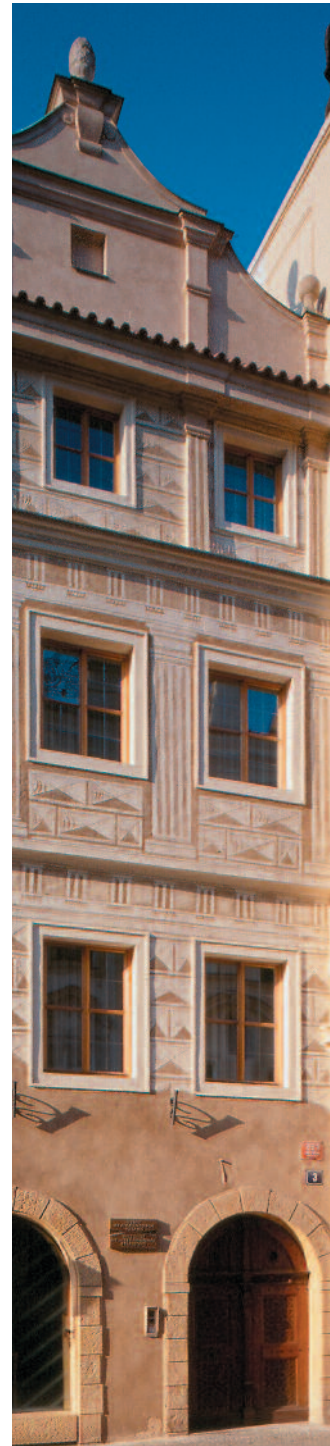


World Politics: Scenarios 2012–2013



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Introduction

Scenario building was first introduced in the U.S. security community in the 1950s. In RAND projects, “scenarios” (with the term consciously borrowed from the Hollywood film industry to emphasize their *storytelling* character) evolved into a sophisticated auxiliary means of political decision-making. The method was thus born from the spirit of the Cold War, yet soon it found its way into the private sector, where it has served to manage corporate risk. More recently, scenarios witnessed a rise in popularity also in the *think tank* community as outcomes relevant for policy makers due to their potential to bridge theoretical knowledge with the needs of political practice (early warning potential) and as a means of broadening and deepening the space for public debate about global politics.

The following collection of studies shares this ambition. We understand scenarios as internally consistent hypotheses of future development in which drivers are logically connected to their possible outcomes.¹ Their aim is not the most accurate probabilistic forecast. Nor is it an identification of an ideal future and the subsequent search for optimal ways in which it can be achieved. The individual scenarios are the results of modelled interactions of key identified drivers with implications for the EU. Therefore they serve as a means of capturing key dynamics and pointing out, through an elaborated causal chain, possible yet hardly thinkable consequences of otherwise unproblematically thinkable actions. Our scenarios were conceived in the following way. Firstly, the key drivers (including actors with certain preferences and the material means to realize them, and structural conditions) acting in favor of change or preserving the *status quo* were determined. Secondly, from a set of their modelled interaction **two scenarios were chosen that met the criteria of reasonable probability, relevance and mutual difference**, and these were then complemented by **a third, less probable but still highly relevant scenario**. Depending on the nature of the subject matter, the last scenario in each case assumes a somewhat different but always important role: it attempts to imagine the consequences of the “unthinkable” (e.g. the victory in the U.S. presidential election of Ron Paul, who will almost certainly lose but whose ideational platform will likely influence the character of American politics for the time to come), outline the extreme possibilities a linear development (e.g. a bloodily suppressed revolution in Russia) or point out the suppressed perceptions of reality underlying existing political planning (e.g. the ongoing transition and *Afghanization* of the conflict in Afghanistan). We tried to reflect not only the inevitable historical nonlinearity and the fact that all statements about the future are unavoidably indebted to an understanding of the past that is constituted based on particular theoretical assumptions, but also the risk of overprediction in the

¹ This definition is inspired by Steven Bernstein et al., “God Gave Physics the Easy Problems: Adapting Social Science to an Unpredictable World,” *European Journal of International Relations* 6: 1(2000) 52.

highly politicized and medialized issue areas (cf. the Iran crisis study). To confront the results of our individual inquiries, an internal workshop was organized at the IIR in February 2012.

What does the world that emerges from our collective speculation look like? It is a world of unrest, of trembling, of undergoing structural changes that will shape the future of international politics for many years to come. Several of the studies address, from different perspectives, the current European crisis. The recently ratified fiscal treaty may bring a renewed institutional unity to a Europe divided along many axes (with the varieties of transformation including the emergence of the North/South divide, *Kerneuropa* or an even smaller core surrounded by its peripherized, more or less allied satellites). Yet it can also further facilitate this fragmentation. In many respects, the key role will be played by Germany, which only reluctantly assumes leadership in solving Europe's problems. Berlin may choose a strategy of a technocratic, functional integration based on supernational principles (which would be welcomed by the markets and also limit the resistance against the perceived German hegemony). It may also lead the EU to economic governance and, by extension, a closer (and possibly smaller) political union founded on a federal principle. In more than one of the studies Europe, including Germany, is haunted by the ghost of a eurosceptical revolution, which could result – among others – in the emergence of a Germany-dominated *Mittleuropa*. Other envisioned developments in Central Europe (CE), once again modelled against the background of the current economic crisis and the search for solutions (and taking into account the divergent gravitational tendencies of Poland and the other CE states), include a possibility of CE's double *peripherization* – *vis-à-vis* the EU and, more generally, the West, and its increased vulnerability related to the weakening U.S. interest in it, Russia's assertiveness in the Eastern neighbourhood and its own internal disunity. The crisis, however, also presents the region with opportunities to foster more coherence in areas such as security or promoting the EU's Eastern policy. The economic crisis bears on the EU's external affairs too, including its relations to Turkey. The relationship with Ankara is to be all but improved during Cyprus' presidency. Finally, the crisis brings an unexpected positive dynamic to the EU's relations with China, with the latter finding significant benefits in stabilizing its important export market and buying bonds not issues in USD. China's involvement may not be only positive, however. Its new leverage may also be used for exerting pressure on the EU (e.g. with regard to the market economy status question, or the arms embargo) and facilitating the EU's fragmentation. The relations may also become more strained if China suffers from more domestic problems.

What may America's role in the world be after the upcoming presidential election? Although several great strategies clash in the campaign – on one hand, Barack Obama's realism and managing decline from the position of a global hegemon (the rhetoric of the

“indispensable nation” notwithstanding), and on the other, the emphasis on trade dominance and revived neoconservatism of his likely Republican opponent Mitt Romney – the actual resulting foreign policy may not turn out significantly different. The reasons for this are the continuing influence of the ideational paradigm of American exceptionalism and the strategic culture of hegemony in the first case, and the lacking resources for executing the “strategy of American strength” in the second. In both cases, the importance of Europe (including CE, at least if no major crisis emerges here) in U.S. geopolitics will diminish while that of Asia and the Pacific will grow. The policy toward Iran may change, on the other hand, unless another solution to the current crisis regarding Iran’s nuclear program emerges in the meantime. The risk of a military conflict with Iran in the near future may be less likely than the alarmist voices predict. Nevertheless, the possibility of an Israeli strike or an unintended escalation in the Straits of Hormuz cannot be ruled out. The same can be said, however, about a possible recalibration of U.S. alliance politics in the Middle East (if Obama secures a second term), which would lead to a normalization of the U.S.’s relations with Iran based on shared strategic interests within a complex regional diplomatic initiative. The failure of the latest round of sanctions (including those of the EU) may increase the likelihood of the first two scenarios while limiting the chances of the third. What consequences developments of the Iran crisis could have on a small neighboring state of Bahrain, tested by the transformative processes of the Arab Spring? The *status quo* would mean continuation of Iran’s destabilizing activities in the kingdom, whereas the effects of escalation scenarios vary from military intervention (a possible effect of an Israeli strike on Iran’s nuclear capacities) to domestic stabilization (an effect of Iran’s closing the Strait of Hormuz followed by an action of international community).

While it is not implausible to expect that regarding Iran the situation will remain the same in the near future, the expected dynamic in Afghanistan – resulting either in retalibanization or a centre-periphery conflict and the fall of the country in the pangs of a civil war – undermines the credibility of the existing transition plan. Meanwhile, the possible developments in Asia and the Pacific could bring about both risks and opportunities. On one hand, a rise in tension may be expected between China and the other states in the region, with which the U.S., as an *offshore balancer*, has been intensifying its relations. Yet China’s increasingly problematic global economic relations may also press Beijing toward a more conciliatory regional policy. Finally, while in many issue areas there is a considerable degree of uncertainty regarding future developments, in Russia one thing was certain for a very long time: the presidential election would be won by Vladimir Putin. What was at stake is only under what circumstances this would happen and what implications the nature of Putin’s victory will have for the relations with the West. A nervous victory could lead to a more conflicted relationship, which, however, at the same time – together with the ever more authoritarian style of the Russian

government – could propel the rise of a more coherent approach by the EU, e.g. in developing a common energy policy.

We hope you will find our scenarios both entertaining and interesting.

Ondřej Ditrych

1. The Fiscal Compact: The Centre of Gravity in the new EU?

The nature of the Fiscal Compact (FC) can to some degree be compared with the Schengen Agreement (SA) from 1985. Both were negotiated as independent international agreements outside EU primary law. The SA, however, has since become a part of the EU primary law, and even if the FC could meet the same destiny, there are also some major differences between the two agreements. Most importantly the euro-zone possesses not only its own primary law, i.e. the FC and the European Stability Mechanism, but also its own institutions, namely the Euro Group and the Euro summits, which are a new addition that came with the FC. Since the euro-zone now possesses both a primary law and its own institutions, we can even argue that it is transforming into an independent international organization operating alongside the EU. From this perspective the FC is a step in the direction of a qualitatively new form of diversified integration in the EU.

The Fiscal Compact Enters into Force. Most likely, the FC will be ratified by more than twelve of the euro-zone states, which is the minimum that is required for its entrance into force. But for the FC to be of any relevance for the future of the euro-zone we argue that the following four crucial countries need to be among the twelve: France, Germany, Italy and Spain. However, even if this happens the ratification of the FC is merely the beginning of a new era of diversified integration. Here we see three possible models of how the periphery-centre dynamic can develop. The first model can be called the *Solar System*. According to this model the mutual economic and political dependence between the various parts of the EU will gradually bring the periphery back into the core of the EU. The decisions taken in the euro-zone affect also the non-euro countries and therefore they cannot, in the long run, resist the temptations of a re-unified EU. The logic prevailing in this model can be compared with how the UK reconsidered its position in relation to the newly established EEC in the early 1960s. Even though the UK does not ratify the FC in the near future, it will attempt (through political declarations and other steps) to overcome the cleavage between the euro-zone states and the others. In the long run, the UK will receive the guarantees and exemptions it seeks and it will agree with incorporating the substance of the FC Treaty into the legal framework of the European Union. The FC will go down the same road as the Schengen Agreement, which was later incorporated into the EU treaties. The relevance of the separate euro-zone institutions will be weakened by the invitation of non-Euro countries to Euro summits and the gradual increase in members of the euro-zone itself. The difference between the Euro summits and the European Council, the Euro Group and the ECOFIN is gradually becoming less significant. In the long run the model foresees a return to a situation where all EU members share the same primary law and the same institutions. Diversified inte-

gration will continue but in the sense known at least since the Maastricht Treaty – some states will be given opt-outs from central policy fields, but the institutions and primary law will be shared by all. The second model is the *Binary Star*. Here, the non-compatibility of interests between the north and the south of the EU will provide the fuel for further diversification. While the southern states will rather demand greater state interventions into the economy, as a condition for economic growth, the north will prefer deregulations and austerity. After the FC enters into force, EU members will not be able to find a common ground for further steps. The South will continue to argue for a tax on financial transactions, euro-bonds, etc., while the North will reject such measures and institutionalize its own cooperation in order to protect the principle of the four freedoms of movement (their access to internal market). Germany will be trapped in the inconvenient position of being the mediator between the two groups. In the end it will side with the South, which will be the mainstream position within the euro-zone. However, some euro countries, such as the Netherlands, Estonia and Finland, will join the rebelling group. The key country for the functioning of the more institutionalized collaboration among the periphery countries will be the UK. The strength of the alternative formation will be dependent on its ability to form a more permanent collaboration between a larger number of the rebelling states. The Northern Future Forum could be seen as a symbolic start for such collaboration between the UK, the Nordic countries and the Baltic States. It is highly unlikely that Poland would join such a grouping, but if it would, that would clearly change the strength of the periphery group and the likelihood of the long term existence of the Binary Star model. The last model can be called the *Milky Way*. After the entry into force of the FC both pressures for convergence and pressures for divergence (mentioned in the former two models), will be present. Some countries of the periphery – driven by the economic imperatives, geopolitical interests, or their eagerness to influence the euro-zone decision-making – will ratify the FC and later opt for euro-zone accession. The UK (and maybe a few other countries), however, will resist, and therefore the development towards a two speed Europe will continue. The model assumes the euro-zone will be consolidated as an international organization with its own fiscal and monetary policy, institutions and law. The increased importance of the euro-zone will come at the price of the decreased importance of the EU and its institutions. In contrast to the Binary Star model the periphery countries will not manage to provide a stable alternative to the euro-zone, which could serve to defend their interests *vis-à-vis* the euro-zone. The smaller non-euro-zone countries will then rotate around the dominating centre of gravitation (the euro-zone). Yet, they will also see other stars in the galaxy and therefore they will not follow the route of the Solar System model.

