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Strategic Outlook 2010



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Niklas Granholm, Madelene Lindström
and Johannes Malminen (eds.)

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PREFACE

The purpose of the security policy research at the Swedish Defence Research Agency (FOI) is to analyse the outside world and draw conclusions on the implications for Sweden. Strategic Outlook was launched in 2009. The primary aim was to provide an overview of the security policy research conducted at FOI and present some of the challenges facing officials and decision makers. A secondary aim was to provide a contribution to the rather limited Swedish security policy debate. FOI is a government agency reporting to the Swedish Ministry of Defence. However, Strategic Outlook has been independently initiated by FOI.

In Strategic Outlook 2010, FOI's security policy analysts examine key challenges within their respective specialist areas. The authors were commissioned to write forward-looking analyses based on existing knowledge and understanding of their fields. The selection of chapters covers developments up until the end of May 2010. This report is a slightly edited translation of the Swedish edition published in June 2010. Strategic Outlook 2010 makes no claim to provide a comprehensive picture. Collectively, however, the fourteen different chapters provide a broad perspective on a number of key global challenges.

The editors would like to thank Johan Tunberger, a former engineering director and colleague at FOI, who has commented on all the chapters and helped us improve the study further. Dr Simon Moores deserves credit for having performed the difficult task of translating the Swedish edition into English. Any errors and weaknesses that remain are, however, entirely the responsibility of the authors and editors.

Stockholm, December 2010

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Abbreviations

ACT	Allied Command Transformation
AMISOM	African Union Mission in Somalia
ASF	African Standby Force
AU	African Union
CFSP	Common Foreign and Security Policy
COIN	Counter-Insurgency
CSDP	Common Security and Defence Policy
DRC	Democratic Republic of Congo
DPRK	Democratic People's Republic of Korea
EEAS	European External Action Service
ETIM	East Turkistan Islamic Movement
EU	European Union
FOI	Swedish Defence Research Agency
GNP	Gross National Product
HMG	Hindu Militant Group
IAEA	International Atomic Energy Agency
ICW	Indian Cyber Warriors (Hindu Militant Group)
IMF	International Monetary Fund
ISAF	International Security Assistance Force
NATO	North Atlantic Treaty Organization
NPT	Non-Proliferation Treaty
NSC	NATO Strategic Concept
OAU	Organization for African Unity
OEF	Operation Enduring Freedom
PCA	Pakistan Cyber Army
PRTs	Provincial Reconstruction Teams
RUFS	Russian Foreign, Defence, and Security Policy
WTO	World Trade Organization
YIHAT	Young Intelligent Hackers Against Terror

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1 Strategic Outlook 2010: Introduction

Niklas Granholm, Madelene Lindström and
Johannes Malminen

The world is undergoing sweeping strategic change. The geostrategic redistribution of resources and power is accelerating as a consequence of the global economic crisis, increasingly tangible climatic changes, rapid technological developments, as well as continuous challenges from non-governmental actors. These changes interact in a way that is hard to predict. The scope of outcomes is wide. We do not know what kind of world this will lead to, but surprises are to be expected. If historical examples tell us anything, it is that major system changes can become very expensive and, in the worst-case scenario, messy. As Mark Twain put it, 'History does not repeat itself, it rhymes'.

These simultaneous and rapid changes will have widespread political, economic, and military consequences around the world. Multilateral arrangements will face increasing difficulties in managing and mitigating conflicting national interests. The functioning of the international system will have to adapt to these changing circumstances. In the meantime, uncertainty will characterize international relations.

In this situation, Sweden's foreign policy will face several challenges. Sweden relies heavily on the European Union (EU) through which it channels its foreign policy influence. Meanwhile, the EU system is trying to reform its internal decision-making processes. As yet, the EU has not succeeded in achieving its full potential as a foreign policy actor. Sweden is very dependent on the EU functioning properly. However, an exaggerated focus on the inner workings of the EU may lead to important future issues being lost from view.

At the same time, rapid global developments challenge established multilateral arrangements. These are increasingly being supplemented by new and sometimes temporary, informal constellations. For example, the self-appointed G20 has developed into an important and significant decision-

making arena.

The purpose of FOI's annual *Strategic Outlook* is to analyse several of these trends and challenges with their implications for Sweden. The objective is to contribute to the discussion on security policy and strategy. The fourteen chapters in this strategic outlook give the reader a number of different perspectives on important trends that might have an impact on Sweden's security and strategic position and context. Taken together, the chapters provide a map of some of the challenges facing Sweden in this new international dynamic.

This is FOI's second *Strategic Outlook*. In this issue, it is striking that many of the trends analysed last year are still valid, and sometimes reinforced. If this development continues, it means that the risks involved in decision making will increase further. The stakes are rising. Decisions will often need to be made based on uncertain data, and the consequences may be difficult to predict. At the same time, we need to deal with national, regional, European, and global events and developments.

It is our intention that this study will provide a contribution to the discussion and debate on these issues. We all have to deal with the interplay between the urgent, the short term, and the long term. The tendency to focus on the urgent increases the risk of downplaying, or even forgetting, the longer-term challenges. The focus of this report is, unless otherwise stated, three to five years.

This *Strategic Outlook* starts with chapters on multilateral organizations. Then a number of chapters focus on some of the major world powers. Finally, the report concludes with a number of thematic contributions.

2 The EU as a Global Actor after the Treaty of Lisbon: Towards the Future at a Gentle Pace?

Eva Hagström Frisell and Madelene Lindström

*After the messy ratification of the Treaty of Lisbon, President Obama hears that Europe has now appointed a permanent president and given him a 24-hour telephone line. Obama decides to try Europe's telephone number. But the president forgets the time difference and, instead, gets through to the answering machine. The message is, "Good evening, you have reached the European Union. This is Herman Van Rompuy speaking. We are closed for the evening, but you may choose from the following options: Press one for the French position, two for the German, three for the British, four for the Polish, five for the Italian, six for the Romanian . . ."*¹

¹ This self-critical story was told by the Finnish minister for foreign affairs Alexander Stubb at a NATO seminar in Helsinki on 4 March 2010.

The aim of the Treaty of Lisbon is to create a more coordinated action within the EU and greater visibility in the policies towards the outside world. It is creating a new institutional structure in the area of foreign and security policy under the leadership of the Union's high representative for foreign affairs and security policy, Catherine Ashton. A European diplomatic service is also being set up to support Ashton. The question is, however, whether these new decision-making structures can strengthen the EU's voice in the outside world?

In the short term, this seems doubtful. To start with, the structure of the new institutions has, instead, come under focus. This has led to a power struggle between the member states to fill the new posts and between the actors who have a role to play in the EU's external relations. In addition to the post of the Union's high representative, the EU has acquired a permanent president for the European Council, Herman Van Rompuy, who is to represent the Union externally 'at his level'. Moreover, the Commission's president, José Manuel Barroso, has an interest in ensur-

ing his influence in foreign policy relations. In addition, Spain, the country that held the presidency of the EU during the spring of 2010, has attempted to find its foreign policy role.

The battle for influence has created confusion rather than clarity in the outside world, and it is obvious that the Treaty of Lisbon is not the answer to Henry Kissinger's famous question: 'Who do I call if I want to talk to Europe?' When the US president Barack Obama cancelled a regular summit meeting with the EU in February 2010, it was suggested by the Americans that they did not know who would be hosting the meeting.

In the longer term, the lack of a foreign policy consensus and the absence of visions and leadership appear to be the greatest obstacle to the EU becoming a heavyweight global actor. The new institutions may certainly create new forms of cooperation that promote joint action, but in order to seriously strengthen the EU as a foreign policy actor, willingness from the member states to develop this cooperation is required.

NATIONAL INTERESTS TAKE PRECEDENCE OVER COMMON STRATEGIES

The Treaty of Lisbon focuses on developing common policies through institutions while unanimity is maintained as a decision-making principle within the Common Foreign and Security Policy (CFSP). This means that the treaty need not necessarily lead to any great changes compared with the present situation. When all member states must agree, it is often difficult for the EU to assume the leadership role and act quickly. Instead, the EU tends to end up in protracted negotiations, which often result in policies based on the lowest common denominator.

The lack of foreign policy consensus and common political strategies is particularly evident when it comes to the EU's relations with great powers outside the Union. In these relations, the EU's larger member states, in particular, put their national interests before a common EU policy. An example of this is the fact that, over the past ten years, the EU has only adopted three common strategies: one for Africa, one for the Mediterranean, and one for Russia—the last of which was not acted on.

In some ways, the Common Security and Defence Policy (CSDP) could thus be said to have been more successful than the CFSP. The EU has managed to decide to send military and civilian personnel to trouble spots despite the EU not having any conscious political strategy for these areas. For example, the EU member states have decided on a CSDP mission in Kosovo even though they could not agree on a common approach to Kosovo's status.² The problem thus lies more with the CFSP than the CSDP.

² Five of the EU member states have not recognized the independence of Kosovo: Slovakia, Romania, Spain, Cyprus, and Greece.

A LACK OF VISION AND LEADERSHIP WITHIN THE CSDP

The CSDP's strength is, without doubt, the twenty-four missions the EU has carried out around the world. Although these have, in many cases, been limited as regards their duration and scope, the EU has gradually developed and taken on increasingly bigger and more demanding tasks. More recently, the EU has embarked upon its hitherto largest civilian mission in Kosovo, quickly put into place a monitoring mission in Georgia, and launched its first maritime mission off the coast of Somalia.

Nevertheless, despite the many, sometimes successful, missions, the CSDP also has several shortcomings. Above all, there is a lack of vision and resources. One of the main problems is that the member states do not provide the resources necessary for a mission. It is not uncommon to need to hold several force generation conferences before a mission can begin. The problem is not always a lack of resources and often stems from a lack of political will and money. The EU lacks a permanent military planning and conduct capability and only has modest civilian leadership skills. This also makes it difficult to quickly plan missions and coordinate with other actors. Moreover, the EU suffers from a lack of civilian personnel, logistics, and equipment, and from slow procurement procedures.

The EU is, however, aware of its weaknesses. The fact that this is not being addressed is due to a lack of common vision. No new projects have been launched and the three big member states—France, the United Kingdom, and Germany—who, for obvious reasons, have a dominant influence on the CSDP, are not driving forward development. France—the traditional powerhouse of EU collaboration—cannot force the pace without having several

member states on its side. Further, France's reintegration into the military command structure of the North Atlantic Treaty Organization (NATO) certainly straightens out many kinks in the EU–NATO relationship, but, at the same time, ties up political commitment, money, and personnel, which could inhibit the development of the CSDP.

In turn, the United Kingdom, which, since joining the EU, has made a name for itself as a generally awkward Member State, regards NATO as the primary provider of security in Europe. The CSDP simply complements this and is primarily a civilian or civilian-military actor. To British eyes, increased EU defence cooperation is a duplication and an unnecessary competitor to NATO. Many people believe that this fundamental preference for NATO could be further reinforced now that Gordon Brown and Labour have handed over the reins to David Cameron's more Eurosceptic Tories in a coalition with Nick Clegg's Liberal Democrats. It should, however, be pointed out that there is reason to believe Cameron will be at least as pragmatic as his Conservative predecessors Margaret Thatcher and John Major, as the Tories have historically accepted that EU cooperation develops in all areas—as long as the United Kingdom does not have to take part itself. British European policy will also be influenced by the more pro-European Liberal Democrats, who are now part of the Government. The British Euroscepticism has also been noted with limited appreciation in the United States. The Obama administration has made it clear that a United Kingdom that is irrelevant in Europe means a United Kingdom that is also irrelevant in the United States.³ This hint from America could well restrain a number of anti-European tendencies.

Nor is Germany today able to assume the leadership role within the CSDP. Admittedly, Germany accounts for a great deal of the economic burden associated with CSDP missions but has, for a long time, walked a tightrope between a transatlantic and a Eurocentric approach to security policy. Germany also has historically rooted principles and constitutional limitations that prevent the use of military resources in missions.

The modest development of the CSDP in recent times may be a sign that the CSDP has developed as far as it can and simply cannot go much further or that it is difficult

³ US Ambassador to the United Kingdom Louis Susman is said to have in a speech on British relations with the EU issued a mild warning to both Labour and the Tories that they should not expect to be welcomed with open arms in Washington if they obstruct the development of EU cooperation. Financial Times, 22 September 2009.

to come up with innovatory and visionary ideas in the areas of security and defence. As they are no longer able to introduce any groundbreaking ideas, the focus appears, instead, to have switched to gradually developing policies based on experiences from missions carried out.

One way of progressing within the CSDP could be to set up a so-called Permanent Structured Cooperation between a selection of Member States as provided for in the Treaty of Lisbon. In the European Convention that prepared the groundwork for the Treaty of Lisbon in 2002–2003, many people believed that this could be very important in strengthening the EU's crisis management capacity. The idea was that a hard core of states with a large military capacity would lead the way and develop the defence cooperation, which would, in turn, put pressure on other Member States to invest more in defence. At the present time, however, this idea does not appear to be as pressing. Instead, it is often emphasized that even smaller Member States have contributed substantially to EU missions, and having an inner core within the CSDP would jeopardize the consensus that has, nevertheless, been reached and thereby the legitimacy of this cooperation.

Another innovation that could influence the direction of the cooperation is the mutual defence guarantees and solidarity regarding natural disasters and crises provided for in the Treaty of Lisbon. The essence of these is that the Member States should stand up for each other in times of war and crisis. This is an expression of a political solidarity that exists naturally among the EU Member States, but, at the present time, there is nothing to suggest that the EU could be given a role to play in a common defence. On the contrary, the majority of Member States are clear that a collective defence will also in the future be the task of NATO.

Further, the global financial crisis and the cuts announced for the defence sectors have led to a new pragmatism in Europe and created incentives for further defence cooperation among the Member States. One recent example is the far-reaching Franco-British agreement for a closer military cooperation. The agreement includes the setting up of a combined 10,000 soldier's strong joint expeditionary force, joint training, cooperation on acquiring equipment and technology and greater information-sharing. What impact this and other bilateral initiatives will have on the EU

is, however, not clear. The question is whether this will strengthen the EU cooperation or become an alternative to cooperation among the 27.

TOWARDS A EUROPEAN DIPLOMATIC CORPS AND INCREASED CONSENSUS?

The reform that has the greatest potential for changing the EU's role as a foreign policy actor in the future is that, as a result of the Treaty of Lisbon, the EU is assembling all foreign policy instruments in one function. Catherine Ashton gets to take over both the former high representative Javier Solana's and the Commissioner for External Relations Benita Ferrero-Waldner's duties, as well as the chairmanship of the foreign and defence ministers' meetings. In addition, she is the vice-president of the Commission and can thus coordinate foreign policy with the EU aid and trade policies. This means the EU can benefit from more foreign policy instruments and develop its strength as a civilian-military actor.

A new European External Action Service (EEAS) will be created to support Catherine Ashton. This will consist of the existing functional and geographic departments in the Commission and Council Secretariat, the EU's crisis management structures, and the EU's delegations in third countries and at international organizations. One new feature is that an integrated civilian-military planning function for missions is being created within the EEAS. In addition, the member states will also be given greater influence within the new diplomatic service through having to contribute about one-third of EEAS personnel. The idea is that this will form a European diplomatic corps, the members of which will interchange between serving in their own country's foreign service and within the EU. In the longer term, this could create a greater European foreign policy consensus from below and lead to a more coordinated foreign policy behaviour. The new EU delegations that incorporate all different aspects of EU activity also improve the visibility with regard to non-EU countries and organizations.

THE EU'S FUTURE AS A FOREIGN POLICY ACTOR

It is easy to point to the EU's shortcomings and it is often emphasized that the EU is not a heavyweight foreign

policy actor that gains the respect of the great powers. A few people have already ruled out the EU's chances of becoming an influential security and defence actor. It is, however, important not to have unreasonable expectations. The EU is not a nation-state and has no ambition to become a great power in the traditional sense. Instead, the focus is on developing a foreign policy based on standards and values. The EU is also a young crisis management organization (the CSDP is just over ten years old: a short time when compared with organizations, such as the UN and NATO). Creating a common policy takes time. This is despite the fact that cooperation has developed a great deal since the EU was powerless to act during the wars in the Balkans in the 1990s.

Despite this, the fact remains that foreign and security policy cooperation has been going at a gentle pace for almost two years. The precedence of national interests and the lack of vision and leadership are two reasons that greatly contribute to this. The EU member states have certainly given their full support to the diplomatic service and to Ashton, as the first holder of the post as the Union's high representative, playing a 'strong, effective and visible role'. The large member states appear, however, unwilling to drive developments forward and it is uncertain whether the formation of the EEAS is capable of giving the cooperation renewed vigour and energy. At the same time, history has shown that the EU can take new steps and develop in times of crisis. The economic crisis and the long wait to get the Treaty of Lisbon in place could thus provide a springboard for new initiatives.

Ever since joining the EU, Sweden has had an interest in developing foreign policy cooperation and EU efforts. Lately, however, we have witnessed how development has stagnated and how the great powers have allowed their national interests to characterize their behaviour within the EU. From a Swedish perspective, we can, therefore, ask the question: Is EU cooperation meeting our expectations? If not, how will we influence cooperation in a direction that is favourable to us? The obvious way is to support the new international structures that have been formed within the EU in order to promote more coordinated foreign policy action. If this is not enough, the next stage may be working towards the EU focusing on and limiting its foreign policy ambitions to areas in which a strategic consensus

can be reached. At the same time, we must realize that, when it comes to security and defence, the EU is about crisis management, not a common defence. This means that the EU cannot be seen as any guarantee of military assistance to Sweden: an expectation that is expressed through the Swedish unilateral declaration of solidarity.

