

# STRATEGIC ESTIMATE 2014



**Khilafah.com**  
**Adnan Khan**

**“The first possible outcome (in Syria) is for ongoing conflict between ever more extreme Sunni and Shiite factions. The rebel groups are dominated by Sunni Muslims, while Assad is generally backed by Syria's Alawite, Shiite and Christian minorities.”**

**“And the second outcome, is the dissolution of Syria and the end of a single state within the borders defined by a 1916 treaty between the French and British empires. It means the end of the Sykes-Picot (Agreement), it sets in motion the dissolution of all the artificial states created after World War I.”**

**“Option three is Assad wins, and I must tell you at the moment, as ugly as it sounds, I'm kind of trending toward option three as the best out of three very, very ugly possible outcomes.”**

Michael Hayden, retired US Air Force general who until 2009 was head of the Central Intelligence Agency - CIA<sup>1</sup>

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# Introduction

Strategic Estimate 2014 is Khilafah.com's fourth annual assessment of the global balance of power. We concluded our 2013 assessment with the US remaining the world's superpower, facing a challenge in one region in the world by an assertive and aggressive China. Faced with this reality America's pivot to the Asia-Pacific was taking shape in earnest as draw downs in both Afghanistan and Iraq were in full swing.

The rise of China with its rapid economic growth has been a regular feature of global politics for the last few decades. As part of our Strategic Estimates we have long questioned the sustainability of this rapid economic growth and in 2013 the unmistakable signs that China was trouble came to the surface. Many analysts in 2013 concluded China's economic model has now run its course. Has China's economic model run out of steam? Can China transition to another economic model? In Strategic Estimate 2014 we assess China's prospects.

Ever since Vladimir Putin came to power and centralised Russia we have tracked Russia's assertiveness in its region and beyond. Russia has been competing with the US to reverse the losses after the decade of the Soviet Union's collapse. The reversal of the colour revolutions and more confident at home, Russia has been in an ideal position to challenge US prowess round the world. However, Russia's response to US provocations against North Korea in February 2013 and Russian actions when al-Assad conducted a chemical attack in August 2013 were uncharacteristic of a global power and raise serious questions about Russia's capability and ambitions. Strategic Estimate 2014 assesses Russia's position on these issues and analyses the nation's military, energy, economic and social power.

The European Union continues in its struggle to navigate the myriad problems the global economic crisis has created. A variety of policies were analysed in Strategic Estimate 2013 which were applied during the year, these will be analysed to assess the EU's current position. The political powers in Europe – Britain and France have had a busy year with their intervention in Mali. The position of both countries in terms of the global balance of power will be assessed in order to ascertain if they are any position to replace Russia and China as nations challenging the world's Super Power – the US.

The Arab Spring reached its third anniversary in 2013 and the initial euphoria has given way to anarchy and chaos. The country which witnessed one of the Arab spring's regime changes – Egypt, was short lived as it was overthrown on the eve of its first anniversary in power. Across the region Libya, Tunisia and Yemen struggle to maintain stable rule. The battle for Syria continues with various factions vying for rule and with a heavy presence of international powers complicating the situation. In Strategic Estimate 2014 we assess where the region stands as the Arab Spring passed its third year anniversary.

The role of ideology and values in global politics is this year's geopolitical issue. Whilst economic and military power can be central to national power, values have for long played an important role in global power projection. The Cold war was the height of such an ideological clash and with the dominance of Capitalism the role values play in global politics is assessed.

What follows *inshallah* is the author's opinion and assessment of 2013 and the trends for 2014 and beyond. Like any assessment, they are estimates and forecasts.

28<sup>th</sup> Safar 1435

31<sup>st</sup> December 2013

Adnan Khan

# Arab spring – 3 Years on

Strategic Estimate concluded its assessment of the Arab spring at the end of 2012 with the following:

**“.....aside from the Syrian uprising the others that took place have all ground to a halt as those who espoused Islam are in reality maintaining the pre-revolutionary systems. They are attempting to keep the West happy with their moderation and the people that voted them in, happy, by making cosmetic changes, whilst all the while keeping in place the secular systems and protecting Western interests.**”

The Arab spring reached its third anniversary at the end of 2013. The euphoria that captured the world and stunned many, as previously unshakable dictators, who ruled for decades began falling one after the other. This has now given way to the reality of self-rule and the challenges this brings. The most influential regime in the Middle East – Egypt successfully navigated the Arab spring, but this was short lived as power fell in Egypt as the Muslim brotherhood (MB) was overthrown by the military. In the other countries the groups who took power continue to evolve and navigate the myriad of challenges.

## Egypt

In the Strategic Estimate 2013 we concluded the situation in Egypt as the follows:

**“The system the army constructed that enshrined US interests and protected the state of Israel simply has a new manager. Whilst many came onto the streets demanding change, the faces have changed, but the underlying system remains firmly in place in the country.”**

The rule of the Muslim Brotherhood’s (MB) Freedom and Justice Party (FJP), since the swearing in of Muhammad Morsi as president in June 2012 was anything but stable. Problems began as soon as Morsi won the presidential elections. The result was delayed which indicated something was taking place behind the scenes. Egypt has been a central player in protecting US interests in the region and protecting Israel through its 1979 peace treaty. A US ambassador confirmed what took place: *“The United States is committed to the peace treaty between Egypt and Israel and considers it crucial for peace and stability in the region, and for the prosperity of the people of Egypt and Israel in the first place. We also consider this treaty the foundation for peace-making efforts and stability in the whole region. We are of course pleased that the Government of Egypt has repeatedly expressed that it would honour all Egypt's international obligations. We encourage Egypt and Israel to continue their direct discussions over the security situation in the Sinai and other issues of common interest; and we affirm that security in the Sinai is the most important first and foremost.”*<sup>2</sup>

Morsi sent a communiqué confirming Egypt's commitment to peaceful ties with Israel. In a letter sent to Shimon Peres, President of Israel, Morsi said: *“I am looking forward to exerting our best efforts to get the Middle East Peace Process back to its right track in order to achieve security and stability for all peoples of the region, including that Israeli people.”*<sup>3</sup> Despite vociferous denials by Morsi’s representatives, the letter turned out to be genuine. The UK’s Guardian reported that Peres's office said the president’s aides received the official communiqué on July 31<sup>st</sup> 2012 from the

Egyptian ambassador to the Jewish state, both by registered mail and by fax from the Egyptian embassy in Tel Aviv. Furthermore, the paper stated that the fax number which appeared on the faxed letter was registered to the Egyptian embassy in Tel Aviv.<sup>4</sup>

Throughout the one year rule of Morsi the domestic political scene was never stable and was worsened by the confusion brought about by the Morsi government over decision-making. Morsi constantly retracted his decisions under pressure. Morsi made many random and arbitrary decisions without any consultation with others. None of the government policies were tested on the street; neither did Morsi attempt to convince the public of his policies. Morsi's rule was characterised with anarchy and this instability continued throughout his year in office, which led to the emergence of a growing opposition, which challenged his rule. Morsi's arbitrary rule can be seen from the following:

- Morsi's first decision on 8 July 2012, was cancelling the Constitutional Court's ruling to dissolve parliament, and calling parliament back based on his presidential decree. Two days later, Morsi changed his mind and decided not to challenge the court, backing down from reconvening parliament after the court dissolved it again.
- In October 2012 Morsi backed down on an earlier decision to remove the country's top prosecutor Abdel-Maguid Mahmoud, keeping him in his post and sidestepping a potential clash with the country's powerful judiciary. The standoff escalated with a backlash from a powerful group of judges who said Morsi's move had infringed upon their authority and on the judiciary's independence.
- In November 2012 Morsi issued a declaration immunizing his decrees. The move led to massive protests and violent action throughout Egypt. By December 2012 Morsi backtracked on the declaration.

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The Morsi government inherited an economy which was already on the verge of collapse. The lack of a clear economic roadmap made the economic situation worse. The problem with the Egyptian economy was that an elite few were in control of it. When large parts of the economy were privatized, the country's assets went right into the hands of Mubarak's friends. These business tycoons still maintained control over the Egyptian economy,<sup>5</sup> something Morsi never attempted to change. This misdistribution led to a situation where 40% of Egyptian population were living below the poverty line.<sup>6</sup> These big business elites moved much of their wealth out of the country when Mubarak fell, leading to a big fall of the Egyptian pound, drastically raising the cost of imports.<sup>7</sup>

Since Egypt is reliant upon agricultural and energy imports, this created a massive trade imbalance and led to Morsi's decision to turn to the IMF. As inflation spiralled out of control and unemployment rose, many took to the streets in protest.

Morsi failed to placate much of the opposition, who took every opportunity to undermine his rule. The secular opposition, Mubarak-era officials, and the business elite never accepted the MB electoral victory, their key demand had always been that Morsi must step down. Morsi had to contend with persistent insurrection since coming to power, and Morsi attempted to deal with this by sacking the prosecutor general Abdel-Maguid Mahmoud and assigning himself powers over the legislative and executive branches as well as immunity from the courts. This backfired, leading to mass riots and stand-off in the streets of Cairo. Morsi failed to integrate the opposition, divide them, or weaken them. As a result, opposition figures carried out regular, often violent, demonstrations to undermine Morsi's rule, bringing the country to a standstill.

*The MB went to great lengths to demonstrate its moderation to the West. In its rush to placate so-called international opinion, they abandoned all commitment to Islamic governance. When it came to applying Islamic principles they cited constitutional barriers and the need to keep minorities onside. When it came to applying Islamic economics, they cited the need to avoid scaring international investors and tourists. When it came to applying the Islamic foreign policy, they cited the need to show a moderate image and to appease the West*

The Morsi regime was plagued with indecisiveness and the inability to deal with pressing problems as it lacked a grand vision. The MB went to great lengths to demonstrate its moderation to the West. In its rush to placate so-called international opinion, they abandoned all commitment to Islamic governance. When it came to applying Islamic principles they cited constitutional barriers and the need to keep minorities onside. When it came to applying Islamic economics, they cited the need to avoid scaring international investors and tourists. When it came to applying the Islamic foreign policy, they cited the need to show a moderate image and to appease the West. Slogans such as 'Islam is the solution,' were very quickly replaced with a call for a civil state. The initial calls for Islam were completely removed from Morsi's statements as he settled into power.

The MB showed a lack of political awareness by entering a political process which was established by Gamal Abdul Nasser and which the army maintained. The army's interference in the running of the country and disproportionate influence weakened the President. The army, since the ouster of Mubarak, allowed the day-to-day running of the country to remain in the hands of the government, but kept foreign policy firmly within its own hands. The minister of defence is always the head of the army in Egypt. Any policy, such as the defence budget that could affect the army's position was always overruled. As a result, the MB had to toe the army's line, giving up whatever plans it had on its own agenda. Rather than attempting to challenge the political system in Egypt with the electoral mandate it received, the MB abandoned whatever it stood for.

Despite compromising on everything, it was never enough for the secular elements, who wished to emerge victorious from their demonstrations. Despite over 80 years touting 'Islam is the solution,'

when the opportunity presented itself the MB failed to meet the challenge governance posed. As a result, despite winning the elections, they were always on the back-foot defending their rule.

By July 2013, Morsi's first anniversary as President, he had inflamed the public by maintaining the pre-revolutionary system. He increasingly became isolated and authoritarian - reminiscent of the Mubarak days. The fragmented opposition capitalised on this groundswell of anti-Morsi feeling, which in a short space of time had captured the hearts and minds of secular Egyptians as well as the vast majority of practicing Muslims. It was the latter segment that had propelled Morsi's Freedom and Justice Party to the fore of Egyptian politics only a year earlier. Now this segment had turned against him and called for his removal.

On 3<sup>rd</sup> July 2013, after being given 24 hours to sort out the crisis by the head of the army, army commandos came to take Morsi to an undisclosed Defense Ministry facility – effectively a coup. Even his Republican Guards simply stepped away as the Muslim Brotherhood joined the likes of Mubarak, Ben Ali, Saleh and Gaddafi – rulers overthrown due to the euphoria of the Arab spring. The situation in Egypt returned to the eve of Mubarak's overthrow, the army was back in power, Mubarak era cronies were also back in key positions and the opposition who posed any challenge to military rule were incarcerated. The Egyptian military under Sisi has worked to completely destroy the MB and every possible threat to their power in order to maintain its role in the country. Soldiers and police opened fire on hundreds of Morsi supporters that gathered in Cairo in numerous protests, hundreds of people were killed in what Human Rights Watch described as “*the most serious incident of mass unlawful killings in modern Egyptian history.*”<sup>8</sup> Throughout August 2013 MB members camped out for days in front of the Rabaa mosque in Cairo, protesting the military's ouster of Morsi. On August 14 2013, wearing riot gear and driving armoured vehicles and bulldozers, the security forces moved in, killing at least 600 people and wounding thousands more. The attack, aided by snipers, lasted for more than 12 hours.<sup>9</sup> Following this the interim president, returned Egypt to martial law. If that was not enough an Egyptian court released Hosni Mubarak from prison too. A Kangaroo court was set up where Morsi and other MB members stood trial for “committing acts of violence and inciting killing and thuggery.”<sup>10</sup> On December 25 2013, Egypt's military-backed government designated the MB a terrorist organization, criminalizing its activities and finances.

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## Syria

Strategic Estimate 2013, summed up the situation in Syria as:

**“The Ummah in Syria after decades of oppression have stood tall even after a brutal crackdown by the Al – Assad regime. For the moment the struggle for Syria stands at various powers manoeuvring in order to gain influence in this strategic country. The situation in the**

**country is still fluid and could potentially go in any direction. The Ummah's challenge in Syria is to not be lured with promises of weapons by foreign powers and compromise with their uprising."**

Throughout 2013 the Ummah in Syria have been able to maintain the purity of their uprising despite the many attempts by foreign powers to hijack their demand for Islam and their attempts to infiltrate the rebel groups.



In May 2013, the al-Assad regime was on the verge of collapse. This led to the intervention of Iran and thousands of fighters from Hizbollah. Because of this Bashar al-Assad achieved one of his most important military victories in the past two years by forcing the withdrawal of opposition forces from the town of al-Qusayr. The town located in Homs province, an area central to the success of Assad's overall military strategy. The fall of al-Qusayr effectively altered the balance of power on the ground and served as a critical turning point in the war. This is because it is a critical junction that linked Damascus to Latakia and the Mediterranean coast. From this success the regime launched multiple counter offensives in Homs, however the regime had to consolidate resources and reinforcements in Homs province, and diverted its attention from important opposition advances, particularly in Damascus. This eventually allowed the rebel groups to make a comeback.

*In "a telephone call intercepted by German spy chiefs, a senior Hezbollah commander told the Iranian embassy in Lebanon that Bashar Al-Assad launched the chemical attack which killed hundreds of people because he 'lost his nerve' in a moment of panic and worried that Damascus would fall to rebel troops." He continued further, "that Syria's president intended to tilt the balance of power towards the regime in the battle for control of the country's capital."*

This desperation is one of the key reasons Bashar al-Assad launched his largest chemical attack yet. This was confirmed In *"a telephone call intercepted by German spy chiefs, a senior Hezbollah commander told the Iranian embassy in Lebanon that Bashar Al-Assad launched the chemical attack which killed hundreds of people because he 'lost his nerve' in a moment of panic and worried that Damascus would fall to rebel troops."* He continued further, *"that Syria's president intended to tilt the balance of power towards the regime in the battle for control of the country's capital."*<sup>11</sup>

America's dithering on this Chemical attack and eventual failure to launch a military strike made it completely clear which side it was on. Al-Assad's chemical attack in the Eastern suburbs of his own capital, showed how far the rebels have come in overthrowing the regime. After initially moving its ships into the Mediterranean and after Britain's parliament refused to participate in any intervention, Obama placed the decision to intervene before the US congress, even though as commander in chief, he did not need to. Obama was able to utilise Russia in a deal that saw Syria give up its chemical weapons instead of military intervention. This episode was completely in sync with US attempts to keep as much of the regime in place until an alternative could be found.

The Geneva talks have been organised by the West for the Syrian National Coalition to negotiate with the al-Assad regime and agree a compromise at the expense of the demands of the people. These talks represented the Western position of maintaining the regime at all costs and having the rebel groups compromise their position on the regimes removal. Leon Panetta, in an interview with the CNN in July 2012, said: *“I think it's important when Assad leaves - and he will leave - to try to preserve stability in that country. And the best way to preserve that kind of stability is to maintain as much of the military, the police, as you can, along with the security forces, and hope that they will transition to a democratic form of government. That's a key.”* John Kerry, US secretary of state, made it clear after al-Assad used chemical weapons in East Damascus that any intervention is not about regime change,<sup>12</sup> A white house official confirmed: *“The White House wants to strengthen the opposition but doesn't want it to prevail, according to people who attended closed-door briefings by top administration officials over the past week. The administration doesn't want U.S. airstrikes, for example, tipping the balance of the conflict because it fears Islamists will fill the void if the Assad regime falls.”*<sup>13</sup>

The announcement of a new coalition based on Islam in September 2013 which included the 11 largest groups in Syria shows the rebels are pooling their resources together and consolidating their positions as they home in on Damascus. The Islamic nature of the uprising was confirmed by many of the factions that have a stake in the country. In late June 2013, Al-Jazeera aired a series of interviews (in Arabic) with leaders of the main armed factions fighting against the al-Assad regime in Syria. Six interviews in total were conducted by Al-Jazeera correspondent Tayseer Allouni, a native Syrian who gained international fame for his exclusive interview with Al-Qaeda leader Osama bin Laden following the attacks of September 11, 2001. The importance of these interviews is in the fact that the world hadn't heard much of the views of field commanders or actual fighters on the ground. The interviews showed a unique perspective from inside the Syrian revolution rarely portrayed in the media. Many attitudes displayed Islamic sentiments held amongst the majority of the rebels, and the desire to have a future Syria that is independent of Western interference or influence. Most important of all was the unanimous rejection of any negotiations with any elements from the regime of al-Assad, a stark divergence from the “flexible” attitudes expressed by “representatives” of the revolution based outside of Syria.

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The regime has lost almost all of the north of the country, the countryside as some southern areas. Today the strategic balance is shifting in the battle between the regime and the rebel groups and it is in this context the US is forcing the rebel groups into negotiations with the regime.

## Libya

In Strategic Estimate 2013, we encapsulated Libya's situation:

**“Libya after the ouster of Gaddafi remains in a state of flux, with both the NTC and its successor the GNC governments having little central authority.”**

The kidnapping and eventual release of Libya's Prime Minister Ali Zeidan on October 10 2013 by regime security forces shows that 2 years since the demise of Gaddafi security remains an issue. Libya in 2013 is marred in chaos, militia violence stalks the land, strikes threaten to cripple the oil industry, violence is on the rise in the East and economic stagnation is everywhere.

It took around 8 months for the rebels and various groups in Libya with significant NATO help to bring down the Gaddafi regime. The war had been long and damaging, the wounds deep and what united all the rebel groups was their opposition to Gaddafi. There was never any plan, blueprint or roadmap of what they would do once the Gaddafi regime fell – this is understandable considering the grip Gaddafi maintained for decades. An unelected interim government, the National Transitional Council (NTC) issued a constitutional declaration, otherwise known as the Road Map, which envisaged a lengthy, 18-month transition to something representative of the people. Stage one was the election of a transitional parliament; Stage Two, parliament's supervision of a new constitution. Once that was adopted, by referendum, Libya would successfully have navigated the Arab spring and transitioned to rule that was representative of the people.

The collapse of regime created a political vacuum as Gaddafi controlled every aspect of Libyan society. Britain and France attempted to fill this huge political landscape with an internationally recognized central government, but this led to the emergence of local and tribal groups to compete with the central authority in Tripoli. Local city councils and militia groups filled the void as the central authority plagued by differences and incompetence struggled to agree on pretty much anything. Today Libya is becoming more and more divided into regions, with little power in the centre. Libya's revolution was one of the periphery against the center. It was led by the militias of Benghazi, Misrata, and Zintan, and ended not with Tripoli rising up, but with the city being captured by those militias, aided by NATO bombings. Those militias and the communities that spawned them, continue to resist attempts to give up power to the central government. The basic problem that has split Libya into regions was encapsulated by one analyst: *“It is important to understand a basic problem, the government blames the militias for still clinging to their weapons whilst the militias accuse Congress and the government of allowing former regime figures to get back into power.”*<sup>14</sup>

Libya boasts the largest oil reserves in Africa, plus huge deposits of natural gas and \$168 billion in foreign assets - all for a population of a mere 6 million. However the central authority facing a myriad of problems has failed to increase oil production. Local militias control important oil export infrastructure and have proved themselves capable of taking over vital infrastructure such as airports to exact demands from the central government. With the central government failing to ensure security and falling short on promises to pay salaries to the militias, Western oil companies began to deal directly with the militias, local oil companies and regional civilian leaders to conduct

day-to-day business. A number sources have confirmed that Western oil companies have hired local militias, specifically the Zintan militia, to protect south-western oil fields from Tuaregs.<sup>15</sup>

The major development in 2013 was Libya's attempt at drafting a constitution. The cornerstone of the reform process, has failed to materialize, with politicians deadlocked both over the role of Sharia law and bitter regional rivalries. Inside congress, lawmakers have remained bogged-down over how to structure a 60-member-strong commission that was to write the constitution. A number of minority ethnic groups continue to call for a boycott of the popular vote that will be needed to institutionalize the new constitution. The Amazigh, Tibu and Tuareg ethnic groups worry that because the writing of the constitution will be based on the vote of the majority and not on the 60-member group agreeing, they, with only a few seats, are likely to be consistently outvoted. The process of writing the constitution is based around incorporating the interests of all the groups rather than developing an identity that will unite them all.

Despite suffering under the brutal rule of Gaddafi for decades the people of Libya still face immense challenges in the post-Gaddafi landscape. This has been all the more complicated by foreign interference by France and Britain who have their eyes on Libya's energy wealth. The role of Islam continues to play a major role in the future of the country, despite opposition by some quarters, who believe this will scare international investors and the international community. On the second anniversary of the fall of Gaddafi and on the third anniversary of the Arab spring Libya remains work in progress as the ummah works to take its destiny into its own hands.

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## **Tunisia**

In Strategic Estimate 2013, our position on the Arab Spring on Tunisia was:

**“The Ummah of Tunisia voted in the Islamic party due to their Islamic sentiments. Ennahda have made it perfectly clear now they are in power, that they have no plans to implement Islam. Tunisia has been the only country that witnessed the ousting of its leader and openly declare that it will maintain the existing system, albeit with some cosmetic changes, but Islam will play virtually no role.”**

Throughout 2013 Ennahda has struggled to rule in any meaningful manner. When Ennahda won 89 out of 217 seats in Tunisia's National Constituent Assembly in October 2011, it was forced to form a coalition with groups who were secular and opposed to it, such the secular Congress for the Republic and Ettakatol party. By not winning a majority Ennahda continued to insist it was not interested in implementing Islam and wants to govern within a democratic framework.

Already having abandoned Islam, matters reached boiling point in February 2013 when Chokri Belaid, a prominent secular opposition leader was assassinated. This triggered mass protests and

riots across Tunisia. Already struggling to rule the killing of opposition lawmaker Mohammed Brahmi in July 2013 led to political chaos.

Ennahda has continued with a strategy of appeasement in the hope of maintaining some semblance of credibility. Ennahda's Prime Minister Hamadi Jebali resigned in February 2013 in response to the political fallout from the assassination of Chokri Belaid. He refused to continue serving as prime minister even after Ennahda tried to nominate him for the post. Jebali proposed a plan that previously had support from the opposition: the appointment of a technocratic Cabinet to guide the Tunisian government forward until the constitution could be written and elections held. Jebali's own party and the opposition both rejected the proposal. After two years in position Tunisia's Constituent Assembly is back at step one, having made little progress in writing a constitution under which legitimate elections could be held.

This proves Ennahda is also divided about how best to govern the country. 56 of the 89 members of the party in the Constituent Assembly voted against Jebali's proposal for a technocratic government. Ennahda's internal discord is one of the primary factors contributing to the political deadlock.

## Yemen

The uprising in Yemen erupted simultaneously with Tunisia and Egypt. Ali Abdullah Saleh had been in power for 33 years and had rid himself of all opposition. Even a near-successful assassination attempt in June 2011, when an improvised explosive device (IED) exploded in the presidential compound mosque, couldn't force Saleh from power. However with intense pressure from the US to step down and transfer power an agreement was carved out between the EU, US, GCC and Saleh in February 2012 and power transferred to vice president Abd Rabboh Mansour Hadi.

*Even though Saleh formally stepped down as president and elections took place in February 2012 (Hadi – was the only candidate) the political transition in Yemen in no way constituted regime change. The deal between the US, EU and Saleh merely gave Saleh a dignified exit. Ever since the power-transfer agreement was signed, and despite regular protests demanding that Saleh be stripped of his immunity and that he and his family face trial, Saleh's family continues to hold many high-level positions throughout the government, business community and security forces. In fact, Saleh himself is still the head of the ruling General People's Congress (GPC) party. Despite this fact, the transfer of power in the country has been turned into a 'model' and Obama even proposed the 'Yemen model' as a solution for the uprising in Syria.<sup>16</sup>*

Abd Rabbuh Mansur Al-Hadi struggled to consolidate his grip on power. After being elected as president in February 2012 Al-Hadi began efforts to weaken Saleh's and his family's grip on power. Hadi removed various military leaders loyal to Saleh, but the former president's oldest son, Ahmed

Ali Saleh, continues to serve as commander of the elite Republican Guard. Hadi attempted to unite the military and set up a 14-member military council to reform the armed forces. In August 2012 President Hadi's announced a military restructuring designed to alter the balance of military power more in his favour.<sup>17</sup> This battle with army factions is leading to Yemen's tribes taking advantage of the power struggle by striking deals with competing interests in order to get the autonomy they have wanted. Today President Hadi is still a long way from meaningfully consolidating power. Without a clear, centralized power base in Sanaa, neither President Hadi nor anyone else has been able to meaningfully address security problems all over the country.

In this context a UN-backed reconciliation process began in November 2012 aimed at drafting a new constitution and preparing for full elections in February 2014. The National Dialogue Conference (NDC) was convened with representations from various political parties, major tribes, youth movements and delegates representing South and North Yemen. 565 delegates were tasked with developing recommendations on how to address nine issues ranging from future relations between the feuding north and south, to state-building to the future role of the army to rights and welfare — all of which were meant to go into the writing of a new constitution. September 2013 was recognized as the deadline for the major tasks to have been accomplished, but that date passed with little progress. Deep divisions began showing between all parties involved. Initially, the dialogue attempted to explore commonalities between delegates representing the ruling General People's Congress (GPC) and the Joint Meeting Parties (JMP), representing the opposition. However, conflict soon ensued between members of the JMP themselves.