Implosion: The Fiscal Compact Fails. According to this scenario, the FC will not be ratified (and implemented) by sufficient number of euro-zone countries (12). The implosion scenario also occurs when the FC comes into force, but the following implementation is resisted in one of the four key countries (i.e. France, Germany, Italy and Spain).

The nature of the treaty is such that without the active collaboration of these countries the purpose of the FC cannot be realized. The most likely impulse to such a development would be the victory of the Socialist candidate in the French presidential elections in April–May 2012. France would then demand, as a condition for the FC, an ambitious pact for growth and possibly also euro-bonds. Germany and some other countries would reject the French demands, but the demands would find support among several other euro-zone states. The core would then be falling apart and the fiscal integration would come to an end. If at this point the euro-zone still faces the economic and debt crisis, which we assume it will, then either the negotiations will restart with further development in accordance with the first scenario, or the development will take the dramatic turn predicted in the third scenario.

A Eurosceptic Revolution. In this scenario, we contemplate two models. The first is the *Big Bang*. The economic and debt crisis in itself as well as the dramatic measures taken to combat this crisis will erode the legitimacy of the EU and the euro-zone in the eyes of the public, which will escalate into a eurosceptic revolution that will be followed by the collapse of the FC and a gradual return to national currencies. The model assumes that the social unrest in the countries most badly hit by the crisis will be met with increased euroscepticism in some countries in the EU's core that are unwilling to finance further rescue packages (e.g. Wilders in the Netherlands, the True Finns in Finland, Le Pen in France). The end of the euro-zone will become a reality at the moment when the eurosceptic discourse gets a firm base in Germany (compare this with the study on Germany). The eurosceptic revolution is likely to set off a wave of anti-globalization, protectionism and isolationism. Such a revolution would bury not only the FC and the euro but also the European integration project as we know it, including the single market. In the most extreme case it could lead to the end of most forms of European collaboration and a return to political and economic nationalism. The second model is a *Brown or a Red Dwarf*. In case there is a eurosceptic revolution, a restart of the European integration project cannot be ruled out, even if it would be based on a different ideological base. Such integration could be limited to only a few West European countries, it would be driven by a strong sense of eurocentrism and nostalgia for the narrow club-like EU. The content of the integration process would be restricted to a few protectionist policies that would react to populist (xenophobic, anti-capitalist, anti-globalist) arguments from rightist (brown) or leftist (red) eurosceptic politicians. In case of a rightist victory (the "brown dwarf") we can also expect that the anti-liberal values will take the shape of increased negative sentiments towards East-Central Europeans (e.g. Wilders).

We assume that the *Milky Way* is the most probable scenario. The FC represents another step in the process of the institutionalization of the two-speed Europe. With separate institutions (Euro summits and Euro Group), the euro-zone establishes itself as the po-

litical core of Europe – a place where the most critical decisions take place. The remaining EU members are trapped in euro-zone’s gravity field. They cannot afford to break the economic ties with the core, yet they are unwilling to deepen the political bond and enter the core. The *Eurosceptic Revolution* would cause the most serious damage to the integration project, yet the likelihood of this scenario is relatively low.

Vít Beneš and Mats Braun

2. Germany: Hegemonic v. Eurosceptic

The euro-zone crisis brought Germany back to strategic European policy making after its post-Lisbon pragmatic turn.² The main features of the German government's approaches to the crisis solving and to the future of the EU are currently taking shape, with Germany unwillingly taking the lead in both processes.

As to the *political actors* involved, the roles of Chancellor Merkel and the Chancellor's Office have been dominant when it came to defining the German European policy. The *Kanzleprinzip*, according to which the Chancellor defines the main directions of the policy, has been enhanced. The Federal MFA has been weakened, while the Federal Ministry of Finance has enhanced its position; furthermore, the influence of business circles has increased, which has contributed to further economization of the German foreign policy. The Federal Constitutional Court has become a *de facto* political actor too. The crisis has also activated the CDU and the other political parties, all of which – with the certain exception of *Die Linke* – support further strengthening of the EU; the SPD and the Greens even call for an introduction of Eurobonds.

The *external factors* influencing German policy have been shaped primarily by the euro-zone crisis. Also, financial markets have become – in addition to nation states – the “new sovereign” of international relations and they even began to *de facto* dominate the political process. Geo-economics has replaced geopolitics, as Hanns Maull notes, and the centre of gravity of the developments in the world has shifted towards the BRIC countries. Germany (the only truly globalized European economy) has positioned itself strategically in between the EU and the BRIC countries in economic issues. France has been weakened and thus it has to accept Germany's leading role; at the same time, France has not experienced a national debate as regards the future of the EU yet and it is not ready to accept crucial institutional changes to the EU (such as a governing role for the EC) as for now. The German-Russian partnership has remained asymmetrical and fulfilled only in terms of economy. China is currently the most dynamic partner of Germany, which makes it possible for Germany to turn the globalization process to its advantage. The restrictive and selective approach of China to market opening increases, however, the German search for more co-operation within the EU.

One of the main *domestic factors* has been the above mentioned economization of German foreign policy and its tendency to reach beyond the EU in an attempt to establish itself on the global level. Germany sticks to its model of a surplus-generating export economy and develops an increasing share of its trade outside of the EU. The public opinion and behavior of the German voters are not primarily anti-European. They

² The author thankfully acknowledges the inspiration for the present analysis by Jens Becker, Christoph Bertram, Ulrike Guérot, Jackson Janes, Mathias Jopp, Hans Kundnani, Barbara Lippert, David Marsh, Hanns W. Maull, William E. Paterson, Quentin Peel, Daniela Schwarzer, Wolfgang Streeck and other authors.

rather express antipathy towards the indebted EU countries and a rejection of the financial transfers. The German nationalism is still largely defensive; it has an ethno-national component (see the “Sarrazin-Gen” – a mock term coined after Tillo Sarrazin, a harsh critic of the immigration and multicultural policy in Germany) but lacks an ambition to gain power, a wider intellectual base and media support. As soon as the mere existence of the euro and the EU was threatened, the German European policy regained its strategic and ideational dimension: from the summer of 2011 on, Germany has been working toward turning the EU into a political union. The reason for this is the lack of trust in the political will of the southern EU states to implement fiscal discipline as well as the looming loss of the support Chancellor Merkel enjoyed so far in her party CDU, with the party membership increasingly alarmed by the prospect of an EU collapse.

Germany as an Unwilling Hegemon of the Euro-zone. Germany acts as the rescuer of the euro-zone; the massive financial transfers which this role requires (primarily if Greece remains a member state of the euro-zone), however, elevate Germany into a hegemonic role and critically burden the German-French relations. The first phase of the development is based on intergovernmental agreements and decisions taken by the Council. This predominantly technocratic strategy of saving of the EU through structural changes remains the key political agenda. Germany guarantees the existence of the EFSF/EMS instruments (which were weakened by the French loss of the AAA rating) also because the mechanism may be needed in order to shield other weaker EU countries and perhaps even Germany itself from the dictates of the financial markets. The return to the neo-functional concept of development of the EU includes the conviction that the monetary union will spill over into a fiscal and political union. This strategy strengthens gradually the supranational principle and finds the support of the financial markets, of the German exporters and also the proponents of the EU deepening. The development, however, entails also a weakening of the role of the national state and of its sovereignty. The legitimacy of the neo-functional model, however, has to be considered in the context of the potentially destabilizing influence of the “new sovereign” (financial markets), which makes further deepening of the EU inevitable. A possible rejection of the financial transfers in the monetary union by the German public represents the main domestic risk. Meanwhile, the main external challenge is the impact of the increasing asymmetry on the German-French tandem; also, growing of the conceptual differences between the two countries is likely in case of the electoral victory of François Hollande. The technocratic reform does not transform the EU into an active global actor in the early stage, and Germany continues to run a parallel bilateral policy agenda on the global stage mainly when it comes to its strategic partners (strategic bilateralism). This “two-track strategy”, as Guérot calls it, though, bears the risk that neither track will be sufficiently developed and focused. This could backfire also on the German relations with Russia and China.

Federal Germany in a Federal EU. The technocratic concept of the rescue of the euro-zone and its gradual nature fail to produce tangible results. Also the two-track strategy of German foreign policy turned out to be too costly and insufficiently effective: Germany was unable to influence Russian policy and secure a reciprocal attitude on the part of China when it came to the opening of the Chinese market. Also, the financial markets push Germany into a radical deepening of the EU. Germany seeks a breakthrough towards a federal EU and the creation of a political and fiscal union – if necessary, in the shape of a *Kerneuropa* (European core). Germany pursues changes to the EU treaties aiming at the creation of a fiscal union, and later it accepts also the adoption of eurobonds and the formation of common public budgets and of an economic and fiscal government of the EU. The ECB returns to its original monetary role. A financial transaction tax and a European banking tax provide a source for the financial means that would be necessary for further bailouts. The EU gradually becomes a respected international political and security actor. As a result, the EU member states are not faced with a dramatic increase of asymmetry in relations with Germany. Those countries that prefer abstaining from the deepening of the EU face a degradation of their status and a self-marginalization which results in a dramatic decrease of both their nominal and real sovereignty.

“Sarrazin’s Eurosceptic Germany”: A Eurosceptic Turn in Germany’s European Policy. Germany itself gets under the pressure of the financial markets, and the EMS/EFSF instrument and subsequently also the euro-zone collapse. A large part of the German public joins the critics of the government’s and the EU’s policy. The corresponding defensive, ethno-nationally tainted discourse (personified, among others, by Tillo Sarrazin) turns into a rejection of the EU. A eurosceptical political party arises and soon represents an electable alternative, pushing German policy towards populism and a defence of the immediate interests of Germany, thus threatening the functionality as well as the mere existence of the EU. The relative weight of the German economy defines Germany as the hegemon of a closer community of states, a “northern euro-zone”. The inevitable re-configuration of the German-French relationship offers France no other option than to join the “northern euro-zone” and maintain the “residual EU”. Germany conducts a highly conflicting policy of a geo-economic power. A German dominated *Mitteleuropa* arises with only a negligible influence on Germany itself even within the “residual EU”. The German foreign policy is fully “economized”. Germany as a geo-economic power does not seek (and fund) the development of a European or global multilateral order. Thus the importance of a functioning NATO increases – including for the U.S.

The key question regarding German foreign policy is whether Germany continues to behave as a “civilian power” (a state which supports further strengthening of the EU and of international norms and which prefers political instruments of crisis/conflict solv-

ing). Without solution to the euro crises and without EU becoming an effective actor on the world stage, the chances that German policy maintains its civilian nature are bleak. The other option – Germany’s transformation into a global geo-economic power pre-occupied with its own (primarily economic) gains – would run counter to the interests of both Germany as we have known it as well of its Euro-Atlantic partners.

Vladimír Handl

3. Central Europe: Between Centre and Periphery

In the period covered in this publication, Central Europe will face the risk of a double peripherization: it will be at risk of becoming a periphery of the EU and at the same time of becoming a geopolitical periphery of the “West”. At the same time, the contemplated developments include also possibilities for the region in terms of more cohesion and regional cooperation.

