be taken advantage of to a great extent, mainly because a significant proportion of US military and financial resources were diverted towards Iraq. Thus, in 2003 US forces in Afghanistan scarcely exceeded 12,000 troops. The units in the multinational ISAF force deployed in Kabul contributed scarcely 6,000 more; and the international funds earmarked to the development of a country in many aspects more backward than Medieval Europe scarcely totalled \$22 billion for a four-year period.

As a consequence, although living conditions for the Afghans improved considerably, the impulse was not sufficient to alleviate the dire poverty of most of the population, or to build sufficiently solid state institutions. The shortage of troops, and the fact that the insurgents had taken refuge in Pakistan also made it impossible to get rid of the remainder of the Taliban and the Al Qaeda leaders. But the worst thing was that the scanty military resources did not enable due support to be given to the Afghan security

forces, and these were not sufficiently developed to become an alternative to the insufficient western troops.

In 2004 and 2005, as was the case in Iraq, the country underwent a fairly orthodox process of political transition in its formal aspects, but one that was unlikely to do away with the tribal and semi-feudal system that had governed the country for centuries. The reinforcement of the central government's powers and the progressive deployment of police and Afghan soldiers all over the country began to awaken the traditional restlessness of many tribal chiefs, always hostile to any strong government in Kabul. This restlessness was exacerbated by the progressive deployment of multinational forces (under the control of NATO from 2003) in the west and south of the country, also as a result of the increasing discourse launched by both the government and the foreign forces against growing opium as a narcotic.

Opium was the main source of financing for many tribes, and probably the Taliban prohibition on its cultivation had a significant influence over the rapid decline of their power in 2001. The message launched against opium production and the deployment of British troops in Helmand, the main producing province, finally unleashed a progressively violent scenario in 2006. The tribal chiefs, especially those of the Pashtun ethnic group, found it hard enough to put up with the presence of national security forces in their fiefdoms, and certainly could not tolerate foreign forces who did not conceal their intention to fight against opium plantations.

As a consequence, the violence reached levels not seen since 2001. The cause was not so much a return of the Taliban as the insurrection of several Pashtun tribes in the south of the country that still further destabilised the border area with Pakistan and moreover extended to the west of Afghan territory. With quick reflexes and conscious of the disastrous results of their previous opposition to growing opium, the Taliban leaders eased their position. This served to rebuild the alliance between Islamic students and Pashtun tribes that ten years earlier had allowed the Taliban to conquer the country, leaving it seriously damaged in 2001.

The alliance between the Taliban, Pashtun tribes and drug traffickers made it possible to considerably increase the resources of the insurgency. The profits from opium and the support for the tribal militias multiplied recruitment possibilities. Since in previous years it had been impossible to pull the country out of its misery it was easy for the insurgents to hire

the unemployed for a wage that tripled that of a policeman's or a government soldier's. The action of the insurgency was favoured by the fact that the only vestige of the government in Kabul which was seen by a significant proportion of Afghans was a corrupt police force that attempted to compensate for their paltry and irregular wages by the most scandalous extortion.

Throughout 2006 and the 2007 alarm bells sounded on the situation in Afghanistan in the international community and economic and military resources allocated to the conflict were reinforced. In January 2006 the London Conference doled out another \$10 billion of international funds for reconstruction, to which a similar amount was added at the Paris Conference of 2008. Meanwhile, the international forces in the country were increased at the end of 2007 to 60,000 troops, half of them American. The two military operations underway in the country—ISAF led by NATO and Enduring Freedom, under US command—intensified their coordination, both coming under the command of a US general.

At the same time, efforts to organise and train the Afghan security forces were stepped up, obtaining reasonable results in the army but much less encouraging ones in the police force. The US finally took over training the police forces, initially the responsibility of Germany, which had not achieved positive results in previous years.

But altogether these measures, plus others taken during 2008, have not been sufficient to halt the deterioration of the situation. The reasons for this failure can be explained by a combination of very complex reasons. The first is the huge scale of the Afghan problem: one of the poorest countries in the world, which has never had state institutions in the modern sense of the word, and when it has been close to having them, has invariably faced a conflict caused by tribal and religious leaders. Its short periods of stability have only occurred under a feudal system, with a king with limited powers in Kabul, and extensive independence for tribal groups. It could well be said that the lack of state institutions has consequently resulted in an almost total absence of infrastructure and one of the lowest educational levels in the world.

The tribalism of most of the population soars to astronomical levels among the ethnic Pashtun group living on both sides of the Pakistani border, which they have never recognised as such. In fact, the Pashtun tribes have maintained a permanent state of revolt against any strong government, whether in Kabul, Islamabad, or British-ruled India. Their tribal feel-

ing outweighs any nationalistic or religious considerations (10) to the extent that sometimes the term «Pashtunistan» is used to refer to the territory inhabited by the Pashtuns, over which they have never recognised the authority of Afghanistan or Pakistan.

The fact is that the scanty international forces present in the area have not been sufficient to crush the irredentism of the Pashtun leaders, nor have the investments in reconstruction and development persuaded the Pashtun population that perhaps giving way to a certain extent could be profitable. Nor has the government of Kabul been able to demonstrate the advantages that the state institutions can provide the population, and its representatives have been seen more as plunderers than public servants.

The second problem that has made any reaction against the insurgency very difficult is Pakistan's role as a haven. Even during the Soviet invasion of the 80s the federally administered tribal areas (FATA) located in the north-west of Pakistan became the refuge and operational base for the Afghan Mujahedeen. At the end of 2001 the remains of the Taliban movement and leaders of Al Qaeda took refuge again in this territory.

There the insurgents enjoy a favourable position: as the population is mainly Pashtun, foreign Jihadists have been traditionally well received since the days of the fight against the Soviets, and there are still large camps of Afghan refugees who facilitate the job of finding and recruiting new followers for the cause. The Pakistani government has only nominal control over the territory, it being the tribal chiefs and councils who exert their authority. The area, moreover, dominates the main trade routes between Pakistan and Afghanistan and, by extension, the ISAF supply routes from the Pakistani port of Karachi.

From the beginning of the conflict, the US pressurised Pakistan to prevent the FATA area becoming a refuge for terrorists and insurgents. Although penetration of the Pakistani security forces into the FATA is not easy, the government of General Musharraf made a major effort, oriented more against the foreign Jihadists than local tribes.

But, although thousands of Pakistani soldiers have died in tribal areas over the past seven years, the results have been rather poor—partly because the Pakistani institutions, especially the armed forces and the na-

(10) Although the stereotype of Pashtun Islamic fundamentalist exists, this does not correspond to the reality in most cases. In fact, tribal rules, materialised in the «pashtunwali» code, take priority over the Koran where they contradict each other.

tional intelligence service, are reluctant to act against the Pashtun tribes, which they have traditionally used as an instrument to influence their Afghanistan neighbour—and partly because the endemic instability of Pakistan, and in particular the conflict with India over the control of Kashmir, have prevented sufficient troops and police being concentrated on the Afghan border.

The lack of results and the conviction that FATA is being used by the Taliban and Jihadists as a haven have led the US to launch frequent incursions into Pakistani territory using unmanned aerial vehicles (UAVs) armed with guided missiles. These attacks, which in 2008 became especially frequent (11), appear to be directed against insurgency leaders, and particularly against the foreign Jihadist leaders or local leaders who give them greatest support. The attacks have also sparked repeated protests from the Pakistani government due to the violation of their sovereignty, although in general the attacks with unmanned aircraft are tolerated. A different question is the presence of foreign troops on Pakistani territory. In September 2008 Pakistani troops fired on two US helicopters that were transporting special forces, forcing them to return to Afghanistan.

The government which resulted from the 2008 elections, replacing the Musharraf regime, has shown an ambiguous attitude to the presence of insurgents in FATA. On the one hand, it launched the most powerful military offensive to date against the insurgent networks, at least until the attacks by Kashmir separatists in Bombay at the end of November rekindled tensions with India, forcing the government to concentrate the military effort in Kashmir once again. On the other hand, however, it has been very belligerent about US interference in the internal affairs of Pakistan, and prepared to reach local agreements with the tribes.

The Bombay terrorist attacks between 26 and 28 November 2008 (12) have again pointed to Pakistan as the centre of Jihadist terrorism and have placed the government of the country at a difficult crossroads. US diplomatic pressure and clear warnings from India forced the government of Prime Minister Zardari to review the operation of many of the country's institutions, attempting to sever ties between these and Jihadist groups.

(11) Thirty attacks of this type have been made.

(12) On those days 10 armed terrorists, probably related to the Kashmir insurgency, attacked the tourist area and financial centre of the city with automatic weapons, grenades and explosives, taking up strong positions in a number of luxury hotels for almost three days and causing about 170 deaths, among them those of several tourists and western businessmen.

But this can be extremely dangerous in a country as complex and unstable as Pakistan. It also, moreover, poses a serious identity crisis to many Pakistanis, especially the members of the armed and security forces who have been educated in a state in permanent **jihad** since its creation.

In any case, the Bombay attacks will mean in the short term that the Pakistani authorities will be extremely occupied in managing the tensions with India, and inevitably this is good news for the Afghan insurgency, which will see pressure reduced on its haven in the tribal areas.

The insurgent strategy in 2008

From the military point of view, the situation has clearly worsened in 2008. The insurgents have not only not backed down before the presence of more than 60,000 allied soldiers and 120,000 Afghan police and soldiers but have actually succeeded in extending their areas of action.

Apart from their traditional fiefdoms in the east and south of the country, the Taliban and associated groups have infiltrated into the provinces that surround Kabul, such as Logar and Parwan, progressively closing in on the capital. In the West, communications between Kandahar and Herat have been greatly disrupted by insurgent activities in the provinces of Farah and Herat, especially in the district of Shindand where the number of incidents has multiplied (13). Moreover, violence has intensified spectacularly in areas which had previously been peaceful, such as the province of Bagdhis, the responsibility of the Spanish forces, where pockets of Pashtuns have become progressively more aggressive.

The insurgent strategy resembles the one used by the Taliban in the 90s to a great extent, when they seized control of 80 percent of Afghan territory, on the one hand isolating the major cities progressively, and on the other advancing from their operational bases in the provinces of Kandahar, Helmand and Uruzgan in both directions, surrounding the great mountain range in the centre of the country: eastwards towards Kabul and westwards towards Herat. To this strategy must now be added the more and more frequent use of terrorism, largely directed at the capital, Kabul. In the second half of the year several terrorist cells concentrated their attacks on workers of humanitarian agencies based in the capital. The death of seven

(13) The district of Shindand, province of Herat, is where the Spanish forces have suffered several casualties when having to patrol the area acting as a Rapid Reaction Force for the Western Regional Command.

of these workers in a matter of months has been an enormous blow for the reconstruction work and humanitarian assistance in which these agencies are involved. They have also contributed to dramatically increasing the sensation of insecurity in the centre of government itself.

But in addition to territorial expansion and more frequent attacks, the insurgents are now more sophisticated in their procedures. Some attacks have achieved results hitherto unseen in the conflict. In June, in a coordinated assault against the jail of Kandahar, around 800 prisoners were freed after the death of around fifteen police. In July, the attack on a US advance base in the province of Kunar ended with nine US soldiers dead, fifteen wounded, and the abandonment of the base. And in August, an ambush against a French patrol in the province of Kabul turned into a twenty-four hour battle resulting in ten French soldiers dead and twenty-three wounded.

The typical procedures used in Iraq, such as improvised explosive devices and attacks by suicide bombers have also increased in number and effectiveness. In November 2007 a suicide attack killed six parliamentarians in the province of Baghlan, and in the confusion that followed the explosion almost eighty people died, among them fifty-nine children. In February 2008 another suicide bomber killed another eighty people near Kandahar, and in August an attack against the Indian embassy in Kabul killed forty-one people, among them several civil servants at the embassy.

However, the most worrying aspect of this situation is not so much the number of attacks or victims as the ever-increasing evidence that these attacks are part of a fairly well-planned and consistent strategy, and contributing to this impression are the increasing attacks against the ISAF's vulnerable supply lines from Pakistan. At the end of year these attacks reached a hitherto unseen scale, especially in December when almost 200 vehicles were destroyed in only a few days.

All in all, the insurgency led by the Taliban, joined by an increasing number of Pashtun tribes, has left behind its usual inefficiency in previous years and has become a fairly worrying challenge for the international forces and the Afghan government. The insurgents are now able to develop a complex strategy that can combine guerrilla operations for the control of the land; terrorist attacks to destroy enemy morale and sabotage any attempt at reconstruction; destabilisation of Pakistan to preserve its freedom of action in tribal areas; and suffocation of the international forces by attacking their supply lines.

The reaction of the allies

As opposed to this fairly devastating outlook, both ISAF and the US troops of Lasting Freedom and the forces of the Afghan government attempt to react as well as they can. Their effectiveness is, as always, undermined by the shortage of troops and the lack of consensus over what strategy to adopt, an aspect that particularly affects NATO's allies in ISAF. The crux of the discussions usually centres on the availability of the troops deployed and the approach towards fighting against the insurgents.

Some European governments such as Germany, Italy, Spain and France are reluctant for their forces to be used in the problematic areas of the South and the East, and are committed to a strategy geared not so much to direct action against the insurgency as to the consolidation of Afghan institutions, particularly their security forces. On the contrary, the US, Britain and Canada, supported to a lesser extent by Holland and Denmark, consider that such consolidation is impossible until the insurgency is reduced to a marginal status. In fact, this is a very similar debate to the one that took place in Iraq before the **Surge**.

The shortage of troops has produced quite perverse effects. Perhaps the most dramatic is the excessive use of air power to compensate for the lack of forces on the ground. The fact is that without the support of fighter aircraft and helicopters the situation of the allied forces would frequently be untenable. But against an adversary so hidden amongst the civilian population as are the Taliban, air attacks have frequently dramatic effects. Some tribal militias always fight in the environs of their villages, and when the battle is over they retire to their homes. On other occasions, groups of insurgents who find themselves in difficulties take refuge in towns and villages, trying to merge in with the civilians. In any case, the air attacks directed against what are supposedly hideouts and rendezvous points of the insurgents frequently result in a high number of civilian deaths.

These deaths caused by allied operations, which became more frequent in 2007 and 2008 (14), are one of the main causes of friction between the foreign troops and the Afghan government. And they are also an argu-

(14) A report by Human Rights Watch identifies a total of 116 civilians killed in air attacks in 2006, 321 in 2007 and 119 in the first seven months of 2008. The most serious incident of this type with the highest number of victims occurred in August 2008: an air attack in the province of Herat killed about 90 civilians, according to Afghan authorities, and more than 30 according to later investigations by the US.

ment, skilfully exploited by the insurgency, which is considerably eroding the image of ISAF and Lasting Freedom in Afghanistan.

Criticisms have been levelled by NATO's own allies regarding the strategy of air attacks, and requests for other methods to be adopted. But on the ground it is difficult to propose alternative procedures. The solution most frequently proposed is to suspend air attacks on buildings suspected of being used by the insurgents and that these attacks be replaced by surround and search operations.

The problem is that an enormous amount of forces, easily transportable to any point in the country, would be needed for this. Moreover, they would need to be local forces, as the searching of private houses by foreign «infidel» forces could have more negative and bloody consequences than the air attacks themselves. But even using local forces would be problematic, to the extent that provincial governors, on whom the police forces depend, would find it hard to accept this procedure in their areas of responsibility for fear of a general revolt.

As in Iraq, the idea is gaining ground that the main part of the fight against the insurgency must be handled increasingly by local security forces. But also, as in Iraq, there is a conviction that this will be impossible unless the dynamic of the insurgents' progress is halted and a window of time is gained, during which their activities are reduced to the minimum. And for this a short-term effort is needed, but of great intensity, carried out by western troops and coordinated, moreover, with a more realistic reconstruction policy than has been applied up till now. At the end of 2008 the application of an Afghan version of the Iraqi Surge is practically a foregone conclusion for 2009.

The president elect, Barack Obama, has already announced his intention to divert the strategic effort from Iraq to Afghanistan. And the Defence Secretary, Robert Gates, his appointment confirmed by the new administration, has announced a reinforcement of US military presence of about 20,000 or 30,000 troops in the country, which would practically mean doubling present numbers. In October 2008, General Petraeus left his position in the Iraq Multinational Force to take over control of the Central Strategic Command, making him the strategic head of operations in Iraq and Afghanistan. This appointment, along with the permanence of Gates as Defence Secretary, has been interpreted as an attempt to apply the same formulas in Afghanistan as those which reaped such good results in Iraq.

Evidently, circumstances in Afghanistan are different from those of Iraq, and will require a different strategic approach in many aspects. The dec-

larations of American political and military leaders greatly emphasise the need to be conscious of this difference.

The first divergent point with Iraq is that the multinational aspect of the operation is much more important and problematic. In Iraq, although at some points up to 30,000 allied troops were deployed, the overwhelming majority of the troops and resources were always American. And the role of the allied forces was very secondary, with the exception of the British troops. In Afghanistan, however, the role of NATO and other allies is fundamental. In fact it is ISAF, a military mission of the Alliance, which is in charge of directing operations, while Enduring Freedom has a secondary importance, more centred on the fight against Jihadist terrorism and training local forces.

The weight of the US forces is consequently much less than in Iraq. In fact, in theory, General Petraeus only controls Enduring Freedom, whereas ISAF depends on the NATO chain of command. Nonetheless, the ISAF head is a US general, David McKiernan, who is also head of Enduring Freedom. At the top of the chain of NATO military command is another US general, Bantz Craddock, for which reason nobody doubts that the general strategy to be applied in the conflict will come from the US, and to a great extent from Petraeus. But the Americans will have to persuade the allies to contribute 50 percent of current forces in the theatre of operations in the meantime, as well as controlling extensive areas of the country.

A second aspect that marks the difference between Afghanistan and Iraq, and which is sometimes forgotten, is the enormous difficulty of maintaining any military force in Afghanistan. The country has no outlet to the sea; land-based communications are precarious and dangerous; and there are hardly any local resources that a foreign force can use for supplies. A significant proportion of the supplies received by the ISAF forces come in by air, which increases the cost of deployment enormously and limits the maximum ceiling of deployable forces. In addition, fuel and heavy equipment in particular arrive from the Pakistani port of Karachi, crossing the tribal areas of western Pakistan and penetrating into Afghan territory through the Khyber Pass and Spin Boldak.

Even when the insurgents do not attack the supply convoys, transit can be affected by innumerable circumstances from strikes to periods of bad weather or accidents that block the highways for days. ISAF has sometimes been forced to delay combat operations because fuel levels available could not guarantee a safe supply.

In order to resolve this problem new routes have been opened from the North with the support of Russia and the bordering countries, such as Uzbekistan or Tajikistan. But this does not solve the problem completely. The agreements only permit transit of non-lethal equipment which excludes any type of armaments, ammunition or combat vehicles. The fuel problem is only partially solved, moreover, since the precariousness of communications and the action of insurgents make it very difficult to move major fuel convoys from the north of the country towards the centre and South. Moreover, Russia is playing a double game in the area, on the one hand allowing the transit of goods for NATO but, at the same time, pressing the states of Central Asia not to accept permanent US installations in their territory. A consequence of this policy is the very probable closure of the Manas air base in Kirghizstan, used by the US and other allies, among them Spain, to support operations in Afghanistan.