The people of Yemen rose up to remove a brutal dictator. The uprising saw the collapse of government institutions and the army as many defected. However real change did not take place in Yemen, only a transfer of power between one crony to another. The difference is the current crony has little power. Abd Rabboh Mansour Hadi has struggled to deliver on any of his promises. In the Al-Shari' newspaper, in its 634<sup>th</sup> edition, issued on 8<sup>th</sup> October 2013, the paper published details of President Hadi's discussions in two important military and security meetings held in September and October 2013. The newspaper mentioned a source who attended the meeting quoting Hadi, speaking to the military and security leaders that attended the meeting: *"We all agree that the state has lost the ability to control and lost the ability to create security while it is infiltrated from within."* These remarks came amid Yemen suffering from the loss of security and an increase in murders and suicide cases due to the poor living and economic conditions. 3 years since the initial uprising, Yemen remains marred in chaos.

In summary the following observations can be made on the third anniversary of the Arab spring:

- **In all the countries where rulers were overthrown or have struggled to maintain their grip, be it Tunisia, Egypt, Yemen, Libya or Syria anarchy and chaos has replaced the initial euphoria.** In both Tunisia and Egypt Islamic groups replaced previous regimes but have shown themselves to be incompetent when it came to ruling their respective nations. Most of the Middle East, despite possessing abundant energy resources, many have large young populations who remain unemployed and employment opportunities remain scarce. Economic underdevelopment, inflation and misdistribution of wealth continue to be normal in the region. Unable to solve these issues in any way led many to take to the streets again.

There were also many elements in Egypt, Tunisia and Libya, who refused to accept the rule of Islamic groups and as a result kept a permanent stand off against the new regime going, in the case of Egypt leading to the collapse of the Muslim Brotherhood regime.

- In Egypt and Tunisia, voters in their millions clearly expressed their opposition to secular liberal values and their strong desire for Islamic government. **Yet the same parties that went to great lengths to demonstrate their Islamic credentials to the masses in their election campaigns, these parties not only went to greater lengths to demonstrate their moderation to the West, but they abandoned Islamic rule.** The political calculations of such groups are rooted in myths. They believe that an Islamic system can only be implemented gradually. Whilst the groups who have reached power lacked much in policy development they argued that Islamic solutions aren't ready to deal with problems such as poverty, unemployment and development. They falsely believe implementing Islam will scare minorities, scare investors and scare the international community. In the case of the Muslim Brotherhood, they undermined Islam by making excuses for their own incompetence.
- **The uprising in Syria continues to worry the West as most of the rebel groups have maintained their Islamic purity, despite numerous attempts to dilute this.** The US invested in the Syrian National Coalition and despite changing its name a few times, its popularity remains in Washington, London and Paris rather than the cities and towns of Syria. The announcement of various groupings based on Islam in Syria and their control over large tracts of the country means Syria remains a work in progress. The Islamic aspect to this uprising continues to worry the West as the Ummah there are calling for real change rather than cosmetic change.
- **What constitutes Islamic rule remains opaque in the minds of the people.** The backlash against the MB in Egypt and Ennahda in Tunisia has been due to their inability to improve living standards, inflation and prosperity rather than their abandonment of Islam. Ennahda openly abandoned Islam whilst the MB in Egypt tried to justify their abandonment of Islam based on Islam only working if it is applied gradually. All of this indicates public opinion exists for change and also for Islam, but what this means, what shape and form this will take remains vague as a result liberal Islamic groups have been able to navigate around actually applying what they promised.
- **The most salient feature of the Arab rising has been foreign interference.** Although the initial uprisings in the region were by the people these were quickly hijacked by the West by propping up alternative groups, individuals and organisation to ensure real change didn't take place. In Egypt after the fall of Mubarak the architecture that was loyal to the US remained intact and the MB made it perfectly clear they were not going to change the status quo such as the treaty with Israel and relations with the US. In Tunisia the army and the secular groups still maintain their position, even after Ben Ali was overthrown. In Syria the West continues to prop up the al-Assad regime by giving him cover through initiatives such as Geneva 2. The fundamental reason why the Arab spring has for the moment failed to

reach its destined objective of real change is because the West wants to maintain the status quo.

At the start of 2014, aside from the Syrian uprising the others that took place have all ground to a halt as those who espoused Islam are in reality maintaining the pre-revolutionary systems. They are attempting to keep the West happy with their moderation and the people that voted them in happy by making cosmetic changes, whilst all the while keeping in place the secular systems and protecting Western interests.

In 2014 and beyond the following challenges will most likely occur:

- It should now be clear that Western intervention has not taken into account the demands of the region. This is why Western contact is with very specific individuals and groups who either espouse Western ideals or can be changed to espouse such ideals. The challenge for the Muslims of the region is to ensure its revolutions are not hijacked by a foreign agenda. The intervention by the West in Egypt and Libya was the key to Western infiltration of the revolutions. Through this it expects to have a say in the region.
- The biggest debate is the system of governance for the region. All calls for Islam are being hallowed out by a global media that would like to see Western values permeate the region. This pressure has led to many Islamic groups who suffered heavily by the regions dictators to compromise their Islamic polices in order to appease the West. Building a case for political Islam is a challenge the region will need to take up.

# USA

In Strategic estimate 2013 our assessment on the US position concluded:

**“America in 2012 remains the world’s superpower and the nation that all the other countries of the world compete with. Whilst America is weaker than it was at the turn of the century, no nation has been able to fully take advantage of this for the moment.”**

America’s pivot to the Asia-Pacific was in full swing as it wrapped up its military presence in the Middle East. The Arab spring however was an obstacle to this plan, which the US was in the processing of navigating.

## Iran



The major development in 2013 was the public announcement of the normalisation in US-Iranian ties. Whilst this was considered almost unthinkable since 1979, on November 23 2012 a deal was reached in Geneva and made public by US officials. The agreement was not a final settlement on all outstanding issues, but regarded as a first step.

Unlike previous talks, the Geneva talks were conducted in a different atmosphere, with US officials negotiating directly with the Iranians, unlike previous negotiations where the US usually left direct negotiations to the other countries of the P5+1 (US, Russia, Britain, France, China plus Germany). This was the first such meeting since 1979. On this occasion the US did not renege the talks as has become common practice as this time the US was interested in an actual settlement. On the back of Hassan Rohani, the newly elected president of Iran, making his first trip in his new role to the 68<sup>th</sup> annual United Nations in September 2013, a sense of change was in the air.

The talks and agreement took place after a decade of war in Iraq. When the US invaded Iraq back in 2003 none of its military options ever envisaged a long term US military presence. US military plans envisaged the complete capitulation of the Iraqi army with its precision guided munitions. The US expected Iraqi civilians to welcome them for liberating them from Saddam Hussain. Whilst the Iraqi Army was brushed aside after a month, the welcoming party never arrived and after a year an insurgency began which only got worse as the years progressed. By 2005 the US was marred in an insurgency that it could not end and US military

*By 2005 the US was marred in an insurgency that it could not end and US military planners started looking for an exit strategy that could save them face. America dealt with this in three ways: it enlisted the help of regional nations bordered Iraq - Turkey, Syria and Iran. It divided the insurgency by playing on ethno-sectarian divisions and constructed a political architecture with the help of various opportunists, corrupt groups and individuals.*

planners started looking for an exit strategy that could save them face. America dealt with this in three ways:

1. It enlisted the help of regional nations bordering Iraq - Turkey, Syria and Iran.
2. It divided the insurgency by playing on ethno-sectarian divisions, and,
3. Constructed a political architecture with the help of various opportunists, corrupt groups and individuals.

The US has been working for some time to reorient its posture from occupation to reducing its military footprint and consolidating the architecture it has created. This has been in work for two years since US officials announced America's Pivot to Asia – i.e. China is America's main adversary. What made these talks even more urgent was the Arab spring and the overt Islamic call in Syria. The Arab spring has seen America's architecture challenged in the Middle East, as a result the US was forced to work with liberal Islamic groups. Whilst in Egypt this has given way to the return of the military, in Syria the rebel groups have maintained their Islamic purity after two years and the US continues in its struggle to cobble together loyal groups it can work with. All of this continues to take place as the rebels make significant gains.

It is here that Iran is central to US plans. Without Iran involved in such a plan America's political architecture – the weak political system created in Iraq, will simply fall apart. In Syria Hizbullah members have admitted without Iranian support the al-Assad regime would have fallen to the rebels long ago.<sup>18</sup> It is in this context talks began in earnest to normalise relations between both countries.

The initial agreement allows Iran to enrich Uranium and eases some sanctions. This is the first part to talks which will continue in mid-2014 which will look to normalise ties in other areas including contentious issues such as Hizbullah and US support for proxy groups against Iran. All of this means as the US pivots towards the Asia-Pacific it is Iran and not Israel or Saudi Arabia that has saved America and its hegemony in the region. This on its own is a significant gain for US global prowess.

## **Arab Spring**

It was during WW2 America's policy makers realised the riches in the Middle East. The US abandoned its political isolation and began the process of partaking in global affairs. The US State Department described the Middle East at the time as *"a stupendous source of strategic power and one of the great material prizes in world history."*<sup>19</sup> America was successful through its military, diplomatic and espionage tools to edge both Britain and the French from the region. The Arab Spring however challenged US hegemony in the region as the people of the region decided to take their destiny into their own hands. The US has attempted to shape the uprisings as they continued, but has had mixed success in 2013 in both Syria and Egypt which have been central to America's stranglehold in the region.

### **- Egypt**

American influence in the Middle East began by bringing Gamal Abdul Nasser to power in 1952. Ever since, the Egyptian military has played a central role in protecting US interests in the region.

The US has showered the Egyptian military with aid in excess of \$30 billion since the 1970's.<sup>20</sup> This aid was in effect a bribe to maintain the regional balance, which Egypt's military leaders have been more than happy to implement. Nasser's death did not diminish America's stranglehold over Egypt and it was business as usual under President Anwar Al-Sadat and Hosni Mubarak.

The huge protests against Mubarak in 2011 challenged US influence over Egypt and the architecture the US had constructed. Washington decided to turn its back on Mubarak but the architecture Mubarak and his predecessors constructed remained untouched. Effectively an 82-year-old man, who wanted to have his son appointed as his successor, was booted out by the army. Except for Mubarak, the army remained in charge of Egypt.

The emergence of the Muslim Brotherhood (MB) in Egypt was not against US interests as much of the rhetoric at the time indicated. Contacts between the MB and US officials go back to the 1990's. The US does not have a problem working with liberal Islamic movements, as they do not espouse real change. The MB for example were always the ideal candidates as was outlined in a 2007 policy paper led by Madeline Albright which urged the US to co-opt "Moderate Islamists" and adopt a "politics of inclusion." This general blueprint came to be known as the 'Greater Middle East Initiative.' This is why the US had no problem with the emergence of the MB in Egyptian politics as they were never in power for real change.



As soon as the MB won the parliamentary elections and the presidential elections, Muhammed Morsi confirmed he would be respecting all prior treaties. The US set about strengthening his rule as he confirmed he would protect US interests. The US defended Morsi against the growing opposition movement who criticised him for seeking immunity. US State Department spokeswoman Victoria Nuland defended the Egyptian president saying: "*President Morsi entered into discussions with the judiciary, with other stakeholders in Egypt. As I*

*said, I think we don't yet know what the outcome of those is going to be, but that's a far cry from an autocrat just saying my way or the highway.*"<sup>21</sup> This was in response to protesters describing President Morsi as a dictator and the new Pharaoh of Egypt.

Despite widespread opposition and a growing opposition movement to the MB government the US continued to support Morsi throughout 2013. The US supported Morsi on the issue of Egypt's new constitution, US spokeswoman Victoria Nuland said: "*Mrs. Clinton talked during her visit to Cairo and at her meeting with the Egyptian President Morsi about the importance of the issuance of the Constitution, which protects all the rights of all Egyptians.*" This constitution was a revised version of the 1971 constitution of the former regime, as a result only 32% of the eligible voters took part in the referendum vote.

Throughout the rule of Morsi the domestic political scene was never stable and was worsened by the confusion brought about by the Morsi government over decision-making. Morsi constantly retracted his decisions under pressure. Morsi's rule was characterised with anarchy and this instability continued throughout his year in office, which led to the emergence of a growing opposition, that challenged his rule. The US needed domestic political stability in Egypt in order for the country to play a role in the region and Morsi failed at this and made matters worse the longer he remained in office.

After attempting to consolidate the MB position in Egypt by supporting them, by mid-2013 American statements began to change and criticism against Morsi began to grow from Washington. As early as April 2013 the first US reservations began to surface against Morsi. Secular opposition members confirmed on their websites under the title *'American conditions for the approval of military intervention that do not appear as a military coup'*: *"a personality, whom we have reservations naming, has visited the United States in the past few days and returned after he conducted a round of interviews and extensive deliberations with the executives in the U.S. administration and the Pentagon and National Security, where the US position towards the rule of the Muslim Brotherhood was discussed."* The secular opposition also mentioned Secretary of State John Kerry, attended the meeting and spoke about an important role for the Egyptian army in controlling the events once the people came to the squares, and in preventing the outbreak of civil war between the different movements. John Kerry was reported to have said *"he was shocked by the low capacity of the Muslim Brotherhood, and the confusion of their talk, which is not conducive to something. He confirmed that he trusts that the army will carry out its role at the right time."* The secular opposition then confirmed that their participation in the talks was about the alternative to the rule of the MB and the situation of the army regarding the transition process ahead. The website quoted one influential in the Pentagon, who is a member of the American Brookings Institute, who reportedly said: *"They concluded that even if Morsi was convinced that he must go, or he will leave willy-nilly, his supporters would not accept, and here comes the role of the Egyptians once again that they have to move in large numbers to support the military and demonstrate demanding the departure of Morsi."*

By June 2013 US officials began to openly criticise the Morsi government despite defending him against the mass protests in the streets only months before. The White House said: *"President Obama encouraged President Morsi to take steps to clarify that he responds to the demands of the demonstrators,"* and then Obama reiterated *"the current crisis can only be resolved through a political process."*<sup>22</sup> The US was telling the MB to respond to the demands of the demonstrators who were demanding the overthrow of the President! Senior US officials were quoted by the CNN in late June 2013 saying: *"the U.S. Ambassador to Egypt Anne Patterson and other officials in the White House said that the claims brought by the Egyptians in their protests coincide to a large extent with the reforms demanded by Washington and its allies weeks ago."*

With the MB unable to protect US interests due to their inability to bring political stability to the country the US changed the leadership of the country. Once the coup had taken place on 3 July 2013 Obama said: *"The Egyptian armed forces should move quickly and responsibly to restore full power to a civilian government as soon as possible."*<sup>23</sup> Obama approved of the coup by not condemning it, he merely demanded the return to power of a civilian government, any government

other than the Morsi government. He even refused to call the overthrow of a democratic government a coup. Secretary of State John Kerry confirmed the return of the military regime as: *“restoring democracy.”*<sup>24</sup>

In this way the US has been able to successfully dilute the call for change by the Egyptian masses and manipulate the opposition movement in undermining the MB after supporting it in power. The Arab spring has now been completely reversed with the military back in power in Egypt.

#### - Syria

In Strategic Estimate 2013 our analysis of America’s position in Syria concluded:

**“Without control over the opposition forces, the US will not be able to reach its preferred settlement, which saves the regime’s military and security apparatus and brings in a unity transitional government that will stabilize Syria for the future. The US wants to keep as much of the old machinery and has been trying to gain loyalty in return for weapons.”**

America’s fortunes in Syria have been very different relative to Egypt. America’s position when the uprising began in Syria was that al-Assad is a reformer and should be given time. Hilary Clinton said in 2011: *“What I do know is that they (as-assad) have an opportunity still to bring about a reform agenda. Nobody believed Qaddafi would do that. People do believe there is a possible path forward with Syria. So we're going to continue joining with all of our allies to keep pressing very hard on that.”*<sup>25</sup>

The US for long said the regime should remain irrespective of the demands of the people. The then Secretary of Defence Leon Panetta, in an interview with the CNN in July 2012, said: *“I think it's important when Assad leaves - and he will leave - to try to preserve stability in that country. And the best way to preserve that kind of stability is to maintain as much of the military, the police, as you can, along with the security forces, and hope that they will transition to a democratic form of government. That's a key.”*<sup>26</sup> The US established the Geneva accord, which is the establishment of a transitional government with mostly Assad era individuals with a handful of rebel elements forming the new political architecture.

In 2013 the US has failed to make any progress with this plan. The US has been building up National Coalition and its military wing the Supreme Military Council (SMC) headed by Salim Idris. The National Coalition which is mainly composed of dissidents who have spent decades outside Syria has failed to gain control over groups inside the country. Internal divisions on negotiating with the regime continue to plague the opposition group. This was seen in March 2013 when Moaz al-Khatib, its president stepped down citing interference by international and regional actors as his main reason.<sup>27</sup> The establishment of a transitional government, today, remains in exile lacking any organizational base inside country.

*“Syria today is not about choosing between two sides but rather about choosing one among many sides,” he said. “It is my belief that the side we choose must be ready to promote their interests and ours when the balance shifts in their favor. Today, they are not.”*

General Martin Dempsey, the chairman of the Joint Chiefs of Staff and Barack Obama's military advisor, put it quite bluntly in a letter sent to Representative Eliot Engel on August 19: "*Syria today is not about choosing between two sides but rather about choosing one among many sides,*" he said. "*It is my belief that the side we choose must be ready to promote their interests and ours when the balance shifts in their favor. Today, they are not.*"<sup>28</sup> The general confirmed the absence of a political, military or civilian faction in Syria which can both dominate Syria's political vacuum and maintain US interests has failed to materialise.

What has compounded matters for the US has been the growing Islamisation of the opposition who are actually fighting on the ground. The US has failed to placate them as they progress towards Damascus. The new rebel alliance, announced in September, which has unified and strengthened the Islamic opposition, undermines attempts by the US to drive a wedge between them.

## **Economy**

The US economy was dominated by the government shutdown in October 2013. Whilst the shutdown itself did not lead to the collapse of the US economy it however revealed the structural problems the US faces with regards to its economy. America's economy is the world's largest, it is larger than the combined economies of China, Japan and Germany. Because of this dominance, America's economic performance dominates the global economy. America's economy is driven by consumer spending and is heavily dependent on the American population continually consuming. The collapse of the sub-prime market and then the whole real estate market in the US led to consumer spending to fall as many lost their homes. The collapse of this important part of the US economy resulted in America going into recession. This then spread globally due to the sheer size of the US economy.

To ensure the US economy didn't collapse, the US government initially bailed out many banks that were on the verge of collapse. This strategy started at the end of the Bush government. When Obama came to power his government attempted to stimulate the economy through regularly pumping money into the economy in the hope that economic growth will return. This approach led to growth which was never sustainable as stimulus spending is a temporary measure, it cannot be fuel for sustained economic growth. That is why America's growth has been up and down during the last 6 years and each time its economy has been growing, many assumed the recession ended only for the economy to fall again.

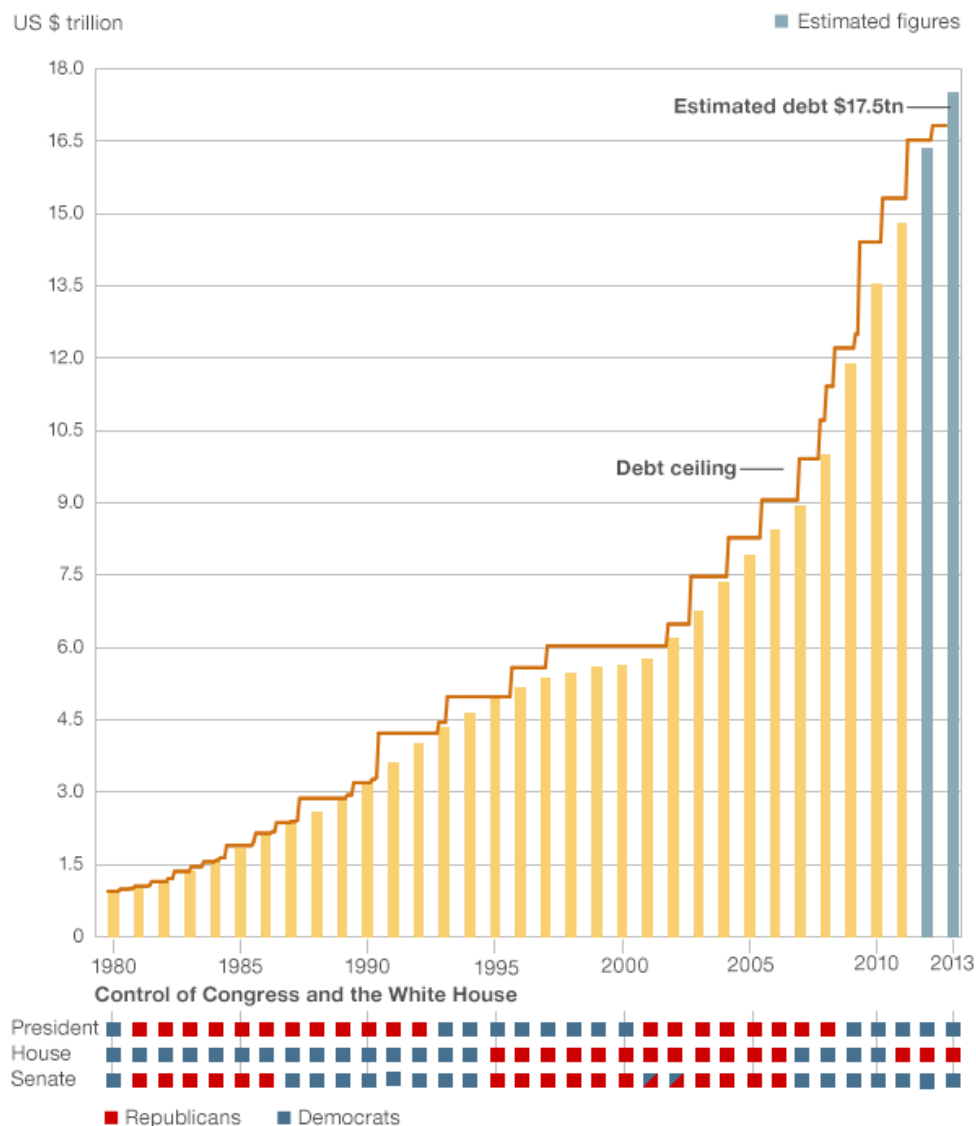
US federal debt continues to dominate the economy. The \$16.7 trillion debt ceiling was increased once again in October 2013 after a temporary deal was struck between the Democrats and Republicans. Unemployment remains extremely high with 12 million Americans still out of work. The state of Detroit filed for bankruptcy in July 2013 and is not the only state that is bankrupt, 32 out of America's 50 states are officially bankrupt. The US strategy remains of continually borrowing to meet its national expenses and that is why the debt ceiling is constantly increased.

The failure to agree on the 2013-2014 government spending budget resulted in an estimated 800,000 non-essential government employees being sent home without pay, while museums, parks and tourist attractions were closed. The main sticking point in the budget was 'Obamacare', the

Democrats' plans for subsidised healthcare for an estimated 40 million people which the Republicans stood against. America not being able to meet its financial commitments is also at the core of the debt ceiling crisis. The ceiling is a limit set by Congress on the amount that the government can borrow for public spending and was set at \$16.4 trillion in 2011 but later extended to \$16.7 trillion (which somehow defeats the purpose of an ultimate upper limit).

Over the last decade the Iraq and Afghan wars have been costing the US \$255 million and \$82 million a day, respectively. These wars were never envisioned to last this long and as a result the US government continued to incur more debt. The bank bailouts, stimulus plans and various attempts to kick start the US economy have all had temporary effects and now the US is in the same position prior to such interventions. With the US economy faltering and struggling to create sustainable growth, questions are being asked about the ability of the US to repay its debts. Any further debt downgrade would raise serious questions on US global prowess.

### US debt and the debt ceiling



Source: Whitehouse.gov

## Energy

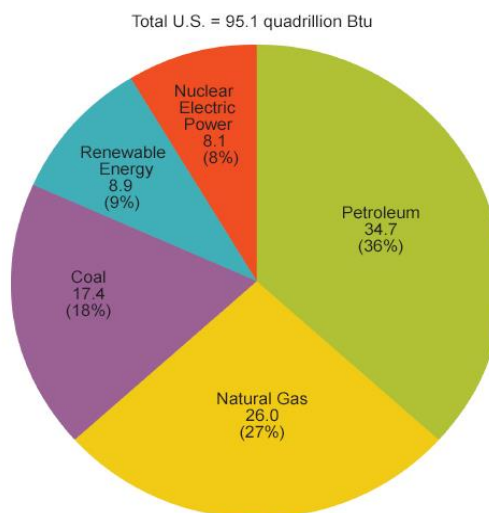
In Strategic Estimate 2013 we assessed the impact Shale energy would have upon US energy dependency. In October 2013 China became the world's largest importer of oil,<sup>29</sup> surpassing the US. In order to secure this and other strategic commodities, the US, expended considerable diplomatic and military resources. Currently, the US produces about 74% of its energy requirements domestically, however, certain key sectors of the US economy remain heavily dependent on imported energy. For example, 93% of the energy derived from oil that is used for transportation in the US is imported. Energy sources can be divided into three main categories: renewable, nuclear, and carbon-based.

Although the US has invested a considerable amount of money in renewable energy sources as an alternative form of energy, the production and application of this technology is limited as it costs significantly more per kilowatt than conventional forms. Furthermore, much of the technology used to produce renewable energy relies on rare earth elements that are almost entirely monopolized by China.<sup>30</sup> Fluctuations in production also cause instability in the electricity grid, limiting the proportion of renewable energy which can be generated. This is why renewable sources cannot replace conventional sources as a means of meeting the global and American demand for energy.

Nuclear power generation currently produces 790 TWh of electricity, which accounts for 19.2% of US electricity production. In the previous decade, due to high oil and gas prices, there was talk of a nuclear renaissance which was supported by the Nuclear Power 2010 Program. The program addressed the need for new power plants in order to develop advanced nuclear technology. The 2011 Fukushima Daiichi nuclear disaster and decreasing gas prices have prevented any renaissance in the US nuclear energy industry. The lack of ground breaking innovation in US nuclear plants since 1974 eventually resulted in the failure of a nuclear renaissance.