The key factors at the *structural level* will be as follows: 1) the EU’s efforts to solve the financial crisis and the burdening political and economic situation in Europe; 2) the weakening of the value-based approach to the European integration as opposed to the strengthening of the problem-solving and economizing one; 3) the continuing change of the U.S. foreign and defense strategy and the related decline of the U.S. engagement in (Central) Europe; 4) the domestic and foreign policy development in Russia and the “post-Soviet” reactions to the Russian ambition in this geopolitical sphere. These factors might in particular lead to strengthening of the multi-speed tendencies in the EU, which could have negative impact on the elementary cohesion among the V4 countries. Another risk is a decline in the attractiveness of the “European values” for the Eastern and South-Eastern neighborhood of the EU together with a decline in the ability/willingness of the EU itself to engage in this space. These two risks combined bring about the danger of a double peripherization of Central Europe – both within the framework of the EU and, in geopolitical terms, in the space between the “West” and the “East”. Another important risk rests in the growing Russian assertiveness and its centripetal effects on the Eastern European countries, which contribute to the security vulnerability of Central Europe. However, the recent situation also brings forth opportunities. One of the most important ones is, in fact, the opportunity to solidify the Central European cohesion, which might take place as a result of Central Europe standing up to the trans-Atlantic and European challenges and reacting to the danger of peripherization.

The key factors on the *regional level* are 1) the general (dis)agreement of the V4 on the elementary questions of the future of the EU; 2) the level of cohesion of the V4 while dealing with particular European issues (namely the new financial framework negotiations); 3) the effectiveness of the V4 cooperation in supporting the European ambitions of the Eastern and South-Eastern European countries; and 4) the level of the Czech-Polish harmony in foreign, defense and European priority areas. Under these conditions, the biggest risk consists of deepening the already existing differences in the views about the future of the EU between Poland on one side and the three smaller V4 countries on the other (Poland as a pro-European mid-power; the Czech Republic, Hungary and Slovakia as peripheral, non-influential and/or EU-sceptical countries). Furthermore, there is a possibility of national preferences prevailing over the regional approach in formu-

lating the Eastern and South-Eastern policy with the consequence of wrecking the effectiveness of the V4 activities towards this region. The regional opportunities lie in finding a strong regional response to the existing European problems and transferring this response to the European level, an effective support of regional priorities during the negotiations about the new financial framework, a further strengthening of the relations with the Eastern and South-Eastern European partners, and a deepening of the Czech-Polish cooperation (namely in the areas of security and military industry, but also in the areas of energy, transport, and economic and scientific cooperation).

The key factors at the *domestic level* will be 1) the domestic political development in the Czech Republic and the cohesion of the governing coalition; 2) the Slovak parliamentary election in March 2012; 3) the domestic development in Hungary; and 4) the tensions in the Slovak-Hungarian relations. The risks that come with these factors include especially the inability of the Czech government to effectively formulate a consensual and acceptable position on the most pressing EU-wide issues and, related to that, a progressive loss of predictability and credibility in the eyes of the other Central European partners, especially Poland. No less risky are the possibilities of the formation of a nationalist, populist and excessively strong government in Slovakia, a government which would have great difficulties in finding a partner in Central Europe (and beyond); further escalation of the Slovak-Hungarian conflict; and, finally, a deepening of the Hungarian economic crisis together with an advancement of the Hungarian political turmoil, resulting in a further shift of Hungary towards the European periphery. There are few opportunities for improvement on the domestic level and most of them are not likely to materialize. For example, there is the unlikely possibility of the Czech government finding a basic accord regarding core foreign policy and especially European policy issues. What would be a positive development in this respect is Poland gaining a chance to further strengthen its politically and economically constructive role in European politics. Similarly, there is still a (slight) possibility for the formation of a predictable and respectable coalition government in Slovakia, which would, among other qualities, be willing to address the Slovak-Hungarian issue without the traditional emotions. Also there is the possibility of the Hungarian government of Viktor Orbán reassessing and changing its “reform” efforts in Hungary, but the chances of this are even smaller.

Preserving European Solidarity and Strengthening Central Europe. The EU will resolve the immediate financial crisis, the euro-zone will survive and so will the EU as such. The EU will also find enough willpower to preserve the fundamental inner solidarity (as it will have the potential to do this), and it will succeed in formulating its new political and normative framework. This formation might be somehow influenced by Poland, but certainly not by the Czech Republic, Hungary or Slovakia. These countries will be,

at best, able and/or willing to accept the newly formed framework. Thanks to the retained regional cohesion, a further deepening of several important dimensions of the regional cooperation might be expected. Namely this could happen in the areas of security and defense, infrastructure, energy, and economy, or even in scientific areas. In the longer run, the competitiveness of the V4 region might be enhanced, and together with that, its ability to communicate the regional priorities to the EU level would be enhanced as well. Central Europe will also progress towards finding a new basis for its relationship with the USA. There is no room for Central Europe to once again become a “strategic partner” of the USA, yet several key areas of cooperation between Europe and the USA might be identified (namely human rights and democracy promotion, support of the Eastern European neighborhood, energy, and security) and the cooperation in these areas could be carried out. As for Russia, the EU will find enough willpower to seek a pragmatic relationship with it. There will not be any significant breakthrough or progress in this respect, but at least the *status quo* will be preserved. As for the Eastern and South-Eastern partners, they will not advance towards the EU membership, though at the same time, neither will the interest in their EU membership (on both the side of the EU and that of the Eastern partners) disappear completely. The EU will also act as a sufficient corrective of the Hungarian domestic development.

Multi-Speed Europe and the Gradual Disintegration of Central Europe. The EU will resolve the immediate crisis but only at the price of a deepening of the multi-speed tendencies and a loss of its solidarity with its weaker (euro-zone) members. With the strengthening of the problem-solving and technocratic nature of the EU, its attractiveness in the eyes of the Eastern and South-Eastern countries will shrink. The V4’s inner cohesion will sharply decline. While Poland will have the potential to seek membership in the EU’s core, the other (smaller) V4 countries will – for various reasons – stay at the periphery. The overall peripheral nature of the region will increase, while Russia’s will become more attractive for the other post-Soviet countries. Moreover, after the formation of a populist Slovak government the Hungarian-Slovak conflict will escalate. All these factors will weaken the fundamental regional cohesion, which has only very recently begun to be palpable.

Disintegration of the EU, and the Instability and Vulnerability of Central Europe. The EU will not resolve its inner problems, and thus it will effectively disintegrate. The EU will cease to act as a “soft power” in Central and Eastern Europe, and there will be a general trend of the rising popularity of populist and nationalist sentiments in the region. Central Europe will thus become a genuine double periphery, as it will be exposed to both the power and geopolitical ambitions of Russia, and the Eastern neighborhood’s instability. The Central European governments will mostly seek national, unilateral and/or bilateral solutions to the problems of Europe, as opposed to regional, European and/or multilateral solutions.

Most likely, no significant deviations from the current trends in Central Europe will occur this year, but even the maintaining of the *status quo* will call for enormous diplomatic efforts. At the political level, the leaders should try to avoid letting conflicting issues imperil the overall level of the regional cooperation. At the working level, the V4 countries should seek to continue in pursuing a policy of specific regional projects in a number of areas with the hope that these projects would strengthen the regional cohesion and, on the other hand, weaken the centripetal tendencies.

Michal Kořan

4. EU and Turkey: The Role of Cyprus Presidency

This paper focuses on the impact of the Cyprus EU Council Presidency in the second half of 2012 on the relations between the European Union and Turkey. Due to the long-term conflict between Turkey and Cyprus, the Presidency may become a challenge for two key EU interests: the EU-Turkey accession negotiations and the cooperation with Turkey in the Middle East and North Africa (MENA). In this matter, there are two particular aspects that are important for the European Union and its foreign policy priorities: a) the EU-NATO cooperation, which is currently impeded by the Cyprus conflict; b) the political stability (preferably democratic) and security in the Eastern Mediterranean.. Good relations with Turkey are essential to achieve both priorities.

The following actors and factors will be important for the development of this issue in the second half of 2012. *The Republic of Cyprus* has been an EU member since 2004 and it is the member state with the lowest public support for Turkey's EU accession. The DISY party won the general elections in 2011 after accusing the AKEL party of giving up too much during the re-unification talks. There will be a presidential election in 2013 with representatives of the biggest parties, DISY and AKEL, running for the post. The campaign has already started and no proposals for a compromise with Turkey can be expected at this point – especially when the situation is such that even the more moderate part of the Cyprus political spectrum believes that it is Turkey's turn to try to find a solution to the conflict. In the Presidency priorities that have been published so far, neither Turkey nor the conflict is mentioned. *The Republic of Turkey* started EU accession talks in 2005, but the talks were partly suspended already in 2006. The Council decided that Turkey has to fulfil its obligations on the extended EU-Turkey customs union before eight chapters can be opened, and that until then, all other chapters can be concluded only tentatively. On one hand, Turkey declared its wish to become an EU member, but on the other hand, the Turkish governing elite started expressing doubts about the membership's benefits. At the same time, the negative attitudes of EU publics and politicians are another reason for Turkey to question its membership prospects. As a result, the EU membership is not a sufficient incentive for Turkey to compromise on the Cyprus issue. Among the key factors we identify are, first of all, the *European crises*. The EU and its member states are undergoing crises on multiple levels (the economic downturn, the crisis of confidence in politics, and the wavering interest in the EU integration project). Issues such as its position in the Cyprus conflict or Turkey's EU membership are not considered a priority in these times of economic challenges. Therefore, we do not expect the Turkey or the Cyprus issue to be on the priority agenda of European policy-makers, with the exception of nationalist movements. This lack of prioritization applies not only to the member states, but also European institutions. At the same time it

may be assumed that those which are responsible for enlargement and external affairs agenda (notably the Commission's DG ENLARG and EEAS) will continue in their work under the existing political constraints.

Although the Presidency has a fairly limited formal role in foreign policy after the Lisbon Treaty, the six months term is still an opportunity for the country to make itself more visible and push its own priorities on the agenda. The Presidency can act as a responsible player and an honest broker that cares for the common good. In a different scenario, though, the presidency can vigorously pursue its own interests, such as the Cyprus conflict, at the expense of other issues. The possibility that a permanent solution to the Cyprus conflict will be found before the Cypriot EU Council Presidency is highly unlikely. Much more probable are scenarios in which the conflict remains an obstacle in the Cyprus-Turkey and EU-Turkey relations.

Zero Problems. The Republic of Cyprus will be interested in presenting itself in the EU as a mature and responsible member state, and therefore it will prioritize themes that are important for Europe as a whole, especially the economic crisis. With its goal to act as an "honest broker" the Presidency will avoid themes in which Cyprus's national interests might put this role into question. The performance of Cyprus during its Council presidency will thus be a significant departure from its post-2004 conduct in the Union. Cyprus will give priority to issues which are related neither to the Cyprus conflict nor to Turkey's EU membership. This agenda will either disappear completely during the presidency or will be addressed only on a low-profile level under the guidance of the European Commission and the EEAS when it is inevitable. Sensitive topics will not be on the agenda at all.

Escalation of Tension. The Republic of Cyprus will try to take advantage of its presidency to highlight its position in the Cyprus conflict. This will invite Turkey's reaction, and consequently Turkey's rhetoric will cause Cyprus to escalate the tension. Already in autumn 2011 Turkey announced that Cyprus's EU presidency might result in a suspension of the EU-Turkey relations. Although these declarations were later toned down to a decision not to attend meetings led by the rotation presidency, it is not very probable that the politics and rhetoric of Cyprus towards Turkey would be left without Turkey's reply. The most radical version of such a scenario would be Turkey's withdrawal from the accession negotiations. Here it is necessary to add that Turkey would consider such a step as irreversible (i.e. it is hard to imagine that Turkey would withdraw from the negotiations one day and come back to the negotiating table another day). Until the present day, Turkey had a number of possible reasons/excuses to withdraw from negotiations, yet it never made this decision. It is thus clear that besides the Cyprus conflict there are other factors influencing Turkey's decision on whether to continue in its accession negotiations with the EU. Thus the radical option does not seem very probable.

