Center for Security Studies

STRATEGIC TRENDS 2013

Key Developments in Global Affairs

CSS
ETH Zurich

ETH
Eidgenössische Technische Hochschule Zürich
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Acknowledgments

Strategic Trends is an annual publication of the Center for Security Studies (CSS) at ETH Zurich. It offers a concise analysis of major developments in world affairs, with a primary focus on international security. Providing interpretations of key trends rather than a comprehensive survey of events, *Strategic Trends* targets a broad audience ranging from analysts to policy-makers, the media, academics, and the general public.

Strategic Trends 2013 is the fourth issue of the *Strategic Trends* series. It contains a brief overview as well as chapters on the De-Westernisation of Globalisation, Maritime Insecurity in East Asia, Shifting Parameters of Military Crisis Management and the Glocalisation of Al Qaedaism.

This publication series is available for download on the website of the *Center for Security Studies* (www.css.ethz.ch/publications/Strategic_Trends).

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Zurich, 4 March 2013

Andreas Wenger
Director

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Head of Think Tank at CSS

Strategic Trends 2013: Redefining Leadership

In 2012, the authors of *Strategic Trends* concluded that the international system was best described as 'polycentric'. In a polycentric world, global leadership is in short supply as new power centres emerge and drive political fragmentation. At the same time, the term 'polycentric' implies that no single pole controls all dimensions of power. Hence, structural interdependencies are an important component of the evolving international system. The transformation of the international system continues and gives rise to challenges at various interrelated levels. *Strategic Trends 2013* reflects on changes in the geostrategic context and the nature of unfolding crises, as well as on the responses they have elicited.

As a consequence of the on-going global financial crisis, the West's relative economic clout has deteriorated. Its aspirations regarding the ordering of the global economy have had to be cut short. Meanwhile, China's growing assertiveness against the backdrop of its economic success has both global and regional implications, as reflected in the area of maritime security in East Asia. The US is therefore aiming to reassure its allies in the region, but a massive fiscal deficit and impending cuts in the US defence budget reduce the credibility and feasibility of reassurance based on military means alone.

The parameters of military intervention are shifting. The political and material costs of large-scale troop deployments in Iraq and Afghanistan and strategic failures of military regime change, followed by nation-building and democracy-promotion, have led Western leaders to contemplate other forms of intervention, which shift responsibility on to local and regional actors. However, the terrorist threat that prompted Western military intervention in Afghanistan in the first place lingers on, albeit in an altered form. Regional jihadist groups have been developing ties with Al Qaeda. While the terrorist threat to Western homelands has diminished, regional assaults that affect Western interests are still possible.

Global leadership in the realms of diplomacy, economics and security in a

polycentric world will have to adapt to new realities in order to meet these challenges. Power and influence depend ever more strongly on the ability to navigate and exploit global networks, to form effective partnerships, and to combine different instruments of statecraft in a flexible, agile way. Power-projection capabilities remain important, especially with regard to global commons such as air, sea and cyberspace. A healthy economy and a balanced budget at home are vital ingredients for global leadership. The major players in the international system, however, are invariably distracted by domestic concerns. Likewise, international organizations are struggling to adjust to global power shifts. This leaves few, if any, contenders to fill a widening gap in global governance.

There are signs that the US, as the only nation with worldwide interests and the capability to project power on a global scale, has begun to adjust to new realities. The Obama administration has sought to complement military power with a greater focus on effective multilateral diplomacy and a flexible 'smart power' toolkit. Furthermore, the US is trying to consolidate old alliances such as NATO. In addition, the often cited 'rebalancing towards Asia' can be seen as part of a new leadership approach by the US. In fact, the US has no territorial ambitions in this region, but at the same time can count on a network of bilateral relationships. Such networks of flexible alliances, with the US as an anchor, will play an ever greater role for America as a leading nation. To that end, America's superior naval power continues to be an important asset. To be sure, the US still has many positive attributes that may make for revived leadership. This is on display in innovative solutions to securing global commons such as international shipping and cyberspace.

The essential pre-condition for a future modernized US leadership is what US President Barack Obama described as 'nation-building at home'. Most importantly, there is the huge task of re-vitalizing the American economy. The exorbitant state deficit requires deep cuts, not least in the defense budget. At the same time, America's infrastructure, neglected for decades, needs urgent repair. Moreover, there is the view that the US political decision-making system is becoming more and more dysfunctional.

The chances for the US to recover, though, are not bad. The use of modern methods of petroleum and gas production has led to a boom. This oil and gas bonanza will stimulate the US economy due to reduced energy

prices and make America almost independent in terms of its energy supplies. In addition, American society is still very innovative. America's ability to combine different instruments of power – soft and hard – remains unmatched. With its own economy strengthened, the US could lead the West to pool its resources again. A Transatlantic Trade and Investment Partnership with the European Union, as sketched out in a joint statement by Barack Obama and EU officials, could become part of such efforts.

However, tough lessons from eleven years of warfare in Iraq and Afghanistan have left their mark on US international engagement. The heavily militarized approach to the 'global war on terror' cost American taxpayers around US$1.2 trillion in additional military expenditure by the end of 2011. The wars in Iraq and Afghanistan have taken the lives of over six thousand US servicemen and women so far. The Obama administration has been keen to end the wars it inherited and bring troops home. It has displayed a preference for 'leading from behind' and looked for partner states to take the lead, as in the NATO-led operation in Libya. The cautious and limited support given by the US to the French-led operation in Mali is indicative of a reluctance to see American boots on the ground, as is the White House's aspiration to limit the US contribution for the mission in Afghanistan after 2014 to a minimum.

It is questionable, whether other nations will be capable of taking over global leadership responsibilities beyond their respective regional spheres. The US National Intelligence Council (NIC) predicts that China will become the strongest economic power by the year 2030. However, this ascendancy is unlikely to be as smooth as in the past and may be beset with internal difficulties: Widespread corruption up to the highest levels of the ruling communist party; a shortage of innovation due to a political system that is not based on the principle of open speech; an aging society as a result of the one-child policy, meaning that China may become old before it becomes rich; huge ecological issues; and growing economic inequality. As opposed to the US, which is becoming less dependent upon energy supplies, China is becoming more dependent and may soon need to import about half of the Arab oil.

China has to date shown little appetite for profoundly altering or replacing existing global regimes and institutions. Rather, it has sought to carve out exceptions for itself on a case-by-case basis, while benefitting overall from a system of open trade,

investment and finance. Focused on the country's own development and domestic stability, Chinese leaders have largely eschewed the burden of providing global leadership and continued to free ride on US efforts to provide global public goods, such as security and access to trade.

Other centres of power are becoming more significant, but cannot be expected to play in the same league as the US and China. Neither India nor Brazil, to take two prominent examples, will become leaders comparable to the US. These states have important regional roles, but they often lack the soft power and political prowess to form durable alliances.

Meanwhile, Europe continues to be preoccupied with the fiscal and euro crises. Substantial steps towards further integration within the European Union would be necessary in that regard. More political integration could also lead to a more coherent Common Foreign and Security Policy (CFSP) that would provide the old continent with a unified and more decisive voice in world affairs. At this juncture, however, more fragmentation seems likely, not least because the UK shows no interest in deeper integration and even may leave the Union altogether. As a consequence, the CFSP is likely to stay paralyzed.

Hence, global governance is in short supply. Important international institutions are losing leverage. Permanent membership in the UN Security Council does not reflect the realities of the 21th century. Moreover, discussions within this body are increasingly characterized by a cleavage between Western democracies (US, France, UK) on one hand, and authoritarian regimes (China, Russia), on the other. Other forums such as the G-8 also are becoming less important, while newer circles like the G-20 are hampered by too many voices. Against this background, important international challenges remain unresolved: An on-going international economic crisis; failed and fragile statehood as well as civil wars; climate change; proliferation of weapons of mass destruction and their delivery systems; international terrorism and piracy, to mention only some.

With this in mind, the current issue of *Strategic Trends* focuses on four trends that illustrate both the challenges at hand and emerging responses to them: *The De-Westernisation of Globalisation; Maritime Insecurity in East Asia; Shifting Parameters of Military Crisis Management; and the Glocalisation of Al Qaedaism*.

De-Westernisation of Globalisation

As a consequence of the global financial crisis, the economic problems of

Western industrialized countries have become more obvious. The crisis tarnished confidence in the Western economic model. As a result, the West's economic influence has been diminished relative to emerging markets, most of all China. Yet the world economy remains integrated to an extent unprecedented in history.

In this context, the previous focus of Western leaders on building an open global economy has shifted towards the linkages between the economy and national security and towards a desperate search for growth. Rather than advocating an economic blueprint, Western leaders have become more selective about economic integration. Markets are becoming more politicised as concerns over national security build new barriers to investment. Regional and bilateral free trade agreements take precedence over the global trade agenda. And monetary easing is putting financial markets at the mercy of central banks.

These policies may create growth in the short term, but they increase economic risks and the potential for conflict in the global economy. What is more, they do nothing to revive the economic leadership of the West. For this to happen, the West has to pool its resources and reform its political economy at home.

Maritime Insecurity in East Asia

The military build-up in East Asia is reason to pay particular attention to maritime security in this region. Against the backdrop of a growing naval nationalism coupled with a significant build-up of its naval forces, China is calling the status quo in the region into question. As a result, conflicts are emerging on two levels: Maritime disputes between China and its smaller neighbours; and broader tensions between China and the US. In many ways, the latter tensions are related to the fact that the US' 'rebalancing towards Asia' is motivated by Washington's desire to reassure its Asian allies. As to the first level, Beijing defines the South China Sea as a core national interest. China articulates territorial claims in that area (mostly small islands), something which is met with resistance by several of China's neighbours. Unsurprisingly, there is a shared mistrust among China's neighbours regarding its intentions.

Regarding the second level, Sino-US tensions, the Taiwan issue is at the centre. Beijing argues that Taiwan is a province of China. To prevent the US navy *inter alia* from accessing the Strait of Taiwan in case of conflict, China is developing an anti-access/area denial doctrine. The procurement of modern anti-ship ballistic missiles, attack submarines and aircraft carriers is part

of these efforts. Meanwhile, the US for its part is responding with its Air-Sea Battle doctrine. These guidelines aim to benefit from the US navy's superiority in anti-submarine warfare, its advantage in local intelligence support from Asian allies, and from the technical weaknesses of the Chinese anti-access/area denial doctrine. Although as a consequence of this doctrinal race it is likely that the region will be further militarized, this does not make military confrontation inevitable.

Shifting Parameters of Military Crisis Management

The last decade has seen major international military operations to deal with threats and crises abroad. They were aimed at preventing fragile states from serving as operational hubs for global terrorist activities. Today, policymakers as well as their constituencies are largely disaffected regarding the success of military-led state- and nation-building strategies. The current situation in Afghanistan is a case in point. Corruption, patronage networks, and human insecurity prevail, although the United States and its coalition partners have spent billions of dollars and risked the lives of thousands of soldiers and civilian personnel. Afghanistan's national army looks too weak to defeat Taliban insurgents and its economy remains dependent on the illegal drug market.

There is little appetite left in Western decision-making cycles for large-scale troop deployments in today's crises. Instead, Western states are seeking to shift the parameters of their engagement by placing greater emphasis on burden-sharing with local and regional partners. Preventive capacity-building and training, partnering during operations, as well as adjusted or 'good enough' benchmarks for withdrawal in the aftermath of combat, are intended to allow for a lighter Western footprint along the entire conflict spectrum. The idea is that operations owned and led by local and regional actors will be more sustainable and benefit from greater political legitimacy. 'Leading from behind' is in tune with lessons learned from past experience as well as with contemporary political and financial constraints in the West.

Whether these approaches will be more successful remains to be seen, however. In the absence of strong leadership, a patchwork of contributions by a diverse range of actors is bound to remain fragile. Partnering with local and regional forces moreover raises important ethical, political and practical questions. The reluctance of Western states to deploy 'boots on the ground' may leave crucial gaps in international crisis management. As has been shown in the course of the recent intervention in

Mali, rapid response capacity remains crucial. Moreover, in the aftermath of intervention, a long-term security presence is required to support disarmament, demobilization and reintegration, to prevent violence and instability from returning or spreading to neighbouring countries and to reform the security sector.

Glocalisation of Al Qaedaism

That military intervention is still of the essence has been underlined by recent developments in Mali. Indeed, in North Africa as well as elsewhere, the threat of radical Islamism persists. With the onset of the Arab revolt and the death of Osama Bin Laden in 2011, some obstacles to the local manifestation of international jihadist activity have been removed. Regional jihadist groups have developed ties with Bin Laden's network. Forging closer links to Al Qaeda and to each other helps these groups to weather pressure from counterterrorism agencies.

The result has been an increase in the lethal nature of regional terrorist activity inspired by Al Qaedaism. This trend has its origins in the very inception of Al Qaeda, which throughout the 1990s, sought to build ties to other radical Islamist groups that could otherwise compete with it for recruits and finances. By creating a global terrorist coalition to fight the West and Israel in 1998, Al Qaeda transformed itself from being a loosely-organized network into a hierarchical organization with its own unique ideology. Although the organization has suffered heavy losses since 2001, its ideological hold on the 'jihadosphere' remains strong, carried forward by affiliated groups that have come around to sharing its worldview. Although Western homelands face a diminished risk of terrorist attack, Western interests overseas are now exposed to new threats from regional jihadists.

Redefining leadership

The issues discussed in *Strategic Trends 2013* all play out on regional as well as on global levels: Regional and global markets; regional conflicts in Asia and US-China relations; regional conflicts and intervention; as well as Al Qaedaism on a regional and global scale. This reflects a major feature of the evolving international system – that regional or even local events have global ramifications.

These challenges raise the stakes for a more global leadership that is much more agile and flexible. There are signs that the US is adapting to this requirement and is seeking to redefine its global role. Soft balancing through networks of alliances and bilateral relationships is becoming more important than military intervention. Even

a more restrained leadership role that emphasizes partnerships and burden-sharing, however, requires the United States to get its fiscal house in order and to overcome its current domestic blockade. Only then can it lead the West to regain economic power. At the same time, a redefined leadership role for the US implies more responsibility for America's partners such as Europe. The on-going economic crisis, as well as disagreement between those in the European Union who want more integration and those who want less, means that Europe will have a hard time meeting such expectations. Interdependence between Washington and Beijing will remain a factor that the Obama administration will continue to take into consideration as it redefines the scope of its foreign policy. At the end of the day, the US is still the only power that is prepared to take on global responsibility. This is why the process of redefining its leadership role is so important.

CHAPTER 1

The De-Westernisation of Globalisation

Jonas Grätz

Global economic integration is unprecedented. However, the appeal of globalisation is fading. As growth emerged as the main focus of Western political leaders, they are now changing the rules to rein in globalisation. New borders to investment have been erected and free trade agreements with selected partners increasingly replace global rules. Money supply has been increased to fuel growth, but this helps to distort markets and elevates future risks. Power moves to the forefront and economic and national security concerns are again perceived as being interlinked. Whether the West can regain global leadership will depend on its ability to solve domestic problems and reformulate a coherent economic agenda.

A forum staff stands in front of an enlarged printout of a Renminbi banknote at the Asian Financial Forum in Hong Kong, 14 January 2013

More than five years after the global financial crisis began with the bursting of the US housing market bubble, the world economy has been thoroughly transformed. China has developed into a growth magnet in East Asia and emerged as a political challenger. The rapid ascent of China was the result of a closed political system, capable of selectively opening up to global competition, while leveraging cheap labour. This 'Beijing consensus' led to economic distortions, which were a precursor to the financial crisis. Other emerging market countries such as India, Brazil and Russia have been less successful, but still add to the overall picture of an economically-weakened West. South Korea is an exception, but the US, many EU states and Japan are all burdened by mounting economic problems.

Having previously encouraged the global spread of markets and the integration of new countries into the global economy, Western states are getting more selective about economic globalisation in the new context. If one wants to find examples of the 'Washington consensus' today, Washington, Tokyo or Brussels might not be the best places to go to. Realising that 'free markets' would inflict high domestic adjustment costs, Western leaders and central banks are experimenting with more restrictive foreign investment provisions and unconventional monetary policies such as excessive use of the printing press. But these measures are not integrated into a new economic framework.

The link between the economy and national security concerns has been strengthened. US foreign policy is changing, coupling economic and security relations in a flexible manner. This acts as a temporary remedy for the current cracks in the US economy. But with a weakened EU, the West is losing rule-setting power in the global economy, and no other player is ready to take over this role. This is unsettling the global economy, which remains in a state of unprecedented interconnectedness, but is being increasingly politicised.

A world unmade: Free trade, convergence, and consumer welfare

At the beginning of the 21st century there were high hopes that universal free trade and globalisation would be the chief tools for bringing about development and fostering the spread of Western values abroad. Economic openness and its promotion was the key item on the agenda. The supposed political effects justified temporary sacrifices such as higher unemployment in the eyes of Western leaders, particularly the Clinton administra-

tion in the US. The 'Washington consensus' encompassed a whole set of policies aiming at market reform and privatisation which would cause the abandonment of distortive state policies and lead to greater welfare.

Its closed political system and large size meant that China was the main testing ground for Western globalism. As China was granted permanent normal trade relations by the United States and accepted into the World Trade Organisation (WTO) in 2000, the expectation was that the Chinese Communist Party (CCP) would progressively open up the Chinese economy and reform the polity. The trade deficit with the US was already high at that time, but the prevailing belief held that openness would pay political dividends later on, and the WTO entry would at least reduce the trade deficit with China. In the meantime, 'consumer welfare' would be maximised in the West, as lower prices for consumer goods would make household budgets go further. This focus on trade as an economic and political development tool was also embodied in the WTO's 'Doha Development Agenda', launched in 2001.

Things took a different turn, however, and Western hubris was soon to be unmasked. The intended political spill-overs failed to materialise and the Doha agenda became bogged down. Economically, trade indeed progressed quickly and millions of people were added to the global middle class, but political reforms were less forthcoming. As emerging markets flourished, they grew more nationalist, rather than becoming more open to Western influence and ideas. The most important development in this respect was the success of China, which found broad resonance across the other emerging markets.

China's ascent

China did indeed reform, but the permission of greater economic competition and the sidelining of central planning agencies ultimately resulted in political recentralisation. Central party control and state capitalism were strengthened, keeping local lords on a tight rein and ending the experimentation of the 1980s. This prevented regional economic competition from spilling over into a political struggle. Macroeconomic institutions were strengthened and parts of the economy privatised, while the most important sectors of the economy were brought under central control. The CCP thus squared the circle between economic competition and political power.

In the 1990s the state sector was downscaled significantly by the clos-

ing or privatisation of small, unprofitable state companies. At the same time, however, Beijing strengthened its control over the most important sectors of the economy. About 200 state-owned enterprises (SOEs) were brought under central control. These companies were active in strategic sectors of the economy, such as finance, natural resources, metallurgy, information technology and infrastructure. As their profitability increased, they came to provide an important economic and political base for the central party cadres. The power of the CCP was also strengthened by the huge inflow of foreign currency accumulated at the People's Bank of China and in China's sovereign wealth fund.

SOEs and selected private companies were also able to boost the influence of the CCP in the international arena. 'National champions' were promoted to the global level through various benefits including preferential access to land and subsidised credit, provided to them by the state-owned banks. SOEs are used to implement the government's policy goals in economic diversification and resource sufficiency and constitute about 70% of foreign investment.

The financial crisis has given state-controlled capitalism in China a further boost. In effect, a drive towards greater privatisation of SOEs was reversed in the aftermath of the financial crisis. Although the number of central SOEs shrank to 117, their size almost quadrupled between 2002 and 2011. SOEs now account for about half of Chinese GDP. Furthermore, bigger private sector firms are monitored with the help of party cells, which provide crucial information.

Once in the WTO, state-controlled capitalism gave a head start to the CCP in global competition. Ways of bending the rules so as to reap maximum benefit from foreign investment were easy to devise. In most industries, local production is required. Investors are forced to form joint ventures with local partners, transferring technology and financing as they go along. Imitation has been spurred by lax enforcement of property rights and pronounced Chinese patriotism, which often results in low levels of loyalty to the foreign employer. A whole body of literature on how to protect trade secrets in China has emerged. In addition, separate national standards and other barriers give a head start to domestic manufacturers as part of an indigenous innovation strategy. Also, the CCP may determine the location of factories in order to spur the development of frontier regions, such as the underdeveloped and violent Xinjiang in the Northwest.

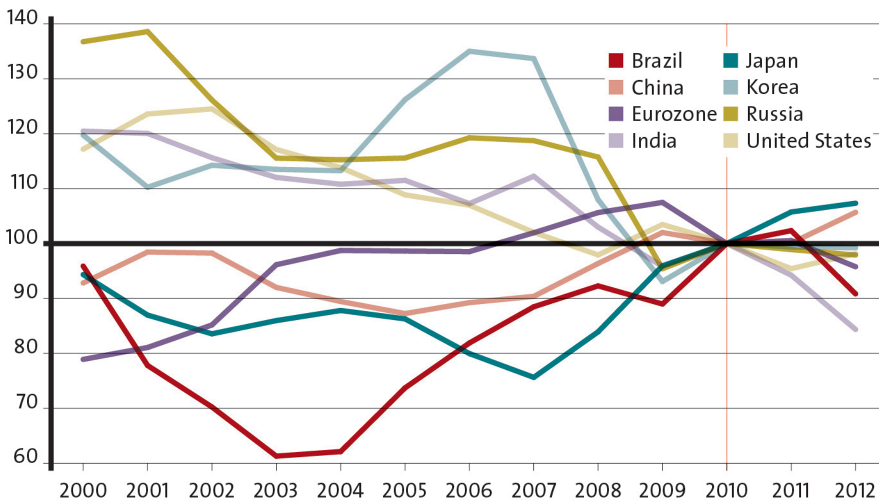
These conditions notwithstanding, multinational companies were happy to invest, enticed by low labour costs and the huge Chinese demand. Labour costs have been driven down by the undervaluation of the yuan exchange rate, which has served as a tax on imports while subsidising exports. Multinationals became China's key ambassadors, pushing for continued openness and a low profile in the West. The reforms thus led to swift growth. In the space of ten years, China rose from the 6th to the 2nd largest economy in the world. There was a convergence in living standards and private entrepreneurship is thriving, but the CCP is still in control of the key levers of the economy and polity.