Carbon based fuels including coal, gas and oil, have consistently accounted for 84% of US energy use over the previous decade. 40% of the electricity generated is through using coal. The US has the world's largest proven reserves of coal and at current levels of consumption, they will remain sufficient for at least 200 years. Over 95% of natural gas consumed in the US is produced domestically, making it currently self-sufficient in natural gas. However, proven reserves of conventional natural gas are estimated to be exhausted in less than 15 years. Even though the existence of shale gas has been known for over a hundred years, developing methods to extract it at commercially viable costs are on-going. The process commonly known as fracking (induced hydraulic fracturing) is being used to exploit reserves of gas previously inaccessible to conventional

Primary energy use by source, 2012  
quadrillion Btu and percent of total<sup>1</sup>



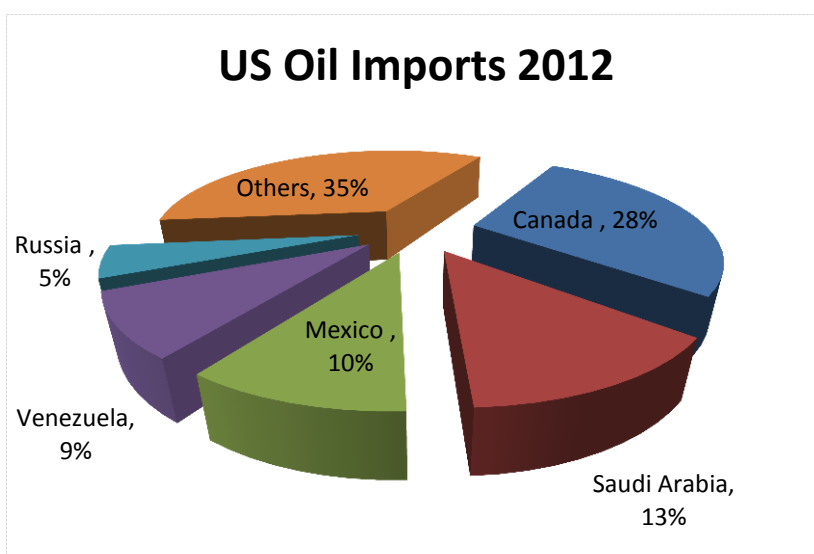
<sup>1</sup>Does not add to 100 due to independent rounding.

Source: U.S. Energy Information Administration, *Monthly Energy Review*, Table 1.3 (April 2013), preliminary 2012 data.

methods of extraction. Shale gas production has steadily increased and now accounts for over 23% of natural gas production in the US and is estimated to increase to 49% by 2035.

The exploitation of unconventional gas reserves has dramatically increased the estimated natural gas reserves of the US causing some to speculate that reserves have increased from 15 to 100 years supply.<sup>31</sup> It is estimated that the US will become a net exporter of natural gas in the coming decade which may potentially cause tension between suppliers and consumers in the energy market. This is a reflection of current technological developments, and as of yet there is no alternative which can provide the same power density and range that an internal combustion engine using diesel or gasoline can provide. Alternatives, such as electric cars all have critical and somewhat insurmountable obstacles for their large scale adoption such as the cost of batteries, the range and most importantly the time required to charge - all factors severely limit the use of electric cars.<sup>32</sup>

The US imported 11.0 MMbd of crude oil and refined petroleum products in 2012, however, the majority of the oil was imported from western countries with Canada topping the list at 28%. The country's dependence on imported oil fell from 60.3% in 2005 to 49.3% in 2010,<sup>33</sup> and all indicators suggest this will be an on-going trend. This reduction can be attributed to decline in consumption partially due to the



reduction in the popularity of large engine sized automobiles.<sup>34</sup> The US gets 29% of its imports from the Middle East and is attempting to reduce this further. The US also has several programs looking at methods to produce fuel domestically; Biofuels gas-to-liquid technology and shale oil seem to be the most promising. Furthermore, electrification of the railway network reduces dependence on diesel locomotives which further reduces demand from the freight sector and diverts it from roads to the railway network which, in turn reduces demand for oil imports.

The US oil industry has experienced a dramatic technological revolution that has increased the country's oil production by nearly 40% over the past three years, sending domestic production to levels not seen for over two decades. All of this shows the US has the means available to reduce or even eliminate its dependence on foreign energy supplies in all sectors, including transportation. Even in the transportation sector, she can look to eliminate the need to import oil from the Middle East as further advances in efficiency and better practices are anticipated. Although the programs researching various methods to produce fuel domestically are in their early stages of development and may take considerable time to come online; the biofuels gas-to-liquid technology and shale oil seem to be the most promising sources for turning around the US energy dependency.

## Asia-Pacific Pivot

In 2012 America's pivot to the Asia-Pacific dominated the global balance of power and in 2013 the US made progress on the military and defence aspects of its foreign policy pivot to the Asia Pacific region. North Korea's nuclear test in February 2013 was used by the US to escalate tensions in the region. In the face of much sabre rattling by the North Korean leader Kim Jong-un, the US escalated tensions through a number of provocative actions. This included its annual US-South Korea military exercises, which included the dispatch of a pair of nuclear-capable B-2 stealth bombers on a training mission over the Korean peninsula. US officials described this as a way of underscoring US commitment to its longstanding regional allies, Japan and South Korea. This was a departure for the US who usually calls for calm when North Korea ratchets up aggression and in the past almost always calls for talks which defuse tensions. The US on this occasion responded to each North Korean provocation with a stronger signal of its own. The US provoked North Korea in order to bolster its presence in the region and increase its military footprint as it continues its 'pivot' to the Asia-Pacific. This is why Obama reiterated: "*Washington has an obligation (to) defend the homeland (and) reassure South Korea and Japan that America's defence commitments remain firm.*"<sup>35</sup>

After successfully exploiting the escalation, the US was able to justify expanding its military presence in the region and the deployment of the Ballistic Missile Shield (BMD). As always it eventually returned to dialogue with the six party talks which made China responsible for the actions of North Korea. The rest of 2013 consisted of the US recalibrating a number of regional alliances, revising defence cooperation agreements and settling some outstanding issues on the presence of US military personnel.

A number of visits to the region in October 2013 were cancelled due to the US shutdown. Diplomatic efforts to Asia repeatedly fell victim to domestic issues. Trips to Malaysia and the Philippines also fell victim to the US shutdown. Presidential visits are important for achieving strategic objectives as opposed to technical arrangements handled by lower-level negotiators.

The US was able to develop the outline of a new strategy with South Korea termed 'tailored deterrence' after the provocations with North Korea. The concept focuses on coordinating US and South Korean responses to specific threats in specific scenarios, particularly in the form of counter-missile strategy. Washington and Seoul affirmed that they would try to transfer wartime operational control to South Korean forces in 2015.

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With Japan the US agreed to a range of new deployments of military hardware, including a new X-band radar, three Global Hawk surveillance unmanned aerial vehicles and 42 F-35 fighter jets. The sides also resolved some technicalities on the long-debated plan to transfer 9,000 US Marines from Okinawa island to Guam, the Northern Marianas, Hawaii and rotations in Australia, while

proceeding with the Futenma base relocation and other measures to ease the burden on Okinawa, which has become a political problem for Tokyo.

In 2013 the US has lacked the capacity to aggressively move forward with its pivot, the pivot will nevertheless continue to develop because the US is drawing down in the Middle East which will give it the necessary resources to focus on this region. For the moment though the pivot to the Asia-Pacific remains work in progress.

## Conclusions

In Strategic Estimate 2013, we concluded:

**“America in 2012 remains the world’s superpower and the nation that all the other countries of the world compete with. Whilst America is weaker than it was at the turn of the century, no nation has been able to fully take advantage of this for the moment. China has shown the propensity to challenge US hegemony in its region and this is something the US will need to contend with alongside the multiple global issues it is involved in.”**

The US has shown in 2013 why it remains the world’s superpower and the nation all the other powers compete with. Despite a decade of war which consumed the US, in 2013 the US has successfully navigated its myriad of challenges and continues to shape the world to serve its interests.

In the Muslim world the US has more or less managed to halt the Arab spring and hijack the demands of the region for real change. Through its diplomatic, agent rulers and economic power it has been able to replace the heads of regimes with other loyal rulers whilst maintaining the underlying regimes which have served them for decades. Whilst the US has struggled to win over the opposition in Syria, it has also ensured the opposition cannot take power and has effectively allowed the al-Assad regime and the opposition to bleed each other dry. Egypt has been central to America’s stronghold on the region and the US has successfully hijacked the call for real change.

In Syria, another country central to America’s stranglehold on the region, attempts by Britain to complicate the American strategy of providing support to the al-Assad regime was successfully navigated. Britain attempted to undermine the US by supporting its intervention after the chemical weapons attack in August and then turning against it. Without such support, including the US senate very likely voting against it, Obama was able to use Russia to justify not directly intervening in return for a vague deal on al-Assad giving up his chemical weapons.

By far the most significant development which will strengthen the US position is its side-lining of Israel and normalisation of relations with Iran. On the energy front the US is now comfortably moving to a more independent and self-sufficient position after decades of energy dependency. This does not mean the US will reduce its role in important energy areas, but it means it will be immune from the global energy process and the effects of global energy issues. This places the US in a much stronger position when dealing with energy hungry nations such as China and energy producers such as Russia.

In 2014 the US remains the world's super power, despite bleeding significantly for the last decade. It has for the moment successfully navigated attempts by the indigenous people of the Middle East to bring real change to the region. With its drawdown in Afghanistan to rapidly take place throughout 2014 the US is well placed to deal with challenges to its power stemming from China and Russia and whatever Britain also throws at it.

## **2014**

**Syria** - The US has for the moment, failed to successfully navigate the uprising in Syria. The US has given the regime ample time to quell the uprisings through solutions which realistically were never going to placate the opposition. The opposition the US has supported has failed to integrate the rebel groups who have successfully taken over large tracts of the country. If it were not for the intervention of Iran and Hizbullah in May 2013 (something the US tactically approved) the al-Assad regime would have fallen. The trajectory in Syria is only one, the rebel forces weakening the regime and eventually launching a full scale strike in Damascus, the seat of the regime. The US has done everything to ensure matters do not come to this point. Without gaining influence over the rebel forces the US will find the al-Assad regime may not last very long.

**Debt** – In 2014 and beyond America will need to deal with the level of debt it has accumulated which is more than its economy. For the moment the US rolls its debt over by issuing new debt to repay its old debts. All this continually increases the debt levels and effectively in-debts future generations. The economic crisis has exposed the levels of debt the US is drowning in and merely increasing the debt ceiling is just leaving the problem for another day. The effects of this debt is already affecting US prowess, its military is going through sequestration (spending cuts) which is leading to the cancellation of a number of platforms. America's ability to conduct its foreign policy could be seriously affected if another nation challenges US ability to repay its debts.

**Egypt** - US Secretary of State John Kerry's statement in November 2013 that the Muslim Brotherhood 'stole' the revolution that toppled long time autocrat Hosni Mubarak in 2011, clearly shows which side the US is on. It is quite clear the US is backing the military regime. However the US is hoping the military regime can give them what Morsi failed – stability. This was achieved with a complete crackdown on MB protests and arrests. However unrest is simmering in universities, spectacular attacks, assassinations and bombings aimed at the security services by Egyptians are increasing at the same time. With the US struggling in Syria, Sisi's military regime on the current trajectory may just drive the people to the streets all over again.

# Russia

Strategic Estimate has consistently assessed Russia along with China as America's number one competitor, who has the ability to challenge the US in different regions of the world. In Strategic Estimate 2013 we concluded:

**“Russia has undergone a decade of resurgence with much of the chaos that dominated the country either resolved or quashed. As the US draws down in the Middle East Russia has been able to reverse US influence in its region and this has allowed Russia to project power in its region.”**

However in 2013 two events took place which contradicted this view. These were political actions that were uncharacteristic of a global power. Russia's position on US provocations towards North Korea in early 2013 and the chemical weapons agreement with the US over Syria in August 2013 raise a number of questions regarding Russia's capability in challenging US prowess.

## North Korea

Russia's relations with North Korea go back to the division of the Korean peninsula in 1948. The US intervened on the Peninsula in 1950 due to the spread of Communism. Russian relations with North Korea cover economic, military and economic links and have done so for decades.

Ever since North Korea began experimenting and testing nuclear devices the US took the position this was not conducive to world peace and North Korea should give up the development of a nuclear device. Since its first nuclear test in 2002 the US position has centred on giving concessions to the regime for giving up its nuclear programme. Negotiations have ensued which have been through the six party talks (South Korea, Japan, China, Russia, North Korea and the US). The US does not directly negotiate with North Korea and thus the other members of the group negotiate on behalf of the US. On every occasion when talks were making progress the US scuppered the talks by disagreeing with specific elements of the agreements made, The New York Times commented on this in 2004: “Americas opening gambits in this process have exasperated a stalemate, as these positions have been so unworkable that it is almost presents the case of feigning a stance.”<sup>36</sup> The US has prolonged this crisis as it justifies a US military presence in the region, it also justifies the expansion of its Ballistic Missile Defence (BMD) shield and allows it to contain Russia and Chinese in the region.

*On every occasion when talks were making progress the US scuppered the talks by disagreeing with specific elements of the agreements made*

The crisis in February 2013 was due to US provocations against North Korea. The North Korea issue is however, fundamentally aimed at both Russia and China. Russia, ever since North Korea began testing a nuclear device, has stood by the US, disapproving of North Korean actions. Russia's Foreign Ministry spokesman Alexander Ukashevich said: “We are in solidarity with them as regards the rejection of Pyongyang's current provocative and bellicose line of conduct,” and added “at the

*same time, we must not renounce political and diplomatic efforts, as any alternative brings the threat of profound upheaval in Northeast Asia.*”<sup>37</sup>

*Russia’s lack of an effective response has weakened it in this region and altogether was a poor political position to take.* Russia did not take any serious measure against the US anti-North Korean position, neither did it expose or highlight US provocations against North Korea or even conduct military manoeuvres with another country in the region. When the US began provocations through military deployments Russia neither renounced US provocations and neither did it conduct its own. Considering US provocations pose danger in the region for Russia as they aim to strengthen the US presence in region. Russia’s lack of an effective response has weakened it in this region and altogether was a poor political position to take.

## **Syria**

In 2013 the US position on Syria has become very clear and there is very little doubt on the strategy it is pursuing. The US is looking to cobble together an opposition that will negotiate with the al-Assad regime and form some type of transitional government at the expense of the demands of the people. As it has struggled to achieve this it has given al-Assad every opportunity and cover to conduct its operations in the hope it will cripple the uprising or as a minimum force them to negotiate with the regime. The US has used UN inspections, proposing the Yemen model, chemical weapons red lines and the Geneva agreements to give the regime more and more time to conduct its campaign to cripple the opposition.

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The US even brought in the international community to give the image something is being done to help the Syrian people and made use of the differences between the international community to delay any resolution. It is here the US used Russia. US inaction to the demands of the people has been justified because Russia apparently supports al-Assad, which is strengthening the regime and talks are needed between the US and Europe on one side who are against the al-Assad regime and China and Russia on the other side who support the regime. Russia’s role was highlighted by one analyst: *“Enlisting Russian support was a cynical ploy. With Washington’s stated preference for a “peaceful solution,” talking to the Russians enabled the administration to maintain the pretence of meaningful diplomatic activity, all while allowing it to blame the lack of any breakthrough on Moscow.”*<sup>38</sup>



When the chemical attack took place in August 2013 the US moved four of its warships into the region which signalled to the international community that after 30 months of giving the regime cover it was now intervening. Britain attempted to undermine US plans by not joining the US in this intervention. US President

Barak Obama passed the decision over to the US Senate, even though he did not need its approval. Without a loyal opposition in Syria formed, intervention in the country would not be in US interests, but the chemical attack by the al-Assad regime needed a response that would not undermine the US as it had argued for a red line for months. With the US Senate likely to vote against intervention this would have also undermined the Obama regime. Russia saved the US by cobbling together an agreement with al-Assad to give-up his Chemical weapons. Due to this the US no longer needed to intervene – allowing more time to cobble a loyal opposition and it also left al-Assad in power. A Senate vote was also no longer needed. This was another poor political decision by Russia when it could have undermined and weakened US position.

Russia's political position and actions in these two events were not just pragmatic but aided the US position. Whilst throughout history including during the era of the Soviet Union both nations agreed on Détente and have been pragmatic, on all these occasions the US was able to contain Russia and extract concessions which only strengthened it. Stratfor encapsulated this as: *“Russia's more recent role in facilitating U.S. policy in the Middle East. This began with Russia developing a diplomatic resolution to the chemical weapons crisis in Syria and saving the United States from engaging in another unpopular military intervention in the region.”*<sup>39</sup>

A global power is able to utilise multiple tools to influence global events. The stronger the tools, the more it can shape global events through these. These tools can range from economic, military, energy or cultural. Assessing Russia's tools in 2013 allows us to understand why Russia took the positions it did on Syria and North Korea.

The Soviet Union utilised a number of tools to control the Soviet Republics and influence regions beyond these. Its key tools were:

1. The Soviet Union utilised ethnic Slavs (the Russian people) by migrating them to areas of Central Asian and Eastern European republics in order for them to become an important demographic in those nations to act as a bulwark.
2. The Soviet Union constructed and maintained a large defence industry, army and advanced weaponry to project power globally. It created thousands of military bases to act as supply lines throughout its republics. Even after the collapse of the Soviet Union, Russia has maintained some of these bases in Central Asia.

3. The Soviet Union maintained a large nuclear arsenal with an array of missiles. Much of its nuclear and missile tests were conducted in the republics, (especially Kazakhstan). These are still maintained after the collapse of the Soviet Union.
4. The KGB became world renowned intelligence agency penetrating foreign governments, with moles spending their entire lives in senior positions.
5. The Soviet Union developed an economy based around mineral production which led to the development of advanced industries. Economic and commercial ties through energy exports and energy infrastructure have remained with the republics after the fall of the Soviet Union.

The collapse of the Soviet Union in 1990 led to a decade of decline in the former Soviet territories. The emergence of Vladimir Putin and the security establishment in 2000, somewhat stabilised the situation but the decade of decline has left its effects upon Russia in 2013.

## **Economy**

The last decade of the Soviet Union was not kind to the Russian people. The Soviet economy was struggling under the weight of the arms and space race with the US and the collapse of the Soviet Union in 1990 ushered in an economic depression that resulted in economic collapse. Millions were plunged into poverty as hyperinflation set in and as rampant corruption took root. Attempts by the Yeltsin regime to implement the shock therapy of privatization and move from a centrally planned economy to a free one just made matters worse.

It was not until 2000 with the emergence of Vladimir Putin that the economic situation began to change. Putin immediately began to clean house. Russia's internal consolidation began with the Kremlin regaining control over the country politically, economically and socially while re-establishing its control over Russia's wealth of energy reserves. The recentralization of the Russian state resulted in the nationalisation of key sectors, assets, utilities and industries. Putin brought each of the nations key sectors under Kremlin control one after the other. He dealt with the oligarchs who were essentially looting the nation by threatening them of state intervention in the empires that they had amassed. They were told their future wealth would be determined by how much business they could grow rather than how much they could pillage. In this way Putin was able to stabilise the domestic economy.

Russia is blessed geologically and geographically, with its vast territory containing the world's largest proven natural gas reserves, second-largest proven coal reserves, third-largest known and recoverable uranium reserves and eighth-largest proven oil reserves. However, from an economic development standpoint, Russia is anything but well endowed.

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There is no doubt the Russian economy has improved miraculously, to the extent it now has a current account surplus second only to China. But most of

this is predicated upon the general increase in prices for oil, gas and other minerals. The economic revival is by no means based upon a return to the Soviet era when manufactured items from motor cars to complete nuclear power plants formed the bulk of Russian exports. Russia's oil and gas production and pipeline projects have not only been a primary source of Russia's economic growth, but also a geostrategic lever in the country's relationship with Europe and Asia.

Russia supplies nearly 33% of Europe's oil and natural gas and energy revenues makes up approximately 50% of the Russian government's budget. Almost all of Russia's \$500 billion exports are mineral and metal related. Consequently, the energy sector is the primary pillar of the Russian economy. Aside from its mineral industries, years of low investment continue to leave their mark on the Russia's industrial capabilities and a lot of its equipment is in need of modernization.

In an increasingly multi-polar world the economy of a nation is one of the most important factors contributing to its political influence. The 2006 and 2009 European gas crisis showed the considerable leverage that Russia has over this key commodity. However the problem with the Russian economy is its narrow focus, most of government revenue, Russia's balance of payments and trade surplus come from energy or metals. The Russian economy is too dependent on the global price of energy and metals and has failed to develop other industries with this surplus wealth. Without a developed electronic industry Russia lacks the skills in this area. Russia's IT industry has very little software developed today. The biggest share of the Russian IT market still belongs to hardware.<sup>40</sup>

Despite an economy valued at \$2 trillion the Russian economy is heavily reliant on energy and its associated services. This has an impact on utilizing this as a tool as aside from exporting energy (as important as this is) the Russian economy is limited in using its economy as a lever globally. The US economy on the other hand leads to trade, investment, aid, innovation and export opportunities with the world.

## **Energy**

The Russian economy is mostly based on energy, with half of government revenues coming from oil and natural gas. Energy for Russia is the most important tool of political leverage around the world via energy relationships with other countries. Energy ties are something Russia has very publicly used as a political weapon, either by raising prices or by cutting off supplies. But Russia's ability to wield energy as a potent political weapon has faced serious challenges for some years.

Russia's primary oil-producing region - the Western Oil Basin - is in decline, which has been producing over 60% of Russia's overall oil production for decades. New fields in other regions such as the Yamal Peninsula and East Siberia will have much higher production costs and will require new infrastructure to transport energy to consumers. Russia's population is scattered across its vast territory as a result its natural resources are mostly found in unpopulated areas.

New producers are also coming online, such as Azerbaijan and Algeria, who can supply the European market through Liquefied Natural Gas (LNG), which is transported by ship instead of pipeline. Currently there is only one liquefaction terminal in Europe, but there exist 23 regasification terminals in Europe, with plans for 11 more to come online in the next decade. These plans circumvent



Russia's pipeline infrastructure and bring the large reserves of Qatar and Azerbaijan online. Currently, Russia has only one liquefied natural gas facility at Sakhalin-2, with plans for half a dozen more new liquefied natural gas facilities across Russia's coasts.

Like most Russian energy firms, Russia energy giant, Gazprom, has a reputation for being an outdated company in terms of its technical capabilities. This is why Russian energy firms have repeatedly tried to bring in foreign energy companies for their expertise on the more difficult or newer projects, which the Kremlin loathes since it does not want to rely on foreign assistance (particularly from Western firms) in its most strategically important sector. Russia has struggled to develop these capabilities indigenously.

The development of Shale energy is also an ominous sign for Russia as it has always opposed fracking. It historically funded many of the anti-fracking movements around the world. Moscow's opposition to fracking stems from a fear that if more countries tap unconventional sources for oil and natural gas, the need for Russian oil or natural gas would start to decline. However, despite this, many countries and energy firms are embracing fracking and this global trend is set to continue. Even though Russia has had components of fracking technology for decades, it has never used these in a coordinated manner. Whilst Gazprom announced on Sept 17 2013, that one of its subsidiaries became the first Russian company to drill a horizontal well as part of a hydraulic fracturing operation, commonly known as fracking. Russia remains far behind other countries in the world with this technology. The US, as an example is already consistently fracturing wells five times deeper than the Russia.

Russia's key political tool has been its energy resources and the latest developments will no doubt impact this policy tool. Russia's biggest challenge is adopting new technologies and methods in its energy sector. Traditionally Russia has not indigenously developed these and relied on foreign expertise. With many countries looking to develop their own Shale reserves, Russian energy may become diluted as these reserves come online.

## Military

The Soviet Union's defence relations played a central role in its power projection capabilities. Due to the nature and length of defence contracts the Soviet Union was able to form and solidify strategic relationships with other nations. During the Cold War the Soviet Union competed with the US in the arms and space race. Both nations developed powerful nuclear weapons. They both competed in delivery systems and both were able to construct Intercontinental Ballistic Missiles (ICBM) to deliver powerful warheads alongside strategic weapons systems. Both nations had huge military industrial complexes which produced technologically advanced weapons.

The disintegration of the Soviet Union resulted in the newly independent states dividing up the Soviet Union's military's assets. The Russian Federation inherited the largest and most productive share of the former Soviet defence industry, employing as many as 9 million workers in 1,125 to 1,500 research, design, and production facilities. Most Russian defence enterprises steadily lost their best workers to Western companies. In 1997 the Russian defence industry consisted of some 2.5 million workers. In dealing with this situation, the Kremlin came to rely on its nuclear arsenal as the guarantor of territorial integrity. Russia's nuclear weapons still remain its trump card in all defensive scenarios. Until Putin came to power the Kremlin had no offensive capabilities or ambition.

The decade after the collapse of the Soviet Union led to economic and financial chaos leading to the deterioration of arms and equipment due to inadequate servicing. Today up to 90% of this equipment has not been maintained or can no longer be used.<sup>41</sup> Russia's defence industry is today a relic of the Cold War era, and Russia continues to struggle exporting its equipment.

Russia's ground forces have very large stockpiles of materiel left from the Soviet Union. This equipment in the main part designed or built by Soviet era engineers is either obsolete or requires significant upgrades. The army particularly lacks precision-guided munitions and modern Command, Control, Communications, Computers, Intelligence, Surveillance and reconnaissance systems.

The Russian air force has over 4,000 aircraft in active service, but as with the army overall, its equipment consists of vast numbers of ageing platforms first built during the Cold War. Much of these fleets have been badly serviced. In 2008 a MiG-29 crashed as subsequent investigations brought to light that the plane suffered from metal corrosion. All of the MiG-29's were grounded and checked for air-worthiness and it was found 70% were not operational.<sup>42</sup>

*The decade after the collapse of the Soviet Union led to economic and financial chaos leading to the deterioration of arms and equipment due to inadequate servicing. Today up to 90% of this equipment has not been maintained or can no longer be used. Russia's defence industry is today a relic of the Cold War era, and Russia continues to struggle exporting its equipment.*



The Russian navy is not as powerful as it used to be. The decay of the 1990's affected vast numbers of ships that suffered from lack of maintenance and upkeep. The Russian navy has not played any role in Russia's post-Soviet wars – Chechnya and Georgia. The shortage of finance in the 1990's led to shipbuilding to largely discontinue until early 2000's. Russia currently maintains a sizable number of warships, but most of these are old Soviet and now obsolescent designs. The Russians have not built a large surface vessel for the military from scratch in more than 20 years. The refurbishment of India's INS Vikramaditya aircraft carrier, at the shipyard in the Russian city of Severodvinsk, has been beset by constant delays and obstacles, highlighting Russia's declining ability to work on large military vessels.

Russia continues to maintain a sizeable nuclear arsenal and delivery systems. Russia has approximately 1,499 deployed strategic warheads, and another 1,022 non-deployed strategic warheads and approximately 2,000 tactical nuclear warheads. Russia's nuclear forces have not escaped the military decline of the post-Soviet years. Many of Russia's nuclear weapons and their delivery systems have exceeded their design life, with some estimates suggesting that increasingly obsolete capabilities form some 62% of the Russian strategic missile force.<sup>45</sup> Going forward many of Russia's existing delivery systems are due to be decommissioned by 2015. Efforts to replace those capabilities have had mixed success.

*Russia possesses a very sizable arsenal, which suffers with deep structural problems associated with age and the lack of maintenance. As the equipment continues to age, maintenance becomes more expensive, taking up more of the defence budget. The equipment will also be retired at an ever-increasing pace as it becomes obsolete*

Russia has made small amounts of advanced weaponry, which has been widely acknowledged. In the last few years, the air force has taken delivery of the Su-34 combat aircraft, the Iskander theatre ballistic missile system, the S-400 air defence system and the BMD-4 airborne combat vehicle. These platforms are considered amongst the best in their category.