Crisis in the Region Unrelated to the Cyprus Conflict. As a consequence of a sudden crisis in the region (e.g. after an Israeli attack on Iran or a rapid escalation of a conflict in Syria), the Cyprus presidency and its agenda will lose significance, and the EU (and its member states) and Turkey relations will be conducted in other fora. In this case it is reasonable to expect the “Libyan scenario”: the primary forum for finding a solution to the crisis will be NATO, and in the EU, most of the agenda will be addressed in working groups under the leadership of the EEAS, in the Foreign Affairs Council, or in the European Council, i.e. without a significant influence of the Cyprus presidency on the negotiations. Moreover, it is justified to argue that in this case the leading role would be taken over by the big member states (the UK, France, Germany) while Turkey would be a key actor as a consequence of its geographic location, traditional ties to the region and membership in NATO. The EU interest in a functioning cooperation with Turkey in solving the crisis would then by far exceed any interest it might have in maintaining the traditional role of the presidency or in good relations with the Cypriot government. The Cypriot presidency would thus not have a significant impact on the EU-Turkey relations. The only major consequence for Cyprus would be the long-term damage done to Cyprus’s position in the EU in case the Cypriot government would still try to bring the Cyprus conflict on the EU agenda.

The EU leaders should indicate to the Cyprus presidency that the second half of 2012 is not a good time for debating the Cyprus conflict at EU fora. The goal should be to prevent the escalation of tension scenario and strengthen the probability of the “zero problems” scenario. Regardless of the developments in the accession negotiations with Turkey or in the Cyprus conflict, Turkey is a key partner for the EU. In the Middle East and North Africa, Turkey, just like the EU, is deeply interested in the stability of the region. Any problems in the region have a direct impact on Turkey, since it is a neighbouring state of several countries where there are or could be conflicts (Iraq, Iran, Syria). The EU member states should thus pursue a regular, institutionalized and open dialogue with Turkey not only on the bilateral level, but mainly on the level of the EU. Although the EU and Turkey lead a foreign policy dialogue in the framework of the accession negotiations, it is essential to also set up a framework in which the EU and Turkey would not be in the respective roles of a teacher and a student, but rather in the roles of partners. This is the most secure path to the implementation of the EU foreign and security policy priorities in the Eastern Mediterranean and in relations with NATO and also a path to a functional cooperation between the EU and Turkey in the event of a major crisis in the Middle East region.

Lucia Najšlová and Tomáš Weiss

5. The EU-China Partnership: The Bride for Sale Scenario?

The strategic partnership between the European Union and the People's Republic of China (PRC), which was declared in 2003, was subjected to a critical assessment from both sides during the following years. From the EU point of view, the qualitative as well as quantitative upgrading of relations between the EU and the PRC failed to meet the desired expectations. The EU's accessing of the Chinese market is being complicated by bureaucracy and hidden protectionism, whereas a deluge of cheap imports from China is raising the trade imbalance. The current deficit of €160–180 billion has been so far the world's biggest in terms of bilateral trade balance. Also, the EU's aim to support an evolution of the rule of law and respect for human rights in China failed to succeed. Beijing, on the other hand, was unsuccessful at obtaining Market Economy Status (MES), and lifting the arms embargo. The consensual nature of Euro-Chinese partnership, which enables blocking of claims that do not match each other's strategic goals, causes both partners to remain unsatisfied in several aspects. China has been dealing with the EU through combining a multilateral with a bilateral approach, and it also benefited from the disunity of the EU member states and the insufficient level of the integration process.

The recent rise of China's economic and political influence in Europe has so far not been analogous to any historical situation. The EU's effort to engage China internationally and take part in cooperative relations with it is paradoxically becoming more successful because of the difficulties of the West than because of the EU's own intentional policies. The economic difficulties of the EU cannot raise hopes for solidarity of China, the world's top foreign currency reserves holder, which is more likely to be worried about the economic slowdown in the euro-zone and a decrease of Chinese exports to it. Surprisingly, the EU-PRC strategic partnership is thus finding a new and unexpected dynamics during this time of crisis.

The growing Chinese foreign investments into the EU reached their highest level ever in 2011 (102%), however the EU's share in Chinese FDI still lags far behind the share of developing countries. The increase of the Chinese industrial and trade capacity brings a growing competitive power to Europe, while the two sides' structural complementarities have been decreasing. The emerging Chinese competition is becoming a relevant strategic challenge to the EU. Many Chinese companies that do business in Europe receive negative public attention due to Europe's biased media coverage of them, and also, in individual cases, because of the given companies' spectacular business failure, as was the case, for example, in the Chinese highway construction project in Poland. There is thus a risk that a negative anti-Chinese economic nationalism might spread through Europe.

The previous Brussels' strategy towards China arose from the early enthusiasm of the late 1990s, but it then went through a period of critical review (2005–2006) that resulted in attempts to revise its policies into a more assertive framework in order to rebalance the economic relationship, gain more access to the Chinese market and a greater claim for China's more flexible RMB currency rate. Meanwhile the global economic slow-down and the euro-zone debt crises boosted China's international economic influence and made Brussels' diplomacy more dependent on the PRC's support for financial rescue programs (the EFSF and the IMF fiscal pact). However, what price would Beijing claim for saving the EU?

Smooth Negotiations and a Happy End: China Saves the EU. The EU and the PRC may come to an agreement on some of the proposed Euro rescue programs, and the international financial package with China's assistance will solve the crisis of the euro-zone. Such a positive scenario, however, supposes an attitude of mutual consensus, both within the EU itself and between the EU and the PRC, which might act as the guarantor and loan provider. China's control over enormous foreign currency deposits, as well as the high importance of the EU, the most significant PRC's trading partner, underlines the rational grounds for such a support. In addition to that, buying European bonds and taking advantage of other attractive European business opportunities seem to be potentially profitable options for Chinese investors. Moreover, as there must be a strong interest on the part of China in avoiding an excessive dependence on the US dollar and its rate fluctuations, rescuing the euro might be a priority of Beijing, since it is supposed to search for alternative international currencies to balance its risks. Also the EU may support the Chinese RMB internationalisation process, as besides the Asian partners (Japan, Taiwan, Singapore), some European countries – namely the UK and Austria – already agreed to enable the RMB denominated bonds to be issued. In case the EU member states would eventually reach an agreement on a financial stabilisation pact, and the European debt crises would end, such a solution would open new perspectives for attracting non-European investors to Europe, including China. Non-European investors would behave not as saviours, but as rational actors who expect safety and that their investments will be returned. In the case of the Chinese assistance to the IMF fiscal support, China, in the role of the creditor, will demand an increase in the decisive power in this financial institution. In addition, the sizes of the individual Chinese loans to crisis stricken European countries would depend on their international rating fluctuations. The EU is generally going to accept the political demands of Beijing in exchange for its financial support. In an optimistic scenario, however, such a price for China's assistance would still be acceptable. Brussels is expected to grant MES to China earlier than in 2016 in return for its support, supposing that this compromise is not vetoed by the EU member countries. Also, the arms embargo which was imposed against the PRC in 1989

needs to be revised, which most of the EU member states agree with, though not all of them agree with its abolishment. Nevertheless, the human rights dialogue with China will still continue, and the support for individual foreign policies of the EU may officially continue as well. Otherwise Beijing will still uphold its individual priorities, no matter what the opinion of the politically weak EU may be.

A Withering EU at China's Mercy. This pessimistic prediction presumes an unfavorable development within the EU as well as Beijing being tempted by an opportunity to develop a pressure policy towards the EU. Beijing's commitment to come to Europe's rescue could not be seriously expected, as the real per capita living standard in China is incomparable to that of the rich EU. Also any failure within the EU in relation to the financial stabilisation package program without a real common agreement would dissuade China from investing into the stabilisation of the euro-zone. Beijing would simultaneously hold tough negotiations with Brussels and bilateral talks with individual European states in order to utilise a *divide and rule* game. The individual talks on loans would focus on the most endangered countries, such as, for example, Hungary, Ireland, Portugal, Spain, Italy, and France; purchasing state bonds and providing loans are strong political instruments, and so are strategic investments. Such a development would tend to separate the pro-Chinese group of countries from the others. An increase of Chinese political claims can be expected during the year 2012; Beijing will urge the EU to grant it MES as soon as possible, and also increase its demand for the lifting of the arms embargo. If China is granted the MES, it will boost the PRC's defence power in anti-dumping proceedings, and the weakened EU will hardly be able to push harder for a Beijing RMB exchange rate policy. The EU's human rights policy in China will turn into a fiasco, and even gaining China's formal support in international crisis issues – e.g. in the case of the Iran nuclear program issue – will be out of the question. The escalation of the EU-China tension, however, may stir up anti-China forces in Europe, which may lead to a veto of the MES for China, as well as a veto of the lifting of the arms embargo. The new wave of assertive approaches would also increase anti-dumping pressure against China. The conflictual atmosphere between the European states and China and also among the different groups within the EU would complicate and aggravate the common agenda. Also the media, as well as populist political parties, might have a negative effect on the rising European-Chinese tension, which would promote extreme right anti-Chinese nationalistic discourses. Furthermore, the wave of bankruptcies of European domestic producers, the deluge of cheap China made imports in Europe, the purchasing of attractive assets by Chinese investors, and China's spectacular investment acquisitions would altogether strengthen the growing anti-Chinese sentiment all over the Europe. The submissive EU policy and the compliant decisions made under pressure from China would arouse an atmosphere of frustration, which would seriously devalue the EU-China partnership potential. Furthermore, the lifting of the arms embargo against China would meet with a serious response from the USA.

The Chinese Economy Itself Is Struck by an Outer influence. This study assumes that the smooth first is the most likely development, and this scenario would seem to be the most consensual and mutually beneficial. Otherwise, conflicts of interest can not be excluded, especially in individual issues, as outlined in the pessimistic second scenario. But there is also an alternative scenario, which attempts to include outer factors in order to shift the attention from the Euro-centric perspective. The scheduled Chinese Communist Party Congress in autumn 2012 will confirm the smooth accession of the new leadership, and declare the new political program for the next five years. This new policy can hardly introduce experiments with political liberalisation, and the state economic policies would continuously prolong the general guidelines upheld during the era of Hu Jintao, especially the attempts at an internationalisation of the RMB currency. The main concerns in the domestic policy are with sustaining the GDP growth and adjusting the growing economic and social unbalances. Any domestic or international factors which would affect the economic slowdown inside the PRC would give rise to social unrest and bring about domestic political tension. As the Chinese government has been under the pressure of the fear that an unrest inspired by the Arab revolutions could spread through China, such a situation would limit the scope of Beijing's policy and may lead to China upholding a more nationalistic official rhetoric in foreign affairs. In the atmosphere of domestic unrest the financial activities in support of the EU would find insufficient local backing. The updated Chinese strategy would probably tend to a more assertive diplomacy towards the EU. The so far unbalanced Communist Party cliques and business lobbies, which would emerge with the new top leadership, would influence the state financial decision making. Such a hypothetical shift out of the previous balance would lead to the more conflicting second scenario, which would promise a political and economic capture at the expense of the weak EU. After having been more attached to the USA, Beijing might no longer need the EU as its real strategic partner.

As the EU faces the purposeful and assertive China's policy, the necessity of more sophisticated integration of the EU and of a reformulation of its China policy must be underlined that would answer the need of rebalancing its strategic partnership with the PRC. Even though the concept of a trusting and mostly cooperative partnership between the EU and China may raise doubts, the growing economic interdependence justifies plausibility of strategies that are more interactive and supportive than others that can be imagined due to the EU and China's obvious conflicts of interests. Sustaining the inner stabilities, as well as striving for consensual management of the strategic partnership agenda, provides for a more mutually beneficial outlook. However, the hypothetical politicisation of the EU-China agenda and the internal strains placed on both partners would lead into a confrontational diplomacy, with worse prospects for Europe.

The EU should update its China strategy; strengthen its political unity and deepen its economic integration. The bilateral policies of the EU member states with China will raise their effectivity if they are carried together at the EU-China level. The financial backing from the PRC would be beneficial only in case the EU proves its ability to solve the euro-zone crisis by itself first.

Rudolf Fürst

6. America after the Election: Grand Strategies v. Structures and Resources

Despite the ongoing debate about America's decline, the American presidential election continues to be an event that will significantly shape the character of world politics in the years to come. The scenarios in this study contemplate different versions of America's grand strategy – a dominant rationality of U.S. foreign and security policy based on ideas about the nature of the international environment, the national interest and the ideal ways of realizing it – that are based on different projected election results while taking into consideration the constraining factors of their practical implementation, that is, the structures and limited resources.