These logistic difficulties limit the number of troops that can be deployed with any guarantee of adequate supply. In fact, in the 80s the USSR never deployed many more than 100,000 soldiers in the country, in spite of much more favourable logistic conditions due to their common border with Afghanistan. This figure seems to be the most realistic ceiling for any increase in allied forces in 2009, and that would only be achievable at the cost of hugely reinforcing strategic air transport, with its inevitable expense, as the only solution to compensate for the deficiencies of land-based communications.

The limitation of international troops will have to be compensated for by an increase in local forces. The request of the Afghan government to the allies to increase the scale of its armed forces from the 70,000 troops laid down in the Bonn Agreements (2002) to 120,000 over a period of five years would seem to be a step in this direction: a project that relies on the support of Washington.

Turning to the police, measures have also been taken to reduce their endemic corruption and inefficiency. Probably the most important one is the appointment of Hanif Atmar as new Minister of the Interior. Atmar is considered to be one of the most efficient members of the successive cabinets of the Afghan government, and the one that is best able to interact with international agencies. In addition, in 2006 and 2007 the Afghan police forces underwent a far-reaching reform, dissolving the traffic police which were considered to be the most corrupt force and creating a new mobile police force (ANCOP) not dependent on provincial governors.

Also tribal militias have been brought within the structure of the Ministry of the Interior, now entitled the Auxiliary Police. This initiative has not particularly pleased US military heads, who consider Afghan tribal militias more uncontrollable than their Iraqi counterparts. Nevertheless, at the end of 2008 a project was started up to finance Afghan tribal militias with US funds, although this is a rather limited experiment.

In actual fact, the possibility of a phenomenon similar to the «Sunni Awakening» in Iraq occurring in Afghanistan is limited. The main reason is that the Pashtun tribes have never allowed foreign Jihadists to acquire the significance in the insurgency they achieved in Iraq. All the insurgent leaders are Pashtuns and the fracture line that emerged between tribes and Jihadists in the Iraqi conflict is not apparent here. Certainly, differences of interests between tribal leaders and leaders of the Taliban movement exist but it is fairly unthinkable that tribal leaders would team up actively with foreign forces to fight the Taliban. A more realistic objective is for the tribes to cease to lend active support to Islamic students as they did in 2001. Thus, the US effort will probably not be directed so much at creating militias which openly fight the Taliban—something they are not going to do in any case—as to persuading tribal leaders to withdraw their support for the Taliban and negotiate with Kabul.

Forecasts for 2009

In any case, the foreseeable offensive that the US aims to launch in Afghanistan throughout 2009 will not be solely military. As in the case of Iraq in 2007 and 2008, the effort will have to be clearly multidisciplinary, requiring complex planning to coordinate and synchronise manifold initiatives. The diplomatic effort will be essential, as much to obtain clear support from the somewhat demoralised allies as to apply a policy that entails juggling with Pakistan, attempting to keep it as a faithful ally in the fight against the insurgents without destabilising it even more than it already is. The hopes pinned on the new US administration and its break away from the unilateral and aggressive image of the George W. Bush era may constitute a major advantage in this difficult diplomatic task. Also, the appointment of a negotiator as experienced as Richard Holbrooke for the position of special envoy in Afghanistan and Pakistan has built up certain hopes.

If Pakistan's support is obtained, coupled with a greater allied commitment, the oncoming military campaign will be facilitated enormously. However, as occurred in Iraq, the increase in military action is expected to

bring with it an extremely bloody period. And bearing in mind the nature of the war in Afghanistan, many of the victims will be civilians. NATO, the US administration and the Afghan government will have to be prepared to overcome the ferocious criticisms that, without doubt, will be heard during that period, and this means achieving unity of action far beyond what has been demonstrated up till now. For the new US President, who must maintain his country's essential role of drawing together all the players in the conflict, it will no doubt be a tough test.

But military efforts alone are unlikely to be decisive in the face of an adversary as integrated within its environment as the Pashtun insurgency. Agreements with the most moderate tribes on both sides of the Pakistani border to cease support for the insurgents will be inevitable. And that will mean making significant counter offers related to receipt of economic aid, a certain temporary permissiveness as regards opium growing, and opening up channels to integrate the system of tribal authority within the country's institutions.

The coordination between military operations and reconstruction will also be essential. Probably the reconstruction projects financed by military units (Quick Impact Projects) will be pushed ahead initially, since these can be undertaken even in difficult conditions of security, and can produce visible benefits for the population in the short term. But if these benefits are to be lasting, coordination will be essential between military operations and the action of international agencies which, in the long term, can undertake the major reconstruction projects.

In fact it is a question of setting up a strategy that integrates all resources available in the conflict, pursuing the traditional effect of the carrot and the stick. The Pashtun tribes, the real centre of gravity of the insurgency, need to be confronted with the dilemma of choosing between an extremely expensive armed conflict with few possibilities of success, or agreements with the government which are reasonably beneficial to their interests.

But the medium- and long-term success of this Afghan version of the **Surge** will depend, as in Iraq's case, on the solidity that can be shown by the Karzai government. Even if the insurgent tribal chiefs accept temporary agreements, violent actions decrease, and reconstruction is given a boost, this whole framework could come to grief once again as soon as the government shows the weakness and inefficiency that has been their usual modus operandi in recent years. For that reason, institutional consolidation will perhaps be the most decisive element for any strategy in Afghanistan.

And again, as in Iraq, this consolidation will also depend on unequivocal allied support to the government of Kabul, even though this government is far from ideal from the western point of view. The holding of presidential elections in 2009 and legislative elections in 2010 will be an opportunity to reinforce the waning legitimacy of Afghan institutions.

In practical terms, the escalation in Afghanistan will imply significant cost in the short term for the US and NATO: a human, economic and political cost due, to a great extent, to the lack of attention the conflict received in earlier days. But the possibility of the campaign failing would mean an even greater cost that could affect the survival of an organisation like NATO, and even the credibility of the US and Europe when guaranteeing the security of their allies.

JIHADISM. FAILURES AND EXPECTATIONS

For the intricate network of Salafist Jihadist groups that make up the core of transnational Islamist terrorism, 2008 has been a year with mixed results. Without a doubt Iraq has been a remarkable failure, although this is nothing new, nor is the battle totally lost. Something somewhat similar occurred in the 90s in Algeria and, to a lesser extent, in Chechnya. The brutality of the Jihadist volunteers and the conflict of their interests with local insurgent groups led eventually to their isolation and even turned the local population against them. But, in spite of the failure, the Jihadists continue active today in Algeria and the Caucasus. And they take any opportunity to arise again from their ashes.

In Iraq something similar is happening. In spite of their weakness, the Jihadist groups continue acting daily in the country, partly thanks to the support of local groups that have resisted become integrated into the **Sunni Awakening**, or into the government security forces. The terrorists have a particular ability to hibernate in difficult times, reducing their activities to the minimum, ready to reawaken as soon as conditions are again propitious. And in Iraq there are still firm hopes that such conditions can arise in the near future. If, after the US withdrawal, the much-feared civil conflict between Sunnis, Shiites and Kurds erupts, the Sunni tribes will again view the Jihadists as a valuable ally to which to make overtures, given their ability to provide financing, recruits and international propaganda.

For that reason, although Iraq illustrates the enormous difficulties in obtaining triumph over an internationalist movement as radical as Jihadism, it is not a totally lost front either.

But what is really fuelling the hopes of the Jihadists is the possibilities offered by other scenarios. Afghanistan is one of them, although paradoxically not the favourite, mainly because, as has already been stated earlier, the Taliban have always been very happy to receive aid from Jihadist networks but unwilling to hand over the slightest authority to the Afghan insurgency.

For that reason Pakistan seems more to be the country that offers the greatest opportunities nowadays, and it will probably be there where the greatest efforts are concentrated. Al Qaeda chiefs continue there, where Al Qaeda has been elevated to the status of legend, although with a real power that at the moment is fairly doubtful. Pakistan is a haven and rear-guard in the fight against the West in Afghanistan, against India in Kashmir, and also for the whole array of fundamentalist movements active in Central Asia, including the Chinese province of Sinkiang. And for some of those movements—the ones that are useful to Pakistani national interests—there is still the possibility of finding a certain degree of institutional support. It is, moreover, the state with the greatest number of Muslim inhabitants after Indonesia, and the only one in the Islamic world that has become a nuclear power. Moreover, a significant proportion of the Pakistani population has grown up imbued with the spirit of Jihad.

The collapse of the Pakistani state would mean a disaster of colossal dimensions for the stability of the Middle East and Asia. Nevertheless, this is not as simple a possibility as one might think, as the Pakistani armed forces are much more motivated by nationalistic feelings than religious ones and have traditionally provided the basic backbone of the state, willingly or by force. But the consequences of that collapse would be so beneficial for Jihadism that they justify any effort to attempt it. And both the murder of Benazir Bhutto in December of 2007 and the terrorist attack against the Hotel Marriot in Islamabad in September of 2008 can be interpreted along these lines, or the attacks in Bombay in November the same year.

But there are still other hopes for the Islamic terrorists. And many of them are to be found in Africa. In Somalia there has been a major triumph for local Jihadist groups which, after being disbanded by an Ethiopian intervention with US support at the end of 2006, have managed to recover, reoccupying the southern area of the country and causing the withdrawal of the weary Ethiopian troops. The fighting in Somali territory has gone almost unnoticed to international public opinion, disguised by the problem of piracy that affects western interests more directly. But the situation in Somalia is threatening to spread the instability towards Kenya, where there

are already 250,000 Somali refugees—and also towards the always fragile Ethiopia.

There is also a certain return of Jihadism to Algeria, where both the major terrorist attacks and also harassment of the security forces have intensified in recent years. Particularly, there has been a worrisome increase in the presence of Jihadists in the Shale, a region where Islam is in fact expanding, and where the weakness of states makes it easy for any terrorist group to establish itself.

Thus, examining the Jihadist strategy overall, it can be seen that failure in Iraq can be offset by the achievements in Africa and the possibilities in Pakistan and Afghanistan, apart from other scenarios almost forgotten by the West, such as the conflict between the government and Muslim minorities in the south of Thailand or the Philippines. In any case it has been yet another demonstration of the possibilities and limitations of the Jihadists, who together show an immense capacity for destabilisation, with a no less immense inability to offer an attractive future to the local populations. This is their weakest point, and taking advantage of that weakness has been, up till now, the most promising way to defeat them.

Perhaps the realisation of this weak point is behind the transformation the Jihadist movement is currently undergoing. The major transnational organisations such as Al Qaeda, whose ideas and aims are so idealistic and ambitious that they are ludicrous, are giving way to groups that are much more centred on local questions. The Islamic courts of Somalia, Hamas, the Kashmir separatist groups, the Taliban movement itself, and Hezbollah, the Shiite version of Jihadism, appear to be organisations which are more coherent than Al Qaeda, with a more realistic agenda that is less Salafist in inspiration and shows greater influence of the Muslim Brotherhood, and even a certain dose of nationalism.

Without renouncing the global Jihad, they are centred mainly on establishing a fundamentalist version of Islam in their states of origin, putting the international struggle in second place—a change of strategy which greatly recalls that Soviet Communism underwent in the 1920s and 1930s, when it was necessary to choose between basing the revolution in the USSR or continuing with a global revolution.

Nevertheless, these groups continue to use the transnational networks created during decades of Jihadist activity, allowing them to take care of their financing, propaganda, intelligence gathering and recruitment. They do not rule out collaboration and mutual support, nor do they despise the

contribution of foreign volunteers, although they do their best to keep them under control. And they adhere to the proclamations that many preachers of the Jihad anywhere in the world continue to make. But when up against a situation of having to choose, they always choose their local interests.

This new generation of militias and Islamic terrorist groups is probably less spectacular than Al Qaeda, but it is also much more dangerous. Their objectives are more realistic and their organisation more complete, combining armed force with the ability to present themselves as a political alternative or apply social policies. And their possibilities of reaching power in some state are much greater than those of their scarcely practical internationalist predecessors.

CHAPTER FIVE

THE BRAZILIAN PROPOSAL FOR LATIN AMERICAN INTEGRATION: REGIONAL AUTONOMY

THE BRAZILIAN PROPOSAL FOR LATIN AMERICAN INTEGRATION: REGIONAL AUTONOMY

SONIA ALDA MEJÍAS

Opinion pieces that systematically highlight the failures of Latin American integration are beginning to sound just as empty as official discourses which contain high-sounding phrases on the need for regional integration without setting forth any concrete proposals. However, in either case we run the risk of simplifying, or even overlooking, certain changes like the ones that took place in 2008, which if consolidated could change the direction that integration proposals in the region have followed hitherto.

In particular, this paper seeks to draw attention to a new factor that could point to just such a change. There can be no ignoring the explicit will of the region to achieve autonomy with respect to other powers, the United States or the European Union, in its internal and external relations, and it is on that basis that proposals for regional and sub-regional integration must be founded. The most obvious manifestation of that will is the creation of a South American sub-regional organisation such as the Union of South American Nations (UNASUR), or regional initiatives like the First Summit of Latin American Nations (CALC), in which for the first time all the nations are present but extra-regional powers are not. Both these events took place last year.

UNASUR and the CALC are two different projects, but they share the intent to promote channels of political communication that will foster trust among the countries in the region. The ultimate objective is presumably to lay down foundations on which to build regional integration. It is still too early to be sure, but such an objective suggests that these initiatives are signs of a new strategy for the build-up of regional integration. It would not then be a matter so much of devising ambitious plans for trade and/or economic integration but more of first laying solid foundations for the integration process.

In seeking to explain the reasons for these changes, we cannot ignore current realities in the region. First of all, the political map is a very important factor featuring a general predominance of left-wing governments, particularly in South America, but also a considerable populist element. All these traits tend to be lumped together as characterising the Latin American left, but there are important differences which negate such a generalisation. On the other hand, there are certain undeniable areas of consensus, such as the importance that is attached to the autonomy and integration of the region—a factor that has been instrumental in lending this process fresh impetus. Beyond this there are more differences than similarities, since the motivating factors and the goals pursued by the various countries are different if not incompatible.

In the last few years, two of the countries in this group have been aspiring to assume regional leadership. It is no coincidence that there should be a growing emphasis on achieving regional autonomy and intensified promotion of new integration projects at a time when Brazil appears to have resolved to take on the role of regional leader. Such autonomy is essential for that purpose in that it would free Brazil from the pressure of possible competitors and from the shadow of the United States. Autonomy and relations with the American superpower have also focused the attention of Hugo Chávez, President of Venezuela and also aspiring regional leader, but in this case the chief motivation is his radical anti-imperialism.

To understand this new approach to the aspiration of achieving a place for Latin America on the international stage through integration, and to gauge its possibilities of success, it is important to remember that this is not the only view and it is not shared by all governments in the region. There are different opinions on the subject which are not always reconcilable—and that is a factor which directly influences the course of the process. Moreover, there can be no discounting the apparent shift towards Latin America in Mexican foreign policy.

REGIONAL AUTONOMY: A NEW STRUCTURING ELEMENT IN THE INTEGRATION PROCESS

For the purposes of this study, the first issue that needs to be addressed is how regional integration is conceived and what the main obstacles are. From that vantage-point we should be able to estimate whether the new initiatives proposed may or may not constitute genuine progress in what is not in fact a new process in Latin America.

Many analysts are highly sceptical of the most recent Brazilian proposals in view of the complicated and often frustrating course of events hitherto. However, at the risk of anticipating outcomes, it would be fair to say that the South American Community of Nations has had some success in its initiatives; and these initiatives may well signal at least a firm resolve by Latin America to make its own decisions, in forums of its own. Should these proposals succeed in moving beyond rhetoric and wishful thinking, actions of this kind could contribute to major advances. In any event, despite the urgency, integration is necessarily a long-term process, as the conviction and the determination that it needs requires a change of mentality in the region, and that takes time: «we need to be more patient. Integration requires a process and a consensus; it has to be built up, and to do that both governments and peoples must attain the necessary maturity» (1).

The withdrawal of the United States and Latin American integration initiatives in the 1990s

To a considerable extent the autonomy pursued at this time in Latin America has to be understood in the context of the increasingly secondary place that the region presently occupies in the United States' international agenda. Although Latin American dependence was not an actual product of the Cold War, it was in the 1960s and 1970s that this relationship became a decisive factor in the national perspectives of every Latin American country. During those years hemispheric relations (2) consisted only of bilateral ties between Washington and each of the Latin American countries; there were no horizontal relations among them. It was only at the close of that period that inter-Latin American relations began to develop. Thereafter, throughout the 1990s a tangled web of relations grew within the region and between it and other regions and countries around the world, such as Europe and the Pacific countries through the Asia-Pacific Economic Cooperation forum (APEC).

The disappearance of the communist bloc effectively produced a change of US international policy priorities. That moment marked the start of a «silent phenomenon» (3) consisting in the loosening of ties between the US and Latin America. This observation applies in a general way, but

(1) Interview with L.I. Lula da Silva, President of Brazil, *El Mercurio*, 26/04/07.

(2) The term hemispheric refers to the totality of North America, Mexico, Central America and the Caribbean, and South America.

(3) HERALDO MUÑOZ, «Adios a EE.UU?», in J.S. Tulchin and R.H. Espach, *América Latina en el nuevo sistema internacional*, Edicions Bellaterra, Barcelona, 2004, pp. 113-137.

a distinction should be made between Mexico, Central America and the Caribbean on the one hand and South America on the other, given that in the latter case the tendency towards more distant relations has been more pronounced.

This does not mean that the northern superpower has ceased to be the region's chief trading partner, but it is not the only one. During this period there has been a process of diversification in favour of international trade and the development of intra-regional relations. Each sub-region, and even each country, chose different strategic options, resulting in the initiation of several sub-regional integration projects, all with different objectives. While certain countries chose to maintain a position of independence vis-à-vis their Latin American neighbours, others joined together to form sub-regional organisations.

Chile and Mexico belong to the first category, although each adopted a different strategy. In the 1960s Chile began to pursue unilateral programmes of trade liberalisation and strengthen its commercial and financial ties with the main economic powers, to which end it concluded preferential trading agreements with the United States, Japan and Europe. Contrasting with this diversification, Mexico placed the main focus of its commercial activity on trade with the United States, through the North American Free Trade Agreement (NAFTA), including Canada, which has been in force since 1994.

Another set of countries chose projects of economic cooperation among Latin American nations. The late 1990s saw the refurbishment of existing associations like the Central American Common Market (MCCA) (4), the Caribbean Community (CARICOM) (5) and the Andean Community of Nations (CAN) (6). These associations were fundamentally instrumental in nature, their purpose being to serve as a jumping-off point for access to other, larger associations or to enter into trade agreements with powerful partners like the United States. Such was the case in Central America when the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA) (7) came into force in 2004. In the case of the Andean countries, collective negotiations between them and the United States eventually broke down. At this time, of the two countries aspiring to conclude a Free

(4) The Central American Integration System, <http://www.sica.int/>, came into being after the MCCA.

(5) <http://www.caricom.org/>.

(6) <http://www.comunidadandina.org/>.

(7) <http://www.cafta.gob.sv/>.

Trade Agreement (FTA) with the United States, only Peru has succeeded; Colombia is still awaiting the approval of the US Congress (8). Unlike the other organisations mentioned, the goal of the Common Market of the South (MERCOSUR) (9), which was founded in 1991, was for the association itself to grow through the creation of markets, and in this case that aim went hand-in-hand with the aspiration to achieve both economic and political integration.