FURTHER READING

Lindström, M. (2010), 'Utrikespolitiken: Sverige medlare snarare än ledare' [Foreign Policy: Sweden as a Mediator Rather Than a Leader], in Rikard Bengtsson (ed.), *I Europas tjänst. Sveriges ordförandeskap i EU 2009* [Serving Europe: Sweden's Presidency of the EU, 2009] (Stockholm: SNS Förlag).

Utterström, A., and Hagström Frisell, E. (2008), *Från ESFP till GSFP – Säkerhet och försvar i Lissabonfördraget* [From the ESDF to the CSDP: Security and Defence in the Treaty of Lisbon], FOI-R--2588--SE (Stockholm: Swedish Defence Research Agency).

3 NATO will Influence Sweden's Military Position

Fredrik Lindvall

Over the last twenty years, Swedish defence policy has, in many respects, made the same journey as NATO. The wars in the 1990s in the former Yugoslavia and joint military operations outside Europe have characterized the European countries' defence policies. The Swedish armed forces have carried out the majority of their international peace support operations within the NATO framework and have cooperated militarily with alliance members or other partner countries. In addition, the Swedish armed forces have adapted their capabilities and way of working to function in a NATO context. Sweden has, therefore, become even more dependent on the direction NATO is taking. Now the alliance is reviewing the lessons learned from developments over the past decade and will be determining the way ahead in a future new strategic concept. NATO's conclusions will change the basis of Swedish defence policy. Even more so when the EU's defence pillar seems to have reached the zenith of its potential.

THE FOCUS ON HOME DEFENCE CHANGING SWEDEN'S POSITION

Collective self-defence is once again high on NATO's agenda, but it has been broadened in terms of both content and perspective. Besides the traditional question of the defence of one's own territory, over the last few years the alliance has discussed missile defence and energy and cyber-security and debated the credibility of defence measures against external actors and the defence of their own populations.

What is perhaps the greatest change for NATO over the past few years is the drawing up of contingency plans for all alliance members. This issue has been a very controversial one, perhaps primarily because there has been no consensus on the threat posed by Russia. The leading advocates have been the Baltic states. The argument against new defence plans has been that they presuppose a threat that is accepted at the political level by the North Atlantic Council. Although the procedure is secret,

Russia will feel singled out, which would unnecessarily risk worsening its relations with NATO and its members. The initial political compromise was that the alliance's military strategic command carried out its own contingency planning, so-called prudent planning. Now when the defence plan for Poland has been reviewed it was given an annex that covers the Baltic states. In these contexts, Norway has also discussed for the first time the question of NATO and defence plans for the demilitarized (in peacetime) Svalbard archipelago. The more long-term direction seems to be that all states will be given defence plans, but possibly more related to the use of NATO's capacities than based on specific military threats. Crisis management can thus be included alongside traditional wars.

The two countries that will have major responsibility for the territorial defence of NATO, particularly in those cases where Russia is or is regarded as a threat, are the United States and Germany. It is mainly the aforementioned two that will have the military ground units required in order to reinforce or repel an attack on an alliance member. The United States has gradually changed its earlier plans to greatly reduce its European presence. Four brigade combat teams and one army corps staff will continue to be based in Europe. The army corps staff is, incidentally, the only one of its kind that is permanently stationed outside American territory. As regards the planning of the defence of the Baltic states, it is likely that the German-Polish corps in Szczecin, the Multinational Corps Northeast, will be given a central role. Within NATO, there will be great pressure on Germany to contribute, particularly since Berlin has been unwilling to send troops outside Europe. In addition, the German heavy mechanized units, which are still only intended for NATO operations, will soon be unique among the great powers in tandem with other alliance members switching to mobile units.

Sweden's immediate neighbourhood has, over the last few years, been the focus of NATO's territorial challenges and this trend will be reinforced over the next few years. The attacks on Estonia's IT systems in 2007 and the recurrent disruptions to the Baltic states' energy supplies have been behind the initiative to create the alliance's Cooperative Cyber Defence Centre of Excellence and Energy Security Centre of Excellence in Estonia and Lithuania, respectively.⁴ The most controversial elements of the American missile defence have been the installations in Poland, planned by President Bush. President Obama's new

⁴ See also Robert Larsson, Energi-kontroll: Kremli, Gazprom och rysk energipolitik [Energy Control: The Kremlin, Gazprom, and Russian Energy Policy], FOI-R--2445--SE (Stockholm: Swedish Defence Research Agency, 2008), p. 47 f.

direction for the missile defence has, from 2009, included the clear ambition that it should be part of NATO's pooled resources. The new plans for Poland include the number of interceptors being increased fivefold, at least one new advanced radar station being added, and the systems becoming operative by 2015. In addition, there will be new defence plans for the Baltic region, which will create an increased NATO military presence. The number of exercises and unit and naval visits to the Baltic region has already increased.

What is perhaps the most important change for Sweden is that Sweden's immediate region will again be the focus of NATO's home defence efforts. Sweden was a front-line state during the Cold War. During the 1990s, Sweden's immediate region came to be on the periphery of defence policy development in Europe. The situation has changed over the last few years. From a military-operational perspective, NATO cannot carry out military defence operations in the Baltic states without using Swedish territory. To establish the necessary air supremacy, bases and flight paths are required that presuppose that Swedish territorial airspace and possibly sea and land territory can be used by the alliance. In addition, the shortest route between the continental United States and the Middle East passes over Sweden and the Baltic Sea area, which makes the area important for missile defence and future American strategic attack capabilities, a so-called prompt global strike. Sweden's military-strategic position will be higher on the defence policy agenda for quite a few years to come than it has been for a long time.

NATO BECOMING INCREASINGLY MORE IMPORTANT—AT THE EXPENSE OF THE EU

France's decision to rejoin NATO's military structures in 2009 will have a far-reaching effect on European defence policy. The decision to rejoin was not in itself any revolution, but it was a stage in a process that has over many years, in practice, bound the French armed forces closer to NATO and which had been considered by previous presidents. In practice, this entry will require both the attention of France's defence policy establishment and its military manpower for several years to come. Politically, Paris needs to decide what it wants within NATO, what it wants to develop and oversee. For example, of the two most senior commands, the French are responsible for commanding the one that requires the most political vision (Allied

Command Transformation [ACT]). France has been an advocate of reform within the alliance, including championing a smaller staff structure and more expeditionary capacity. Many observers expect the French desire for reform to have a greater chance of being implemented as a result of the French re-entry. For the French military, particularly at senior levels, it will take many years of effort to increase the French contingent in the alliance's staff by almost tenfold to just under 1,000 people.⁵ With both expectations and formal posts, France is coming in as a new powerhouse in NATO's development. This re-entry shows that Paris realizes that its own ambitions can be better fulfilled if France is involved in NATO's military decision-making processes than has been the case up to now, with only taking part in the alliance's operations. The commitment that Paris must demonstrate to NATO over the next few years will reduce France's prospects of driving the CSDP forward within the EU.

Just like France's increased commitment to NATO, other great powers and members will need to commit themselves more to the alliance. Berlin will need to come to a decision on several controversial issues and the inherent inconsistencies in German policies will make work within NATO more difficult.⁶ One problem is Germany maintaining good relations with Russia and the recurring problems with Moscow's lack of acceptance of the integrity and sovereignty of NATO members and partners. Generally, Germany's relationship to defence issues is a complicated one. Germany finds it difficult to fully participate in international military operations due to its historical baggage from the Second World War. This has forced German policies to emphasize the defence of home territory. Moreover, of all the European countries, it is Germany that, as a result of its size, defence structure, and geographical location, will need to assume the greatest responsibility for the defence against Russia, should Russia become aggressive. It is a paradox that the defence of NATO's territory after the latest rounds of expansion is being concentrated in the East, in the areas where Nazi Germany operated during the Second World War. Another dimension to the German situation is that the CSDP risks losing yet another powerhouse. In the main, Germany does not want to carry out military operations outside Europe, the operational areas that the EU is mainly restricted to, and will be forced to contemplate the defence of NATO at home.

The reform-minded NATO members are being helped along by

⁵ See also Madelene Lindström and Fredrik Lindvall, *Reformera eller vända om? NATO:s fortsatta transformering och dess betydelse för Sverige [Reform or Turn Back? NATO's Continued Transformation and Its Impact on Sweden]*, FOI-R--2920--SE (Stockholm: Swedish Defence Research Agency, 2009), p. 57.

⁶ See Madelene Lindström and Fredrik Lindvall, 'From "Non" to "Nein": Tyskland som den oöbekväme medlemmen?' [*From "Non" to "Nein": Germany the Awkward-Member*], in *ibid.*

the French reintegration, while the conservative countries are finding it more difficult. The expedition-minded countries in the north and west are being helped along, while the alliance's southern members are finding it more difficult to maintain old structures. The United Kingdom is facing a difficult defence equation. The British armed forces were already facing cutbacks to stay within budget, but the problems have been exacerbated by the economic crisis, which has hit hard. The traditional British attitude within NATO, to demand streamlining and equal burden sharing, can be expected to be promoted even harder. The United States emerges strengthened from the latest developments owing to the French re-entry giving more impetus to reforms and increasing the pressure for a more equitable distribution of responsibility. In addition, the bond between Washington and the eastern alliance members has been strengthened through the defence of home territory having acquired greater emphasis in the debate and through home defence being likely to be stressed in the new concept. The losers are conservative Mediterranean alliance members. Those who neither wish to change nor reduce the existing command structures in Europe or who do not want to invest in new, more mobile, and accessible military capabilities will find it more difficult to win approval within the alliance.⁷

⁷ See Madelene Lindström and Fredrik Lindvall, 'Alliansens divergerande satsningar' [The Alliance's Divergent Efforts], in *ibid.*

The EU's development potential for its defence policy has probably reached its limit and is putting the Union's non-NATO members in a new situation. Finland, Ireland, Sweden, and Austria are at risk of losing their most important platform for defence influence in Europe. Finland and Sweden have had a high profile within the EU's defence dimension, but, with France's reduced involvement, will lose the power of their most important partner. Their ability to influence why and where military operations are carried out will decrease as will their opportunities to be part of the military transformation and the defence policy development. The increased weight that will come to rest on NATO's shoulders will reduce the desire for EU defence initiatives even within the defence industry sector. The political scope for new cost-generating, defence-related EU initiatives or structures will be very limited.

THE CONCEPT DEFINES SWEDEN'S RELATIONS

The new NATO Strategic Concept (NSC) will determine the alliance's role and activities for many years to come. At the summit meeting at the end of 2010, NATO's secretary-general

will present a new draft NSC. The document is a framework for the alliance's future political and military development. The alliance has had six earlier concepts, each of which a child of its time. The latest dates back to 1999 and reflects the experiences from the Yugoslav wars.

The majority of major questions regarding the new concept could be included in the problems concerning the operation in Afghanistan, which was the result of the terror attacks of September 2001 and Russia's invasion of Georgia in August 2008. The debate within NATO has been about the balance between international out-of-area operations, new security tasks, and the more traditional undertakings, particularly the mutual defence commitments linked to territorial defence. One related question has been expansion: which countries the alliance should take in and the challenges this will involve. The new concept will attempt to clarify NATO's role, communicate what the alliance is, and attempt to instill confidence in NATO in the outside world and among the general public. The process of producing the strategic concept will thus become an objective in itself, perhaps just as important as the actual result. The road to producing the new document will help to form a common view and gain support for it among NATO members.

One fundamental question will be how the document deals with the problem of new members. At the same time as the alliance will be anxious to show that the door remains open, cooperation involving the present twenty-eight members will need to be consolidated first and any expansion to include former Soviet countries is probably several years away. In the immediate future, it is more likely that there will be more members from the western Balkans and then Finland and possibly also Sweden. In the event of Finnish membership being considered, individually or together with Eastern European countries, the very circumstances of the time will probably be an important issue for public opinion in Finland.⁸

The new concept will deal with, and perhaps reformulate, how NATO views its partnership with non-members. A key trend over the past few years has been that these partnerships have been fragmented. Several different kinds of partnership have been launched and individual partners have independently developed their cooperation with the alliance. Another important trend has been that the partner countries' insight into and any potential influence within NATO have been linked to

⁸ See also Teresa Åhman, NATO-debatten i Finland - Mellan säkerhet, inflytande och identitet [The NATO Debate: Between Security, Influence, and Identity], FOI-R--2719--SE (Stockholm: Swedish Defence Research Agency, 2008).

their contribution to the alliance, particularly to joint operations. These partnerships will play a major role in stabilizing the development of countries that border with NATO. In the case of the non-NATO EU countries like Sweden, the development potential for their partnerships is reaching the end of the road. In principle, all activities are already open to them, but the opportunities for a greater insight or more influence are restricted to members. The latter is being strengthened in tandem with the defence of home territory being higher on the alliance's agenda. In the case of Sweden, NATO–EU cooperation and the alliance's defence of its home territory will be important factors.

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4 The Same Old America?

Mike Winnerstig

How shall we best analyse President Barack Obama's foreign policy? And how does it affect our own immediate region? If we examine the actions of the Obama administration during its early years, we are struck by the fact that the similarities with traditional American foreign policy are greater than the differences, and that there is an ever-increasing American interest in, for instance, the Baltic region and the Arctic. This will even have a huge bearing on Sweden.

CONCEPTUAL FOUNDATIONS OF AMERICAN FOREIGN AND SECURITY POLICY

It is always tempting, but also difficult, to try to predict a new US administration's foreign and security policy by linking the administration's party affiliation with a certain security policy school of thought. In short, there is a notion that Republican administrations pursue a realpolitik-oriented security policy, at the heart of which are the national interest and 'hard factors', such as military strength. It is assumed, on the other hand, that Democratic presidents pursue an idealistic policy at the core of which are values, such as human rights and democracy, and with an emphasis on multilateral diplomacy instead of military rearmament and the use of force as the main instruments.

A historical review shows, however, that this classification is completely wrong. Democratic presidents, like Harry S. Truman in the 1940s and John F. Kennedy in the 1960s, pursued a foreign policy that, at times, was of an extremely realpolitik nature, where the national interests of the United States were sometimes regarded as requiring a large-scale use of force (e.g. the use of atomic bombs against Japan, the Bay of Pigs invasion in Cuba, and the whole of the Vietnam War). Republican presidents have both devoted themselves more to diplomacy than war, e.g. Richard Nixon, who not only brought an end to the Vietnam War, but also entered into diplomatic relations with Communist China, and been active champions of democracy and human rights. The whole of Ronald Reagan's foreign policy was, for example, very much based on a conviction that the Western fight against the ideologically reprehensible

Soviet system could be won, and George W. Bush made the democratization of the Middle East a main ideological plank of his foreign policy. To sum up, it can be said, however, that the foreign and security policy of all the presidents of recent decades has contained strong elements of both the realpolitik use of power and liberal values.

At the same time, it is, of course, the case that every American president also lives in a political reality that is partly determined by the legacy of his predecessor. In the case of Obama, this legacy is comprised of the generally negative anti-American attitude of the rest of the world, which was caused by George W. Bush, as well as other phenomena, such as the current domestic situation and the role of the economy, where the country's own budget deficits and international crises play an increasingly greater role even for American freedom of action.

Finally, the importance of the personality must not be totally underestimated. Even though the president's personal qualities are probably less important than what they appear in the public debate, they can, especially in crisis situations, play a direct role in which decisions are taken.

OBAMA'S FIRST YEARS

Claiming that even the Obama administration will follow an established course of action may appear controversial, given that 'change' was one of Obama's most important campaign messages as well as Obama the person has been viewed by so many—not least in Europe—as very different compared with most of his predecessors, especially George W. Bush. However, if we look closer at the foreign and security policy pursued thus far by the administration, we quite rightly find elements from both the security policy schools of thought.

THE WARS

Obama inherited two wars from his predecessor—Afghanistan and Iraq. Bringing an end to the latter was perhaps his most important campaign message; there was to be a complete withdrawal of American troops as early as the summer of 2010.

Developments in Iraq, which, despite the huge problems that remain, have gone considerably better than what most commentators had dared to hope for, have meant that the Iraq question has, by and large, ceased to be an important factor in the American debate after Obama came to power. Admittedly,

there are still bomb attacks, but democratic elections have been held, the political process seems to be working, and there has been some reduction in the number of American troops without any obvious negative effects. Obama's timeline for a total withdrawal has, indeed, been extended to 2011, but there is much to suggest that such a withdrawal will not result in a civil war in Iraq or something similar. Paradoxically enough, Obama—the realpolitik critic of the 2003 invasion—can thus become the president who, with liberal rhetoric, declares that the democratization of Iraq has been successful, and that the United States can, therefore, withdraw militarily. What the democratization of Iraq will look like in the end is, of course, still an open question, even if the situation there is much better than before.

In Afghanistan, which was a fairly minor issue in the 2008 election campaign, the situation is, in many ways, much more serious. The Obama administration has here made heavy demands on its allies and partners involved in the International Security Assistance Force (ISAF) operation, not least the European ones, without them being met to any great extent. It also remains to be seen whether the new strategy that, above all, the United States has conducted in Afghanistan, which, incidentally, is similar to the one used in Iraq from 2007 onwards, has an effect. The strategy is based on both an increased military effort and a more flexible approach to the various Afghan actors, including holding talks with former adversaries, e.g. the Taliban groups. Even here, a certain paradox can thus be discerned: the main problem for Obama will perhaps not be bringing to an end the thing he talked of the most during the election campaign, i.e. Iraq, but getting the situation in Afghanistan under control within a reasonable timeframe. If the situation does not get any better in Afghanistan, Obama will find it very difficult, in a pragmatic, realpolitik way, to leave the country to its fate—the many liberal factions in his own party and sections of the American public would object very strongly to such a policy.