The Beijing consensus

The success of China and the discrediting of the 'Washington consensus' encouraged other emerging markets to look towards the 'Beijing consensus'. Its components, such as export-led growth, incremental, rather than swift reform, indigenous innovation and experimentation, as well as authoritarian state-controlled capitalism, form a rather demanding catalogue of requirements. Elite nationalism should also be added to this list, since incremental reforms, as well as authoritarianism, are prone to go down a much more corrupted road in its absence. The 'consensus' will thus face difficulties when implemented in other countries. The dependence of

Nominal Effective Exchange Rates

Base Year: 2010



Source: Bank for International Settlement

Chinese success on a supply of low-cost labour to be leveraged in global markets makes this point even more explicit. It is no wonder that China has not explicitly tried to formulate, let alone export its model to other countries so far.

Nevertheless, Brazil has been looking towards the Chinese experience, implementing local content rules and also forming 'national champions'. Lacking many of the tools that Beijing can muster, Brasilia now orchestrates mergers of private businesses with the help of state-owned banks.

Russia has embraced state capitalism, which has taken a turn towards rent-seeking rather than development. The Kremlin has long protected domestic manufacturing and domestic capitalists from global markets, and so local content rules, import tariffs, and restrictions on foreign direct investment from abroad have been common. Russia's efforts to form 'national champions' are based mainly on the extractive sector.

India's economy is based on small and medium-sized enterprises as well as a few large family-owned conglomerates, so developing 'national champions' has been less successful: China has seven companies in the top fifty of the Forbes Global 2000 list, Brazil three, and Russia one, but India's largest company comes in at 124. Instead, India has been trying to grow domestic manufacturing using less intrusive methods, such as local content rules, tax concessions, and government subsidies. Without the stabilising factor of one party rule, however, none of these players has reached the policy coherence, sophistication and success of China.

Global crisis: Economy and security reintegrate

For much of the 2000s, economic globalisation seemed to yield favourable results for both developed countries and emerging markets. Emerging markets, first and foremost China, rapidly expanded their share of global GDP. As parts of their populations were able to work their way out of poverty, emerging markets were transformed into new centres of global demand. In the developed West, the cheaper supply of tradable goods and capital from abroad allowed a continuance of the liaison of rapid growth with low inflation that had been in effect since the mid-1980s. Low costs for both private customers and the state permitted elevated consumption and eased the costs of the war on terror and the disastrous Iraq war. This kept down the costs of higher unemployment and shallow wage growth. In addition, Western corporations

could increase their profits handsomely as a result of low labour and financing costs. The West thus thoroughly enjoyed the drugs of cheap goods and capital.

The global financial crisis changed the Western perspective on the economy. The focus was no longer on globalisation's advantages; instead, the costs of globalisation now moved to the forefront. The growing current account deficits of many Western countries, once explained as a sign of trust in the US dollar and of 'excess liquidity' in the global financial system, are now seen more as a drag on the economy, leading to high unemployment. The record amounts of debt are no longer explained as 'optimising intertemporal consumption paths', but are seen as a challenge to economic growth.

The West emerged weakened from the crisis not only economically, but also politically and ideologically. Although the US is still the undisputed leader in security affairs, the overall situation is unprecedented in the post-war order. The main challenger to the US, the Soviet Union, was not integrated into global value chains and played by totally different economic rules. It could be contained, and it eventually faltered. Other contenders, such as Germany and Japan, posed a challenge that was of an economic nature only, since they were integrated into the Western system. They were also quite small in comparison. China, by contrast, has neither been transformed into an ally, nor, having become an integral part of the global economy, can it be contained in a similar way as the Soviet Union was. The tight integration in production chains and financial markets means that economic developments in the developed West have a direct impact on China, a relationship that holds true in the opposite direction as well.

In this new situation, unprecedented interconnectedness and interdependence on one hand meet growing rivalry on the other. This serves to bring the relationship between military and economic statecraft to the forefront yet again. The provision of security and statecraft remains a key backbone of US economic power in the global economy, as emerging markets and other Western states alike rely on the US for the provision of a secure economic environment. Yet the balance of interests in this complex relationship is becoming more fragile, as emerging markets advance.

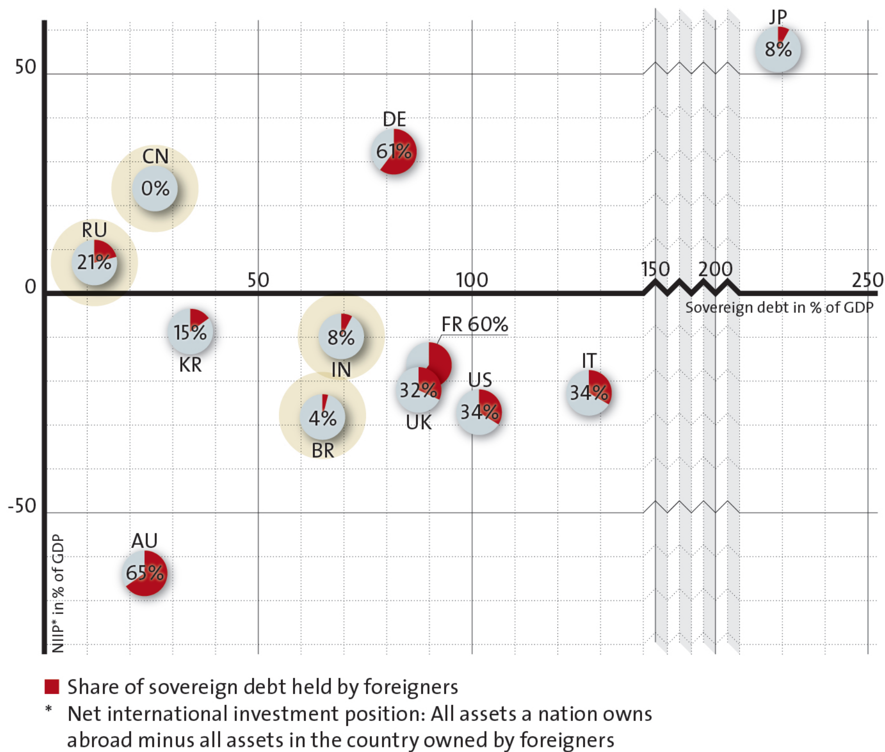
Economic dynamism moves east

The crisis uncovered fault lines in the global economy, laying bare the structural weaknesses of many West-

ern economies and the corresponding frailties of a world economy relying on Western demand. Demand destruction would hit China first, with massive ramifications for China's Asian, European, African and Latin American trading partners – in short, for the global economy. Economic stagnation would endanger the political stability of many emerging markets, not least China. Reflecting this vulnerability, many emerging markets embarked on a heavy stimulus programme during the crisis, allowing for some temporary decoupling. Stimulus spending in emerging markets also helped to lift export-oriented Western economies out of recession, a sign that the global economy has developed into a two-way street.

One sign of this decoupling is that the regionalisation of trade in East Asia has strengthened. Asian trade picked up in 2010–11 much faster than global trade, signalling the further regional integration of production chains. After the crisis, China

Sovereign debt and the national reliance on foreign financing



■ Share of sovereign debt held by foreigners
* Net international investment position: All assets a nation owns abroad minus all assets in the country owned by foreigners

Sources: US Treasury, Federal Reserve Bank of St. Louis, IMF, Eurostat

became more important as a regional economic motor: Asian exports to China increased markedly, while exports to the EU 27 and the US declined slightly, both for China and the rest of Asia. Trade between other emerging markets and Asia is on the rise as well, providing an alternative to Western markets: The share of Brazil's exports to China more than doubled between 2008 and 2011.

Another positive indicator is that government spending during the crisis did not have a huge impact on government debt in emerging markets. There is still substantial firepower to deal with similar crises in a Keynesian way, which makes growth prospects more robust. Public debt is at an average of about 40 % of GDP. Brazil and India elevate this figure, as their public debt levels exceed 60 %. But thanks to high growth rates, almost all of the G20 emerging markets started deleveraging after the crisis.

Meanwhile, savings remain at a very high level, mostly between 30 – 60 % of GDP. They have arisen partly as foreign reserves due to export-led growth and currency intervention, and partly as domestic savings. China's reserves are by far the greatest, with claims towards foreigners now exceeding foreign claims towards China by a quarter of Chinese GDP. Two thirds of these external assets are held as foreign reserves and about 60 % of these are denominated in US dollars.

This reveals that the fundamental dependence of East Asia on Western performance persists, not least in the financial sphere. Also, in terms of GDP creation, domestic demand has not supplanted the export-led and capital intensive development model in China. Decoupling is thus not likely to outlast state stimulus. Economic reforms are dearly needed to transition to a more consumption-driven economic model. The recent appreciation of the yuan is only one step into the right direction.

Now that China has become the East Asian growth engine the fate of its economy will have severe repercussions for the region and for the world economy. Changes to the Chinese economic model are needed as the external economic environment has become less munificent than during the 2000s. Since 2008, the economy has gradually upgraded towards more innovative and hightech tasks, and a slow rebalancing towards private consumption seems to be underway. However, political and economic reforms would be necessary in order to put the economy on a consumption-driven path. If anything, the CCP is aware of the challenges and possesses

a relatively long time horizon. But the implementation of reforms may yet hit many roadblocks, as the party and powerful economic groups will have to shed feathers on the way.

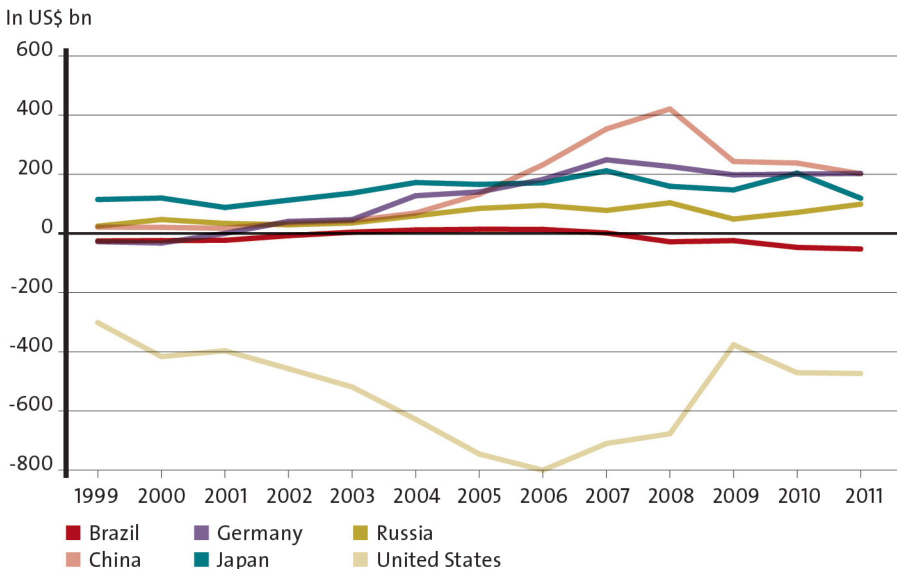
A stumbling West

The reform challenges in the West are huge, yet mostly lack a blueprint for resolution. Sovereign debt of most developed countries has increased beyond sustainable levels and is still rising. In the US and UK it increased by two thirds to about 90% during the crisis. Add in the local public debt and the level is above 100% in the US, one third of which is held by foreigners. The Central Banks of China and Japan each hold about 10% of US federal debt. The Japanese government is indebted itself with a record debt-to-GDP ratio of 225%, albeit predominantly domestically held. Among the bigger economies, only Korea and Australia show healthy public debt levels, way below the 60% threshold deemed to be sustainable by most economists.

Many Western countries also have a 'twin' deficit, both in terms of sovereign debt and the current account. It is a sign of the lack of global competitiveness of industrial production. The US, UK, France, Spain, and Italy have all ventured into negative territory, and Japan's surplus has been greatly reduced. And unlike other high-

Current Account Balance

In US$ bn



Source: World Bank WDI

income countries such as Australia, or emerging markets with persistent deficits, they have been driven by consumption rather than by investment and savings. Hence, the US and UK, and also France and Italy, will find it difficult to close the deficit by exporting more. Instead they will have to cut imports, which may hurt welfare.

Naturally, current account deficits have to be financed by countries with a positive current account. The most important is of course China, but Korea, Germany, Sweden, as well as oil and gas exporters, are also significant contributors. In most non-oil and gas exporting countries the surplus has been accumulated on the private accounts of exporters. In China, foreign reserves are held by the Central Bank, as exporters have to exchange US dollars into yuan. These stocks of foreign exchange have been reinvested in the US, mainly in federal debt, but also in corporate stock, securities, and direct investment. In the run-up to the crisis, Beijing had factually pegged its currency to the US dollar, helping Washington to sustain its consumption-driven economic model by bringing borrowing costs down while boosting its own exports. Similarly, Germany had financed the Spanish and Italian deficits, but as the result of productivity differences within the Eurozone, not as the result of currency manipulation.

Politically, Western societies are challenged by slow growth, deleveraging, and some also by high unemployment. Inequality has re-entered the political agenda: In contrast to the Great Depression, income inequality has not been reduced substantially. The middle class in the West is losing out and educational inequality is growing, endangering the backbone of democracy. The political deadlock in the US and the fragility of political systems in the EU are lively examples, both leading to unstable governance and high political risk. Inaction will lead to yet higher debt burdens, as pensions in many EU countries and healthcare entitlements in the US contain an implicit debt 'time bomb'. In many European societies, ageing and shrinking populations provide further challenges. This means that commitments need to be scaled down and taxes need to be raised in many cases.

In this situation of the West's relative economic weakness, the US is in a special situation, as it can use its trump card of global security provision in order to stabilise the economic situation. The perception that the US is still the only actor capable of forming lasting security alliances and partnerships acts as a backstop for the US dollar as a reserve currency. This is vital for the financing of the twin US deficits. In effect, the relationship

between the economy and security provision that had been disregarded during the last few decades has again moved to the forefront.

For example, the countries of the Gulf Cooperation Council chose to peg their currencies to the US dollar and trade their oil in dollars in exchange for Washington's security role in the region. This takes on particular relevance given Iran's ambitions as a regional power and the unstable situation in Iraq. A further example is Japan, which is the second largest foreign investor in US federal debt and receives US security guarantees in return. As China's rise is perceived as threatening by its East Asian neighbours, the US has found it easy to find new allies in the region. The largely symbolic 'pivot' towards Asia may yield economic benefits as well. China has so far also relied on the US for the policing of global sea lanes and for force projection in the Arab world.

But specialising in security provision can only serve as a temporary means of papering over economic deficiencies. An increasing reliance on security cooperation to prop up economic deficiencies may look rather like a protection racket to some observers and also runs the risk of overextension. The US is thus treading a very thin line. In the longer run, military power will not be sustainable without independent economic might – even more so as key allies like Japan or the UK are being weakened economically as well. The prime challenge to US power is thus economic, not military.

Politicised markets

Security partnerships and alliances are thus increasingly relevant for economic cooperation as well. This is especially true for the US, where a new alignment of military cooperation with trade policy is emerging. The EU has kept both realms separate so far, but is set to move closer to the US in free trade.

This is in line with a general trend towards centralised interference in markets in the West. State leaders and central bankers in the West are trying to steer markets in an effort to strengthen their economy and reduce adjustment costs. Arguably, some measures have saved the world economy from a severe recession. But as the West is in an economic slump it is abandoning its focus on free markets and mutual gain in favour of domestic development. Instead of trade diplomacy, economic diplomacy has moved to the forefront. The focus is no longer on consumer welfare, but on creating jobs at home. Still, this shift has been uneven and is not embedded in a new concept of economic governance.

Since the West is now intervening in the markets it once advocated, an alternative model to globalisation is still lacking. In effect, greater interference is reducing the predictability of Western economic policies and thus the economic performance of the West in the longer run. This has an impact on the strategies of emerging markets as well. For the time being, everyone is just trying to get a better place in the existing system, further undermining global rules and increasing the potential for conflict.

Trade and investment: Getting picky

Trade flows have increased much more rapidly than world GDP during the last decade. This is the result of the emergence of global production chains, spanning multiple countries. Western multinationals greatly profit from their management of global production chains. Therefore, it is costly to interfere with the process of further global integration of production. Global trade and investment have thus been the most robust areas of economic globalisation even in the aftermath of the crisis. Nevertheless, states have been more active in defining the conditions for access to local markets, and protectionism has reared its head. The link between investment and national security has been more pronounced in the US than in the EU, which remains pretty open to investment.

Responses in the US have been geared toward a re-industrialisation of the economy. Requirements such as the widening of 'buy American' provisions in public procurement, as well as new legislative proposals to tax the outsourcing of jobs, are being advanced. Politicians are trying to put pressure on businesses to 'insource' jobs back to the US. However, it is not easy to get off the drug of cheap Chinese goods and production facilities, as indicated by the numerous exemptions to 'buy American' rules. More protectionism may thus mean less growth and higher inflation and hence be very costly in the short term.

It has been much cheaper to enforce protectionism against Chinese multinationals, highlighting the strong relationship between national security and the economy. The congressional banning of the Chinese telecommunications multinational Huawei from the US market or the veto of the takeover of the American oil major UNOCAL by China's state-owned CNOOC are cases in point. Chinese investment in Canadian oil is also hitting limits: Prime Minister Stephen Harper approved the takeover of Nexen by CNOOC, but announced that further investments by state companies would not gain Canada's approval.

This contrasts with the EU, where the economy traditionally has been much less linked with national security considerations. The backlash against Chinese investment is therefore almost unnoticeable, although investments have been larger than in the US. Chinese companies have targeted existing natural resource and processing industries as well as firms in hightech sectors such as automotive and renewable energy. Notably, Chinese companies such as Huawei also invested in new facilities, such as R&D centres in Germany or car manufacturing in middle-income EU member states such as Bulgaria. Chinese investors may thus be cherry-picking, but they are also bringing new jobs to EU countries.

National security concerns begin popping up in the case of Russian investment in energy assets, however. This has to do with the already strong position of Russian oil and gas in the EU market. As China increasingly invests in EU assets, similar learning effects are likely to occur, meaning that security concerns will become more pronounced.

In any case, EU leverage is more constrained than in the case of the US, since China is an important export market for many of the stronger EU economies. In addition, the EU does not issue the world's reserve currency, nor is it a global military actor upon which China depends, as the US is. Furthermore, Beijing has invested handsomely in the Eurozone bailout funds: The rumour is that China purchased 30 % of the bonds issued by the European Financial Stability Facility.

Foreign investment will be a recurring topic, since Chinese firms have only begun to internationalise. Furthermore, China wants to transfer some of its unprofitable currency reserves into real assets abroad. In an effort to diversify away from US federal debt, the People's Bank of China has announced a new fund to directly support the foreign investments by Chinese companies with its currency reserves. This is in line with the strategy of moving into higher value-added activities such as services by globalising.

In response to Chinese activities, developed economies are crafting state support mechanisms for their companies as well. The bigger EU economies are concerned about the loss of influence of their companies in the global competition for resources – not so much oil, but minerals. The German government has set up a new initiative to promote German investments in resource-rich countries, including a subsidised loan facility. Japan, which is increasingly being squeezed from its markets by Korea and China,

has reciprocated as well. Despite high sovereign debt levels, Prime Minister Shinzo Abe has announced a new state fund to foster strategic industries as well as to support Japanese multinationals in their acquisitions abroad.

Multilateral governance, meanwhile, is weakening. The WTO is still a vibrant forum for sounding disputes, but looks increasingly ill-equipped to deal with the new world of global trade. Russia became a new member last year, but is already installing new measures to circumvent WTO rules. The Doha round of negotiations is stuck, as emerging markets are not keen to agree to the strengthened rules on intellectual property protection demanded by the West. Meanwhile, the West has got cold feet about enhanced market access for non-agricultural goods and the 'less than full reciprocity' rule for developing countries, since emerging markets also claim to belong to this category. 2012 saw the launch of 26 new dispute settlement cases, the highest number in a decade. With even more disputes in the pipeline, the WTO has had to reallocate personnel and is hiring new experts.

Instead of multilateral cooperation, regional and bilateral trade deals are used in order to complement security partnerships. In conjunction with its new commitment to security partnerships in Asia, the US is actively promoting the Trans-Pacific Partnership (TPP) free trade agreement. Aimed at bolstering trade with US allies and other non-Chinese partners in Australasia, it includes far-ranging provisions on intellectual property protection. The Obama administration is also pushing for a transatlantic free trade agreement with the EU, which would reinforce the existing alliance in the NATO and the transatlantic resolve against Chinese trade practices. This holds the perspective of integrating EU partners into the 'pivot' to Asia in order to increase leverage.

However, Chinese economic influence and the confluence of the economic and security 'pivot' may act as roadblocks to the US strategy of coupling economic and security leverage. Washington thus has to tread very carefully in order to succeed. Already, officials from Australia and New Zealand have voiced concerns that the TPP might be seen as an effort to contain China, which would pose problems for their participation. For its part, Beijing has entered into a broad range of bilateral agreements in order to spread its influence around the world. It is negotiating a deal with the countries of the Gulf Cooperation Council, with other resource-rich countries such as Australia and Norway, with global hubs and technology

leaders such as Switzerland, and with geopolitically important states like Iceland, which might become the hub of a future Arctic trading route. The stark integration into global production chains and financial flows thus requires readjustments to be cautious, but does not prevent the evolution of new economic and security arrangements.

Monetary policy: The unconventional age

Monetary policy and, correspondingly, the degree of openness to financial flows, has become the second arena for fights over economic resources. As trade is internationally much more regulated than financial account policies, manipulating a currency's value via capital controls and foreign exchange interventions has become the default measure of many emerging and even developed countries for enhancing their prospects in international trade.

In many Western countries, policymakers have sent central bankers to the front to ease the debt pains, while themselves taking a back seat. In response to the liquidity crisis, Western Central Banks have embarked on unconventional monetary policies, most importantly quantitative easing (QE). This is based on a rapid increase of the money supply – in essence using the printing press to pump liquidity into the economy. By creating money, the central bank can buy assets, such as sovereign debt. During the liquidity crisis this policy was geared towards keeping banks afloat and stimulating lending to the real economy. But with successive rounds of easing – which are now in their fifth year – some central banks have crossed the line and moved away from their traditional tasks towards financing the sovereign.