In addition to all these projects, there have been regular meetings of Latin American presidents, such as the Rio Group (10) or the Ibero-American Summits (11). Before that, presidential summits were always called and chaired by the United States.

But far from abandoning relations with the US, this was seen as a good time to continue them, albeit in the new circumstances, new rules should operate to ensure that either side met in favourable conditions, free from impositions or unilateral decisions. This would have been easier to achieve had a common stance vis-à-vis the superpower been worked out, but that proved impossible. Indeed, at the very time when the region might have acted in unison to achieve more bargaining leverage with the United States, it failed. In 1994, regional divisions became apparent in the face of Clinton's attempt to hammer out a hemisphere-wide free trade agreement for the Americas (AFTA) at the Americas Summit. The opinions expressed by each country—or sub-region as the case may be—differed and varied exactly to the extent of their likelihood of being able to dispense with an agreement with the USA even if not all the conditions were advantageous. These differences deepened when Central America and the Andean countries accepted the US offer to negotiate bilateral treaties. In view of the impossibility of concluding an AFTA, the USA switched to an alternative strategy consisting in the conclusion of bilateral free trade agreements with Latin American countries or sub-regional associations as a means of achieving its original objective of a hemispheric free trade

(8) The FTA has to be approved by the US Congress, but the present Democrat majority is reluctant; J.F. LONDOÑO, «*Con el viento en contra? Uribe II y el Congreso democrata. De la relación especial al caso ejemplar*», La inserción de Colombia en el sistema internacional cambiante. United States, Policy Paper no 30, Bogotá, Colombia, February 2008, <http://www.fescol.org.co/DocPdf/PolicyPaperCollnt-30.pdf>.

(9) <http://www.mercosur.int/msweb/>.

(10) The Rio Group was created in 1986 by the Rio de Janeiro Declaration, signed by Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela. It is held annually in an agreed Latin America city, where the Heads of State and Government and the Foreign Ministers of the member countries meet.

(11) <http://www.segib.org/>.

area through the sum of all the individual FTAs. Following the breakdown of negotiations with Bolivia and Ecuador in 2006 within the framework of the proposed FTA with the Andean countries, the conclusion of FTAs with Colombia and Peru finally precipitated a major crisis in the CAN. Giving this as his reason, the president of Venezuela, Hugo Chávez, asked for his country's membership of the organisation to be cancelled and applied for membership of MERCOSUR.

Passive autonomy: lamentations and lack of concrete initiatives

There can be no doubt that US withdrawal and the Latin American initiatives prompted a considerable change as regards the autonomy of the region and its relations with the USA. Nonetheless, many Latin American countries seem to have been reluctant to abandon relations with the US and simply resigned themselves to waiting for better times, meaning the return of the United States. This attitude is exemplified by the lament, oft-repeated since the 1990s, at the region's «abandonment» by the superpower. In fact not all the area reacted alike, and again differences emerged between Mexico/Central America and South America. The attempt by MERCOSUR and its member countries, with Brazil at the head, to negotiate with the USA in terms of their own views and interests marked a significant change from the past and a resolve to pursue autonomous development. In fact this posture was largely responsible for the failure of the AFTA.

However, even if we count the initiatives set in motion and the clear aspiration for autonomy evinced by MERCOSUR and Brazil, the impression remains that what autonomy was gained was at least partly a product of inertia. The reason for that inertia was that the USA had other priorities, but there were no explicit proposals or initiatives through which Latin America could express the resolve or aspiration to achieve more weight on the international scene and the capacity to establish a new relationship with the USA or other international powers. The region gained more room for manoeuvre following 9/11/2001 when the fight against international terrorism and Iraq engaged all G. W. Bush's attention. It was at this time that from being increasingly distant, the region became virtually invisible to the US administration. However, this increased autonomy did not prompt any new proposals designed to build regional unity and thus enhance the region's status as an international player.

One token of this inertia is the fact that even today Latin American countries continue to resort to Cold War hemispheric institutions, for ex-

ample the Organisation of American States (OAS) (12) despite they themselves having deprecated it and questioned its legitimacy. The OAS has been decried by the countries in the region as having been created by the USA during the Cold War to assure its influence there. But despite the institution's lack of credibility in the light of this predominant opinion, even today the Latin American countries themselves continue to turn to the OAS for mediation in their internal crises or problems with their neighbours (13). Nonetheless there have been some attempts to Latin-Americanise the organisation, the most significant being the election of the latest Secretary-General. In 2005, a closely-fought election was finally won by José M^a Insulza over the US-proposed candidates, thanks to the vote of the Latin American countries. Insulza himself was present at the 35th General Assembly in Fort Lauderdale in June 2005, as Secretary-General. The main issue of debate there was the US proposal to set up a monitoring system to assess hemispheric democracies. The reaction, led by Venezuela alongside Brazil, Argentina and other countries, was one of total opposition. Whether justified or not, underlying the Latin American rejection of this proposal was a fear that collective actions undertaken ostensibly to defend and promote democracy would in fact obey the will and the interests of the regional hegemon.

And yet, despite these attempts to resist US influence, the region has in fact continued to turn to the OAS of its own volition. The main reason for this has been the lack of a similar organisation directed, administered and financed solely by the countries of the region. It is fair to say that this lack is the sole responsibility of Latin America. Lula himself has drawn attention to the lack of Latin American initiatives that might have fostered regional integration, which he attributed to the fact that these countries have continued to pay more attention to other powers than to the realities of the region: «For almost half a century we had our backs turned to one another, our eyes on other continents, and we wasted the opportunity to discover likenesses among us, or investment opportunities and niches in sectors that are vital for the development of our continent» (14). Had a Latin American organisation been created

(12) In 1948 the OAS was an American regional organisation comprising the USA, Canada and the Latin American countries, totalling 35. The only country left out of the organisation was Cuba, which was expelled in 1962.

(13) S. Alda Mejías, «La OEA: un actor regional en la gestión de crisis. Logros y limitaciones» in E. Vega (com.), *Realidades y perspectivas de la gestión de internacional de crisis*, ADEN-DA 2008, IUGM, Escuela Diplomática España, Madrid, 2008, pp. 69-98.

(14) http://www.cep.cl/Cenda/Cen_Documentos/Integracion/Polemica/Lula_Bachelet_070424.pdf.

with such an object, it would have helped the region to act on the international stage as a concerted group and thus realise the possibility of becoming an international player with a bargaining power that it has never yet possessed.

Recent changes: explicit determination to make Latin America an international player under new rules of integration

The declarations of the President of Brazil at Costa de Sauípe in mid-December 2008 could symbolise a change from the attitude discussed heretofore: «for almost a century, nearly all countries vied to be seen as the best friend of the man governing the United States. Everyone believed that the summum of political importance was to be invited by the USA»; and he added «I believe that over-obsequiousness in politics is what prevents people from being treated properly and with due respect» (15). Eschewing such an attitude, Lula firmly asserted that Latin America at this time aspires «to be a protagonist and not a mere spectator in theatres where our peoples' prospects of well-being and prosperity are decided», noting nevertheless that it was essential for the region to accept a «Latin American and Caribbean identity». These declarations were made at the First Latin America and Caribbean Summit (CALC). As well as the CALC summit, forty-eight hours later the same venue hosted three more summits, of the member countries of MERCOSUR, the Rio Group and the Union of South American Nations (UNASUR). The issue of autonomy was particularly important at the CALC summit, where for the first time all the Latin American countries, Cuba included, met without the presence of the USA, Spain or the European Union. The agreed objective at that summit was to set up an organisation of Latin American States to foster regional integration and concerted action by the region in international affairs. The organisation is due to be constituted in 2010.

Alongside the explicit declarations, certain messages were implicit; apart from practical considerations, the purpose of holding all three Latin American and South American forums in the same place and virtually at the same time was to draw attention to existence of a purely regional agenda. The intention was to signal a break with a past in which «these countries only met when the USA allowed them to», whereas «now they have spoken freely and spontaneously, and they have said that they need to create

(15) These declarations were made behind closed doors and were in fact made public by mistake. http://www.diariolibre.com/noticias_det.php?id=181843.

multilateral organisations of their own rather than have to go to the Hague to have their problems solved» (16).

Given the closeness in time between these summits and the investiture of Barack Obama, it might also be interpreted as a message to the new president regarding the new terms on which relations between the USA and the region will be conducted, whatever interest the new Administration may have in renewing its presence in the region. Another message to the US Administration—in this case direct and explicit—is Cuba's participation in the CALC, which again underlines the new way of administering regional autonomy. The objective is not only for Cuba to be part of the new regional project that will emerge from this Summit, but also to induct it into Latin American and even hemispheric institutions. Following the same policy direction, Cuba also formally joined the Rio Group, which met at the same venue during those days, as noted. Cuba's reincorporation is to be reaffirmed by official visits from several Latin American presidents in the course of 2009 (17). All these meetings have been preceded by meetings between Lula and Fidel and Raúl Castro. In fact Cuba's induction into the region has been promoted by Brazil with a view to arriving at a «constructive compromise» with the Cuban regime. The chief premise of this compromise is the establishment of a policy of cooperation of the kind the Brazilian government has been pursuing since 2003; this is perceived as the most effective way of promoting democracy, as in the Brazilian view isolation only begets entrenchment (18).

This isolation had been maintained by the region since the US decision to impose an embargo on Cuba in 1962. As a consequence of that decision

(16) http://www.infolatam.com/entrada/brasilcuba_lula_y_castro_estrechan_lazos-11693.html.

(17) That same January, Cuba received visits from the Panamanian's President Martín Torrijos, Ecuador's President Rafael Correa and the President of Argentina, Cristina Fernández. In February there are scheduled visits by President Michelle Bachelet of Chile, followed by Guatemala's Álvaro Colom and then Mexico's Felipe Calderón.

(18) The central idea that has since directed Brazilian policy was formulated by Chancellor Amorim and was labelled «constructive compromise»: «(...) The policy that I advocate, not just in respect of that country (Cuba) but of any other, is one that the previous US administration used to call constructive compromise. Such a policy is far more productive than condemnations and isolation, and for that reason it must be properly balanced. (...) It is in that spirit that I speak of the need for us to carry on working with a brother country which has suffered enormous isolation, even if it has ways with which we disagree. This line of constructive compromise is far more positive and can produce much better results than a policy of mere isolation; the latter reinforces the kind of siege mentality that—rightly or wrongly—prevails in Cuba today and has prompted the country to adopt certain attitudes or contributed to the adoption of positions which we condemn». Cited in <http://www.infolatam.com/entrada.jsp?id=6742>.

Cuba was also expelled from the OAS. The fact that this situation continued beyond the end of the Cold War is yet another example of how the region's dependent relationship with the USA has persisted despite the beginnings of autonomy thereafter. And again despite the continuation of this relationship with the USA, the requests and wishes expressed at the CALC and the Rio Summit do suggest formal acknowledgement of a change since the two meetings. Indeed, not only has Cuba been re-accepted as part of the region, but the region's countries have expressed the wish that it also be accepted in hemispheric organisations. Specifically, the CALC declaration urged the USA to end the embargo and the Rio Summit expressed a wish for Cuba to be accepted back as a member of the OAS.

Besides the CALC, the other new initiative formally presented in 2008 was UNASUR. This organisation comprises 12 South American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, Paraguay, Uruguay, Venezuela, Surinam and Guyana) and its Act of Constitution envisages a broad and ambitious plan for integration (19). The desire for autonomy and integration is again a primary feature in this case, the aim being to foster autonomous sub-regional development and effective political coordination to bolster this process. One token of the progress achieved by this organisation is the creation of a South American Defence Council (CSD) and a South American Health Council at the December summit. The purpose of the Defence Council is to deal with issues concerning training, exchange and cooperation in matters of defence and security of member countries, and cooperation in defence industries. This body again may be seen as a demonstration of independence, concerning as it does a strategic area in which the region has historically been dependent on the USA.

The fact that these new organisations have come into existence does not mean that their creation has been free of difficulties or problems, for instance differences between Member States. For example, Kirchner was not elected secretary-general of UNASUR due to opposition from Uruguay. Such differences and the multitude of conflicting interests in the region likewise account for events at the MERCOSUR summit in Costa de Sauipe, where the differences among the members made it impossible to agree on abolition of the double duty on imports.

And finally there is the meeting of the Rio Group. This meeting raised the same idea of autonomy that was expressed at the other summits during these days. However, alongside the declarations of intent or the inception of projects,

(19) http://www.comunidadandina.org/unasur/tratado_constitutivo.htm.

it is worth looking at the actions or the decisions taken by these organisations the same year. In March, following the crisis triggered in the region by the dispute between Ecuador and Colombia (20), the 20th Summit of the Rio Group did much to lower the tension between the two countries. Then at an extraordinary meeting in September, UNASUR mediated in the latent conflict between Western and Eastern Bolivia. It is especially significant that Bolivia, Ecuador and Colombia approached the OAS in search of a solution to their situations; but in the end, it was Latin American organisations that intervened. As soon as it was constituted, UNASUR was considered the best forum in which to deal with the Bolivian crisis, even although it was already being considered in the OAS. And in the second case it was again the Latin American countries, at the Rio Group summit, that succeeded in defusing the Andean crisis although it had originally been taken to the OAS. It could be argued that this association of Latin American countries played an important role in this crisis only because the summit happened to coincide with a moment of maximum tension between the countries concerned. However, coincidence does not seem to have been the only factor explaining the new ground broken by the summit; there was also the credibility that the Latin Americans themselves gave it as a forum at which to deal with a conflict on a scale that threatened South American stability—all the more so considering that there were other possible forums apart from the OAS in which to look for solutions to regional problems.

FACTORS INVOLVED IN THE IMPETUS BEHIND A PROJECT OF AUTONOMOUS INTEGRATION

The multiplicity of initiatives and decisions tending to affirm Latin American autonomy prompts the question of what has brought about this change, who has sponsored it and why. There are several factors involved, but it is worth highlighting the weight acquired by the left and populism, most particularly in South America, where despite major differences between them, both have attached great importance to integration and the need to promote an alternative model based on regional autonomy.

The leadership exercised by Brazil in the region is another decisive factor in the vigour of this process, in which it has particularly stressed regional autonomy. Initiatives like UNASUR or the summits in late 2008 could

(20) The crisis was sparked off by the Colombian decision to carry out a military attack against a guerrilla camp in Ecuadoran territory on 1 March 2008, in which «Raúl Reyes», one of the top leaders of the FARC, was killed. Ecuador viewed this operation as an attack on its national sovereignty and decided to sever diplomatic relations.

signal a firm resolve on the part of Brazil to take up regional leadership after years of fence-sitting, to which end it is essential to assert the region's autonomy vis-à-vis the great international powers. It should be remembered in this respect that Hugo Chávez's leadership aspirations have also been instrumental in bringing about these changes. In the context of the rivalry between Chávez and Lula for regional leadership, Brazil may well have ended up making decisions that it would not have made had this rivalry not existed, or at least not as rapidly or as resolutely.

The favourable economic situation in the international primary products market in recent years and the implementation of responsible macroeconomic policies aimed at controlling the main economic variables has helped usher in a period of economic growth such that «Latin America no longer needs help from the USA» (21). This economic growth has also helped the region to attain more autonomy and has prompted fresh proposals for integration. These are some of the factors that could then help to explain why although for some time the US presence in the region had diminished, certain initiatives like the ones that emerged in recent years and came to fruition in 2008 did not work before.

The democratic left and anti-imperialist populism: points of convergence and divergence

The common generalisation which identifies the current populism as part of the Latin American left places more emphasis on the points the different groups have in common than on the differences, even though the latter are more numerous. In the last few years, especially in the Southern Cone, voters have elected governments identified with the left into the presidencies of their republics, in particular in Chile, Argentina, Uruguay and Brazil, the country that may be said to lead this group (22). However, it

(21) This comment was made by F. Henrique Cardoso, former President of Brazil, http://www.elpais.com/articulo/internacional/Latinoamerica/necesita/ayuda/EE/UU/elpepuint/20090116elpepuint_4/Tes. Another former president, Ricardo Lagos of Chile, remarked in a similar vein in reference to the region's relationship with the United States and Latin American growth in the last few years: «In Latin America the international agenda will also be different. Today we are a continent most of whose countries have middle-range incomes—that is, countries whose level of development now disqualifies them from receiving foreign aid. Countries which one way or another are well integrated in the international economy and hope that the Trade and Development Round, or Doha, will bring in fair rules of competition», http://www.tribunademocratica.com/2009/01/dialogo_mejor_y_mas_parejo_con_obama.html.

(22) Since the election of Ricardo Lagos in Chile in 2000, a succession of presidents identified with the moderate left have been elected. Michelle Bachelet, a member of the same

is not a homogeneous group, but rather a trend in which different left currents converge. Indeed, although the distinction that we seek to draw here is between the left and populism, some of these governments present features of populist leadership or some of their measures are populist. Nevertheless, beneath this heterogeneousness they share a number of common features that warrant placing them in the same group. One of the points that they have in common is the identification of their governments with representative democracy. Unlike the populists, none of them have questioned representative institutions. On the basis of this common feature, we shall classify these governments as *democratic left*.

For their part, populist governments are in power essentially in South America, in particular in the Andean region (23). In addition to Venezuela, this group includes Ecuador and Bolivia. Paraguay presents certain peculiarities; for the moment its putative alignment with Hugo Chávez may be in response to pragmatic rather than ideological considerations (24). As in the first case, there is no reason to see this as a homogeneous group, but their heterogeneousness does not prevent their alignment under Venezuelan leadership. And another point of convergence, despite their economic and political differences, is the admiration these governments share for Fidel Castro as a revolutionary leader, albeit they do not seek to install communist regimes.

Despite the internal differences in either group, they share enough features in common to distinguish between what we call the democratic left

left coalition as her predecessor, succeeded him in 2007. Luiz Inacio Lula Da Silva was elected president of Brazil in 2003 and re-elected in 2006. Néstor Kirchner held the presidency of Argentina from 2003 to 2007 and was succeeded by his wife Cristina Fernández, who is President at this time. And finally, Tabaré Vázquez, also aligned with this left group, became President of Uruguay in 2005.

- (23) The visible leader of this group is the Venezuelan President, Hugo Chávez, who has twice been re-elected to the presidency since 1999: in 2000 following the approval of the present Constitution, and in 2006. In addition to these three elections, there was a recall referendum in 2004 from which he also emerged victorious. His latest major triumph was to win the referendum held in February this year, which resulted in approval for his re-election. 2005 saw the election of Evo Morales, whose mandate was confirmed by a recall referendum held in 2008. Rafael Correa has been President of Ecuador since 2007. Also included in this group although outside the region is the President of Nicaragua Daniel Ortega, who was also elected in 2007.
- (24) See A. NICKSON, «Paraguay: ¿Un giro a la izquierda bajo el mandato de Lugo?», ARI, 21/11/2008, http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM_GLOBAL_CONTEXT=/Elcano_es/Zonas_es/America+Latina/ARI99-2008. It is worth noting, however, that joint public appearances and declarations by Chávez and Lugo have become more frequent in the last few months. The last was at the World Social Forum, where they were also accompanied by Evo Morales and Rafael Correa.

and present-day populists. These differences are political, economic and social in nature. As noted, while the democratic left governments have not questioned the principles of representative democracy, the populists represent a reaction against the principle of delegation implicit in this system of government. In the opinion of these leaders, the aim should be to prevent distortion of the popular will through institutions. They therefore propose a direct relationship between governor and governed, with the attendant institutional erosion that this implies, and strengthening of the leader's personal power. In the economic and social spheres, while the democratic left have combined innovative programmes of income redistribution and economic development with balanced public spending while bringing inflation under control, the populist governments, which are typically vocally critical of neoliberalism, have opted to combat this by means of uncontrolled public spending on social policies aimed at providing services rather than redistributing income.