THE ECONOMY

Obama also inherited a very large US federal budget deficit. Nor is this anything new in American history: very large deficits also grew during the 1980s, mainly because the Reagan administration wanted to increase defence spending but cut both taxes and other public spending. While the then Democratic-controlled Congress indeed agreed to the first two proposals,

it did not agree to the third. This resulted in a soaring budget deficit. Nor has George W. Bush's policy of huge tax cuts and extremely high defence and war costs been accompanied by cuts to other parts of the budget, which has resulted in an even-greater deficit.

A budget deficit of this kind can be seen as a serious impediment to the president's freedom of action. Any new Iraq invasions—regardless of the reason—will certainly not be carried out, and even the presently very large US armed forces can probably expect future budget cuts. Given that the United States today accounts for approximately 43 per cent of global defence spending, it can, nevertheless, be concluded that the American president still has, in spite of this, considerable freedom of action.

GREAT POWER RELATIONS

In 2009–10, there have mainly been two great powers for the United States to deal with: Russia and China. In both cases, Obama's policy has contained elements of both realpolitik pragmatism and more idealistic attitudes.

With regard to relations with Russia, the media made a great fuss of what was seen as a concession by Obama regarding the change to the former administration's missile defence plans for Europe. On closer examination, it is, however, clear that the new policy that has now been decided goes, if anything, more against Russia's perceived interests than what the Bush administration's plans did. It might be that America's underlying reasoning is to put pressure on Russia to work together with the United States to bring a halt to the Iranian nuclear weapons programme. If the Iranian threat is neutralized, there is no need for a missile defence in Europe and, thus, any American installations and troops for it. If the threat remains, the Obama administration's final phase of the missile defence will comprise a considerably greater number of missile defence installations in Europe—with American personnel—than what the Bush plans did. If the reason for Russia's opposition to the missile defence is that it will have American installations and troops close to its borders, Obama's plans will have considerably more negative consequences for Russia. Republican critics of Obama's missile defence concept have, however, pointed out that if he wants to pursue a policy of appeasement towards Russia, he can define away the Iranian threat for political reasons and thus claim that a missile defence is not required.

Another stumbling block in US–Russian relations has been the NATO alliance and particularly its activities in Russia’s near abroad. Even here the Obama administration has juggled a realpolitik endeavour for good relations with Russia—most clearly expressed by the so-called reset policy from the spring of 2009—with a very clear desire to guarantee security for the small countries bordering Russia, especially former Soviet satellite states or constituent republics. In the case of the Baltic states, the administration has sent a clear signal to Russia by supporting a NATO decision to actively begin defence planning for these countries, with a direct bearing on the collective defence guarantees in Article 5 of the NATO Treaty.

Parallel with this, both the United States and Russia have signed the new strategic arms reduction treaty. However, the ratification of the treaty requires, amongst other things, a two-thirds majority in the US Senate, and it is far from certain that a sufficient number of Republican senators will back this without the Obama administration changing some key parts of its new nuclear weapons policy.

Russia is, however, seen by many (even Democratic) commentators in Washington as an admittedly weakened, but, in many ways, very problematic and, at heart, anti-American country. And, therefore, it remains to be seen how the Obama administration will, in the end, manage relations.

China, the country which many commentators see as the only one that, in the long run, can challenge the United States as a superpower, is another headache for the Obama administration. The reasons for this are partially of a domestic nature; in America, many active Democrats strongly sympathize with the Tibetan leader, the Dalai Lama. And it will, therefore, be difficult for the United States under a Democratic administration to actively distance itself from the Tibet question in order, in that way, to establish, in realpolitik terms, better relations with China. In addition to that, both Obama and his then presidential rival Hillary Clinton—now his secretary of state—demanded, amongst other things, in 2008 that the United States should boycott the Beijing Olympics because of the Chinese repression in Tibet. On the Republican side, there is correspondingly very strong sympathy for Taiwan, and apparent antipathy to the still-formally Communist China.

Initially, it appeared, however, that the Obama administration would mainly alter relations with China in accordance with a pragmatic, realpolitik model. On her visit to China in 2009, Secretary of State Clinton, for example, clearly toned down human rights questions while economic matters were of the greatest importance; China and the United States have, of course, to a great extent, a mutual economic dependence. When the Dalai Lama visited Washington that same year, Obama refused to meet him.

In 2010, America changed its policy somewhat. In February, Obama met, for the first time, the Dalai Lama in Washington, and virtually at the same time the United States announced that it had concluded a major arms-sale agreement with Taiwan. This was heavily criticized by China, and even if the formal Chinese protests were limited, the events illustrate the balancing act between a pragmatic, realpolitik desire to cooperate with China and the domestic, ideologically based problems with such a policy.

EUROPE AND SWEDEN'S IMMEDIATE REGION FROM AN AMERICAN PERSPECTIVE

As far as Sweden is concerned, the measures taken by America in and vis-à-vis Europe as well as our own immediate region are the most important aspects of US security policy. At the same time, from an American standpoint, these very geographical regions have now no obvious central role; many commentators have claimed that Washington's focus is on Asia and the Pacific region. This is not the whole truth—not least, the Obama administration has, in fact, clearly underlined how much Europe as a whole means to the United States, how important NATO is to American foreign policy, and how important US–EU economic relations are to each other and to the global economy.

At the same time, the American view of the EU as a security policy actor has changed. For many years, the United States, irrespective of the administration, was sceptical of the EU's development of its military power since it saw a risk of this duplicating or undermining NATO. Right from the beginning, the Obama administration has made it clear that it does not have any problem whatsoever with the CSDP. However, the reason for doing so is perhaps less flattering for the EU, namely the view is that the EU's success in this area is so limited that

the CSDP will never be a problem for either NATO or the United States.

As for Sweden's immediate region, especially the Baltic, there are signs that the American interest will increase. This is partly to do with developments in Russia, which in Washington are often regarded as negative, not least for Russia's small Baltic neighbours that are now NATO members. Here, the future exercise patterns of the US forces in the region will indicate how serious Washington views the situation. Moreover, it concerns the plans for the European part of the American missile defence, which include a considerable number of both material and troop installations in a later phase (up to 2020). It is even possible to put this in relation to Russia, for the reasons given above. Finally, it concerns the link between the Baltic, Russia, and the Arctic, which, in all probability, will acquire a more important place in American strategy than it has previously had.

CONCLUSIONS AND FUTURE PERSPECTIVE: CONTINUITY AND GREAT POWER RELATIONS BUT PERHAPS ALSO THE BALTIC AND THE ARCTIC

As shown above, despite the rhetoric of change, there is in several policy areas of the Obama administration a considerable continuity with previous administrations. Not least, this can be exemplified by the policy containing both strong realpolitik- and idealistic-oriented elements.

Great power relations will as usual continue to be of central importance. First and foremost, this applies to Russia and China. NATO—where approximately 75 per cent of EU countries are already members—will also, in the future, be the United States' most important military alliance, even if relations with allies in the Pacific region (e.g. Japan and Australia) as well as India may become increasingly important.

As for Sweden, it can be noted that there is every indication that, from an American perspective, the degree of interest in our own immediate region—both the Baltic and the Arctic—may increase. Regarding the latter, a lot will depend on whether Obama's reset policy towards Russia is successful or whether relations between Washington and Moscow will be characterized by a realpolitik struggle between diverging national interests.

5 Russia: Commodity Exporter or Innovation-Driven Neighbour in the East?

Susanne Oxenstierna and Carolina Vendil Pallin

Will Medvedev succeed where Gorbachev failed? Will we see an innovation-driven neighbour in the East? What will the security consequences be of a modernized Russia? What effects will the security policy Russia is pursuing have for the modernization of the country? Russia faces considerable challenges and the ruling elite has strong interests that are standing in the way of modernization.

When the financial crisis first affected the United States, the Russian political leadership seemed convinced that this epidemic would not affect its own economy. The Russian public finances were in good shape thanks to the radical reorganization following the crisis of 1998 and very good gas and oil revenues throughout the 2000s. It soon proved to be the case, however, that the privatized sector was heavily in debt and banks and large companies were being hit hard. It needed major contributions from the treasury to avoid the entire economy coming to a standstill. Imbalances in the economy made their presence increasingly felt, as did the consequences of an almost-ten-year oil boom that had not been used for structural transformation and investments. The economic crisis of 2008–2009 made it clear that Russia's economic strength was still totally dependent on oil and gas exports. The Russian Gross Domestic Product (GDP) amounted to only 16 per cent of American GDP and the income per capita was equivalent to only a third of the United States' in 2008.

Despite almost twenty years of sweeping market reforms and considerable private ownership within trade and industry, the Russian economy is weighed down by a large, obsolete industrial sector that requires huge subsidies in order to survive. The old Soviet industry has never been competitive, but has mainly survived the economic reforms through barter and concessions in energy and tax payments. The Russian Government increased its subsidies to these companies by 50 per cent during 2009. All this was mainly due to a great fear of open unem-

ployment and the lack of alternative employment in many regions. President Medvedev wants to see a change in these conditions. In his manifesto, 'Forward, Russia', of October 2009, he outlines a modern Russia with a diversified economy. In a similar way as Mikhail Gorbachev once spoke of uskorenie (acceleration) and perestroika (reconstructing), Medvedev speaks of modernizatsiya (modernization).

INNOVATIVE ECONOMIC INVESTMENTS

Within a decade, Medvedev wants to see a modern Russia that is not overly dependent on oil and gas revenues. Russia will become an innovation economy. Five areas will form the basis of this modernization:

- Energy: Russia will become a leader in production, transport, and the use of energy.
- Nuclear power will be expanded and developed.
- IT technology will be developed further.
- The IT infrastructure will be expanded, including satellites that can be used throughout the entire world.
- Pharmaceutical industry: Russia will become a leader in certain pharmaceutical and medical technologies.

The choice of these key areas is a good reflection of Russia's comparative advantages. Russia is rich in energy resources: for example, it has 6 per cent of the world's known oil reserves and 25–30 per cent of the world's known gas reserves. Russia also accounts for 50 per cent of the EU countries' energy imports. When it comes to using energy effectively, Russia still has a long way to go, however. In the 2000s, the Russian domestic energy prices corresponded to about 20 per cent of the world-market level, which has not provided any inspiration for energy savings. According to Western commentators, Russia uses more than three times as much energy per GNP unit as the EU countries. The EU proposed the harmonization of energy prices as a prerequisite for a free-trade agreement as Russia's industry would otherwise have an unfair competitive advantage.

The energy sector needs considerable investment resources in order to develop. As regards gas and oil, the new deposits are far away from existing transport routes, which requires investments in both extraction and infrastructure. The market price for nuclear power development is at least US\$ 1,600 per

kilowatt. To execute the Russian energy strategy up until 2030, it is estimated that all forms of energy together will require an investment of US\$ 2,400–2,800 billion. The oil sector is very run-down, e.g. refineries from the 1940s and 1960s are still operating. There is also a great need for investment in electricity generation, renewable energy, and energy saving. The gas sector is run by Gazprom, which has a total monopoly on all gas operations in Russia. Over the past ten years, the company has not invested, but has increased its production from existing deposits. The Shtokman project in the Barents Sea has been postponed until 2016, as future gas exports to the United States and Canada are deemed to be too expensive in comparison with the US investment in extracting shale gas. The laying of the controversial Nord Stream gas pipe through the Baltic Sea has commenced. A number of experts are, however, still questioning whether demand for gas in Europe will be sufficient for this pipe and the South Stream to be profitable.

Russia is investing heavily in nuclear power and is, after the United States, France, and Japan, fourth in the world, with thirty-two nuclear reactors. The lifespan of older reactors has been extended, and Russia is planning to commission a further twenty-four nuclear reactors in the period up to 2025. By 2030, 25 per cent of all electricity will be generated by nuclear power and the export of electricity to the EU is planned. Russia is also selling nuclear power technology and nuclear power plants to, among others, India, Iran, and China. Russia has uranium enrichment plants and is self-sufficient in nuclear fuel and also sells nuclear fuel to many other countries. In November 2009, the International Atomic Energy Agency (IAEA) approved a nuclear fuel bank in Angarsk, which is situated near the city of Irkutsk, a little over 500 kilometres east of Moscow. This bank will guarantee a supply of low-enriched uranium for IAEA members in the event of disruptions to the international market for nuclear fuel.

In addition to the energy industry, Russia plans to invest especially in IT and the pharmaceutical industry. The most public venture that Medvedev has decided on to date is the new innovation centre in Skolkovo, west of Moscow. This centre will be primarily involved in telecommunications and information technology. The objective is to create an equivalent of Silicon Valley. Whether this centre will be able to create the right conditions for good research and for innovations to be turned into commercial products remains to be seen. Problems with

copyrights and patents still have to be resolved and entrepreneurial activity within the innovation sector made easier. There is a risk that Skolkovo will become yet another federal white elephant without any appreciable results.

According to the Russian Ministry of Economic Development, research and development expenditure is about only 1 per cent of GDP. This can be compared with 3.7 per cent in Sweden, 2.6 per cent in the United States, and almost 1.5 per cent in China. Russian research is mainly state funded, while there is a large private element in many countries, such as the United States and China. For Russia to catch up with these countries, both modernization—changing the institutional conditions for research and development—and acceleration—producing research results quicker and turning these into commercial products more quickly than has been the case so far—will be required. Medvedev's task is at least as difficult as Gorbachev's, but he has a better definition of the problem and realizes that completely new approaches and structural changes will be required if Russia's economy is to be revived.

The defence industry, which was depicted as a growth engine during the 2000s and was given large resources from the federal budget, is not mentioned in Medvedev's plan. There is much to suggest that there is great disappointment about the poor return for every rouble invested. The defence industry, which was the highest priority in the Soviet economy, still has problems delivering the goods now that resources are not unlimited as they were before. The Russian defence industry appears to lack the ability to produce and develop new products within hard budget constraints and, as a result of this, Russia has, to some extent, begun to cooperate with other countries in order to acquire new military technology.

CHALLENGES AND REALISM

The worst obstacles to Medvedev's modernization programme are corruption and the new nomenclature that has arisen in the aftermath of the Soviet Union's collapse. A significant proportion of the elite is profiting from the present system, which means that it can cash in on monopoly profits and interest from trade in oil, gas, and other raw materials. In addition to this, the president and the prime minister appear to prefer large-scale investments directed from above, rather than limiting the state's role to providing good conditions for individuals to de-

velop their own initiatives. It is also clear that new investments risk disappearing down the drain when the funds allocated are not used as intended.

A prerequisite for tackling corruption and the ineffectiveness that characterizes bureaucracy is that the executive is subjected to critical and independent scrutiny. That is not happening today. In order for any modernization of the economy to succeed, it will be necessary for the ruling elite to feel that a change like this would be favourable to them personally. The section of the elite that earns large amounts from the raw-material sector would not benefit, in the short term, from a more transparent system or from a larger proportion of profits being set aside for future development. A transparent system would obviously reduce the opportunities for corruption and there is a great potential for improvement here. According to the Organization Transparency's Corruption Perceptions Index, Russia was ranked 147 out of 180 countries in 2008.

There is also every reason to wonder whether there are sufficient investment resources for all the investments that have been initiated by the Kremlin. Foreign direct investments are not flowing in at the rate Russia would like due to the shortcomings in how the economy works. The fact that a large number of state-owned companies have been designated as 'strategic' and are thus subject to considerable restrictions as regards foreign ownership and influence will also have negative effects when it comes to foreign investors wanting to invest capital. This will put additional obstacles in the way of transferring technology from West to East, something that tends to take place primarily through joint ownership.

In Russia's foreign policy concept, there are two principal objectives: strengthening the country's sovereignty and authority internationally and creating favourable conditions for modernizing the country. Sometimes these two objectives can be combined—and it is also Russia's ambition that this will be possible. But, more often, there is considerable conflict between these two goals. This became clear during, for example, the war in Georgia, when foreign direct investments were immediately withdrawn. A more fundamental conflict between these two goals is the issue of Russia's World Trade Organization (WTO) membership. Joining the WTO would mean surrendering some of the country's national sovereignty, but, without WTO membership, Russia will not achieve a genuine free-trade agree-

ement with the EU. The outlook for a qualitatively better framework agreement with the EU also looks anything but bright if Russia remains outside the WTO. The present framework agreement between Russia and the EU, the Partnership and Cooperation Agreement, consists, to a large extent, of paragraphs regulating the economic interchange and so will future agreements, as long as the WTO is not a common framework.

The Russian objective is, however, to achieve both goals at the same time. The economy and security policy will preferably be dealt with in separate silos. It is partly in light of this that Russia's new proposals for security architecture in Europe should be interpreted. Russia's ambition is for a European security agreement to entirely focus on so-called hard security, i.e. primarily military security. Up to now, the majority of EU member states have, without totally rejecting the Russian initiative, declared that they do not want to dismantle the security policy structure that is already in place. Nor do they accept the economic dimension and the human rights dimension being dealt with separately.

MODERNIZATION OR MARGINALIZATION?

In analyses of Russian security policy during Putin's second term of office, it is often pointed out how the high energy sector revenues allowed Russia to pursue a more offensive foreign policy and to demand a prominent role in the international community. Perhaps this is why many people, both analysts and politicians, assumed that when the economic crisis hit Russia hard, Moscow would also retract its claws and become more cooperative. So far, no such tendency can be discerned. Despite the US invitation to 'reset' their links, relations between the West and Russia have remained strained. Russia is still determined to rectify the unfair position it is felt the country ended up in as a result of its period of weakness in the 1990s. Moscow is demanding recognition of a leading role for Russia on the international stage.