QE is a Keynesian policy, since it increases immediate spending by driving down credit cost for both government and private actors. Higher spending feeds into higher growth. Deflation is held at bay and the world economy enjoys the extra demand. But by depressing bond yields it penalises savers such as the middle class and rewards debtors. Thus, consumers are enticed to spend rather than to save, impacting the viability of the economy in the longer term. The same incentives hold for politicians, since the costs of putting off reforms are lowered if real borrowing costs are not painful, or even positive. Also, asset prices such as corporate stocks or real estate are being elevated, risking yet another financial bubble.

As in the case of debt, the problem of liquidity reduction is left for later, supposedly when the economy has picked up again. But the exit from QE programmes is fraught with uncertainties. Borrowing costs for gov-

ernments may suddenly become untenable, as inflation and the economy pick up. Harder tools of financial repression such as forced loans, currency devaluation, and capital controls might be a political answer in the developed world.

In open capital markets, quantitative easing is taking on a global dimension. By depreciating the issuer's currency it shifts the costs of economic adjustment on to others. The foreign assets of other countries are being reduced in value. If emerging markets were to use QE in retaliation, high inflation would be a likely result since their economies do not suffer from Western problems such as overcapacity. They are therefore left with capital controls to manage the exchange rate. QE is thus triggering protectionist measures. In the case of the US dollar, QE policies have an additional dimension, as important resources such as oil are traded in US dollars. Since the dollar-denominated value of these goods increases as the dollar depreciates, inflation is being imported. The effects of QE are accelerating Chinese efforts towards internationalising the yuan.

Quantitative easing: Refuelling the helicopter

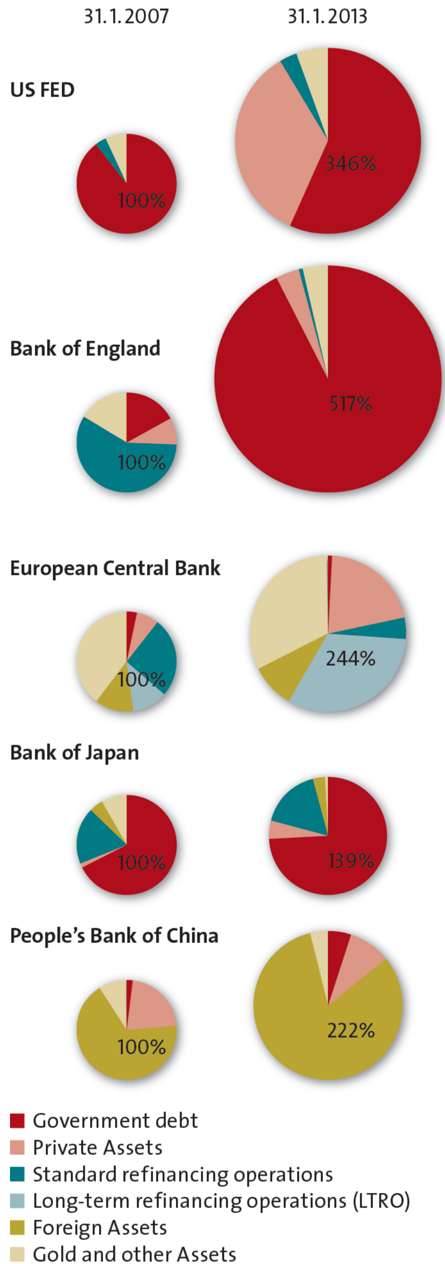
In the US, the Chairman of the Federal Reserve (FED), 'Helicopter Ben' Bernanke, is dropping free cash on the economy at an unprecedented rate. In September 2012 the third round of QE was announced, along with a policy change in December. From now on, inflation will be less important than unemployment for the FED's policy. Zero interest rates are to prevail until the unemployment rate has reached 6.5 %, if inflation does not rise above 2.5 %. The third round of QE will add some US$ 85 billion in mortgage-backed securities and treasuries to the FED's balance sheet every month. About 11 % of US federal debt is already on the FED's books, more than held by China or Japan. In effect, the US has turned away from China and towards the printing press for sovereign debt financing. By linking the policy of easy money to the unemployment rate, Bernanke may have sent a message to Beijing as well: The yields of Chinese assets in the US will be depressed further unless Beijing lets the yuan appreciate to a level that would create sufficient jobs in the US.

Other economies are pursuing QE policies as well, albeit with a smaller global impact due to the lesser status of their currencies. In the EU, QE has been pursued as a substitute for policy action as well. The main aim was to prevent a breakup of the Eurozone. The European Central Bank's balance sheet doubled after the onset of the crisis, mostly to recapital-

ise banks on the southern periphery, and has shrunk slightly since then. In 2013, the ECB might become directly involved in government financing under its bond-buying programme. Yet it has vowed to shed other assets instead of oiling the printing press. The euro's value is already increasing against the other main currencies, since QE has not been as aggressive as elsewhere. This will make for new discussions about the EU's external competitiveness.

The Bank of England (BoE) is already monetising debt on a large scale. The new BoE Governor, to take office in June 2013, was deliberately chosen by the Tories because of his positive view of QE policies. Meanwhile, the Bank of Japan (BOJ) is probably the most openly politicized. As past monetary expansion has not brought about the desired effect, the BOJ has come under increasing pressure to do even more. A new governor in favour of QE has been selected by the Abe government, as the old governor had resigned early. The BOJ started to buy government bonds in 2012 and is expected to expand this programme. The yen has started depreciating sharply at this prospect.

Many emerging markets retaliated as they were hit by the wave of excess capital. The movement was headed by



Brazil, which in 2010 installed capital controls on portfolio inflows to resist further appreciation. Taiwan, South Korea, Indonesia, and Thailand followed suit. Although the Brazilian real weakened again during 2012, only one measure has been dropped. In this way, unconventional monetary policy is rolling back financial globalisation.

The international consensus has shifted against the free flow of capital as well. The IMF's new institutional view on capital flows voices scepticism towards free capital movement and expresses support for state management of capital flows in certain situations. This may be justified by the volatility of financial flows, but it is also a slippery slope towards greater interference in capital movement.

One might argue that currency manipulation has been around a long time and is finally being discussed openly, which will open the way towards resolution and the crafting of global rules. The very fact that Brazil brought the 'currency wars' to the G20 agenda in 2010 cast some light upon the problem of the lack of rules. But the Brazilian attempt to bring the US and China to the table and to craft an alternative to the US dollar as a reserve currency fell on deaf ears in Washington. Since then, not much has happened, and the FED has merely continued to test the patience of global finance and central banks. Hence, rather than acting as a precursor for a world with less currency manipulation, QE policies give new reasons for government intervention and help to further undermine the trust in fiat money and the stability of the global monetary order.

Yuan internationalisation

Last but not least, QE is pushing China to speed up its moves to liberalise the capital account, as the costs of using the US dollar are rising. As liberalisation conflicts with the goal of control over the economy, only small steps and experimentation have been seen so far. But imported inflation is giving a boost to liberalisers vis-à-vis domestic manufacturers to move ahead with yuan internationalisation.

The closed capital account, resulting in a lack of yuan convertibility, is still the main roadblock. Since the yuan has appreciated over the course of the last few years, however, it is now not very far away from a market rate, so the costs of liberalisation are shrinking. The main challenge is the reform of the domestic banking sector, as the CCP is unlikely to be fond of giving up political control over capital.

In any case, Beijing is preparing for the internationalisation of its curren-

cy. It has been touring trading partners, tying up more than a dozen deals on currency swaps. Those include big trading partners such as Brazil, Australia, Korea and Japan. However, only about 8 per cent of external deals were settled in yuan in the first quarter of 2012, up from 5 per cent the year before. Direct trading of currencies has started with Japan, Russia and other countries, but the amounts remain small. The main showcase for internationalisation so far is thus Hong Kong, the offshore trading hub for the yuan.

Amid QE policies, global interest in the yuan is growing. Central banks all over the world are waiting in line to add the yuan to their reserve portfolio: Nigeria has moved ahead with holding some yuan, aiming at denominating 10 per cent of its foreign exchange reserves in the Chinese currency. Even the central banks of US allies such as Japan are lobbying for further liberalisation, as they seek to diversify away from the dollar and euro.

Thus, the ball is firmly in the CCP's court. As China's share of the world's merchandise trade already surpassed that of the US, the yuan would be able to take a role as one of the world's reserve currencies relatively quickly, should the CCP choose to liberalise. The US dollar might thus receive yet another challenger sooner than expected.

Anomic globalisation

The world economy today is exceptionally densely networked and integrated, but the very success of integration has produced new political strains. The perspective of politicians in the West has shifted from the gains towards the costs of free trade, from trade diplomacy to economic diplomacy, and from the spread of global rules towards 'nation building at home'. Yet it is a muddled and conditional shift, as Western firms and economies are deeply enmeshed in foreign markets and supplies, as the financial market is globalised, and as an alternative ideology is lacking.

Meanwhile, East Asia will likely embark on greater economic liberalisation as China will gradually abandon capital controls. But political instability in China could quickly spill over into belligerence abroad. Already today, political leaders of the region are carefully hedging their bets in view of China's rapid ascendancy and its more assertive foreign policy (see Chapter 2 in this issue).

Economic integration thus begets new security problems and economic ascendancy reinvigorates political rivalries. As a result, economic and security affairs are re-integrating in the Asia Pacific and in US foreign policy. Interdependence finds itself hand in

hand with a deterioration of the rules and increased conflict. Weak actors such as African states and societies are the losers in this new world. Globalisation is becoming increasingly anomic and hence dependent on power.

As we go forward much will depend on how Western countries will cope with this new reality, both internally and externally. As yet many doubts remain as to whether Washington will be able to shape a lasting system of economic and security partnerships in Asia, given the importance of trade ties with China in the region. The role of old US allies in Europe in the 'pivot' remains unresolved as well. The challenges give an impetus to Western leaders to move closer together, but societies are still unprepared. Going forward, it will be crucial for the West to embark on a new consensus on economic governance if it is to exert global leadership again.

Whether this consensus can be formed will depend on how leaders resolve domestic political challenges. Whereas the middle class is growing in emerging markets, it is losing ground in the West, a development accelerated by the crisis. The repercussions for democratic governance are remarkable. In the US, the decision-making process is held back by trench warfare about the right size of government, designed to mobilise societal strata against each other while deflecting from the common societal problems. The debate in the Eurozone has edged closer towards the core problems, but it remains an elite discussion. Hence, there is still uncertainty over democratic backlash against deeper integration, not to mention resistance to the reforms that would follow. The short-term nature of the political process is thus preserved, resulting in an inability to tackle longer-term strategic problems. Societal mobilisation is therefore needed in order to tackle the problems that lie ahead in the West. If politicians fail to develop a common vision to mobilise their constituencies and continue to muddle through, the West will have a hard time in regaining leadership.

CHAPTER 2

Maritime Insecurity in East Asia

Prem Mahadevan

Maritime tensions in East Asia derive from two factors: territorial disputes between China and its smaller neighbours, and Sino-American disagreement regarding access rights and the question of Taiwan. China is seeking to change the regional status quo by leveraging its superior military and policing capacity, and the resultant insecurity has led other powers to seek American support. Due to the growing size of Chinese naval expenditure, a doctrinal race is emerging between the US and Chinese militaries, even as diplomatic efforts are made to prevent further escalation.

A Chinese marine surveillance ship cruising next to Japan Coast Guard patrol ships in the East China Sea, in the background the Senkaku/Diaoyu islands, 24 September 2012

The narrative of an American 'strategic pivot' or 'rebalancing' towards East Asia has attracted widespread international attention. Asian security dynamics, particularly in the long-neglected maritime sphere, can be expected to gain more prominence in global affairs. These dynamics should not be ignored in Europe. Asia is undergoing rapid economic change and its geopolitics affects European security. It is in this region that geopolitics meets geoeconomics. It is therefore necessary to disaggregate and individually analyse the sources of current instability in East Asia.

This chapter suggests that there are two such sources: Maritime disputes between China and its smaller littoral neighbours, and broader Sino-American tensions over the status of Taiwan and the applicability of international law to the region. The security dynamic in East Asia is two-layered; one layer consists of regional actors pursuing their own agendas, while the second consists of global influences which are propelling China into a geopolitical contest against the United States. On the grand strategic level, both sets of dynamics feed into one another.

The situation in East Asia is important to Europe and the rest of the world because it represents a paradox between integrationist and divisive impulses. East Asia is a hub of globalisation, but it is also where international power shifts are most keenly felt. Any significant escalation of regional tensions up to the point of armed conflict would potentially disrupt relations with China, the European Union's second largest trading partner. This is something an anaemic Eurozone, in particular, can ill afford. At the same time, the Sino-American deadlock over international maritime law has serious implications: Will China work within the normative framework to which European democracies adhere?

As an economic power on the rise, China is developing its military capacity to an unprecedented degree. This would not in itself provide cause for alarm. However, what is worrisome to its neighbours, as well as the US, is Beijing's lack of transparency regarding the use of this newly-acquired military strength in dealing with unresolved territorial disputes. Is China working to a fluctuating threshold, wherein its willingness to leverage military power for geopolitical advantage waxes and wanes, depending on the circumstances? Beijing's ambiguous stance on maritime disputes in the South and East China Seas, plus its implicit contestation of the right to free navigation, have generated concern that such is the case.

There are admittedly certain peculiarities in the maritime domain which do not apply to territorial disputes on land, thus complicating interpretations of Chinese behaviour. First, sovereignty at sea is graded rather than absolute. It is easy for rival claimants to be genuinely misinformed as to the legality of their negotiating positions. Second, contested features cannot be permanently occupied with ease, thus allowing for opportunistic manoeuvers by local authorities acting independently of federal officials. Third, violent engagements, should any occur, are containable by virtue of the limited number of personnel and platforms that can be deployed on-site at short notice. All these factors suggest that while maritime disputes might be more prone to escalation, they are also more easily contained than land-based disputes. China's posturing might not be intended to destabilise the region, but merely to assert that its importance to East Asian security dynamics cannot be overlooked by regional actors.

It is also not only China who is responsible for rising tensions. Its neighbours, particularly Vietnam, the Philippines and Japan, have responded to Chinese assertiveness by sending out political signals of their own. The most alarming of these, from Beijing's perspective, has been their readiness to facilitate the 'rebalancing' of US military strength towards Asia. Although this development does not greatly alter the military power equation in East Asia, it signifies a political encroachment by the US on Beijing's sphere of influence. To a rising China convinced of its own resurrection as a great power, an expanded American presence in Asia is a sign of a deteriorating security environment, one which must be actively countered.

Even so, to begin with it was China's own assertiveness that helped to bring the US back into East Asia. For much of the 2000s, China was not viewed as a threat to the regional status quo. Its policies during the 1997 Asian financial crisis had fostered the impression that an economically powerful China might be a guarantor of regional prosperity and stability. This view only began to change after 2008, when political unrest in Tibet triggered a security panic within the Chinese political elite. Together with populist rhetoric, elite insecurity in Beijing contributed to an upsurge in expressions of Chinese nationalism, which were soon mirrored by neighbouring countries. Meanwhile, the United States itself grew wary of China after Beijing failed to respond to overtures proposing increased cooperation in global governance.

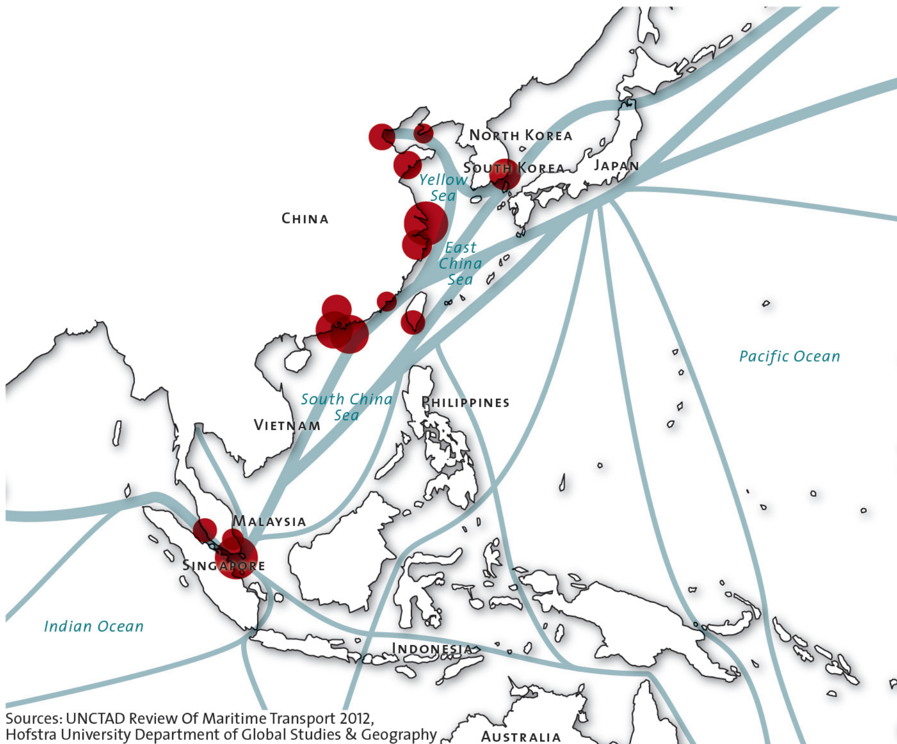
Now no longer willing to assume that China is committed to rising peacefully within the established in-

ternational order, Washington seems determined not to let East Asia slide into an exclusively Chinese sphere of influence. The Asian oceanic rim constitutes the world's most economically dynamic region, with 61% of the global population and accounting for over 50% of all commercial shipping, valued at over $ 5 trillion. Its substantial reserves of oil and natural gas have the potential, if exploited, to drive regional economic growth rates even higher. For a United States struggling to cope with economic difficulties and to dispel notions of 'declinism', Asia, and especially East Asia, is a crucial test of national strength. Failure to stand by its regional allies, and to dissuade China from invading Taiwan, would risk the collapse of the security architecture that binds the US to its key partners worldwide.

On the regional level, a steady arms build-up can already be observed, with special emphasis being given to naval capabilities. China's official defence expenditure has increased 18 times in

Main Shipping Lanes in East Asia

● 14 of the world's 20 top container ports 2011, size indicates throughput



Sources: UNCTAD Review Of Maritime Transport 2012,
Hofstra University Department of Global Studies & Geography

the last two decades, causing concern in Japan. Tokyo has long followed a policy of keeping military spending below 1% of GDP – a policy it now seems prepared to abandon. Meanwhile, Vietnam and the Philippines have increased their own defence budgets, following worsening relations with China. At first sight, their worry appears overblown, since hostile incidents in the South China Sea – the most likely area of conflict – have involved law enforcement vessels, fishing fleets and survey ships. The navies of claimant countries have, thus far, not intervened. This is of little comfort, however, since it is believed that naval ambitions lie at the core of China's assertive diplomatic and policing stance in the Sea.

The chapter will explain how China's growing naval capabilities, being in part expressions of popular nationalist sentiment, have stoked concerns in neighbouring countries. It will also demonstrate that the United States shares these concerns, albeit for different reasons that are connected more with preserving its global preeminence and the regional balance of power. Finally, the chapter will suggest that the US and China are entering into a round of political jousting and operational planning which is likely to create a new reality in strategic affairs. Security in a rapidly militarising East Asia will critically depend on how well regional tensions can be managed by diplomatic dialogue, rather than implied threats of force.

Chinese naval nationalism

Beginning in 2009, China's policy towards its neighbours, and, more generally, its posture towards the US, started to attract critical scrutiny. That year marked the beginning of a new assertiveness in Chinese maritime diplomacy, which drew heavily upon exceptionalist historical arguments rather than internationally-accepted legal ones. In the process, long-standing disputes in the South China Sea and East China Sea were reopened, and the United States began to be drawn into managing regional tensions.

Maritime disputes

In response to attempts by Vietnam and Malaysia to expand their exclusive economic zones, China implied that it claimed sovereignty over 90% of the South China Sea. It justified this move by citing historical rights that are not recognised by the United Nations Convention on the Law of the Sea (UNCLOS), which China ratified in 1996. Beijing has since been coy about clarifying what precisely it means by this claim, apparently preferring the flexibility conferred by political vagueness. Its suggestion that the South China Sea is a 'core' national interest has alarmed China's neigh-

bours, since such language is generally seen in diplomatic-speak as articulation of a red line, amounting to a military threat. Of late, there is a view that China's maritime claims in the South China Sea have been domestically emotionalised to a degree which limits the Communist Party's ability to contain militant street-level nationalism.

A parallel set of developments in the East China Sea has worsened Sino-Japanese relations. Both Tokyo and Beijing lay claim to five islands in the Sea, and their associated reefs. Known as the Senkaku islands in Japan, and the Diaoyu islands in China, these features are leftovers from a bilateral dispute that dates back over a century. Although the islands have been under Japanese occupation since the 1970s, China claims them on the basis of historical rights. Tensions have been simmering since 2010, when a Chinese fishing boat rammed a Japanese patrol vessel, causing a diplomatic incident. Matters then escalated sharply in 2012, when the Japanese government attempted to consolidate its control over the islands. Street protests in Chinese cities led to Japanese-owned businesses being vandalised, and led to concerns that the Chinese government was reorienting its foreign policy to pursue irredentist claims that had long been left dormant. These concerns were fuelled by the specifically naval expression that Chinese nationalism has taken over the past decade.

China's naval build-up

Since 2002, there has been a concerted Chinese effort to build up military power at sea. The People's Liberation Army Navy (PLAN) has propelled this effort in tandem with the political leadership. Having been relegated to an auxiliary position during the period 1949–87, its job primarily to carry out guerrilla-style raids upon an adversary's ships, the service is now positioning itself in domestic discourse as essential to the stability of the Chinese regime.