Russia possesses a very sizable arsenal, which suffers with deep structural problems associated with age and the lack of maintenance. As the equipment continues to age, maintenance becomes more expensive, taking up more of the defence budget. The equipment will also be retired at an ever-increasing pace as it becomes obsolete. The Russian military therefore is dependent on increased military funding if it wishes to maintain its current combat potential, much less increase it. Whilst the Soviet Union challenged the US in the arms and space race, today's Russia is militarily weak to use this as an effective tool.

## **Demographics**

The Slavic population played a central role in the Soviet Union's expansionist strategy in the past. The Soviet Union transferred large segments of its population to satellite states in Central Asia and Eastern Europe to act as a bulwark for Moscow. The disintegration of the Soviet Union in 1990 did not just have political and economic consequences; it also had massive social consequences. Russians stopped having children, due to uncertainty of the future of their welfare, as deaths increased with the collapse of Soviet territories. The Soviet health system crumbled, suicide and

AIDS increased leading to deaths outstripping births. Russia's population on the eve of the Soviet Union's collapse was 148 million, today it has declined to 141 million, and continues to decline. Whilst in the past Russia's demographic was its strength, today it can no longer be used as such and this will worsen as an aging population places a heavy economic burden upon a nation which will only be further exacerbated as the labour force continues to shrink.

As a nation Russia is a large, diverse and socially unstable country. Today, Russia has more than 185 different ethnic groups, 21 national republics and 85 regional subjects that span nine time zones. Every Russian leader - be they Czarist, Soviet or post-Soviet - has struggled to consolidate this disparate population. Putin in the first decade of the 21<sup>st</sup> Century united the peoples of Russia in order to build a stronger country, but he never created a new identity for those people like the Soviets did. So the inherent divisions were bound to resurface. Such divisions have already led to mass protests, escalating conflict between Russians and Muslims, and the rise of new social and political groups hostile to Kremlin control. As Russia expands it will in all likelihood have more and more non-ethnic Russians in its territory. How Russia integrates them will impact its territorial cohesion. As the largest country in the world in terms of land area, Russia is comprised of a vast amount of territory that is home to a number of distinct ethnic groups. This means that to survive as a major power, Russia must control these groups - this is to ensure an external power does not gain influence over them.

### RUSSIA'S ETHNIC REPUBLICS AND GROUPS



Russia's demographic trends all point towards the Muslims becoming a large proportion of the populace. The current Muslim population of 16.7 million is projected to number 18.3 million by 2020, which would be 13.3% of the population. This is forecast to increase to over 15% by 2030 as Russia's ethnic population declines which will make the Muslim population around 20 million. As a tool, utilising the Russian population is becoming obsolete.

## Values

The Soviet Union excelled in spreading communism, winning over many people from the West from labourers to intellectuals to politicians. Many around the world were attracted to the Communist doctrine of shared ownership, the regulation of private ownership and the centrally driven economy. For seven decades the Soviet Union challenged the Capitalist world and its position as an ideology.

The collapse of the Soviet Union led to the replacement of Communism and as a result, Russia today has nothing in the realm of ideology, values, thought, philosophy or culture to spread around the world. Russian foreign policy is not aimed at advancing any values but only to protect its strategic interests. Whilst the Soviet Union attracted many to the Communist ideology, today the world in no way wants to model itself on Russia or its culture. Much of the former Soviet republics, today, despise Russia and its culture and are more attracted to the West.

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The quality of governance in Russia has also failed miserably. In 2012 a number of large protests swept across Russia and people in the hundreds of thousands took to the streets. These demonstrations continued for months and had a very overt undertone of being anti-Kremlin. Russia like the Soviet Union employed brute force as a strategy to contain protestors. Russia has used nationalism to maintain its domestic social cohesion, but Russian nationalism which is predicated on ethnic Slavic culture and Russian history of struggle is specific to the people of the region and is not something that can be used to attract people to Russia. Russia has no ideology or values to advance in the world and as a result the US with its liberal values has been able to penetrate the former Soviet Republics.

## Conclusions

The sheer size of Russia and its energy reserves are really the key tools in its foreign policy. Its military, demographics and economy face significant structural issues and as a result these are only effective tools in the former Soviet Republics due to these tools being firmly established in these countries. Beyond Central Asia and Eastern Europe these tools lose their effectiveness as they come up against other nations who have more capabilities than Russia. This is why Russia plays a limited role beyond its region as it lacks the tools to project power and influence further away from its region. This explains the positions Russia took with regards to North Korea and Syria. In the Syrian

conflict Russia has been relegated to the acquiescence and orchestration of the US, and its strategic plans, rather than any real strength on the part of the Russians.

Whilst Russia may have global ambitions it lacks the capabilities necessary to fulfil these ambitions. Russia however has many tools in the former Soviet Republics and this is where its strengths are and the reason why Russia is considered a power in the world. Thus for the moment these underlying weaknesses will severely limit the influence Russia is able to exert on the global scene.

## **2014**

**Internal stability** – Currently the Kremlin's political and social control of the country is starting to weaken. Protest movements, which have been seen in Russia only in isolated incidents or, in those cases of regular protests, with small numbers of supporters during Putin's rule are on the rise. Protests have become more common since the end of 2010 as established Kremlin opposition groups, professional activists and dissenters began to unify in their opposition to the Kremlin. The US has even taken advantage of the volatility inside Russia, the US State Department and US Ambassador to Russia Michael McFaul has not hidden support for the anti-Kremlin movements.<sup>44</sup> Despite Russia's challenges abroad it is internally its needs to be worried about.

**Economic issues** – Russia faces a number of serious economic issues that can no longer be concealed and will have to be dealt with in 2014. The Russian economy is weakening because of reduced industrial output and a decline in investment and consumer spending. Putin in 2013 announced the Kremlin would cut the government's budget by at least 5% for the next three years and run a budget deficit in 2014. The modernisation and privatization programs, which the Russian people viewed favorably, were to bring in possibly hundreds of billions of dollars in investment and advanced technology over the next few years, but these plans depended on European investment, and Europe's various financial and economic crises have forced many to backtrack on their commitment to Russia's programs. The Kremlin in 2014 will have to find alternative methods to stimulate the economy.

**Beyond the Periphery** - In 2014 Russia will need to build its capacity to challenge the US beyond its region. Russia has commercial relations with Syria, Iran and many nations on the African continent but needs to change these into political influence. Russian ties with Iran are deep and span decades which include arms sales as well as its nuclear reactors and weapons, however the US has been able to build political ties, which Russia has failed to do. In 2014 and beyond, Russia needs to begin building its capacity beyond its region if it wants to challenge US hegemony.

# China

Strategic Estimates successive assessments on China all concluded with question marks over the sustainability of China's rapid economic growth. In 2012 China challenged US power after decades of unrivalled domination, it also staked its claim to the South and East China seas with its aggressive manoeuvres in the region as the US began its 'pivot' to the region. However, with economic growth slowing, China's economic model of low wages and international exports in 2013 has run out of steam. Nobel Prize winner Paul Krugman put it succinctly *"The signs are now unmistakable: China is in big trouble. We're not talking about some minor setback along the way, but something more fundamental. The country's whole way of doing business, the economic system that has driven three decades of incredible growth, has reached its limits. You could say that the Chinese model is about to hit its Great Wall, and the only question now is just how bad the crash will be."*<sup>45</sup>

## Economic Model

China's economic model was constructed to solve a problem that has plagued the nation throughout its history. China as a nation has existed for over 4000 years. Most of Chinese history consists of internal struggles between various dynasties fighting to rule over the nation. Maintaining internal cohesion with a large population has been the nation's great wall that cannot be traversed. Modern China emerged after WW2 when the Japanese who occupied large parts of China were defeated. The resultant vacuum led to civil war between the Chinese nationalists supported by the West and Chinese communists led by Mao Zedong, who was supported by the Soviet Union.

Mao and his communists defeated the nationalists and then ruled China with Communism for the next 3 decades. The Communists launched two disastrous strategies to develop China, the first of them – the great leap forward in 1953, attempted to collectivize all aspects of life (even cooking pots), this strategy led to a famine and the death of 30 million people. This disaster of epic proportions gave birth to the reform movement in China which has been central to China's rapid economic development.

Mao then initiated the Cultural Revolution in 1966 in order to do away with such undesirables, Mao believed, in accordance with permanent revolution, that such elements should be removed through revolutionary violence, leading to another period of instability in China's long and turbulent history.

The death of Mao in 1976 led to the emergence of the reformists and chief architect of China's current economic development - Deng Xiaoping. Under his leadership an analysis of the nation was undertaken by technocrats from the Chinese Communist Party and published in three documents called the 'Four Modernizations.' The analysis concluded that the prior efforts to develop China had been failures. It proposed a new comprehensive policy for China, based on a number of



underpinnings. The most important of these were the following:

- The realization that China possessed many of strengths needed to become a global superpower. It had the agrarian land to be self-sufficient in its food supply. The sheer size of China's population gives it the ability to become economically independent. If managed properly, such strengths combined could give China the financial ability to develop its armed forces. Through which the country could then become an all-round global superpower.
- The realization that China would never achieve its potential if it did not increase its knowledge base. If China ever wanted to challenge the then foremost powers of the day, America and the Soviet-Union, Chinese workforce would need to make 'great leaps forward' in both technical and managerial knowledge.
- The realization that its population, and in particular the growth of its population, could become the nation's Achilles heel. If China's population growth was not matched with economic growth and employment then the resulting mass unemployment would cause mass poverty, civil unrest and a revolt against the rule of the Communist Party.

The reformists view was that developing China economically was not just an aspiration but a necessity. This comprehensive analysis of China's state of affairs was translated into policy in 1979 and saw the birth of China's 'open door' economic policy that led to rapid economic development. China's 'open door' economic policy gradually opened up China's economy to foreign companies in a process well controlled by the Communist Party. The key features of this model were:

- China created Special Economic Zones (SEZ) in the coastal Guangdong and Fujian provinces, that were designed to attract foreign investment in low-end manufacturing by offering cheap land, labour and a variety of tax and other incentives. This turned China into an export oriented economy and dependent on foreign countries to continue importing from it. The hope was in the future the coastal cities would lead to the development of China's interior. The coastal cities however developed due to their direct access to global shipping lanes. This combined with China's export orientated growth developed them into mega economic centres. The geographic position of China's interior and distance from the coast has always made them much less attractive. For most of the last 30 years, these coastal clusters acted as Beijing's experimental and carefully monitored interface with the outside world.
- China created Special Economic Zones (SEZ) in the coastal Guangdong and Fujian provinces, that were designed to attract foreign investment in low-end manufacturing by offering cheap land, labour and a variety of tax and other incentives. This turned China into an export oriented economy and dependent on foreign countries to continue importing from it. The hope was in the future the coastal cities would lead to the development of China's interior.*

- The value of the Yuan, low wages and cheap exports were all controlled by the communist party to placate the Chinese population. To make Chinese goods more attractive than Japanese and German goods, the Chinese government controlled the value of the exchange rate of its currency with the world, rather than let it float freely. China kept the value of its currency artificially low, which made it cheaper to purchase consumer goods – far cheaper for the world than anyone else. By China undercutting the world, aside from keeping Chinese factories open, this also meant most Chinese citizens had a job. When Chinese citizens have jobs this deals with domestic social unrest which has long plagued the country. Chinese factories made little profits on the goods they export, due to the low exchange rate the potential profit is lost. According to the Chinese Ministry of Finance, Chinese profits on their exports are about 1.7%.
  
- For China profit is not the real concern but territorial cohesion is what drives its currency policy, it must keep the costs of its exports down, which is why it makes virtually no profit on its exports, it achieves this by enforcing low wages for its populace. Commerce Minister Chen Deming told the BBC in 2009 when economic growth slowed *'the chances of possible social unrest increase as well.'* *I don't worry a lot about the GDP growth, however the biggest challenge to China is unemployment.'* *We need to create sufficient jobs for university graduates and the redundant workforce from the countryside.*<sup>46</sup>
  
- At the heart of China's economic development has been the nation's banking system. In China the government used the national banking system to serve the Communist parties objectives. The nation's large savings were funnelled through banks to firms through subsidized rates. In order to qualify for such loans firms were required to maintain high employment (in order to maintain social cohesion), rates of return on capital, building brands, customer service and profit played no part of this process. Anyone who wanted to start a business, could get access to subsidized loans and this multiplied China's economic growth. These loans did not look at the ability of the debtor to repay, as the world economy slowed, these firms begun to collapse as was the case in Wenzhou.
  
- China's growth also came from both huge state investment in infrastructure and heavy industry. 159 large State-Owned Enterprises (SOEs), provide the key inputs from utilities, heavy industries and energy resources that facilitate the private sector. The aggressive outward investment strategy, driven by SOEs and state banks with massive pools of cash allowed China to spread across the world looking to expand markets, employ services and buy up resources.

Despite posting GDP growth figures of an average of 7% - these are highly questionable considering China does not have a formal process of recording statistics, there are a number of factors that show China's economic model is coming to an end:

- Chinese exports constitute 40% of the national economy, this has fallen since 2008 due to the global economic crisis. Throughout the global recession, Beijing relied on stimulus policies, where central government expanded infrastructure spending to keep headline GDP figures buoyant, while the ailing export sector weighed down on these figures. Emergency

policies could not be maintained forever and the hope was export levels would return to normal levels. China's export dependency led it to prop up exporters, all of this was designed to maintain employment and social cohesion. Chinese exports now consume much of the world's energy, minerals, metals and raw materials. This in turn has driven their prices up. This rise in imports of these, is increasing costs, in turn leading to the continual flow of companies leaving China, or choosing not to invest in China, and going to other cheaper countries. Stratfor described this as 'Post China,' and identified 16 countries that can produce the same goods as china – much cheaper and may possibly become the alternative market to China.<sup>47</sup>

- China's exports centre around producing simple products for the world market, not high end sophisticated products. The Atlantic monthly writer James Fallows spent a year in China, watching the nation's industrial machine up close. He compared China's manufacturing capability to the U shaped smile on a happy face 😊, he illustrated the development of a product, from its initial conception to its eventual sale. At the top left of the curve there is the initial idea and industrial design, the products details and how it will eventually look and work. Lower down the on the curve is the detailed plan by an engineer. At the bottom of the curve is the manufacturing, assembly and shipping. Then rising up on the right of the curve is the distribution, marketing, retail, sale, service contracts, parts and accessories. Fallows observed that in almost all the manufacturing industry in China, China takes care of the bottom of the curve and the US the top. *"The simple way to put this – that the real money is in the brand name, plus retail."*<sup>48</sup> The ends of the U is where the money is and the US dominates this area globally. After three decades of importing most for world's key minerals and energy the costs of exporting is increasing for China.

- China's Special Economic Zones (SEZ) created immense wealth for the country, but it is now the problem. China's rapid economic development has been anything but equal. The Special Economic Zone's (SEZ) have all been constructed on China's Eastern coast and everything that comes off the production line is placed on ships as cargo and exported to the world. The coastal region as a result is interlinked with the global economy; it has seen most of China's rapid development and enriched a new breed of merchants, all at the expense of the rest of China. Most of China today remains largely agrarian, has little infrastructure and lives in poverty. The wealth China has made is in the hands of a few. According to the Boston Consulting Group 2008 worldwide study of household wealth 70% of China's wealth is controlled by only 0.2% of the population.



- Just as Japan did in the past China has used its banking industry to keep its economic model afloat. The Chinese government ensured subsidized loans at below market rates reached every firm willing to import raw materials, build products, export products and employ citizens. Profitability never came into the equation because the state ensured such operations were indirectly subsidized by the financial system. More loans could always be attained. In

the case of Japan, its economy eventually collapsed in 1991 under the weight of trillions of dollars of non-performing loans. The ever-mounting tower of debt consumed all available capital. The Japanese economy has never recovered. China has imitated this finance and export strategy as a means of powering its development and holding together a disparate country. However the Chinese application of the strategy faces the same bad-debt problem that Japan's did. This strategy was pursued to hold together the nation, its failure will lead to social breakdown and not just economic meltdown.

- China is facing a huge overcapacity problem. This is a direct result of the nation's economic model which prioritized production over consumption. Under this model, central and local governments controlled the allocation of financing, land and raw materials and subsidized the price and availability of these inputs to benefit the corporate sector. Enterprises in turn expanded rapidly, generating higher tax revenue and wages. The system paid off in the form of social stability and security. Today thousands of factories compete by making more goods at ever lower costs and thinner profit margins in attempts to swamp their rivals by sheer volume, they do not invest their profits in product innovation, management or branding. Much of the built capacity in China therefore remains unused. China's State Council announced long-awaited reforms in October 2013 in order to deal with this problem. The State Council claimed the iron and steel sector uses 72% of capacity, cement 74%, electrolytic aluminum 72%, glass 73% and shipbuilding 75%. It also highlighted that these rates were much lower than international rivals at normal operating levels.

It has taken the global economic crisis of 2008 to bring the Chinese economic problems to the surface. China's problems have only been made worse by the failure of US and European consumption to pick up – even its short term solution of massive state intervention has not fixed this. The pursuit of this economic model has effectively strangled China. Aggressive lending to failing businesses has caused inflation, these increasing costs have made the Chinese less competitive in exports, which are also falling due to the recession in Europe and the US. If China allows businesses to fail, this will result in an increase in unemployment and the large social and political problems it's been attempting to contain.

Thus China is at the fringes of its low-wage, high-growth era. This economic model has now run its course and a move to domestic consumption as an economic engine is needed. Internally China's domestic market has deep problems. The current wealth distribution is completely lopsided but most of the country remains in poverty. 948 million of China's 1.3 billion population live on less than \$5 a day. Most of China's populace cannot contribute towards domestic consumption. The vast majority of Chinese cannot afford the products produced in China.

## **Political Transition**

China's large population not only garners the attention of the world, but is also the number one priority of the Communist leadership. Maintaining social cohesion, considering China's history has not only been dealt with through the economy but also politically through the communist party. China's change in leadership in January 2013 ushered in a new era of leaders and highlighted how China's model of political transition is central to maintaining internal cohesion.



In late 2012 and early 2013 China's top leaders, including President Hu Jintao and Premier Wen Jiabao, both retired. The Politburo - the highest decision-making body in the country was to be repopulated with completely new faces. The principal figures responsible for the country's political and ideological affairs, economic and

financial administration, foreign policy and military operations, now consists all of newcomers. Whilst it appears a major change took place, China's ability to transition is because continuity is institutionalised into its political system.

China's leadership change was not an election but a highly organised transition. China's one party system allows for long-term succession plans. All future leaders are chosen well in advance to be groomed for the nation's leadership. This system was established by Deng Xiaoping to do away with the factional politics that dominated China's leadership after the death of Mao Zedong, the founder of modern China. This political system emphasized continuity and eschews factionalism. It also ensures power struggles do not occur as future leaders are known well in advance. Jiang Zemin and Zhu Rongji were the first appointed under this system but Deng also identified their successors, Hu Jintao and Wen Jiabao, guaranteeing two decades of clear political lineage. Both Hu Jintao and Wen Jiabao, the core of China's fourth generation of leaders, transferred control of the Communist Party of China to a new fifth generation of leaders who had been known for some time.

Xi Jinping and Li Keqiang were identified and placed in their respective positions five years ago, showing a clear path for further continuity of leadership. China's leaders are all delegates of the party's national congress. 2,000 delegates are elected at the various stages from the township level up to county, city and province. These elections take place in between party congresses, and are voted by the approximately 70 million official members of the Chinese Communist Party. It is here future leaders expand their knowledge and are given the breadth of managerial experience. Candidates are assigned to a variety of administrative positions and localities across this country of 1.3 billion people.

Xi Jinping, the new premier, joined the Communist Party in 1974 and has held a selection of posts which made him attractive for the role of premier, which included deputy secretary of a CCP committee in Zhengding County, deputy governor of Fujian province and party chief in Shanghai. These roles allowed other party members to see his credentials building an impressive portfolio. The final step prior to making the highest office is serving on the Politburo Standing Committee (PSC), the most powerful group in the country. Hu Jintao brought Xi Jinping onto the PSC in 2007, a move that confirmed Xi's presidential future.

China has developed a succession system of politics which is built around a consensus driven process. This means many decision are taken well in advance and future leaders are trained and groomed well in advance. This system of consensus also means no individual or group can dominate the system or use it for their own end, which is considered the case when Mao Zedong was paramount leader. This makes it extremely difficult for individuals to make it to the top jobs

without proving themselves and roots out those looking for power for themselves. The Bo Xilai scandal showed the strength of this system. He cultivated a casual and charismatic image in the media that marked a departure from the normally staid nature of Chinese politics. He was eventually expelled from the party.

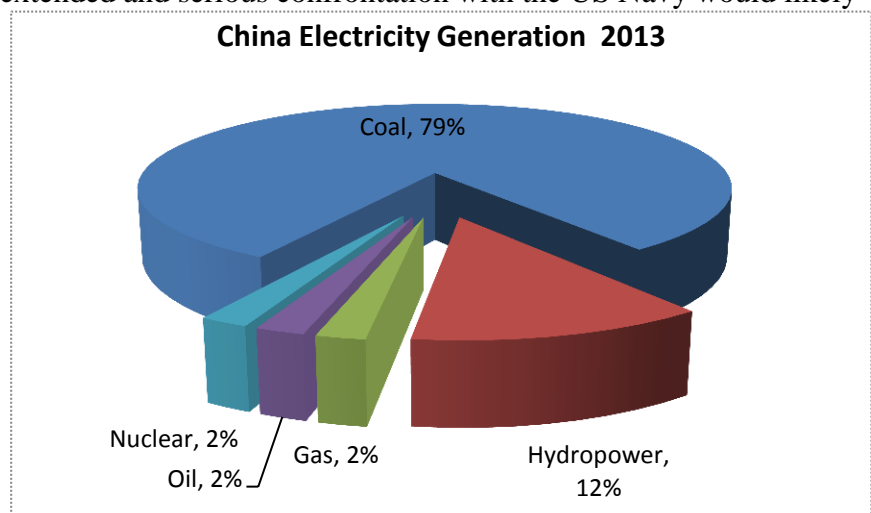
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The Chinese political system is the complete opposite to what is seen in the West of regular elections by competing political parties with various agendas. China has ensured continuity by creating a strict process of leaders having proven track records of management and leadership before they take up positions in central government. This has led to many in China to view the Communist party as their savior rather than a mere political party. Whilst there have been cases of abuse and corruption in China, the country's fifth leadership transition was unique in what it maintained rather than changed. So whilst the country's economic model is coming to an end, its political system remains strong.

## Energy

In October 2013 the US Energy Information Agency confirmed China had surpassed the US as the world's largest importer of oil.<sup>49</sup> China's oil consumption rose from 2.3 million barrels per day in 1990 to 4.7 million barrels per day in 2000 and is now 11 million barrels per day. China is already the world's largest coal consumer. China's economic miracle has been driven by its gigantic demand for all forms of energy and as its economic model falters its dependency will be exposed.

Until the early 1990's China was an oil exporter, exporting modest amounts of oil in the Asia-Pacific. By 1993 with China's rapid economic growth in full swing its internal demand far exceeded its domestic production capabilities and ever since China has relied more and more on foreign oil. Oil acquisition is now a process of investment in foreign lands and a creation of an internal oil reserve in case of emergency. 85% of Chinese imports arrive by sea, including most of its oil imports. As a result China has been forced to develop a robust military capability as a blockade would cripple the nation. As China tests its new capabilities in the East and South China seas, it remains painfully aware that any extended and serious confrontation with the US Navy would likely result in China's sea lane supply and communication effectively being lost. Because the Chinese are nowhere near the capability level necessary to break a naval blockade, they must consider seeking overland supply lines to Russia, Central Asia and even Iran as a beneficial option to help circumvent any strategic blockade.



China's energy landscape is worryingly dominated by one fossil - coal. Coal comprises around 80% of China's total energy consumption. China is today consuming an estimated 4 billion tons of coal, this is half of the world's total. More than half of China's coal is used to generate power and heat and Industries such as steel and construction account for 30% of coal use. China's 10 largest coal companies produce less than 30% of the domestic coal. Shenhua Coal, the world's largest coal company,



holds 10% of the domestic market in China. China has tens of thousands of small local coal mines where insufficient investment, outdated equipment, and poor safety practices prevent the full utilization of coal resources. The majority of China's coal is mined in landlocked Northern provinces. The coal is then transported by a combination of rail, road and inland waterways either directly south or, more commonly, to coastal ports such as Qinhuangdao and Dalian, where it is then loaded on southbound bulk freighters. In normal conditions, this long-distance transport system is severely strained by shipment volume alone. But it is also highly vulnerable to extreme weather, which causes delays that often trigger local blackouts and contribute to demand for overseas energy sources.

The second largest source of energy in China is hydropower. Hydropower currently provides 12% of the country's power. Most of China's hydropower comes from the Tibetan plateau and surrounding provinces, the size and mountainous terrain of which make building power infrastructure both difficult and expensive. Like coal, Hydropower is hampered by the remoteness and ruggedness of south-western China's geography. Small-scale hydropower projects are common throughout south central China, but rapidly increasing demand in both central and southeast provinces combined with weak transmission has overwhelmed the system.

Until nuclear and natural gas resources become viable alternatives to coal (which will take at least a decade), connecting traditional energy resources such as coal and hydropower more efficiently to the areas that demand it will necessitate improved transmission networks. While increased connectivity carries greater risk of more widespread blackouts, the alternative is worse in the long term: waste, inefficiency and a deepening energy imbalance, with coastal and urban demand outstripping China's domestic energy capabilities.

China's increased dependence on foreign energy markets will severely test its position on global politics. Political developments in the Middle East and other energy producing regions will all impact China's energy dependency. China's historical policy in such disputes has been not to

intervene, but with rising dependence, this policy could become less tenable in the future. The United States will remain highly interested in global energy markets and significant geopolitical events that affect those markets, but decreased dependence on foreign oil imports does give Washington greater freedom in conducting its foreign policy in strategic oil and natural gas producing regions.

## **Conclusions**

Whilst 2011 and 2012 for China were years where it made a number of developments that allowed it to strengthen its position in the region and challenge America's pivot to the region. In 2013 its internal challenges can no longer be overlooked. Decades of rapid economic development has exposed the countries Achilles heel and now painful reforms are necessary. The wealth from this rapid economic development allowed the Chinese to modernise its armed forces and allowed it to dominate its region – all of this now hangs in the balance and is dependent upon China navigating these myriad of challenges.

In successive Strategic Estimates our assessment of China's position in the world was questionable due to the sustainability of its economic growth, this will impact not just its foreign policy but even its internal development. At the end of 2013 our net assessment remains that China only possess a challenge to the US in its region, but this is questionable now as China's economic model has run its course and how this is navigated will have repercussions not just for China, but for the world.

## **2014**

**Internal issues** - On October 28 2013, an automobile drove into a group of pedestrians and burst into flames on the avenue next to Tiananmen Square, the massive public square in Beijing which is the symbolic heart of the Chinese capital. Chinese police considered the incident an act of terrorism. China's largest province - Xinjiang, has long troubled Beijing; the restive region in the north-western part of the country has not been part of the country's three decade long economic miracle. Despite the rhetoric, when placing the attack in perspective, grievances over systematic injustice, remain the greatest threat to the Chinese government and the mounting discontent is primarily among the ethnic Han majority rather than minorities. In 2014 and beyond China will need to deal with its internal cohesion problem before expands and gets out of control.