Nationalism and anti-imperialism are two central components of the discourse of the populist governments whereby they legitimise numerous political and economic decisions both internally and externally. For that reason it seems more appropriate to label them not as left-wing populists but as anti-imperialist or nationalist populists. There is no doubt that most Latin American governments at some time or other invoke their citizens' nationalist sentiment—which runs strong in the region's societies—as a means of mobilisation. In the populist case, however, the difference lies in that this is the sentiment behind most of their initiatives (25).

Anti-imperialism is another fundamental badge of these governments and a decisive element in both their foreign policy and their proposals for integration. The chief motivation behind Hugo Chávez's intensive foreign pol-

(25) This exacerbated nationalism means that any foreign presence in the national territory is suspect. The nationalisations carried out in Venezuela or Bolivia are the fruit not only of the Statism that characterises these populist governments, but also of a kind of nationalism which believes that foreign investment robs nations of the benefits of economic activity. In the new Bolivian Constitution, which was recently approved, the offering of advantages to foreign undertakings and any acts of «alienation of natural resources... in favour of foreign powers, undertakings or persons» is considered a crime of «high treason». And again, the penalty for taking up arms against one's own country is 30 years' imprisonment without the right to a pardon. In Ecuador, the reason given by Rafael Correa for his decision not to renew the agreement for use of the facilities at the Manta base by US troops was that he refused to accept foreign troops on Ecuadoran soil. The phrase «Sovereignty means no foreign soldiers» (<http://www.altercom.org/article144445.html>) is expressive of that nationalism, although it does carry some implicit anti-imperialism. However, in the government of the Ecuadoran president, the discourse tends to place more emphasis on nationalism than on anti-imperialism, an issue on which he tends to be more discreet.

icy activity is to neutralise imperialist influence. Although this is yet another of the differences that separate populist from left governments, Chávez has repeatedly insisted that there are more ties in common than differences between the two. In his view the only way to neutralise the alliance of oligarchy and imperialism is through a strategic alliance that not only encompasses all these governments and constitutes a «regional power bloc» [Sp. acronym BRP] but also attracts the social movements [Sp. acronym BRPP] (26), the objective being to block interference from the USA or other foreign powers in the region. But despite his insistence on the objectives shared with democratic left governments, he was forced to admit that the latter did not possess the same «revolutionary vocation» (27). And indeed these governments do not share his anti-imperialist view, although they do aspire to change the terms of the relationship that has traditionally prevailed between the USA and Latin America. The advent of Morales, Correa and Ortega has tended to reinforce the bloc's capacity, and even to offset the moderation of the other governments to some extent. The latter they seek to keep as allies, although the differences with respect to the United States, or the very notion of integration, among other things, are permanent bones of contention with those governments.

In pursuit of this objective Chávez has sought closer relations with countries like Iran (28), whose relations with the USA are marked by confrontation, or with Russia, to whose aspirations of international leadership the United States is an obstacle. The other populist governments and Cuba have likewise initiated and/or intensified their diplomatic and trade relations with these new players. But they have not been the only ones: Brazil, Argentina and Chile have also recently increased their exports to Russia, and Peru, Colombia and Uruguay have expressed interest in developing trade and cooperation relations with the Russians. In the case of Iran, President Lula has formally invited Mahmoud Ahmadinejad to visit Brazil.

There is, however, a major difference, rooted fundamentally in the fact that the relations of the populist governments with Russia and Iran are

(26) Heinz Dieterich, «La integración regional y el socialismo del siglo XXI avanzan en América Latina», 28/02/2007, <http://www.rebelion.org/noticias/2007/2/47441.pdf>.

(27) On this regional power bloc, see Heinz Dieterich, «Bloque regional de poder (BRP): Única salvación nacional y popular posible en América Latina», II y III, *Rebelión*, March-Abril 2004 <http://www.rebelion.org/hemeroteca/dieterich/040327dieterich.htm> and by the same author «Hugo Chávez: salto cualitativo en el Bloque Regional de Poder», *Rebelión*, 04/10/05, <http://www.rebelion.org/noticia.php?id=20852>.

(28) CARLOS MALAMUD y CARLOTA GARCÍA ENCINA, «Los actores extrarregionales en América Latina (II): Irán», ARI N° 124/2007. - 26/11/2007, http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM_GLOBAL_CONTEXT=/Elcano_es/Zonas_es/ARI124-2007 .

driven by ideology whereas in the rest of Latin America relations with Russia are guided by pragmatism. The same applies to the motivations behind relations with China. All Latin American countries harbour great expectations about the economic benefits to be derived from the sale of raw materials to the Asiatic giant, a country in full spate of economic expansion. For the populist governments these new relations are essentially one more means of combating imperialism, over and above the benefits and profits that these relations can bring. In addition to purchasing arms and signing other trade and cooperation agreements with Russia—as Brazil has also done—Venezuela sought to send a message to the USA. In November 2008 the two countries agreed to hold joint naval manoeuvres, the objective being to put on a show of strength for the United States, which in June had decided that its Fourth fleet should once again patrol Latin American waters. Russia for its part assented to this action as a response to the assistance the US had lent Georgia during its conflict with the latter in August of the same year. In the case of Iran, whose diplomatic relations are equally ideologically-based, its relations with Venezuela, Bolivia, Nicaragua and Cuba are likewise intended to combat imperialism. This explains why in addition to signing trade or cooperation agreements, Chávez has supported Iran's «peaceful» nuclear energy programme; or why Venezuela has opened an embassy in Teheran, something that Bolivia also contemplated shortly after expelling the US ambassador (29).

The integration proposals of the anti-imperialist populist and democratic left governments. Points of convergence and more differences

But in addition to these differences, there are certain undeniable points of convergence. In the case considered here, the most striking is the emphasis that both the left and the populists place on integration. Moreover, they also share basic views on the way in which integration should be approached and developed. But beyond this common ground there are also many more differences in this respect. What is interesting, however, is that both the divergences and the convergences have been at the bottom of

(29) When relations between Iran and Venezuela were inaugurated in 2007, while Chávez declared that «Soon there will be no talk of the dollar. The dollar is falling and with it US imperialism will also fall, thank God», the Iranian president replied thus: «the views of my dear brother Chávez were very clear, very constructive and revolutionary. I agree with him; we shall always be together and we shall emerge victorious»... since as he saw it they were «witnesses to the fall of the system of (US) arrogance and the continual victories of the peoples», <http://www.aporrea.org/venezuelaexterior/n104979.html>.

the new integration proposals formulated by Brazil and put forward this year. This is particularly evident in the apparent paradox of simultaneous collaboration and rivalry between Brazil and Venezuela.

At the present time no Latin American government is prepared to assert that the region can achieve development and become an international player without integration; and beyond the rhetoric of such declarations, there is a growing conviction in this respect. But not all governments are thinking of the same model of integration. Some still look to the model of the 1990s, based on attaining a place in international affairs through trade liberalisation. Such liberalisation was conceived as the best way of attracting partners for the conclusion of preferential trade agreements; indeed, trade was the principal sphere in which it was believed that integration ought to be approached. As it turned out, the result was the commencement of a process of diversification whereby the Latin American countries sought new partners both inside and outside the region. But in the final analysis, despite the progress of sub-regional integration projects, the main focus of interest was outside rather than inside the region. Trade agreements were concluded with the European Union or EU member countries and with Asia, chiefly Japan; the usual examples cited in this respect are Chile, Peru and Mexico. However, in addition to these countries, all national case studies conclude that despite or as well as all these changes, in those years the primordial goal was without exception to continue trading with the United States. In addition to Mexico, whose relations with the USA further intensified in the wake of the NAFTA, Central America, Peru and Colombia (30) — to judge by the FTAs they have concluded — have also opted to concentrate on the commercial side and prioritise their relations with the United States.

However, alongside this perspective a new attitude is growing, consisting in «turning back to the region» with new eyes. This view questions the virtues of unilateral liberalisation and the award of priority to trade, in whose place «development agendas» have come to the fore. This view is not confined to Latin America but has also spread to the developed countries (31). The idea is that integration must focus on the endeavour to «create endogenous capabilities» through which sustainable development is possible, which is why such stress is laid on physical and energy devel-

(30) As already noted, Colombia is awaiting approval of its FTA from the US Congress.

(31) On this notion of integration see R. BOUZAS, P. DA MOTTA VEIGA and S. RIOS, «Crisis y Perspectivas de la integración sudamericana» *Foreign Affairs en español*, Vol. 7, nº 4 (2007), pp.61-68.

opment. In Latin America this approach has been led by President Lula and supported by the other democratic left governments, and by the populist governments as confirmed in repeated declarations by Hugo Chávez, although his enthusiastic support embodies a more radical interpretation of this new doctrine. While the democratic left governments are cautious about indiscriminate liberalisation, the populists rule it out entirely. This last attitude has had varying repercussions, among other things on foreign investment as the multinational companies operating on their national territory have come under suspicion of «stealing» the national wealth. In some cases the government has taken legal action against them, for instance Ecuador, and in others the government has nationalised these companies' operations, as in Bolivia.

The democratic left governments, on the other hand, have remained highly receptive to foreign investment, although they have shown more caution with regard to the economic and trade liberalisation of the 1990s. The most striking example of the influence that this new ideological atmosphere can have is Chile. Although the governments of the *Concertación*, a left coalition, have carried forward the unilateral liberalisation initiated during the Pinochet dictatorship, some changes are now being observed. The current President, Michelle Bachelet, has maintained this policy of liberalisation; at the same time, however, she has introduced a major change of course in Chilean foreign policy, awarding priority to regional relations and a commitment to participate in the new integration proposals (32). Hitherto Chile had paid more attention to its North American, European and Japanese partners and had «turned its back on the region», to a large extent in order to lend credibility to its international image.

The stress placed on development of the region rather than on trade accounts for the importance attached to infrastructures, energy resources and institution-building (33). In 2000, while trade integration was moving forward only sluggishly, the issue of infrastructures was formally placed on the regional agenda at the First Summit of South American Presidents, convened by Brazil. As a result, at the end of that year the Initiative for South

(32) The most exceptional case is Peru, which despite being headed by a President, Alan García, who is identified with social democracy has carried on the policy earlier adopted by Peru, consisting in trade liberalisation and preferential trade agreements like the one concluded with the USA.

(33) Both Lula and Michelle Bachelet have stated that for regional and/or sub-regional integration it is essential to diversify the energy pattern and concentrate on strategic aspects like infrastructure, as well as building up and modernising the administration of the countries in the area. http://www.cep.cl/Cenda/Cen_Documentos/Integracion/Polemica/Lula_Bachelet_070424.pdf.

American Regional Integration (IIRSA) was inaugurated, the objective being to create intra-regional lines of communication since the weakness of existing links discourages the development of more intensive trade relations. In an attempt to take regional integration a step further, in December 2004 the South American Community of Nations (CNS) was created, comprising the member countries of MERCOSUR, CAN, Chile, Guyana and Surinam. The aim was to evolve towards the convergence of sub-regional processes around a free trade area, and to that end a Committee for Discussion of South American Integration was set up in December 2005. The results of the Commission's work were reflected in a document which explained that without downplaying the importance of trade convergence, «they should seek to achieve more comprehensive integration in economic and productive terms, and also forms of political, social and cultural cooperation» (34).

This model of integration was reaffirmed in UNASUR, the successor of the CSN. In April 2007, the First South American Energy Summit was held at the initiative of Venezuela, as a token of the growing importance also of energy integration. At that meeting it was decided not only to change the name of the organisation but also to change the original objective of trade convergence. Taking as reference the document cited above, the meeting agreed on a broad definition of integration in which trade integration was not a priority while stress was placed on the need for concerted energy and physical development in the region.

These proposals envisage a more active role for the state, contrasting with the 1990s. Indeed, it becomes an active player in the process as the parties to the regional agreements concerning energy exploitation are state-owned undertakings. In the case of the populist governments this leading role is accentuated and there is more state intervention. But that does not mean that the private sector is left out; in the countries with democratic left governments their role is supported and encouraged. In this context, Latin American multinationals are evincing growing interest in the region, and also in direct investment more than trade. Indeed, intra-regional trade has stagnated or actually slumped in the last few years.

The emphasis on endogenous development reinforces the idea of regional autonomy. The fact that progressive and populist governments agree on the need for autonomous regional development has lent greater impetus

(34) «A new model of integration for South America: towards a Union of South American Nations», http://www.sela.org/DB/ricsela/EDOCS/SRed/2008/03/T023600002741_0Un_Nuevo_Modelo_de_Integración_de_América_del_Sur.pdf.

to this policy. However, beyond that we again find more differences than points in common between the two tendencies, to the extent that on some issues their viewpoints are irreconcilable. Once again, the drive for integration is more a means than an end in itself according to the anti-imperialist mind-set of the populist governments. In this case autonomy is viewed as the principal instrument for combating imperialist domination. Thus, if these governments' condemnation of globalisation and neoliberalism are added to exacerbated criticism of US policy, it appears that regional integration and autonomy will serve more to isolate the region than to bring it into the international community. Although there has been no explicit statement in that sense, these criticisms combined with the proposals to create a financial system, a banking system or a currency of their own separate from the international system, seem to suggest that endogenous development is being pursued more to achieve isolation than to secure the region a place in the international economy (35).

This conception is completely at odds with the position of the democratic left governments. Some of them subscribe to the idea of strengthening regional autonomy and have expressed interest in the creation of Latin American economic, political and/or financial institutions, but within a line of discourse whose meaning and purposes are different. In this case the aim is to do away with the structures of the primary-exporter model and promote regional convergence in a way that enables the region to become fully integrated in the international community. Far from seeking isolation, the intention is to have a greater say in international economic decisions and policies. In this process the aim is to be able to put up objectives of their own and gain sufficient international weight to achieve them. From this perspective, they aspire to develop relations with the USA, a power which they are in no way desirous of shunning or blocking. Quite the contrary; the objective, according to Lula, is to enhance exchange in all possible fields but not on the traditional terms: «no-one wishes to stop doing business with the EU, with the USA... but we want to do so in suitable and legitimate conditions, and we want to be able to discuss our possibilities. Otherwise we shall never grow as nations—we shall remain forever poor, peripheral countries» (36). In this statement, the Brazilian leader asserted

(35) On the measures of this kind advocated, see C. Malamud, «Las cuatro Cumbres de presidentes latinoamericanos y el liderazgo brasileño», DT n° 3, 21/01/09, http://www.realinstitutoelcano.org/wps/portal/rielcano/contenido?WCM_GLOBAL_CONTEXT=/Elcano_es/Zonas_es/DT3-2009.

(36) http://www.infolatam.com/entrada/cumbre_calc_lula_animo_a_rechazar_el_ser-11683.html.

that Chávez wished «to do business with the United States», a sentiment that nonetheless sits ill with the Venezuelan president's anti-imperialist discourse. Then again, it is also a contradiction that despite this posture the USA remains the largest purchaser of Venezuelan oil.

Brazil's leadership: lending impetus to regional autonomy

Brazil's latest initiatives, for instance its backing of UNASUR or the summits held in Costa de Sauipe, speak for a firm resolve to establish its regional leadership. Like that of being the guiding force behind regional integration, this objective is nothing new (37), but hitherto Brazil's success had always been limited by its traditional refusal to accept the costs that this role entails. Nevertheless, the meetings held in the latter part of 2008 suggest that the current President, Luiz Inácio **Lula** da Silva, may at last be prepared to accept these costs.

In addition to this traditional wavering, we would note that the region has historically been of secondary interest to Brazil. In this respect President Lula has introduced some changes which lend decisive impetus both to Brazil's leadership and to integration initiatives. Another difference with past times is the priority awarded to South America. But that does not mean that Lula has given up Brazil's age-old dream of becoming an international power. This objective is clear from the proposals and initiatives presented by Brazil in international forums under its presidency (38). What has really changed is the strategy used to achieve this. The Brazilian President is convinced that leadership in Latin America strengthens Brazil's position in the international community. In this sense, then, South America is the jumping-off point for Brazil's inclusion in the international system; but at the same time, prestige and an international role can earn Brazil the recognition of its neighbours, thus reinforcing its regional leadership. Autonomy has a fundamental place in this strategy, as the influence of a great power like the United States on the region could eclipse Brazil's pre-eminence and its chances of achieving the above-noted objective of playing a leading role both inside and outside the region. Another notable new development is Brazil's participation in the solution of regional conflicts

(37) Some of these initiatives, such as the IIRSA created by the government of Henrique Cardoso, have already been discussed; and although the CSN is contemporaneous with Lula's first mandate, it is in fact the outcome of previous negotiations. All these initiatives were preceded by the proposal to set up a South American Free Trade Area (ALCSA) during the presidency of Itamar Franco, in opposition to the ALCA proposal.

(38) M. REGINA SOARES DE LIMA, «Liderazgo regional en América del Sur. El papel de Brasil», *Foreign Affairs en español*, October-December (2007), pp. 38-39.

and political crises, as another means of neutralising unilateral actions by the USA while shoring up its position as leader.

Lula's foreign policy is likewise influenced by the new diversification of his country's interests. In the last few years Brazil has acquired a growing economic presence in the region through direct investment by national undertakings as well as becoming a major exporter of value-added products. And finally, the Brazilian government needs to make itself felt more in the region given the presence of large Brazilian communities on its borders with Paraguay and Bolivia.

The President has sought alternatives to traditional strategies in pursuit of old aspirations. Desirous of fulfilling Brazil's long-held aspiration to a seat in the UN and a voice in the World Trade Organisation (WTO), Lula has focused on South-South relations, relegating relations with Europe or the USA. The reason for this change is the conviction that an alliance of Southern countries, in particular the so-called emerging powers, is the most effective way to attain influence in international organisations. And that conviction is evidenced by the initiatives sponsored by Brazil to create the Group of 20 (G-20) within the framework of the WTO and the IBSA (India, Brazil, South Africa) dialogue forum. The purpose of this southward turn would seem to be not only to gain international influence but also to achieve economic diversification, given that it offers the possibility of opening up new markets. Lula's international prestige and recognition is yet another contributing element to Brazil's growing international importance.

This prestige is due in part to Brazil's initiatives in the region as a mediator and peacemaker in Latin American crises, which in the final analysis suggests that integration is more political than economic. This kind of intervention is not new; Brazil already intervened in the crisis sparked by the border problems between Ecuador and Peru in 1995 and in the successive disputes between Paraguay and Bolivia. Brazil's most important commitment of this kind in political and military terms has been its leadership of the United Nations Stabilization Mission in Haiti (MINUSTAH). This particular mission is being carried out mainly by Latin American countries, the point being to show that they are capable of solving their own problems (39).