The economic crisis has thus far not led to a significant relaxation of Russian security policy towards the West. Resistance to what Moscow sees as NATO gradually moving forward its positions along Russia's border is still strong. A principal security policy objective is also to prevent more states in Russia's near abroad joining NATO. If Russia continues to be, first and foremost, an economy that exports raw materials, it is not likely that security policy will change significantly in the short

to medium term. Russia will continue to show growth without any problems as long as the oil price remains at around US\$ 70–80, the level at which it was during the first half of 2010. In Russia's near abroad, the Kremlin was also able to send a message to the domestic population that the Russian hard line had paid handsome dividends, e.g. in the form of NATO's expansion to include Georgia and Ukraine being shelved. In addition, Ukraine has signed an agreement to continue to lease its naval base in Sevastopol to Russia. Russia is once again a country to be reckoned with.

In the longer term, there is, however, an imminent risk for Moscow that the country's status as a regional great power will be eroded gradually if the country is not able to diversify and modernize its economic base. As Dmitri Trenin, the director of the Carnegie Moscow Centre, puts it: in the longer term, Russia faces the choice between 'modernization and marginalization'.⁹ There is, however, no reason to assume that a marginalized Russia would be a better neighbour. On the contrary, a stronger, modernized Russia, integrated in international cooperation structures, would probably be preferable.

⁹'The Kremlin Two-Step', *Moscow Times*, 1/11/2010, <<http://www.themoscowtimes.com/opinion/article/the-kremlin-two-step/397052.html>>

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6 China's Globalization of Internal Affairs: Tibet and Xinjiang in World Politics

Jerker Hellström

China is assuming an increasingly important position in the international community and the role the country is playing is being driven by economic interests to an ever greater extent. In parallel with China's growth as a global player, the country's internal challenges are also mounting. Beijing, however, wants to take care of its domestic politics undisturbed and without foreign interference. In particular, this applies to issues that are of direct relevance to China's national security and unity—particularly the threat from separatism in the country's two largest regions: Tibet and Xinjiang. In tandem with China's influence increasing, Beijing can now raise its demands to be allowed to control the Tibetan and Uighur minorities without foreign interference, which has been the case particularly since 2008. China expects support from the outside world for its policies in the two autonomous regions and will put a greater effort into silencing the critical voices heard abroad. For this reason, it has become important for the governments of the world to familiarize themselves with the problems concerning the ethnic minority groups in the country, particularly the situation for the Tibetans and Uighurs.

THE FOCUS ON ETHNIC MINORITIES IN THE WEST

The issues of Tibet's autonomy and Tibetan rights have been discussed internationally for several decades, while the situation for the Uighurs in Xinjiang has only come into focus relatively recently. The two areas in western China are the largest of the country's thirty-four administrative regions (Taiwan included) and, together, constitute almost a third of China's land area. The area is, therefore, slightly bigger than Argentina and a little smaller than India. Xinjiang's population is about twenty million people, of which approximately eight million are Uighurs, a Muslim Turkic people.¹⁰ In Tibet, where fewer than three million people live, the proportion of ethnic Tibetans is just over 90 per cent, according to Chinese statistics.¹¹

There are several reasons why Beijing is putting great emphasis

¹⁰ Statistics and historical facts on Tibet and Xinjiang tend to be used for political purposes and should, therefore, not be regarded as certain facts.

¹¹ Xinhua, 'Tibetan Population Grows Fast, Language Education Stressed', 1 April 2009.

on these two ethnic groups, despite their modest sizes. Xinjiang is rich in natural resources, including oil, and shares a border with eight of China's neighbouring countries.¹² In May 2010, President Hu Jintao said that Xinjiang had a 'particularly significant strategic position' in China.¹³ Tibet, or Xizang as the Chinese call the region, shares an important border with India. China and India disagree on the established border. Tibet is also an important source of, among other things, water and minerals. For a long time, the Communist Party has pursued a policy aimed at increasing the influence of inhabitants from the majority ethnic group, the Han, in order to assimilate the local population and thereby reduce the risk of national disintegration. There is much to suggest, however, that this policy has, on the contrary, led to tension between the ethnic groups.

The Communist Party is very concerned about instability in the country, which could, in the worst-case scenario, constitute a threat to its monopoly on power. The fundamental problem in Tibet and Xinjiang is, according to the Chinese approach, the threat from the 'three evil forces': terrorism, separatism, and religious extremism. Fearing these destabilizing forces will gain a foothold has motivated China to increase its military presence in the regions. Following the attacks of 11 September 2001, Beijing received important support from Washington for its fight against terrorism and was also allowed to interrogate Uighur prisoners in Guantánamo. In 2002, a group called the East Turkistan Islamic Movement (ETIM) was added to both the US and the UN list of terrorists with links to al-Qaida. It is, admittedly, unclear whether this group actually exists,¹⁴ but, according to critics, the United States is said to have forced through the ETIM's terror label in order to gain Chinese support for a resolution against Iraq in the UN Security Council.

CHINA'S ROLE IN WORLD POLITICS

China wants to be acknowledged by the outside world as a responsible global player and does not tolerate others trying to interfere in its domestic politics. A minor political crisis arose, therefore, in relations with the United States when China was subjected to criticism in a number of areas at the start of 2010. Among other things, Washington criticized Beijing for state-sanctioned IT attacks and unjustifiably strict control over the Internet as part of the Google affair. Criticism was also aimed at China's undervalued currency, which the United States feels gives Chinese export companies an unfair advantage in the

¹² These countries are Russia, India, Afghanistan, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Mongolia.

¹³ Cui Jia and Zhu Zhe, 'Xinjiang Support Package Unveiled', China Daily, 21 May 2010.

¹⁴ Dru C. Gladney, *Dislocating China: Reflections on Muslims, Minorities, and Other Subaltern Subjects* (Chicago: University of Chicago Press, 2004).

¹⁵ 'Press Conference on Central Govt's Contacts with Dalai Lama', China Daily, 11 February 2010.

American market. The lack of transparency in the Chinese defence expenditure was yet another issue that China had to answer for. The fact that, like his predecessors, Barack Obama met with Tibet's spiritual leader, the Dalai Lama, was also perceived by the Chinese as an insult to the country. Prior to the meeting, the Chinese Government warned that this would 'threaten the trust and cooperation' between China and the United States.¹⁵

¹⁶ Ministry of Foreign Affairs of the People's Republic of China, Foreign Ministry Spokesperson Ma Zhaoxu's Regular Press Conference on 2 February 2010, 3 February 2010.

The American arms deliveries to Taiwan in January 2010, in accordance with commitments dating back to the 1970s, were also met with harsh criticism from China. The Chinese foreign minister went as far as to threaten sanctions against the companies that were involved in the arms sales.¹⁶ For a long time, Taiwan's status has been the domestic policy issue with the highest priority for the Chinese Communist Party. This is also reflected internationally by the fact that countries that have diplomatic relations with China have to accept the 'One-China Policy', i.e. that they sever political ties with Taiwan. However, as a result of the protests in western China—in Tibet in 2008 and Xinjiang in 2009—these two regions emerged as new areas of focus. Since the autumn of 2009, China has, therefore, explicitly asked the outside world to also officially accept its policies in Tibet and Xinjiang.

It is not a problem for world leaders to tell the Chinese president in private how they view the Communist Party's behaviour within China's borders. But to criticize Beijing, in public statements, for a lack of respect for human rights is not accepted. The Chinese Government recently made it clear to the outside world that its policies in Tibet and Xinjiang are among its so-called 'core interests'. Just as essentially all countries in the world officially recognize Taiwan as part of the People's Republic of China, general support is now expected for Chinese policies in the two regions.

BEIJING PUTS PRESSURE ON PARIS

It is very likely that, in the future, China will more and more clearly assert its right to conduct its domestic policy without foreign interference. The fact that Beijing is reacting so aggressively to international criticism of its actions in Tibet and Xinjiang is a way of demonstrating strength to its own population. Nevertheless, Beijing has also expressed its discontent externally through tangible actions, which the French Govern-

ment recently experienced. During the spring of 2008, directly after the turmoil in Tibet, pro-Tibetan demonstrators attacked the Chinese athlete carrying the Olympic torch through Paris. This incident occurred just a few days after President Nicolas Sarkozy, like many other heads of state, had threatened that he would boycott the opening of the Beijing Olympic Games in August unless China entered into a dialogue with the Dalai Lama. These events were given a lot of coverage in the Chinese media and contributed to calls by Internet users in China for a boycott of French goods. In tandem with the growing anti-French mood, which was being stirred up by the Chinese media, Sarkozy decided to give the torchbearer a public apology and stated that he would, after all, be present at the opening of the Olympics.

However, the tension between Beijing and Paris was not over. In November 2008, China cancelled the twelfth summit meeting with the EU, during the French presidency, after Sarkozy stated that he planned to meet the Dalai Lama. This was the first time in eleven years that China had pulled out of a summit with the EU. After China had boycotted the meeting and avoided French companies during a trade round, Sarkozy finally signed an agreement in which he opposed Tibetan independence. Despite these concessions from France, it was not until the spring of 2009 that China agreed to resume links with France at ministerial level.¹⁷

¹⁷ China and France Resume Contacts, BBC News, 1 April 2009..

BEIJING'S WAY OF GAINING SUPPORT FOR ITS POLICY ON MINORITIES: PRESSURE, PR, AND ESPIONAGE

Beijing learned useful lessons from the consequences of the unrest in Tibet, which it had, among other things, dealt with by refusing journalists access to the region. These lessons came in handy in July 2009 after a Uighur demonstration in Xinjiang's capital, Urumqi, turned into a riot. Up to 200 people died, some in clashes with the police. But, instead of isolating Xinjiang, the authorities decided to set up a press centre in Urumqi and show the devastation to foreign correspondents. Although southern Xinjiang, where most Uighurs live, was closed off, this openness was welcomed as a positive surprise by the international media.

It is likely that China's PR efforts contributed to criticism from the outside world being more muted this time, even from the majority of Muslim countries. Although Turkey's prime

minister, Recep Tayyip Erdogan, referred to the incident as 'almost genocide' and wanted to raise the issue in the UN, he was relatively alone in his harsh criticism. China also acted quickly in order to influence those who had not given Beijing their support when dealing with the disturbances. A Chinese envoy is said to have persuaded Ankara, which quickly agreed to normalize relations with Beijing.¹⁸ The Organization of the Islamic Conference (OIC), which had criticized China, also sent a delegation to Xinjiang, on Beijing's advice, to be briefed by the Government on what had 'actually' happened in July.¹⁹

¹⁸ Interview, Beijing, March 2010.

¹⁹ Organization of the Islamic Conference, 'OIC High Level Delegation Visits Beijing', 19 August 2009.

²⁰ Xinhua, 'He Yafei tan Li Keqiang fangwen Aodaliya, Xinxilan deng san guo chengguo' [He Yafei Discusses the Result of Li Keqiang's Visit to Three Countries, including Australia and New Zealand], 5 November 2009.

²¹ Articles published in August–November 2009 on the Chinese Government's website, <www.gov.cn>

²² Stockholms Tingsrätt [Stockholm District Court] (2010), 'Dom 2010-03-08; Mål nr B 8976-09 [Sentence 2010-03-08; Case No. B 8976-09]'

Beijing appears to have succeeded rather well in gaining support for its policies towards Tibetans and Uighurs. According to the Chinese media, government representatives from a number of countries have stated that they 'respect China's position in the issues that concern Taiwan, Tibet, and Xinjiang, as well as China's other core interests'.²⁰ The countries include the United States, Japan, Australia, New Zealand, and Bulgaria.²¹ A fundamental problem with such statements is that it is often unclear what the parties mean by the 'Tibet question' or the 'Xinjiang issue'. While China's leaders feel they have received support for their way of dealing with domestic policy in these two regions, this is not necessarily what their foreign counterparts mean. Instead, international leaders perceive these issues as territorial matters, i.e. they recognize Tibet and Xinjiang as parts of the People's Republic of China.

The Chinese Government is deeply concerned about international support for the Uighurs and Tibetans and has used controversial methods to gain access to information about the exile groups. This has even happened in Sweden, which came to light in March 2010, when a man was sentenced to sixteen months' imprisonment by the Stockholm District Court for 'illegal intelligence activity'. The man, a Uighur who came to Sweden in 1997, had been spying on exiled Uighurs for China.²² Furthermore, China's embassies are continually trying to persuade foreign governments not to grant asylum to people who have been labelled enemies of the Chinese state. China believes that the Uighurs who have been held prisoner in Guantánamo are criminals despite being released and are demanding that their new homelands hand them over. In a case in December 2009 that attracted a lot of attention, Cambodia, deported twenty Uighurs who were seeking political asylum in the country, as a result of pressure from Beijing. The men were transferred to China despite the UN refugee agency, the

United Nations High Commissioner for Refugees, having been given assurances that they would be tried first.²³ Also in Sweden there are similar examples of Chinese actions in the Uighur issue. The Chinese embassy in Stockholm has regularly contacted the Ministry for Foreign Affairs demanding that Sweden hand over a former Uighur Guantánamo detainee who was granted asylum at the beginning of 2008.²⁴

CONCLUSIONS: CHINA'S DOMESTIC POLICY DEVELOPMENT NEEDS TO BE CLOSELY MONITORED

Considering the increasingly important role that China is playing in the international community, it has become inevitable to engage the Chinese Government in major world issues. In matters ranging from climate change to Iran's and North Korea's nuclear ambitions and imbalances in the global economy, Beijing's willingness to cooperate is vital. But China's agenda is still dominated by domestic policy considerations, which the government wants to handle on its own.

What is perhaps the most burning domestic policy issue concerns the antagonism between ethnic groups, which is not in itself a new phenomenon. As a result of China's clear domestic policy focus, it will thus become increasingly important for the outside world to familiarize itself with issues concerning the minority areas, in particularly Tibet and Xinjiang. Beijing will continue to demand international support for its control of the two regions. Foreign governments should, nevertheless, keep themselves informed and publicly react to any perceived human rights violations and not censure their points of view for fear of reprisals.

For the EU member states, which have had an arms embargo in place against China since 1989, it is particularly important to keep an eye on Chinese domestic policy. As the embargo is purely symbolic and does not effectively prevent the export of arms to China, there may be conditions for it to be lifted in coming years. However, since the sanctions against China are directly linked to the human rights situation in the country, the EU should first have a proper understanding of Beijing's treatment of minority groups.

²³ Interview, Beijing, March 2010; US Concern after Cambodia Departs 20 Chinese Uighurs, BBC News, 20 December 2009.

²⁴ Kina kritiserar svenskt asylbeslut [China Criticizes Swedish Asylum Decision], Ekot, 12 May 2009.

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7 The Sunken Corvette: North-East Asian Security Negatively Affected

John Rydqvist

Both technical investigations the situation North Korea is facing and it's international behaviour throughout the last years point decisively towards North Korea having attacked and sunk the South Korean warship Cheonan in March 2010. Exactly why is more difficult to establish with any degree of certainty. One hypothesis is that the actual reason for North Korea sinking the ship was revenge. Deteriorating political relations between North and South are an important underlying factor, as is China's enforced rapprochement with its troublesome ally. The failure of the six party talks and the failure of the North to win any decisive advantages from its 2009 nuclear test is important. The most likely explanation however is the succession within the ruling family, from Kim Jong-Il to Kim Jong-Un.. Although less likely, a power struggle in Pyongyang may also have been triggered by the succession process. A military faction within the regime may have wanted to reverse the few economic reforms that have been carried out in North.

In March 2010, a new phase in the conflict on the Korean Peninsula was opened by the sinking of the South Korean (ROK) warship *Cheonan*, resulting in the deaths of forty-six seamen. This sinking differs in two ways from most previous crises. First, the sinking was not crisis/event driven but a well-planned act of war. Second, North Korea has systematically denied all involvement. The crisis was intensified at the end of May when South Korea officially singled out Pyongyang as responsible. The political reactions from all camps, the steep fall in the region's stock markets, and the increase in military preparedness all point towards a considerable increase in tension on the peninsula.

In the longer term, regional stability will be affected. China is facing a difficult political balance, one between supporting North Korea and thereby losing international prestige or distancing itself from its troublesome neighbour and thereby risking upsetting the balance on the peninsula. The United States, Japan, and South Korea are being given a further in-

centive to reform and develop East Asian security and military cooperation. The result of the sinking is that the resumption of the six-party talks is even less likely in the foreseeable future. As of November 2010 the talks have not been resumed and further North Korean attacks have made resumption more or less impossible in the old format. The result is that Russia's regional influence will further dwindle and Japan's ability to push its core interests on the Korean Peninsula will decline. The *Cheonan* Crisis will probably lead to tighter North-East Asian security arrangements such as the U.S.-ROK alliance and ROK-Japan partnership.

THE DIRECT CAUSALITIES

At the end of May, the South Korean-led investigation team, with Swedish, British, American, and Australian members, presented preliminary findings. In the conclusions, it is stated that without a shadow of a doubt the *Cheonan* was torpedoed by a North Korean submarine. In October 2010, a full report was released. Although challenged by international actors on several levels, the technical evidence, the published intelligence analysis, and the presence of the foreign participants gave the assessments in the conclusions great credibility.

²⁵ North Korea's official news agency regularly uses language along the lines of 'the warmongering South Korean puppets in the traitor regime that are led by the nose by their masters, Japan and the US' to describe the South Korean Government.