The key factor determining the result of the election, which will be held on November 6, 2012, will be the trend of America's economy (either a slow recovery or an ongoing stagnation). Particularly if the less clearly profiled Mitt Romney emerges as the Republican contender, the election will be a referendum about the incumbent president. The composition of scenarios, which assumes that there is a higher probability of Obama's victory in the contest, is based on aggregated poll results from the time of this study publication and their longer-term trends in combination with the Lichtman-DeCell test formula as an auxiliary analytical tool for forecasting presidential elections drawing on the study of historical constellations. Romney's nomination, however, is all but certain. In an extreme but not implausible case, though, Newt Gingrich will gather the protest vote in the South, and Rick Santorum will gather it in the Midwest, and in combination with Ron Paul's gains we may witness a situation in which no candidate will have a majority at the August 2012 Republican Convention in Tampa. The result would be a brokered convention which could bring the nomination to other potential candidates such as Mitch Daniels or Chris Christie, unlikely as this scenario remains for the time being. The decisive factors of the next president's foreign policy will be the different visions of grand strategy and the constraining role of the structures – the paradigm of America's exceptionalism and the strategic culture of hegemony (which are more important in the case of Obama, as he is trying to wind down the U.S. engagements abroad) – as well as the lacking resources (which limit Romney's proposed strategy of American strength).

Obama: Realism Squared. Obama will continue, despite the rhetoric of the “indispensable nation”, to follow the strategy of the U.S.'s managed decline from its hegemonic position in the international system. Realism, which will be reinforced by the departure of Hillary Clinton from the post of Secretary of State, but still tempered by the foreign and security policy's strategic and intellectual culture, will translate into an emphasis on the Pacific agenda, where the U.S. will keep up its strategy of offshore balancing of

China's influence through regional alliances in combination with a greater number of military resources stationed at the region's outskirts. The policy towards Iran will follow the same pattern as today, whereas a new policy of incentives *vis-à-vis* North Korea cannot be ruled out, as such a policy could replicate the situation after the rise to power of Kim Jong-il (1994). The hastened withdrawal from Afghanistan may follow the plan against the background of planned transition activities, but alternatively (and more plausibly, cf. the Afghanistan study) there will be a reconfiguration of the future presence of the U.S. forces in the country due to its retalibanization or slide into civil war. The management of great power politics with Russia and China, which is intended to reduce tensions and stimulate their acceptance of more responsibility in the current international order, will continue to achieve only limited results due to their limited interest. Further strategic arms control will stall because of the lack of will to discuss the heated issue of substrategic nuclear weapons. At the same time, under economic pressure, the deployment of EPAA components in Central and Eastern Europe (CEE) will be postponed, in particular if a military or diplomatic solution to Iran's crisis – however transient – emerges in the meantime and the new Russian government assumes a more hostile stance towards the West as a means of domestic societal disciplination. Austerity measures and the focus on new centers of gravity will translate into working out a plan for a silent, unilateral withdrawal of the obsolete substrategic weapons (which would aim at later challenging Russia's excuses related to its tactical nuclear deployments in Eastern Europe and resurrecting the arms control negotiations) and the majority of the U.S. military forces in Europe. The U.S. will not resign from its role in the European security architecture. In the future, however, its engagement will consist in the Asian model of deployability (rather than *deployment*) of nuclear weapons, missile defense sharing, shared planning and joint exercises.

Romney: The American Trade Century. Romney's grand strategy is characterized by a Hamiltonian stress on America's trade dominance through support of big businesses in combination with a revived neoconservative project. In his view, the American response to threats originating in the "dangerous world" out there is a strategy of American strength and perpetuation of normatively based hegemony (contrasted to the world governed by multilateral institutions or by a concert of great powers) that is sustained by new investments into military capacities, particularly naval power. The intellectual architects of Romney's new neoconservatism with interventionist inclinations are currently his advisors Robert Kagan, Eliot Cohen, Eric Edelman, Walid Phares and Meghan O'Sullivan. However, the lack of resources necessary for the conduct of such ambitious foreign policy will gradually – as the limits of his grandiose plan to restore the U.S. economy surface – result in a more restrained approach and a dominance of the *business presidency* model. Similarly to Obama, Romney will stress the Pacific agenda. The dominant strategy *vis-à-vis* the economically and militarily rising China will be a more active onshore balancing. The management of the relations with the U.S.'s great power ri-

vals (framed as “authoritarian regimes”) will be more confrontational, though. However, Romney’s hawkish instincts will manifest in practice only in the case of an unexpected crisis. Thus, China will be subjected to a cold trade and currency warfare (the administration threatens raising protectionist barriers to Chinese trade, but the threat is not likely to be credible). A rhetorical “reset of the reset” in the relations with Russia will take place, followed by only limited actual measures in regard to Russia such as a shipment of defense systems to Georgia in accordance with the current Defense Guidance. The EPAA construction will continue as planned, whatever the developments in the Iran crisis may be (a return to the Bush administration’s missile defense plans in CEE will not take place, however). A withdrawal of U.S. military capacities from Europe and changed modalities for America’s participation in the European security architecture – possibilities that were also sketched in the first scenario – are not unlikely under Romney, though they may take place in a somewhat longer timeframe. A more belligerent stance will be assumed towards Tehran, though: if a diplomatic or military solution to this problem does not emerge during 2012, the odds of a U.S. attack will rise, with serious consequences for America’s recovering economy (and *ipso facto* for the resources available for the “strategy of American strength”). The withdrawal of troops from Afghanistan will slow down only marginally to allow sufficient time between the formal exit and the potential destabilization related to the peaking electoral cycle in Afghanistan (2014–2015). The reconstruction efforts will also be toned down as Afghanistan will be conceived more narrowly as one of the battlefields of the global war on terror rather than an object of a complex and costly stabilization policy.

Paul: Against the Empire. While Ron Paul’s chances of becoming the president are negligible, to imagine such a scenario is not a useless endeavor. Paul aims at creating a policy platform that may, and, given his present success, likely will, influence the Republican – but also the Democratic – policy in the future. (In the post-Bush era, not a few liberals find Paul’s criticism of the American empire appealing. This is the case despite the fact that his foreign policy, which he himself frames as “left-wing” is, due to its resistance to any global progressivist activism, patently *anti-liberal*.) Paul’s libertarianism combined with his conviction that the U.S. is relatively secure at present would be manifest in a Jeffersonian limited concept of America’s national interest and the ways it is realized abroad, by reinforcement of the Obamesque trend to lightening the footprint of America’s global presence. In Paul’s version, this would – notwithstanding the fact that the same limited effect constrains Obama’s policy – result in more severe defense budget cuts, a halting of the missile defense project, a *de facto* suspension of the U.S. membership in NATO and a significant reduction of interventions of all kinds. Paul’s government would also attempt to normalize the relations with Tehran and limit the military and diplomatic support to Israel. Significant global consequences would also be brought about by Paul’s domestic economic policy. Inspired by the marginal Austrian school of economics but finding support among the broader anti-federalist con-

stituency, it would consist of a categorical prohibition of economic stimuli, widespread deregulation, imposed limits on federal monetary policy and flirting with free banking (without the Federal Reserve and with banknotes covered by gold or other commodities). This would likely result in a shortage of available debt and a draining of the economy that might cause another global recession or – at the very least – undermine the trust in the dollar as a global reserve currency.

Europe plays only a limited role in the geopolitical visions of the two most likely presidential candidates, both of whom adhere to the concept of America's Pacific century. A withdrawal of U.S. military capacities (including substrategic nuclear weapons) from the continent is likely under both presidents, with the difference being only in the timing. At the same time, in neither case is the risk of America "betraying" CEE worthy of serious contemplation. The recommendation for European countries in this respect is to strengthen up the EU foreign and security policy. This should be done, among other ways, through a smaller project cooperation within the confines of NATO's *smart defence* or the EU's *pooling and sharing*, as it would allow for the building of ever more expensive capacities even in the age of austerity, and also generally for the development of a common European industrial and technological base. These capacities combined with the necessary political will and consensus will increase European security as well as contribute a larger share to the common Transatlantic security, thus reinforcing the challenged Transatlantic security alliance.

Ondřej Ditrych

7. Iran: The Endless Crisis?

The Iranian question belongs among the long-term issues of international security. It is moreover set in the context of a dynamic region. Whoever may stimulate it, the sustaining interest in the Iranian agenda may lead to a risk of overprediction. On the other hand the geopolitical complex regions reveal a substantial level of balanced stability that has a strong potential in keeping the *status quo*. The authors of study are well aware of the overprediction risk. Their scenarios aim at getting beyond the likely prediction of the *status quo* but at the same time they reflect the currently increased dynamics of the Iranian crisis. Iran has not officially announced its decision to build a nuclear weapon, although it is generally understood that its nuclear program has not been terminated. According to the most optimistic estimates Iran should be capable of gaining enough enriched nuclear material to build a bomb in roughly six months, while it would take another six months to create a testable nuclear weapon. At least the same amount of time would then be needed to deploy the weapon on the carriers at Iran's disposal. That said, for the time being, Iran's crossing of the military nuclear threshold is at least a year away.

The key factors for the development of the Iranian crisis include the rationality of the Iranian regime; the U.S. and Iran's strategic interests; the electoral cycle in the U.S.; the prevailing strategic culture of the dominant Israeli leadership; and the continuing militarization of the Persian Gulf. The decision-making process in Iran is governed by the rational calculation of behavior and its implications. The goal of the nuclear program – including the purposefully created ambiguity regarding the current state and future direction of the program – lies in reaching a position that would provide for the secure existence of the regime (both inside and outside) and a recognition of its regional ambitions. Thus, the intentions of Tehran are not clearly defensive since they also imply a modality of deterrence of a potential external intervention – e.g. a U.S. intervention in a regional conflict with Turkey, Saudi Arabia or Egypt (or compare to a third scenario in the Bahrain study, below). Iran's possible crossing the military nuclear threshold could take various forms. Apart from an open declaration the regime could apply a denial strategy when the actual existence of the nuclear bomb would be evident (Israeli model), which would also enable the regime to sustain the policy of ambiguity. This policy could be also maintained by an alternative strategy of terminating the program in the very last stage, allowing Iran to finish the work in a relatively short amount of time (Japanese model). The assumption of the actors' rationality does not challenge the possibility of a misperception or misreading of the adversary's policy, which influences the escalation dynamics in the first two scenarios. The culmination of the U.S. electoral cycle essentially reduces the possibility of a U.S. attack on Iranian nuclear facilities. At the same time the Israeli hawks (Netanyahu, Barak) may be correct to assume that in case

of an Israeli attack, Washington would not have any other choice but to support it. These hawks, belonging among the influential figures deciding on Israel's defence, share the strategic habitus of dealing with the security problems through resolute and extraordinary means. They seem to consider military intervention as a solution of the Iranian nuclear problem that provides an alternative to the so far inefficient political pressure, sanctions, and covert operations (including killings of nuclear scientists, cyberattacks, explosions in nuclear facilities or research and development centers of the ballistic program, and sabotages carried out through supplying defective components). This position is getting stronger as Iran is approaching the *immunity zone*, making the path to reaching the creation of the nuclear weapon irreversible. Finally, Obama's securing a second term (cf. first scenario of the American study) is the inevitable condition of the third scenario.

An Israeli Attack. During the first months of 2012 the Israeli hawks manage to convince a majority of the political and defence elite that the sanctions deployed by the international community have been insufficient and that an attack on Iranian nuclear facilities is an ultimate necessity. Following the past successful precedents (Iraq – Osirak, Syria – al Kibar), which did not lead to escalation, the Israeli officials activate the plan to attack Iranian nuclear facilities, prepared already for a few years. Instead of the originally planned US-Israeli military exercise the Israeli F-15s and F-16s weaponized with laser-guided bombs (which were successfully tested in Syria) and the aerial refueling special aircraft will travel to the corridor between Jordan and Syria and further over Iraq (Syria will be occupied by its internal conflict, Jordan will only issue a diplomatic protest, and Iraq will have neither technology nor will to attack Israeli aircraft). During the first phase the Israeli air force will attempt to disable Iran's air defences, and attack the following targets. The heaviest bombs will be dropped on the underground centrifuges in Natanz, and the other targets will include the reactor in Arak and the facilities in Isfahan, Bandar Abbas and Fordow (near the city of Qom). The U.S. leadership, which until the very last moment believed that it would discourage Israel from the attack, will be pressed to warn Iran that any retaliation would lead to a U.S. engagement in the conflict. Despite the warning Iran will not be able to ignore the unprecedented scale of the attack as well as the great symbolic value of the nuclear program. Thus it will decide in favor of a surprising retaliation. On the other hand the regime in Tehran is well aware of the damaging potential of a wide scale regional conflict and therefore it will carry out a limited missile strike targeting a few strategic places in Israel and several oil facilities in the Gulf (with the exception of Iraq) while always trying to avoid civilian losses. Israel may also be targeted by the Hezbollah and radicals from Gaza. The U.S. Navy deployed in the Gulf will destroy several Iranian missiles and air defence facilities to reduce the Iranian strategic position. Meanwhile Israel, which will relatively easily

endure the Iranian retaliation due to its effective missile defence and civil protection mechanisms, will heavily attack the Hezbollah, while the U.S. military threat will gradually halt the escalation in the Gulf. The Iranian activities will then turn to the proxies in Iraq, Lebanon, and Afghanistan.