The extraordinary UNASUR summit in Santiago de Chile is yet another example of peaceful conflict settlement. In this case the media-

(39) On this mission see «Crisis locales y seguridad internacional», *Cuaderno de Estrategia*, no. 131, October 2005, Instituto de Estudios Estratégicos-Instituto Universitario General Gutiérrez Mellado.

tor was a South American organisation, but under Brazilian leadership. Brazil was able to set the agenda of the meeting and establish the basic terms of UNASUR's position on the Bolivian crisis, despite the considerable differences of opinion and interests among some members. Brazil succeeded in making its support and that of UNASUR conditional upon Bolivia's president settling the conflict by means of dialogue rather than confrontation.

All the patterns of Brazilian foreign policy that we have noted reflect an intent to consolidate a kind of cooperative hegemony through «soft power» as befits a medium power in the international community.

Brazil's «cooperative hegemony» as a «middle-range power».

In quantitative terms—geographical area, population, gross domestic product—Brazil is the largest nation in Latin America and one of the most important in the world. Nevertheless, at the same time there are other factors which limit Brazil's credibility as a leader both inside and outside the region. Among these are the persistence of structural social inequality, institutional weakness and public insecurity (40).

It is because of all this potential and these limitations that Brazil is yet an emerging power, with grand prospects for the future but at the same time with major hurdles to overcome. This profile places Brazil in the category known as the BRICs (Brazil, Russia, India and China). These «southern» powers are believed to be capable of challenging the privileged position of the USA and Europe, but they are nonetheless considered emerging «medium powers». In this case it is their limitations and not their potential that places them in that position in the international system.

As a medium power, Brazil exactly follows the pattern that stereotypes the functions and strategies of countries of this kind. As to functions, the initiatives discussed above indicate that Lula's government is at pains, as we have seen, to play a mediating and peacemaking role in the region, to help settle conflicts by participating in peacekeeping missions and to promote regional and international multilateralism. And the strategy adopted to assert its international position likewise matches the behavioural pattern of a medium power. What these nations seek to do is maximise their regional influence, minimise that of the major powers and neutralise the lead-

(40) S. GRATIUS, «*Brasil en las Américas: una potencia regional pacificadora?*», Working Paper, FRIDE, April, 2007, pp. 8-12.

ership aspirations of other medium powers in the area (41). In this case, Brazil seeks to secure its influence over its neighbours by means of integration proposals, to neutralise the shadow of the United States and block the aspirations of Venezuela, its chief competitor at this time. In order to attain these objectives, Brazil needs to enhance its international influence, and for that purpose its main instrument is soft power. Hence, its principal tools are persuasion, cooperation and alliances with other countries, which explains why its hegemony is called «cooperative» (42). Initiatives like MERCOSUR, UNASUR and CALC at a sub-regional and regional level and the G-20 or the IBSA are clear examples of the means utilised by Brazil to exercise its «cooperative» hegemony.

Brazil's regional rivals

Brazil faces a number of difficulties, not all of them readily surmountable, in consolidating its leadership. The chief one and the source of most of the others is its own limitations. This means that the internal and external resistance that has to be overcome demands a major effort and in some cases high costs which it is not yet certain that Brazil is prepared to accept, although there are plenty of signs that seem to confirm this. Strictly within the regional ambit, Brazil has to compete with US influence and with other aspiring regional leaders. Then again there are the suspicions that Brazil's own aspiration arouses among its neighbours, to the extent that this aspiration is at times called into question. To overcome these obstacles Brazil controls the machinery of soft power, to which we would add the particular ability and political clear-sightedness of its president.

United States

Regarding its relationship with the United States, not only has Brazil succeeded in reducing the temptation of interventionism, but it has done so by developing fluid and cordial diplomatic relations. In order to avert unilateral US intervention, it has successfully adopted the role of a «pivotal state», persuading the US government that as a regional power Brazil is capable of ensuring stability and security in the area. Lula has achieved a perfect balance between Brazil's demands for autonomy and its interest in maintaining and intensifying its relations with the United States.

(41) P. G. FAGUNDES, «O Brasil como Pôtemcia Média: Possibilidades de ação internacional», in Ricardo Sennes (org.), *O Brasil e a Política Internacional*, IDESP, Sao Paulo, 1998, vol. I, pp. 25-32

(42) S. GRATIUS, «Brasil en las Américas: una potencia regional pacificadora?», p. 5.

For that reason Brazil has so far been extremely careful in its declarations concerning the United States. A good example of this is the declaration made at the UNASUR summit in Santiago de Chile, where Brazil succeeded in preventing any mention of the USA in the final declaration despite pressure from certain members of UNASUR such as Bolivia, Venezuela and even Argentina, who blamed all Latin America's present ills on the northern superpower.

Although UNASUR and the CALC are the outcome of a move to create specifically South American and Latin American organisations free of US tutelage, this has not brought about confrontation with the latter. Brazilian diplomacy has repeatedly insisted, with great pragmatism, that prioritising Latin American affairs is not incompatible with harmonious coexistence with the USA or with the latter's hemispheric proposals. In fact Lula's relationship with the USA is excellent despite the differences in outlook between the two powers. The USA has recognised Brazil as its principal partner in dealing with threats to regional security. It remains to be seen how the new US administration will interpret the latest proposal for not merely South American but actual Latin American integration. As for the Brazilian government, it does not look as if Lula's more outspoken declarations at Costa de Saúipe criticising past US tutelage announce a change in relations with the USA, but rather are intended to send a firm message to the new Administration regarding the region's right to have a voice of its own.

Venezuela

Brazil's chief competitor at this time is Venezuela. The fact that Venezuelan President Hugo Chávez has made repeated declarations about the solidity of his alliance with Brazil and its President by no means signifies a renunciation of aspirations of leadership that could present an obstacle to those of Brazil (43). Relations between the two governments at this time oscillate between intensive diplomatic relations and a silent and at times tense rivalry for regional leadership.

The principal instruments used by Chávez to achieve his objectives are «petrodollar» politics and media skills which secure him a permanent place in the international limelight. Added to which the Venezuelan President has been conducting an especially active foreign policy since 2005.

(43) This explains why Chávez refuses to acknowledge Brazilian leadership or at least Brazil as the sole leader: «Brazil undoubtedly plays an important leading role. But it is not a matter of the region having a leader. What we have is a set of leaderships»: <http://www.aporrea.org/venezuelaexterior/n125702.html>.

And in fact Hugo Chávez has succeeded in taking the lead over Lula in a good number of initiatives. There have been a number of proposals by Chávez towards which Lula has apparently been passive or at most has confined himself to assenting to in some cases. These include the *Alternativa Bolivariana para América Latina y el Caribe* [Bolivarian Alternative for Latin America and the Caribbean] (ALBA) (44); the *Tratado Comercial de los Pueblos* [Peoples' Trade Treaty] (TCP); the *Banco del Sur* [Bank of the South]; the *Organización del Tratado del Atlántico Sur* [South Atlantic Treaty Organisation] (OTAS); the *Ejército del ALBA* [Army of the ALBA]; Petrocaribe, Petrosur, Petroandina (45) and TeleSUR (46); This passivity characterised Lula's first mandate, during which the absence of alternatives to neutralise Chávez's bid for leadership was yet another contributing factor to the Venezuelan President's continued protagonism. This attitude very possibly reflected, among other things, Brazil's traditional reluctance to accept the costs entailed in exercising regional leadership, which President Lula also evinces. Added to this was the fear that to take certain decisions that clashed with the Venezuelan leader's ambitions might invite estrangement from or confrontation with Venezuela. And lastly, the corruption scandals in Lula's government forced him to concentrate on domestic policy.

Since his re-election in 2006 there has been a significant change, reflecting a definite resolve to take up the challenge of leadership. Besides the strong performance of the Brazilian economy, this change is possibly also a consequence of the confidence induced by massive popular support. Lula's popularity transcends national boundaries, as the most rated head of government in all Latin America (47).

Brazilian leadership was further consolidated shortly thereafter by the blow to Chávez and his petrodollar policies produced by the massive slump in oil prices. The resolution passed at the UNASUR Summit in

(44) <http://www.alternativabolivariana.org>. The ALBA is composed of Bolivia, Cuba, the Dominican Republic, Honduras, Nicaragua and Venezuela.

(45) All these initiatives and projects come under the heading of Petroamérica, http://www.pdvsa.com/index.php?tpl=interface.sp/design/readmenuprinc.tpl.html&newsid_temas=46.

(46) <http://www.telesurtv.net>.

(47) http://www.lanacion.com.ar/nota.asp?nota_id=1077925. In a survey by Datafolha conducted between 25 and 28 November 2008, 70 per cent of Brazilians considered Lula's government excellent or good, six points up on the previous opinion poll.

In the 2008 Latinobarómetro, Lula was the highest-rated head of state or government, ahead even of the King of Spain, who had received a higher rating than any other leader in the region in previous polls. http://www.latinobarometro.org/docs/INFORME_LATINOBAROMETRO_2008.pdf, p. 111.

Santiago de Chile throws further light on this aspect. The reference in that resolution to non-intervention in the internal affairs of sovereign states, the organisation's guiding principle, could be interpreted as a warning from Brazil to Venezuela rather than the United States. Hugo Chávez's declarations reserving the right to take military action in Bolivia if Evo Morales should be deposed were denounced as absolute interference in the country's internal affairs, as the Bolivian armed forces proclaimed. Clearly then, Brazil's initiatives have not only reasserted its leadership but have succeeded in neutralising or counterbalancing Venezuelan leadership. The stress on dialogue, democratic institutions and rejection of anti-imperialism contrast with the threats of military occupation, interference in other countries' internal affairs and the aggressive discourse habitually used by Chávez against the United States. This role of a counterweight against Chávez's ambitions is something the world has been asking of Brazil for some time.

Leaving aside the differences between his first and second mandates, Lula has maintained the same strategy with Venezuela. Despite moments of tension and discomfort provoked by declarations or initiatives of President Chávez, Lula has consistently avoided confrontation with or exclusion of Venezuela as a means of combating its leadership aspirations. As well as being the typical behaviour of a medium power, it is in fact the particular strategy that Lula has adopted vis-à-vis Chávez. Far from excluding him from Brazil's plans, he has sought to co-opt him, in the conviction that this is the most effective way to neutralise him as a competitor. In this connection, Cuba's participation in the CALC at Brazil's invitation is another means of undermining Venezuelan leadership, as hitherto Chávez was able to argue that his was the only government that did not bow to imperialist dictates in including Cuba in all its initiatives.

This intelligent way of proceeding has produced results, and it was Brazil that succeeded in bringing together all South America and Latin America in 2008 to draw up regional projects or set them in motion. This policy has clearly produced results despite the fact that Chávez appeared in principle to have taken the lead in initiatives and projects. The projects for integration in Defence are illustrative in that respect. Motivated by his interest in integration and Defence, the Venezuelan President also pioneered a proposal that embraced both elements. The first of these proposals was the South Atlantic Treaty Organisation (OTAS). In 2006 he once again brought up the subject of the configuration of the Armed Forces of the South, to be

composed of forces from the current members of MERCOSUR (48). However, the option that was finally agreed on was the South American Defence Council. In this way not only has the Brazilian proposal triumphed but at the same time Venezuela, far from being left out, is fully on board. This new body is conceived as a forum of discussion to achieve rapprochement in Defence matters and not as a military alliance as Chávez had proposed. Thus, although Chávez, far from viewing it as a defeat, has treated it as a step forward in the fight against imperialist domination, by bringing Chávez on board Brazil has managed not only to assert its leadership in this field too, but also to neutralise Venezuelan leadership.

At all events despite Chávez's international prominence, there are objective factors making it impossible for Venezuela to compete with Brazil. It has neither the size, the population nor the economic weight to be considered an emerging or medium power. While the high price of oil on the international market in recent years has furnished Chávez with enough resources to pursue his petrodollar policies, it in fact constitutes a limitation in that the country and Chávez's very leadership are dependent on fluctuations in the price of oil. One should not however underestimate Hugo Chávez's capacity and audacity to garner strong popular support for his political vision of 21st-century socialism. This is a factor of which Lula has also taken note and of which he has in fact taken advantage at some time or other. Inasmuch as he owes a large proportion of his vote and the international popularity that he enjoys to his ideological identification with the left, in some circumstances it has been to his advantage to be seen alongside Chávez at certain events in order to secure or reinforce the support of some of the more radical sectors of the left and of the social movements (49).

Mexico

Contrasting with the insistence on integrating Venezuela and cultivating relations with its president, the strategy chosen to block competition from

(48) The central proposal envisaged generalised institution of civic-military union in every Latin American country, promoting the role of the Armed Forces as an agent of social development. According to the President's ambitious proposals, Latin American armed forces would become the bearers of a model of endogenous development: see S. Alda Mejías, «El populismo antiimperialista y la unión cívico-militar. Sus implicaciones y diferencias con la izquierda latinoamericana», (in press).

(49) It may have been partly for this reason that Lula decided to go to the World Social Forum in January 2009, which was also attended by Hugo Chávez, Evo Morales, Rafael Correa and Lugo, before the Davos Summit, which took place around the same time. The latter was attended by Mexican President Felipe Calderón and Colombia's Álvaro Uribe, both identified with the Latin American democratic right.

Mexico has been to exclude it. Mexico is the only Latin American country with the capacity to compete with Brazil for regional leadership. However, since the conclusion of the NAFTA, Mexico's foreign policy has been «North-Americanised» while parallel with the creation of MERCOSUR, Brazil's agenda has become «South-Americanised» (50). Since then Brazil has not questioned Mexico's option of alignment or the cooperation projects concluded between Mexico and Central America (51). Then Mexico for its part has not sought to interfere with Brazil's aspirations for South American leadership. This «dividing up» of areas has reduced the level of rivalry between the two powers, which to date have shown no signs of wishing to change the situation, as witness the absence of any common initiatives or proposals by one involving the other. This absence of motivation is also reflected in bilateral relations, where despite the stated intention of fostering these, nothing concrete ever emerges (52). Nonetheless, this situation may change in view of Calderón's desire to play a role in Latin America, his primordial policy objectives being to intensify relations with Brazil and Chile and normalise relations with Cuba and Venezuela (53). The opening of this new era in bilateral relations was heralded by Lula's visit to Mexico in August 2007.

As for other priorities, this change of course is further confirmed by Mexico's involvement in and commitment to regional integration as announced by Calderón in the CALC and in the Rio Group at Costa do Sauípe. For Mexico these meetings also presented an opportunity to rebuild relations with Cuba and Venezuela (54). This policy change is explicitly signalled not only by Calderón's active participation in the above-cited events, where Cuba was admitted into Latin America's institutions, but also by plans for him to visit Havana. That commitment would appear to be holding, as Mexico has accepted the Pro Tempore Presidency of the next CALC, scheduled for 2010. At that meeting a new organisation is expected to be formally created «to vindicate our identity and our strength before the

(50) S. GRATIUS, «Brasil en las Américas», p. 25.

(51) *Plan Puebla Panamá*, now called *Proyecto Mesoamérica*. *Plan Mérida* is another security-related initiative in which the United States is also a party as well as Mexico and Central America.

(52) <http://www.eluniversal.com.mx/nacion/150554.html>.

(53) On the new bilateral relations between Mexico and Brazil, see J.P. SORIANO, «*Brasil en la política exterior de México: la búsqueda de una relación más dinámica*», *ARI*, no. 94/2007, 12/09/07.

(54) Felipe Calderón's predecessor Vicente Fox broke off diplomatic relations with Cuba despite the ties traditionally linking the two countries, and suspended relations with Venezuela. On his foreign policy see A. ANAYA MUÑOZ, «*La política exterior de México durante el sexenio de Vicente Fox*», <http://www.uia.mx/web/html/actividades/sexenio/LaPoliticaExterior.pdf>.

world», in the president's words. If this policy really does signify the beginnings of a resumption of relations with Latin America, it will mean the actual realisation of a discourse persistently reiterated by Mexican presidents even while they prioritise relations with the USA (55).

But there has not only been an about-turn in Mexican policy; there has been a change in Brazil's as well. With the Costa de Saúpe meetings Brazil ceased to exclude Mexico from its proposals, which had hitherto been confined to South America. But all the signs are that this does not signify any change in its aspirations of regional leadership. Brazil's intention is probably not to make concessions to Mexico but to reinforce its own leadership. It would make little sense if at this juncture Brazil, which pursues a more ambitious foreign policy than Mexico, which is mapping out a path to regional leadership and which has influence on the international stage, should be prepared to share its leading position with Mexico. Viewed from this perspective, the idea of coordinating objectives to defend common positions in international forums is certainly good for the whole region and for both countries, but also for Brazil's leadership aspirations (56). In any event, whatever form the rapprochement between the two countries may take, the consequences can only be good for the stability of the region.

Regional resistance to Brazilian leadership

In addition to competitors for leadership, we must consider the view taken by the other countries of the power and influence that Brazil may build up, an issue that arouses a certain amount of mistrust in the region. There is a risk that Brazil's neighbours could block the former's integration proposals, and with it the consolidation of its position, if they suspect that these initiatives are simply a means of pursuing Brazil's particular interests. At this moment Brazil's image as a power is weakened by a number of ongoing conflicts with its neighbours. In addition to Argentina's long-standing rivalry with the giant to the north, there are protests by other countries like Ecuador or Paraguay which although not candidates for leadership, refuse to submit to an unequal relationship with Brazil.

Argentina has traditionally opposed Brazil's aspiration to a seat in the UN, as that would enhance its pre-eminence in the region. Another per-

(55) G. GONZÁLEZ GONZÁLEZ, «*México en América Latina*», *Foreign Affairs en español*, vol. 7, no 4, pp. 31-37.

(56) This change of attitude has not however gone so far as to prompt Brazil to invite Mexico into the BRIC group. By means of such exclusions Brazil seeks to retain a position of pre-eminence despite the rapprochement between the two.

manent bone of contention is the refusal to promote importation of Brazilian products because of the threat of competition for Argentinian products. In the current crisis situation this problem has once more become acute as the Argentine government demands greater tariff protection, not only against Chinese, but also against Brazilian imports. Brazil refuses to accept this proposal, as for the time being it has ruled out protectionism as a solution to the crisis. The problems with Ecuador and Paraguay are of a different kind (57). These governments consider the debts contracted with Brazil to be «illegitimate». Their position is that they are defending their national interests against the Brazilian giant, which they implicitly accuse of taking unfair advantage of a highly unequal relationship. These countries' economic and political weight in the region is so small that they have virtually no bargaining power, especially if the other party is Brazil.

And yet, although these conflicts are generally interpreted as questioning Brazil's leadership, that is not always necessarily the case. The fact that a country occupies a position of leadership does not mean that it cannot have differences or tensions with the countries falling within its sphere of influence. Leadership really depends on the leader's ability to solve these problems. In the case of Brazil, this ability is demonstrated by the fact that in December 2008 Ecuador agreed to pay the part of the principal and the interest falling due on its debt despite repeated refusals by Correa in preceding months. Before this settlement, he had resorted to various kinds of pressure. Correa announced his intention to join ALBA, whose members issued a statement taking his side against Brazil, albeit without mentioning the latter by name (58). The possibility of the formation of an «ALBA bloc», on the other hand, would indeed implicitly question Brazil's leadership. But that would mean breaking up the «left» alliance, the name under

(57) In November the Brazilian government recalled its ambassador in Quito in protest at Rafael Correa's decision to appeal to an international tribunal against the obligation to repay the *Banco de Desarrollo Nacional de Brasil* (BNDES) a loan granted for the construction, by the Brazilian undertaking Odebrecht, of the San Francisco hydroelectric power station. The reason given by the Ecuadoran government were the problems with the power station, which was idle for four months. In October Correa expelled the undertaking from Ecuador and accused it of corruption.