**Hybrid system** – China has for years followed a hybrid approach to progress. Politically China has a one party system and maintains internal cohesion through its security services. It also has many aspects of its economy following a Communist approach with large sections of government intervention across its economy such as State Owned Enterprises (SOE) as well as government control over wages. At the same time China's Special Economic Zones (SEZ) primarily follow the Capitalist approach with the free market deciding what is produced and where goods are sold. This is not only creating a contradictory nation but creating even more problems such as economic growth being a priority over wealth distribution and the political medium being dominated by Communist party members and their families. Not only has China's economic model run its course but this hybrid system is causing deeper problems that China will need to deal with in 2014 and beyond

**US pivot** – The biggest challenge China faces with America’s attention shifting to the Asia Pacific is the posture of its armed forces, which it will need to deal with in 2014. China’s army is primarily configured as a domestic security force, which has been a necessity due to the country’s history of internal tensions. Having been designed for internal security, China’s ground forces are doctrinally and logistically disinclined toward offensive operations. Using a force trained for security as a force for offensive operations leads either to defeat or very painful stalemates. The PLA was built to control China, not to project power outwards. Since the 1980s the Chinese have been attempting to transfer internal security responsibilities to the People’s Armed Police, the border forces and other internal security forces that have been expanded and trained to deal with social instability. But despite this restructuring, there remain enormous limitations on China’s ability to project military power on a scale sufficient to challenge the US directly.

# European Union

The global economic crisis created a sovereign debt crisis in Europe and this has exposed the debt driven nature of the union. The EU has attempted to address this crisis through a whole host of strategies, but these have only been able to stop the slide and have failed in ending it. In Strategic Estimate 2013 we concluded the economic crisis has led to a political crisis which has brought into question the unions viability. The fiscal pact and banking union were attempts to address the high levels of sovereign debt after austerity as a tool failed to solve the crisis.

It was a quite year for the EU and its guarantor – Germany, who had national elections, but the sovereign debt crisis continues to weigh down on the union. The central issue of how to resolve the sovereign debt crisis, how to deal with the unions banks and who should bear the burden of stabilizing the system was dealt with through austerity being imposed on the unions countries. Many of the union's members agreed further economic and political integration is necessary to fight the current crisis in the bloc, but they do not agree on what the process should look like.

Whilst Germany and the European Central bank refused to bail out any countries, in 2013 they have continued to do so with Greece and Spain. In October 2013 the first stage of the continents banking union was agreed, however progress has been slow due to differences on the details and specifics – chiefly on who will fund failing banks. The legal foundations of a single supervisory mechanism – a new Eurozone bank regulator, was agreed, however this is only the first of several steps towards a full banking union – a process that will take many years to complete.

The biggest challenge the EU faced in 2013 is the fact that the EU's banks are not lending. The availability of credit is what drove growth in the EU, especially with the smaller economies in the union. This flow of credit ground to a halt when the global economic crisis began to spread in 2008 as this credit was seen as the cause of the crisis. The inability of the union's populace to honour their debts led to a raft of bailouts. What deepened the crisis was the fact that banks even stopped lending to each other and the effects of this was felt in 2013. According to data from the European Central Bank, which were analysed by Reuters, the share of cross-border interbank lending in the eurozone dropped from 34% in 2008 to 22% in April 2013. Because bank lending is so vital for the EU, any fall in lending will deepen the crisis further.

There are a number of ways the EU could get itself out of this crisis and similarly there are a number of ways the EU's constituent member states could halt economic decline. There are however various political obstacles to these.

- The EU could borrow its way out of the crisis and use credit to fuel growth. This is considered to have caused the crisis and would be counter to the union's strategy of pursuing austerity – cutting government expenditure.

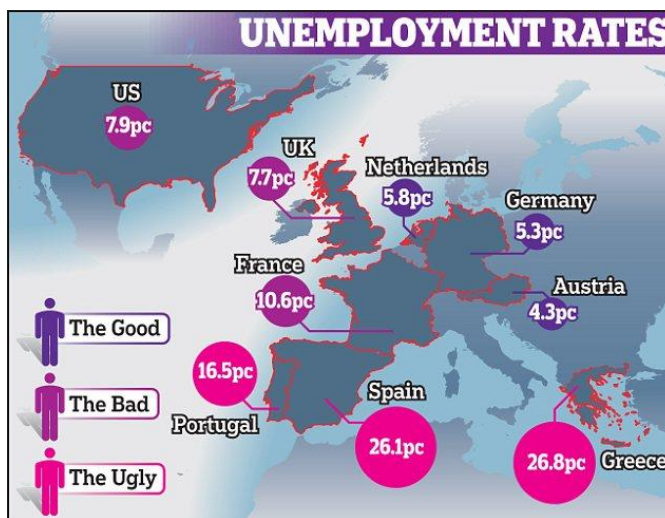
- The EU could begin a programme of government investment in infrastructure to stimulate the economy and create jobs. But fueling growth through heavy investment runs counter to Germany's calls to rein in government expenditures.

In 2013 the EU struggled to create growth and deal with the debt that many of its members are unable to repay. All of this is now causing unemployment to grow which in turn is leading to social issues such as the rise of right wing groups in a number of EU nations.

In 2014 these stop gap measures will be severely tested. As an example Greece continues to be squeezed to virtual breaking point. With its national debt more than its economy and with a quarterly debt bill going into the billions Greece in reality will never be able to repay its bills. The cost of turning to the EU for bailouts is that they have stringent conditions attached, such as slashing spending and cutting the civil service. The Greek budget is now being determined by Germany, who expects its repayments to take priority over the countries priorities. Every time Greece turns to Europe for help, further stringent conditions are placed on it for receiving a bailout. Interestingly Greek debt repayments are mainly to German, French and Spanish banks. Greece is teetering on the brink of collapse, due to the political considerations of Germany and France.

## 2014

**Unemployment** - Eurozone unemployment is horrendously high at over 19 million people, at a rate of 12%. In Spain and Greece unemployment is over 26% and youth unemployment over 50%. In the whole of the EU, 26 million people are unemployed. With government budgets focused on austerity rather than investing across the economy this has just made matters worse. Once the unemployment rate approaches 30% in any country it means 1 in 3 people are unemployed. With an average family consisting of two adults and 1 child this



means everyone is affected. This is the situation in the EU which to some extent is being made worse thought austerity. Continuing with such a policy in 2014 will only make matters worse and really needs a change of policy to halt the descent to much worse a situation

**European Parliament Elections** - The elections for the European Parliament in 2014 will in all likelihood see the breakthrough for a number of Right-wing parties. Eurosceptic parties across the continent are forecasted to make significant gains. The National Front in France is expected to top national polls, the Freedom party is expected to win in Holland and UKIP is expected to be the biggest single bloc from Britain. Mainstream parties continue to struggle maintaining credibility in the face of deteriorating economic and social conditions across Europe.

**Expansion** - The sovereign debt crisis is impacting the EU's ability to expand east and encompass former Soviet republics. In 2014 Europe will need to deal with this weakness as well as Russian assertiveness in Central Europe. The breakdown in the European Union's Eastern Partnership summit in November 2013, which was the EU's key process to integrate former Soviet republics for future EU membership, is an ominous sign of waning EU influence. After a decade of negotiations Ukraine pulled out of talks, with some Russian arm twisting. Despite Croatia's ascension in 2013 Ukraine strategically, economically and from a resources perspective is the jewel in the crown.

# Britain

Britain's role in the world was questioned in 2013. At the G20 summit in Russia in September 2013 a senior spokesman for Putin was reported to have told Russian journalists in a briefing that Britain was *"a small island no one listens to."*<sup>50</sup> British Prime Minister David Cameron was forced to respond: *"Britain may be a small island, but I would challenge anyone to find a country with a prouder history, a bigger heart or greater resilience."*<sup>51</sup> Britain has managed to maintain some semblance of its former British Empire; however, it continues to only play a weakening hand in global issues which can be seen from a number of areas.

Whilst Britain carved up the Middle East with France after WW1, WW2 consumed Britain to such an extent it was replaced by both the Soviet Union and the US. It was the US, however, who had its sights set on British imperial assets across the globe. The US abandoned its isolation by declaring the Middle East as *"a stupendous source of strategic power, and one of the greatest material prizes in world history,"*<sup>52</sup> setting in motion an intense Anglo-American struggle. Post WW2, the US supported various authoritarian regimes in the Middle East such as Egypt's Gamal Abdul Nasser – who challenged Britain's post-WW1 architecture, (this CIA project was outlined by Miles Copeland, a CIA operative, in his 1970 book 'The Game of Nations,' and later in his memoirs in 1989, 'The Game Player'). The British backed King Farooq of Egypt was overthrown in a military coup by the Gamal Abdul Nasser. Similarly, in Syria both Britain and the US battled for control by backing different officers and politicians to counter the influence of each other – this led to coups and counter coups. By 1971 when Hafiz al-Assad emerged as the ruler, British influence was completely removed from Syria. Ever since, Syria and Egypt have played a central role in the region in protecting US interests.

From WW2 onwards, Britain's influence over its Middle Eastern colonies diminished increasingly. It has, ever since, played a weakened hand in global affairs. Unable to stand against the US, Britain decided to join the US in international issues in an attempt to complicate, divert and alter US plans – this was the most it could achieve. Britain opted into international organisations such as the UN, NATO and the EU in order to use these institutions to manipulate US strategy. Unable to challenge the US on its own, Britain continued to use coalitions to achieve its ambitions. In Libya it joined France and the US to remove Gaddafi, in Iraq it joined the US and in Africa it currently works alongside France. On the issue of Iran, Sudan and Lebanon, Britain stands against the US and has worked with France to achieve its interests, whilst on the two state solution for Palestine and the North Korean issue, Britain has worked with the US in order to complicate, alter and divert the US agenda. Despite possessing global ambitions, Britain's economic and defence capabilities constrain such ambitions.

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Colonising nations for their resources and using them as export markets drove the British economy. However, food rationing for a decade after WW2 left the country reeling and by the 1990's it had abandoned its manufacturing sector through mass privatisation in favour of services, as it was unable to compete with emerging economies such as unified Germany and Japan. Today, finance dominates Britain's economy and manufacturing is dominated by food processing. While it is among a few of the global trillion dollar economies, it has lost a generation of engineers and specialists in industry as it restructured its economy away from industry and towards services. This has resulted in Britain being unable to lead an independent and unilateral foreign policy as it physically cannot do it alone.

Britain's economic and political decline after WW2 was reflected by the military's declining global role. Its protracted decline was dramatically epitomised by its defeat during the Suez Canal crisis in 1956. Unable to fund a large military industry, in every decade after WW2, successive British governments have reduced the defence budget and the size of the military, severely affecting the role Britain can play around the world.

*The US supplied the missiles and associated strategic weapon systems equipment and a number of warhead-related components. It completely relies on a small Submarine fleet, just barely large enough to sustain a continually patrolling presence nuclear deterrent around British shores.* Britain today produces transport equipment, which is undertaken by car manufacturers such as BMW, General Motors, Honda, Nissan, Toyota and Volkswagen. Brush Traction and Hunslet manufacture railway locomotives and other related components. Rolls Royce manufactures aerospace engines and power generation systems. However Britain's military industry is dominated by a single platform manufacturer - BAE Systems, who manufactures civil and defence aerospace, land and marine equipment. Only the Type 45 destroyer is built entirely by British engineers, all other heavy military equipment is either imported from overseas or developed with partners. Very few military systems are indigenously constructed by Britain. Its nuclear deterrent has never been independent. The US supplied the missiles and associated strategic weapon systems equipment and a number of warhead-related components. It completely relies on a small Submarine fleet, just barely large enough to sustain a continually patrolling presence nuclear deterrent around British shores.

## Conclusions

Britain's global outlook is based upon protecting the array of interests it has. This can be encapsulated as Britain complicating, altering and diverting the plans of other powers. This is how Britain keeps itself relevant. Due to the economic reality of Britain, it has no propensity to achieve anything more. Britain can complicate the plans of other world powers to the extent that it is taken seriously in the world, this is why the US very rarely goes it alone, and it usually takes Britain along with it. For Britain it has the front seat with the world's superpower and can see at first hand US plans evolve, this places it in pole position to benefit from US aims and giving it the option to complicate US plans if this serves its aims. Britain has to deal with the prospect of a resurgent Russia and both Iraq and Afghanistan becoming ever more complex. Britain will also face the prospect of both Germany and France further entrenching themselves into Europe after the Lisbon

treaty, shaping the EU in their interests. Britain will continue to work with the US in Palestine, Iraq and Afghanistan and continue to alter and complicate US plans in order to keep strengthening itself. This dual, sometimes contradictory approach is how Britain keeps itself relevant in international politics. This is what Britain has resigned its role to in international politics; it no longer has the ability to achieve anything more substantial. Britain plays its weakening hand with impressive political skill, however this is insufficient in becoming the world's superpower.

## **2014**

**Africa** – Whilst Britain colonised large swaths of Africa in the past, it has steadily lost many of its colonies to the US. The US supported coup in Mali and then its attempts to court Algeria all means British influence on the continent is waning. In 2014 and beyond Britain needs to build some capacity to maintain influence in Africa, otherwise its role will weaken even further in the world.

**Economic power** – Despite Britain bring among a handful of global trillion dollar economies this is dominated by services and does not help Britain's position in the world. In the invasion of Libya the most Britain contributed was a single large bomber and relied upon the US contribution to overthrow Gaddafi. Britain steadily lost its manufacturing sector as its position waned in the world. All of this means Britain political ambitions are constrained by its economic reality and in 2014 and beyond unless Britain restructures its economy it will just play a role in the world whilst others shape it.

**Relevancy** – Britain's role in the world has been dominated by trying to complicate and alter the American agenda. This has meant Britain has failed to provide any solutions to international conflicts and gather other nations around it. In 2014 and beyond Britain needs to build its capacity to provide alternative frameworks to the US, otherwise it will merely be a component in implementing America's agenda as is the case in the P5+1 negotiations over Iran's nuclear weapons or the two state solution in the Middle East

# France

The French intervention in Mali in early 2013 came as a surprise for many. France leading a military intervention has not been seen for some time. The recent history of France has been one of working through coalitions and engaging in diplomacy across the world with other nations in order to protect its interests.

France established a strong state in the centre of Europe in 1789 through what came to be known as the French revolution, during which the French governmental structure, previously a monarchy, underwent radical change. Such changes were accompanied by turmoil and warfare involving every other major European power. France attempted to export its culture from its very inception. Its confrontational approach has been a recurring occurrence since the day the French republic was constructed. France like Britain established numerous colonies. In 1799 Napoleon staged a coup and turned the armies of the French Empire against every major European power, eventually dominating continental Europe through a series of military victories. It took a global alliance of various nations to halt French expansion, which was eventually achieved with the French defeat at Waterloo in 1815.

Post-war French policy has centered on European integration as France attempted to strengthen itself through Europe. During the Gaullist era, France perceived the United States and particularly the US dominance of European foreign and defence policies through NATO, as a threat that could make Paris irrelevant. At the time, the French saw their country as a key world power that did not need hefty alliances, and that needed to stand apart from the United States. In 1950 French Foreign Minister Robert Schuman proposed a community to integrate the coal and steel industries of Europe - two elements necessary to make weapons of war. France, Italy, Belgium, Netherlands, West Germany and Luxembourg signed the Treaty of Paris (1951) creating the European Coal and Steel Community, the origins of the European Union. De Gaulle's veto and French objections delayed the first enlargement and Britain's entry into the European Community. Today France has developed close ties with reunified Germany to become the most influential driving force of the EU.

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But when Nicolas Sarkozy took office in 2007, Paris grew much closer to Washington, ending France's Gaullist period.<sup>53</sup> French leaders have always viewed German economic power as a threat to France's ability to be a European power. French aims have been to become the United States' key ally on the Continent, thereby assuring that Germany and other possible competitors would not be able to challenge France's relevance or security. French cooperation with the US included France being part of US-led negotiations involving Israel and the Palestinians and has been one of the strongest supporters of the United States' Iran policy.<sup>54</sup> The French strategy centred on working with

the US on global issues and getting a front seat in US global ambitions. The aim here was to support US policies and simultaneously achieve its own interests. When US interests conflicted with French interests the French government would complicate, change and delay US ambitions, such as in Iraq and Sudan.

France like Britain has been a key player in European history and politics, its policies for decades has been centred on creating influence across the world through its colonies through French culture and through its economic strength. France continues to have influence in much of North Africa, the Sahel region, in addition to Lebanon due to the presence in these states of many people educated with French culture. Politically, on the other hand, France has lost much footing in these countries to Britain and the US.

France's biggest challenge is internal rather than external. Many consider French culture to be dead. Whilst France at the dawn of Capitalism was leading change in Europe, today most thinkers, new ideas and philosophers come from the US. This has created a very insecure France who has become very pessimistic about the future of the nation. This is why anti-immigration policies are very popular in France. Successive waves of immigration have not only diluted French culture, but the failure to integrate foreigners and have them embrace French culture has led to much tension internally. The EU in which France has invested significant political capital is leading to many of the problems and challenges it faces. The common market, the EU's common agricultural policy (CAP) and EU budget were supposed to strengthen France, but are now leading to the weakening of France as it is now funding a much larger European Union.

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## **Conclusions**

Whilst France in the early 20<sup>th</sup> century co-organised the world and co-designed many a country's borders through the Sykes-Picot agreement - a pre - WW1 agreement between the French and British on how they would divide the Middle East between themselves - the reality today is very different. The French are just one of many global players and are being challenged by the likes of the US in traditional French colonial territories such as Lebanon, Algeria and Mali. France faces some significant challenges in the short to medium term with the most important being the future of the EU, which for long has been a key French political tool.

## **2014**

**Africa** – French efforts in Africa took a bit hit in 2013 and in 2014 France will need to deal with its waning influence on the continent. France is competing with Britain, the US and China on the continent and in recent history whether it was Sudan or Mali the French are struggling to maintain a foothold in Africa. In 2014 the French will need to ensure they maintain their grip on West Africa

which has traditionally been its sphere of influence. The US is now focusing on West Africa as it moves away from its dependency on Middle East oil.

**Debt** - Standard & Poor's second downgrade of France's credit rating in less than two years, clearly shows France has serious economic problems. French debt is fast approaching 100% of GDP and will reach €2 trillion in 2014. France issues the most debt annually in the world to repay its debts. The government strategy has been to slash spending and cut its civil service and military budget to deal with the crisis, but this has only made things worse. In 2014 France will need to adopt a different strategy to generate economic growth otherwise Hollande may await the same fate as Sarkozy.

**Economic power** – French economic power has been on the decline since WW2. This is now affecting its ability to conduct its foreign policy abroad. France is unable to fight any war on its own and is dependent on working within coalitions. This was seen in 2013 in Mali and previously in Libya. In Mali even though the US backed the coup that brought a military captain to power, France needed US military hardware to maintain its influence in the country. French ground troops were supplemented with African union troops as well as a large US air presence. Similar to Britain French political ambitions are constrained by its economic reality. In 2014 France will need to solve this dichotomy otherwise it will be unable to shape global events.

# Global Economy

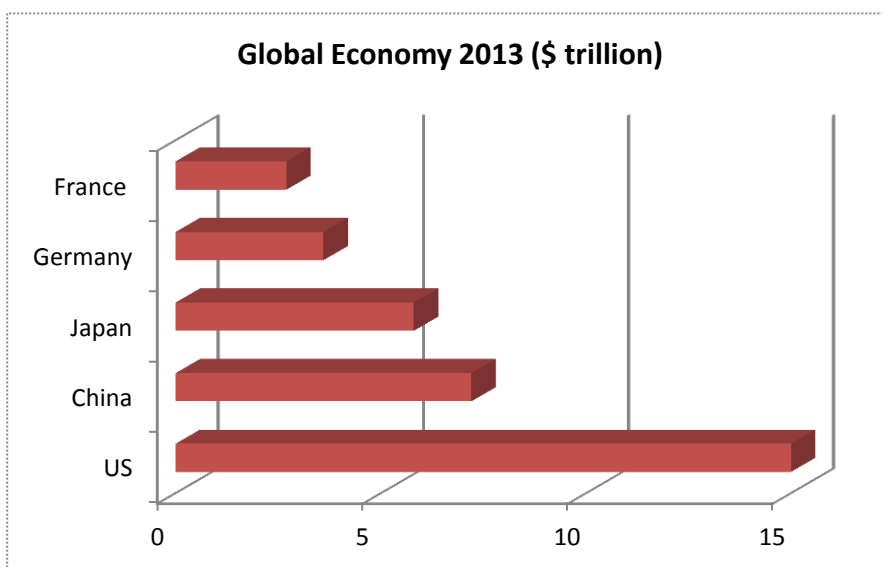
At the end of 2012 our assessment of the global economy was:

**“After 5 years of economic crisis, the West is in no better a situation. In fact we are witnessing economic nationalism as each country fights for its own survival. The smaller economies are being held hostage by the larger economies of the world.”**

2013 marked the 6<sup>th</sup> year anniversary of the global economic crisis. On the anniversary of the ‘great recession’ European Union officials announced the end of the recession in Europe and produced data that showed the European Union’s economy was growing again, these figures were published in August 2013. Similarly the US also produced data showing its economy had grown over 1% in 2013. Chinese officials also announced that in the year to July 2013 the Chinese economy grew over 7%. The US, China and EU account for over 50% of the global economy and this would indicate that the global economic crisis that has dominated the world for the last 5 years is now finally over. A review of the state of the US, EU and Chinese economies suggest otherwise.

## US Economy

America’s economy is the world’s largest, it is larger than the combined economies of China, Japan and Germany. Because of this dominance, America’s economic performance dominates the global economy. America’s economy is driven by consumer spending and is heavily dependent on the American population continually consuming. The



collapse of the sub-prime market and then the whole real estate market in the US led to consumer spending to fall as many lost their homes. The collapse of this important component of the US economy resulted in America going into recession. This then spread globally due to the sheer size of the US economy.

To ensure the US economy didn’t collapse, the US government initially bailed out many banks that were on the verge of collapse. This strategy started at the end of the Bush government. When Obama came to power his government attempted to stimulate the economy through regularly pumping money into the economy in the hope that economic growth will return. This approach led to growth which was never sustainable as stimulus spending is a temporary measure, it cannot be fuel for sustained economic growth. That is why America’s growth has been patchy.

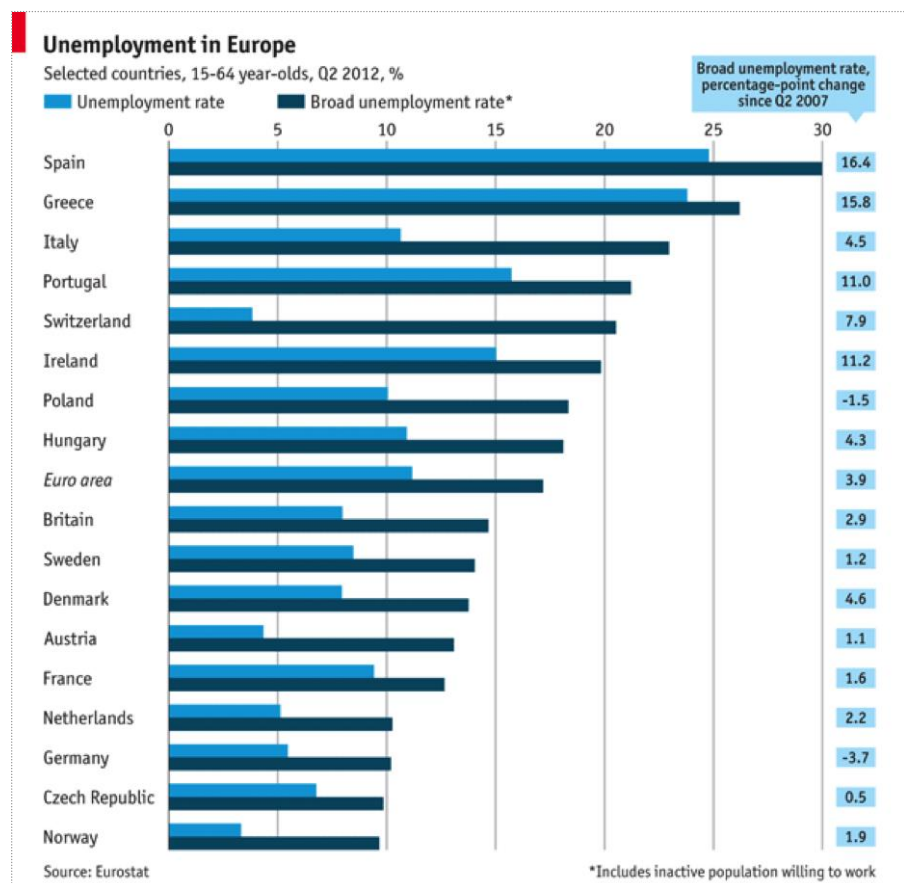
The current reality of the US economy is despite growing in 2013, this is not sustainable as the basic economic facts show many problems remain. 12 million Americans are still unemployed in the US. The state of Detroit filed for bankruptcy in July 2013 and is not the only state that is bankrupt, 32 out of America's 50 states are officially bankrupt.

The growth in 2013 the US officially reported was really due to the American government changing the way it measures the economy, it changed how it measures growth and for the first time included intellectual property such as music production and drug patents. The effect of this added \$370 billion to the economy which was a change of 2.5%.<sup>55</sup> The reports that the recession has ended is due to the way it statistics are reported, therefore growth was artificial and not real.

The US shutdown debate that ensued in September 2013 shows that the US strategy of throwing printed money at the problem will continue. Much of the debate surrounded the details of the debt ceiling increase. All of this shows consumer spending has not reached a level where the economy can function on its own. Lifting the debt ceiling shows the US economy is not improving, despite the figures released.

## EU Economy

The crisis in Europe has been worse than the US. As the EU is a union of nations that gave up aspects of their economies such as their currencies and interests rates, each country is limited on what it can do to get out of the crisis. Many EU nations borrowed money when they joined the union, to the point that their borrowing exceeds the size of their economies. When the crisis reached Europe many EU countries were in no position to repay their debts. At this point Germany bailed out such countries in order to ensure



the European Union didn't collapse. The condition it placed on these countries was they implement austerity. Austerity involves governments cutting their budgets and ensuing budget expenditure is less than government income. In the middle of a recession this meant rather than government spending to stimulate the economy they are cutting expenditure, which only made the crisis worse

leading to unemployment to grow across the EU. The unemployment rate in Spain and Greece is currently 27%.

The data released by European officials with regards to the EU growing is not sustainable. The data that was announced was only an initial estimate and did not include all of Europe. Struggling countries such as Ireland and Greece, were not included. The data released were merely estimates collected by Europe's data agency – Eurostat, that relied on data provided by national statistical offices, which collect data differently and rely heavily on surveys in their initial growth estimates. These estimates are typically revised numerous times. The German statistical office notes that revisions can be made until four years after the initial estimate as additional data is taken into account. Therefore, considering the statistical flaws, it really cannot be said the situation in Europe has improved.