The Unintended Escalation in Hormuz. The U.S. will strengthen their military presence in the Gulf. Two currently deployed carrier strike groups (CSG Carl Vinson and CSG Abraham Lincoln) and the total of about thirty U.S. navy vessels, including two cruisers with the anti-missile system Aegis, together with the British (including HMS Daring) and French vessels will be joined by a third CSG Enterprise in March. Even if the primary intention of the militarization of the area is to deter Iran from an attempt to close the Strait of Hormuz and prepare the U.S. for the crisis outlined in the first scenario, the accumulated naval power will contribute to a accidental event (with a precedent in the 1980s). An escalation of the conflict is not in anyone's interest, though: as the Strait of Hormuz serves to transport 32% of the world oil production (including Iran's) and 28% of the world's LNG production, the conflict would harm the Iranian economy, which is heavily dependent on oil exports, and the growing oil prices, even if the production would be partially compensated by IEA reserves, could harm the convalescing U.S. economy and create a permanent pressure of the global market on the solution of the crisis. However, the absence of an absolute control by the Iranian elite over some parts of the military forces will send the conflict further down the spiral. A vigorous U.S. retaliation against the Iranian Navy will follow with the intention to prevent Iran from closing Hormuz. In turn, Iran will target and attack other U.S. facilities in the region (e.g. military bases in Kuwait, the UAE, Qatar or Bahrain). Additionally, Israel could be involved in the conflict during this phase. The U.S. will strike the missile bases and the centers of the nuclear program, while Tehran will react with attacks on oil facilities in Saudi Arabia (Dharan, Abqaiq), Kuwait and the UAE. After the fast escalation of the conflict, the space for a diplomatic solution will open. The world economy, however, will have trembled by that point.

America's Alliance Reshuffle. Obama wins the presidential election. Led by a motivation to avoid a conflict that would have impacts on the slowly recovering U.S. economy, secure his place in history and comply with his own strategy of managed decline, he will take advantage of his second term and decide to recalibrate the U.S. coalition politics in the Middle East. The informal negotiations will gradually eliminate the fundamental mistrust between the U.S. and Iran and lead to a dramatic diplomatic turn (with precedents in Roosevelt's opening to the USSR in the 1930s or Nixon's to China in the 1970s) that would follow the strategic interests of both sides. From the U.S. point of view the *rapprochement* could contribute to the stabilization of Iraq and Afghanistan, fulfill the goal of control and multilateralization of the Iranian nuclear program and enable Obama's government to implement a new strategy or regional balancing based on a

substantially lower deployment of military capabilities. The Iranian regime would terminate the advantageous zone of ambiguity regarding its nuclear plans, gain new guarantees of its own security (with Ahmadinejad, facing criticism of the Aytollahs, thus securing also his own position) complemented by a withdrawal of a significant number of U.S. forces from the region, achieve the recognition of its regional ambitions (influence in Iraq), and bring to end the crippling sanctions that erode the regime's internal legitimacy. Security guarantees would be provided also to Israel, with Iran silently limiting support of the Hezbollah and Hamas, hence increasing the chances for the U.S. to make progress in the Arab-Israeli conflict and offering President Obama to make a historical mark. Saudi Arabia loses the special relationship to the U.S., but would become one of the guarantors of the restarted peace process while accepting the renewed guarantees of its totalitarian regime's survival in light of the gradually decreasing significance of Saudi oil and the Arab Spring process (Mubarak).

Lately, the policy of sanctions has been accelerating, targeting Iranian oil exports that make up roughly 80% of the country's economy. However, the sanctions could be problematic in several respects. Iran exports around 3.5 million bpd (especially to China, the EU, South Korea and Japan). The oil market is, according to estimates, able to balance the loss of 0.5 million bpd, while a greater downfall would impact downstream prices due to the supply shock. The related problems could complicate finding a way out of the economic crisis. With regard to the essential dimension of the oil segment in the Iranian economy, the purchasing power of the country would decline, with the impact first on the food sector. It remains to be seen how far the social discontent and unrest could undermine the current regime and how the "Western" sanctions would influence the political and social reform circles. Nevertheless, it is quite clear that the sanctions are short-term and relatively extreme measures. Their potential failure increases the probability of the alternative solutions (first scenario) or an escalation of the tension (second scenario) while as long as they remain in place, a possibility of a complex diplomatic breakthrough (scenario 3) is limited, regardless of the development in the U.S.

Vít Střítecký and Ondřej Ditrych

8. Bahrain: The Geopolitics of Upheaval

There is a decidedly geopolitical dimension to Bahrain's chapter in the so-called "Arab Spring" originating from the same source of instability that has plagued the Kingdom for the past 30 years; Iran. Iran's claims to Bahrain, as its 14th province, have in the past, been followed by Shia-led demonstrations, *intifadas*, acts of terrorism and attempted *coups d'état*. This latest round of political violence – corresponding by design to unrest in other parts of the region – underscores an important relationship between Iranian isolation and violence in its self-proclaimed areas of interest. Since Bahrain is an extremely small state, both demo- and geographically, it is seen by Tehran as an easy target for bolstering Iran's regional influence. This has been achieved through three main groups: the Islamic Front for the Liberation of Bahrain (IFLB), Hezbollah Bahrain and, most recently, the al Wefaq party which ultimately hijack Bahrain's opposition movements for Iranian interests. Owing to this relationship, any evaluation of Bahrain must also include Iran and investigations into Bahrain's prospects for ending the violence on its streets is directly connected to the unfolding regional crisis surrounding the Islamic republic. In short, the road to Manama runs through Tehran. This exercise in scenario building revolves around two themes: *status quo* preservation and Iranian revisionism. Within each of these lay intrinsic EU interests connected to international trade, political stabilization and energy security. While these are not explicitly treated, the assumption that any disruption in Gulf political stability will result in global economic fluctuations which will affect the EU as a whole and its individual members, is valid and taken for granted in this work.

Preserving the Regional *Status Quo*. The most likely scenario is the preservation of the existing regional *status quo* where Iran remains non-nuclear and the Gulf Cooperation Council (GCC) deters any direct intervention into Bahrain though is unable to stem Iran's sectarianization and politicization of Bahrain's Shia community. This scenario implies that regional stability would, largely, be maintained though Bahrain would continue to be marred by violence and general socio-political and economic arrest. The only solution to the impasse rests on the prudence of Bahrain's government and the integrity of its people. This implies that Bahrain's government stick to its schedule of critical reform as highlighted in the November 2011 BICI Report and continue to publicize its achievements to isolate the al Wefaq party from its constituents. Although this path is favored by Bahrain, al Wefaq is determined to act as spoiler and will continue to engage in violent demonstrations to polarize Bahraini society. It is also likely that demonstrations will transform into yet another *intifada* with acts of terrorism carried out by Hezbollah and the IFLB and public disobedience coordinated by al Wefaq.

Limited Militarized Interstate Dispute. Limited military action conducted against the Islamic republic may benefit Bahrain by denying Iranian proxies the financial support, clandestine logistical networks, small arms training and political cover needed to continue their subversive activities. If political rhetoric were indicative of behaviours then all GCC members, the U.S., UK and Israel would already be engaged in combat with Iran. However, rhetoric is often not reflective. Yet, the current mobilisation of political energies and military forces indicates that a militarized armed conflict involving Iran is on the horizon. With this in mind, three variants may be explored: 1) Israel conducts dual aerial and clandestine services operations against Iran to prevent nuclearization; 2) The U.S. and a coalition (comprised of European and GCC members) attack Iran to prevent its nuclearization; 3) Iran forcibly closes the Strait of Hormuz and, in turn, is attacked by the U.S. and a European and GCC coalition to undo the closure and prevent nuclearisation (compare to above, Iran study which sees the second two subscenarios as less likely). Each of these is risky and the age-old dictum that “no battle plan survives contact with the enemy” must be recalled, however it is important to envision how each variant could impact Bahrain and the wider region. Bahrain would not publicly condone Israeli belligerence but neither would it be condemned. Instead, Bahrain would tow-the-line of the GCC, silently welcoming the destruction of Iran’s nuclear program. However, for an Israeli air-strike to be successful it would require, at least, the tacit support of GCC countries which would grant it the use of airspace. This will produce an Iranian counteraction. Lacking the capabilities to directly retaliate against Israel, Iran will content itself engaging its local adversaries. Consequently, Bahrain would experience renewed and intensified violence as Hezbollah Bahrain and the IFLB deploy terrorism while al Wefaq orchestrates “street violence”. This will lead to a police crackdown and inspire Iranian intervention to “defend” the Shia. Saudi Arabia, fearful of an Iranian *de facto* annexation, would deploy its forces and regional war would ensue, bringing the U.S. (and its allies) into the fray. Hence, an Israeli attack against Iran would produce a regional conflict, affecting international security and energy supplies. If, in contrast, the U.S. initiates an offensive against Iran, the GCC would endorse the action and offer assistance to show solidarity and avoid being identified as perpetual free-riders. U.S. military action would be confined to aerial and naval bombardments against Iran’s nuclear facilities and, probably, assets connected to the Revolutionary Guards. This would directly implicate Bahrain since the U.S. 5th fleet is stationed in Manama and these forces would be utilized. While Bahraini complicity in U.S. actions against Iran would increase street violence on the island, Iran would be prevented from direct intervention. Instead, Bahrain would deal with the violence, as it does now, and this would not spill-over to a direct conflict with Iran. Hence, violence would continue on the streets though regional war would be averted. Alternatively, if Iran were to initiate a militarized dispute through its promised closure of the Strait of Hormuz – promised if the EU embargoes its oil, which occurred in January 2012 – violating international mar-

itime law, the UN would legitimize the forcible reversal of the closure and UN members would be authorized to use “all available means” to restore the pre-closure *status quo*. Predictably, despite the subsequent abandonment by Iran’s key allies (Russia and China), only the U.S., UK and a handful of European and regional allies will work to fulfil the UN’s Hormuz mandate. Since the logic driving the UN to act would be based on an illegal closure of the Strait rather than Iran’s nuclearisation, the Islamic republic may hope that the military action taken against it would be limited to undoing the closure. However, the U.S. (and allies) will expand and also target Iran’s nuclear infrastructure to undermine Iran’s position in the region. This will produce a political tremor: sub-state Iranian allies will distance themselves from Tehran as its political influence is steadily stripped away. In Bahrain such an exposure of Iranian impotency will have al Wefaq seeking a quick negotiated settlement with the government.

The Islamic Bomb. It is very unlikely that, in the near future, Iran successfully constructs and tests a nuclear weapon and emerges as a nuclear-armed state. Too many countries – regionally and internationally – will be endangered by such developments.

However, if Iran does become a nuclear state, it would pose an altogether different challenge than any other nuclear weapons acquisition before, undermining stability and global economics based on the projected hyper-valuation of hydrocarbons since oil and gas resources from the Gulf region would be exposed to excessive “geopolitical premiums” and there would be the very real danger that conflict be triggered and escalated until, ultimately, WMD were deployed. Nuclear Iran would deepen its involvement in guerrilla conflicts in Bahrain, Lebanon, Saudi Arabia, Iraq, the UAE, Kuwait and Qatar. Only in Bahrain does it seem likely that Iran would deploy its own military forces in an attempt to turn the Persian Gulf into an Iranian “lake” to regulate and tax maritime traffic in and out of the oil-rich region. Such a limited military action would be very difficult to undo, and Bahrain may find itself alienated from its allies, including the U.S. The GCC would, under such circumstances seek a negotiated settlement with Iran; though at the same time, Saudi Arabia will embark on its own nuclear acquisitions. Rumours currently abound claiming Pakistan will sell Saudi Arabia several nuclear weapons as a deterrent against Iran. In other words, a nuclear arms race will occur in a region that lacks adequate polarity and where ideologies are terribly apocalyptic in nature.