The conflict with Paraguay over the national Itaipú dam has been going on for several months. Despite progress on some points of the negotiations, Brazil refuses to countenance some proposals by Lugo's government, such as free disposal of 50 per cent of the energy generated, for sale to third parties, a review of the debt accumulated for construction of the storage dam, and an increase in the price Brazil pays for power.

(58) <http://209.85.129.132/search?q=cache:xBI2NqJXR6AJ:www.izquierdasocialista.org.ar/cgi-bin/elsocialista.cgi%3Fes%3D121%26nota%3D6+ALBA+deuda+ilegitima+Correa&hl=es&ct=clnk&cd=3&gl=es>.

which Chávez insists on lumping together populist and left governments, an alliance that has frequently been a fundamental channel for propagating his proposals and thus promoting his own leadership. For the time being, therefore, despite such shows of resistance, there are no signs that a rupture is likely. Should it occur, it would upset the entire existing edifice of power balances within the region.

While these differences do not necessarily undermine Brazil's claim to the status of a power, there are other issues on which the Brazilian government must adopt a stance and even take sides if it wishes to consolidate its position. Its silence regarding the dispute that has been going on between Uruguay and Argentina for some years now is not what might be expected of a leading country (59), but far more serious is the distance it is keeping from Colombia's internal conflict in order to avoid committing itself. Neither its reluctance to classify the FARC as a terrorist organisation nor its failure to cooperate in the fight against drug trafficking and the Colombian guerrilla does anything to enhance its claim to leadership. In view of the lack of Brazilian support and the open opposition of Ecuador and Venezuela, the Colombian government has continued to look to the USA and encourage a US presence in the region.

Internal resistance

Another hurdle that Brazil needs to overcome to consolidate its leadership is its own attitude to sovereignty, which has caused it to remain passive or inactive in the face of certain regional problems, and that ultimately limits its ability to play the role of regional leader. The reason for this attitude is the desire not to allow anyone a moral foothold justifying interference in Brazil's domestic affairs. This mentality, expressed through the much-reiterated «non-intervention» principle, is not of course confined to Brazil; it is common throughout the region and is one of the main obstacles to integration in the area—added to which is the need for coordination between internal and external interests. In other words, the priorities of the citizens and the international aspirations of their government are at odds. For the time being, Brazilians attach more importance to their internal problems than to any external ambitions, which they see as remote from them and therefore do not identify with.

(59) The source of the conflict between the two countries is Argentina's opposition to the setting up of a cellulose pulp plant on Uruguayan territory fronting on to binational waters of the Uruguay River, which it considers to be a major source of pollution. Uruguay for its part has brought a complaint against Argentina in the Mercosur dispute settlement system and in the International Court of Justice.

CONCLUSIONS

This paper has sought to draw attention to the changes that the new initiatives emerging in 2008 have brought for sub-regional integration, and with that the growing focus on the region's autonomy and its aspiration to become an international actor with an agenda of its own, under Brazilian leadership.

We cannot yet tell how these new projects will turn out, but there can be no ignoring certain aspects in which there have been significant departures from the patterns prevailing hitherto in the region. We refer specifically to the fact that integration has come to be viewed as an essential tool for the achievement of regional autonomy, an issue on which all Latin American countries are agreed—even Mexico, whose present and future are indissolubly tied to the USA through the NAFTA. For obvious reasons, in Latin America this autonomy has to be asserted *vis-à-vis* the USA. This may perhaps seem pointless since the northern superpower no longer evinces much interest in the region; however, Latin Americans continue to be dependent in some ways which could now be definitively resolved. It is significant in this respect that many of the latest proposals are intended to replace hemispheric organisations—that is, organisations of which the United States is a member as well as the countries of the region. In fact, as Mexico's President Calderón has said, the future of Latin America and the Caribbean as envisaged in 2010 will be «a kind of OAS without the USA and Canada» (60).

But although just from their tone the allusions to the USA might give the impression of a generalised spirit of anti-Americanism, that is not the case. It is not a matter of negating the relationship with the USA but of the changing its terms. Nor is it specifically a matter of relations with the United States but rather with all other powers as well, the point being to assert this autonomy «in order to vindicate our identity and our strength before the world» (61). In any event, the force of this desire for autonomy can be gauged in Trinidad and Tobago when the next Americas Summit meets in April. There the new US Administration's proposals will be announced and we shall see whether or not Latin America speaks with a single voice. If it does, that will improve the region's chances of negotiating in the event of an offer from President Obama. However, the different interests in the re-

(60) <http://www.centroavance.cl/index2.php?option=content&task=view&id=1198&pop=1&page=0>.

(61) *Ibid.*

gion and the vulnerability of many countries in the face of the international economic crisis will make it hard to achieve a common position.

The possibilities of achieving such autonomy will be proportionate to the depth of integration in the region. It is proposed to adopt a new approach to the pursuit of this objective, focusing less on trade relations and more on the physical and productive development of the region. In this respect, particular importance has been attached to infrastructures and the exploitation of energy resources. The new approach has been enshrined not only in UNASUR but also in the final document of the CALC. But in addition, special stress has been laid on the creation of new means of political dialogue designed to further the peaceful settlement of disputes. This has been the first and fundamental mission of UNASUR, as expressly stated at the Santiago summit. The CALC for its part has also stressed this point. Serious criticisms have been raised on this issue, inasmuch as there has been progress in configuring mechanisms of political dialogue but nothing beyond that—there have been no concrete proposals for sub-regional or regional integration. Indeed the doubt remains whether such integration is possible since the Latin American countries are at the same time members of other organisations for regional and sub-regional integration that pursue different interests and objectives. There is therefore a risk that such initiatives will merely serve to complicate the already «complex alphabet soup which Latin American integration has become» if we consider all the acronyms of these organisations: CAN, MERCOSUR, CARICOM, ALBA or SICA (62). The reason for this idiosyncrasy may lie in the diversity of the region, or again according to the critics, in the limitations of these proposals. In other words, this «vagueness» may be part of a deliberate approach whereby given the complexity of the regional situation it is accepted as unrealistic to aspire to deal with issues going beyond the promotion of dialogue and conciliation among countries. The objective would not then be integration as such but to lay the foundations for such integration.

To see it from this point of view, we must suppose that Brazil has decided on a course of integration that does not necessarily commence with economic integration. Given the region's asymmetries, this seems possible in view of the difficulty of reconciling the different models of sub-regional integration, not to mention the interests of each Latin American country. This idea gains plausibility if we consider the serious limitations impeding progress towards sub-regional integration despite the steps

(62) C. MALAMUD, «Las cuatro Cumbres de presidentes latinoamericanos y el liderazgo brasileño».

that have been taken. Even MERCOSUR, which has been described as the most advanced integration organisation, is now immersed in a serious crisis. In view of all these factors it would not be very realistic to put forward a proposal for economic integration on a regional or sub-regional scale, all of which may account for the abandonment of economic integration and the stress on political integration in Brazil's proposal, especially the creation of forums of conciliation and cooperation, the objective being to break down the mistrust among the region's countries, which constitutes a major obstacle to progress in achieving Latin American integration (63).

To be sure, these conciliation mechanisms are not new either, but on the other hand the circumstances may be, and hence the outcome could be different. In this respect, Brazil's apparent resolve to act as leader is essential to lend impetus to the different proposals. In view of its parallel and complementary aim of consolidating its international position as an «emerging medium power», no country is more interested than Brazil in achieving progress in this process of political conciliation in the sense of laying the foundations for an autonomous concept of integration—which autonomy is at the same time vital if it is to consolidate its own leadership.

In addition to Brazilian leadership and the support of the democratic left governments, it is important to note the competition from the Venezuelan government for regional leadership and the support of populist governments for Brazil's proposals. This competition is perhaps one of the factors that have decided Brazil to seek to exercise that leadership. At the same time, the defence of regional autonomy by the populist governments, albeit for the purpose of combating imperialism, has also lent more impetus to this new approach to regional integration. And indeed, despite their political and ideological differences they have so far supported Brazil's initiatives. Nevertheless, there is a possibility that they might form a bloc in opposition to the Brazilian giant if they see the latter as attacking their interests. Such a thing is conceivable if we consider the differences with Ecuador and Paraguay and the solidarity of the other members of ALBA, with Venezuela at the head. In such an event—which does not seem the most likely to transpire—the present balance of regional powers would be put in complete disarray, seriously reducing the chances of political conciliation and ultimately of cooperation.

(63) M. LAGOS and D ZOVATTO, «Mitos y realidades de la integración latinoamericana. Perspectiva de la ciudadanía», *Foreign Affairs en español*, vol. 7, no. 4, p. 20.

The criticisms that are being aired in this connection do not perhaps take account of the most important aspect of populism. Criticisms have frequently been focused on actual populist leaders, and in this sense the case of Hugo Chávez is emblematic. His opponents have concentrated all their energy on desecrating signs of his political demise and every event is gauged with that in mind. Thus, his defeat in the referendum on constitutional reform in 2007 and the loss of local governments in the 2008 elections were interpreted in that sense. And once again, the end seemed imminent with the referendum held in February 2009 in which the citizens were asked if they approved of the abolition of limits on re-election to public positions, including the presidency. But far from spelling defeat, this turned out to be a new triumph, which further highlighted the importance of Chávez's leadership. In any case the end of Hugo Chávez's presidency does not seem likely to spell the end of populism, a serious threat to regional stability, either in Venezuela or in the rest of Latin America. The statistics furnished by the *Latinobarómetro* are far more useful for arriving at a clear analysis of populism and its continuance, or even the possibilities of its spreading to other countries. This survey reveals that the citizens who are happiest with democracy are those of countries with populist governments, whereas dissatisfaction, although less than in previous years, is still prevalent in all other countries in the region (64). Such discontent may be aggravated by the effects of the present international crisis, increasing the possibilities of advances by populism. The year 2009 seems likely to be decisive, as it ushers in a whole new electoral cycle (65).

In fact the international economic crisis will be decisive for many issues. Lula has weathered the crisis with great skill, for rather than damaging the prospects of integration, he has viewed it as one more argument in favour of regional autonomy. The Brazilian president believes that the region has the right to have a say in the decisions adopted in international forums to combat it. Nevertheless, despite this discourse there is no doubt that the process may be affected by the crisis. A wave of protectionism spurred on by fear of the crisis would only favour the region's isolation

(64) According to a statement by the director of the *Latinobarómetro*, Lagos said that that group of countries «are not the ones that spring to mind» when speaking of democracy, «unlike Mexico, Brazil or Chile, thanks to their economic growth and stability»... »Curiously enough, the countries that are considered the most unstable are the ones where the people take the best view of democracy and democratic institutions, because they associate them with equality of access and treatment, absence of discrimination and dispersal of power». <http://www.eluniverso.com/2008/09/15/0001/8/2DA9D014F07B47B9A04B0D5E08603EFD.html>.

(65) http://www.infolatam.com/entrada/america_latina_2009_ano_de_elecciones-11625.html.

and mistrust between neighbouring countries, thus hindering any progress towards integration. This would take us back to the steps taken in 2008, since it would preclude the possibility of concerted action in international forums and frustrate the process of trust-building that the new initiatives are intended to promote.

For Spain's interests in the region Brazil's leadership and the success of its initiatives has fundamental advantages. If we consider the moderating and stabilising role implicit in Brazilian leadership, every endeavour in that direction in the region will mean more assurance for Spanish undertakings and investments, particularly given that despite the international economic crisis—or perhaps precisely because of it—Latin America is still the principal recipient of Spanish investment (66). The capacity demonstrated by Lula to neutralise populist proposals to a large extent is beneficial for regional stability, and Spain's support for Brazil's integration proposal is likewise beneficial. The assertion of autonomy embedded in that proposal is not incompatible with consolidation of the Ibero-American community. Spain must support Latin America in its aspiration to autonomy, as that will throw our country in a positive light, hence favouring relations with the region in general and with each country in particular. If on the other hand Spain were to be perceived as seeking to hinder this new proposal, we would run the risk of ruining the relationship of trust that we have managed to build up with Latin America in the last few years.

(66) Mexico, Chile and Brazil are considered the most attractive countries for investment, <http://www.diariocritico.com/argentina/2008/Noviembre/noticias/113516/ivex-inversiones-america-latina.html>.

CHAPTER SIX

MIGRATION IN AND FROM AFRICA. THE DEMOGRAPHIC BOOM OF A STAGNATED CONTINENT

MIGRATION IN AND FROM AFRICA. THE DEMOGRAPHIC BOOM OF A STAGNATED CONTINENT

CARMEN GONZÁLEZ ENRÍQUEZ

INTRODUCTION

It is now common practice to begin any text on Africa by recalling that it is the world's poorest continent. Nevertheless, we have to keep mentioning this fact, in order to stress that the gap between it and the rest of the world—even Asia or Latin America, the other two great continents of developing countries—is huge and has grown even wider in recent years. Whereas the rest of the developing countries seem to be joining in the globalising trend, finding their own market niches there and advancing towards wealthier and better ordered societies, the African continent, and particularly sub-Saharan Africa, continues mostly steeped in economic isolation, with an agricultural subsistence economy, weak if not «failed» states, tribal wars, a high birth rate and a lack of expectations. Migration appears to be one of the few possible solutions in this context at the individual level, either within the continent towards more dynamic areas, or abroad.

With 900 million inhabitants at present, the figure is set to double in the next 25 years, according to World Bank forecasts, while at the same time there are no indications that equivalent fast economic growth may occur to absorb this population. The undoubted consequence will be a substantial increase in migratory pressure on Europe, which will be channelled partly through Spain.

The African demographic transition

At the present time Africa is at the demographic stage Europe went through in the nineteenth century when public health measures, the appearance of vaccines—and the spread of medical care particularly—

brought a substantial reduction in mortality and particularly child mortality. This is considered the first stage of the demographic transition which took Europe from the «natural» or old model (high birth rate and high mortality, stagnated growth in populations) to the modern one (low birth rate and low mortality, small population increase). Healthcare and medical advances which developed in Europe in the nineteenth century reached Africa through the twentieth-century colonisers and have also led to a remarkable reduction in the mortality rate there (both adults and children), although this still continues to be much higher than for the rest of the world. In particular, individual child mortality (infants under one year) has dropped to a third of the 1960 rate, from 150 deaths per 1,000 live births to 54 at present. But poverty has prevented Africa from continuing to advance along the road to demographic transition. Whereas Europe, like the rest of the developed world, has substantially reduced its birth rate since the 1960s, Africa has not done so and maintains a birth rate of 5.5 children per female, resulting in a major population increase. Africa's is therefore a very young population which maintains a pattern of very early marriage between 16 and 19 years old, with a high fertility rate in adolescence. In any case, as can be seen in the following table, there are major internal differences in the continent, with the lowest birth rates in the Maghreb and South Africa and the highest in the Sahel.

Table I. - Evolution of gross annual birth rates (live births per year, per thousand inhabitants) by regions					
	1950	1970	1983	1991	2003
Maghreb	47.6	46.2	41.6	35.5	25.6
Nile Valley	44.5	44.0	40.0	38.0	29.5
Sahel	46.0	52.3	47.3	48.3	50.3
West Africa	46.8	48.3	47.8	46.3	41.9
Gulf of Guinea	50.0	49.4	49.3	45.6	39.0
East Africa	49.0	49.8	50.5	46.2	42.2
Central Africa	43.0	43.5	44.0	43.8	38.5
North-East Africa	47.0	49.0	45.5	50.0	43.3
Subtropical Africa	51.6	50.6	50.4	45.3	42.2
Southern Africa	41.0	44.8	41.0	36.3	30.0
AFRICA	47.0	47.5	46.2	42.9	38.2

Source: World Bank, UNDP, UNICEF, World Population Prospects. Taken here from Martin Ruiz (2007)

The causes of this high birth rate are both economic and cultural. On the one hand, the absence of social protection systems which guarantee individuals their upkeep when they reach old age leads adults to entrust this care to their children; having more children becomes a greater guarantee of future care, plus manual labour for the family economy. Children thus retain the economic value they have now lost in the developed countries, and traditional African culture sanctions this dependency on children by attaching great value to offspring. For men, showing off many children is a symbol of virility, and for women, dependent on the men, the children are the proof of their worth. On the other hand, in spite of the remarkable fall in the twentieth century, the fact that child mortality (children under five years) continues to be comparatively high (138 per thousand, as opposed to 80 per thousand worldwide), owing largely to shortage of medicines and clean drinking water, forms part of the calculations of family size and translates into a higher fertility rate to offset that risk. In contrast, the campaigns promoted by international organisations and governments themselves, in order to reduce the birth rate and extend contraceptive methods, are often met with distrust by populations who see in this an attempt to debilitate them, and point out the small size of the African population in relation to the enormous size of their continent. Indeed, with 900 million inhabitants and 30 million sq km (Africa is bigger than the US, India, Western Europe and China put together), African population density is the lowest of all the continents; however, this does not imply that most of the huge, empty territories which characterise Africa could be a source of agricultural wealth or wealth of any other type. To these arguments are added those of the Catholic Church against the use of contraceptive methods, which find their echo in a significant part of the continent. On the other hand, in countries fragmented into ethnic groups who compete for political control, there is a reluctance to stop growing or to grow less—for fear that competitors will not do so and will end up gaining a demographic advantage. National campaigns to promote access to contraceptive methods also come up against a lack of resources and this access is not always easy, particularly in the countryside. Finally, the inferior position of women, their higher rate of illiteracy, and widespread sexual violence against them leaves little power in their hands to decide on the number of children—a point indicated frequently by international organisations, which have emphasised the importance of educating girls to curb future birth rates.

The high birth rates and poverty create a vicious circle: the poor have more children to ensure their old age because the enjoyment of emo-

tional life and mutual support in a large family is one of the few sources of pleasure they can allow themselves, but the resulting increase in population reduces economic possibilities for all. In the African continent it is the poorest countries which have the highest birth rates: Niger (8 children per woman), Somalia and Uganda (7 children) head the list. There is a perfect negative correlation between growth in birth rates and GDP. Nevertheless, the birth rate is already decreasing, to a significant extent because the spread of AIDS has decreased promiscuity, and partly due to access to contraceptive methods, especially in the cities. As can be seen in table I, the greatest decrease in birth rate has occurred since 1991, coinciding with the greatest increase in mortality rate due to AIDS, however it continues high enough to sustain forecasts of the population doubling in the next 25 years. As far as the use of modern contraceptive methods is concerned, less than 20 percent of women of fertile age use them, compared to an overall worldwide figure of 55 percent. Nevertheless, percentages are very different by regions—higher in the Maghreb, the Nile Valley and South Africa, where the birth rate is notably lower and in many cases below 5 percent.