North Korea had already denied all involvement in the sinking in April. When South Korea published the preliminary report, it was immediately rejected. The Government in Seoul was accused of carrying out a provocative conspiracy aimed at totally destroying the reunification process. The strong language used between the countries reflects their already-strained relations, but the aggressive choice of words represents nothing new.²⁵ However, North Korea's consistent denial of being involved is. The last time a major attack was perpetrated and denied was when North Korean agents blew up a passenger plane in 1987, resulting in 115 deaths. One of the agents was captured and, according to her, the aim was to destabilize the Government in the South and deter other countries from taking part in the Seoul Olympics in 1988.

North Korea has for a long time altered periods of provocation with periods of détente and a more constructive approach: a tactic for improving its bargaining position. The nuclear weapons and missile tests over the last few years have, in addition to advancing military development, been used for this purpose. Perhaps North Korea feels that the nuclear weapons program-

me is no longer providing them with enough political options and are looking for new ways to put pressure on and provoke the outside world. However, Pyongyang's denials suggest that there is a different reason.

There are several conceivable and intertwined reasons for North Korea to conduct an operation against South Korean war ships, in addition to the countries still being formally at war. Although unlikely, one could speculate on whether the sinking of the *Cheonan* could have been an unplanned incident. Minor military incidents are far from unheard of and there are more or less regular exchanges of fire in the disputed sea area off the Korean west coast where the corvette was sunk. Serious naval skirmishes occurred in 1998, 2002, 2004, and 2009. A submarine captain under pressure could well determine the need to launch a torpedo as a defensive measure after being detected. In South Korea, there has been a debate about the failure of the navy to detect submarine threats. A South Korean failure to detect and pursue a North Korean submarine contradicts the hypothesis that the torpedoing took place as a result of an incident.

Another possibility is that local military commanders, for some reason, acted alone, without the permission of the central government. The theory that local military commanders carried out the sinking is contradicted by the known and generally accepted fact that the North Korean military is an exceptionally hierarchic and strictly top-down organization.

Evidence suggests that it is far more likely that the sinking was deliberate and sanctioned by the regime or a group within the central government. There are several conceivable reasons. One is revenge for the incident in November 2009, when a badly damaged and burning North Korean ship had to retreat after exchanging fire with the South Korean navy. Just a couple of days after the November incident, the official North Korean news agency, KCNA, published the article, 'South Korea Will Be Forced to Pay Dearly for Armed Provocation'. In the article, there were indirect threats of revenge for the November 2009 incident. According to a newspaper quote in May 2010, South Korean intelligence sources reportedly stated that revenge for the November incident was the actual reason for the sinking. The North Korean leaders' ability to control and suppress their starving population may also be an explanatory factor. In tandem with trade links with China having become more

important, exposure to the outside world has increased and North Korea has become less isolated. There is, therefore, a greater potential for national discontent in North Korea than at any time before in the history of the Democratic People's Republic of Korea (DPRK). This was evident after last year's catastrophic currency reform. One effect of the reform was that the small but important free food markets that had for several years been allowed by default collapsed. Another effect was that people lost their meagre savings. Reports spoke of protests even in Pyongyang, something unheard of. As a result of this fiasco, the politician responsible was executed. A classical way of taking the focus away from internal discontent is by creating unity against an external enemy. The sinking has had such an effect and that may have been part of the plan.

Elite dissatisfaction with the economic 'experiments' of the past decade and the perceived threat of the population no longer being totally isolated, and therefore less easy to control, are decisive factors in the ongoing North Korean succession process. After Kim Jong-il failed to attend the military parade marking North Korea's sixtieth anniversary in 2008, rumours began to spread quickly. After a fifty-day absence from the limelight, it was clear that something had happened, but not what had happened. The most persistent rumours are that Kim had a stroke and that he is suffering from prostate cancer. Shortly after Kim showed himself in public again, the news came that a successor had been chosen from the Kim dynasty, the youngest son, Kim Jong-un. During the autumn of 2010 Jong-un was officially named as Kim Jong-il's successor. A very likely and strong reason for sinking the *Cheonan* would be to boost Kim Jong-un's legitimacy to secure a smooth transition of power.

Although Kim Jong-il is depicted as a dictator, it is not clear that he has unlimited power. Some analysts argue that Kim Jong-il has been living in the shadow of his dead father throughout his reign. This would have given competing factions within the elite greater room to grasp for positions of power within the regime. Over the last ten years, a cautious economic development has been allowed. It appears as if one group has argued for taking China as its model and opted for an 'economy-first' policy. At the same time, the increased tension over the nuclear weapons programme during the last eight years has arguably strengthened the military-dominated older generation. It has generally been opposed to economic reform. The nuclear weapons test in May 2009 is a sign that these reform-

sceptical factions' political preference has gained influence in North Korea. This reform-sceptical element of the political elite may have ordered the sinking without Kim's consent. If true, this would, in turn, mean that the power struggle between factions advocating 'economy first' or 'military first' has intensified and is fiercer than hitherto known. The change of government in South Korea in 2008 is also a determining factor. During the early 2000s, liberal South Korean governments pursued pro-North policies under the heading 'sunshine policy'. Reunification policies experienced an upturn and a number of cooperation projects were launched in the areas of industry and tourism. Since 2008, a conservative Government that is sceptical of the North has been in power in South Korea. The tone used in the dialogue between the countries is now harsh. The South Korean electorate is also split on the question of reunification. The older generation still, to a great extent, supports reunification. But the young generation does not have the same personal and emotional links to its northern cousins. The longer the countries remain divided, the more the young people's interest in a future reunification wanes. The sinking of the *Cheonan* may have been used by North Korea to attempt to influence the present South Korean Government. In that case, it has had some, albeit, limited success, as the conservative party in power won fewer posts than expected in the local elections at the beginning of June 2010.

It has also been argued that there is a link between the sinking of the *Cheonan* and the fact that South Korea was in 2010 to host a G20 summit meeting for the first time in November 2010. Hosting the G20 has been described as a diplomatic triumph demonstrating that South Korea is one of the world's leading countries. The fact that this is happening during the conservative Government's term of office must stick in North Korea's throat.

In summary, it is not possible to establish with any firm degree of certainty the reasons for and causality behind the sinking of the *Cheonan*. One strong hypothesis is that a primary reason for North Korea sinking the ship was revenge. The deteriorating political relations between North and South are also an important underlying factor. The most probable cause, although probably not the only one, has to do with the succession process. Kim Jong-un's legitimacy needed a boost in Pyongyang. Coupled with this is the possible power struggle between 'military-first' and 'economy-first' groups within

North Korea, which could be a contributory factor. Whatever the exact reasons may be, the *Cheonan* crisis has been used to further core domestic and political interests of the regime in Pyongyang. From the North Korean perspective, the positive effects that the *Cheonan* crisis has resulted in outweigh any negative effects in its international relations. If this argument is accepted, it supports the hypothesis that the sinking was planned and deliberately executed by North Korea.

IN THE WAKE OF THE CRISIS

When the crisis flared up at the end of May, several strong reactions were triggered. Government representatives in Seoul have alternated threatening statements that the North will be made to pay for its actions with statements designed to reduce the escalation, namely that South Korea's reactions will be well balanced and well thought out. After just a week, South Korea introduced further economic sanctions against North Korea and will, together with the United States and others, attempt to bring about UN sanctions. South Korea also quickly announced that, together with the United States, it would carry out large-scale military exercises at the North Korean border. At the same time, the United States gave further assurances of military support for the South. In South Korea, the subdued debate about the navy's inability to detect submarine threats surfaced and military rearmament was hinted at.

In many countries, the sinking was condemned in harsh terms. A huge fall in the stock markets in several countries in the region spread to the stock markets in the rest of the world. Increased military preparedness and sabre rattling were said to be an important reason, along with the present Greek crisis. This is a typical example of how geographically distinct, and essentially different, crises can reinforce each other. The political consequences were not long in coming either. On 3 June, Japan's prime minister, Yukio Hatoyama, resigned. Falling poll ratings played a part, but the actual reason was the *Cheonan* crisis. Hatoyama broke his election promise and announced that Japan intended to retain an American airbase at Okinawa. The deterioration in the security situation on the Korean Peninsula was given as the reason.

Many reactions have focused on the risk of military escalation and war. There are several factors, however, that make the prospect of a large-scale war breaking out unlikely. The

military balance on the peninsula means that North Korea can only lose a major war, and the regime probably knows this. It is not likely that South Korea would start a war either, as North Korea has enough firepower to destroy large areas of Seoul as a last desperate measure. There is, therefore, still only a slight risk of war on the peninsula despite the present crisis. However, the risk cannot be completely ruled out as there are always unforeseen developments, especially when the unpredictable North Korea is involved.

North Korea, which still denies being involved, will be putting even more emphasis on bilateral relations in its foreign policy. The regime's first priority is establishing direct negotiations with the United States, with the aim of concluding a peace agreement. The regime's domestic challenges will continue to be important and the present power transition will continue to make politics unpredictable, incoherent and possibly provocative. Although measures have been taken to ensure a smooth power transition, Kim Jong-il's death will pose a risk of factional conflicts that may lead to an internal struggle or collapse with severe repercussions outside of the DPRK.

Given that military tension has increased, the possibility that North Korea will test another nuclear device increases. Deterrence is one of North Korea's top priorities and the country perceives a need to acquire nuclear weapons in order to compensate for its obsolete army. North Korea detonated its first nuclear device in October 2006. Soon afterwards, the so-called six-party talks on the country's nuclear weapons programme were resumed. North Korea reversed its position and promised, in 2007, to dismantle its nuclear weapons. However, increased tension and North Korean dissatisfaction led to the six-party talks collapsing in 2009. North Korea resumed manufacturing nuclear weapons and, in the spring of 2009, carried out both missile tests and a new nuclear test. North Korea will continue its investment in nuclear weapons and the next stage in the development will be to create operational nuclear weapons systems.

The only country that seriously has any chance of influencing North Korea is China, without whose aid and help the situation would quickly become untenable. As a result of developments, China's role has become particularly important. Over the last few years, China has taken a lead in the six-party talks on North Korea's nuclear weapons programme. This has been

done in a fashion that has benefited the country's international reputation. Through a combination of pressure and mediation, the Government in Beijing has been able to neutralize the criticism of China providing support to the regime in Pyongyang.

The decline and collapse of the six-party talks and the pressure to impose tougher sanctions on North Korea have forced the Chinese into a corner where they are being made to more clearly take sides. It is evident that the leadership in Beijing is frustrated with the unpredictable and unreliable 'hermit kingdom'. It is also clear that Kim Jong-il and his regime is not bowing to Chinese pressure to any considerable extent. Despite this, the Chinese perception is that there is little choice but to keep supporting North Korea. The survival of the Communist Party is still at the top of the agenda in Chinese politics. Continued economic development is a prerequisite for party legitimacy. Regional stability is crucial for keeping the economic engines running and that includes stability on the Korean peninsula. As tensions rise, the status quo is a good option for China and this means the North Korean regime must be given help to survive. At the same time, large groups in China are pro-North Korean. Any policy that would exert too much pressure on North Korea would risk leading to public dissent and protests in China. This is something politicians in Beijing are wary of.

To act in a way that increases the risk of a North Korean regime collapse would, therefore, be unacceptable to China. There is a danger of large waves of refugees fleeing to China following a North Korean collapse, with serious consequences for the impoverished north of China. A unified Korea would mean China losing the military buffer zone that North Korea forms. In turn, this would lead to increased polarization and military tension with the United States and South Korea. For the reasons given above, North Korea is a clear example of how domestic politics dictates foreign policy and limits China's freedom of action internationally.

Official Chinese reactions to the South Korean investigation into the sinking of the *Cheonan* suggest that Beijing will continue to support North Korea. The Ministry of Foreign Affairs emphasized that in the Chinese view the question of guilt had not been decided and that more investigations would be necessary. All the parties involved were urged to remain calm in the

meantime. With this policy, China is part of a small minority that does not acknowledge North Korea's role in the sinking. If China maintains this approach and blocks or undermines new UN sanctions, the image of China as a responsible power will be undermined. Out of two poor alternatives, the prospect of Korea collapsing or being ravaged by war is significantly worse than receiving international criticism and China is therefore very likely to keep supporting North Korea.

Following the sinking, pressure on the United States to provide more military support to South Korea and Japan has increased. At the same time, the tone of the latter two countries suggests that an increased military build-up is likely in the years ahead. The *Cheonan* crisis reinforces an ongoing trend where new defence initiatives are taken and the American alliances with Japan and South Korea are being strengthened. The result will be that the United States keeps or even increases its military influence and its presence in the region. Such trends are detrimental to China and a cause of continued US–China tension in the years to come.

Overall, it appears as if China is one of the losers in the *Cheonan* Crisis. China sees itself forced to continue to support North Korea. By supporting the regime, the rest of the outside world's sanctions are being undermined, which will lead to criticism of China. At the same time, China's aspiration of taking North Korea in the direction of reform is unlikely to be successful. Ultimately, such a development is likely to lead to the fall of the Pyongyang regime. But North Korea has shown an outstanding ability to survive and a collapse is not likely to come quick. Chinese help will further delay a collapse and the status quo is likely to remain in place for a long time.

THE SWEDISH LINK

Despite the fact that Korea is situated in a region without any direct security links with Northern Europe, Sweden is affected in several ways by developments there. East Asia is becoming an increasingly more important region for Swedish exports and trade. In 2009, total exports to China, Japan, and South Korea came to approximately SEK 50 billion or just over 5 per cent of total Swedish exports. Unrest in Korea would have negative consequences for all the countries in the region. As the global financial sector would probably also be negatively affected, Sweden would be influenced both directly and indirectly. We can compare this with the temporary fall in the markets in the wake of the *Cheonan* Crisis. There are also hundreds of

Swedish citizens living in South Korea. They will be directly threatened, as will Swedish assets and investments, in the event of war or unrest.

Sweden is one of the few European countries with an embassy in North Korea. Sweden opened its embassy as early as 1974. Since the 1990s, Sweden has acted as a representative for a number of other countries, including the United States, through its embassy. For example, Sweden's ambassador, Mats Foyer, played an important role, which attracted a lot of media attention, in the release of two American journalists who were detained in North Korea in 2009. As a result of its status as a representative, Sweden has gained a unique insight into the North Korean system and other countries' North Korea policies.

On the military side, Sweden has had an observer mission in the demilitarized zone between North and South Korea since the armistice in 1953, a mission which is evolving and expanding its objectives. Over the last few years, defence and security cooperation has been developed with South Korea. Sweden lent detection equipment after the North Korean nuclear weapons test in 2006 and later sold similar equipment to South Korea. Sweden was also one of four nations that took part in the 2010 investigation into the sinking of the *Cheonan*.

Sweden has a strong commitment to limiting nuclear proliferation. For this reason, Sweden is supporting efforts to prevent the North Korean nuclear weapons programme. In addition, like China and the majority of other countries, Sweden has an interest in the countries in the region, including the United States, pursuing a well-balanced security policy so that South Korea and Japan are not forced to acquire nuclear weapons. Respect for South Korea's and Japan's own security needs and alliance with the United States is of central importance in this context.

As a result of the sinking of the *Cheonan*, the outlook for the future of the Korean Peninsula has become even gloomier. Relations between North and South will become increasingly worse. Further military build-up and tension are likely. It is improbable that the six-party talks will be resumed any time soon and the opportunity to influence North Korea's nuclear weapons ambitions will be curtailed.

8 The Iranian Dilemma: Concerns and Interests Collide

John Rydqvist

An Iranian leadership under pressure is using confrontation with the outside world in order to hold on to power. It is using the nuclear weapons issue to hedge against adversarial powers and to manoeuvre in an international system it is sceptical about. Mistrust and misunderstandings between the parties severely limit their ability and will to comprehensively solve the problem. In the end, the conflict can only be resolved by Iran switching from its power confrontation policy to a healthier competitive relationship with the outside world.

The Iranian nuclear programme has been known for a long time. But at the beginning of the twenty-first century, what was probably already suspected or known within Western intelligence communities was made public by an Iranian opposition group. Iran was constructing a uranium enrichment plant. Contrary to its obligations as part of the Non-Proliferation Treaty (NPT), the facility had not been announced to the UN nuclear watchdog in Vienna. This aroused international suspicion and soon led to questions about Iran's nuclear weapons ambitions. But it took some years for the discussion to mature and become pressing, partly due to the Afghanistan and Iraqi wars that took up considerable political effort and time. Today the rift between Iran and the West has widened, becoming a chasm. It is difficult to identify any converging interests that could mitigate the conflict and override the diverging interests and distrust between the parties

The conflict will have substantial repercussions for both Iran and all other countries with interests in the Gulf region. For Iran, its national security and regional ambitions, to be a regional great power and to retake custodianship of the Gulf, are at stake. For Iran's regional neighbours, their national security and regional stability are at stake. For the outside world, the opportunity to continue to have influence in the Middle East is of central importance, but

also the problems with the further proliferation of nuclear weapons.

The Iran question will be an influential international problem for many years to come. The 'Western' countries in Europe and North America that have led the way in criticizing Iran have so far not been successful in pursuing an effective policy towards Iran. It is, in fact, only in the last two to three years that the West has been able to align its strategies to conduct a coherent policy towards Iran. To get the international community to act effectively in order to prevent an Iranian nuclear weapons capability has been even harder. The latest sanctions from June 2010 have been the most far reaching to date but have not pushed Iran notably closer to accommodating western concerns and halting its nuclear programmes. The question is whether the outside world can by way of a broader understanding of the reasons for the conflict and a realistic assessment of future developments formulate a better and more effective policy towards Iran.