The first scenario benefits the EU owing to the general stability of oil prices and the diminished possibility of an escalation which could force NATO’s intervention. However, it is loaded with domestic risk for Bahrain. If Iran is not militarily checked, the argument goes; it will continue to labour at eroding the socio-political cohesion within and between the Gulf States. Hence, Bahrain seeks a long-term solution gravitating around the active containment and/or the combined limited deployment of force and/or the continued isolation of Iran. In the second scenario, increased hydrocarbon prices and

potential entanglement in regional conflict would afflict the EU. In the first two variants the EU will face prolonged hydrocarbon price increases and insecurities surrounding potential terrorist campaigns in and against Europe. In the third variant however, owing to the speed of the campaign, and the UN mandate to do so, it is envisioned that hydrocarbon prices will rise only temporarily, that Iran's military capabilities be undermined and longer-term stability be produced in Bahrain. Finally, on the off-chance that Iran becomes a nuclear power, the EU will find itself engaged in the costly nuclear containment of Iran. This will take the form of either the direct extension of nuclear deterrence from France/UK, together with the U.S., or through the acceptance of a regional nuclear deterrent (i.e. through the acquisition of a Saudi Arabian nuclear weapon). In either case, not fully appreciating the manner in which Iran's ideological orientation treats nuclear weapons open conflict may be inevitable and the EU could not afford to be idle observers since the material and normative interests of the Union would be at stake. Simultaneously, hydrocarbon prices will soar, reaching Ahmadinejad's estimated \$400 (pb). In short, while none of the above scenarios lacks hazard, Iran's nuclearization is the most dangerous for the Gulf Region, the EU and the entire international community.

Mitchell A. Belfer

9. Afghanistan: Retalibanization or Civil War?

Afghanistan's post-conflict reconstruction has become one of the primary topics of security analysis, along with the political credibility of the Allies (the International Security Assistance Force – ISAF). The proposed scenarios for the reconstruction are constructed on the basis of two sets of factors: political and security factors. Usually, the existing models and projections of the future transformation of the ISAF involvement are based either on an independent variable referring to the transformation of a political commitment, and a dependent variable said to be the degree of stabilisation and reconstruction of the Afghan territory; or, on the contrary, on an independent variable understood to refer to developments in the security environment (through extrapolation from the current situation), and a dependent variable specified as the nature of the ISAF involvement in Afghanistan. On the basis of their previous research on Afghanistan, the authors suggest that neither of the above options is the suitable one, mainly due to the lack of causality between any of the above factors. Simultaneously, they acknowledge that it makes sense to work with these variables, though outside the realm of simple causality. The following scenario building is thus based on their conviction that the important factor in this matter will be the concurrence of the security development in Afghanistan and transformation of the ISAF's political mandate, although the relationship between those processes will be a contingent one. However, that does not mean that various combinations of the processes could not be proposed.

Retalibanization and Reduction of the Allied Commitment due to Deterioration of Security. This scenario can be understood as a sub-optimal one in terms of the existing official plans of the United States, NATO, and the ISAF coalition. The key contributing factors will be a security set in the following combination: an increase in insurgency; an increase in the number and severity of terrorist attacks aimed against ISAF soldiers; and an increase in lethal terrorist attacks and sabotages against the central and provincial administrative structure in Afghanistan. The process of retalibanisation will exploit the anger of the Pashtun community, which will be itself driven by the growing numbers of civil casualties (the so-called “collateral damage”). As a result, the domestic demand for the return of a strong order and traditional values will rise. One of the political consequences may be a “mayorisation” of the presidential function with actual sovereignty being limited to the Kabul area. Support of the Taliban regime by elements of Pakistan's military and secret services (ISI in particular) will be recognized as an important political and material factor. Thus, Pakistan will continue in its attempt to distance itself from the allied plans concerning the AfPak region. As far as allied activities are concerned, one of the results will be an overall reduction in their intensity and scope, main-

ly in areas of training and meta-training. Similarly, the strategy concentrated on population protection and provincial reconstruction will be abandoned. On the other hand, it can be expected that surgical air strikes and selective ground operations of special forces (mainly the U.S. special forces) will be increased. The allied plan of political transition and a gradual Afghanisation of the conflict will cease to serve as the main cognitive framework legitimizing the allied involvement and will be replaced by a discursive emphasis on stopping the terrorist threat emanating from Afghanistan, i.e. a return to the mindset of the situation immediately after 9/11. This security emphasis even has the potential to replace, or at least to complement, the currently popular U.S. contemplations about earlier troop withdrawal.

The Clash between the Centre and the Periphery and the Gradual Lapse into Civil War.

This scenario rests on political factors both inside and outside of Afghanistan, with important security fallouts for the country. The main contributing factors are considered to be the following two and their combinations: the presidential elections in the U.S. in 2012 and the presidential and parliamentary elections in France in the same year (both of the campaigns have seen a dominant stress on the withdrawal of the allied troops); and the sudden and cardinal U-turn in the political orientation of the recent Afghan President, Hamid Karzai, specifically manifested through his alienation from the allied commitment and the related practices, and his subsequent demand that the allied forces leave his country. As a result of this political configuration, the U.S. and allied troops will be withdrawn rather hastily and they will leave a security vacuum behind. A growing clash over the nature of the future Afghanistan will ensue and this will violently pit against each other two conceptions and their defending coalitions – the representatives of urban (Kabul) Afghans coming from the diaspora and those of the regionally based domestic periphery (rural spaces and urban spaces, with the exception of Kabul), which has always fought against the externally imposed centralisation of the country. The objective of the warlords, the Taliban, and perhaps some elements of the Northern Alliance, i.e. the main protagonists of this power clash, will not be to control Kabul, where the power of the urban elite from the diaspora will be concentrated. Rather, they will clash over politico-economic power in Afghanistan's regions and try to get local tribal elders and clans on their side (they will play the role of a pivot). The consequent pattern will consist of a geographically, politically and economically uneven division of the territory. Afghanistan will not become a major safe haven of terrorism (inviting and idea of a possible military action in the Enduring Freedom style) or a unitary, strictly religious state. Afghanistan as a state will only exist *de iure*, while *de facto* it will combine privatized, ethnic and religious political authority, which will be shifting every so and often. The Taliban will rely on Pakistan (mainly on the ISI) and return to its religiously purer form, whereas the warlords will again dominate the drug trade. Afghanistan will become a space insulated from the secular West and the “renegade” states of the Arab world.

Optimistic Scenario of Continuous Transition and an Afghanisation of the Conflict. This scenario is derived from the official U.S. and NATO thinking about the ways in which the transition of power to domestic political and security institutions in Afghanistan can take place. The dominant place in this reasoning assumes the strategy of “damage limitation” in both political and security spaces. The allied attention is directed to a dignified withdrawal, not to the transformation of the conflict as such. While the real security situation on the ground clearly shows that there are many negative factors at play, they are not considered in this scenario fully, or at all, mainly due to external political reasons (the electoral campaigns in the U.S. and France in particular, in combination with the overall unpopularity of the ISAF mission in Western countries and the related financial burden). A significant destabilizing factor – the ongoing effects of the Durand Line – is artificially suppressed by the policy-makers who still try to present Pakistan as a “partner” (despite the growing ambivalence of the U.S. and other allied countries towards Pakistan). Allied actions will increasingly focus on a shift from combat and military-support operations and provincial reconstruction to the following two areas: indirect development and reconstruction; and training of forces and their mentoring. As for the former, the indirect development will be relying on financial contributions (chequebook diplomacy), and the practice of subcontracting Western and local NGOs will grow. The allied countries and international organisations (the UN and the EU in particular) will mainly distribute the financial sums through the official development aid. The same can be said about the countries in the ISAF coalition, which will send financial contributions through bilateral and multilateral official development aid. The model of provincial reconstruction teams will be left behind as an ineffective and expensive practice of the past. Its only importance will be in an attempt to bridge the current situation and the allied exit (according to this scenario, it will be in a solidarity form of “all in, all out”, rather than a hasty withdrawal). The centre of gravity of the transition will move towards the training of the Afghan National Army and the Afghan National Police. This process will be regulated in accordance to the actual assessment of the security situation in each of the Afghan provinces and will take place in several waves. The opposite move – i.e. a serious deterioration in the security environment – is not considered within this scenario.

As the presented scenarios suggest, there has been a stark contrast between the official – and unrealistically optimistic – perspective on security and political developments in Afghanistan, and most probable developments modelled on the basis of security and political drivers. For this reason, it is quite substantiated to expect a major recalibration of the allied commitment within a year or two.

Nik Hynek and Jan Eichler

10. Asia-Pacific Area: Strains and Hopes

Since the controlled withdrawal of U.S. forces from Afghanistan and Iraq the strategic partnership between the U.S. and China, which in fact has been a relationship of undeclared rivalry as well, is becoming one of the main themes of America's global policy. As Foreign Secretary Hillary Clinton mentioned in her "America's Pacific Century" (published in *Foreign Policy* in 2011), the U.S.'s partnerships with China, India, Indonesia, Singapore, New Zealand, Malaysia, Mongolia, Vietnam, Brunei, and the Pacific Islands are all elements in the "more complex strategy" for the Asia-Pacific. However, such a term is understood in China as implying nothing else than containment. The *engagement* of China through trade and investment channels combined at the same time with *containment* by maintaining security ties in Asia is a *leitmotiv* of the America's policy in the region. Besides the above list of new U.S. allies there are also long time U.S. allies in the area such as Japan, South Korea, Thailand and the Philippines, whose role in the Asia-Pacific remained unchanged since the Cold War.

In both the U.S. and the PRC changes are scheduled in the state leaderships for autumn 2012. In the PRC, the new President Xi Jinping, the new State Council leaders, and the nine new members of the Communist Party *Politburo* Standing Committee are to be confirmed. Regarding the long time continuity of the U.S.-China relations, no significant changes in the bilateral agenda can be expected, not even in the case of the Republican candidate winning the U.S. presidential elections. China has for a long time been the key country within America's Asian policy and a subject of its strategic economic concerns. Besides, the U.S. security engagement in East and Southeast Asia makes up for the so far nonexistent compact defence architecture there. Yet the growing economic interdependence between the U.S. and China exposes the ambiguity of their geostrategic rivalry. Nevertheless, the issue of Chinese security and the corresponding economic challenge for the U.S. is most likely to appear during America's presidential election campaign.

Regional Tension between China and its Close Neighbouring States. The past experience of the U.S.-China relations since the 1980s suggests that even the 1989 crackdown on the democratic movement in China could not interrupt the growing ties between these two powers. However, the "China bashing" that will probably occur during this year's U.S. presidential campaign can hardly be avoided, as this usually happened on this occasion in the past. Thus Beijing's policy and China's currency rate manipulation, growing military power, strengthening of economic competition, and human rights violations are to be exposed to fierce criticism by all the presidential candidates. The current U.S. stationing of additional troops in Australia together with the continuing occa-

sional naval incidents between the Asian states in the South China Sea, can be regarded as the current as well as the longer lasting trend in this area. The quantitative and qualitative naval military build-up is most characteristically taking place in India and Vietnam as a result of massive arms sales from Russia. The growing tension due to territorial claims in the South China Sea and the research on natural resources there still makes this sea business line one of the most dangerous spots of Asian as well as world security. Since 2011 several territorial armed incidents between China and some smaller states – i.e. Vietnam and the Philippines – happened there. Besides these incidents, the regional tension also results in naval building in Singapore, Malaysia, and Taiwan. The Philippines and Vietnam also issued official protest at the ASEAN in 2011 against China's claims over the Spratley Islands. Besides this tension, which influences the China-ASEAN political relations, complaints regarding the ASEAN-China free trade area can also be expected, as some of the ASEAN countries benefit less than China from the lifting of trade barriers that brought China easier access to natural resources imports. Some of the regional participants find the free trade benefits questionable – most of all Indonesia, since cheap exports from China dominate the local industrial and consumer markets. Another important trend in Asia that is to continue in 2012 is the normalisation of the relations between the West (the U.S. and the EU) and Myanmar. The long lasting boycott of the Burmese regime brought this country closer to China and other Asian investors, namely to India and South Korea, without any provable effect on its democratisation and domestic consolidation. Moreover, the Burmese state still has to solve its problems with the autonomy claims made by its local ethnic minorities. The victory of the Kuomintang party (KMT) in the presidential and parliamentary elections in Taiwan in the beginning of this year seemed to comply with both PRC and U.S. objectives. However, this fact cannot draw away the new plan for US arms sales to Taiwan, which is going to start a new round of U.S.-China disputes. Even under KMT rule Taiwan will continue to look for ways to secure itself from mainland China.