Of late, the maritime domain has become a new outlet for Chinese nationalism. Following efforts by the Chinese Communist Party to re-write history books and highlight victimisation at the hands of foreign powers, the sea has come to be seen as a crucial theatre for national defence. Partly to strengthen its visibility in the domestic consciousness, the PLAN has invested in a costly carrier construction program. It acquired its first aircraft carrier in 2012 and is likely to build another two such vessels by 2020. There have been reports that, in anticipation of a continued increase in its budget, the service has drawn up plans for a separate fleet command in southern China, which will eventually comprise at least two carrier groups.

The PLAN has been helped by the Communist Party leadership's concern about energy security. According to conventional wisdom in Beijing, the navy has an important role to play in protecting Sea Lines of Communication (SLOCs) that bring oil imports to China. This argument, popularised under the term 'Malacca Dilemma', highlights China's apparent vulnerability to a wartime naval blockade focused on the Straits of Malacca. Its validity is disputed by some experts, however. Only 8.5% of China's energy supply arrives by sea. Of this, 75% transits the Straits. Blocking them would only make military sense if the United States, the sole country with the naval capacity to impose such a blockade, were to become embroiled in a protracted attritional war with China. Considering that Beijing is anyway unlikely to prevail in such a war, its fixation on Malacca as a supposedly crucial strategic chokepoint is puzzling. China would not be able to prevent American dominance of its ground, air and sea forces in Asia should a protracted war occur, irrespective of whether Malacca were to be blockaded or not. Furthermore, an energy blockade would hardly be the optimal US strategy for fighting China, as it could be easily avoided by having ships navigate around Indonesia. It would also be extremely difficult to enforce, due to the practical difficulties in verifying which of the 94,000 ships that transit these waters yearly contain energy supplies bound for China.

Some analysts believe, therefore, that energy security is not the primary reason for Chinese naval expansion, and that the real motive is much closer to home. In addition to protecting SLOCs, the PLAN is oriented towards helping the army invade Taiwan, whose present status is guaranteed by Washington, and to securing maritime resources in the 'near seas'. The PLAN, in its internal vocabulary, treats large parts of the South and East China Seas as exclusively Chinese waters, when their status is in fact disputed by neighbouring countries. Thus, although competition over these waters has not yet been militarised, the prospect of armed conflict remains. The PLAN itself has highlighted arguments for offshore oil exploration, which would vitiate ties with China's neighbours, while showing little interest in the prospect of building up a strategic oil reserve. Sceptics argue that its motives are self-evident: Pushing for offshore exploration justifies seeking a budget increase, while a strategic oil reserve might reduce China's overall dependence on imports but would not benefit the navy directly.

The trend seems clear – the naval dimension is gaining prominence in Chinese security policy. Thus far, more

emphasis has been placed on the modernisation of existing capabilities than on overall naval expansion. Even so, the navy has increased by about 50 combatant vessels since 2005. Interestingly, most of this increase has been concentrated in the submarine fleet, a point which worries foreign analysts. Over the last seven years, the rate of submarine induction into the PLAN has more than tripled. Taken together with the expansion of China's satellite-based ocean surveillance program, the submarines indicate that the PLAN is planning an ambitious sea-denial campaign against an adversary with global reach. American analysts have little doubt as to the identity of that adversary. They tend not to be impressed by the Chinese carrier program, seeing it as little threat to the much more powerful US carrier presence in the Pacific. The PLAN's interest in submarine warfare however, has long-term portents for the American ability to intervene in East Asia. Submarines can significantly disrupt or slow the pace of naval combat operations that might otherwise be directed towards a land-based objective. This is particularly important in any scenario where the US navy seeks to interfere with a Chinese invasion of Taiwan.

Chinese assertiveness creates mistrust among neighbouring states

For China's neighbours, the implications of its naval build-up are more immediate. Japan, for instance, perceives China as having grown provocative in recent years, in seeking to assert its claim over the Senkaku/Diaoyu islands. Vietnam has similar complaints over Chinese efforts to block oil exploration in the South China Sea. East Asian security experts suggest that China is following a pattern whereby it will publicly de-emphasise territorial disputes without giving up its original claims. It will meanwhile continue to build up its overall military strength and to consolidate its forward positions in contested zones accordingly. According to these experts, finding lasting solutions through negotiations will be left to future generations, when Chinese military capabilities suffice to create a new power balance, which will then form the basis for a political settlement.

China's maritime police agencies pursuing a 'forward' policy

Even more than the PLAN's modernisation drive, it has been the expansion of Chinese maritime police agencies which has contributed the most to increasing tensions. Police vessels tend to have looser rules of engagement than military ships, thus rendering them more inclined to take provocative actions. Their numbers have increased at a much higher rate than Chinese naval platforms, largely because of a ship-building boom in China. Three

agencies in particular are pushing an apparent 'forward' policy in the South China Sea: the China Marine Surveillance, the Fisheries Law Enforcement Command and the Maritime Safety Administration. Their ships, though lightly armed, are easily capable of overwhelming civilian vessels such as fishing boats and survey ships. This has one positive attribute: It suggests that hostile engagements in the South China Sea will not automatically lead to a force-on-force clash, since civilian vessels have no hope of mounting an effective resistance. On the downside, however, it also suggests that public emotions are more easily charged when Chinese maritime law enforcement agencies are perceived to be interfering with legitimate commercial activity. The core issue here is that what might be considered 'legitimate' by one country can just as easily be viewed as 'encroachment' by another.

Territorial disagreements in the South China Sea

Existing disagreements over the physical possession of island features in the South China Sea, disagreements that are already acute, have been further compounded by the exigencies of geography. Several economic zones overlap in this area, due to the limited space available for commercial activity between the Asian landmass and the 'first island chain' that lies off its eastern coast. Since each country – China, Vietnam, the Philippines, and Malaysia – claims exclusive rights within its own economic zone, it automatically views commercial activity by others within the same stretch of water as illegitimate. Among the rival claimants, however, only China has the military and police capacity to enforce its claims in the face of direct opposition by the others.

Over the past few years, both China and its neighbours have grown more dependent on the sea for their economic prosperity. Already, 95% of Chinese trade occurs via sea lanes, while other countries are increasing the maritime component of their respective economies. Vietnam, for instance, aims to achieve a 7% increase in the maritime share of its economy by 2020. The Philippines, being an archipelagic country, sees maritime connectivity as essential not just to its prosperity but also its political unity. Accordingly, Manila has been encouraging sea-borne commerce among its coastal population. Recently, feeling pressured by Chinese vessels drawing closer to its coast, it has entered into an agreement with Japan to boost its own coastguard capability. Neither Tokyo nor Manila hesitate to admit that this cooperation is a response to Chinese pressure in the South and East China Seas. Interestingly, while

considerable attention has been paid to the presence of substantial energy deposits in these waters, the main point of contention thus far has been much more mundane: fishing rights.

Decades of over-fishing have depleted stocks in the coastal waters of littoral states, forcing fishing fleets to venture further out to sea. As each country sends more vessels further into a confined maritime space, the prospect of hostile encounters with coastguard and maritime law enforcement ships has increased. In total, five of the ten Association of South East Asian Nations (ASEAN) member states have contested each other's territorial claims and those of China. Incidents of fishermen being harassed and detained on the high seas are common. What is notable about China here, however, is that there seems to be a concerted policy by provincial governments in the country's south to push maritime claims further out under a law enforcement umbrella. Reports from the region indicate that Communist Party officials in Hainan, Guangdong and Guangxi provinces are incentivising fishermen to sail into disputed waters. It is alleged that fishing vessels are being provided with modern navigation and communications systems that allow them to rapidly obtain armed support if they meet with opposition from another country's law enforcement vessels. The main reason behind this adventurous behaviour, it is believed, is the Communist Party's promotion system, which rewards those officials who detect and repel the largest number of maritime 'intrusions'.

The fact that there are at least eleven law enforcement agencies in China involved to varying degrees with maritime policing has led some analysts to wonder whether Beijing is fully aware of the provinces' actions. It is possible, they reason, that the central leadership of the country does not know quite the extent to which local officials are pushing forward with maritime claims. Other analysts disagree, however. They opine that Beijing is indeed fully aware but chooses to let an illusion of decentralised command prevail. In doing so, it retains the option of distancing itself from the placatory assurances that the Chinese Foreign Ministry, known domestically as the 'Ministry of Traitors', routinely gives to foreign governments. By maintaining a dichotomy in the federal/provincial distribution of power in the South China Sea, Beijing can continue to consolidate its maritime claims while exercising plausible deniability in the event that Chinese civilian or patrol ships go too far and spark a major incident.

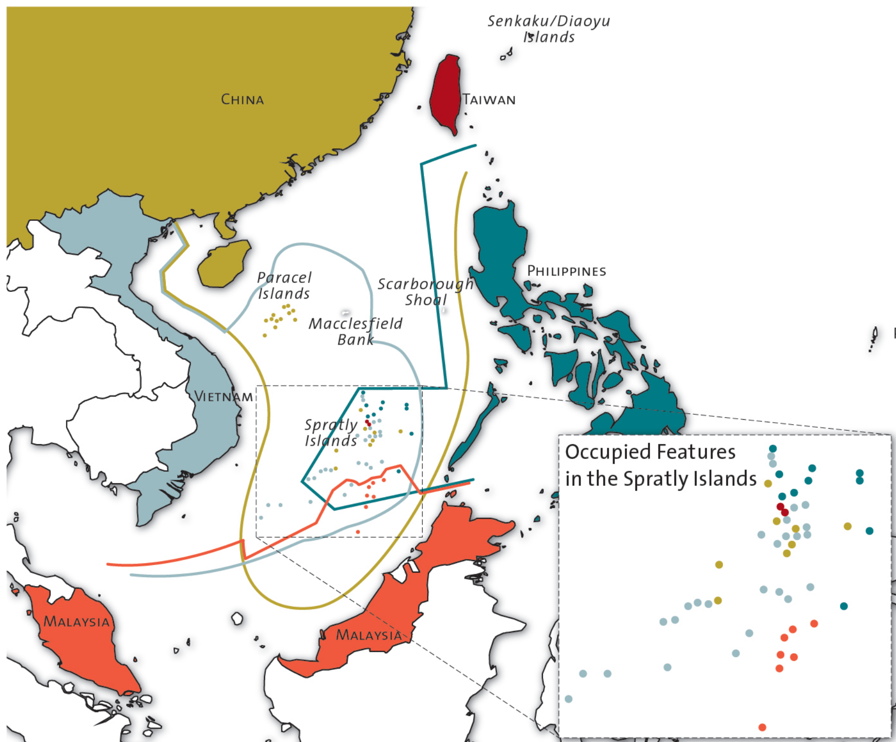
There is thus a shared mistrust among China's neighbours regarding its in-

tentions. Japanese analysts claim that, since 2003, Beijing has repeatedly broken a commitment that it made two years previously – to inform Tokyo in advance whenever Chinese survey vessels entered Japanese-claimed waters. Philippine officials accuse China of reneging on a verbal deal made in spring 2012, namely that it would withdraw fishing and patrol vessels from the Scarborough Shoal, in the South China Sea. Philippine and Chinese ships had been locked in a confrontation at the shoal and both sides had eventually agreed to withdraw from the area. Instead, Manila claims, China maintained a presence at the shoal and demarcated the area as out of bounds to Philippine vessels. The result was a shift in the status quo, in China's favour.

Perhaps no country is more wary of China than its ideological companion, Vietnam. Although both countries are ruled by ostensibly communist regimes and thus maintain cordial inter-

Claims and Occupied Features in the South China Sea

— Claims
• Occupied Features



party links, public hostility between them is strong. In 1974 and 1988, they clashed militarily when China seized the disputed Paracel Islands in the South China Sea. Hanoi is therefore very suspicious of ongoing Chinese efforts to consolidate control over the rest of the Sea. It holds the largest number of features in the area's second major archipelago, the Spratly Islands, and thus has the most to lose. China itself has a presence in the Spratlys, which could provide the flashpoint for a regional crisis, if one were to occur.

Events in late 2012 were alarming in this regard. In June 2012 both China and Vietnam commenced aerial patrols over the Spratly Islands. The following month, Vietnam passed a domestic law requiring all foreign vessels travelling near the islands to report to its authorities. Immediately afterwards, China announced the formation of a prefecture-level city and military district called 'Sansha' in the Paracel Islands. The aim of the district was to consolidate Chinese control over the Spratlys, Scarborough Shoal, and another part of the South China Sea called Macclesfield Bank. What was ominous about this development was that it fitted into a pattern of 'administrative adjustments' that have tended to place islands and reefs, located far from the Chinese mainland, under Chinese jurisdiction. Vietnam, the Philippines and Malaysia are concerned because between these newly claimed features and the mainland lie a number of other features which these countries control. They are worried that by setting a claim that interlocks with and exceeds their own, China is preparing for a military land-grab. At the very least, they suspect that China is seeking to create new 'facts on the water' by stealthy encroachment, which it will later aim to legitimise during political talks.

A move by the government of Hainan, China's southernmost province, has further increased suspicion. It recently authorised its maritime law enforcement agencies to board and seize foreign vessels found within Chinese-claimed waters. Since Beijing claims 90% of the South China Sea, and up to 50% of the world's total shipping tonnage transits through these waters, the Hainan government's move has led to international concern about freedom of navigation being restricted.

Beijing seems willing to unilaterally alter the status quo in disputed waters. Such practice calls into question the validity of international maritime law, which accords at least as much legitimacy to other countries' territorial claims as China's, given the complexities of the South China Sea dispute and the inadmissibility of 'historical rights'.

Although both Vietnam and the Philippines have been reiterating their own expansive claims – Manila went to the extent of renaming the South China Sea the 'West Philippine Sea' – there is little doubt that China remains the only power to back up its political stance with armed might. It is this factor that, together with the Taiwan issue, has compelled Washington to enter East Asia as an offshore balancer, and strengthen the security of its regional allies.

The US as an Asian Power

The Sino-American relationship is crucial to understanding security dynamics in Asia. Both countries are economically dependent on one another, while harbouring intense suspicions of each other's strategic aims. Both are seeking to expand their regional influence while avoiding direct confrontation. In Washington, there is palpable concern that Chinese dominance of East Asia would highlight the limits of American power, particularly given Beijing's selective adherence to international legal norms upheld by the US. In Beijing, there is matching concern that the United States is seeking to cap China's rise by encouraging smaller East Asian powers to balance against China. Not only does China as a civilisational giant deserve to be the regional hegemon, according to this view, but by denying it a stable periphery, the US is acting like a geopolitical spoiler.

Increasing tensions

Recent developments have only reaffirmed this view. In late 2011 and early 2012, US top-ranking officials announced that henceforth, Washington would give strategic priority to the Asia-Pacific region. Coming at a time when tensions in the South and East China Seas were leading to growing scepticism about Beijing's pledges of a 'peaceful rise', the statements signaled a paradigm shift. For much of the previous decade, China had held uncontested sway over East Asia. This was due largely to its economic might, as well as US preoccupation with counterterrorism in the Middle East and Afghanistan. For their part, most East Asian states were reluctant to invite an interventionist United States into their neighbourhood. Instead, they hoped that regional differences could be settled on an intra-Asian level.

Recently, two factors have forced China's neighbours to modify their stance and cautiously welcome American involvement. First, China has refused to countenance multilateral talks on maritime disputes. Beijing is calculating that its superior comprehensive national power can be most effective in extracting concessions if talks are held bilaterally. Naturally, the ASEAN countries most affected by such disputes seek a counterbalancing patron

to offset the disadvantages of bilateral negotiations with China. Second, ASEAN member states have grown panicky about the sheer power differential between themselves and China. The whole of ASEAN has a defence expenditure of roughly $ 25 billion, in contrast to China's official defence budget of $ 106 billion. This spending gap appeared because ASEAN states assumed in the 1990s that, with the Cold War over, Asia would enjoy a peace dividend. They accordingly focused on domestic security and economic development. It was felt that China would be averse to escalating tensions in the maritime realm, due to the adverse effect that this would have on its international image. The resurgence of tensions since 2009 has prompted a quiet scramble for defence capabilities and tacit security guarantees.

For its part, since 2009 the United States has hardened its stance towards China. After initial hopes of a collaborative arrangement in managing global governance problems were deflated, the Obama administration took a more cautious approach to Beijing. One of the triggers for this attitudinal shift was an incident in the South China Sea, when Chinese patrol ships forced a US Navy surveillance vessel to leave waters close to Hainan province. The American ship had been 75 miles off the Hainan coastline, which would put it outside territorial waters, albeit also in China's Exclusive Economic Zone (EEZ). Although its presence was legal under international law, by dangerously manoeuvring close to it the Chinese patrol vessels had signaled that they considered its presence an infringement of Chinese sovereignty.

This episode highlighted a key source of friction in Sino-American relations: differing interpretations of international law. China believes that it has a right to regulate foreign military activity within its EEZ, a right not recognised by the US or the United Nations. Beijing seems to regard its own EEZ as an extension of territorial waters while treating the EEZs of Vietnam and the Philippines as high seas, where no country has exclusive economic rights. For the United States, to accept such an unbalanced set of norms would be to challenge the basis of maritime law, and to confer privileges to China which are denied to other countries. There is intractability between China's stance on international norms, which it sees as tools of Western domination but still selectively adheres to, and American insistence on a common rules-based regime. Beijing now has the political confidence to call the legitimacy of this regime into question, which is an implicit challenge to Washington on the global level.

An American counterstrategy

In this context, the United States is apprehensive that failing to reiterate its presence in Asia would be a sign of weakness, and one which could have wider implications. The entire US alliance system in Europe and Asia is based upon security guarantees that form the bedrock of American global dominance. Washington fears that there would be a Cold War-style domino effect if it were to abandon its three Asian allies – South Korea, Japan and the Philippines – to a Chinese sphere of influence. This is all the more important given that the United States has also provided a security umbrella to Taiwan – an entity that China seems determined to incorporate into its territory at some future stage. Failure to strengthen its Asian allies' ability to stand up to China could lead to greater humiliation later, if China were subsequently to dare the US to interfere with an invasion of Taiwan.

At the same time, however, Washington has to contend with cuts in defence spending that are likely to extend to $ 500 billion over the next decade. Economic austerity as a result of the financial crisis has posed a policy dilemma for the United States: If it overspends on defence against a threat that may never materialise, it could bankrupt itself. If it underspends while the Chinese military continues to modernise and expand, it could lose international influence and the prospects of a strong economic recovery that would accrue from trade with Asia. The solution adopted has been to create an economic framework for expanded ties with Asia, in the form of the Trans-Pacific Partnership, while isolating the US Air Force and Navy from the biggest defence budget cuts. As services which will play a decisive role in responding to any crisis in East Asia, they will be at the forefront of research and development in new weapon systems.

Henceforth, the Pacific theatre will receive priority in the allocation of newly-commissioned ships and new-generation aircraft. It is expected that when the 'rebalancing' or 'pivot' of forces from the Atlantic to the Pacific is complete, 60% of the US Navy will be based in the Pacific – a ten per cent increase from current force levels. In effect, the theatre would gain one additional US aircraft carrier, seven destroyers, ten littoral combat ships and two submarines, plus reconnaissance assets such as EP3 spy planes. Anderson Air Force Base in Guam is becoming the pivot of the 'pivot': It is the point from which the American naval build-up will make itself felt across the western Pacific. Currently, contingents from the US Marine Corps are being deployed there, in preparation for onward movement to Australia.

Just as important as the military build-up is the strengthening of security co-operation between the US and local partners in East Asia. The US has 17 military bases in Japan and 12 in South Korea, plus additional facilities in the Philippines, Thailand, Australia and Singapore. These bases would form a line of jumping-off points for the US military in the event of armed hostilities. Instead of permanently basing troops in Asian countries, which might generate friction with the host government, the US seeks to be an offshore balancer by keeping the bulk of its forces on Pacific island bases. Forward bases in East Asia proper would be activated only in the event of a major increase in tensions. In order to ensure that these forward bases are amply stocked and supported by host governments during peacetime, the US is upgrading its military and diplomatic ties with them.

In essence, the rebalancing is as much of a diplomatic gambit as it is a military manoeuver. This gambit is designed to foster expanded contacts between Washington and its regional partners and also encourage them to cooperate more closely with each other. East Asian nations have a troubled mutual history, the result of past conflicts which remain etched in the popular memory. American diplomacy seeks, in the framework of a renewed commitment to regional stability, to promote dialogue on common security concerns. Due to its own assertiveness since 2009, China has made itself a convenient focus of such dialogues.

By making a limited and low-visibility effort to boost its presence in Asia, the US is signaling to China that it still does not wish to take sides in maritime disputes. Washington has traditionally kept aloof from points of disagreement in the South and East China Seas, while reiterating that it would stand by security commitments to its allies. This posture sends a double-edged message: China understands that the use of force against a US ally would lead to war with the US itself, while US allies understand that they cannot escalate tensions unilaterally in the expectation of unconditional support from Washington.

A doctrinal race

To break the deadlock, China has adopted a dual strategy. It is increasing engagement, including military diplomacy, with other East Asian powers such as Vietnam and Malaysia in order to prevent them jumping on the US bandwagon. As insurance against American intervention in a regional conflict however, it is also developing a war-fighting doctrine focused specifically on the United States. The doctrine principally revolves around a conflict with Taiwan, but it could

also be extended to a Sino-Japanese or Sino-Philippine clash. In any case, it represents a challenge to the American ability to project force in Asia, and is thus a challenge to the US alliance system as a whole. It is based largely on an assumption that a sudden military setback in the early phases of US intervention would shock Washington into reconsidering its strategic commitments and cause it to refrain from interfering with Chinese operations in East Asia.

China's anti-access/area denial doctrine

Having studied the after-effects of US military power in the 1991 and 2003 Gulf Wars, the Chinese military has concluded that it would be near-impossible to defeat the Americans in direct combat. To prevent Washington from interfering with an invasion of Taiwan, or intervening to help a regional ally, Beijing needs to strike US forces on the high seas. Rather than allowing the Americans to gain a local foothold, it would be better to hit them before they can be fully committed to combat, when their political will is likely to be weakest.

The anti-access/area denial (A2/AD) doctrine being developed by the People's Liberation Army feeds into this logic. Building upon Soviet thinking from the Cold War, it consists of two components: Preventing US forces from entering a combat theatre and, if they still do so, restricting their movement thereafter. While the Soviets relied mostly on submarines to implement this doctrine, the PLA hopes to use a combination of submarines and land-based missiles. Much attention has recently focused on the Dong Feng-21, an anti-ship ballistic missile (ASBM) reportedly capable of crippling a US aircraft carrier. Some analysts have speculated that use of this weapon could be a 'game-changer', since it is difficult to stop a ballistic missile from reaching its target, once launched. However, the Dong Feng is yet to be tested in combat, leaving the question of its effectiveness open.