Since Iran is at the heart of the problem, understanding what are key interests and drivers informing Iranian decision making is essential. Three issues seem particularly important in order to explain Iran's actions: the Iranian self-image, Iran's own perception of the country's regional role, and Iran's internal political development. Before these three issues are addressed, the primary international concern will be touched upon briefly.

THE PRIMARY REASON FOR THE CONFLICT

The West has good reason to suspect that Iran is secretly pursuing nuclear weapons under the cover of a civilian nuclear programme. By hiding facilities Iran has broken its commitments in accordance with the NPT to which it has been a signatory since 1970. The deliberate deception of the violation of the treaty has been accompanied by an effective Iranian policy designed to buy Iran more time. Despite considerable international disagreement over how Iran shall be dealt with, countries have been able to agree on four rounds of UN sanctions that have been targeted at the Iranian leadership, the most recent one in June 2010.²⁶ While earlier sanctions have been watered down by countries sceptical of sanctions as a tool, the last one seems to be having a considerable impact. The question is, of course, what the final objectives of the sanctions are

²⁶ UN resolutions 1737 (2006), 1747 (2007), 1803 (2008), and 1929 (2010).

and if the sanctions are tailored towards this objective. A significant shift that is to be noted is the Russian position. Russia now seems to have changed some of its fundamental policies towards Iran. With the suspension of the delivery of advanced air defence systems already ordered by Iran, relations have soured. It signals that Russia has had enough of Iranian provocations and sees it as too detrimental to its interests to keep supporting Iran the way it has done previously.

Iran claims that the nuclear programme is purely for peaceful purposes. It is claimed that nuclear energy is needed in order to diversify the country's energy production. Whether this argument has substantial merits has been debated. A stronger argument in support of Iran is that it has an inalienable right to acquire a civilian nuclear power capability as a member of the NPT. The dilemma is that a fully developed civilian nuclear power industry can be used to produce key components for nuclear weapons. As the nuclear controversy has intensified, it has also become more significant for Iran. As internal political tensions have increased, the conflict over nuclear power has been one issue that the current regime can use to unite people against an external enemy. However, in a broader perspective, the issue of nuclear weapons is only a tool for achieving more important end goals linked to Iran's great power ambitions and regional security concerns.

NATIONAL IDENTITY AND THE NUCLEAR PROGRAMME

The Iranian experiences of occupation and foreign interference in the country's internal affairs is key to understanding Iran's behaviour. Because of such experiences, the Iranian people have been sensitive about matters of territorial integrity and independence. Sensitivity has since the revolution turned into an adversarial stance towards many other countries. As the nuclear programmes are challenged, Iran is more likely to frame the issue as one of national integrity which no outside power has the right to intervene in.

Iran is, in many ways, a multicultural society. Approximately half of the Iranian population is made up of minority groups. As for religion, the majority of the population is Shia Muslim. The challenge for Iran has been to create, reinforce, and maintain a common national sentiment that strengthens the country's unity.

Iran has advantages in that it can build its national identity on a firm historical legacy shared by a majority of its people. The modern Iranian national identity was constructed in two distinct phases. The first phase began with a period of modernization in the first quarter of the twentieth century. The prime mover behind this modernization was Reza Shah, a military man, who seized power in Persia in 1925 and proclaimed himself king (the birth of the Pahlavi dynasty). Reza Shah was strongly influenced by the wave of modernization that Atatürk was carrying out in Turkey during the 1920s. The aim was to create a national consciousness that was defined by a secular historical narrative based on understandings of ancient heritage. Reza Shah managed to start the process of building a new Persian identity based on memories and values from the time of the Persian Empire.

After the 1979 revolution, the new leadership wanted to Islamize the cultural reference points. The aim was to combat the Western influence that had characterized the modernization and creation of the national identity during the Pahlavi dynasty. Those who share the Shia identity are a considerable part of society. Research suggests that the number of people who would call themselves Persian is just over half of the population. Only a very small minority shares neither the Shia nor the Persian identity.

Having a majority of the people identify with the national project the way the majority of the Iranian people do is a great advantage for any regime. The fact that many support the revolution's general ideas and visions has consistently made it easier for the regime to justify and receive backing for its policies. It has also been a powerful tool to draw attention away from social problems, such as unemployment, widespread drug addiction, and a lack of human rights, etc.

The turmoil in the wake of the 2009 presidential election clearly shows that there are limits to what the regime can do without risking serious discontent. People in Iran do not accept just any political behavior. But as discussed below, the protests did not target more general revolutionary or nationalist precepts nor did they challenge the existing social order.

IRANIAN POLITICS AFTER THE 2009 ELECTION

The fault line in Iranian politics runs between two main

camps: the reformists and the conservatives. The reform movement came about during the 1990s as a reaction to economic, political, and ideological developments having come to a standstill. The reform movement has been consistently supported and has adhered to the original ideas and ideals of the revolutionary project. The main issue of concern for the reformists has been the failure of Iran to develop in a more democratic direction, something they see as detrimental to the advancement of the revolution.

In opposition to the reformists is the conservative camp, whose policies are more authoritarian. In the conservative group, the extreme wing has acquired an ever-stronger position, which has led to an increased political polarization in Iran. Prior to the 2009 Iranian presidential election, the outside world hoped that the election would result in the reformists coming to power again. However, instead of a new, more moderate, democratic-oriented Iranian leadership, the ruling president Mahmoud Ahmadinejad was re-elected. One of the key reasons for the mass protests was that the election was rigged and that the sitting president retained power by way of cheating.

As the ruling elite came under severe pressure during the autumn of 2009, the security services and sections of the Revolutionary Guard were given ever-greater powers. This was manifested in an increasingly tighter control of and more violent reactions towards the demonstrations. Besides these apparent countermeasures, control in the information arena was tightened. Telephone and Internet traffic was intensively monitored. The regime shut down mobile networks in order to limit information flows and the ability of the protesters to coordinate. The consequences for human rights in Iran were devastating.

Whilst these repressive measures were being carried out, it became evident during the autumn that the regime's tactics against the outside world were changing. The political power struggle occupied most of the leadership's time and there were no longer the same prospects for pursuing an active and coordinated foreign policy. At the same time, there were even fewer incentives for the regime to act constructively towards the outside world, let alone seek any solution to the nuclear dispute. Instead, increasing tension with the outside world was a tool for attempting to get the people behind the regime using nationalist and revolutionary sentiment—unity in the face of external adversaries.

One indication that increased tension with outside powers was not seen as detrimental to the Iranian regime was that intellectuals within fields, such as political science and international relations, were put under tremendous pressure. Opportunities to have foreign contacts were restricted by a combination of threats, arrests, and formal bans on visiting foreign research institutes. This happened just as the United States under the new Obama administration put an emphasis on new initiatives to try to engage Iran and give diplomacy another chance. The United States even appeared to be prepared to hold official and direct talks with Iran. The turmoil inside Iran and the regime's need for confrontation made the new US administration's initiative impossible.

Despite the negative developments in Iran with regard to human rights, the demonstrations in Iran were a wake-up call for the Iranian establishment. People in Iran, especially the middle class, are aware of their civil rights and demand that democratic principles be followed. Discontent with economic developments blends into this. If the regime in Iran ignores the demands of the people for economic and political reforms, there is a clear danger of new riots in the future. It is also noteworthy that the current Iranian leadership is still characterized by a wartime generation. The formative years of the 1979 revolution as well as the war with Iraq during the 1980s still have a great impact on Iranian politics. In a longer-term perspective, a new generation will most likely facilitate the implementation of reforms.

REGIONAL SECURITY POLICY FROM IRAN'S PERSPECTIVE

Formulation of Iran's core national interest is influenced by a deeply rooted feeling of insecurity and vulnerability. As late as the beginning of the nineteenth century, Persia lost the Caucasus and Central Asia to Russia. Already at that time, a culture of suspicion and scepticism of foreign powers was being formed in Persia. The experience of foreign powers having meddled in the affairs of the country adds to this scepticism. The US presence in Iran after the Second World War and the overthrow of Prime Minister Mossadegh (1953) are two highly charged examples. Another event that has characterized Iranian foreign policy is the war against Iraq (1980–88). During the war, Iraq received extensive economic, military, and political

assistance from the West and the Gulf states. For Iranians, the betrayal of the outside powers during the Iraqi war remains a key factor in how Iran views the surrounding world and what threats Iran has to take account of. The genuine and historically influenced feeling of insecurity is a key element informing and influencing Iran's foreign policy and help to explain why Iran acts as it does.

IT WILL GET WORSE BEFORE IT GETS BETTER—IF IT CAN BE SORTED OUT

The broad and deeply rooted Persian and Shia revolutionary national identity is no longer able to unite revolutionary Iran to the same extent it has hitherto. Iranian society is becoming increasingly politicized, and politics is becoming polarized. What is critical is that views on how the revolutionary project should move ahead and evolve in the future are becoming more divergent. Reformists are pitted against conservatives with increasingly extreme agendas. If the reformists are unable to stand up to the conservative group, Iran is in danger of collapsing into what one researcher has called a state of 'authoritarian normalization'.

At the same time, Iran is experiencing ever-greater insecurity in its region. The Iraq and Afghanistan wars have resulted in Iran being encircled by US forces and the military threat to Iran has increased. Meanwhile, the power vacuum that occurred when Iraq collapsed gave Iran more ways of exerting influence and power in the region. In Iran, the outside world's focus on the nuclear question is interpreted as a way of counteracting Iran's increased regional power by isolating and restricting the Iranian position of strength.

For the outside world, above all the West, both influence in the important oil-rich Gulf region and the proliferation of nuclear weapons are at stake. Since the struggle for regional influence is crucial for both parties, while nuclear technology is not an issue for Iran, the solution to the latter depends upon the former being dealt with in a way that is acceptable to both sides. This can only be done by shifting the focus from hard power confrontation to a more flexible competitive relationship. More often than not, competition is accompanied by a greater need for coordination and a common acceptance of how the international system is shaped. At best, this will result in an increasingly relaxed relationship where common interests

can be identified.

A precondition for this to happen is that the opposition succeeds in retaking the initiative and enhancing the democratic institutions in Iran. However, this is not enough. Iran must be reintegrated into an international system. And this must be done in a way that the Arab states can also accept. A positive development along these lines is not likely in the near future. In the meantime, Iran's nuclear weapons ambitions continue to further undermine the prospects of a positive development in the Gulf region and the whole of the Middle East.

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9 The Crisis in Yemen: A Domestic Conflict or a Global Security Risk?

Alexander Atarodi

Since 2001, the international community has had to focus both attention and resources on the wars in Afghanistan and Iraq. Simultaneously and without much notice, Yemen has been heading for catastrophe. The precarious situation has escalated and now threatens to spread and damage a number of other fragile countries in the region. Bordering the Gulf of Aden and across from the already-lawless Somalia, Yemen is of strategic importance to the operation of the world economy. The Gulf of Aden is a vital waterway for shipping. If Yemen were to become a failed state, this would have serious implications for world trade. Unless the country's serious economic, political, and social problems immediately improve, even the EU and Sweden may be affected. Yemen risks becoming the international community's next headache after Iraq and Afghanistan.

The prioritization of Yemen quickly moved up the regional security agenda in August 2009, when the Yemeni Government launched a military operation against the Shia rebels in the north, which resulted in one of the bloodiest conflicts in the country's history. The situation became even more serious when the rebels seized some of Saudi Arabia's territory and, at the same time, accused Riyadh of allowing the Yemeni forces to use its territory for attacking the rebels. This resulted in a Saudi military response against the Houthi rebels as well as a domestic crisis in Yemen. That other regional powers are interested in developments in Yemen is a manifestation that the importance of the conflict has an effect far beyond Yemeni domestic politics. Yemen has found itself in the middle of several great-power games that are going on in parallel.

At the centre of one of these great-power games is the conflict between the Sunni and Shia Muslims in the country, which has both direct and indirect links with Saudi Arabia and Iran. Iran's regional foreign policy is designed to achieve a dominant role in the Persian Gulf. This clashes with Saudi Arabia's regional interests. Up to now, it has

been difficult to determine with certainty Iranian interference in Yemen. If, however, links between Iran and the Houthi rebels are confirmed, Yemen has become another key regional issue and a pawn in the game between regional great powers. In competition with Saudi Arabia, Iran most likely wants to protect and support the Shia Muslims in Yemen so that they can achieve increased political power in the country. It is possible that the Houthi rebels in Yemen can then play a similar role to the one Hezbollah has played in Lebanon (as a counterweight to Israel), i.e. a means of pressure on Saudi Arabia. With Yemen and Lebanon as allies, Iran will have a strategic reach that covers a large part of the Arab world. The Arab states, particularly Saudi Arabia, which want to maintain their influence in Yemen, are, of course, trying to thwart this.

A CHAIN OF TERROR OR A REFUGEE CRISIS?

Yemen borders the Red Sea to the west and the Gulf of Aden and the Arabian Sea to the south. Only a few kilometres away on the other side of the Bab-el-Mandeb Strait, between the Gulf of Aden and the Red Sea, lie Djibouti and Eritrea. This strait is one of the most heavily trafficked sea lanes in the world. The unstable situation in Yemen might enable the Somali pirates to use Yemen as their logistics base for subsequent pirate activities in the region. With a weak central government in Yemen, security in the region risks being tangibly affected. Arms trafficking and other criminal activities are other possible threats.

Moreover, the terrorism being carried out from Yemen constitutes a danger. Al-Qaida has regrouped and merged the Saudi and Yemeni operations and formed an al-Qaida group on the Arabian Peninsula. Many former Guantanamo prisoners who fled from Saudi Arabia to Yemen in 2009 pledged to carry out attacks against Saudi Arabia from their bases in Yemen. Al-Qaida, the insurgencies in the south, and the war in the north are of concern to the Yemeni Government, which, however, denies that there is increasing cooperation between the three forces. If Yemen's instability grows even more, this can increase the opportunities for the al-Qaida militants in Yemen to launch attacks in this oil-exporting region.

Since Yemen controls the narrow Bab-el-Mandeb Strait, through which more than three million barrels of oil are shipped every day, its security is a very important issue

for the outside world. If al-Qaida militants increase their foothold in Yemen, there is the danger of a chain of terror that connects Africa with Asia (through Afghanistan and Pakistan). With increased rebel, pirate, and terrorist activities, it can be difficult for goods and oil shipments to pass through one of the world's most important sea lanes—with Yemen in the north and Somalia, the number one 'failed state', in the south—on their way to the Suez Canal. Having to go around the Cape of Good Hope is a long and costly detour.

Moreover, the civil war in the north has created a humanitarian crisis with thousands of refugees. The refugee problem has two dimensions: the internal refugees who have fled the war-torn regions as well as the African refugees who have crossed the Bab-el-Mandeb Strait to Yemen. In this refugee crisis, the Government is unable to provide basic help and assistance. If the political developments in Yemen deteriorate, it might mean already-full refugee camps in the region awash with a wave of refugees. Consequently, Sweden can be directly affected by the developments in Yemen.²⁷

A WEAK STATE IN DISSOLUTION: WILL YEMEN BECOME THE NEXT AFGHANISTAN?

Will the state of Yemen collapse? It is difficult to answer this question, but, over recent years, a negative development for Yemen can be discerned. According to the yearly 'Failed State Index', Yemen is ranked eighteenth and the gap to the countries at the top of the same list is alarmingly narrow. This means that if the political situation in the country does not improve shortly, the country will go on to become a full-fledged 'failed state'. Moreover, the collapse of the Somali Government has put pressure on Yemen and raised the question whether the country will go the same way.

One of the most important criteria for a failed state is that the state has no control over its territory, which creates a breeding ground for instability. In a failed state, those in power increasingly serve their own purposes, whilst the power of the state is steadily weakened and people feel ever increasingly marginalized. The upshot is that people seek alternative authorities and, with that, stronger links with warlords and ethnic leaders, which, in turn, adds to the internal anarchy. With these characteristics as the basis, it

²⁷ Sweden can also be directly affected by developments in Yemen because it is in command of the EU's Operation Atalanta off the coast of Somalia. The aim of Operation Atalanta is to protect the UN's food aid deliveries to Somalia from pirates in the region.

appears evident that Yemen finds itself in a critical situation. The country is experiencing political violence; it has, with regard to various kinds of organized criminal activities and pirate operations, links with the Horn of Africa. Almost half of the country is outside the control of the central government and poverty is widespread. That the growth of the Yemeni population is one of the largest in the world—Yemen's population is expected to double over the next twenty years—does not help matters.

Yemen's multiple problems (in the north, in the south, and with al-Qaida) make the parallel with Afghanistan striking. Yemen is a mountainous country that can serve as a place of refuge for guerrilla movements. Nearly all Yemenis carry weapons and the country has several arms markets. Like Afghanistan, Yemen is a country with conflicting authorities and both countries are experiencing foreign interference and civil war.

On the other hand, there are positive signs of progress that balance and refine the picture of the political situation in Yemen. For example, the peace agreement between the Houthis and the central government may mean that they will perhaps begin a political process in order to assimilate the minority group into the political structure. Moreover, the agreement may mean that many of the internally displaced persons can return to their homes. However, after the civil war, there is a huge need for reconstruction. Things will, nevertheless, not be easy in the immediate future. The Government will have to deal with several internal problems at the same time. This will probably be make or break for Yemen.²⁸

²⁸ A. Atarodi, *Yemen in Crisis: Consequences for the Horn of Africa*, FOI-R-2968--SE (Stockholm: Swedish Defence Research Agency 2010).