Parallel Globalisation and Regionalisation of the Chinese Economic and Financial Policy. The euro-zone crisis and the U.S. economic *malaise* contribute to the economic slowdown in China and influence its financial policy. Being under constraints from outside, the PRC is obliged to seek compromises. Nevertheless, China will continue in its investments, expanding globally. Among the places to which Chinese investments will flow will be the U.S. and Europe, where China will promote its investments into real estate, infrastructure, strategic logistic centres and advanced technologies. A remarkable new trend is the PRC's ongoing effort to internationalise its currency (RMB) in Europe with the support of the UK. Outside the West, China gained the support of Japan in this respect, and since 2011 bilateral negotiations between them have been taking place. The two countries aim to establish a direct convertibility between their currencies in order to avoid exchanging them for USD. Besides, Japan is interested in buying RMB denominated bonds that would be part of its state reserves. The coming agreement

will also entrust the Japan Bank for International Cooperation to issue the RMB-denominated bonds in China, which is to be the first ever such privilege given to a foreign financial institution. It is also expected that the negotiations on establishing a free trade zone between China, Japan and South Korea will continue during 2012. The talks on the “big three bloc” receive strong support from Beijing, as it aims to strengthen its influence all over the Southeast Asian region (the ASEAN and East Asia) and counterbalance the political and economic influence of the U.S. and Japan there. Meanwhile Japan has started negotiations on joining the U.S. and Australia led economic project called *the Trans-Pacific Partnership Agreement*, which includes the U.S., Australia, New Zealand, Malaysia, Vietnam, Brunei, Singapore, Chile and Peru.

Hopes for Peace Negotiations on the Korean Peninsula. The denial of the *sunshine policy* by the Grand National Party (GNP) dominated government in South Korea proved to be inefficient, as the increasing pressure on Pyongyang resulted in no more security in the Korean peninsula. Moreover, the shift in the military regime leadership in the DPRK was accompanied by an increasing number of military incidents. Since the GNP’s domestic public support is falling, as is shown by opinion polls, and because President Lee Myung-bak can no longer run for office, the currently rising popularity of the Democratic Party will likely bring it success in the 2012 election. The party, which in the past upheld a more consensual and liberal policy towards North Korea, may gain an opportunity to revive this approach. If Barack Obama retains his presidency it is likely that there will be a similar constellation as the one that appeared during Bill Clinton’s presidency in the mid-1990s: that is, a concurrence of the South Korean sunshine policy, the U.S. softening diplomacy and the period of uncertainty in Pyongyang during the accession of Kim Chong-il to the power in North Korea. During the 1990s the then State Secretary Madeleine Albright achieved a negotiation of the *Agreed Framework* in 1994 that led to a freezing of the operation and construction of nuclear reactors in the DPRK. Even though this agreement was eventually broken, the more than a decade-long peace ought to be regarded as a success of the more *soft power* focused diplomacy of the USA and South Korea. Any politician who aims to bring about a new round of more liberal strategy based diplomacy cannot disregard the prospect that North Korea could still secretly develop its nuclear arms.

The continuous trend of trade and financial liberalisation in the Asia-Pacific is being parallelly accompanied by the U.S.’s concerns about its military dominance and balancing the growth of China. Despite the defence budget cuts no decrease of U.S. naval and air force engagement in the Asia-Pacific can be expected. The main issue in this geostrategic area is China’s uncontrollable military build-up and its assertive foreign policy, mainly towards Japan and the members of the ASEAN. What might turn one away from the related neorealist considerations, though, is that at the the Chinese econ-

omy is being internationalized at the same time. Finally, the protracted Korean security crises continue at the expense of all neighbouring countries. They have a global impact, and the new development within North Korea remains, as usual, a mystery.

Rudolf Fürst

11. The Presidential Election in Russia: Three Variations

The Russian presidential election which took place on the March 4, 2012 will influence the future course of the largest country in the world for the next twelve years. What is at stake are not only the extraordinary powers at the President's disposal (the President is the head of state, (s)he sets the guidelines of both domestic and foreign policy and, in practical terms, (s)he has major influence on the government as well); the presidential election will also decide about the final choice of one of the two directions between which Russia's politics oscillates today. The first direction points to the liberal reforms called for by the ever stronger Russian middle class. The second option is an increasingly authoritarian system built on a combination of repression, media propaganda and economic incentives for those loyal to the regime. Thus the stability and continuity linked to the semi-authoritarian rule of Medvedev/Putin once again becomes the antithesis to Russia's democratization. The solution of this dilemma will determine both Russia's domestic political evolution and its future relations with the West.

The most important factor influencing the election's result was be the support given to the Kremlin candidate. As unfair as it may be, the candidate supported by the current ruling elite is able to tap three "administrative resources" that are largely unavailable to his competitors. These "resources" (which have already won the victory for President Yeltsin back in 1996) include: 1) the state's quasi-monopoly in a number of mass media (state TV channels and newspapers plus those owned by companies in which the state has a major influence); 2) financial means from the state budget, which can easily be misused to support Putin's campaign (particularly suitable for such ends seem to be the funds accumulated by the former finance minister Alexey Kudrin); 3) pressure on state employees (those working in the bureaucratic apparatus, or at schools, universities, hospitals, etc.), in the sense that they will be strongly encouraged to vote for the preferred candidate.

The unheard-of concentration of these resources in the hands of Putin meant that the victory of the current prime minister could be practically taken for granted. The only pending question then what consequences the ruling elite draw from the election based on how its aftermath develops.³

Putin's Triumph. Without any doubt, Putin remains the most popular Russian politician, with his support hovering around forty to fifty percent. The opposition, on the other hand, is greatly fragmented and the ideological differences between the main political streams within it (Communist, nationalist, and liberal) have been increas-

³ Editor's Note: The scenarios that follow were modelled before the election took place (and appeared first before the election in the Czech edition of this publication). However, it is our belief that their unique perspective combining alternate pasts and futures may still be of interest to the reader.

ing. A massive use of administrative resources, thorough propaganda and the well-tested depiction of Putin as the protector of Russia against external threats (the West, Islam, and terrorism) will secure a convincing victory for the prime minister. This propaganda will become even more successful should an event arise during the campaign that can be used to confirm such an interpretation of the world's hostility towards Russia. Such events could include a terrorist attack in Russia, the Western countries' intervention in Syria, an Israeli attack on Iran, etc. Given the steady attention to the election both in Russia and elsewhere, the amount of direct election manipulations will be lower than in last year's parliamentary election. This will also translate into relatively limited activities on the part of the opposition forces. Demonstrations will take place only in the first days after the election and they will be limited to the largest cities. But after the brief period of instability, Putin will gain the upper hand. He will further undermine the opposition's revolutionary potential by calling for political reforms, but in practice these will have no effect at all on the real political situation in the country. The long-term consequence will be general societal lassitude and stagnation. As far as the European Union is concerned, it will try not to get involved in Russia, and it will not issue critical comments on the election, hoping for stable supplies of energy resources from Russia in exchange for the non-involvement of the West in Russia's affairs, as there is a tacit agreement between the two sides on this arrangement.

The Nervous Victory. In spite of all their efforts, Putin's team will not be able to stop the decline of Putin's preferences. As a result, the outcome of the first round of the election will not be sufficient for the prime minister to secure a victory and he will have to take part in the second round, encountering the Communist candidate Gennadiy Zyuganov. But since the liberal opposition will not give its support to the Communist, and the liberal voters will ignore the second round, Putin will win at long last. Yet the nervousness stemming from Putin's dwindling popularity and the fears of a color revolution in Russia will transform the style of Putin's rule in the next six years. Not only will any liberalization of domestic politics be ruled out but all Western-leaning and democracy-friendly forces in the country will be persecuted even more harshly than today: opposition media will be closed (*Novaya gazeta*, *Ekho Moskvy*) and disloyal NGOs will be put under more pressure and finally forced to shut down as well. Equally deep changes are to be expected in foreign policy. The West, being long accused of supporting the opposition, will be seen as the major threat to the country's security, and the relations with the U.S., NATO and the EU will grow increasingly tense. The ensuing long-term isolation of Russia will, on the one hand, stall Russia's modernization, yet it will, on the other hand, serve well the Russian leader's main goals, particularly his re-election in 2018 or, alternatively, a smooth handing over of power to Putin's chosen successor.

The Bloodily Suppressed Revolution. Although Putin will claim victory, he will not be able to do so without extensive election rigging. This will lead to massive demonstrations that will gradually shift from a simple political clash between the opposition (the Communists, Yabloko, etc.) and pro-Putin forces to a society-wide movement rejecting Putin's rule and the corrupt political practices associated with it. The protests will spread to smaller cities and more distant regions, taking on more radical, and often violent, forms. Fearing another colour revolution, the new president will mobilize his allies, thus causing bloody clashes all over the country. Using the escalating violence and the danger of a civil war as a pretext, Putin will declare martial law, use large-scale force against the demonstrators and start massive arrests of opposition leaders. While it is theoretically conceivable that Putin's measures will fail and the president will be deposed, the strong support Putin enjoys among the armed forces and in the secret police will make this alternative nigh impossible. After the suppression of the revolution, the country will not return to its normal functioning. Instead, key political freedoms will be permanently removed, opposition parties will be forbidden and the president will be constitutionally given more powers that will make him practically irremovable. Russia will become a full-fledged authoritarian regime whose functioning will be entirely dependent on the president and his administration, the secret services and the "force ministries". In terms of foreign policy, further rapprochement with China is to be expected, as it would reflect the cold peace in the country's relations with the West. The EU will be forced to quickly formulate a more unified Russia policy of its own and a common energy policy, both of which would allow it to deal with the increasingly hostile power in the East in a more consistent manner.

Our scenarios build on the combinations of two starting variables (a smooth/difficult/manipulated victory for Putin; smaller/massive protests from the public). This leads to three different scenarios of the evolution of Russia's politics after the election: (1) the fake liberalization in the case of a clear victory for Putin and a weak reaction of the public; (2) the continuation of "Putinism" in the case of Putin's victory in the second round and limited protests in reaction to it; and finally (3) the birth of a fully authoritarian regime in the case of a rigged election, massive protests in reaction to it, and their subsequent suppression.

In all the three scenarios, the EU member states have some chance of influencing the internal developments in Russia only if a maximum level of coordination among them is achieved. At the same time, the EU will have to face the fundamental dilemma of choosing between stability in the relations with Russia (which is what the EU has been doing so far), and supporting its democratization. Although in the short term, the EU may opt for non-interference as the preferred policy, such a strategy is untenable in the long run. The reasons are manifold: first of all, all previous attempts at a conciliatory

stance towards Russia have neither secured stable supplies of raw materials (cf. the infamous Ukrainian gas crisis) nor contributed to even the most moderate liberalizing reforms in Russia. Instead, they rather contributed to a backsliding from democracy in Russia.

Secondly, non-interference practically translates into a tacit support for Putin since it is the opposition and the civil society that will be placed at the president's mercy if they lack external support. The EU should, therefore, reconsider its current policy of minimum involvement even though this policy might still be favored by countries like Germany, France, and Italy, and support instead the cause of moderate democratization. This will be made easier by the fact that the disappointment from the previous failure of the EU to induce any change in Russia's behaviour by its engagement can be clearly felt even in Germany and France. In practical terms, the EU should strive for a) the maximum support for the transparency of the election, including a presence of international observers and subsequent enquiries into election rigging; b) a preliminary diplomatic elaboration of a common stance of the whole EU or at least a group of those countries for which the relations to Russia are of utmost importance; and c) imposing targeted smart sanctions should the third scenario come true (such as not allowing the Russian elite to enter the EU's territory, freezing Russia's assets in EU financial institutions, etc.).

Petr Kratochvíl