In any case, the US military is responding to A2/AD with a doctrine of its own. Called Air-Sea Battle, it aims to break the kill chain of Chinese missiles by preventing them from locating their targets, and if that fails, shooting them down with enhanced air defence systems. The main weakness of the Chinese doctrine is that it is dependent on oceanic surveillance – if the missile launchers cannot locate US ships, or if the missiles' own sensors can be blinded, the A2/AD doctrine would become wholly dependent on submarine warfare.

Even by themselves, submarine attacks on US surface vessels could theoretically delay the timescale of

US intervention long enough for Chinese land operations in East Asia to be successfully concluded. However, such a scenario is not guaranteed: The US submarine fleet is considerably more experienced and technologically sophisticated than its Chinese counterpart. It could thus protect the American surface fleet by tracking and pre-emptively neutralising Chinese submarines near their home waters. Here, Washington can count on local help: Its main ally in Asia, Japan, is known to excel in anti-submarine warfare. The Japanese Maritime Self-Defense Force dominates the routes that China's North and East Sea Fleets must use in order to access the western Pacific. In all probability, it would share its knowledge of the area's subsurface topography with the US navy in the event of hostilities, thus allowing Chinese vessels to be intercepted well before they can engage American warships.

The United States is also investing in stealth technology, a development which China is seeking to match through its own stealth aircraft program. If the US makes substantial investments in electronic warfare capabilities over the next decade, it will confirm that Air-Sea Battle is caught in a technological race with the A2/AD doctrine. Credible reports already suggest that an intense counter-intelligence effort is underway among US and European defence research companies, in order to protect scientific secrets from espionage. It is believed that some of the Chinese military's recent technological upgrades can be credited to an intensive cyber and human intelligence program that has tracked weapons research activities in the West. China seems to be watching the US military, and adapting its own military accordingly.

In seeking to prevent the United States from intervening in a regional conflict, or an invasion of Taiwan, the PLA believes it has a psychological advantage. In its view, East Asia is geopolitically a Chinese sphere of influence, and Taiwan is merely a province of China. The China-Taiwan dispute is not over national identity per se, but political legitimacy. The US therefore has no grounds to interfere in an intra-Chinese squabble.

By attacking the US Navy before it can get near enough to launch air attacks against Chinese surface vessels, the PLA hopes to stun Washington into conceding a limited defeat rather than fighting a prolonged war over distant interests. Such an operational concept is partly born out of strategic desperation: The Chinese military knows that it has little chance of prevailing in a full-blown engagement with the US,

partly because of the latter's advantage in regional allies. War with the United States almost certainly means war with Australia, Japan, the Philippines and South Korea as well. Vietnam is also unlikely to remain neutral, due to the afore-mentioned hostility with China and the continuing dispute over the Spratlys and Paracels.

In this regard, it is worth considering whether the A2/AD doctrine is intended more as a signal of Chinese resolve to resist US interventionism rather than as a serious basis for campaign-planning. Should the doctrine ever be tested under combat conditions, the results might be surprising. This is because most of the surveillance and weapons platforms necessary for the A2/AD doctrine are not owned by the Chinese navy itself, but by the Air Force and the Second Artillery (the missilery force). The doctrine is actually a multi-force concept whose implementation is likely to be guided by several organisational perspectives. This might prove either an asset or a hindrance to its effectiveness, depending on the state of inter-services harmony in China and the civilian leadership's control of the military. Given recent reports that the Chinese military leadership is becoming more assertive vis-à-vis the Communist Party, it seems plausible that the levels of joint planning and coordination needed for A2/AD to be politically effective will be missing at the crucial moment.

That moment will in all probability come during a crisis over Taiwan. China is committed to taking control of the island, while Taiwan is opposed to reunification under a non-democratic regime. The United States has pledged to defend Taiwan from attack, while Beijing has warned that any effort to assert an alternative sovereignty by Taiwanese politicians would trigger an attack. Since this is an inherently unstable situation, it contains the seeds for a Sino-American confrontation, unless there is regime change either in Beijing or in Taipei, or a mutually satisfactory accommodation. So far, the regional peace has held, but with barely suppressed resentment on the Chinese side, and with occasional flare-ups.

China's smaller neighbours

None of China's maritime neighbours can hope to contest the PLAN's strength, and its growing capabilities emphasise the power differential in increasingly stark terms. The only viable option is to adopt a miniaturised A2/AD doctrine that focuses on submarine operations. Both Vietnam and Malaysia have, accordingly, upgraded their underwater warfare capabilities in recent years. This is in

keeping with the general pattern of naval warfare, which suggests that sea denial is becoming a more viable and cost effective strategy than sea control. This is because a ship, once hit by a torpedo or a missile, is likely to be put out of action for long enough to become irrelevant to fast-paced combat operations in an 'informatised' context. While the Chinese, therefore, are preparing to meet the US Navy in the west Pacific, ASEAN navies are preparing to meet the PLAN in the South China Sea, using its own methods.

A crucial area to watch in 2013 will be China-Japan relations, due to the recent electoral victory of the Liberal Democratic Party in Tokyo. The party is known for its assertive stance on foreign affairs. Beijing, for its part, is showing no change in its own posture. Growing tensions have led both sides to scramble fighter aircraft in response to perceived airspace violations. It seems that domestic pressures in both countries are pulling their governments further apart. Since Japan is a treaty ally of the United States, this trend, if allowed to continue unchecked, could become another source of Sino-American tension, in addition to Taiwan and the fundamental dispute regarding the maintenance of common access rights to the South China Sea.

Even so, it needs to be emphasised that regardless of this trend towards overall militarisation of the region, maritime disputes themselves need not become militarised. This is because, with the

Navy sizes of selected East Asian powers

	Navy Personnel	Submarines	Destroyers	Frigates	Patrol and Coastal Combatants	Cruisers	Aircraft Carriers
USA*	333,248	71	61	20	28	22	11
PR China	255,000	71	13	65	211+	–	1
Japan	45,518	18	29	15	6	2	2**
Taiwan	45,000	4	–	22	87	4	–
Vietnam	40,000	2	–	2	62	–	–
Philippines	24,000	–	–	1	63	–	–
Malaysia	14,000	2	–	10	37	–	–

* 60% of US navy will be based in the Pacific
** Japan operates helicopter carriers, as distinct from the larger Chinese and American aircraft carriers

Source: IISS, The Military Balance 2012

notable exception of Taiwan, the other two potential areas of conflict – the South and East China Sea – are mostly policing problems. China has attempted to project its manoeuvers in both areas as legitimate administrative and law enforcement measures, using its superior coastguard and coastal surveillance resources. It has not yet committed the PLAN to the task of combating 'intrusions' in waters that it historically claims. Beijing's game plan seems to be one of slow but persistent consolidation under a domestic legal regime that is at odds with the international legal regime. In keeping below the level of military engagement, China has allowed itself flexibility to back down if its neighbours jump on a bandwagon against it.

No easy or lasting multilateral solution

Although tensions can be managed to prevent a sudden outbreak of hostilities, it is difficult to see how maritime disputes in East Asia can be permanently resolved. The UN Convention on the Law of the Sea (UNCLOS) does not provide specific guidelines on how to deal with disputes where land features are either very small or submerged. As a result, its provisions can be interpreted in a variety of ways. China, for instance, has argued that Japanese claims to an expanded EEZ in the East China Sea are not valid, since they are based on the presence of small, uninhabited islands. However, by this logic China's own claims in the South China Sea would be questionable. Beijing is not concerned about the contradiction, because it sees itself as having an exceptional historical right over the Sea and its resources.

Even without this vagueness, UNCLOS cannot be applied without the consent of all parties to a dispute. China rejects the convention's arbitration mechanism, and prefers to deal with rival claimants bilaterally. This is not an arrangement that China's smaller neighbours are comfortable with, and they are seeking to draw in other stakeholders. Vietnam has been most active in this regard, inviting foreign companies to bid for oil exploration contracts within its EEZ. China has responded by threatening to shut down these companies' operations in its own territory, if they go ahead and partner with Vietnam.

Divided ASEAN

The biggest disappointment of all is the failure of China, ASEAN and Japan to come to a workable arrangement among themselves. Expanding trade has not brought a lowering of tensions. Even as China-Japan trade reached a new high in 2011, public hostility between them grew more pronounced over the Senkaku/Di-

aoyu dispute. The expected peace dividend has not materialised in South East Asia, either. Even countries with a history of friendly ties with Beijing, such as Malaysia, are discreetly upgrading their security cooperation with the United States. Although the risk of conflict with China is minimal, Malaysian analysts speculate that Chinese benevolence is more tactical than enduring: Beijing does not want to face hostility on too many fronts until it has dealt with the most pressing maritime disputes.

In this situation, the United States can work to lower tensions by nudging Beijing and ASEAN to adopt a legally binding code of conduct in the South China Sea. China has so far resisted this course of action, but the possibility of even further American involvement in East Asia under the 'rebalancing' initiative might alter its strategic calculus. There has been a precedent whereby China takes a more conciliatory posture when faced by a united ASEAN: In 2002, it agreed to adopt a non-binding commitment to abjure the use of force in maritime disputes. If ASEAN states can work out a common position among themselves, China would find it hard to resist being drawn into a cooperative security framework.

At the moment, Beijing is playing upon differences between ASEAN member states. In July 2012, it successfully prevailed upon Cambodia to block references to maritime disputes in the Annual ASEAN Meeting joint statement. After acrimonious discussions, the summit ended without a statement being issued, for the first time in ASEAN's 45-year history. Given China's economic importance and close ties to many ASEAN states, it would be quite easy for Beijing to exploit differences of opinion across political elites to its advantage.

Another option might be to bring in other stakeholders to the South China Sea, who can partner both with Beijing and the ASEAN claimants in oil exploration. Russia and India are both interested in exploring the Sea's energy reserves. As non-Western powers, their involvement might be less politically sensitive than the presence of companies seen to be legitimising a US-dominated set of norms regarding conflict management. However, this scenario is a non-starter if China persists with its stance that most of the South China Sea is 'Chinese territory' and that foreign military vessels need to seek its permission before entering these waters. Such a stance is unsupported by international law, and having ratified UNCLOS Beijing cannot escape the requirement of adhering to the convention's provisions. To grant China an exceptional status would not

only jeopardise the existing set of rules that govern maritime disputes, but also open the way for more such disputes. For the foreseeable future, it does not look as though East Asia will get to enjoy its much-awaited peace dividend.

Security in Asia: A two-level conflict

The security situation in East Asia needs to be understood on two levels: the regional and the global. Regionally, China is seeking to alter the status quo vis-à-vis its neighbours by leveraging its superior military and policing capacity to gain control over disputed waters. Globally, Beijing and Washington are being drawn into a posture of mutual suspicion, due to the Taiwan issue and differing perceptions of what constitutes a 'fair' international regime. Both these trends come together in the form of the 'pivot' or 'rebalance' policy being pursued by the US. This policy currently enjoys the support of China's neighbours, but it is too early to say whether it will help stabilise the region. While there is limited scope for open hostilities, maritime clashes between Chinese and other East Asian police vessels and an overall increase in regional defence spending can be expected. Against this backdrop, the US can be expected to further entrench itself in Asia.

CHAPTER 3

Shifting Parameters of Military Crisis Management

Andrea Baumann

The nature of Western involvement in military crisis management is changing. Reluctance over sending troops into combat in faraway places induces a preference for indirect or enabling roles in Western capitals. Partnership has become a code for rapid transfers of responsibility to local forces or regional coalitions. A large Western footprint is not only costly in political and material terms. It also runs counter to the hard lessons drawn from Afghanistan. Yet whether other actors are ready to buy into the partnering model remains to be seen. Sometimes, 'leading from behind' or intervening with a 'light footprint' may not be feasible options.

Malian soldiers arrive in the recently liberated town of Douentza, 30 January 2013

In the wake of a drawn-out military campaign in Afghanistan, Western states have been searching for leaner ways to manage emerging crises and threats to global security. Cautious reactions by Western allies to France's intervention in Mali reflect a widespread preference for indirect support over direct participation in combat. While offering political and logistical support, the United States, the United Kingdom, Germany and Canada have repeatedly ruled out the deployment of ground troops. International consensus on the threat that triggered French involvement has been slow to translate into multilateral action. Questions of leadership and burden-sharing loom large over the unfolding operation.

In the context of global power shifts, burden-sharing in military crisis management is a salient issue. Deep cuts in defence spending and uncoordinated decision-making have raised concerns over shrinking military capabilities within the European Union (EU). Meanwhile, Europe's wider neighbourhood is shaken by social upheaval and political turmoil. The United States is showing little appetite for policing the globe where no vital US interests are at stake. In its first term, the Obama administration sought to rebalance US foreign and security policy towards the Asia-Pacific region. Unwilling to play the global sheriff, it has preferred to 'lead from behind', if at all, in recent crises. Military contributions have been limited to key enabling capabilities such as air-to-air refuelling to fill capacity gaps among coalition partners. US diplomacy has focused on placing other states in the driver's seat.

Reluctance in Western capitals over sending troops abroad stands in contrast with large-scale deployments of military and civilian personnel throughout the past decade. The policy of forced regime change pursued by the United States in its 'global war on terror' led to prolonged military campaigns in Iraq and Afghanistan. The United States and its coalition partners deployed ground forces in large numbers to quell insurgencies and rebuild war-torn states and societies in the aftermath of combat.

A large Western footprint produced a series of unwanted side effects, however. On the ground, the visible long-term presence of foreign troops alienated the local population and provided extremists with recruitment propaganda. Western soldiers and aid agencies (and whoever worked for them) became prime targets. In Western capitals, public support for the resource-intensive effort to build viable states abroad dwindled over time. War-weary electorates and economic

worries prompted political leaders to seek a rapid withdrawal from Afghanistan in order to focus on 'nation-building' at home.

Recent developments in Libya, Syria and Mali have made it clear that the debate over foreign military intervention is far from over. Civil wars in Libya and Syria have sparked fears of regional spill-over and prompted calls for military intervention to stop regime-sponsored violence against the civilian population. In the summer of 2012, newly-elected French president François Hollande declared that France no longer intended to play Gendarme in its former colonies. Only a few months later, however, the emergence of a sanctuary for Islamic militancy in northern Mali prompted France to resort to military action in its traditional sphere of interest. Each of these crises has elicited a different response from the international community. Consistently, however, Western powers have been at pains to stress that any action must be sanctioned internationally and co-owned by regional stakeholders. Unilateral Western-led ventures would inevitably suffer from a legitimacy deficit with dire strategic consequences, as past experience has demonstrated.

Partnering with regional security organizations, neighbouring states and local decision-makers could offer a remedy for the double crisis of legitimacy and political will that jeopardizes Western engagement in international crisis management. Flexible arrangements, which allow different states and organizations to 'plug and play', promise to distribute costs and risks more evenly among participants. Niche capabilities that enable others to take the lead are in tune with current political and budgetary restraints. Yet the emerging models are no ready-made templates. Partnering raises a host of normative and practical questions. 'Leading from behind' is not always possible. To what extent other actors are ready to buy into the West's partnering paradigm remains to be seen.

A widening gap between demand and political will

Turmoil and mass violence in other parts of the world continue to threaten Western interests and shock public conscience. Yet political will to deploy military and civilian personnel over extended periods of time to manage conflicts and crises abroad is low. Fiscal pressures and war-weariness are compounded by growing pessimism regarding the effectiveness of foreign intervention.

US troops are scheduled to leave Afghanistan by the end of 2014 at the latest. Well ahead of this deadline, their combat mission is to be sup-

planted by a training and advisory role. While the North Atlantic Treaty Organization (NATO) succeeded in preventing a 'rush for the exit' among allies, many European troops have already left Afghanistan. Other troop contributors are accelerating their schedule for withdrawal. NATO's future role in crisis management remains uncertain. After a successful air and maritime campaign that ended with the fall of the Gaddafi regime in 2011, NATO member states showed no appetite for a post-conflict stabilization role in Libya. Calls by the president of the African Union for NATO to support a multinational response to the unfolding crisis in Mali fell on deaf ears.

The European Union mandated no less than 23 civilian and military missions under its Common Security and Defence Policy (CSDP) between 2003 and 2009. This dynamism came to a halt with the deepening of Europe's financial and fiscal crisis, however. The CSDP appeared to pick up the pace again in 2012 with three new missions, but its focus had shifted to small-scale civilian capacity-building and training missions. The EU's plan to deploy a strictly non-combat mission to train the Malian army in the spring of 2013 followed in the same vein. As events on the ground threatened to overtake the deliberations in Brussels, the EU brought forward the deployment of around 250 military trainers by a few weeks. Yet Malian soldiers were already engaged in combat alongside French troops, raising questions as to what the expedited EU training mission would achieve and how. Hesitant decision-making in Brussels and cautious reactions to calls for support by France appeared to confirm concerns over the EU's inability and, indeed, unwillingness to project power in defence of common security interests.

Continued pressure to 'do something'

Geography and the nature of the interests at stake remain powerful factors in weighing the costs and risks of military intervention against alternative courses of action (or inaction). In addition, the experience of military embroilment in Afghanistan has left its mark on policymaking in Western capitals. As former US Secretary of Defense Robert Gates put it, anyone thinking of sending a big land army into Asia, the Middle East or Africa 'should have his head examined'. Nevertheless, threats that previously triggered military intervention by Western powers are still present in the international system. Calls for the international community to 'do something' in response to threats and civilian suffering persist. Real-time media coverage has turned into a powerful catalyst for the pressure to act.

The number of civil wars has declined over the past 25 years. However, a number of countries, which are home to around one fifth of the global population, are caught in cycles of violence and instability that hamper socio-economic development. Violence against civilians displaces thousands of people each year. The absence of law and order creates no-go-areas for humanitarian aid in places with notoriously low human development indicators. Development aid invested over decades is wasted within months of fighting. Lack of opportunity, youth unemployment and suppressed grievances are feared to facilitate recruitment by extremist groups. For these reasons, failed and fragile states have been high on Western aid agendas for a number of years. Moreover, they have increasingly been included in threat assessments that underpin national security strategies.

In a globalized world, internal conflict and instability are more than humanitarian disasters. A plethora of risks associated with so-called ungoverned space has driven Western states to expend considerable resources to stabilize fragile states. Instability threatens to spill across state borders and destabilize entire regions, thereby threatening Western energy and trade interests. A variety of transnational threats such as organized crime, trafficking and extremism find fertile ground in the power vacuums created by the breakdown of law and order. Illicit activity flourishes in lawless border areas. Weak government control provides criminal and terrorist groups with sanctuaries from which to carry out attacks directed against Western nationals and interests in the region and beyond. This confluence of dangers in a volatile neighbourhood characterizes a belt of instability that spans Mali, northern Nigeria, Chad, Libya, Sudan, Somalia and Yemen.

The past couple of decades have further seen the rise of an international agenda to protect civilians from harm beyond state boundaries. The emerging international norm of a 'responsibility to protect' (R2P) represents an attempt to institutionalise the moral imperative to protect human life from genocide and mass atrocities. However, association of the R2P agenda with military intervention and forced regime change has undermined international support for the emerging norm. Shifting constellations of national interests and calculations of military feasibility, rather than a consistent moral imperative, continue to shape international reactions to civilian suffering.

Diminishing political will

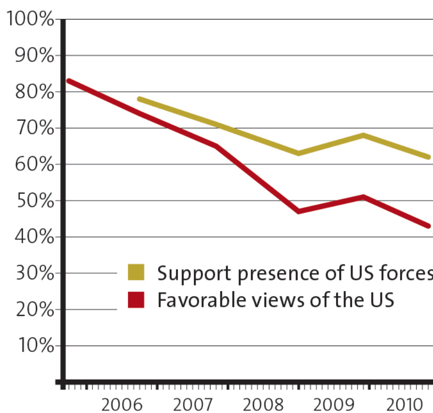
The war in Afghanistan has exemplified the limits of military power

where no meaningful political process is in place. Foreign security forces can neither build a host government's legitimacy nor compensate for the lack of it. In Western capitals lessons drawn from this experience weigh heavily on decisions over future military engagements.

In Afghanistan, the United States and its coalition partners as well as the United Nations initially opted for a 'light footprint' in the aftermath of the US-led military operation that brought down the Taliban regime and destroyed al-Qaeda bases. After 2006, however, the US and NATO's International Security Assistance Force (ISAF) switched to a resource-intensive strategy. Conventional forces were deployed in large numbers to counter the rising insurgent threat and extend the central government's reach into the provinces. Under the Obama administration's surge policy of 2009, the number of US troops in Afghanistan peaked at around 101,000. A decade after the 9/11 attacks that had triggered the US intervention, roughly 140,000 foreign troops (US and ISAF) were still on the ground. The United States alone has spent an estimated US$ 550 billion on the war in Afghanistan between fiscal years 2001 and 2013. The military campaign has claimed over 3,000 casualties among Western troops to date, over 2,000 of them American.

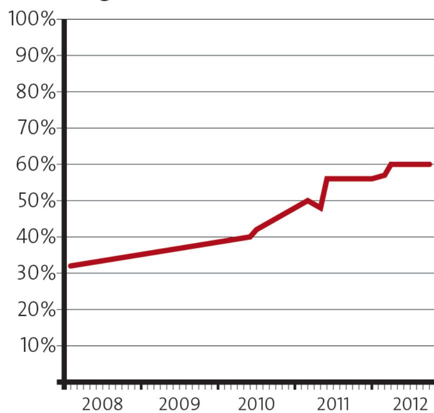
The narrative behind massive deployments of troops and vast allocations of development funds to Afghanistan was a transformational one. It was aimed at turning weak governments and war-torn societies into

Public opinion in Afghanistan: Views on US presence in Afghanistan



Source: ABC News/BBC/ARD/ Washington Post

Public opinion in the US: „Should the US remove troops as soon as possible from Afghanistan?"