UNDERDEVELOPED AND UNBALANCED ECONOMY

The country's main problem is an impending economic crisis. Yemen's oil reserves are quickly running out, and the country has few practicable alternatives that can create a sustainable economy for when there is no more oil (Yemen has gas resources, but these have not yet generated export revenues). This has created a large hole in the Government's budget which is already incurring the costs of the war in the north. The latest statistics indicate a budget deficit for the next five years of US\$ 8 billion (approximately 35 per cent of the country's total GNP). Falling oil prices and production throughout 2008 have, together with the global financial crisis, reduced the country's chances of acquiring foreign currency, something

that is required in order to improve the lives of many poor Yemenis.

The Yemeni oil production probably reached its peak around the year 2000. Since then, the production has steadily declined, at the same time as Yemen's domestic consumption has greatly increased. The upshot of these two trends is that the amount of oil Yemen can export is declining. The negative trend of falling oil production will probably continue, with production coming to an end within ten years.²⁹

²⁹ Statistics from the US Energy Information Administration.

Finally, it is important to emphasize that despite developments in Yemen having deteriorated, the country should not be regarded as a failed state—at least not for the time being. However, the standard of the political, social, and economic system is in constant decline. This trend must be broken as soon as possible if Yemen is not to meet the same fate as Somalia on the other side of the Bab-el-Mandeb Strait. A Yemen in ruins would result in further instability and an increase in illegal activities as well as terror operations. To avoid a similar development to the one in Somalia, Yemen requires international assistance, both politically and economically, in order to eradicate the problems of the crisis-hit economy and the widespread poverty and to stimulate an economic development that improves the life situation of the fast-growing population.

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10 Back to Africa

Karl Sörenson

The building of institutions to create peace and security in Africa over the past ten years has begun to be out of step with what the international community is politically capable of. In the same way as the past ten years have seen a great political desire to develop African security, recent developments show how difficult it is to build durable institutions.

On 3 and 4 October 1993, eighteen American soldiers were killed during an unsuccessful operation in Mogadishu. A year later, in 1994, 800,000 Tutsis and moderate Hutus were murdered over a period of three months in Rwanda.

Although these two events were of different dimensions and magnitudes, they have, more than many others, come to characterize Africa's security policy development over the past seventeen years. This is because one demonstrated the risk of becoming militarily involved internationally while the other emphasized what the consequences could be of the outside world deciding not to do so.

Over the subsequent years, when the world examined these events, it emerged that both tragedies could have been limited if more-far-sighted political decisions had been made and better decision-making structures developed. Today, in 2010, the situation looks different to how it did in the ill-fated year of 1994. Structures for dealing with peace and security issues on the African continent have begun to take shape and have experienced a renaissance within the UN system. The international community has also repeatedly emphasized its commitment to Africa developing in peace.

However, this rapid development and the building of institutions over the last few years have now begun to be out of step with what the international community is politically capable of. In the same way as the past ten years have shown an unsurpassed political desire to develop African

security, the first ten years after the end of the Cold War showed how low this political desire can go. The events in Somalia and Rwanda bear witness to how a situation can quickly go from serious to catastrophic.

As a direct consequence of the unsuccessful operation in Mogadishu in 1993, the United States promptly withdrew from the already-neglected UN mission, UNOSOM II. Somalia was left to its fate. Furthermore, the United States declared that it was no longer interested in assisting militarily in this type of operation. During the three months in 1994 that the genocide in Rwanda went on and 800,000 people lost their lives, the outside world looked on passively. The intervention that was asked for never came, partly as a consequence of the US failure in Mogadishu. In addition, the conflict in Rwanda spread to the eastern part of the Democratic Republic of Congo (DRC) and Burundi. The conflict, which then spread further, is referred to today as Africa's world war as it was to affect ten of the African countries in the region.

In the cold light of day, it could be established that the UN had not succeeded in its duty. The two UN missions in Somalia and Rwanda had been too weak, poorly supported, and had not had sufficient political support. The African structures had not been able to cope with the catastrophes either. The Organization for African Unity (OAU), which had been formed, among other things, based on non-intervention, had looked on powerless during the genocide. The reaction of the Western world had not been appreciably different and, like the Africans, the West had sat still and watched as two UN missions succumbed and genocide was carried out.

Also in 1997, the UN commanded just under 13,000 men in a number of peace support operations throughout the world, where the observer role took centre stage. A number of reforms were, however, to be implemented as a result of both these failures. As for the UN, the Secretariat's departments that were involved in peacekeeping operations were reformed, expanded, and coordinated. All countries were also encouraged to join the UN missions. In addition, its mandate was revised to pave the way for the possibility of using force and to provide a greater emphasis on the protection of civilians. On the African continent, the old post-colonial OAU was replaced in 2002 by the African Union (AU). The AU was created with a special architect-

ture for peace and security issues and with the ambition of creating a so-called African Standby Force (ASF), to which each of the five African regions would contribute its own brigade. The old idea of non-intervention was toned down and supplemented with the principle of non-indifference. Europe also revised its approach to African security. Over the last few years, the EU has carried out peace support operations in the DRC, the Central African Republic, and Chad. In addition, various funds were allocated to support the development of the AU's peace and security architecture. Like Europe, the United States gradually increased its aid budget for Africa and, in 2008, created a new military command for Africa, US Africa Command. American scepticism of military intervention in Africa remained, however.

Today, the UN commands 62,000 men and military observers, divided into seven missions, in Africa alone. Approximately two-thirds of the UN's total budget for peace support operations goes to these missions. In addition, the AU is carrying out two missions: one in Somalia and one in Sudan. The latter is a hybrid mission along with the UN in Darfur. There are, therefore, a total of eight missions on the African continent. To further support the AU's and the African regions' work involving the ASF, the United States and several European countries sent military advisers so as to promote the development.

Then things began to slow down. This first manifested itself during the escalation of the crisis in Darfur. It proved to be remarkably difficult to build a consensus on how or even if a mission should be carried out in Darfur. There was discussion on whether the situation in Darfur was or was not regarded as genocide. The discussion never actually reached any conclusion, but weakened the initiative and exposed the lack of international consensus. In addition, Sudan refused to accept Western aid for the mission and, eventually, the African Union–United Nations Hybrid Operation in Darfur was created.

In parallel, the situation deteriorated in Somalia. In 2007, the AU reluctantly undertook to send an intervention force, but with the reservation that it expected the UN to take over the operation. Neither the UN nor the outside world felt that they were capable of yet another mission. The EU, NATO, and the United States limited themselves to sending naval forces to assist food transports to Somalia

and combat the increasing piracy in the Gulf of Aden. The American experiences from 1993 came back to mind and the African Union Mission in Somalia (AMISOM) had to continue to get by with troops from only two countries—Burundi and Uganda.

At the same time as the global financial crisis hit home at the end of 2008, the outgoing UN under-secretary-general for peacekeeping operations Jean-Marie Guéhenno warned that peacekeeping operations were becoming conflict management's answer to aspirin—a cure-all that, if you continued to prescribe it, would no longer have any actual effect when it was really needed.

It is 2010 at the time of writing and despite the fact that AMISOM has now been in Somalia for three years, still no new countries have contributed troops. On the other hand, many countries have continued to contribute naval forces, including Sweden, in order to continue to guarantee food transports to Somalia and to protect the strategically important trade link through the Gulf of Aden into the Red Sea. Although the outside world's military response has been at a low level so far, the role of the military adviser has become increasingly important.

It was perhaps France that was the trendsetter in the African security policy arena. France has military advisers attached to the African Standby Forces in all of Africa's regions, except in the north, and is also providing twenty or so advisers on a bilateral basis in several of its old African colonies. The United Kingdom is also doing so. As a result of the war on terror, the United States, which has avoided becoming involved militarily in Africa, has gradually come to rely more and more on military advisers. The North African countries have received aid from the United States in their struggle against the organization al-Qaeda in the Islamic Maghreb in the form of American security and military advisers. Liberia, whose new military structure is being developed, is largely supported by the United States.

What is new is that even the EU and countries that have not had the same tradition of military advisers up to now have also begun to become increasingly involved in Africa by providing advisers. Countries, such as Sweden, Norway, Denmark, Finland, Spain, Italy, Portugal, and the Netherlands, are today providing military trainers as well as

military instructors for the new African peace and security structures. How is it that there is suddenly this influx of military advisers? The answer partly lies in the structure of African institutions. The AU and the African regions are in need of support to increase their military capacities so that they can find 'African solutions to African problems' in the future, which is what African leaders are striving to achieve. These institutions are still weak and in need of economic and organizational assistance. In addition, over the years, it has become clear that the AU and the regional communities have simply not had sufficient capacity to make use of all the aid that the world has donated in a way that is often not particularly coordinated. The military adviser has then become the outside world's answer to personnel administration. But this is hardly the entire solution.

The military adviser has also become the security solution as he overcomes the Somalia–Rwanda problem, i.e. the dilemma that the risk of intervention versus the danger of passiveness involves. The military adviser trains others, allocates economic resources, and provides logistical support and, in this way, supports the development of security, but does not personally take part in conflicts. The military adviser becomes his own exit strategy. This trend becomes clear when examining what initiatives to help the African conflicts are being presented by the EU, the United States, and a number of other countries and it is plainly on the increase.

If it were not for the fact that the basis of all military advising is developing local capacity and knowledge, the idea would be quite a good one. However, given the extensive programmes carried out in the 1980s and 1990s which aimed at rolling back the African state administration, we now find ourselves in a complicated situation. At the same time as knowledge and capacity must be developed and extensive resources from generous donors need to be allocated, the African structures are suffering from a lack of institutional capacity and qualified manpower. Responding by further increasing the number of military advisers then risks undermining the possibility of local ownership, something that was the actual original idea. The problem is a bit reminiscent of the discussion that went on within the aid world in the 1960s and 1970s and that has today come to characterize aid operations, i.e. from direct help

to what came to be called 'help to self-help'.

As a result of the acute need for real capacity to quickly deal with Africa's many trouble spots, the military advisers fulfil an important function. This is, however, based on military advising being performed in parallel with broader investment in Africa's institutions and manpower at both national and pan-African levels. If this is overlooked, the world risks only contributing to building hollow institutions that, if left to their own devices, will be just as incapable of handling crises as those that failed in the 1990s.

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11 The Arctic and the North Atlantic: Changes to Sweden's North-Western 'Near Abroad'

Niklas Granholm

³⁰ There are several different definitions of the Arctic. In this article, an inclusive definition is used: the Arctic is here taken to include all territory north of the 60-degree latitude.

Several different, but intertwined, developments mean that a new Arctic is on the way.³⁰ Sweden's north-western neighbourhood will look different. This development is only in its first stages. From May 2011, Sweden will, for two years, hold the chairmanship of the Arctic Council, which is one of the many reasons why these issues will come into focus for political and diplomatic management.

CLIMATE CHANGE AND ITS SECONDARY EFFECTS

The pace of climate change that can be observed the world over is much faster in the Arctic than elsewhere. The more extreme climate in the region is affected quicker. In the Arctic, it is primarily the dramatic receding and thinning of the ice sheet and the melting of the Greenland ice sheet, the thawing of the permafrost in Siberia, northern Canada, and Alaska that have attracted most attention. Although they are not the only changes affecting the Arctic, these developments have meant that a number of other processes have accelerated. These secondary effects are giving rise to a dynamic in the economic and security affairs of the region, the consequences of which are difficult to predict.

Among the most important changes is that it will become possible to sail through the Arctic. Man has searched for a transoceanic route from the Atlantic to the Pacific since sea-faring began to be globalized in the sixteenth century. Many expeditions were sent out, several did not return. No actual navigable passage could be found. However, with continuing climate change, it is only a matter of time before one or more commercially viable sea lines of communication become accessible.

It is estimated that the Arctic region contains a very large proportion of the world's energy reserves. As much as

30 per cent of natural gas reserves and 13 per cent of oil reserves could be found in the Arctic. Some extraction has already begun in, among other places, the Barents Sea and north of Alaska. At the same time, it is important to remember that most of the energy resources in the Arctic must be regarded as potential, rather than real. Price, technology, and accessibility will be decisive when it comes to what resources will be extracted.

Overlapping territorial claims in the region are also part of the picture. In tandem with the melting of the sea ice and the prospect of extensive future energy extraction, all five coastal states around the Arctic Ocean have laid claims to parts of what are presently international waters. Extensive hydrographical and sampling activities are now underway in order to produce data to support these claims. It could be the case that they may also choose to support their claims through more of a military and/or naval presence. This presence with the aim of sovereignty assertion might result in friction.

The military strategic importance of the Arctic is also changing. Firstly, the development of the American missile defence system is something that brings the Arctic into the grand strategic contexts. Parts of the systems will be located in the Arctic—at sea, in the air, in space, and on land. The missile trajectories between the hypothetical future belligerents pass over the Arctic. Secondly, elements of the nuclear strategic deterrent operate in the Arctic. Strategic nuclear submarines use the ice sheet as protection against detection in order to maintain their second-strike capability. However, with a considerably smaller and thinner ice sheet, or, in the longer term, no ice sheet at all, this capability could be undermined. What this would then mean for the nuclear weapons issue in general is an important question to study. Will this mean an investment in completely new underwater systems or will this capability be focused on other systems? It looks, therefore, like the Arctic will see an increased military presence for several reasons. Whether this, in turn, will then lead to increased tension is uncertain—this will depend on the context of the presence.

The governments in the region are very aware of these multiple and simultaneous ongoing processes of change. They are acting based on at least two different policies at the same time. On the one hand, policies to assert

sovereignty are being stressed, both in rhetoric and in practice. In addition, they have taken measures and steps by strengthening surveillance and security resources. On the other hand, they are acting cautiously, aware that it is important not to reinforce a pattern of action/reaction in Arctic relations that could lead to uncontrolled developments.

Against this complex background, there are currently three partly related processes going on in Sweden's northern and north-western near abroad which are influencing the conditions for Swedish security.

THE BARENTS SEA: A NEW NEXUS FOR STRATEGIC TRENDS IN THE ARCTIC

The Barents Sea is a small part of the Arctic that features many, if not all, the trends and developments that currently characterize the region. The area is rich in fishing, which is one of the points of contention among the states fishing there. There are agreements in place regulating fishing, and illegal fishing, which has long been a problem, is on the decline. The sea routes between the Atlantic and the Pacific, the so-called Northern Sea Route, also go through the Barents Sea. The area is also the subject of territorial disputes and overlapping territorial claims. One positive development is that Norway and Russia have recently managed to settle the more-than-forty-year-old dispute regarding the border in the Barents Sea. The area, which is believed to contain great quantities of oil and gas, was divided into two equal parts and, even if the agreement has not yet been ratified, this is certainly a positive step. Other points of controversy remain, however. The most important of these is the interpretation of the Svalbard Treaty of 1920. According to this, Norway has sovereignty over the area, but there is disagreement about how the treaty should be understood in the context of today's interpretation of international law. Norway would like to see the treaty to be interpreted as meaning an extension of the Norwegian exclusive economic zone, but has so far received no support for this from any of the other signatory powers (including Sweden). The area's energy resources also make it attractive to several interested parties: states as well as commercial and non-profit actors. In addition, the region is of central importance from a military strategic perspective, primarily for Russia. The Kola Peninsula is home to a large base complex for the

Russian Northern Fleet, which includes Russia's strategic submarines. The importance of the area for Russia's efforts to maintain its great power status should not be underestimated. With such important military resources there, the area will continue to be strategically important.

It is difficult to predict the overall development of the region. There are several interconnected strategic factors at play in a relatively limited geographical area. If these strategic factors develop negatively, the risks of tension or confrontation increase. This is not to say that the factors described above must necessarily lead to increased confrontation, but it is clear that the dynamics are placing great demands on the actors concerned to carefully consider their actions.

ICELAND'S THREE CRISES: ECONOMY, SECURITY, AND STRESS OF MODERNIZATION

Iceland's position in the middle of the North Atlantic has always been exposed. The three current crises—an economic, a security, and a social crisis—appear to be interacting, and it is not clear where these dynamics may lead.

The economic crisis is deep and will probably be lengthy. It will take a long time—perhaps as long as a decade—before Iceland has stabilized and reconstructed its economy. Several consequences can be expected: although emigration has always been a way for Icelanders to acquire new experiences and knowledge, conditions may now have deteriorated so much that there is a risk of a brain drain involving those very people who Iceland needs most. The country will be saddled with a huge national debt for a long time. At the same time, Iceland has applied for membership of the European Union as a result of the economic crisis. After an initially enthusiastic attitude to EU membership, public opinion has quickly cooled. In addition to this, arrangements for how Iceland will rebuild its economy have, at the time of writing, neither been agreed nor signed. As long as the Icesave issue (the collapsed Icelandic bank branches in the United Kingdom and the Netherlands) has not been resolved, there can be no approval of a long-term plan by the International Monetary Fund (IMF). In turn, the Nordic countries' joint support plan for Iceland depends on the IMF's plan being accep-

ted, which is why the whole issue has not moved forward yet. The proposed repayment plan for Icesave, which was accepted by the Icelandic Parliament after lengthy negotiations, was unexpectedly put to a referendum at the beginning of March 2010 and rejected by an overwhelming majority. The longer time goes on, the deeper the economic crisis becomes and the longer it will take to restore hope of any recovery for Iceland. There is, however, some light at the end of the tunnel: the Icelandic fishing industry is well managed and continues to generate revenues. Most of the heating is generated by geothermal energy limiting the import requirement to fuel for transportation. In addition, the Icelanders have a higher general level of education than before, thanks to investments in higher education and a reliable source of revenue from tourism. Last, but not least, they have achieved some successes in bioengineering.