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The nations of the EU individually are struggling and as a union they are also struggling to end the economic crisis. This is because Germany has imposed conditions upon the rest of the union. Germany is using the crisis to closer integrate all the other countries and has presented this as the only solution to the crisis. For the past few years, Germany has provided aid to struggling countries in the EU in return for them to further integrate their economies into the union – which includes Germany having the right to approve their national budgets and control their banks. When the economic problem was confined to small countries such as Greece and Ireland, it was assumed that any fallout could be contained. Now however the crisis has engulfed all of Europe. European incomes are not recovering from the crisis as can be seen with the levels of debt, unemployment and the lack of bank lending by European banks. All of this shows despite figures showing the EU is recovering, the reality is very different.

## **Chinese Economy**

There has always been many questions and doubts over the data China reports about its economy. China is a big country with the world's largest population. Gathering information on how its economy is performing is a very big task, even if China was sincere in this. China releases its annual Gross Domestic Product (GDP) numbers in the third week of January, for the year before. It is impossible for the Chinese government to know how their economy has performed for a whole year, within three weeks after the year has ended. This is why the data from China is really what they want the world to know about their economy. On July 31 2013 a survey conducted by the Finance Affairs Office of Guangdong, China's largest province by population and industrial production, its electricity consumption fell in the first five months of 2013. The survey actually pointed out how it was not possible the province could have grown 12.9%, as was officially reported. At a national level China's GDP is smaller than all the provincial GDP numbers - the whole is in fact much smaller than the sum of its parts.

The global economic crisis has shown this model of economic development was never sustainable. The economic downturn in the West, where most of China's goods are exported has led to a drop in

consumption and exposed China's need for continued exports. China has been unable to find alternative markets to replace such a fall in demand or increase domestic demand. This economic stress is



having an impact on China's domestic situation. Thus despite China's figures of economic growth, the economic and political facts show that Chinese economy is in big trouble.

Despite figures showing the global economy is growing this is not sustainable and other statistics show that the effects of the global economic crisis remain. It should be kept in mind that Gross Domestic Product (GDP) is an extremely imprecise indicator of economic activity. There is no difference between a 0.1% fall in the economy and a 0.2% increase in GDP. Changes in GDP from one period to another do not in anyway confirm economic activity. GDP only measures particular types of economic activity which have a financial value. GDP statistics are only useful politically because they allow governments to say that their economies are improving and to send positive messages to financial markets. They do not measure numerous aspects of an economy and is therefore not an accurate way to measure the performance of an economy.

In conclusion, after 6 years, the underlying factors that lead to the global economic crisis still remain. Although the fall in the global economy is slowing, the global economy is not improving. Statistics and data can be easily manipulated, but when unemployment, borrowing and lending, production and wages are analysed these all continue to fall even if GDP is improving.

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## 2014

**Sustainable recovery** - Whilst the global economy has seen some growth ever since the global economic crisis began back in 2007, this has been largely driven by emerging economies such as Brazil, Russia and India and not nations such as the US, China or Germany. The emerging nations, between them have accounted for 75% of total growth in the world economy over the past five years. The problem with this is such economies are currently going through period of development where they are being driven by mineral resource mining or basic goods manufacturing, which is cheaper than anyone else. On its own this is not organic or sustainable growth. This is why global economic recovery has been slow and choppy as the worlds advanced economies have struggled to grow. The global system currently operates on the western economies

importing from cheaper emerging economies, who in turn export such goods that generate other economic activity in the West. For the moment Western economies are struggling to grow, which is being compounded by austerity and stimulus and emerging economies have replaced exports to the West with other temporary measures. In 2014 a rebalancing in the global economy is needed in order to sustain economic recovery.

**New Economic Direction** – Whatever the rhetoric, whether it is stimulus or austerity, both strategies have failed to end the global economic crisis. Stimulus has just created artificial growth which tapers off once it has worked its way through an economy, leaving a nation in the same state it was prior to the stimulus. Austerity has led to government to halt the economic engine when it should be stimulating the economy. This is why unemployment continues to rise. In 2014, despite what the statistics say, a change of strategy is needed.

**Emerging Markets Bubble** – Another economic bubble has been forming ever since the global economic crisis began and 2014 may very well be the year it bursts. In 2011 the IMF flagged its concerns about potential overheating of emerging markets' economies. Since the financial crisis started in the developed economies international money has been flying into emerging markets. This vast amount of "hot money" has created a massive economic bubble in almost the entire emerging world. It has overheated economies, created property bubbles from China to Brazil, Indonesia and Turkey. It has ballooned asset prices and as emerging market currencies fall, fears that the emerging market bubble(s) will burst have also increased.

# Ideology

Strategic Estimate focuses on the global balance of power, which is the world's leading nation and the countries that compete with it. The competition between these nations creates the daily politics that fill the world's media headlines. There are various factors that can give nation's strength in global politics. These can range from economic strength to military capability as well as energy security. In our previous estimates we assessed the role nuclear weapons and energy played in global politics. In Strategic Estimate 2014 we assess the role values or ideology play in global politics.

In order to understand the role ideology plays in global politics a number of similar political concepts need to all be separated from each other. Ideology is a belief system a society embraces. This belief system give a nation direction and acts as a basis for deriving legislation, constructing policies and dealing with new issues, today this is the case with nations such as the US, Britain, France and Germany with Capitalism.

*The US today conveys different aspects of its ideology such as Human rights, the Free Market and individual Freedom through plans such as creating economic dependency, installing dictators, supporting royal families and military intervention. It used tools such as its military might, Foreign Direct Investment (FDI) opening up foreign markets to its companies and the utilisation of its media to make such plans a success. All these plans have a basic aim of achieving the ideals of its ideology*

An ideological nation would make the conveying of this ideology the basic aim of its foreign policy. Such a nation would construct numerous plans and adopt multiple tools to make this plan a success - in order to spread its ideology. The US today conveys different aspects of its ideology such as Human rights, the Free Market and individual Freedom through plans such as creating economic dependency, installing dictators, supporting royal families and military intervention. It used tools such as its military might, Foreign Direct Investment (FDI) opening up foreign markets to its companies and the utilisation of its media to make such plans a success. All these plans have a basic aim of achieving the ideals of its ideology.

There are many nations however, that either do not embrace an ideology or do not use an ideology to build their foreign policy. Such nations have strategic interests which are usually defined by their history or location, for them the protection of the interest is what drives policy development. Today India has embraced many aspects of capitalism domestically such as the free market and individual freedoms but in its foreign policy it does not propagate Capitalism or any other ideology. It however has strategic interests which are mainly the maintenance of its territorial cohesion. The application of the ideology and the attempts to protect and achieve national interests leads to interactions across the world and this is the international situation.

## Capitalism

Capitalism is the world's dominant ideology in the 21<sup>st</sup> century. Capitalism or Liberal democracy as it is known began as an experiment in Athens, Greece over 2000 years ago. However, it was not until the medieval era in the 16<sup>th</sup> century that the revival of ancient Greek philosophy, art and culture took place in Europe and came to be known as the 'renaissance.'

The fall of Roman Empire in the 5<sup>th</sup> century, left a power vacuum in Europe, which the Christian Church filled and allowed them to dominate Europe for a millennia. The renaissance, beginning in the 16<sup>th</sup> century challenged the authority of the church. Desperate measures were taken by the Church to deflect the people's criticism, frustration and anger but these measures failed to halt the flames of change that had galvanised the masses. The Church realised that it could no longer remain dominant without reform. The eventual outcome of the struggle for power between the Church, on the one hand, and the scientists, thinkers and philosophers, on the other, was the complete separation of the Church from State. This compromise solution limited the authority of the Church to preserving morals in society and conducting rituals. It left the administration of worldly affairs to the state itself. The thirty year religious wars (1618–1648) culminated in the reformation, which itself led to the enlightenment period that bred secularism as a worldview and finally removed the arbitrary authority of the Christian Church in Europe.

Whilst secular liberalism continued to evolve for another 200 years European nations developed their shipping industries allowing them to propagate their new beliefs. Europe became very rich, became engaged in very far-flung empire-building that redefined the human condition and became very good at making war. In short, Europe went from decline to the engine of the world. At home, Europe's growing economic development was exceeded only by the growing ferocity of its conflicts. Abroad, Europe had achieved the ability to apply military force to gain economic progress. The brutal exploitation of wealth from some places, such as South America, the thorough subjugation and imposed trading systems in places such as East and South Asia created the foundation of the Capitalist order.

The foreign relations of secular liberal Europe had one aim – the expansion of their ideology. The method to achieve this has remained the same throughout history - the imposition of political, military, cultural and economic authority over the conquered peoples i.e. colonialism. Europe initially went across the oceans into the America's, Africa and Asia establishing settler colonies in order to maintain dominance in the new found lands. France,

**Capitalist belief:** *While individual ownership of wealth is the most prominent aspect of capitalism as a man-made ideology it is contradictory in origin - acknowledging the existence of the Creator while denying God any role in organising life's affairs.*

**The individual:** *The individual is supreme in his pursuit of happiness. Individual sovereignty is sought with vigour through freedom of expression, religious freedom as well as freedom of owning wealth.*

**Society:** *Society encumbers the individual and his pursuit of happiness and the two are constantly traded-off based on politics.*

**Politics:** *Secularism – the separation of state and religion – is the basis of politics. God has no role whatsoever in political decision making as the individual is sovereign. Elected representatives minimise the role of the state, represent individuals' interests in parliaments where rules are made based on majority voting.*

**Economics:** *Freedom of owning wealth propels individuals' pursuit of self-interest driving economic activity. Free markets based on freedom of ownership determine the production and consumption of goods and services.*

**Foreign relations:** *Securing foreign resources and interests through free trade, globalisation, wars and colonisation.*

Spain, Portugal and Britain established settler colonies in the Americas, and the descendants of these colonies eventually gained independence wanting to live by the exported values Europe brought over. Colonialism then turned into direct exploitation in order to impose capitalism. The West relied on direct military domination as was seen in the scramble for Africa in the 19<sup>th</sup> century. Colonialism rather than being a means to impose Capitalism became the aim in itself. However with many in the colonial territories rising up against such exploitation the West turned to more covert means of exploitation, which focussed on placing agent rulers into power, undertaking coups and utilising more economic tools to maintain dominance. America's invasion of Afghanistan and Iraq in the early 21<sup>st</sup> century was a return back to the more traditional means of spreading capitalism.

The US today is the world's superpower. Whilst many nations embrace the same ideology as the US, it is America who has been able to unify its populace and excelled economically, politically, intellectually and socially, more than other nations. But it was the adoption of Capitalism that is at the centre of its domestic and global power. The United States of America is the world superpower, it is the nation all other powers compete with. The US dominates the world economy, the US economy is larger than the combined economies of China, Japan and Germany. Militarily the US creates more military platforms than any other nation, it also has a military budget larger than the next 13 countries combined. Technologically the US drives global innovation, it is no accident the internet, iPhone, GPS, Nanotechnology and the F-22 all originate from the US. Excelling in so many different areas requires an industrial base, strong educational institutions, research and development. What unites America's 330 million population in undertaking so many different acts to achieve the same goal is the fact they have all embraced the same ideology. This unity domestically allowed the US to project power globally – despite periods of conflict at home such as the US government shutdown.

## **Communism**

As Russia has been the only nation in the form of the Soviet Union to bring forth another ideology – Communism and challenge the US, a study of how ideology changed Russia will show the potency of ideology in global politics.

Prior to the Communist revolution Russia was in turmoil due to the inability of the Tsar to deal with the modern economic problems of the 20<sup>th</sup> century. The defeat in the Crimean war in 1854-6 by France and Britain was a humiliating defeat for Russia and was testimony to many, of the weakness of the Tsar. Public support for the Tsarist regime was already low when his troops refused to fire on rioting crowds in St Petersburg. Emperor Nicholas II was subsequently overthrown, bringing to an end three centuries of Tsardom rule. When the Communists took over in 1917 Russia still resembled much of medieval Europe. Russia's agriculture struggled to produce enough food to feed its populace. Hampering food production was Russia's lack of modern infrastructure and transport, Russia lacked the ability to effectively transport food around cities. 57% of Russia's industrial equipment was from imports.

The Congress of Soviets, made up of deputies from local soviets across Russia and led by the Bolsheviks began the process of implementing Communism in Russia. Its first task was to overcome the myriad of problems that had engulfed the huge nation.

The first decision was the centralisation of all aspects of Russian rule. The Communists advocated the central planning of everything and the glorification of the state. As a result Russia developed a system of state ownership and central planning of the countries coal, metals, oil and many other resources. Through a combination of 5 year plans heavy industry, the military industry and self-sufficiency was pursued to develop the nation. With this a sense of purpose was fostered among the people. A powerful military was also needed to protect the Communist ideology and its adherents and to propagate the ideology, this drove great leaps in Russia's capabilities.

The basic aim of the 5 year plans was to harness all economic activity to the systematic development of heavy industry, thereby transforming the Soviet Union from a primitive agrarian country into a leading industrial and military power. Carrying the plan out whole new cities, such as Magnitogorsk in the Urals, were built with enthusiastic participation of young workers and intellectuals. This ambitious plan fostered a sense of mission and helped mobilize support for the regime.

The armament industry was considered the most successful aspect of the 5 year plans. The Soviet Union managed to develop naval ship building, artillery and small arms industries. The need to establish an economic base for a modern armaments industry reinforced claims of industrialisation. The fact the Soviet Union may be attacked encouraged rapid development of an industrial capacity, which would sustain a modern armaments industry. The huge increase in production and concentration lead to a rapid expansion in urban labour force.

**Communist belief:** Marx and Engels expounded this man-made ideology, which is built on the basis of totally denying the existence of the Creator. Their writings on Communism came in reaction to the inequalities of Capitalism in the nineteenth century.

**The individual:** Individual ownership of wealth and freedom of belief are forbidden by the state while personal fulfilment is sought through collectivism not individualism.

**Society:** Collectivism is the most prominent aspect of Communism where the individual is a mere 'spoke in a wheel'

**Politics:** The state is glorified. The state is seen as the principle organism of collectivism through which all life's affairs are organised. The state is large and all-encompassing and seeks to arrange all economic and social affairs via diktat with little regard to individual needs and desires typically under a single party government.

**Economics:** Economic production is centrally planned and organised by the state. Rationing organises distribution of goods and services with strict restrictions on individual ownership. Prices and wages play no role in incentivising markets.

**Foreign relations:** Wars and occupation of foreign lands in order to facilitate ideological expansion.

Russia implemented the Communist value of creating equality between the masses, by removing private ownership. As almost all aspects of Russia was centralized distributing wealth was through the Communist value: "from each according to his strength and to each according to his needs." On the eve of WW2 Russia had been stabilised internally and its foreign policy was focussed towards taking Communism to its surrounding nations – another aspect of the Communist belief.

Communist expansion started in on the eve of WW2. Eastern Europe was first over-run by Nazi-Germany and when Russia (USSR) and the other allies drove towards Berlin the red Army occupied large areas of Eastern Europe. The defeat of Nazi-Germany resulted in almost all of Eastern Europe falling under Soviet control. The USSR set up communist regimes in these countries and created the Warsaw Pact as its security force. Similarly the defeat of Japan in the East and the subsequent power vacuum and anarchy saw the Soviet Union prop up a number of Communist parties. Central Asia was

already under the control of various Communist parties loyal to Moscow prior to WW2. The victory of the Communists led by Mao Zedong over the Nationalists in China ensured Communism was the power in Eurasia. The Soviet Union aided post-war reconstruction in Eastern Europe and turned most of it into satellite states, binding them in a military alliance (the Warsaw Pact) in 1955, and an economic organisation - The Council for Mutual Economic Assistance - Comecon.

Communist Russia built its relations with other nations and peoples on the basis of spreading Communism. The method it followed was to create contradictions in every part of the world through creating insurrection, anarchy, encouraging disturbances and unrest, sowing hatred, incitement, dissension and conflict perpetually among people. The Communist ideology believed in the class struggle among people. It viewed society as a collection of different classes. Communism divided the people in society into classes, and believed inciting dissension and conflict between these classes was the method to establish Communism or to prepare for spreading it.

Fearing its ambitions, the Soviet Union's wartime allies, the United Kingdom and the United States, became its enemies. The US - the leader of the Capitalist camp and the Soviet Union the leader of the Communist camp competed with each other during the Cold War to make their ideologies the dominant value system in the world. In order to deter the US and impress other nations to Communism the Soviet Union made huge leaps in space exploration and missile development. Similarly the US excelled technologically and militarily to maintain the dominance of Capitalism. In a 70 year period the Soviet Union was driven by Communism to rapidly develop and then use this to compete with its adversary - the US.

The Cold War showed no two ideologies can coexist. In fact both competed for the same space, to be the ultimate reference point for nations and individual peoples. This was why both ideologies competed for decades in the Cold War to usurp the other. Ideology is one of the most potent forces in global politics. This is because all foreign policy interactions, allies, enemies, crisis, strategies and plans – however numerous are all different aspects to achieving the aims of the ideology. Another way to view this is all plans, strategies and tools are aimed at propagating the ideology, this gives a nation direction, sends a clear message to the world and ensures no contradictions exist in foreign relations. A nation that does not have an ideology would develop contradictory and competing plans to achieve its strategic interests and would thus lack the clear direction that would strengthen it in international affairs. Nations such as India and Japan may embrace many aspects of Capitalism, they do not however build their foreign relations on this basis and thus interact with other nations purely to achieve some strategic interests which are largely commercial.

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## Global Capitalism

Capitalism is today the world's most dominant ideology and has not faced a challenge since the collapse of the Soviet Union in 1990, which was built upon Communism. To maintain this ideologies dominance, institutions were established. After the horrors of WW1 the League of Nations was established to preserve world peace. This organisation depended on the Great Powers of the day to enforce its resolutions and was another tool to maintain British and French global hegemony. WW2 proved the organizations inadequacies and after the war The United Nations (UN) replaced it and inherited a number of agencies and organisations founded by the League. The UN was given much more power including maintaining international law which itself was written by the worlds powers of the day.

In 1944 two organisations were created to maintain Capitalism's dominance in economics, the International Monetary Fund and the World Bank. Both institutes established the rules for commercial and financial relations which were primarily written by the US. These institutions in effect were global tools of colonialism.

Depending upon the nation pursuing colonialism, foreign policy often involved the subjugation of other peoples for the sake of it, whilst on other occasions it was a means to spreading liberal values. In the scramble for Africa there was no spreading of Western values but competition between secular nations to exploit the people of the continent and to exploit their resources. Whilst in the Muslim world there were active attempts to spread liberal values amongst the people in order that they leave Islam. This is why the West has always had cordial relations in the Muslim lands with the Muslim rulers who are the least democratic in the world. The Saudi monarchy has never been on the receiving end of Western criticism for never having had national elections. The same policy has been pursued with the monarchy in Jordan and the Gulf states. The West turned the other way when Hosni Mubarak was rigging elections or receiving dignitaries from other brutal regimes.

Colonialism today is so sophisticated that many army personnel are trained in the West, whilst the elites in many countries travel to the West to gain education. It is these individuals who then see progress as opening their economies to Western corporations and those who call for more Western secular ideas to penetrate their own countries. In effect such people's minds have become colonised. This is a big success for the West as these families, monarchs and individuals hand over their country to the West, this is colonialism at its peak as it does not require an army or military, these peoples protect Western secular interests knowingly and unknowingly.

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Whilst the Muslim world has constantly been told that the West supports its right to self-determination, elections, freedom and democracy, this in reality has never been the case and this is not because of corrupt leaders in Washington, London or Paris, but because these values are in reality just for their homeland. In the Muslim territories the West has actively supported the likes of Gaddafi, Mubarak and Ben Ali, who protected Western interests in their respective countries at the expense of the domestic population. This is no deviation from liberal values, in fact this is complete adherence to their values.

## The Islamic Ideology

The fall of Communism in 1990 brought Islam into a direct clash with Capitalism. The former secretary general of NATO Willie Claes stated: *“The Alliance has placed Islam as a target for its hostility in place of the Soviet Union.”* After the events of 9/11 Paul Wolfowitz said at a press conference in Singapore: *“It’s true that our war against terrorism is a war against evil people, but it is also ultimately a battle for ideals as well as a battle of minds.”*<sup>56</sup>

The US national intelligence council published its report following its ‘global 2020’ project, entitled ‘mapping the global future.’ The National Intelligence Council (NIC) is the American intelligence community’s centre for mid-term and long-term strategic thinking. The report set out the likely scenario the world will face in 2020. It concluded that the appeal of Islam today is a call to return to the earlier roots of Islam where the Islamic civilisation was at the forefront of global change under the Khilafah. Portraying a fictional scenario ‘of how a global movement fuelled by radical religious identity could emerge,’<sup>57</sup> the report revealed unequivocally that at the highest levels of US policy planning, preparation is being made for the emergence of the Khilafah. Other reports from US policy makers and think tanks across the world acknowledged there is a broad based ideological movement seeking the return of the Khilafah.

**Islamic belief:** Divinely revealed ideology that links the belief in the Creator with the affairs of individuals, state and society, which is in harmony man’s nature (Fitrah) and the intellect. Divine Messages revealed to Prophet Mohammad (saw) in the sixth century.

**The individual:** Individuals’ success in life is achieved by directing all actions whether spiritual or material in accordance with the commands of the Creator.

**Society:** Societal values, thoughts and emotions work in harmony with the individual belief to perfect behaviours.

**Politics:** The Islamic ruling system implements the laws, commands and prohibitions of the Creator (Allah) - Ahkam Shariah – related to economics, education and foreign affairs which are in line with the beliefs, values and emotions of the citizens. Political leadership is elected and singular.

**Economics:** Private and public ownership organises production. Prices and wages provide incentives to production and consumption. Redistribution and circulation of wealth are key to alleviating poverty.

**Foreign relations:** Foreign relations are established through treaties with active bilateral propagation of the ideology.

As a result senior policy makers ‘warned’ of the consequences of the Khilafah’s re-establishment. George W Bush, in a speech to the American nation in October 2005 warned: *“The militants believe that controlling one country will rally the Muslim masses, enabling them to overthrow all moderate governments in the region, and establish a radical Islamic empire that spans from Spain to Indonesia.”*

These statements amongst numerous others show the Capitalist West sees the re-establishment of the *Khilafah*, as a threat to its ideology. The constant association with terrorism is an attempt to

discredit it and to malign the goals of Islamic politics more generally. The call for reformation and subverting foreign thoughts has historically been the approach Capitalism undertook to defend itself from challenges to its supremacy. The Cold War is the best example of this; the defence of the ideology included the McCarthyism purges as well as anti-communist propaganda. Europe today defends itself by concocting lies (subverting) all those who oppose 'European values' or 'National values' as dangerous, extremist, radical, fundamentalist, a potential terrorist and a national security threat. As a result it is seen as perfectly legitimate for the state police to monitor Muslims by bugging their phones, monitoring their histories, tracking their movements abroad and arresting them with mere suspicion even though they have not actually committed a crime, but just hold certain views which are different to those held in wider society. These actions are undertaken to defend Capitalism from a potential rival.

## **Conclusions**

Ideology and values play a central role in global politics. They are the basic glue that binds the various strategies, plans, styles and means ideological nations embrace. Today it is the Capitalist nations that dominate global politics through global institutes that preserve their ideology. Whilst there exist many Capitalist nations around the world and on many ideological issues they work together, Capitalist powers such as Britain, France, the US and Germany all compete with each other to have their nation as the global power over the others. These nations get weaker and stronger based on their economic, military and political relations, but their ideology dominates the world. Whilst these nations embrace the same ideology there competition means they undermine each other in order to shape the world in a manner which fulfils their interests.

The Capitalist powers are unified in their opposition to Islam as this represents an alternative way of life at complete odds with their ideology. This is why they utilise their traditional approach of subverting other ideologies in order to defend their own.

In order to understand the global situation, one must be acquainted with the nations that constitute the global powers. Thereafter the ideologies they embrace would show the direction of their political plans and foreign relations. Nations that do not embrace an ideology are viewed from the perspective of their strategic interests. Ideology today represents a fundamental pillar of global politics.

# Issues in 2013

Strategic Estimate analysis the key events between the worlds powers, but there were a number of events in 2013 that did not necessarily make the headlines but nevertheless were important developments which warrant short analysis and are trends worth following due to their potential impact on the global balance of power.

## 1. Mali and the Scramble for Africa



As soon as 2013 started, French military forces began Operation Serval and started pounding targets in Mali backed by air support and a multilateral African force. French Foreign Minister Laurent Fabius said the deployment was necessary to “*stop the advance of criminal and terrorist groups,*” with President Francois Hollande adding that the troops would stay “*as long as necessary,*”<sup>58</sup> Mali became the latest nation to receive an unprecedented intervention by Europe.

Mali was thrown into turmoil when junior military officers overthrew the civilian government a month before general elections were to take place in April 2012. Under Mali’s constitution a President cannot seek a third term and the ousted President did not express any intention in seeking it neither, nevertheless a coup still ensued. The coup that took place was with the help of the US, US diplomats confirmed that: “*The coup leader Captain Omedua Ahmedou Haia Sanogo had been chosen from among elite officers by the U.S. Embassy to receive military training to combat terrorism in the United States.*” He added that “*Sanogo travelled several times to America on special missions ...*”<sup>59</sup> The US only recently expanded ties with Mali signing a number of deals, including agreements to train Malian forces through hand picking officers that would travel to the US for training.

As a result of the coup carried out by junior officers against their senior officers, security in the country fell apart and the whole North of Mali was taken over by the Tuaregs and a number of Islamic groups in the region. The Tuaregs eventually lost out to the Ansar Deen faction, who then ruled the north of Mali and called for the Shari’ah to be implemented in all of Mali. The junior officers who undertook the coup failed to halt the expansion of the Ansar Deen southwards and then capitulated in the face of this onslaught, as a result losing a number of key towns in central Mali.

France began constructing a coalition force when the coup took place to intervene in the country in order to win it back. Mali is central to French plans in Africa and reinstalling a civilian government from the French constructed political class was the aim. The French accused the whole North of Mali to be under the control of extremists linked to al-Qaeda who will expand their way of life thus making intervention a necessity. The French plan was to intervene in the country using the extremist threat in the North in order to reverse the gains by the Ansar Deen and then regain control from the army who ousted the civilian ruler. The military coup in March 2012 threatened to shift

Mali from the French sphere of influence into the American. The French intervention in northern Mali was a pretext for regaining Mali.