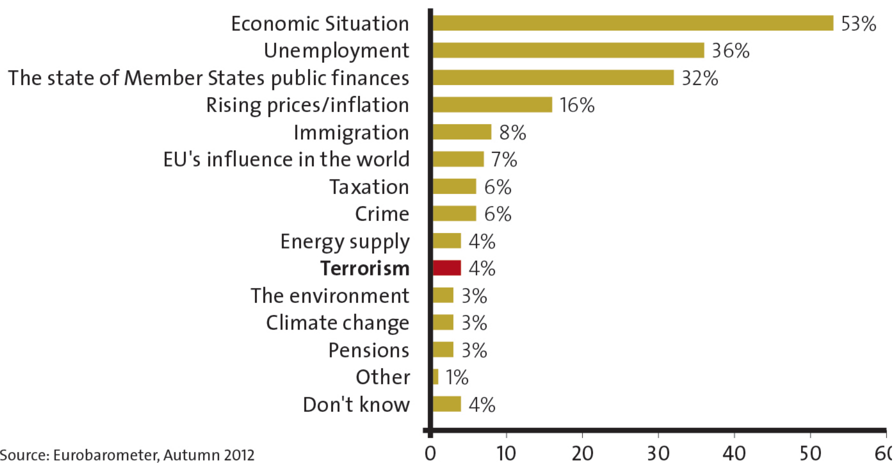
Source: Pew Research Center

stable, reliable allies with democratic institutions and vibrant economies. The costly, long-term engagement of Western troops in Afghanistan confronted the state-building narrative with a tough reality check. It became painfully clear that political and socio-economic transformation would take decades, not years. Moreover, a foreign military presence and externally-funded state institutions and public services were hardly conducive to building an accountable and legitimate government.

A key lesson drawn by Western leaders from the Afghanistan campaign was thus that the 'heavy footprint' had proved counterproductive at several levels. In the theatre of operations, the drawn-out presence of foreign security forces provoked resentment among the local population. Reform agendas, assistance programmes and security measures informed by Western understandings of authority, efficiency or gender clashed with local values and cultures. Moreover, the visible Western presence provided militant groups with a target and a unifying narrative to recruit supporters and justify the use of violence. Large amounts of financial assistance opened the door to corruption, mismanagement and waste. Among Western voters, rising casualty numbers and rising costs dampened public support for the war effort. Opinion polls have shown declining support for the war effort both in the US and in European countries over time. In parallel, doubts over whether the war in Afghanistan had been worth fighting increased.

Public opinion in Europe: Citizens' main concerns

Results based on responses of 26622 citizens in the EU-27



Source: Eurobarometer, Autumn 2012

Past experience with 'too light' or 'too heavy' a footprint, respectively, has informed perceptions of failure in Western policy circles. These are compounded by the absence of a shared vision for the future use of the military instrument in crisis management. The US Defense Strategic Guidance of 2012 called for 'innovative, low-cost, and small-footprint approaches' to achieve security objectives. It illustrated a shift in US security policy toward unconventional means of warfare, including Special Operations Forces and new technologies such as drones and cyberspace capabilities, in response to emerging global threats. Meanwhile, the EU is lagging behind in its ambition to become a leader in civilian-military crisis management. Lack of consensus among EU member states over the parameters for using military force in the defence of common objectives continues to hamper the development of a meaningful common security policy. Instead, economic crisis management and questions over the future of the European Union have dominated the policy debate.

Shifting parameters of Western engagement

The experience in Afghanistan has made Western states wary to commit ground troops in response to conflict and crisis abroad. The phenomenon of 'mission creep' threatens to expand even limited commitments into controversial long-term endeavours once troops deploy in the theatre of operations. Fiscal austerity and economic worries at home further dampen the political will to engage in costly operations abroad. Consequently, the United States, France, the United Kingdom and other NATO member states have looked for leaner models of engagement, which allow them to deal with emerging threats and crises at a lesser political and material cost. They have sought to place stricter limits on the duration and scope of military engagements. This has meant operating from a distance as far as possible and avoiding a major role in the aftermath of combat operations. In post-conflict situations, expansive state- and nation-building agendas have been adjusted toward the less ambitious goals of 'stabilization'.

Building nations no more

The past decade has seen Western actors scaling down ambitions and handing over responsibility for transition processes in post-conflict countries. Open-ended goals, such as building stable democracies and addressing longstanding political grievances, were hardly conducive to devising a timely exit strategy. The concept of 'stabilization' brought overall campaign objectives in Afghanistan in line with pragmatic assessments of

what foreign intervention could hope to achieve. This was not deep political and socio-economic transformation but rather a status quo with 'acceptable' levels of corruption and violence that local stakeholders could manage without external help.

As the campaign in Afghanistan continued, the United States and its Western allies scaled back their objectives partly by design and partly by default. Commitment to improving the lives of Afghans was important for a number of troop-contributing states, like Germany, which justified their engagement on humanitarian grounds. Yet the reality on the ground corresponded poorly with the political rhetoric of democratization and modernization employed in Western capitals. Local expectations had to be managed in a struggle for credibility. Waning public support at home required the setting of achievable benchmarks for withdrawal. Hence, 'good enough' levels of governance and security that would prevent a return of insurgent rule became the benchmarks for withdrawal.

In practice, stabilization meant handing over responsibility for the pervasive security problem that impaired progress in other areas to host-nation security forces. The lion's share of reconstruction funds allocated by Western donors over the past years has gone into the training of Afghan security forces. The major problems affecting the transfer of responsibility to Afghan forces were illiteracy, drug use and high attrition rates among the recruits. A growing number of insider attacks by Afghans on Western instructors jeopardized the approach of close relations and joint operations with partner forces. In more remote parts of Afghanistan, US and coalition forces experimented with a number of local defence initiatives. Training schemes were typically run by Special Operations Forces who embedded themselves in rural communities and provided mentorship, arms, equipment and pay to local volunteers. Some of these initiatives were demobilized after their goals had been achieved. Others were stopped due to corruption or lack of local buy-in. Human rights groups voiced grave concern over a lack of accountability and oversight, abuses committed by local defence forces and the ethnic tensions they provoked in some areas.

In-and-out

The in-and-out approach adopted by NATO member states in Libya in 2011 further dissociated military action from an explicit or implied pledge to guarantee security and oversee political transition in the post-conflict phase. The intervention was authorized by UN Security Council Resolution 1973 and carried out by NATO member states

and a number of Arab partners. It saw the surgical use of advanced military capabilities to achieve a limited set of objectives. No foreign infantry troops were deployed to the ground either during the short campaign or in its aftermath.

In a war fought from a distance, air power and to some extent maritime capabilities play a primordial role. Precision-guided, air-launched weapons provide Western military organizations with a distinct advantage. Their use depends strongly on sophisticated intelligence, surveillance, target acquisition and reconnaissance (ISTAR) capabilities in order to limit collateral damage to infrastructure and minimize civilian losses. Unmanned Aerial Vehicles (UAVs) have become crucial tools for the collection of ISTAR information. Yet advanced technology only partly compensates for eyes and ears on the ground. Reliance on small, elite teams of Special Operations Forces on the ground has thus become another hallmark of this kind of warfare. In the US, for instance, the special operations budget increased from US$ 2.3 billion in 2001 to US$ 10.5 billion in 2012.

Advanced military capabilities have enabled Western armies to operate primarily from the skies in order to alter the balance of power on the ground. Although the declared objective of NATO's air campaign in Libya was to protect civilians, Western involvement helped tip the balance in favour of the rebel forces that brought down the regime of Muammar al-Gaddafi. NATO's air campaign provided ragtag rebel forces with a secure stronghold and bought them time to get organized into a capable opposition force. While the UN authorization excluded the deployment of ground troops, Special Operations Forces sent in a bilateral capacity played a crucial liaison function. France and the United Kingdom, as well as a number of Arab states, are believed to have used covert teams on the ground to advise rebel commanders, provide logistics and guide air strikes.

NATO's swift intervention in Libya stood in visible contrast to the protracted campaign in Afghanistan. High-tech military capabilities in support of local partner forces had provided an alternative to Western boots on the ground. However, the campaign also highlighted the limited abilities of European militaries to project power even across limited geographical distances and in a fairly swift campaign. It underlined the crucial role of the unique enabling capabilities provided by the United States in the areas of ISTAR and air-to-air refuelling. Nevertheless, the 'model' campaign in Libya appeared to demonstrate how Western military power

could be used at a manageable political and material cost.

Military success in Libya depended upon a specific constellation of objectives, capabilities and opportunities. It did not provide a template that is easy to replicate, as the unfolding crises in Syria and Mali suggest. In order for Western powers to intervene from a distance and 'lead from behind', willing and capable partners must be found in the diplomatic realm as well as on the ground. None of these seem readily available in the context of international stalemate over the deteriorating situation in Syria. The French decision to take military action in Mali was presumably accompanied by the expectation that the bulk of ground forces would eventually be supplied by African nations. Yet the desolate state of the Malian army and the slow formation of an African-led ground force supplied by neighbouring states jeopardize a swift transition. To neutralize the strategic advantage of French air power, militant fighters in Mali blended into the local population. With militarily superior French troops unlikely to stay on in the long-term, all they have to do is to hide and hold out.

Growing importance of partners

Given the limited capacity and experience of other actors, advanced Western military and civilian capabilities have played a crucial role in multinational missions. Yet the growing reference to partnership in Western policy statements reflects a desire among Western states to distribute the risks and costs of international crisis management more broadly. Military training and civilian capacity-building initiatives have long been the instruments of choice for the transfer of expertise and know-how, funding and equipment to partner states. Increasingly, Western states have sought to limit their contributions to peace support operations to a supporting or enabling role. Regional organizations and local security forces are expected to take the lead in responding to security problems in their neighbourhood.

The most significant efforts to build up local partners and support regional security architectures have taken place in Africa. The continent has witnessed some of the worst civil wars and most egregious human rights violations in the post-Cold War era. Instability and criminal activity on and off its shores threaten Western trade, oil and mining companies. The twin spectres of extremism and 'ungoverned' space haunt the Sahel zone and the Horn of Africa. Yet Western states have proved reluctant to get involved in African conflicts. Coupled with the rise of a regional agenda for African leadership and ownership in security

matters, this has brought the slogan 'African solutions to African problems' to prominence.

Building capacity locally

Over the years, various bilateral and multilateral initiatives have been directed at building the capacity of local security forces in African nations. The logic of prevention aligned these programmes with the security interests of Western donors. Capable local forces were to take care of threats before they erupted into full-blown crises or spilled across borders. Thus, there would be no need for costly interventions by foreign troops unfamiliar with the terrain and risking to overstay their welcome. Capacity-building provided an opportunity for low-risk, sustained engagement with partner states. Small investments could yield potentially large returns in terms of security and stability. The multidimensional and interagency nature of capacity-building programmes was moreover in tune with the growing attention to holistic notions of security in Western policy documents.

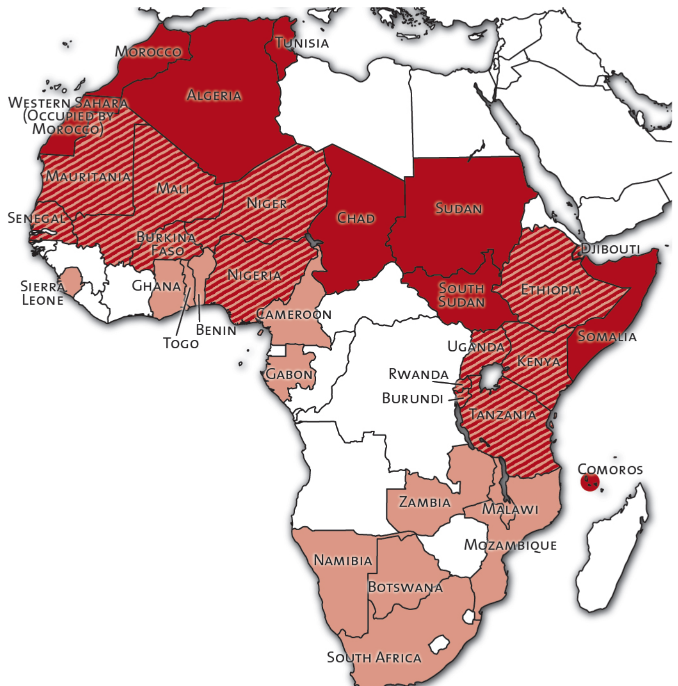
Building capacity for crisis management in partner nations by means of training, professionalizing and equipping African militaries has been the cornerstone of the United States Africa Command (AFRICOM). The US military's regional command for Africa became fully operational in 2008. In the spirit of a 'light footprint', AFRICOM has no US forces permanently assigned to it and is headquartered in Germany. Personnel drawn together from different military services, including Special Operations Forces, operate with partner nations in small training teams and through regional exercises. AFRICOM's aims include training African forces to participate in multinational peacekeeping. It provides mentors, trainers and advisors to the Africa Contingency Operations Training and Assistance (ACOTA) programme funded by the US State Department. Its main focus, however, has been on strengthening counter-terrorism capacity within partner nations. The New York Times has estimated the overall cost of US programmes to combat Islamist militancy across the Sahel zone at US$ 520 to 600 million between 2008 and 2012. The Washington Post has put it at US$ 1 billion since 2005.

The EU recently launched a number of capacity-building missions in Africa under its Common Security and Defence Policy. Capacity building resonates with the EU's comprehensive approach to security that links the military instrument with broader political, economic and humanitarian measures. The EU has moreover adopted broader regional strategies

Security capacity building in Africa by the US and the EU

- US government Trans-Sahara Counterterrorism Partnership (TSCTP) and Partnership for Regional East African Counterterrorism (PREACT)
- US government Africa Contingency Operations Training and Assistance (ACOTA)

- EU CSDP Security Sector Reform Missions
- EU CSDP Civilian Assistance Missions to improve the capacities of Security Forces



Sources: US Department of State, US AFRICOM, EU External Action Service

for the Horn of Africa and the Sahel zone with the aim of increasing coherence and the strategic impact of small, limited missions. As part of the Sahel strategy, the EU provides training for national police and gendarmerie forces in Niger. Within the strategic framework for the Horn of Africa, the EU recently launched a programme to strengthen the coastal police force and the judiciary through on-the-job training in five countries. The EU's first maritime operation off the Horn of Africa to combat piracy and its training mission in Uganda for Somali security forces complement the regional strategy.

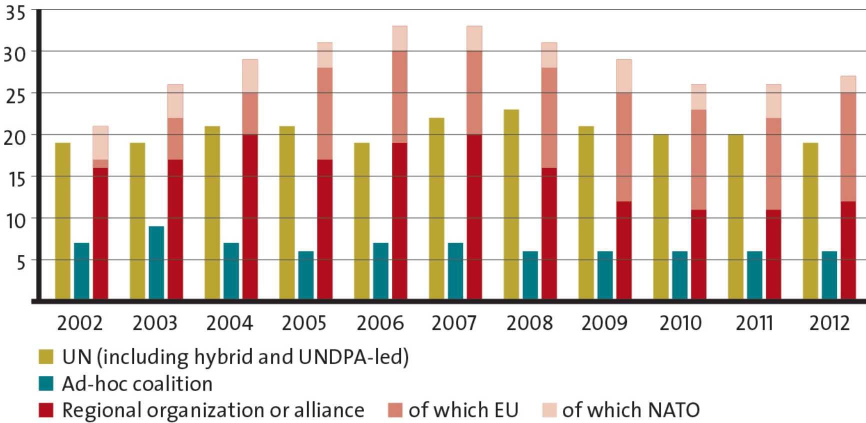
Regional security organizations

The involvement of regional organizations in peace support operations and crisis management has grown in frequency and importance over the past decade. Consequently, the role of the United Nations has shifted toward coordinating, supporting and providing legitimacy to the activity of regional organizations in a growing number of missions. In the case of the EU's first autonomous military mission outside Europe, a regional organization stepped up to support a fledgling UN blue helmet mission in the Democratic Republic of Congo in 2003. NATO's deployment of the International Security Assistance Force (ISAF) to Afghanistan in 2003 saw the exclusive responsibility of a regional organization for an operation under a UN mandate.

Increasingly, however, Western regional organizations have engaged in their own version of 'leading from behind' in peace support missions. They have sought to act as force multipliers for other regional and sub-regional organizations through the provision of funds, technical assistance and specialized military assets (e.g. strategic airlift, intelligence-gathering and surveillance technology and transport capacity). The African Union (AU) has been among the greatest recipients of capacity-building and technical support from international donors. The EU has channelled 740 million euro through its African Peace Facility, established in 2004. The great majority of funds were allocated to helping the AU and sub-regional organisations to plan and conduct peace support operations.

A new division of labour thus emerged in a number of UN peace support missions. African forces took on major operational risk while Western states limited their contributions to logistical, technical and financial support. The AU provided troops for a protection force in Darfur in 2004 under a UN mandate. It received light technical support from the UN.

Multilateral peace operations by type of organization



Data and definitions: SIPRI Multilateral Peace Operations Database

NATO agreed to provide training for AU peacekeepers and logistical support to airlift them into the theatre of operations. The EU contributed financially. AU troops were later incorporated into a hybrid AU-UN mission (UNAMID) in 2007. A similar distribution of risks and costs has characterized international efforts against al-Shabaab militia in Somalia. In 2007, the UN authorized a peace enforcement mission led by the AU (AMISOM) and supported it with military planners. The EU provided financial and technical support to AMISOM, covering for instance the salaries of AU troops. In parallel, EU military advisers trained Somali security forces on (comparatively safer) Ugandan territory. Finally, NATO, the EU and a number of individual states engaged their maritime capabilities to combat piracy off Somalia's coast.

Limitations and pitfalls of emerging models

In times of fiscal austerity and war-weariness, modest ambitions and greater burden-sharing could provide a way of ensuring continued Western engagement in international crisis management. Conceptually, stabilization offers a pragmatic framework for limited engagement. The prospect of sharing costs and risks through partnership with other actors makes contributions more feasible materially and politically. With a view to the legitimacy of an intervention, partnering provides an opportunity to place local and regional actors in the lead.

However, the emerging models are not without limitations and pitfalls. Limited knowledge and operational pressures raise a host of normative

concerns regarding the choice of partners. Coordination problems are well-documented and likely to increase in multi-actor missions. Moreover, the patchwork character of the emerging crisis management paradigm leaves a number of crucial gaps.

Expertise and local knowledge
Although often represented as technical assistance, capacity-building is inherently political. Partnering with foreign actors provides specific groups or segments of society with power and recognition. Selecting partners requires expert knowledge and an understanding of power constellations and domestic politics in the host country. Recruitment and promotion schemes need to take into account the ethnic composition of a country or region. Training curricula should be designed with attention to cultural specificities.

Such depth of expertise is not readily available to Western governments and security organizations. It is scarce among officials who approve programmes and funding requests. Within the organizations carrying out the actual training, in-depth knowledge is found primarily among a select group of mature, experienced instructors. It takes years of education to develop inter-cultural and language skills, not a few months of hasty pre-deployment training. Reallocating these tasks to general purpose forces for the sake of speed and convenience increases the risk of mistakes, with grave consequences. In the absence of a thorough understanding of a country's political and social fabric, choosing whom to train and equip remains a gamble.

The Malian army, for instance, had been a major recipient of US support and a model pupil in its training programme, which dated back to the G.W. Bush administration. The participation of Malian troops trained by the US military in the overthrow of the elected government came as an embarrassment to AFRICOM. US news sources further reported that the US training programme had in part relied on ethnic Tuareg to command Malian elite units. Some of these commanders defected to the insurgency in the North, robbing the collapsing government troops of leadership, weapons and equipment.

Timeframes
Capacity-building and training have grown from largely preventive strategies to a means of building up local partners for immediate crisis management. Yet experience with security sector reform shows that sustained, long-term engagement is required to build security forces that are not only capable but responsible and accountable to their civilian leaders. To

ensure civilian oversight, trainers need to work closely with host nation authorities. Control mechanisms need to be in place to guarantee that security forces are not turned into private militias by local powerbrokers and to ensure that they do not turn against the communities they are supposed to protect. In the absence of a sustainable budget plan to continue salary payments when external funding stops, these dangers increase.

The practice of propping up partner forces through a short-term infusion of training and equipment dissociates capacity-building from the broader political context. Timetables are defined by the desire of external actors to limit their engagement in scope and time. Political realities within the recipient state are of secondary concern in light of pressing operational demands. Moreover, the focus on building capable security partners relegates efforts to support the development of a political road map to the side lines.

Multilateral debates over the international response to the crisis in Mali initially revolved around a two-step approach. First, the divided and rundown Malian army would require substantive training and reform. Second, the international community would provide logistical and financial support for an African-led military mission to help restore government control in the north. UN Secretary-General Ban Ki-moon asked for political, human rights and operational standards to reach agreed benchmarks before engaging the force in offensive operations. Longer timeframes, a wider strategy of supporting democratic institutions and concerns over respect for international standards of conduct equally transpired from the EU's plans for a training mission.

However, swift military action by France vastly accelerated the timeline for the deployment of African ground forces. Concerns over operational and legal standards faded into the background as operational pressures to avoid a prolonged unilateral offensive by the French intensified. Reports of abuses committed by Malian units against ethnic groups surfaced after the initial phase of the military campaign. They not only undermine the legitimacy of France's local partners but seriously jeopardize the path towards a long-term political solution.

Compatibility with civilian approaches

Shifting parameters of Western engagement in military crisis management have implications for civilian approaches to conflict resolution. The blurring of lines between civilian and military spheres in conflict and post-conflict situations has long been a

major concern as well as an inescapable reality for humanitarian and development agencies. Reluctance to engage in costly military operations may prompt Western states to pay greater attention to civilian instruments such as conflict prevention, early warning, mediation and conflict resolution.

Conceptually, civilian and military approaches increasingly build on the same linkages between development and security. Working with partners, moreover, promotes local ownership, which has become a key principle in civilian peace-building and development aid. However, while military and civilian organizations may share overarching goals on paper, differences in priorities prove problematic in practice.

Capacity-building in the security sector, for instance, is situated at the civilian-military nexus. The establishment of AFRICOM has intensified longstanding concerns over the militarization of US development assistance and diplomacy on the African continent. Critics have equally pointed out that security concerns have come to dominate the capacity-building programmes initiated and financed by the EU.