In 2007 the AIDS epidemic affected about 22 million Africans between 15 and 49 years of age (6 percent of adults of that age) but it is spread very unequally over the African continent: its presence is insignificant in the Maghreb (under 1 percent), increasing towards the South to reach over 10 percent in the southern states (South Africa, Namibia, Mozambique, Zimbabwe, Zambia) and 20 percent in Botswana. Sexual promiscuity is the main cause of this spread, followed by mother to child transmission: 30 percent of pregnant women in South Africa carried the virus in 2007 and 40 percent in Swaziland. The high cost of drug treatment against the virus has left most of those infected defenceless and deficiencies in hospitals and public medical services in general have become more serious due to the disease. If earlier there was a strong tendency to a «brain drain» of doctors and nurses towards the developed countries, the need to live with AIDS in the absence of sufficient means of protection has accelerated this departure. To make matters worse, during Thabo Mbeki's presidency the government of the richest country affected in the area, South Africa, refused to accept the link between the disease and sexual activity; or to provide antiretroviral drugs; or even to use drugs which prevent transmission of the disease from mother to child. According to a study by the University of Harvard, as a result of this policy, between 2000 and 2005 a total of 365,000 deaths from AIDS could have been avoided. The Ministry of Health spread the idea that antiretrovirals were

harmful to health and encouraged people to consume more garlic and sugar beet to avoid the disease. The new South African government, led by Kgalema Motlanthe, hastened to cancel this policy, however, and recognise that it was a great mistake.

Altogether, the prevalence of AIDS is stabilising and even in some cases decreasing slightly—a step forward compared with the continuous growth of recent decades. In some countries changes in sexual behaviour in young people are beginning to appear and antiretrovirals financed by international programmes are reaching more and more of those affected; however this proportion is still only 10 percent of the total, and for each African who starts treatment another two become infected. Two-thirds of the world's carriers of the virus live in Africa (67 percent) but the continent accumulates 75 percent of the resulting deaths.

Altogether, the population of the African continent has grown much more quickly than any other since the beginning of the twentieth century, increasing from 142 million in 1920 to 200 million in 1950 and 900 million at the present time. In spite of the AIDS epidemic, Africa still sustains the largest population increase in the world with an annual growth rate of 2.5 percent (as opposed to 1.2 percent for Latin America and Asia) in line with the World Bank's forecast that the population will double by 2035.

Table II- Growth of the African population in millions. Countries with more than ten million inhabitants in 2006.

	<u>1950</u>	<u>1970</u>	<u>1990</u>	<u>2006</u>
Algeria	8.893	13.932	25.093	32.930
Angola	4.118	5.606	8.291	12.127
Burkina Faso	4.376	5.304	8.336	13.903
Cameroon	4.888	6.727	11.779	17.341
The Ivory Coast	2.860	5.504	11.981	17.655
Egypt	21.198	33.574	56.694	78.887
Eritrea and Ethiopia	21.577	31.629	51.194	79.565
Ghana	5.297	8.789	15.399	22.410
Kenya	6.121	11.247	23.358	34.708
Madagascar	4.620	6.766	11.522	18.595
Malawi	2.817	4.489	9.287	13.014

Migration in and from Africa. The demographic boom of a stagnated continent

Mali	3.688	5.569	8.084	11.717
Morocco	9.343	15.909	24.686	33.241
Mozambique	6.250	9.304	12.656	19.687
Niger	3.271	4.841	7.945	12.525
Nigeria	31.797	51.028	88.510	131.860
Senegal	2.654	4.318	7.844	11.987
South Africa	13.596	22.740	38.391	44.188
Sudan	8.051	13.788	26.627	41.236
Tanzania	7.935	13.807	25.138	37.445
Tunisia	3.517	5.099	8.207	10.175
Uganda	5.522	9.728	17.074	28.196
Zaire	13.569	21.781	39.064	62.661
Zambia	2.553	4.252	7.942	11.502
Zimbabwe	2.853	5.515	10.153	12.237
Total for Africa	228.181	361.703	624.540	910.850

Source: Angus Maddison <http://www.ggd.net/maddison>, in-house.

Table III- Projection for population up to 2050 based on different hypotheses from birth rate. Millions			
	Low	Mean	High
Africa	1.718	1.998	2.302
Europe	566	664	777
World	7.792	9.191	10.756

Source: U.N. Population Division. «Worldwide Demographic Forecasts. Review of 2006».

Most African societies have not been able to couple population increase with equivalent economic growth and the result is a serious imbalance: with 14 percent of the world population, African GNP is only 1 percent of the world's total. Observers have already made a long list of the causes of this poverty, motivated by the desire to find elements which could be acted on externally to fight it. It has to be remembered that Africa is the great receiver of public and private international development assistance and innumerable projects and NGOs are active there. From this external effort comes a significant volume of

studies on partial aspects of African societies, particularly the sub-Saharan countries, from which a number of common elements hindering economic growth can be deduced: institutional weakness; corruption; the low level of education; the lack of regional economic integration; ethnic conflicts; single crop agricultural production for export or excessive dependency on raw material exploitation; the brain drain; and ecological disasters which cause major bouts of famine. To this many add European responsibilities due to colonial practices. But what these studies—desirous of rapid improvement—do not mention is the starting-off point. What was the situation in Africa before colonial times? Since most African societies were agraphic, little evidence remains of this except what was observed by the first explorers, missionaries and colonisers. These observations describe primitive rural societies in Sub-Saharan Africa (except in South Africa, populated by the Dutch from the seventeenth century and the British from the nineteenth), with very little development of agricultural techniques; tribal organisation and frequent ethnic conflicts. This should be remembered in order to relativise diagnoses on the present situation, and regret at the lack of economic, democratising advances or equal rights for men and women. The lack of historical perspective leads many to imagine that in a matter of decades, with the help of voluntary projects and investments, it would be possible to speed up a process which in European societies, in a more favourable natural environment, took centuries. Meanwhile, Africa's entry to the globalised world needs the appearance of external elements of modernisation which would accelerate the process but at the same time ushers in new problems, amongst them, as has already been said, the destruction of the previous demographic balance and resulting major population growth.

In any case, we need not go back very far in history to see a clear improvement in most of the indicators for well-being in Africa: education has extended to all the countries although there continue to be areas where children, particularly girls, do not attend school. Epidemics have decreased with the arrival of vaccines, and since the nineties there has been a major spread of democratisation and famine is less frequent. African GDP has grown 72 percent in the last two decades from \$905 billion in 1990 to 1.557 trillion in 2006 but its effect on well-being has been offset by high population growth. Thus, per capita income has only increased by \$261 (from \$1,449 to \$1,710), rising 18 percent, which is just a quarter of the increase in GDP growth.

Table IV.- Comparative African and world population growth, production and income per capita					
	1950	1970	1990	2006	Growth 2006/1950
AFRICA					
Population (million)	228,181	361,703	624,540	910,850	3.9
GNP (millions of dollars)	212,653	490,102	904,898	1,557,313	7.3
Income per cap (\$)	890	1,355	1,449	1,710	1.9
WORLD TOTAL					
Population (millions)	2,525,501	3,685,775	5,256,680	6,496,812	2.6
GNP (millions of dollars)	5,336,686	13,771,750	27,136,041	47,267,513	8.8
Income per cap (\$)	2,113	3,736	5,162	7,275	3.4

Source: Angus Maddison, <http://www.ggdc.net/maddison>, in-house.

As the table shows, while worldwide income per capita has multiplied more than threefold since 1950, the African figure has increased less than twofold, and its absolute gap with worldwide annual income has almost quintupled from \$1,223 in 1950 to \$5,565 in 2006.

On the other hand, to talk of Africa as a whole would be to make excessive generalisations which fail to take into account the internal diversity of its 53 countries. In terms of economic development, wealth is concentrated firstly in the northern countries of the continent which benefit, amongst other things, from their proximity to Europe; and secondly, particularly in South Africa, a small island of modernisation in sub-Saharan Africa, obviously due to the historic presence of the Dutch and British in its territory. In the great expanse between the Maghreb and South Africa some regions of development appear, related to maritime port business on the west coast, mining, or particularly profitable tropical plantations.

Migration within and from Africa

Africa has often been described as a continent in motion, since the major migrations in modern times are partly responsible for the appearance of many towns, for instance the Bantu expansion from the centre of the country towards the south of Africa; or the Dutch settling in South Africa from the seventeenth century onwards. Most of the African land mass lacked modern states and borders before the colonial period and it was the foreign powers which, through mutual agreements, drew out the current political map. But these borders inherited from colonisation often have very little social relevance and even less effect in practical terms because many states lack the resources to guard them; many others do not in any way control the national origin of those living in their territory; and some do not even issue passports or visas. In the areas of the continent where grazing is the main means of existence, crossing the border for months to look for grazing land on the other side is a habitual, traditional and tolerated practice. Nor do the few nomadic peoples who still exist come across any difficulties crossing borders, which are often not marked. At the present time, with an exceptionally young population reaching a scale far beyond any possibility of finding employment or self-employment, migration has in many cases become the only way forward and, in so far as it is successful, the main expectation of whole nations which have become dependent on remittances. But not only the poor emigrate, the elite also do so even more since they have more resources for this and their prospects when emigrating are better. We shall return to this point later.

Migratory movements in Africa are towards the countries where business is concentrated, as well as to Europe, the US or the Persian Gulf. But up till now intra-African migration has been greater than abroad: about 7 million Africans are immigrants in OECD countries, as opposed to about 17 million in other African countries, although this second number must be taken with some scepticism as access to reliable sources of statistical data is one of the great problems in Africa. Population censuses and data on border crossings are lacking, without which no calculations can be made on migrations. In many cases the censuses available are extremely outdated—thirteen countries have made no record of their populations in the last ten years and in others job seeking immigrants are mixed with refugees, there being no statistics on temporary immigrants or estimates of illegal ones, who are very often the majority. The African Union is attempting to solve this shortfall by proposing common codes of action for the

production of statistics and the creation of a central office for collection of data on immigration.

The difficulty of access to authentic data translates into very different estimates on the volume of internal and external African migration. The African Union considers that the figure for international African migrants stands at 50 million (more than a quarter of the migrants estimated by the UN) while the International Labour Organisation (ILO) puts this at 20 million; the International Organisation for Migration (IOM) calculates 16 million, and the UN's Population Division within its Department of Economic and Social Affairs states 17 million. All these figures refer to migrants who live in Africa and come from another country, whether African or not. Even taking the lowest estimates to be accurate—16 or 17 million—these numbers show that international migration within Africa is the highest of all the developing continents (Latin America, Asia and Africa), in proportion to its population.

To these numbers should be added about three million refugees in 2005, according to the calculations of the UN Population Division and 2 million according to calculations by the UNHCR for 2007. Also in this case the percentage of refugees out of the total population is the highest in the world, almost doubling that of Asia, the other great continent affected by wars producing refugees. The number of refugees has decreased remarkably from the mid nineties, when the killings in Rwanda raised the number to 6.8 million. Since then more than half the refugees have returned to their homes, although new conflicts, such as the recent one in the Congo, have in turn continued to produce forced movements of population. Along with the 2 million refugees are 13 million internally displaced persons—the difference between the two categories is that the latter remain in the same country. This is half the figure for the entire world.

The annual exodus of African migrants towards other continents has been growing continuously since the sixties to reach 140,000 in 2001. The main countries of origin of these emigrants are, in absolute terms, Nigeria, South Africa (white emigration towards the UK, Australia, New Zealand and others), Ghana, Somalia, Ethiopia and Senegal. Immigration from Somalia and Senegal is orientated basically towards Europe, whereas the Ethiopians head for the US and the Nigerians or Ghanaians are divided between the two destinations. But there is a clear difference in class and legal status between those that choose Europe (with the exception of the UK) and those that go to the US: the most qualified ones, the university students, emigrate legally to America, where illegal entry from Africa is al-

most impossible, and the less qualified go illegally to Europe through Spain or Italy, arriving by sea (this obviously does not apply to those that enter as regrouped family members). The third destination in importance is the oil-producing countries in the Gulf, whose manual labour, either qualified or casual, is chiefly immigrant, reaching 90 percent of the total in the case of Kuwait. Almost exclusively the Muslim population go to these countries: basically Egyptians, Palestinians, Lebanese, Syrians, Filipinos, Malaysians or Indonesians, but there are no reliable data broken down for Africans.

The data on African migration to the OECD countries, estimated altogether at around seven million people, is collected in these countries and their degree of reliability is the usual for any statistics on migrations in the first world. However, as has already been said, internal international migratory trends within the African continent are much more poorly recorded.

Below are a number of characteristics which define current African migrations, both within Africa and internationally:

The diversification of destinations

Traditionally African migration has been towards neighbouring countries or former colonial capitals with which there are often cultural ties—the language—and often more favourable conditions for entry. Thus, for example, African immigration to Portugal comes basically from its former colonies (Mozambique and Angola), emigrants to France come from Algeria, Morocco and the sub-Saharan French-speaking area, and those going to the UK are mostly from Kenya. But in recent years more intra-African migration to distant countries has taken place, such as the Senegalese and Malians moving to South Africa, or African emigration abroad to the US and the countries of the Persian Gulf. Many Muslims in sub-Saharan Africa are emigrating to the Arab countries in the north, particularly Libya and Morocco, where they face the contempt with which black Africans were historically treated by the Arabs. In the case of Morocco, a fair proportion of these emigrants had chosen Europe as their original destination but ended up settling there due to the ever greater difficulty of crossing the Straits without being detected. In the case of Libya, its territory concentrates both emigrants who attempt to journey to Italy and another permanent group which go to Libya to work in all types of occupations (Libya, like the Gulf's oil monarchies, imports manual labour). But migration to Europe from sub-Saharan Africa continues to be very much a minority issue: of all sub-Saharans who live outside their country, only 1.5 percent lives in the European Union.

Business migration

There is an increasing trend towards the emigration of small-scale entrepreneurs and salesmen, particularly in the casual sector. A major proportion of those that emigrate from countries in western Africa fall into this category, particularly those from Senegal and Mali. Initially, these emigrants went to Zambia but when the country's economy collapsed in the nineties they headed for South Africa in the years immediately after the end of apartheid in 1992, attempting to take advantage of the local market, which is relatively prosperous in comparison to the average for the continent. These emigrants are street vendors and/or importers of traditional African hand-crafted articles and many of them hire local manual labour, reinforcing the casual labour sector in South Africa. More recently, from the end of the nineties, this type of casual salesman has headed towards southern Europe (Italy, Portugal, Spain) and the central area (Belgium, Germany), but Europe's increasing effectiveness in the fight against illegal immigration has led them to seek easier destinations in Latin America. In the African interior, this trade emigration is basically female, whereas outward bound migration is male.

Independent female migration

Migration was traditionally male in Africa, as it still is in the case of most of those who leave the continent, but in recent decades women have become significantly more important and no longer is it unusual for the men to stay at home taking care of the children. A major proportion of these emigrants are sales women, professionals, nurses and doctors, and students. Nigerians and Ghanaians work in the health sector in Saudi Arabia or the UK, and Nigerian upper class women study in the US or the UK, given the virtual disappearance of their own university system.

The migration of professionals and the brain drain

Out of four million Sub-Saharanans who live in the OECD countries, about 100,000 are professionals with a university degree. In the case of emigrants from Nigeria and Zambia, more than half belong to the segment with higher qualifications. Doctors and nurses form a small proportion of the total but their departure from the country has a very negative impact on their healthcare systems. In Ghana, for example, 60 percent of the doctors who trained in the eighties have emigrated and in Zimbabwe, after the collapse of the economy by the anti-white and increasingly authoritarian Robert Mu-

gabe, three quarters of doctors have gone to South Africa or Botswana. In addition, white doctors and nurses from South Africa emigrate to the UK, Australia, Canada or the US.

According to a 2005 UN report, in the next decade Africa will need to train a million more doctors and nurses and find ways of preventing them from emigrating. At the same time, the report blames the northern countries for this drain of health professionals, stating for example that there are more doctors from Malawi in Manchester than in their own country, while 550 of the 600 doctors trained in Zambia between 1978 and 1999 have emigrated abroad. On the other hand, the International Organisation for Migration (IOM) reports that there are more Ethiopian doctors working in Chicago than in their own country and that Ghana has lost 50 percent of all its doctors. In Europe, the UK is the major employer of African medical personnel: about 13,000 African doctors and 16,000 nurses work in the country.

Altogether, including other professionals such as engineers and technicians, it is calculated that about 23,000 lawyers emigrate from sub-Saharan Africa every year and that about 40,000 Africans with post-graduate degrees live abroad. This «brain drain» doubtless implies a waste of limited African resources, although on the other hand, it may provide incentive to obtain university training for those who have the means to access it. It is likely that without the job supply offered overseas many of those who decide to study engineering, medicine or nursing simply would not do so. This applies clearly to doctors and nurses in countries with high rates of AIDS and insufficient resources to defend the medical profession from infection.

Decreasing hospitality

As was the case in many traditional societies, Africans were and still are hospitable, but over the last twenty years the conditions for accepting immigrants and refugees all over the continent have toughened up. The major landmarks are the expulsion from Nigeria in 1983 of two million immigrants, mostly from Ghana; the expulsion from Tanzania in 1996 of almost half a million Rwandan refugees; and 350,000 Burkinese immigrants from the Ivory Coast in 2002. In general it can be said that a process of «nationalisation» is taking place in African countries and their societies, which is tending increasingly to consider foreigners to be outsiders and exclude them from their territory. In the nineties the spread of democratic practices over the continent and of free elections had as a collateral effect political

parties fearing that immigration will alter electoral results and upset the ethnic balances which are expressed in votes. The greater weight of public opinion in political life, also a result of the spread of democratic practices, makes governments more sensitive to complaints from citizens who suffer some of the negative consequences of immigration, or state costs involved in refugees, and at the same time creates the temptation of xenophobic demagogy to win votes.

The major areas of international intra-African migration

North Africa and the Sahara

The so-called oil crisis of 1973 was the beginning of major economic growth in oil-producing countries such as Libya, as well as the end of recruitment of workers from North Africa in Central Europe. The combination of these two processes produced intense trans-Saharan migration which began in the seventies, when former nomads such as the Tuaregs, and traders who traditionally crossed the Sahara went to work in the construction industry and gas or oil-drilling operations in the south of Algeria and Libya in depopulated regions. Also in the seventies and eighties the armed conflicts in the Sahel area sparked the arrival of thousands of refugees who settled in Libya, Algeria, Mauritania and Egypt.

Libya's international isolation between 1992 and 2000, as a result of the embargo imposed by the UN after the Lockerbie attack, led the country to search for new allies in black Africa and to attract manual labour from several of these countries, particularly the Horn of Africa and western Africa (Sudan, Chad, Ghana, Niger). In 2000, out of a total population of 5.5 million people, around one million were Egyptian immigrants, half a million from Chad and another half million from Sudan. But the black immigrants, although of Muslim religion, had less strict religious practices than the Libyans and soon tensions emerged from this coexistence. They were accused of encouraging drug trafficking and drug consumption, prostitution and AIDS transmission, until in September 2000 attacks took place against the black immigrants, ending with about 130 dead in an episode which went unnoticed for most of the international press. As a result of this pogrom, the black African countries removed many of their emigrants (the Ghana government chartered planes to repatriate them) and the Libyan government introduced new restrictions on immigration, along with arbitrary arrests and expulsions of tens of thousands of immigrants.

In the eighties, Libya and Algeria also took in immigrants from Egypt and the rest of the Maghreb countries, while Egypt also sent emigrants towards the oil monarchies of the Gulf. But the immigrants' status in these countries has always been extremely vulnerable, a far cry from the rights they enjoy in European or English-speaking democracies. Indeed, they have often been used for barter in international relations and have been subjected to massive expulsions motivated by diplomatic confrontations.