The French intervened well before a multilateral coalition was fully constructed and hurried in its intervention of the country. This was because the French were extremely worried about US actions in West Africa. The US, ever since the Mali coup, increased its contacts with Algeria and signed a number of strategic deals. Algeria is extremely important to Europe and not just France due to its energy as well as its strategic location in the African continent. Hillary Clinton confirmed after her meeting with Algerian President Abdelaziz Bouteflika In October 2012: "*We discussed our very strong bilateral relations, and we have indicated that we had just finished an excellent strategic dialogue hosted by Washington last week. We had very deep talks on the situation in the region, especially in Mali.*"<sup>60</sup>

Mali in 2013 became the latest nation in the scramble for Africa. The recent history of foreign interference in Africa has seen many setbacks for the West, especially in Somalia. The initial French intervention was given much airtime, what wasn't given much airtime was the response by the rebel groups, one French official highlighted: "*At the start, we thought they would be just a load of guys with guns driving about in their pickups, but the reality is that they are well-trained, well-equipped, and well-armed, from Libya they have got hold of a lot of up-to-date, sophisticated equipment which is much more robust and effective than we could have imagined.*"<sup>61</sup>

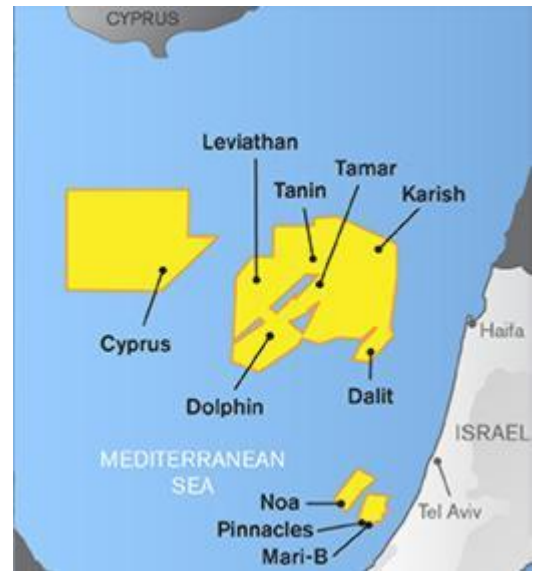
The invasion of Mali took place as the Western world continued to turn a blind eye to the slaughter being committed by Bashar al-Assad in Syria. Throughout, the Western powers used their usual slogans of 'war on terror' and 'extremism' as a pretext for this invasion. All of this was possible because countries neighbouring Mali joined the French effort facilitating logistical support, providing bases and supply lines. Without this the Western objectives would not have been possible. The events in Mali were just another Western military intervention aimed at maintaining their interests within the region.

## **2. Mediterranean Energy and Israel-Turkey relations**

April 2013 saw a flurry of reports on energy exploration in the Eastern Mediterranean. Ever since the apology by Israeli Prime Minister Benjamin Netanyahu over the Turkish flotilla deaths, a number of energy projects between Turkey and Israel came to light. Turkey, Israel, Cyprus and Lebanon have all been looking to develop the sea's offshore energy reserves. Overall, these are very ambitious projects as they will include underwater pipelines and floating liquefied natural gas terminals. As well as these challenges, much of the reserves have not actually been proven; which raises further questions about the technological and logistical requirements. What is for certain is the region's desperate need for energy.

Transforming the eastern Mediterranean into a hub for energy exports has long been an aim by the nations that share borders with the waters. Offshore exploration in the waters of the Eastern Mediterranean region started in the late 1960's and early 1970's. These wells targeted structural culminations on the shallow shelf of Israel and northern Sinai, but all were found to be dry. Exploration activity in the offshore Eastern Mediterranean re-emerged in 2000, when five natural

gas fields were discovered at a shallow depth west of the coastal town of Ashqelon and the Gaza Strip. These discoveries speeded up exploration efforts and promoted the acquisition of geophysical data throughout the entire Eastern Mediterranean area, particularly in the Levant basin. In 2009, the US Company Noble Energy announced the discovery of the Tamar field in offshore Israel. After this first major discovery, Noble Energy announced two other major findings in the Levant Basin: the Leviathan field in offshore Israel and the Aphrodite field in offshore Cyprus.



Turkey has very limited energy resources, but because of its strategic location between Europe and Asia and between oil consumers and oil producers, it is crossed by several major oil and gas pipelines. Turkey's geographical location makes it a natural trans-shipment route between the major oil producing areas in the Middle East, Central Asia, and the Caucasus on the one hand, and consumer markets in Europe on the other. Europe's attempts to circumvent Russian energy, regularly used as a political tool by the Russians, has made Turkey an important nation for Europe's future energy security. The Baku-Tbilisi-Ceyhan pipeline, considered one of longest oil pipelines in the world, delivers crude oil from the Caspian Sea basin to the port of Ceyhan on Turkey's Mediterranean coast, from where it is distributed with oil tankers to the world's markets. From a geopolitical perspective Turkey is critical to the world's energy security.

Israel for long struggled to meet its domestic energy needs. While it still lacks oil reserves, discoveries in the 2009 of natural gas has had the immediate effect of covering Israel's rising domestic needs, and will allow it to also export its surplus natural gas. The Israeli strategy has rested on integrating its energy with the region, especially Turkey. Since 2009 Israel has attempted to use its natural gas reserves as a tool to normalise its existence through locking countries such as Jordan, Cyprus, Syria and Egypt as well as Turkey into natural gas deals. However a number of proposed pipelines, deep water pipelines and LNG terminals, are still to materialise due to having to traverse ambiguous Lebanese and Syrian waters. With the northern Levant fragmenting under the pressures of the war in Syria and no credible government to enforce any agreement, these maritime boundaries will remain undefined for the foreseeable future.

For Israel, exporting gas via Turkey is the jewel in the crown, as Turkey has the infrastructure, ports, markets, and insurance readily set up. As relations soured between the two countries, Israel constantly reiterated that such a break in relations is delaying the progress in Turkish-Israeli energy relations. However, whilst in public the Erdogan-led government appeared to have cut relations with Israel, energy ties have continued and progressed. On April 9 2013 Michael Lotem, the Israeli foreign ministry's special energy envoy, was present at an oil and gas conference in Ankara. In one short speech and a few panel comments he made sure his message was clear: Israel's door is open to such a deal.<sup>62</sup> The deal in question is the construction of a pipeline that transports Levant Basin gas under the Mediterranean Sea to southern Turkey to market its gas to Western Europe. Turkish international relations expert Soli Ozel of Istanbul's Kadir Has University said regarding the

potential deal: *“The issue may become an important topic that the two can cooperate on. The Israelis have already made a suggestion to send some of their gas by pipelines to Turkey. And this fits well with Turkey’s grand desire to be the grill full of pipelines from north to south, from east to west, and therefore become on energy matters, if not a hub, certainly an indispensable transition place.”*<sup>63</sup>

Whilst there are numerous technical and logistical issues surrounding the development of Eastern Mediterranean energy, Turkish-Israeli relations will be central to any progress. No sooner had Netanyahu apologised to Turkey, the energy deal was the first news item to hit the headlines, which indicates that talks have continued to take place on the issue. Both countries for domestic reasons needed to be seen holding their positions, and it was here the US stepped in. Alon Liel, a former Israeli ambassador to Turkey highlighted what really took place: *“Obama and Kerry worked on it the last two months, and they made the difference. With the whole region in such turmoil, it was very difficult that the two allies of the US in the region were not cooperating.”*<sup>64</sup>

### **3. Protests in Turkey**

*“This is the first battle Erdoğan lost in recent memory. He overreached — his hubris, arrogance and authoritarian impulse hit a wall.”*<sup>65</sup> This is how one columnist described the protests that have rocked Turkey in June 2013. While Turkey is not immune from protests and has had its fair share in recent history, it is clear that something much larger than the destruction of trees close to Istanbul’s Taksim Square, is driving the unrest. Given Turkey’s accessibility to the Internet, the clashes were described in vivid detail online, with many videos capturing both the carnival-like atmosphere on the streets and the heavy-handed police response. While the protests spread to other areas they remained in the thousands, and with Recep Tayyip Erdoğan’s significant support base, the impact the unrest would have on Erdoğan’s grip on power, remained to be seen.

Protests began on May 28, when a small group composed mostly of young environmentalists gathered in Istanbul’s Taksim Square as trees were to be cut to make way for a major new development that reportedly includes a shopping mall, a mosque and a rebuilt Ottoman-era military barracks. The initially peaceful demonstration turned violent the night of May 30, when police tried to break up what had grown to more than 100 protesters. By the weekend more than 10,000 people gathered in Taksim Square, and the protesters were further emboldened when the leadership of the the Kemalist Republican People’s Party (CHP), the main opposition party to the AKP government, joined the protests.

The size and scope of the protests need to be put into perspective. Whilst protests spread to a number of other cities such as Izmir, Eskisehir, Mugla, Yalova, Antalya, Bolu and Adana, these were all Republican People’s Party strongholds and one would expect them to bring out a large number of supporters. The largest protests, in Istanbul and Izmir, brought out predominantly young protesters in the tens of thousands. *“Many pundits have argued that demonstrators were from multiple segments of Turkish society. It is true, to an extent -- but the majority appear to have come from segments of the population already inclined to dislike Erdoğan. Most were middle class youth, somewhere between 20 to 30 years old, with liberal sensibilities that clashed with the Turkish government’s social conservative bent.”*<sup>66</sup>

Since taking power Erdoğan and his party, the AKP, have gone from strength to strength. Erdoğan is a conservative secularist who tries to appeal to the Islamic popular base, in no way an Islamist, and the AKP is a wide coalition of progressive-minded politicians and businessmen who were fed up with the old guard of the Kemalist “Ataturk” republic, represented by the army and the CHP party. On sweeping to victory in the 2002 elections, Erdoğan initiated reforms to weaken the army’s hold on the country. The peace process with the Kurdistan Workers' Party to end their insurgency is on the verge of bearing fruits. Erdoğan created a new breed of business elite who now form a powerful coalition of party-affiliated businessmen and media outlets whose livelihoods depend on the political order that Erdoğan continues to construct. For the secular elements in Turkey who have seen their power erode considerably during his reign, the final straw is Erdoğan’s constitutional referendum which will transform Turkey from a parliamentary system to a presidential system. Such change would enable Erdoğan to continue leading Turkey as president beyond 2015, when presidential elections are scheduled.

One resident of Istanbul who participated in the protests, said: *“We want to protect our environment, our park in Taksim Square, we want to protect Ataturk's ideas and thinking... Recep Tayyip Erdoğan is against Mr. Kemal Ataturk.”* This encapsulated Turkey’s current unrest. What took place in Istanbul was no Arab Spring, it is not the oppressed poor rising up against dictatorial rule. It was rather a minority from a position of weakness seeing their secular outlook disappearing day-by-day. For them everything the Erdoğan government does is an attempt to Islamise the country. So when alcohol sales are restricted a disagreement about legislation becomes a battle between democratic loving youth on one side and a religious “zealot” in the form of Erdoğan on the other. On this occasion, the CHP is rode the wave of environmental concerns about a development project to protests and weaken Erdoğan.

The ongoing struggle in Turkey is not between an Islamic movement and a secularist one. Rather, the feuding parties are all secular, including the AKP. Erdoğan and the AKP use the Islamic sentiments of the majority of Turks to further their agenda. On the political front, the AKP seeks to shift power from the old elite dating back to the British influence in WWI to a new elite that is more in stream with American policies and interests in the region. Such strategy is by no means an “Islamisation” agenda. Rather, it is an agenda that exploits Islamic tendencies in the majority of the Turkish people to strengthen the secular foundations of the state. The polarizing effect of the recent demonstrations on the religious/secular fault lines of Turkish society actually strengthens Erdogan's popularity among his supporters by downplaying his secular credentials and boosting his image as a "defender of the faithful". If the opposition can coalesce into a unified group that can sustain protests, the most they can achieve is to extract concessions from the AKP or weaken its government.

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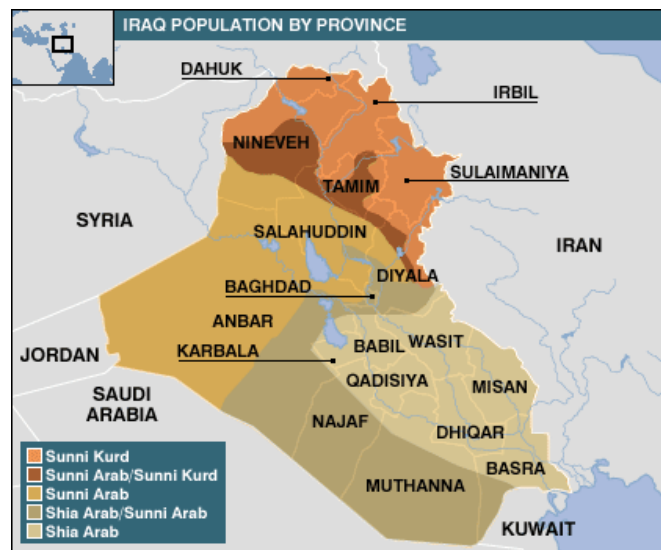
#### **4. Is America’s Iraq Imploding?**

In March 2013, America’s invasion of Iraq reached its 10th anniversary. After a decade of nation building, Iraq is appeared to be falling apart. In April 2013, deadly clashes between government

forces and demonstrators in the city of Hawija set off a chain reaction of retaliatory attacks across Iraq. The situation threatens to plunge the country into the kind of war it experienced in the midst of the insurgency between 2005 and 2007. The month of April was the deadliest since June 2008, with 712 Iraqis killed, according to the UN Assistance Mission for Iraq.<sup>67</sup> In the week ending 21 May 2013 more than 200 people were killed,<sup>68</sup> as Shi'a and Sunni neighbourhoods and places of worship were targeted in a cycle of violence reminiscent of the civil war period. America's actions are central to why Iraq is on the verge of imploding.

The American invasion of Iraq very quickly descended into problems as the US became entrapped by an insurgency. When the Baker-Hamilton report was released to the US Congress in December 2006 the US was well on its way to drowning in Iraq, and comparisons were being made with Vietnam. It became clear to all that the US had massively underestimated their enemy, and whilst it had rapidly removed Iraq's conventional forces the unconventional elements in Iraq had brought the US army to a stalemate. The Baker-Hamilton report concluded that "*the situation in Iraq is grave and deteriorating*" and "*U.S. forces seem to be caught in a mission that has no foreseeable end.*"<sup>69</sup> America dealt with this in three ways: it enlisted the help of regional surrogates who bordered Iraq - Turkey, Syria and Iran; it divided the insurgency by playing on ethno-sectarian divisions; and constructed a political process with the help of various opportunists, corrupt groups and individuals.

The US administration planned from the outset to dominate Iraq by pursuing the de facto partition of the country into three autonomous, ethnically divided territories for Sunnis, Kurds and Shi'a respectively. This division is at the heart of the current violence and fracture that has gripped the country. The democratic parliament and legislative assembly set up by America in Iraq turned the nation into a factional state with persistent factional infighting. Iraq's first parliamentary elections in 2005 institutionalised sectarian and ethnic differences. The parliament was split between the United Iraqi Alliance (UIA) led by the Supreme Council for Islamic Revolution in Iraq, which is composed mainly of Shi'a groups, and the Democratic Patriotic Alliance of Kurdistan (DPAK). This precarious settlement undermined and weakened the insurgency, which was reduced to areas around central Iraq, making it much more manageable by US forces.



The current tensions in Iraq have been growing since the 2010 elections where sectarian alliances and divisions were central to the outcome. Politics in Iraq is now a competition for power, resources and state institutions. Today, political and military power in Iraq is highly centralized in the Prime Minister Nouri al-Maliki's personal office. Al-Maliki is the dominant force over Iraq's conventional military forces, special operations units, intelligence apparatus, and civilian ministries. Ever since al-Maliki began accumulating power he pursued the elimination of potential rivals. In December 2011, al-Maliki reportedly banned Sunni Deputy Prime Minister Saleh al-Mutlaq from Cabinet meetings and issued an arrest warrant for Vice President Tariq al-Hashimi; both men were members

of the Sunni-backed al-Iraqiya List. Al-Maliki's consolidation of power is leading to all factions utilising their militias in order to gain influence over the central government in order to further enrich their own factions.

An Iraqi implosion has so far been prevented by presence of US forces, who maintain the tenuous system they have constructed. As in many other countries, the US maintains large embassies staffed by civilians and military personnel overseeing the training and equipping of Iraq's central security forces for an indefinite period. The State Department has 17,000 employees and contractors for this ongoing diplomatic presence.<sup>70</sup> Whilst much has been made of the US drawdown in Iraq it plans to remain permanently in the country to protect its interests. The US strategy since drawing down its troops has been to leave the political system to counter-balance the different factions and ensure the security situation never implodes.

The instability in Iraq is a result of the political architecture the US constructed in order to solve the insurgency and ensure its interests will be maintained. However the US is not the only faction that has its sights on Iraq's riches, but many other factions and opportunists are looking to enrich themselves. By dividing the nation on ethnic lines the people of Iraq view each other as the problem and not the US, who created the underlying problems. The US-constructed architecture only works because many militias entered the political process and ceased to use violence as a method to achieve their aims. As this American-created political system continues to fail the Iraqi people, these factions, militias and political parties are re-arming themselves and ready to once again use violence to achieve their aims. The US merely replaced Saddam Hussein with a system which has played a pivotal role in making the situation in the country even worse.

## **5. US-Taliban Negotiations**

After twelve years of fighting, countless lives lost, tens of thousands of their fighters sacrificed, the Taliban opened their political office in Qatar. The aim of the office was to commence peace talks with the very entity that invaded Afghanistan. The United States had been pushing for this for a long time, via the regime of Hamid Karzai. This is a sure sign that the escalating financial and human cost of the conflict has brought the US to a stage where it has effectively conceded defeat.

Despite initiating the peace talks and paying a high price during the process - including the assassination of the ex-head of Afghan Peace Council - the Afghan government was caught off-guard with this development, leading to a stiff resistance towards it. As a result, the negotiations for the final stage of a strategic partnership between Afghanistan and the United States have been halted and the Afghan government has announced no intention of participating in the negotiations. Karzai's excuse was the removal of the Taliban's white flag as well as the use of the "Islamic Emirate of Afghanistan" title, which the Taliban swiftly amended after they came under pressure from the United States, who also forced Karzai to change his stance.

In a televised interview, Motasim Agha Jan, the Chief of Taliban's Political Committee, disclosed a shift in the Taliban's policy for participating in peace talks. The Taliban has also changed their stance towards the Afghan security and government personnel, no longer considering them as non-Muslims, as well as retracting a fatwa which permits harming them. In addition, he called those of

the Taliban who did not support the peace talks with the invaders of the country, as extremists.<sup>71</sup> This revealed a fracture amongst the Taliban over joining in the process. What needs to be understood is why would the Taliban, after having the upper hand in the war come to the negotiating table in the first place? In addition, why is the Afghan government not a direct negotiator in the proceedings whilst claiming to be the direct stakeholder in establishing peace in the country? Moreover, what prompts this significant shift amongst a portion of Taliban and what are the underlying motives behind it?

Talks under the guise of negotiations have been taking place since 2008. However both the US and the Taliban had conditions for talks to proceed. The conditions of accepting the American drafted Afghan constitution, was not accepted by the Taliban, whilst the Taliban's condition of the full withdrawal of foreign troops for negotiations to proceed were not accepted by the US. Even though the US has rejected negotiations from the first day, and despite these avowed positions, talks under various guises have developed.<sup>72</sup>

It has not been the choice of the Taliban to negotiate, but of the United States itself, who through its agent leadership in the Pakistani Army have forced the Taliban to come to the table. According to US and Pakistani officials the role of Pakistani intelligence in pressurizing the Taliban to come to table has been effective.<sup>73</sup> In addition, according to Wahid Muzhda, a prominent Afghan journalist, General Shuja Pasha, ex-chief of Pakistani Intelligence has been appointed as an intelligence advisor for the gulf region and has been stationed in Doha, Qatar for the last six months. If true, this shows, how much the Pakistani military leadership is not only involved in facilitating the US to achieve its long-term goals in the region, but also reveals its essential role in influencing the US' opposition.

*The negotiations initiated by Taliban and the US will not solve the real problems of the people of Afghanistan; that is foreign occupation, and thus will not result in any long-term peace. The expected outcome on the contrary, is more horrific and will result in more bloodshed and destruction, ultimately, only fulfilling the US' colonial agenda in the region*

What we find from these developments is that the Afghan government's main role is to provide legitimacy for the US long-term presence in the country and the entire region. Pakistan is still able to control the Taliban leadership and can force them into fulfilling any of their demands if the need occurs. The United States is under tremendous pressure from its public - despite the profitability of war for its Military Industrial Complex - so it cannot continue suffering the financial and human loss and as a result has been forced to accept to negotiate. Lastly, despite the Taliban's original position to never negotiate until all US forces are withdrawn, they proved to be more pragmatic.

The negotiations initiated by Taliban and the US will not solve the real problems of the people of Afghanistan; that is foreign occupation, and thus will not result in any long-term peace. The expected outcome on the contrary, is more horrific and will result in more bloodshed and destruction, ultimately, only fulfilling the US' colonial agenda in the region.

## 6. Obama's visit to Africa

US president Barack Obama wrapped up his tour of Africa from June 22 – July 2 in Tanzania and stated: *"If somebody says they want to come build something here, are they hiring African workers? If somebody says that they want to help you develop your natural resources, how much of the money is staying in Africa? ... Don't just assume that folks come here and they're automatically benefiting Africans. And that includes the United States. Ask questions in terms of what we do."*<sup>74</sup> Whilst this statement was intended at China, the African continent has a long history of being exploited by foreign powers. It was colonized by the European powers in the 18<sup>th</sup> and 19<sup>th</sup> century, and whilst many of them have left, the exploitation and abuse of the continent continues. Obama's visit was a pledge of continued US presence in the continent and this presence had four aspects to it.

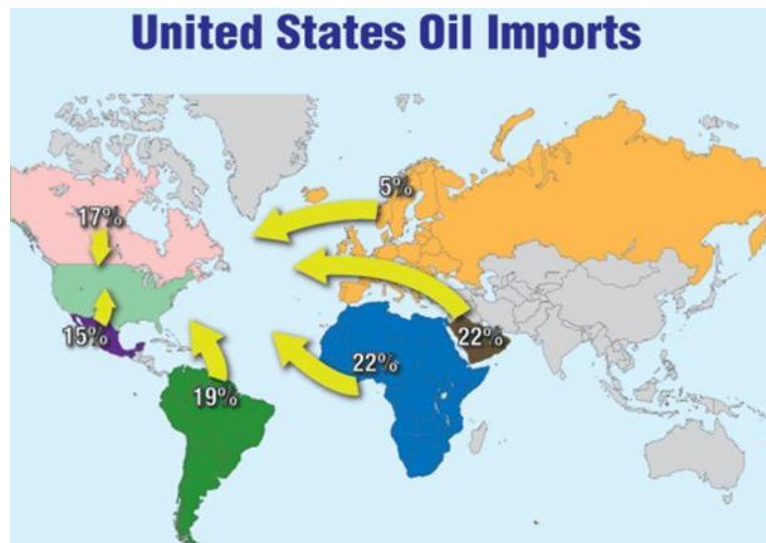
The continent's history has been dominated by European colonialism. While the US has always had relations with Africa, the US took more of an active interest in the continent during the 1960's. The creation of the United Nations (UN) after WWII included some clauses related to the elimination of colonialism, and by the 1960's, the world's powers began to practically discuss the elimination of colonialism in Africa. The US took the position that the African states should be independent and free from European colonialism and as a result of this, it supported many nations and movements with aid and loans. While the Europeans competed with each other for the continent's riches, the 1960's also saw intense competition between the US and the Soviet Union for their influence in Africa. Although many countries were able to free themselves from European colonialism, the US as well as the Soviet Union were merely looking to replace Europe.

The arrival of the Neoconservatives into the US administration saw a change of policy on Africa. The US shifted from supporting states with economic aid and loans to expanding its military presence under the guise of the war on terror. America expanded its military presence in the region, established new military bases, and forged new links with military dictators and armed forces on the continent. The establishment of AFRICOM – America's military command on the continent, led to ties with 35 countries in order to use their military bases, as well as supply lines and the airspace of those countries. The militarisation of the continent has been central to US plans in fighting those calling for Islam in Somalia and without US military assets, the intervention in Libya would have been near impossible by Britain and France. The fruits of expanding its military presence can be seen with what took place in Mali. The coup that took place in the country which led to turmoil and the eventual western intervention, was with the help of the US. US diplomats confirmed that: *"the coup leader Captain Omedua Ahmedou Haia Sanogo had been chosen from among elite officers by the U.S. Embassy to receive military training to combat terrorism in the United States."*<sup>75</sup>

Another aspect to US relations with Africa, is China's expansion into the continent. China's demand for raw materials and energy, has resulted in it becoming an important player on the continent. It has surpassed the US as Africa's largest trading partner. US senators have lamented over weakening US political influence due to China's increasing investment in infrastructure projects for which African nations are seeking funding. Whilst China does not pose a challenge to the US as the Soviet Union did in Africa, China-Africa relations are largely commercial. For the moment, China is investing in African infrastructure and a number of energy projects, unlike the

Europeans and the US who exploited the continent. This commercial interest, does however give China much political leverage if it decided to use it.

Another aspect to US-Africa relations is energy. The US today consumes around 19 million barrels of oil a day (bpd). Domestic production from US oil fields accounts for only 10 million (bpd), the remainder is imported.<sup>76</sup> For over a decade, Africa has become central to America's strategy of energy diversification. African oil remains strategically important for the US, as it provides an alternative to the oil from the Middle East. West Africa specifically is geographically closer to



the US, making transportation less costly than oil from the Persian Gulf. The high-quality sweet crude that is produced by the Gulf of Guinea states, is crucial to the US market. As such, US oil corporations are doing whatever they can to secure this important hydrocarbon and Washington is fervently promoting free trade in Africa in order to make it easier for them. Africa is home to two of the largest oil-producing states: Nigeria and Angola. These two states account for 53% and 26% of total US petroleum imports from Africa respectively.<sup>77</sup> Thus, it is no surprise that the two states also receive the largest share of US security assistance in Africa.<sup>78</sup>

Obama's visit to Africa was to ensure US interests are secured for the foreseeable future. European colonialists used similar pretexts of development and aid to expand into the region and as a result the people suffered under the yolk of poverty and exploitation. Today, European powers generally have been replaced by the US, however what has not been replaced is foreign attempts to exploit the region.

## 7. Syria's Islamic Alliance

Syria's myriad of revolutionary factions became all the more complex in 2013 when two key announcements took place. In Aleppo – thirteen major fighting factions including *Jubhat an-Nusrah*, *Ahrar ash-Sham*, and *Liwaat at-Tawheed* declared an Islamic alliance affirming their rejection of the Western-backed opposition. This declaration came amidst increased efforts by the United States and its allies to provide more logistical and military support to "Moderate" factions in Syria. A few days later, an even more grandiose declaration emerged from Damascus announcing the unity of 43 factions under the banner of the newly-formed '*Jaysh al-Islam*' led by the previous commander of *Liwaat al-Islam* Muhammad Zahran Alloush. These Islamic alliances are significant developments in the Syrian uprising and will impact the trajectory of the Syrian revolution in a number of ways.