Stabilization policies equally raise questions over compatibility with civilian peace- and state-building approaches. Short-term measures to create stability are intended to be compatible with the longer-term goals of peace- and state-building. Yet stabilization is a more conservative policy than conflict transformation, which seeks to address the underlying grievances that led conflict to break out in the first place. In practice, stabilization programmes have privileged top-down approaches by working through state institutions and elites in the host country. This can compromise projects at the grassroots level seeking to build peace from the bottom-up. Civilian peacebuilders relate the principle of local ownership to civil society. In the logic of stabilization, it mostly stands for a speedy transfer of responsibility for security and governance to local partners. Almost by definition, these are host nation security forces and state authorities.

Coordination and leadership

Growing complexity in crisis management has led to a search for institutional arrangements to ensure coordination among a widening range of actors. Institutional links between regional and international organizations have emerged over time, as the partnership between the UN and the AU in a number of peace operations illustrates. Yet in practice, coordination remains largely ad-hoc. Uncer-

tainty over how much risk participating states are willing to accept in a given mission makes it difficult to institutionalize cooperation arrangements. Rather, the division of labour in any new mission emerges out of political bargains within and among states and organizations. Local authorities face a considerable challenge in dealing with a complex web of interlocutors.

Numerous coordination problems have been observed even among small numbers of fairly homogeneous actors. Although the Western state-building missions of the past decade were centralised under US leadership, strategic coherence remained an elusive goal. Ensuring political cohesion, agreeing on joint priorities, sharing information, pooling resources and bridging differences in organizational cultures proved highly challenging. Considerations related to capacity and legitimacy point to more diverse constellations of actors in future crisis management missions. There is little reason to believe that coordination will be any easier to achieve among a more diverse set of actors in modular or 'patchwork' missions.

The UN is likely to remain the default option for providing an institutional framework where other actors lack the capacity or political legitimacy to take on a leading role. Western regional security organizations are looking into an uncertain future against the backdrop of financial crisis and low public support for defence spending in Europe. NATO's ability to rapidly mount a multinational military operation and ensure command remains unparalleled. Crisis management is one of three core missions enumerated in NATO's strategic concept of 2010. However, there is little consensus among its members regarding priorities and missions beyond Afghanistan. The EU has increasingly attempted to embed its CSDP missions within broader regional strategies. As long as its contributions are oriented towards small-scale support and training missions, however, this is unlikely to translate into institutional leadership.

Critical gaps

The first gap left by the reluctance of Western states to put boots on the ground concerns rapid response. Crisis response requires capable and well-equipped forces able to deploy rapidly in high-risk environments in order to protect civilians or to provide an entry point for a longer-term peace support operation. Even considerable financial, logistical and planning assistance from Western countries is unable to close that gap. The timelines involved are inevitably longer.

A quick survey of multilateral rapid reaction initiatives is not encouraging. A multinational Standby High Readiness Brigade (SHIRBRIG) created as a rapid reaction tool for UN peacekeeping was disbanded in 2009. After assuming operational readiness in 2000, it never managed to mobilize enough support from its 23 members to deploy a full brigade. Instead, its deployments in six UN peacekeeping operations were limited to planning assistance and capacity-building. The EU's initiative to create a rapid reaction force under its Common Security and Defence Policy in the form of multinational EU Battlegroups has been even less successful. Lack of commitment by member states and political divisions regarding their use has meant that no Battlegroup has been deployed to date. Due to commitment gaps, only one Battlegroup is likely to remain on standby for most of the time over the coming years. On paper, the AU's African Standby Force (ASF) counts five regional brigades on standby in a complicated six-month rotation system. Lack of clarity over authorization, command and funding has meant that only a small detachment of 13 ASF officers to assist the AU mission in Somalia has been deployed so far. Political and logistical obstacles aside, it is uncertain whether ASF brigades could intervene with speed and decisiveness. Many African militaries have been trained and equipped mainly for peacekeeping missions, not offensive operations.

The second gap concerns the need for capable security forces, military and police in the aftermath of a crisis to ensure stability in the long term. Armed factions made up of insurgents or former regime forces may seek to control territory, threaten civilians or disrupt the political process. Irregular fighters have to be disarmed, demobilized and reintegrated into society. The formal security sector is often also in need of reform. The shift from a combat to a stabilization mission stretches the timeline for the deployment of ground troops. Holding territory and building up local institutions are long-term strategies. They lead precisely to the kind of long-term, visible footprint that Western states are seeking to avoid.

The post-conflict transition period in Libya after the fall of the Gaddafi regime illustrates the dangers of this gap. Upon the successful completion of a campaign fought mainly from the air, NATO member states showed little appetite for engaging in long-term assistance. Regional organizations better suited to the task from a political point of view, such as the African Union or the Arab League, lacked operational capacity. Eventually, the UN mounted a light support

mission. It proved helpful in coordinating a complex web of bilateral and multilateral assistance programmes for election preparations, transitional justice, human rights concerns and economic recovery. Yet this patchwork model left a vacuum in the consolidation of security within Libya and at its borders. Weapons and members of the former regime's security forces infiltrated neighbouring countries, further destabilizing the Sahel zone. Islamist militant groups who seized control over the north of Mali were able to put their hands on sophisticated military hardware to defend their bases. The acceleration of the crisis in Mali displaced hundreds of thousands, threatening to deteriorate the security situation in neighbouring countries.

Future crises: Local ownership, uncertain leadership

Attitudes to international crisis management in Western capitals are changing. The shift owes something to perceived lessons from past experience but equally to the current climate of fiscal austerity and war-weariness. The war in Afghanistan has thrown into sharp relief the unintended consequences of excessive involvement by Western powers in other countries. In combination with political and budgetary constraints, this has led Western states to largely eschew an overt role in international crisis management. The gap between the demand for robust crisis management and the West's political will for sustained engagement is widening.

The outcome is not a consistent, predictable template. Responses to emerging crises remain highly contingent on geography, politics and history. The French intervention in Mali demonstrates how changing threat perceptions can swiftly reverse declared policies. In terms of intentions – if perhaps not always in practice – a trend toward placing regional and local actors in the lead through partnering and 'leading from behind' is apparent. In dealing with conflict and post-conflict situations in other parts of the world, the United States and European powers have thus sought a limited role focused on enabling or supporting other partners.

New partnering arrangements may indeed enable a more diverse range of actors to 'plug and play' in crisis response missions. Operations owned and led by local and regional actors are likely to be more sustainable and benefit from greater political legitimacy. In the absence of strong leadership, however, such patchwork missions are bound to remain fragile. Where responsibility for security is transferred to partners who are not (yet) ready to accept it, the outcome may be worse than the initial crisis.

Leadership appears to be in short supply, however. In the context of a global power shift toward the Pacific, the United States' geostrategic outlook has shifted from counter-insurgency in Central Asia and the Middle East to securing access at sea, in space and in the cyber realm in defence of vital US interests. Western security organizations look rather unlikely to fill the resulting gap. The EU continues to underperform in the area of defence and security. Speculation about a renegotiation of the United Kingdom's terms of membership – one of the two sole significant military actors within the Union – hardly helps. Scarred by Afghanistan, many NATO members are unwilling to take the Alliance into a new crisis without a clear exit strategy. China, India and Brazil, finally, have recently become more important players in UN peace operations. Yet troop contributions alone tell us little about the readiness of this diverse set of actors to take on a broader role in global crisis management. They hardly stand for a unified approach, in particular when it comes to leading or participating in coercive operations.

A light Western footprint may indeed provide a recipe for the right mix of international, regional and local engagement in international crisis management. Past experience calls for a sober assessment of the limitations of military power in bringing about peace and stability. Yet there are cases where too little, rather than too much, external involvement could exacerbate an emerging threat or crisis. Learning lessons from past experience is smart. Applying them in a dogmatic manner without regard to specific circumstances is not.

CHAPTER 4

The Glocalisation of Al Qaedaism

Prem Mahadevan

Although Al Qaeda has been significantly weakened as an organisation, its ideological footprint has grown in recent years. This has been partly because of the 2011 Arab revolts, which removed established regimes that opposed jihadism in the Middle East and North Africa. A secondary reason has been the death of Osama Bin Laden, which permitted the re-emergence of an indirect approach to fighting the West. There is no longer an overarching body in the international 'jihadosphere', but rather, there are regional groups that are becoming more deadly.

Security officials assess the scene of a bomb blast suspected to be carried out by the Islamist sect Boko Haram in Nigeria's northern city of Kaduna, 8 April 2012

For some years, there has been muted concern among Western counterterrorism experts regarding the threat of 'glocal' terrorism, a new phenomenon unlike previous waves of terrorist violence. This threat was highlighted by the January 2013 attack in Algeria, in which jihadists linked to Al Qaeda seized a gas pumping facility, killing 38 foreign workers. Rather than being an isolated incident, the attack appears to have been a logical progression in Al Qaeda's longstanding efforts to transpose its millennial ideology and targeting philosophy into new regions outside of South Asia. Although these efforts did not meet with much success during the 1990s and early 2000s, they now seem to be gaining traction, ironically in part due to two developments that were thought to have signalled the demise of the jihadist group.

The first and more important development was the wave of revolts which rocked the Arab world in 2011. Some of these, in Tunisia, Egypt and Libya, ended with autocratic rulers being swept from power. Initially welcomed by Western governments as a progressive trend – democratisation without radicalisation – the revolts are now viewed as potential sources of instability. The abrupt removal of established regimes appears to have created operational space for radical Islamist groups to compete in. Being relatively unconcerned about Western opprobrium, some elements within these radical groups are becoming responsive to strategic outreach from Al Qaeda. The Arab jihadist network, from its base in the Afghanistan-Pakistan region, is keen to exploit regime changes in the Middle East.

This leads to the second development which has boosted Al Qaeda's ideology locally: the death of Osama Bin Laden in May 2011. Documents captured by US forces in Afghanistan and Pakistan during 2001–11 reveal that Al Qaeda was not monolithic; it was a tightly-knit coalition of different regional jihadist factions. Bin Laden spent much of his time managing conflicting priorities between these factions: Some wanted to overthrow apostate Arab governments (the 'near enemy') while others wanted to attack the United States (the 'far enemy'). Bin Laden himself was opposed to internecine warfare between Muslims and thus advocated long-distance attacks on Western homelands. His deputy and eventual successor, Ayman Al-Zawahiri, was on the other hand more interested in regional jihad. With Bin Laden gone, Zawahiri's emphasis on attacking the 'near enemy' has gained impetus.

The shift in targeting priorities

Between them, the Arab revolts and Bin Laden's death have cleared the way for Al Qaeda to develop a more localised approach to fighting the West, one that focuses on hitting Western assets overseas. Having taken heart from what they see as Washington's inability to support authoritarian governments in the Middle East and North Africa, Al Qaeda strategists feel that a cash-strapped and risk-averse United States would not be willing to maintain a prolonged presence in Muslim lands, if attacked there. Although their ultimate goal of establishing a pan-Islamic caliphate seems beyond reach at present, they view the 2011 Arab revolts as a loss of Western influence in the Muslim world, and thus as the removal of a key obstacle in their path. Building on the forward momentum thus created, they are tapping into pre-existing connections with radical Islamists worldwide to acquire more striking power.

This chapter will trace the ideological and organisational evolution of Al Qaeda, two distinct processes, and examine how they came together in a strategy of cooptation. Al Qaeda has had to be both a de-territorialised political movement and a territorially-bound jihadist bureaucracy. It has reconciled the contradiction through a combination of skill-sharing and alliance-building, but these methods have granted the group an ideological reach greater than its organisational grasp. Despite suffering massive personnel losses in the last decade, Al Qaeda has still managed to increase its presence in at least 19 countries through networking with other well-established jihadist groups. With local proxies willing to act in conformity with its worldview, Al Qaeda now presents a different threat from that to which governments have grown accustomed. Although attacks on Western homelands might still be launched by subsidiary networks, the main theatre of contestation will be overseas.

'Glocalisation', an amalgam of globalisation and localisation, is a term originally developed in the 1980s to describe how global brands adapt to local market conditions. Lately, however, the term has been employed in the study of international terrorism, to describe the process by which local jihadist groups develop a global perspective which thereafter guides their choice of targets and tactics. The glocalisation of Al Qaeda's brand name has not been a one-way process. Even as Al Qaeda has been seeking to build alliances, resistance to its overtures has melted due to counterterrorism successes and associated political processes.

Glocalisation makes terrorist groups more resilient

Jihadist groups that had limited contact with the Al Qaeda leadership have suffered heavy losses from police action in developing countries. Their own brutality towards local populations, often derived from crude attempts at imposing Sharia law, has lost them popular support. To keep themselves sustained with funds, weapons and personnel, they need to develop a broader narrative that allows them to seek financial and military aid from other jihadists worldwide.

There is also the legitimacy factor: The rank and file of many combat-effective jihadist groups consists largely of semi-literate youth and career criminals. Although they are able to fabricate or forcibly obtain jurisprudential sanction for their violent activities, their cadres' ignorance of theological matters poses a credibility problem at the street level. To get around this, they seek to develop a Saudi affiliation, however tenuous, since the internal politics of jihadism tend to place Saudi radicals in a leadership role. Since Al Qaeda is the only transnational jihadist group to have a strong Saudi pedigree, even if it is now led by an Egyptian, it is an attractive partner for local jihadists looking to bolster their own credentials.

This trend towards the fusing of global and local jihadism complicates counterterrorist efforts at both operational and political levels. Differentiated targeting by terrorist networks results in governments failing to perceive a common security threat and to act jointly against it. Overlapping connections between jihadists and criminals in ungoverned spaces make counterintelligence exceedingly difficult. In effect, the lack of a single clear-cut adversary is a throwback to the early 1990s, with the significant difference that jihadists today are better connected among themselves. They draw inspiration from each other's tactical 'successes', thus closing themselves off to external criticism of the human cost inflicted. Body counts are an approximation of collective achievement in the international 'jihadosphere' in which Al Qaeda emerged, and which it has since managed to dominate.

By first exploring the network's origins, this chapter will demonstrate that glocalisation has been an integral part of Al Qaeda's strategy since the 1980s, albeit with varying degrees of emphasis. The chapter will then trace the connections that Bin Laden's network forged during the 1990s and into the post 9/11 era. It will list the methods used and how they were adapted under counterterrorist pres-

sure. Finally, the chapter will examine current developments in theatres of jihadist activity, and their implications for European and global security.

The Islamist International

Al Qaeda emerged out of a web of transnational jihadism that had been spun by the Soviet-Afghan War (1979–89). A radical Palestinian cleric, Abdullah Azzam, issued a call for Muslims worldwide to unite in repelling the Soviet invasion of Afghanistan, a Muslim country. The result was a massive movement of funds and private citizens from several Arab states to Pakistan, which soon became the sanctuary of an international Islamist conglomerate. Both the donations and the citizens were focused on a military purpose: That of fighting the Soviet occupation forces and 'rescuing' the Afghans from their brutality.

One of the Arab volunteers to move to Pakistan was Osama Bin Laden, who, together with Azzam, established the Arab Services Bureau to receive other foreign jihadists arriving in the country. Being from a wealthy family, Bin Laden donated $25,000 per month to keep the office running. Initially an organizer and financier, in around 1987 he began to see himself as more of a frontline fighter and took part in a skirmish against Soviet troops that convinced him of his own military prowess. Having observed the lackadaisical attitude of the Afghans towards orthodox Islam and disillusioned by rampant corruption within his mentor Azzam's inner circle, the Saudi millionaire decided to strike out for himself as a jihadist leader.

He was nudged in this direction by a coterie of Egyptian jihadists led by Ayman Al-Zawahiri, who played upon Bin Laden's ambition. Zawahiri was mindful that Bin Laden's cash and Saudi connections could be useful to him in his own fight against the Egyptian government. He accordingly set out to redirect Bin Laden towards supporting the overthrow of apostate regimes in the Arab world, starting with his own homeland, Egypt. Bin Laden, however, was opposed to the idea of fighting fellow Muslims and was more interested in continuing jihad against unbelievers who were occupying Islamic territories. His personal preference was to wage jihad in southern Yemen, which at that time had a communist government.

Al Qaeda searches for an enemy

When Al Qaeda was formed in August 1988, it had no clear agenda other than to create a lasting fellowship among Arab veterans who had fought the Soviets. There was no agreement on the enemy of this group. Only a very broad framework for future op-

erations was provided by Abdullah Azzam, who continued to exercise considerable influence over the Arab volunteers in Pakistan. Being a Palestinian, Azzam was personally keen that the post-Afghanistan phase of international jihad should be directed at Israel. To this end, he had issued a statement that called for Muslims to reconquer territories that had historically been theirs, but were now ruled by unbelievers. His legitimation of offensive jihad provided the ideological fuel for millennial terrorists to dream of establishing a pan-Islamic caliphate. Al Qaeda was just one cluster among these terrorists, and was not yet particularly well-known.

A key challenge facing Bin Laden and his followers was how to attract new recruits and build a brand name for themselves in the international Islamist movement. The core group of Al Qaeda was remarkably small: In as late as 1996, it only had 93 fulltime members. Gradually however, it established a reputation for providing quality training to freelance jihadists. Using former Egyptian military and police personnel, Al Qaeda evolved a counterintelligence and operations concept that earned the admiration of other radical Islamists. It is thought to have received advice in this regard from Imad Mughniyeh, the chief of an ultra-secretive special operations network within the Lebanese militia, Hezbollah. Mughniyeh was the originator of a tactic that Al Qaeda later adopted widely: the vehicle-borne suicide bomb.

Some estimates suggest that Al Qaeda trained around 11,000 jihadists between 1996 and 2001, of whom 3000 were drilled in attack methods and 8000 instructed in support activities. As a direct participant it was, however, a relative latecomer to the international terrorist scene. Another network of jihadists, also blooded from the Soviet-Afghan War, had attempted to blow up the World Trade Center in New York in 1993 and two years later, planned to blow up US transcontinental airliners over the Pacific. Most of its members were caught, but the main leader, Khalid Sheikh Mohammed, escaped arrest and drifted into Al Qaeda in 1996. Among his pet projects was a concept for multiple suicidal hijackings in the US homeland. Although initially reluctant, Bin Laden warmed to the idea in 1998. By then, he had in any case decided that the United States was the logical enemy on which to fixate his own network.

Near enemy, far enemy

Defectors and captured members of Al Qaeda all suggest that Bin Laden only gave serious thought to attacking

American interests in 1992, when the US intervened in Somalia. Although Washington was acting out of humanitarian motives, the Saudi jihadist saw a re-enactment of the Soviet invasion of Afghanistan playing itself out on a grander scale. Already incensed by the US military presence in Saudi Arabia, and the Saudi government's willingness to permit this, he now believed that the US was attempting to occupy more Muslim lands. Within two weeks of the intervention, jihadists affiliated with Al Qaeda bombed hotels in Yemen, where American soldiers en route to Somalia were staying. The subsequent halt to US transits through Yemen convinced Bin Laden that the United States had little capacity to absorb losses, and would withdraw from the Arab world if pressured.

During the 1990s, personalities played a key role in shaping Al Qaeda's organisational philosophy. Bin Laden admired Mughniyeh, who had blasted US forces out of Lebanon in 1983. He fantasised about going even further and engineering the disintegration of the United States through jihad, just as he believed had happened to the Soviet Union. Other members of Al Qaeda were more interested in waging their own private jihads against repressive Arab governments. Despite sharing their leader's antipathy for the 'far enemy', their priority was to hit the

Timeline of Al-Qaeda-related events and emergence of new Branches

Year	Event
2013	Algerian hostage crisis
2012	Benghazi attack
2011	Arab Revolts, Bin Laden's death
2010	Kampala bombings by Al Shabaab
2009	Boko Haram escalates violence, Al Qaeda in the Arabian Peninsula emerges
2008	Lashkar-e-Tayyeba launches Mumbai attacks
2007	Jihadist networks proliferate in South Asia, Caucasus and Africa
2006	Al Qaeda in the Islamic Maghreb and Al Shabaab emerge
2005	London bombings
2004	Zarqawi network emerges in Iraq and aligns with Al Qaeda, Madrid bombings
2003	British consulate bombed in Istanbul
2001	9/11 attacks
2000	U.S.S. Cole bombed in Yemen
1998	Bin Laden declares war on West and Israel, bombs US embassies in Africa
1997	Luxor massacre carried out by Egyptian jihadist group
1996	Bin Laden moves to Afghanistan
1993	Autonomous jihadist network attacks World Trade Center
1992	Al Qaeda first attacks on US troops
1988	Al Qaeda founded as a splinter of Arab Services Bureau
1984	Bin Laden co-founds Arab Services Bureau
1979	Soviet Invasion of Afghanistan

'near enemy'. For a long time, these differences of opinion were submerged under a policy of seeking to hit US interests in Arab territories.

The reasoning went thus: Although the US presence in the Islamic world was abhorrent, what Al Qaeda found even more objectionable was Arab elites' complicity in the occupation. Since it was impossible to attack the elites directly without drawing condemnation from the religious establishment, the Americans became a proxy target. Al Qaeda hoped that, by attacking the US presence on Muslim soil, it would force local governments to demonstrate their support for the United States, thereby discrediting themselves. A constant cycle of terrorist provocation, government retaliation and jihadist indoctrination would follow, eventually leading to popular demands for regime change.

A shared logic, but no shared strategy

Roughly around the same time, in 1994–95, an identical line of thought was motivating the Armed Islamic Group (GIA) in Algeria to begin planning attacks on France. The former colonial power was seen as a patron of the Algerian military and its counterterrorist efforts. It had, however, succeeded in keeping this collusion hidden from the Algerian masses. If security cooperation between Algiers and Paris could be exposed through a terrorist offensive on French soil, the Algerian government would be locally discredited. Another important driver was the personal ambition of the GIA's leader, who, like Bin Laden, had ideas of pitting himself against a major foreign adversary in order to raise his own stature among his peers.