At the present time the number of Sub-Saharanans living in North Africa is considered to total around five million, of whom between a million and million and a half are in Libya. The biggest group is made up of the Sudanese in Egypt (between two and four million). Also Mauritania and Algeria (about one hundred thousand in each case) and, to a lesser extent, Tunisia and Morocco, accept sub-Saharan immigrants.

East Africa and the Horn of Africa

This has traditionally been an area of «circular» migration (that is to say, repeated and non-permanent), particularly by shepherds with their flocks. During colonial times wage-earning immigrants began to work on the cotton and coffee plantations in Uganda, in the mining works in the Congo or Uganda. In the area under British rule, unrestricted cross-border grazing continued to be allowed between Kenya, Uganda and Tanzania. After independence this freedom was maintained, guaranteed by the East African Community which has recently introduced a common passport for the nationals of its member states.

But in recent times most of the population movements in the area are due to armed conflicts. Half the continent's refugees come from this area and for the last forty years—i.e. since the end of colonialism—the area has been continuously ravaged by ethnic conflicts, the only exceptions being Kenya and Tanzania. Refugees are in some cases exchanged (the Sudanese in Ethiopia, Ethiopians in Sudan) and in others are forced to flee from the country which has accepted them because it is also caught up in an internal or international war.

In spite of the expenses involved in attending to refugees, the countries in the area willingly accepted the refugees until the mid-nineties when in 1996 Tanzania expelled the Rwandan refugees. Since then, the attitude towards refugees and asylum seekers has worsened, states are now much more reluctant to accept them, and the pan-African spirit seems to be breaking down, and now leaving a country in conflict has

become much more difficult. Consequently, the number of refugees in the area has decreased (from 2,430,000 in 1995 to 1,387,000 in 2005) without the conflicts having abated in any way, and there has been an increase in internally displaced persons. In Sudan alone at the end of the 2005 there were about five million internally displaced persons and almost two million in Uganda.

It is difficult to distinguish between refugees and job-seeking immigrants in the area because countries tend to lump them all together as refugees and because difficult access to areas in conflict makes it impossible to establish their situation in demographic terms. On the other hand, statistical records are both outdated and few and far between: in Kenya, for instance, one of the most developed countries in sub-Saharan Africa, the last census was taken in 1989.

West Africa

If we exclude the Maghreb, this is the African region with most movement both towards other continents and other African regions. After the Maghreb, West Africa is also the region which accepts the most African immigrants (2.7 percent of its population in 2000 were immigrants). Within West Africa migrants move from the interior towards the coast, from the area of the Sahel (Mali, Burkina Faso, Niger and Chad) towards the plantations of the Senegal river basin and the mines and coastal cities (on the Ivory Coast, Liberia, Ghana, Nigeria, western Senegal and Gambia). As was the case in Libya after the rise in oil prices in 1973, Nigeria became a major attraction for African immigrants in the seventies and early eighties. But the drop in the price of crude oil and in production as of 1983, along with an unsuitable economic policy, produced a crisis in the eighties and the expulsion of about two million immigrants, half of them Ghanaian, with the result that Nigeria went from being a country of immigrants to a country of emigrants.

The creation of the Economic Community of West Africa (ECOWAS) in 1975 facilitated internal migration in the area on declaring freedom of movement between the member countries. However, practices have often contradicted this freedom, either due to police corruption or governments' desires, as was the case in the above-mentioned expulsion of immigrants from Nigeria in the eighties. From the nineties the economic and political situation in the area took a clear turn for the worse, with several civil wars in Sierra Leone, Liberia, Guinea and the Ivory Coast which caused more than one million refugees or displaced persons.

At the present time, immigrants are concentrated around industrial ports; in cacao and coffee plantations in Ghana and the Ivory Coast; in the Senegal river basin agriculture and in the new areas of irrigated land which in recent years have managed to turn 24 million hectares into agricultural land, thanks to major infrastructure works and the arrival of new population. Senegal has also become the main country of migration in transit towards Europe, not only for other Africans but also for Asians.

Southern Africa

In this region there are two poles which attract immigrants: South Africa and Namibia, and four clearly emigrant countries: Zimbabwe, Mozambique, Lesotho and Malawi, while the remainder is both host countries and countries of origin. South Africa is the biggest economic power in Africa but since the years of international economic sanctions against apartheid in the eighties it has been experiencing a continuous drain of qualified whites, which intensified in the nineties after the end of apartheid. Around a million white South Africans have left the country since 1994 when the African National Congress won the first elections with universal suffrage. The gaps being left by these whites on emigrating towards the UK, Australia, New Zealand or the US were partly covered in the nineties by East Europeans (Hungarians, Poles and East Germans from the former DDR). However the government of the African National Congress restricted this white immigration which it perceived as opposing black interests in the country, and these positions are now occupied to a significant degree by university students from western Africa, basically Nigeria and Ghana, and traders from Senegal and Mali. Thus, the brain drain suffered by South Africa has also led to a brain drain in other African countries. The poorest countries in the area, such as Malawi and Zambia, have had problems since their independence in retaining their professionals in the public services, particularly (as already stated) in the health sector due to the demand for these professionals in the UK.

Along with these are the unqualified immigrants—much more numerous— who arrive from the traditionally poorer neighbouring countries in the North-East, or flee from the economic destruction wreaked by the Mugabe regime in Zimbabwe—it is calculated that about 3,000 Zimbabweans enter South Africa every day. The total figures for immigration in South Africa are very diverse, since a major proportion of immigrants are illegal: from 1,300,000 immigrants calculated by the UN to 8 to 10 million estimated by other sources. But whatever the actual figure, the black South African

population has begun to react by rejecting this immigration which it accuses of making the economic situation worse. With an unemployment rate of 23 percent and half the population living below the official poverty line, the new post-apartheid South Africa has found itself having to defend its relatively favourable position—at least as regards infrastructures and services—against the desire of other Africans to share its well-being. Its intention to reduce unqualified immigration faces major difficulties: a border more than 3,000 kilometres long, very little populated and poorly guarded, and the existence of an alternative economy flourishing amongst the black population. In May 2008 the malaise due to this immigration materialised into two weeks of violent confrontations which ended with 50 dead, 200 injured from burns and 25,000 displaced persons, most of them immigrants from Zimbabwe.

As regards refugees, although currently the majority have already returned to their countries, they were very numerous in this area in previous years as a consequence firstly of the wars of liberation and later the civil wars. At the end of the eighties one million refugees from neighbouring Mozambique lived in Malawi, and at the beginning of this decade Zambia accepted around 200,000 Angolan refugees. In previous times those who are now fleeing from misery and political persecution in Zimbabwe would have been accepted as refugees by neighbouring countries. At the present time acceptance of foreigners has decreased in southern Africa, as in the rest of the African continent, and those who could have been accepted as refugees now become illegal immigrants.

African migration to Europe and the European response

Since the sixties, the overwhelming majority of African migrants who have moved to Europe come from the Maghreb (Morocco, Algeria and Tunisia) and currently at least 2.6 million Moroccans, 1.2 million Algerians and seven hundred thousand Tunisians (including here the second generations) live in Europe. The restrictions placed on immigration in Europe after the 1973 oil crisis did not succeed in decreasing the total numbers of immigrants; on the contrary, this encouraged those who were already there to settle permanently, as well as seeking family reunification in France, Holland, Belgium and Germany. It should be remembered that the Mediterranean coast which separates southern Europe from northern Africa is the border with the greatest inequality in the world. The difference in income per capita between Morocco and Spain, for example, is 1 to 13, i.e. the average Spanish income is equivalent to 13 times the Moroccan level,

whereas on the other great migratory border between the first and second world, separating Mexico from the US, the ratio is only 1 to 5.

From the end of the eighties, the economic growth experienced in southern Europe and the increase in its standards of education left major gaps in the labour market of several economic sectors in terms of low qualified jobs, which began to be taken by North African immigrants, largely as illegal immigrants. Since Italy and Spain began to demand visas from North Africans at the beginning of the nineties, hundreds of thousands have tried to cross the Mediterranean in open boats, motor launches, hidden underneath trucks or with false papers. In this present decade an increasing number of Sub-Saharanans have joined the attempt to cross illegally, coming from the Maghreb to Italy or Spain or from western Africa to the Canary Islands.

These trans-Saharan migrations to Europe involve individuals from many countries in western and central Africa or the Horn of Africa, joined even by migrants from China, India, Pakistan or Bangladesh who fly to Accra or Bamako and from there join in the attempt to make the leap into Europe. It is estimated that between 60,000 and 120,000 Sub-Saharanans enter the Maghreb with the intention of crossing over to Europe but many of them end up remaining there, as a second option, in Libya, Algeria or Morocco. As already mentioned, at least 100,000 sub-Saharan emigrants now live in Mauritania and Algeria; between a million and a million and a half in Libya; and several tens of thousands in Morocco and Tunisia. In all these countries their legal position is very weak and they find jobs in construction, fishing, trade, domestic service or agriculture, generally illegally. The sub-Saharan immigrants who arrive in Europe do not come from the poorest echelons in their countries but rather from the middle level—the only ones with the economic resources sufficient to pay the networks who organise the trip, which often lasts weeks, crossing several countries in different forms of transport.

Since the nineties the European states have reacted with restrictive measures, given the appeal their societies hold for African migration. Along with legal measures such as approving specific sanctions against the ring leaders of illegal immigration, and administrative measures, such as the creation of internment centres for immigrants, Spain and Italy, the two countries most affected by their proximity to the African coast, have reinforced their border control and pressed the European Union to involve itself in the task of surveillance and prevention in the Mediterranean. In the Spanish case, the construction of fences surrounding Ceuta and Melilla is

the recent consequence of this sub-Saharan migratory pressure (Moroccans from the surrounding areas enter freely with a special document). The SIVE system (Integrated System for External Surveillance) run by the Civil Guard, which Spain began to implement in the area of the Straits, was designed initially to detect the arrival of boats with contraband drugs but in a short space of time began to devote itself almost entirely to vessels carrying illegal immigrants. The system is totally effective in its ability to detect boats approaching the coast by day or at night and has led to illegal Moroccan immigration to Spain practically disappearing, at least by this route. To achieve this, SIVE has not been enough: Morocco has had to accept the return, firstly, of its nationals, and secondly, the sub-Saharans. For many years Morocco refused to accept the return of this second group, clearly failing to fulfil the terms of the immigration agreement signed between the two countries in 1992 and claiming that there was no proof that the sub-Saharans reaching the coasts of Cadiz in open boats had come from their coast. The situation did not improve significantly until 2004, when pressure from the European Union, with which the Alaouite kingdom has set out to intensify relations, succeeded in Morocco not only systematically accepting these Sub-Saharans but also collaborating in surveillance of its coastline to prevent their departure. Consequently, the Sub-Saharans moved further south, towards the Saharan and Mauritanian coast to cross to the Canary Islands, or further east, towards Libya to cross to Italy, which this year complained to Spain of an increase in illegal immigration reaching its coasts as a result of the greater control of the Straits. When in 2005 Spain secured the collaboration of Mauritania in the prevention of illegal immigration, the immigrants moved further south and the boats began to arrive from Senegal.

The SIVE was also implemented in the Canary Islands and again demonstrated great effectiveness in the detection of boats, but turned out to be ineffective in reducing the illegal immigration arriving from countries with which Spain did not have repatriation agreements. From 2004 to 2006, the most important years as far as the arrival of *cayucos* is concerned, boats with Sub-Saharans counted on being detected and rescued by the Civil Guard and Red Cross services, being lodged in temporary centres and finally transferred by plane to the Peninsula, given the legal impossibility of sending them back and the saturation of the Canary Islands Reception Centres. Once in Spain, the immigrants were finally released with an expulsion order, after the forty days of internment laid down by the Law on Foreign Nationals (*Ley de Extranjería* - now under review).

The arrival in the summer of 2006 of about 25,000 illegal Sub-Saharanans in the Canary Islands, with considerable coverage by the mass media, caused Spanish diplomacy to rapidly mobilise in the countries of origin. This resulted in signed agreements of different types with several of these countries—Cape Verde, Mali, Guinea-Conakry, Guinea-Bissau and Nigeria—and the collaboration of other countries in the region, with the result of a remarkable reduction in the arrival of illegal immigrants from Africa. In any case, the flow of illegal African immigrants arriving in Europe is very small in comparison with those arriving from other locations via airports or across land as false tourists (in Spain Africans represent less than 10 percent of all illegal immigrants who arrive annually). Nevertheless, sub-Saharan illegal immigration takes up a disproportionate part of the efforts of southern European states against illegal immigration and this is for three reasons: firstly, due to the greater visibility and dramatic nature of their arrival, secondly, due to African migratory potential, and thirdly, to the lesser adaptability of these immigrants to the European labour markets. As already stated, most African immigrants who arrive in Europe are unqualified and their educational level is much lower than those from any other part of the world. This fact leaves little margin for them to enter stable employment and turns them into probable candidates for social benefit schemes, whereas illegal immigrants from Latin America, Asia or eastern Europe, with higher qualifications, find a broader range of possible jobs. These different levels of qualifications can be seen in the following table for Spain.

	EU-14	Native Spaniards	Rest of Europe	African	Latin American
Primary or lower	31	49	32	67	41
Secondary	35	21	45	20	36
University graduate	29	14	15	6	12
Unknown	5	16	8	6	11
Total	100	100	100	100	100

Source: EPA, 4th Quarter, 2007, own source

Note: EU-14 includes EU countries excluding Spain, prior to the 2004 enlargement.

In 2004, Italy also persuaded Libya for the first time to accept repatriation of illegal immigrants. In return, the EU agreed to lift the arms embargo imposed on Libya for the past 18 years. Nevertheless, Italy has still not obtained effective collaboration from Libya over the prevention of open boats leaving its coastline, although it has accepted the payment of significant economic compensation for abuses committed there during the colonial period. In fact, illegal African immigration to Italy has increased simultaneously with the reduction in the numbers arriving in Spain: in 2008, 21,000 illegal immigrants arrived in Italy by this route, 55 percent up on the 2007 figure, whereas in Spain the figure has decreased: in 2007 the total was half the 2006 figure (18,000 and 39,000 respectively) and in 2008 this has fallen a further 30 percent (13,000).

On the other hand, the effectiveness of the measures taken by Spain has translated into an increase in the arrival of immigrants who are harder to send back, such as pregnant women or unaccompanied minors, especially protected by law, and new routes still lacking surveillance have opened up, such as from Algeria to the Spanish east coast (Murcia); from Tunisia to Sardinia; or Libya to Crete.

Both Spain and Italy have tried to «outsource» surveillance to the Maghreb countries and have pressed the European Union to bring its policy towards the southern Mediterranean border into line with collaboration with these countries in controlling their borders. European pressure has been effective in the Moroccan case but results are more doubtful in the case of Libya. The European Commission has even proposed creating temporary centres for asylum seekers in North Africa, financed with European money, however protests from NGOs defending human rights have thwarted the project. The experience of the Moroccan response in the 2005 crisis, when hundreds of Sub-Saharanans tried to scale the Ceuta and Melilla border fences, leaves little room for doubt as to consideration of the rights of illegal immigrants in the Maghreb: when the Moroccan government intervened to expel the sub-Saharanans who had been rejected by the Spanish authorities in Ceuta and Melilla, it chartered buses which left the immigrants in the middle of the desert on the border with Algeria. After international protests, the Moroccan government went back to collect them and bus them into cities. Since then the mass media has not made any further reports on their fate.

The creation of FRONTEX (European Agency for the Management of Operational Cooperation at External Borders of the Members States of the European Union) in 2004 is another achievement of the southern Member States, although its accomplishments are so far modest, as is, in gen-

eral, the effective collaboration of European vessels in surveillance of the West-African coast to avoid illegal immigration. FRONTEX is also active in maritime surveillance between Italy, Greece, Malta, the Italian island of Lampedusa and the Tunisian and Libyan coasts.

The European Union is attempting to construct a virtuous circle in North Africa similar to the one it succeeded in creating in the nineties in the East European countries which were candidates for enlargement, in order to extend its model of modernisation, democratisation and market economy. The Euro-Mediterranean Association Agreements (EMAA), signed by all the North African countries except Libya, are the main instrument in this regard, and will lead to the creation of a free trade area in few years, whereas the European funds to aid transition are channelled through the MEDA (Mesures d'Accompagnement). But unlike Eastern Europe, in the case of North Africa, a significant proportion of these funds are directed at reducing immigration through the development of rural economies, or granting them is formally or informally conditional upon collaboration in the prevention of illegal transit immigration.

In addition, in its attempt to decrease African migratory pressure, the EU has invested in the «global focus» which attempts to address the causes and fight the poverty which causes migration. But Europe is coming up against serious difficulties along this path, which originate from the weaknesses and corruption in the African states and the sheer enormity of the task. There are also well-founded doubts as to whether this route, even if successful and if it managed to significantly increase the standard of living of the main countries sending emigrants towards the first world, would really lead to a drop in emigration. Just as it is not the poorest people in Africa who emigrate, it is not the poorest countries in the world which do so either. The main countries producing migrants are the ones at an intermediate stage of development, such as Mexico or Turkey, so that raising the standard of living in the very poor countries will probably cause an increase and not a drop in migration from there.

Prospects

The high African and particularly sub-Saharan birth rate forces us to predict a major population increase in the coming years, which will become a heavy burden on the environment and will cause an increase in the proportion of young population of working age who do not find sufficient employment in their own country. This should make birth control one of the priorities for these nations and also for the international organisations

which promote development. Despite this, a reduction in the birth rate is not amongst the UN's «Millennium Goals» for Africa, nor does it occupy pride of place amongst most African states' strategies to reduce poverty or promote development. In fact, the UN does not even mention the high birth rate in Africa as a problem, respecting particular African sensitivity on the subject. In contrast, the World Bank—more independent of African national political influences—does consider a reduction in the birth rate to be one of the main objectives for Africa.

The African economy embarked upon globalisation from a weak position, dependent on the export of agricultural produce or raw materials, having previously developed neither internal markets, nor solvent nations, nor infrastructure which would bring cohesiveness to often immense, depopulated territories. Africa continues to lag behind, also affected by the protectionism of the US or European agricultural markets, now aggravated by the financial crisis and the crisis in the first world's real economy, which has translated immediately into a decrease in aid and in the demand for some raw materials. Against this backdrop an increase in extra-African migratory pressure is foreseeable, due to the exhaustion of the possibilities of migration within the continent.

As regards possible destinations outside Africa, it is unlikely that any new ones will appear other than the three current areas: the Gulf States, the US and Europe. Of these three, without a doubt Europe will be most affected. The US is too far away from Africa and only arrival by plane is possible, enabling strict controls on African immigration. The oil-producing countries in the Gulf, on the other hand, are characterised by their non-existent respect for the rights of the immigrants, making illegal immigration to these countries unlikely. Europe, in contrast, is not only close by but also its ability to act against illegal immigration is greatly constrained by its own regulations on the rights of foreigners.

Moreover, within Europe, Spain is in a very vulnerable position as regards illegal immigration due to its greater proximity, since control depends largely on collaboration from Morocco with which Spain has several disputes, and because the status of illegal immigrants in Spain, unlike in Italy or any other European country, gives them access to significant social benefits such as free medical care in the same conditions as Spaniards. Against this backdrop, the substantial reduction in the arrival of sub-Saharan immigrants achieved by Spain in the last two years, in exchange for investments in the transit countries, cannot be sustained in the long term, making new and more expensive diplomatic initiatives necessary.

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