A central chain-of-command provides the Syrian rebels in the suburbs of Damascus with a new strategic impetus. However, the strength and significance needs to be placed into perspective.

Around 38-40 of the brigades or battalions mentioned in Jaysh al-Islam's statement were in fact already under the umbrella of Liwa al-Islam prior to the announcement. Several of the new brigades were practically unheard of (Kataeb Junoob al Aseema, Liwa Badr, Katibat al Ashayer, Katiba Rayat al Haq) and the remaining new brigades, are relatively small (Liwa Deraa al Ghouta, Liwa Jaysh al Muslimeen, Liwa Omar bin Abdel Aziz, Liwa Tawheed al Islam, Liwa Maghaweer al Qalamoun, Liwa Fatah al Sham, Katiba Suqour Abu Dujana, Liwa Shuhada al Atareb, Kataeb ayn Jalut, Kataeb Nour al Ghouta, Liwa Omar bin al Khattab, Kataeb as Sadiq). From a logistical and military perspective, the move is not of major significance as Jaysh al-Islam remains *one* of several factions in the area which include Ahrar ash-Sham, Jubhat an-Nusra and the Islamic State of Iraq and Sham - ISIS.

A look at the names of the factions which were listed as having sworn allegiance to Jaysh al-Islam points to a significant fact; the major Islamic factions in Syria were not aboard. Ahrar ash-Sham, Jubhat an-Nusra, Suqour ash-Sham and the ISIS were not part of the move – more so – Ahrar ash-Sham and two other strong Islamic factions withdrew from Jaysh al-Islam's logistical-operations room citing that certain factions had a hegemony in decision making and thus played an arbitrary role.<sup>79</sup> As of now, it is unclear how much political and representative power the newly declared army will have. What we do know is before the emergence of Jaysh al-Islam, the Syrian revolution was largely divided into 'two' camps; the 'Secular' FSA commanded by Salim Idris on one side and the "radical" Islamic factions like Jubhat an-Nusra and the ISIS on another. Battalions disenchanted with the Free Syrian Army eventually left the loosely-affiliated and inefficient umbrella group to join the "radical" Islamic factions. With the emergence of Jaysh al-Islam, disenchanted fighters seeking a more effective and Islamic leadership are given an alternative to both the "Radical" factions and the "Secular" Free Syrian Army. According to Reuters several of its sources have indicated that this in fact was the strategic goal behind the formation of the Army.<sup>80</sup> From an ideological perspective, Jaysh al-Islam, an extension of Liwa al-Islam, espouses a more moderate Islamic political vision than that of factions whose ideology is closer to Salafist-Jihadist.

The formation of an alternative “Moderate” Islamic front is significant in two ways; firstly, a shift from the Western-backed FSA to the explicitly Islamist ‘Jaysh al-Islam’ reinforces the fact that the Syrian revolution is marked and distinguished by its Islamic orientation. It represents the end of any significant influence held by the ‘Secular’ Free Syrian Army and essentially leaves no one standing amongst the ‘opposition’ but those who espouse an Islamic identity. Secondly, and perhaps paradoxically although Jaysh al-Islam is based on Islamic ideals and sentiments, these ideals are not as clearly defined and elucidated as they are with more radical brigades. Ambiguity makes the ‘Army’ prone to being absorbed by regional or international hegemonic powers which support the rise of a “Moderate” Civil State with an “Islamic Reference”. Two facts make this suggestion all the more plausible; Liwa al-Islam has had explicit ties with Saudi and Gulf government entities prior to this declaration. In particular, the leader of the ‘Army’ Zahran Alloush has held close ties with several gulf states over the past few years. More so, the aforementioned operations/logistics room was initiated controlled by Liwa al-Islam was financed and supported by the ‘Council of Supporters of the Syrian Revolution in Kuwait.’<sup>81</sup>

Whether or not the announcement of Jaysh al-Islam represents a sincere transformation of Liwa al-Islam and previously FSA-affiliated factions or represents a malleable buffer-zone between the

‘Secular’ external opposition and the revolution is unclear. Only time will provide some insight into the trajectory of the newly formed Army and its impact on the Syrian revolution.

## 8. US Government Shutdown in Perspective

The US Government shutdown was rooted in a simple fact – America is living beyond its means. What is more, it is not the first time that there has been a shutdown of all government non-essential activities (it last happened in 1995) or the first time debt was close to exceeding the limit (this last occurred as recently as July 2011). Soon after that the credit-rating agency Standard & Poor's downgraded the credit rating of US government bonds for the first time in the country's history.

The failure to agree on next year's government spending budget (the deadline expired 30 September 2013) has resulted in an estimated 800,000 non-essential government employees being sent home without pay, while museums, parks and tourist attractions were closed. The main sticking point in the budget is ‘Obamacare’, the Democrats’ plans for subsidised healthcare for an estimated 40 million people which the Republicans are not buying into. America's not being able to meet its financial commitments is also at the core of the debt ceiling crisis. The ceiling is a limit set by Congress on the amount that the government can borrow for public spending and was set at \$16.4 trillion in 2011 but later extended to \$16.7 trillion (which somehow defeats the purpose of an ultimate upper limit). This crisis is looming as by current estimates the \$16.7 trillion limit is due to be reached on 17 October 2013 based on planned government spending.

Most commentators blamed America's fractured politics for the dilemma. The budget and raising of the debt ceiling both need to be passed by Congress, which is controlled by the Republicans while Democrats dominate the Senate. This, however, does not address the root of these financial woes – why does America face such a debt crisis in the first place? The answer lies in the often used phrase, “*its economics, stupid!*” To be more precise, it is capitalism and its insatiable appetite for debt in order to satisfy ever increasing conspicuous consumption. The US is drowning in a sea of debt which the global financial crisis has brought to the forefront. The US generated over \$15 trillion in wealth in 2012, however the national debt – this is money the central and federal governments owe to the US public and the world through the bonds they have sold - stands at \$16.7 trillion. The US citizenry have a huge appetite for imports and real estate; as a result consumer debt stands at \$15.8 trillion. US companies also have debts in excess of to \$18 trillion. This makes the US indebted to a net debt amount in excesses of \$60 trillion.

America's national debt of \$16.7 trillion is more than the total value of its economic output which means government debt exceeds 100% of GDP. America's per capita income of \$50,000 in any year is therefore all but cancelled out as debt, or the amount owed by every man, woman and child in the country. The 16.7 trillion debt is the sum of past budget deficits. In fact, America last recorded a budget surplus in 2001.<sup>82</sup> Since then there have been year on year budget deficits for more than a decade under both Republican and Democratic administrations. With respect to the debt “ceiling”, a quote the US Treasury corrects the misnomer: “*Since 1960, Congress has acted 78 separate times to permanently raise, temporarily extend, or revise the definition of the debt limit – 49 times under Republican presidents and 29 times under Democratic presidents.*”<sup>83</sup> Indeed, the

debt ceiling has been raised no less than 91 times since 1940 when it stood at a mere \$49 billion. This rather flexible debt ceiling reached \$1 trillion in 1981 and exceeded \$10 trillion in 2008.<sup>84</sup>

Over the last decade the Iraq and Afghan wars have been costing the US \$255 million and \$82 million a day, respectively. These wars were never envisioned to last this long and as a result the US government continued to incur more debt. The bank bailouts, stimulus plans and various attempts to kick start the US economy have all had temporary effects and now the US is in the same position prior to such interventions. With US economy faltering and struggling to create sustainable growth, questions are being asked about the ability of the US to repay its debts. Any further debt downgrade would raise serious questions on US global prowess.

This puts the political wrangling on the budget deficit and the impasse on the debt ceiling in its true context. Whilst the global media has given the shutdown much coverage it is unlikely, this will lead to a change in America's global position. Unless the US loses its internal cohesion or its ability to govern effectively it will remain the world's superpower despite periods of tension or political gridlock.

## **9. Global Defence Industry**

The Stockholm International Peace Research Institute (SIPRI)'s published its annual summery in March 2013. Global military expenditure was estimated to have reached \$1.756 trillion. Global arms sales have always been a subject of contention as these weapons systems are fundamentally for war and where they end up can never be regulated. The amounts involved make the global defence industry a lucrative market.

The global defence industry is dominated by one customer – governments. Without which the manufacturers of platform systems would never survive. Platform development is central to this market and only a handful of countries develop military platforms and even fewer countries develop multiple platforms. This is because developing an aircraft carrier, a fifth generation fighter jet or a missile defence system is a very expensive capital undertaking, which will take years to develop. Due to this, many countries in the west privatized their defence holdings which are now in the hands of private companies, e.g. Lockheed Martin in the US and BAE systems in the UK. As military systems can take decades to develop (It took 21 years for the F-22 raptor to be developed from inception to deployment),<sup>85</sup> such companies need guarantees that customers will purchase their eventual platforms. Thus governments around the world who need to construct their national security also become the number one customers.

Whilst the global arms industry is dominated by commercial interests, it is heavily interwoven with politics. Platform developers such as the US, Russia, France and the UK use military sales to reward loyal rulers around the world as well as create a critical dependency in national security. As the costs of platforms are so expensive, leaders of arms-producing countries conduct arms sales on behalf of private companies with countries who need such weapons. For example, President Obama's tour of Africa in early 2013 included multiple arms exports.<sup>86</sup> The recipients of such arms and the government that most need them are usually the most repressive and anti-democratic. These factors are however overlooked as intense lobbying and funding for political parties comes from

defence companies, and thus governments in the West act on their behalf. A report from the World Policy Institute in 2005 found that the US routinely funnelled military arms to undemocratic nations.<sup>87</sup> US arms sales have long continued to the Egyptian armed forces as it repressed its people, and Bahrain continued to receive arms as it clamped down upon its people during the Arab spring.<sup>88</sup>

A nation's defence industry has a significant stimulating effect on the wider economy. The heavy infrastructure and unique technologies needed lead to the development of new industries which create new jobs. America's military-industrial complex when broken down is in reality a supply line that turns its 50 states into an assembly line for its military machine. This is why every congressman of whatever persuasion supports the colossal defence budget as it will bring jobs, contracts and money into their state. The internet was originally a military application, termed ARPANET, which eventually led to the World Wide Web. In-car navigation systems rely on satellites that were put into orbit to guide ships, troops and missiles, whilst the Boeing 747, with its raised cockpit, was designed as a military transporter. It is not surprising that the world's most militarily advanced nations also have the world's largest consumer industries.

Carl Clausewitz, the German-Prussian soldier and military theorist is famous for stating "*War is the continuation of Politik by other means.*"<sup>89</sup> The bigger a nation's defence industry the stronger its deterrence and the more power projection capabilities it will have. This is why the world's powers have the largest defence industries. This is also the reason why countries such as China and India are taken more seriously on the international arena as they have the military force to back up their statements. China's rapid economic development has been in parallel with its military ascent, as this military could be used to protect its commercial interests around the world. Iran's acquisition and development of nuclear weapons would completely alter the security balance in the Middle East and this is why Israel has stood against Iran since it emerged that it had an active nuclear programme.

Without an indigenous defence industry a nation cannot be independent, let alone be able to partake in international affairs and influence them without a military to back this up. This is why it is no surprise that the nations with the largest defence budgets are also the world's powers.

## **10. Espionage in Perspective**

Edward Snowden, the former National Security Agency (NSA) contractor continues to 'whistle blow' on US mass surveillance. One of his major revelations in 2013 on Tuesday 22 November reverberated around the world, as he exposed the NSA had spied upon 35 European leaders including German leader - Angela Merkel's cell phone. This case of espionage gave another insight into the world of intelligence and espionage. Whilst spying on world leaders received significant media coverage what was surprising was how surprised many were! Espionage needs to be put into perspective and placed in its correct context.

Why do nations put resources into intelligence and espionage activities? Nations have relations with other nations, these could be commercial, defence, cultural or economic. Knowing what each country is doing, planning or contemplating will place a nation in an advantageous position and potentially save a nation from potential disasters. Companies monitor their competitors, sports teams monitor their competition and even political parties monitor other political parties. Enemies, friends and acquaintances all keep an eye on each other, but how they accomplish all of this varies,

the fact they all do this is an aspect of human nature. The shock at learning that the US wants to even know what is going on in Europe, in reality is just a natural aspect of human nature. The fact the Soviet Union and the US wanted to know what each other was up to was not just based on human nature, but prudent planning. Espionage is well documented throughout history. The ancient writings of Chinese military strategists such as Sun-Tzu contain information on deception and subversion. Fundamentally every entity, be they government, corporations or individuals conduct espionage, it is the styles and means that vary.

The Soviet Union had a big impact on espionage. During the 1920s and 1930s, the Soviets developed a unique model of espionage. They excelled at placing undetectable operatives in key positions. The Soviet KGB would frequently visit left-wing meetings to recruit potential agents. These would be young people with impeccable backgrounds and only limited contact with the left. They would be recruited based on ideology, and less often via money, sex or blackmail. They would never again be in contact with communists or fellow travellers. They would apply for jobs in their countries' intelligence services, foreign or defence ministries or other strategic posts. Given their family and academic backgrounds, they would be hired. They would then be left in place for 20 or 30 years while they rose in the ranks, and aided with information from the Soviet side to move their careers ahead. Recruiting someone at an early age created psychological and intimate bonds over long years of management and also allowed an agent to eventually mature into senior foreign government post, which allowed ample time for testing loyalty. The Soviets not only got more reliable information this way but also the ability to influence the other country's decision-making.

The US adopted technical intelligence for this process. This is why the most important US intelligence-collection agency is not the CIA, but the National Security Agency (NSA). The NSA focuses on intercepting communications, penetrating computer networks, encryption and the like. So whereas the Russians seek to control the career of a recruit through retirement, the NSA seeks access to everything that is recorded electronically. The goal here is understanding capabilities and intentions of other nations. This method provides better and faster intelligence than the placement of agents, but substitutes for influence. The revelations about PRISM or Angela Merkel's cell phone being tapped are thus not a diversion from US modus operandi (method of operation). Given the state of technology it was inevitable that the NSA would be capturing communications around the world. Many leaks prior to Snowden's showed that the NSA was doing this.<sup>90</sup> In order for the US to collect data regarding potential attacks vast amounts of data need to be collected. As data cannot be judged until it has been read, NSA systems have turned into a global collection system, whereby vast amounts of information are collected, regardless of source or use.

Regardless of capabilities, espionage activities have an inherent weakness. If we consider two cases: the collapse of the Soviet Union in 1990 and the Iraq war of the last decade. Even if a member of the Soviet Union's Politburo was a long-term US mole and even if the US knew everything Saddam Hussein, his Generals, inner circle and family knew, wrote or said. In either of these scenarios it would not have made any difference to how events played out, despite them being of

*Intelligence and espionage activities are similar to war, in the sense that they are just politics through other means. Just as military equipment and wars can yield results they can also lead to stalemates or even losses, espionage activities can also lead to results or failure*

critical importance to US strategic interests. This is because, in the end, the respective senior leadership didn't know how events were going to play out. These critical events in history, the most thorough penetration using either American or Russian techniques would have failed to provide warning of the change ahead. This is because the people being spied on did not even understand the reality on the ground in their respective countries, thus their intentions about what to do were irrelevant.

Intelligence and espionage activities are similar to war, in the sense that they are just politics through other means. Just as military equipment and wars can yield results they can also lead to stalemates or even losses, espionage activities can also lead to results or failure. In the 21st century, espionage is as prominent a tool as it was during the cold war. While espionage efforts on a country-to-country basis are what dominate the headlines, the covert operations that are not heavily publicized are what deserve the most scrutiny. This event revealed much about the inner workings and trends within the espionage community, and showed that every nation is spying on other nations despite rhetoric to the contrary.

# Conclusions

In Strategic Estimate 2013 our net assessment with regards to the global balance of power was the US remained the world's superpower, but it faced a challenge in one region of the world. China was aggressively laying claim to disputed islands in the Asia-Pacific, despite the US pivot to the region. In Strategic Estimate 2014 this appears no longer be the case.

China's claim over its region is built upon its rapid economic development, which is now showing all the signs that it has run its course. Painful reforms will be necessary to restructure the Chinese economy. If China's history is any guide then this process will be extremely difficult, as it usually has in the past. China's internal cohesion has been long contained thorough economic growth and any slowdown in its economy will only lead to further tensions and test the ability of the Communist party's grip on power.

Russia's ability to compete with the US in 2014 was exposed to be limited and does not go beyond its periphery. Despite reversing the colour revolutions and containing the influence of pro-Western groups under the rule of Putin, Russia currently lacks the capability to effectively challenge the US across the world.

For any nation to challenge the US there are two possible scenarios or options for them. The first is to develop alternative ideas of governance and systems for society and thus challenge the US through wining other nations to such ideals and showing the strength of such ideas via domestic implementation. The key here would be that there is an alternative way to run a society on a different set of values. The second would be to challenge US dominance around the world through competing with it in various theatres and attempt to undermine US prowess in such regions in order to weaken America's position. This would require an immense effort by any nation currently.

In 2013 the Arab spring presented the opportunity for the emergence of a new politics to America's constructed global system. However in 2014, aside from Syria, the US has ensured real change did not emerge in the Middle East. The Arab spring is still work in progress and is by no means over, but the US has been able to manipulate the uprising to maintain the status quo, through only changing personnel, whilst maintaining most of the pre-revolutionary architecture. The threat the Arab spring represented to US hegemony has for the moment been contained and if this trajectory continues it will be neutralised.

In 2013 the US has strengthened itself and in turn its global position by starting the process of normalise relations with Iran. Whilst traditional allies Saudi Arabia and Israel look on in horror, the US now has the Middle East's true power on its side. This now means most of America's pieces are in place for it to reorient its posture after a decade of war in Afghanistan and Iraq. The US has now consolidated its position with Iran

# 2014

**US Afghan withdrawal deadline**, December 2014 – After more than a decade of war the US is scheduled to withdraw its troops from the country. This drawdown is deceiving, in the fact that what is really taking place is a reorientation of America's military footprint in the nation. The US-Afghanistan Strategic Partnership agreement in 2012 allows the US to access Afghan facilities beyond 2014, grants the US permission to maintain a number of military bases beyond 2014 and a non-commitment to any specific troop levels or funding levels in the future. US officials have already announced that combat troops will be reduced to 10,000, and their titles changed to trainers rather than combat troops. These troops will also include Special Operation Forces (SOF). They will train and support the Afghan security services in maintaining the architecture the US has created. The US was able to maintain a high level of situational awareness in the country due to the large military footprint. This allowed it to have multiple military bases, SOF's and security personnel who could respond to threats well before they grew into serious problems. By reducing their presence this level of situational awareness will not remain and a serious challenge to the US created architecture may ensue.

**Scottish independence**, September 2014 - On Thursday, September 18<sup>th</sup> 2014, Scotland decides whether to leave the United Kingdom and become an independent nation, the last time that happened was 1707. The Scottish people voted in favour of a Scottish parliament in 1997 and within a decade full independence had taken hold amongst Scots. In 2012 the UK government legislated for a referendum which is now set for September 14<sup>th</sup> 2014. The economic crisis has affected opinion for Scottish independence, but with public opinion evenly split, if successful this will give fuel to other regions in Europe who are looking to secede. This will also completely undermine British efforts to integrate minorities at a time when their loyalty is being questioned.

**Catalonia independence** – Catalonia announced in late 2013 its intention to have a referendum to secede from the unitary state of Spain. This is due to take place in December 2014. The economic crisis is leading to some regions calling for greater autonomy from central government. Catalanian nationalism has been exacerbated by the European crisis. Elections in November 2012 led to the pro-independence parties in the regional government of Catalonia increasing their share of seats, Catalanian political parties promised a referendum upon victory and this raised serious concerns for the unity of Spain, one of the largest countries in the Eurozone. Catalonia also includes Spain's economic hub – Barcelona. A number of separatist regions believe the deficit driven economic policies of the Madrid government is failing and would prefer to go it alone.



**New Turkey President**, August 2014 - Turkey's president will for the first time be directly elected by the people and not parliament. Incumbent Abdullah Gul cannot stand as there is a three term limit. For the moment the presidential post in no way match the executive privileges that came with being the prime minister, however it holds a symbolic position in Turkey in that Mustafa Kemal the

founder was President. The rules of the Justice and Development Party (AKP) limit Erdogan to three terms as prime minister, and he reaches that deadline in June 2015. Erdogan’s supporters have talked of rewriting Turkey’s constitution to give the presidency greater powers. Erdogan has stated he would stand for the president if his party asks him, thus holding both prime minister and presidential posts for a few months. Erdogan has weakened the army’s grip on power and used the state security to suppress opposition to his pro-US agenda, but with the president lacking executive power a constitutional change will be needed if he runs for president. This requires the drafting of a new constitution, which has to be passed through parliament with at least a three fifths majority and then successfully passed via a public referendum. The AKP currently are 3 seats short of 330 to propose constitutional changes to a referendum without the support of other parties in parliament. With the very public falling out with Fatah Gullan and now opposition from within the AKP, 2014 will be a test of Erdogan’s grip on power.

**New Afghan President, April 2014** – Afghanistan’s most critical moment will take place in 2014 as a new president will be chosen to succeed Hamid Karzai who has dominated Afghanistan after the overthrow of the Taliban by US forces. Karzai lacked much authority beyond Kabul and relied on US troops in the South of the country and for his own personal security. The next president will have an even more daunting task. Due to the country’s fractious ethnic landscape no single group has a majority. All these groups are also internally divided. The Afghan political architecture is dominated by leaders of groups who fought both the Communists and Taliban. Due to their numbers a Pushtun has the best chances of winning but will not just need the support of his own ethnicity but also of another to gain a majority. All candidates have been appointing running mates from the other ethnicities to secure enough votes. Abdullah Abdullah is best placed as he is partly Pashtun and also Tajik due to his maternal lineage, he was close to the Tajik leader

<b>Pashtuns</b>	42%
<b>Tajiks</b>	27%
<b>Hazarah’s</b>	10%
<b>Uzbeks</b>	9%



Ahmed Shah Masood and was runner up in the 2009 election. Current foreign minister Zalmal Rassul who is Karzai’s favoured replacement. But he will need votes from the other ethnicities in order to win. Ultimately the presidential election will come down to Abdullah and Rassul. With the US drawdown and negotiations with the Taliban going nowhere, it will come to the new president to maintain the US constructed architecture.

**Iraq Elections, April 2014** – Iraq will hold its third post Saddam Hussain national election in 2014. The US planned from the outset to dominate Iraq by ensuring the de facto partition of the country into three autonomous, ethnically, divided territories for Sunni’s, Kurds and Shi’ah. This division has turned the country’s fractious politics into competition for power, resources and state institutions. For the US, as long as the factions are fighting each other the US constructed political architecture remains in place. In the 2010 election it took 8 months of fractious negotiations to form a government and even then the Iraqi National Movement, led by former Interim Prime Minister Ayad Allawi, which won the election lost out to the State of Law Coalition, led by Prime Minister Nouri Al-Maliki. Today, political and military power in Iraq is highly centralized in Nouri Al-Maliki’s personal office. If He wins a third term the other factions may resort to violence which could bring into the question the US constructed system.



**India Elections, April – May 2014** - More than 700 million people will head to over 800,000 polling stations and use more than 1.3 million voting machines to cast votes for more than 1,300 political parties (Not all parties are on every ballot. Most of them are local or regional rather than national in reach). The Congress Party hold on a decade long term is waning as the BJP routed the Congress Party

in assembly elections, in December 2013 in five Indian states. Narendra Modi, Chief Minister of Gujrat will most likely run against Rahul Gandhi, the great grandson of Jawaharlal Nehru for prime minister. With India's economic development faltering, corruption and nepotism characterising Congress rule and with the US drawdown in the region in full motion it is the nation's internal challenges rather than foreign policy that will shape the new prime minister.

**Additive Printing, 4-D printing** - Additive manufacturing, more commonly known as 3-D printing is now beginning to take over more traditional forms of manufacturing. In this process machines deposit layers upon layers of material in three dimensional design created by a computer generated model. Near the end of 2013 the universality of Colorado-Boulder announced they had taken this one step further by producing 4-D composite materials. 4-D adds transformation to 3-D printing, where materials change when subjected to conditions such as heat or water. Both 3-D and 4-D printing could create self-assembling structures where traditional construction may be difficult. The trends that could develop from this include complex products which were assembled from numerous parts could all be printed from a single computer. These parts can be much lighter then parts using conventional methods, also waste can be completely reduced. The use of this type of printing would remove the need to maintain stocks, it was also help in remote locations. This development has the prospect to completely revolutionise manufacturing as we know it.

**Naval use of Laser Guns** - Following several years of research and development, Solid State Laser (SSL) weapons will be deployed to the US Navy. The tubular Laser Weapon System (LaWS) is a solid-state laser, which emits high-powered beams and can be fired at distances of four miles, hitting targets moving at 300 mph. This exceptionally accurate system can protect against anti-ship missiles, as well as shooting down drones and other flying vehicles. It is cheaper than conventional Cruise missiles and Ballistic missiles, with a single shot costing under \$1, compared to the hundreds of thousands of dollars required to fire a missile. With China aggressively laying claim to Islands of the South China Sea and in a time of budget constraints, the timing of his deployment will strengthen the US military. The weapon had been scheduled for deployment in 2016, but is now ready two years earlier than planned. In the next decade, they will evolve into railguns with more range and power.

**Egypt Constitutional Referendum, January 2014** - General Sisi will be looking to solidify his legitimacy, by making cosmetic changes to the countries 1971 constitution which protects the army in a national referendum. The government has already started an aggressive campaign to promote a referendum on a draft constitution, the first milestone in a so-called road map that the military has promised will restore democracy to Egypt. The military is looking to completely write-off the Muslim Brotherhood from Egyptian politics and reverse the Arab spring in the country.

**Bangladesh Turmoil** – Whilst elections are due in early January 2014, the turmoil the country is suffering is due to the corrupt and ineptitude Awami league, who's leader has used the war crimes tribunal to hide the failure of her party. Both parties that have dominated the political system in the country have broken the back of the people who languish in poverty. On top of this the demand for Islam is being dealt with by authoritarian measures. It was these same tactics that led to the Arab spring, when the people demanded change. For Bangladesh it will need to be seen, especially in 2014 if the people can coalesce into an organised movement against the political elite.

**Syria** - After three years, the bloodiest uprising within the Arab Spring has claimed over 100,000. The US and the international community have been colluding in silence with the Syrian regime, trying hard, but thus far to no avail, to establish an opposition umbrella that controls the rebels on the ground. Some divisions did emerge during 2013 with the Jihadi factions from Iraq taking over Jabatul Nusra. With Hizbullah and Iran intervening to prop up the al-Assad regime divisions within the rebels groups will weaken the offensives on Damascus.

**US-Iran Rapprochement** – The normalisation of ties between both countries was one of the most important developments of 2013. There still remain many issues that need to be resolved for relations to be fully restored. Iran's support for Hizbullah, US support for Israel, US support for proxy groups in the region against Iran and Iran's campaign to target key Israeli personnel throughout the region. Much of these discussions will take place in secret, however they will affect relations between both countries on a multitude of issues, including Syria and Palestine.

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