It is important to note that Al Qaeda and the GIA had only tenuous contact with each other, and did not share a hierarchical relationship. The GIA had limited patience for Bin Laden's US-focused strategy and, in any case, was not receptive to advice from an outsider on how it ought to conduct its activities. The commonality in their thinking did not extend to skill-sharing or mutual endorsement. On the contrary, Al Qaeda recoiled from the GIA's indiscriminate attacks on fellow Muslims in Algeria. It was not until the GIA splintered in 1998 that one of its factions, the Group for Salafist Preaching and Combat (GSPC), emerged as a possible partner. Although the GSPC was also not interested in targeting the US, it tried to refrain from the wholesale slaughter of Muslim civilians for which its parent body had become infamous.

The Algerian case illustrated a broader dilemma that Al Qaeda has faced ever since its creation: how to balance

local and global agendas. If the network focuses too heavily on targeting the US and fails to tap into local grievances in Arab countries, it risks losing contact with the disaffected populations who supply it with new recruits. If it focuses too heavily on Arab politics, it risks marginalisation by entrenched local jihadists with the street credibility and firepower to resist its encroachment. It was partly with a view to navigating around this dilemma that in 1998 Al Qaeda made the internal shift from being a deterritorialised network and training provider to being a consolidated terrorist bureaucracy in its own right.

Alliance-building

Al Qaeda took on a definitive shape in February 1998, when it announced the formation of an 'International Islamic Front for Jihad Against the Jews and Crusaders'. This was the point at which Bin Laden's outfit became a jihadist organisation with which even its potential rivals could identify and ally. It had created a firm base in Taliban-ruled Afghanistan, and articulated an agenda that resonated with established jihadist groups across the world. Although these groups had their own local agendas, at a rhetorical level they were happy to sign up to an internationalist project that enhanced their own prestige vis-à-vis local competitors.

Al Qaedaism as a unifying ideology

By positioning itself at the head of a multinational jihadist coalition dedicated to fighting Israel and the West, Al Qaeda accomplished two objectives. First, it created a distinct ideological brand. 'Al Qaedaism' today refers to a school of jihadist thought, whether propounded by hierarchically structured insurgent groups or loosely coordinated networks, that emphasises striking Western interests through indiscriminate and usually 'spectacular' attacks. These attacks can be on Western homelands, or on Western nationals wherever they are found to be vulnerable in the developing world. Largely devoid of a consistent strategic logic, it has become the gold standard among aspiring jihadists seeking to prove their capabilities.

Second, the International Islamic Front also gave Al Qaeda a plausible excuse to claim responsibility for actions carried out by persons only loosely affiliated with it. The group could essentially plagiarise terrorist attacks launched by other, semi-autonomous jihadists, as long as they targeted the entities that Al Qaeda claimed to be fighting against. This doctrinal flexibility has played a significant role in keeping Al Qaedaism alive, even as the organisation itself suffered massive losses from Western counterterrorist efforts after 2001.

Its setbacks have, paradoxically, become Al Qaeda's strength. There are three principal sources of credibility in the 'jihadosphere': jurisprudential sanction, combat success, and personal suffering. Jihadist groups have to build their organisational reputation around one or more of these factors. Despite Al Qaeda having lost its topmost leader, its prestige among radical Islamists remains intact, owing to the group's continued survival as evidenced by its ability to issue defiant statements against the US and incite terrorist attacks by affiliated groups. The fact that some of these attacks are proving successful, such as the killing of the US ambassador to Libya in September 2012, is a morale-booster for other jihadist organizations. What is now emerging is a radicalised landscape in the Middle East and South Asia, where no single power centre controls the activities of others. Instead, each provides moral and technical support to the other, while working independently in its own area.

Partnership with Lashkar-e-Tayyeba

This landscape did not come about by accident; Al Qaeda was, and is, strategic in its alliance-building. In 1989 it provided seed money for the consolidation of a new jihadist group, the Lashkar-e-Tayyeba (LeT), in northern Pakistan. One of its top operatives married into the family of a future LeT leader – a tactic that has since been often used to build linkages with regional Islamists and 'capture' their leadership. The idea is that once an Al Qaeda member became family, his new circle of relatives would slowly be brought around to the Al Qaeda ideology.

This is what happened in the case of LeT. The group already adhered to Abdullah Azzam's vision of a unified caliphate in former and current Muslim territories, thus sharing an ideological link with Al Qaeda. Bin Laden exploited this link to coopt LeT into his jihad against the West and Israel in 1998. Three years later, the benefits of the alliance became apparent when LeT took over Al Qaeda's international training responsibilities following the US invasion of Afghanistan.

LeT focused on recruiting within the Muslim diaspora in the West, eventually developing support networks in 21 countries and training volunteers from several more. A number of its graduates went on to commit terrorist attacks in Europe, as freelance jihadists. Among them were organizers of the 2005 London bombings and a French-Algerian gunman who killed seven people in southern France in 2012. However, its more ambitious attacks, which required considerable planning and preparation, were detected and disrupted by Western counterintelligence agencies. These

included plans in 2003 to seize an Australian nuclear facility and a signal intelligence station, in 2006 to use liquid bombs on transcontinental airliners flying from Britain to the US, and in 2009 to storm newspaper offices in Denmark. In each case there was no specific provocation or rationale for the attack, other than to carry out a 'spectacular' and thereby boost LeT's image as a sophisticated peer of Al Qaeda.

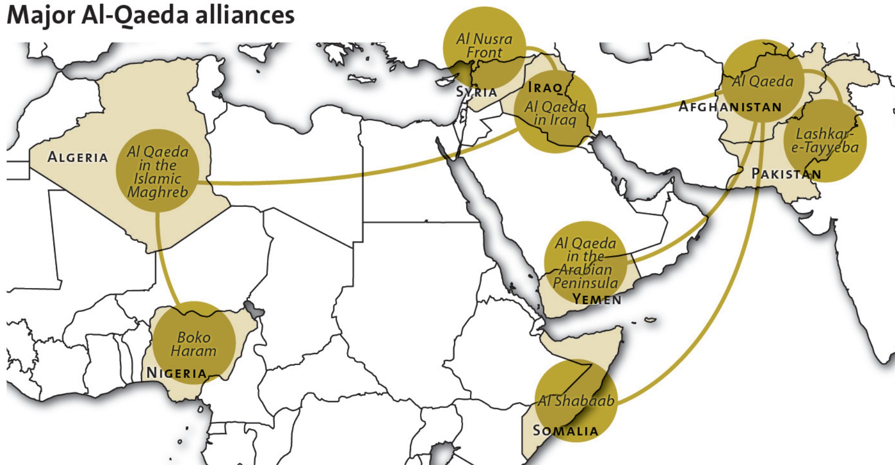
Shifting focus to cross-border operations

Owing to the repeated failure of major terrorist plots in the West and the logistical difficulties of conducting long-distance attacks, around 2006 Al Qaeda seems to have partly redrawn its priorities. The war in Iraq had given it a new affiliate in the shape of the network led by Jordanian jihadist Abu Musab Al-Zarqawi. Iraq became a meeting ground for a new generation of international jihadist volunteers, as Afghanistan had been in the 1980s. Skill-sharing and personnel exchanges built a sense of solidarity among radical Islamists unable to communicate electronically, for fear of detection by security agencies. Zarqawi's group became an important link between Al Qaeda's surviving leadership in Pakistan and regional jihadist groups elsewhere. As a practitioner of mass casualty suicide attacks, the Zarqawi network played a key role in popularising the use of this tactic, resulting in a rise in death rates from terrorism.

Al Qaeda's ideational influence upon local jihadists…

The GSPC, for instance, changed its name to Al Qaeda in the Islamic Maghreb (AQIM) partly as a result of the friendship between its leader and

Major Al-Qaeda alliances



Zarqawi. The Algerian jihadist group had in any case suffered heavy losses as a result of determined counterterrorist action, and had gradually lost its bases in Algeria proper, moving to neighbouring countries. Its alliance with Al Qaeda gave it fresh respectability, and grounds to request technical assistance from other jihadists. In substantive terms, the alliance was mostly symbolic, since AQIM retained the same command structure as the old GSPC. However, there was a notable change in its targeting policy. Following the name change, the group finally began to attack US and European nationals in Algeria, through a combination of abductions and bombings.

The introduction of vehicle-borne suicide bombs by AQIM and a Nigerian group allied with it, Boko Haram, made West Africa vulnerable to the polarising effect of Al Qaedaism. Approximately 3000 people were killed in 2009–2012 in violence connected with Boko Haram. Personality clashes within the leadership of both jihadist groups compounded the challenge faced by security authorities in the region. New factions competed with each other for street credibility by carrying out increasingly bloody attacks against civilians and foreign nationals. United Nations offices in Algiers and Abuja were bombed in 2007 and 2011 respectively, with parallels being drawn to the 2003 bombing of the UN mission in Iraq by Zarqawi's network. Reacting to pressure from counterterrorism agencies, the new jihadist philosophy seems to have been one of merely creating political shock, with little strategic purpose being served.

A similar pattern appeared elsewhere. In southern Russia, an amorphous network called the Caucasus Emirate launched an assassination campaign against government officials, killing over 1550, plus 400 civilians, in five years. In Uganda, a network operated by the Somali jihadist group Al Shabaab bombed Ethiopian businesses, allegedly due to the decision by both countries to support counterterrorist operations in Somalia. In India, a network of Pakistani and Saudi-affiliated jihadists bombed urban transport systems and marketplaces, with a view towards undermining the foreign tourism industry and disrupting local commerce.

…causes problems for counterterrorism agencies

It is out of this trend that jihadist groups seem to have developed their newest tactic: attacks against Western citizens in the developing world, using cross-border affiliations. In this, they are exploiting a crucial weakness in the international counterterrorist regime. Unlike long-distance at-

tacks, which can often be traced back electronically to the originator, cross-border attacks rely heavily on human networks which are difficult to penetrate. Often, these networks make use of criminal contacts that have already compromised the effectiveness of regional border control systems and police surveillance. Attributing responsibility for a specific terrorist attack becomes exceedingly difficult in such an operational milieu.

Furthermore, unlike domestic terrorist incidents which can be thoroughly investigated, cross-border attacks collaterally create diplomatic tensions between governments. Intelligence agencies usually are less willing to share information about an attack if it appears to have originated from within their jurisdiction. This is especially true when elements of an intelligence agency might themselves be implicated in the attack, either at the level of planning and preparation, or merely by possessing foreknowledge of it. The bureaucratic firewalls which come up around cross-border investigations allow terrorist planners to plausibly deny their involvement and escape government retribution as well as public anger.

For jihadist strategists, the need for deniability regarding wholesale slaughter of civilians has been evident since 1997, when members of al-Gama al-Islamiyya massacred foreign tourists in Egypt. The public outrage that followed took the group by surprise and compelled its spokesmen to hurriedly distance themselves from the incident. It also provided the Egyptian government with political grounds to impose a massive security crackdown. Keeping this in mind, LeT initially attempted to deny its involvement when it conducted a similar attack in 2008, killing Western tourists and Israeli nationals in India. This time, the attack involved a transnational network that led investigators to suspected terrorist sympathisers within the Pakistani security apparatus, as well as diaspora communities in the US, Europe and Saudi Arabia. For reasons of political sensitivity, it could not be fully probed by the concerned law enforcement agencies, and as a result LeT suffered no consequences for the massacre.

Impact of the Arab revolts

The January 2013 crisis in Algeria was a recent example of the new drift towards cross-border terrorism. The perpetrators are believed to have comprised of at least six different nationalities, with possible connections to Europe and North America. Several appear to have been from countries bordering Algeria, and the attack itself likely originated from a poorly policed area in nearby Libya. This raises serious questions regarding the

effect that political disturbances in the Middle East and North Africa have had on counterterrorist surveillance.

There is a general consensus that intelligence awareness of jihadist activity in the Arab world has diminished since the Arab revolts began in 2011. The extent of this deterioration has varied between areas. In Egypt, for instance, much of the security apparatus was able to continue functioning normally. However, in the Sinai desert bordering Israel there has been a drop in local patrolling and intelligence coverage. The result is that Bedouin tribesmen who have traditionally been involved in arms smuggling, have grown bolder in moving their shipments. They are currently believed to be the main source of weapons for Islamist groups in Egypt and Gaza. These groups feel that the overthrow of the Hosni Mubarak regime has left Israel open to guerrilla attacks on its southern flank. They are confident that with more regime changes in other Arab states, the Israeli nation would stand isolated. Any secret arrangements for peaceful coexistence between the Israeli government and Arab elites would be voided with the overthrow of these elites and their replacement by street Islamists.

The situation is worse in Libya, where the violent downfall of Muammar Gaddafi led to a systemic collapse, in intelligence terms. Jihadists inspired by Al Qaeda are believed to have rushed to exploit the consequent turmoil, setting up sleeper cells in urban areas and logistics networks in the countryside. They have been a major factor in the ongoing instability in Mali. AQIM has acted as a receptor and conduit for these militants, due to its area of operations having widened across much of the Sahel region since 2006. There are other players too, however, such as various factions of a group called 'Ansar Dine' (Defenders of the Faith), and the Movement for Oneness and Jihad in West Africa, an AQIM splinter faction.

Competition between rival leaders is a prime reason for jihadist attacks on Western targets located in Africa. The 2013 Algeria crisis is believed to have been orchestrated by a career criminal who was simultaneously a longtime jihadist. Passed over for promotions within AQIM and dissatisfied over the payouts he received from its kidnapping operations, he founded a breakaway faction. It appears that he was seeking to assert his credibility as an independent warlord by attacking Western energy concerns in Algeria, knowing that this would earn him international attention. An identical process had led to a spike in Boko Haram operations in Nigeria during 2011–12, when a 'dissident' fac-

tion turned to spectacular attacks as a means of overshadowing its parent organization. Importantly, in both cases the dissidents continued to proclaim loyalty to the Al Qaedaist dogma that drove their former colleagues.

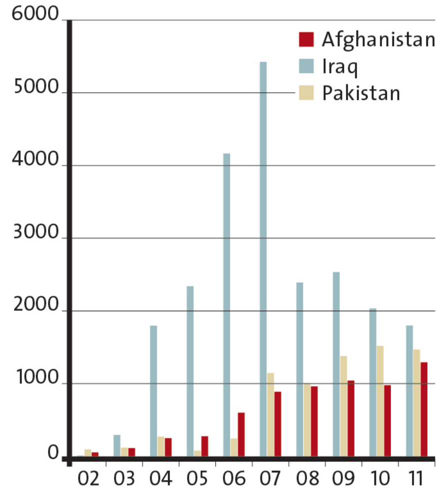
Twisting jihadist narratives to match reality

At the level of political narrative, the Arab revolts have provided scope for Al Qaeda to project itself in self-flattering terms. According to Ayman Al-Zawahiri, the United States had already been reeling from defeat suffered at the hands of Al Qaeda footsoldiers around the world, in places such as Afghanistan and Iraq. It had retreated behind a wall of Arab puppet dictators, with whom it had hoped to crush the Islamist resistance. With those dictators now being swept from power, Washington has suffered yet another grievous defeat. Zawahiri claims that the only reason the US did not oppose the fall of Mubarak was because he had evidently become a strategic liability, not because it supported a more just system of governance in Egypt.

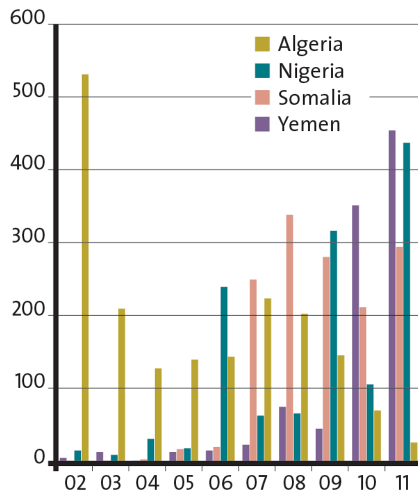
Similar liberties with facts are being taken in Al Qaeda's interpretation of Gaddafi's fall. According to jihadist folklore, the Libyan dictator was overthrown by a populace outraged at his willingness to cooperate with the West and dismantle his weapons of mass

Fatalities from jihadist terrorism in selected countries, 2002 – 2011

Jihadist violence in Iraq has declined since 2007, but increased in Afghanistan and Pakistan.



A decrease in attacks within Algeria has been offset by substantial increases in Yemen, Somalia and Nigeria.



Source: Global Terrorism Index

destruction (WMD). No mention is made of the support that Western powers gave the Libyan insurgents. This is hardly surprising: Jihadist folklore also states that the Soviet Union withdrew from Afghanistan in 1989 due to a handful of 'Arab Afghan' fighters, rather than because of domestic compulsions and a massive covert operation by Western intelligence agencies in support of Afghan rebels. With the US withdrawal from Afghanistan now only a matter of time, Al Qaeda is preparing to lay claim to yet another jihadist 'victory' that it actually had little to do with.

Back to the future

Analysts are increasingly of the view that the international terrorism landscape is returning to the form it had in the early 1990s. The global movement first identified in 1992 by Egyptian intelligence and subsequently labelled as an 'Islamist International' by US scholars has merely been re-branded as 'Al Qaedaism' since 2006. In essence however, it reflects the same situation: Several clusters of terrorist networks linking regional Islamist movements, some of which are more militant than others, and all of which seek to violently overthrow governments in the developing world. However, unlike the 'Islamist International', Al Qaedaism has imparted a coherent narrative and strategic concept to regional jihads. This narrative and concept emphasizes the need to hit Western targets at a local level, even as operations continue to be launched against the 'near enemy' and its security apparatus.

One alarming development has been the adaptation of jihadist groups to ground conditions, with a view to winning popular support. The Al Qaeda leadership is known to have lately issued directives to regional affiliates that they should study the grievances of people within their immediate vicinity, and exploit these in a positive sense. Thus, governance failure in many parts of the Muslim world has been a recruitment booster for local jihadists aligned with Al Qaeda's ideology. From North Africa to South Asia, they have engaged in the provision of social services and have highlighted the human costs of counterinsurgency policies. This extends to the US drone campaigns in western Pakistan and in Yemen, which have been used by jihadist sympathisers in local media organisations to arouse public anger against the governments of Pakistan and Yemen, besides stoking rage against the West.

It would be erroneous to believe that no major terrorist attacks can be launched against Western homelands, but the possibility of their succeeding is low. This is partly because of

sustained investments in the US and Europe in foreign and domestic intelligence systems, which have made complex plots difficult to execute. However, the main reason is because the casualties suffered by Al Qaeda's operational leadership have crippled the core group that was personally assembled by Bin Laden. Between 2001 and 2011, it lost four military chiefs and four chiefs of its special operations unit, which handled long-distance attacks. The Saudi millionaire's insistence on avoiding bloodshed between Muslims had led him to sponsor operations towards Western targets in non-Muslim countries. If past trends are any indication, his successors will now seek to personalise Al Qaeda's targeting policy in their own ways.

Without a strong central leadership, this could lead to a fragmentation of Al Qaeda. Zawahiri is believed to be a divisive leader, and it is not clear how prepared other Arab jihadists would be to obey his dictates, particularly since he does not have the same high-society origins as Bin Laden. However, this does not mean that a divided Al Qaeda would be less dangerous than a united one, merely that it would present a different type of threat.

Diverse, with shared purpose

The jurisprudential legacy of Abdullah Azzam lives on, albeit tinged with the tactical innovations of operational planners like Imad Mughniyeh and Khalid Sheikh Mohammad. This legacy prophesies an eventual reconquest of Muslim lands currently ruled by 'apostates' and 'unbelievers', and their incorporation into a unified caliphate. Importantly Europe and the US do not share similar destinies in this vision. Since parts of southern and eastern Europe were once under Islamic rule, or so goes the jihadist narrative, they must be reclaimed. The United States, on the other hand, became an enemy primarily because it opposed this reconquest from an early stage and encroached into Muslim lands after 1990. If it were only to withdraw its forces to its own territory and stop supporting apostate governments, the jihadist movement would have far fewer reasons to quarrel with it.

Besides becoming a prop in Al Qaeda's internal narrative, the Arab revolts have also helped radical Islamists in practical ways. They have disrupted police surveillance of jihadist activities, and in countries where massive unrest has occurred, such as Egypt, Tunisia, Libya and Syria, scores of top-ranking jihadists have been able to escape from prison, or were simply set free by governments no longer interested in cooperating with the West against terrorism. Strategic thinkers such as the Syrian radical Abu Mus-

ab Al-Suri, who is best known for his sharp assessments of the international jihad's strengths and weaknesses, have ensured that Al Qaedaism will outlive the organisation that is most strongly associated with it.

Already, counterterrorism analysts have observed that the few plots against Western homelands that have been detected in recent years have originated from Yemen. An Al Qaeda affiliate, Al Qaeda in the Arabian Peninsula (AQAP), is believed to be responsible. Although primarily focused on conducting cross-border attacks in Saudi Arabia, in order to destabilise the regime there, its members are also scouting opportunities to strike the 'far enemy'. AQAP might even be a slightly exceptional case: The broader trend seems to point towards attacking Western interests in areas where jihadists have long operated.

Al Qaeda is relying on a combination of intermarriages, organisational mergers and personnel transfers to boost its local presence worldwide without attracting intelligence attention. This is a shrewd approach, since a review of US counterterrorist targeting patterns indicates that Washington only prioritises going after those jihadists who attack American interests a long way from their 'normal' area of operations. If regional jihadists can be coopted to strike at US nationals and American-owned businesses in developing countries, there is little likelihood of an immediate punitive response on the lines of that which followed the 9/11 attacks. Fears have even been voiced of a 'competition' breaking out among these jihadists, to surpass each other's achievements by conducting spectacular attacks against local Western targets.

With the Arab revolts having partially eased pressure on radical Islamists, and Bin Laden's death having weakened the logic of focusing only on the 'far enemy', Al Qaedaism has gained currency at local levels. The narrative that underpins this ideology has shown remarkable adaptability, balancing tensions within the near enemy/far enemy strategic debate without losing coherence among its followers. While the threat that Al Qaeda and its affiliates pose to Europe and the United States has certainly declined, the different positions that each occupies within the jihadist worldview do not suggest that they each face identical risks. The United States remains a prime target, but is less vulnerable in ideological terms to jihadist attack since it was never historically part of the Muslim realm and thus is not part of the caliphate vision. Europe, on the other hand, is still considered to be a battleground due to its medieval his-

tory, especially at its southern and eastern fringes. This would become starkly evident should terrorist networks succeed in carrying out a major strike on European soil, owing to recent developments in North Africa.

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