Iceland's second crisis involves security. Iceland does not have any military forces and is the unarmed member of NATO. Since the United States, which looked after Iceland's military security from 1941 onwards, left the Keflavik naval air-station in 2006, the military incident preparedness through air-policing has, therefore, been managed quarterly by a relay team of NATO countries. This solution has, however, flaws, since it means there is only a presence for a few weeks each quarter. The economic crisis also meant that there was no British contribution whatsoever to the incident preparedness as a result of the antagonism concerning Icesave. In tandem with these developments, the Russian air force and naval activities in the North Atlantic have increased from a low level. From a military strategic perspective, Iceland has, in recent years, come more into focus, but this does not mean that a situation like the one that arose during the Cold War is returning. The solution to Iceland's defence with intermittent air policing, following the American withdrawal, is no longer in step with the security developments in the region.

The third crisis can be described as a 'Stress of Modernization'. It is more diffuse and difficult to describe, but no less important. The Icelandic society has undergone rapid development, particularly since the Second World War. This entailed urbanization, cars, television, and a better economy for many. In contrast, fundamental social values change more slowly. That the difference between values and perceived reality can lead to tensions is not unique to

Iceland. What is unusual is the speed of this development. With two other crises reinforcing this stress of modernization and interacting with it, the development may go in unexpected, even unforeseen, directions. An analysis of what form the economic transactions that led to the economic crisis took and different notions of how Icelandic security policy should develop interact with this underlying modernization stress. In parts of the Icelandic community today, there is great discontent with the power-elites and it is no longer 'business as usual' in the Icelandic political system. The close-knit political and economic elite encounter great mistrust from large sections of the general public. The outcome of these developments is uncertain and nor it is guaranteed that EU membership alone would be the solution to Iceland's problems.

GREENLAND TOWARDS FULL INDEPENDENCE: A KUWAIT IN THE ARCTIC OR A MICRONESIA IN THE ARCTIC?

In the far west of the North Atlantic region, there is a trend in Greenland towards independence. The latest stage in this development means that constitutional arrangements that came into force in the summer of 2009 are providing a greater degree of self-rule compared with the previous arrangements that had been in force since 1979. The Greenland Landsstyre – Greenland's Government – is gradually being given the opportunity to take over more and more administrative areas. In Copenhagen, the Danish Government is hoping for a slow and pragmatic process in which the island's 57,000 inhabitants are gradually given increasingly more influence over their own situation. The key question is whether Greenland's economy can be developed so that it becomes self-supporting and no longer depends on subsidies from the Danish state as it is today. In tandem with the economy being developed, the annual subsidy – set at approximately DKK 3.2 billion (USD 600 million) – could be phased out and Greenland could then stand alone. The Greenland Government hope, therefore, to be able to develop the prawn fishing industry; increase tourism; expand hydroelectric power for the production of aluminium; and develop mining, the maritime industry, ports, and, in particular, oil and gas extraction in the seas west and east of Greenland. Climate change is, therefore, regarded as an advantage – less ice and longer summers are benefiting Greenland's development and increasing the chances of independence. Greenland also plays a part in the Arctic's military strategic equation. As a result of the

American presence at the Thule base in the north-west, Greenland is linked into the grand strategic context. The Thule base acts as a radar station for detecting aircraft and missiles and for communication with satellites in polar orbits, which is what determines American strategic interest in the island today. Lately, Greenland's relations with the EU – the country left what was then the European Economic Community in 1985 – have developed negatively. The EU has recently introduced a ban on the import of seal products for the reason that hunting is cruel and the seal is said to be an endangered species. This has upset the Greenlanders, as it has the Canadian Inuit, who have also been affected by the ban on imports. The ban is seen as a threat to the traditional lifestyle, and in Greenland the view is that the seal is not endangered. This has aroused suspicion of the EU and put Copenhagen, responsible for looking after Greenland's interests in the EU, in a difficult position. The issue does not look like being resolved in the short term.

It is, therefore, clear that the march towards Greenland's independence has started. Although there is a long-term plan, no clear timetable has been announced. Two sets of questions arise here. The first concerns whether the economy will be able to develop fast enough to support Greenland's national aspirations? There is great uncertainty about this. Despite the opportunities opened up by climate change, large investments and a great deal of know-how is required, which Greenland, to a great extent, lacks at present. The general level of education is also relatively low. Far too few people have academic qualifications, which will take time to change. The second set of questions concerns the character of a future independent Greenland. If the plans announced in public speeches by government ministers were to be realized, Greenland could have a bright future. As a result of economic development, the country could buy the services that are paid for today by Danish tax revenues and itself steer the development of the country. A richer Greenland would also stand a better chance of tackling its social problems. As regards foreign policy, a more prosperous Greenland would also be able to develop its relations with Europe – a slow and deliberate development of relations would then follow. As regards security policy, Greenland might choose to manage its relations with the United States by means of direct dialogue instead of being managed today from Copenhagen, albeit, with Greenland being part of the deliberations.

The security issues could be resolved by agreement and be paid for by Greenland itself. In this scenario, Greenland would become a kind of Kuwait in the Arctic, with good revenues to pay for her independence. If, on the other hand, development does not provide the economic benefits expected and the aspirations for full independence were to remain, there would be little chance of their realization. For a long time, the Danish Parliament (Folketinget) has been in broad agreement in declaring that, if Greenland no longer wishes to remain in the Danish realm (Rigsfællesskabet), then the country is free to go its own way, but with the obvious proviso that Denmark would then be no longer prepared to pay. The clearly expressed nationalism visible in Greenland today could at worst, in the absence of economic development, lead to frustration and a mood of 'independence at any price' spreading. In this case, Greenland could become a kind of Micronesia in the Arctic – independent on paper, but with few resources for asserting its sovereignty. There is every reason to follow Greenland's path more closely than before.

A CHANGING STRATEGIC CONTEXT

The strategic context and conditions in Sweden's northern and north-western near abroad are changing. As illustrated, these ongoing changes are of different natures, are developing at different speeds, and according to their own different internal logic. But into what? This question is very difficult to answer. However, the clearest answer one can give for the foreseeable future is that we will be dealing with a different north-western region. There is little to suggest that this means that open conflict should be imminent, but, with so many factors changing at the same time, there are many ways things could develop – both positively and negatively. It would be prudent to follow developments considerably more closely than we have had reason to do up until now. It will be especially important to formulate policies for dealing with developments in this part of the Arctic. There will be an opportunity to do this when Sweden assumes the chairmanship of the Arctic Council in May 2011.

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12 Challenges in the Wake of the Global Economic Crisis

Johannes Malminen

The foundations of the economic world order continue to shake from the shockwaves of the global financial crisis. There is no longer any doubt that this is the worst economic crisis since the Great Depression of the 1930s. Despite the fact that the crisis is now in its third year, it is still impossible to predict when it will be over. What is clear is that we are in a period of adjustment to the new situation and that the direct and indirect consequences of the crisis will have to be dealt with for a long time to come. China's actions will be crucial for the recovery of the world economy.

Decision makers at all levels will now have to make many difficult choices to inject new order and stability into the world economy after the devastation caused by the global financial crisis. This chapter will first analyse the starting point and the management of the crisis and then focus on some of the greatest global challenges to its resolution.

THE STARTING POINT

The crisis hit everywhere, fast and hard. The course of the crisis clearly shows how important functioning capital flows are for the world economy. It quickly became obvious how vulnerable the intricately connected global financial system is to disruptions. States are now so dependent upon global capital flows that they have difficulties resisting and fending off even the indirect effects of such a widespread financial crisis. When the global financial system capsizes, the real economy is dragged down with it, causing severe dislocation and great suffering.

Despite forceful and large-scale state intervention in the market, the crisis continues to affect the operation of the world economy. It is still too early to sound the all-clear. Since Lehman Brothers, an American investment bank, went under in the autumn of 2008, the crisis has undergone a transformation process. So far, the crisis has changed its guise in at least five overarching dimensions.

Firstly, what began as a local mortgage crisis in the American financial system quickly developed into a global financial crisis. Although financial contagion is a well known phenomena, many people were surprised by the speed and extent of the contagion process.

Secondly, what was primarily a financial crisis rapidly transformed into a widespread crisis in the real economy. When the financial flows dried up, trade flows were quickly affected. Without normal financing opportunities, many companies were forced to suspend their operations. Lower economic activity led to bankruptcies, widespread unemployment, and economic recession. Today, extremely few individuals live in such isolation that they are unaffected by the consequences of the current crisis. It is no longer possible to distinguish between the real economy and the financial economy.

Thirdly, what began as a private-sector crisis, with collapsing financial institutions and company bankruptcies, developed into a public-sector crisis. Many countries have already been forced to seek emergency support from neighbouring countries or institutions, such as the IMF, in order to avoid being forced to suspend payments. Iceland, Latvia, and Greece are, admittedly, small and less important countries seen from a global economic perspective, but this list may become longer before the world economy returns to 'normality'.

Fourthly, what began as a crisis in the economically most advanced and well-developed countries, the United States and the United Kingdom, has also become a serious crisis for the developing countries. Despite the fact that many developing countries have rudimentary financial systems, they are indirectly affected by what is happening in the economically advanced countries. When those affected are living on the margin, the consequences quickly become devastating. For example, the World Bank estimates that the crisis has increased infant mortality in sub-Saharan Africa by 30,000–50,000 infants in 2009 ³¹ and that, by the end of 2010, the crisis will have increased the number of people living in extreme poverty (on less than US\$ 1.25 a day) by 64 million. ³² The consequences are, of course, very unevenly distributed both within and among different developing countries. Many growth economies, such as China, Brazil, and India, have managed surprisingly well

³¹ Jed Friedman and Norbert Schady, 'How Many More Infants Are Likely to Die in Africa As a Result of the Global Financial Crisis?' Policy Research Working Paper 5023, August 2009, The World Bank, <http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/08/20/00158349_20090820140450/Rendered/PDF/WPS5023.pdf>

³² The World Bank, 'Global Economic Prospects 2010: Crisis, Finance, and Growth', <<http://siteresources.worldbank.org/INTGEP2010/Resources/GEP2010-Full-Report.pdf>>

so far. However, it will become both more difficult and more expensive to gain access to capital in the future and this will worsen the conditions for economic development in many of the world's poorer countries.

Finally, the state's role in the global market has also changed markedly over the course of the crisis. From sitting on the sidelines monitoring primarily national rules and regulations in the financial markets, states have been forced to play a prominent role taking extensive and active measures to maintain the operation of the markets and install confidence in the financial system. Many states postponed measures as long as possible, but they have ultimately been forced to take over collapsed financial institutions so as to avoid market panic and crashes. When the financial market has not been able to meet its social commitments on its own, the state has had to recreate the market. Without liquidity and transactions between buyers and sellers, the market is non-existent. State measures have saved the financial system. The crisis situation clearly demonstrates the interdependency between the state and the market. It is not a question of either the state or the market, but rather how the state and the market should best work together. It may have seemed paradoxical only a few years ago, but the state is a fundamental precondition for an open market system.

THE MANAGEMENT

The continuous metamorphosis of the global economic crisis complicated the crisis management. What started as a financial crisis has spread both across national borders and economic sectors and developed into a transnational and multi-sectoral economic crisis. The task of achieving a quick solution has overwhelmed both individual states and international institutions attempting to coordinate the crisis management initiatives. By the time measures have been prescribed, coordinated, and executed, the crisis has already changed. The measures taken have led to a temporary respite, without being able to take control of and stop the crisis.

The explanation for this development is multifaceted, but one important reason is that the financial 'firebreaks' have been both too few and too narrow. It has not been possible to contain, compartmentalize or channel the crisis, and thereby bring it under control. While the principles and

preparations adopted in order to manage a financial crisis situation focused on protecting the national financial system, the measures taken to coordinate and counter a global financial crisis scenario were clearly insufficient.

Prior to the crisis, a systemic crisis was regarded as very serious both among national and international institutions. However, the likelihood seemed very small. New financial instruments and the rapid development of financial risk management models meant that decision makers and financial market actors alike allowed themselves to be lulled into a false sense of security. There was insufficient understanding of the risks and consequences were the financial system to fail to allow any radical reforms. The Bretton Woods institutions, the IMF and the World Bank, which were designed to handle the economic problems after the Second World War, have, admittedly, been important in alleviating the consequences of the current crisis, but they have in no way been optimized to manage the present situation. The measures taken have so far been more of a deferring and defensive nature, aimed at calming the markets and thereby buying time to manage the situation.

The lack of global leadership with the authority and legitimacy to allocate and coordinate initiatives has also hampered the crisis management effort. In the old Bretton Woods system, the United States acted as a hegemon, i.e. the state that set the standards and maintained world economic order. Its unambiguous victory in the Second World War created the conditions for the United States to both shape the Bretton Woods system and get others to accept the liberal economic world order. At the present time, no one is prepared to shoulder these hegemonic duties and this makes crisis management more difficult. It is particularly serious that the American economy has been at the centre of the financial crisis. A weakened United States does not make it any easier to reform and establish a less crisis-prone financial system in the future.

Over the course of a few years, this could become a major problem. There is a need for international coordination similar to the efforts made at the Bretton Woods Conference in 1944. However, the likelihood of such a coordination effort is waning over time. As the acute crisis phase ends, the incentives for coordination quickly disappear. After the implementation of cosmetic measures, the old crisis-prone system is back in business. This obviously increases

the likelihood that the world economy will experience similar destructive crises again. At the same time, there is a risk of regulation becoming too strong, which could stifle many of the advantages of a more open system.

Regardless of how extensive the ongoing reform of financial regulation is, zenith has probably passed for the free market economy. Controls will increase and the freedom of action will be curtailed. The period of the last twenty years has, in many ways, resembled the first era of globalization at the beginning of the twentieth century. Comparisons aside, that period ended suddenly when the First World War broke out. It will take a long time for the financial market to regain confidence and be able to set in motion similar financial innovation cycles as those that created the conditions for today's crisis situation.

So far, Sweden has coped well with the crisis. Experiences from the Swedish financial crisis at the beginning of the 1990s are still in living memory. This crisis led not only to comprehensive national measures and policy changes, but also injected a huge dose of fear and respect for the forces that are concealed in global capital flows. This meant that Sweden had both a higher level of crisis consciousness and the prerequisites for effective crisis management. Therefore Sweden has managed the crisis better than many other countries. The positive outcome of the present crisis is that decision makers, the population, and financial market actors in Sweden are once again reminded of the serious consequences in the wake of a financial crisis. This increases the potential to both cope with a future crisis and to reinforce the national crisis management system.

THE CHALLENGES

There are a number of long- and short-term challenges that decision makers at different levels have to manage. In the short term, it is a case of minimizing the acute economic consequences and, at the same time, creating conditions for long-term economic growth. There are still great risks of renewed financial problems, for example when the stimulus packages will be phased out and fragile state finances will have to be rebuilt. In addition, the imbalances in the world economy are at risk of spilling over into currency and trade conflicts. Such conflicts have the potential to not only create friction, but they can also negatively change the norms, regulations, and modus operandi of the global economic system. Developments will depend, to a

great extent, on how the political system copes with managing and coordinating the different interests and measures among the actors.

Another short-term challenge is the fact that the window of opportunity for systemic reform is about to close after having been wide open for several years. Urgent state measures to reduce the effects in their own national economies may have drained the strength and will to reform, coordinate, and regulate the global system. Many countries have paid a huge political price for carrying out national measures and reforms. This reduces the appeal and opportunities to implement global reforms. It is vital that any reforms carried out are effective and do not incorporate the conditions for new serious crises. In order to significantly reform the present crisis-prone economic system, old institutions will need to be remodelled, or new ones established. It is essential to manage control and regulation problems globally. In the meantime, the fundamental conditions for the development of a similar crisis remain.

The present crisis has made control and regulation problems in the financial market obvious, which points to the need for supranational coordination of measures. Global financial market actors abused the degree of freedom that the extensive deregulation of the financial markets since the 1980s had granted them. It is now very likely that the financial sector will be re-regulated. In the slightly longer term, it is crucial for the world economy and the prospect of future crises how this regulation is designed and if its intentions are met. Will this re-regulation be cosmetic or fundamental? It will be a delicate task finding the right balance between freedom and control as well as controlling both a global system with global actors and nationally regulated capital flows.

There is a real risk of the financial system being rescued, commissions launched, compromise measures being taken, and the global financial system returning to something like 'business as usual' within a few years. In this case, the consequences will be that we will soon experience another similar crisis. Then, the challenge will be to manage it in a more effective manner both in terms of preparations and measures. If, despite everything, the pendulum swings heavily towards stricter regulations and a more fundamental remodelling of the system, it will be particularly important to protect Swedish interests and ensure that regulations are

as beneficial for Sweden as possible. Regardless of how the future financial system is regulated, there will be a need for better financial crisis management capability.

The repercussions of the present economic crisis will seriously affect the economic system and its development in the long term. This will, in turn, generate political and security conflicts. Friction has already increased both within and among states. These conflicts are, of course, also affected by long-term developments in other areas: demographics, migration, the environment, the development of technology, education and so on.

IS CHINA THE BIG WINNER?

One of the most important effects of the economic crisis is that it has acted as a catalyst and accelerated a long-term geopolitical shift towards China and other growth economies. As the centre of gravity in international relations shifts from West to East, the potential for conflict and friction increases. While the economic crisis has seriously affected many of the world's most developed countries, China has managed to deal with the crisis situation surprisingly well so far. Quick and comprehensive state initiatives that focused on new investments have sustained China's high rate of economic growth. This has dampened the global effects of the crisis. If the Chinese had adopted a different approach, the opposite could have happened. The measures could have aggravated the economic crisis very significantly. At the same time, there are signs that suggest that China is building up the preconditions for a spectacular domestic financial crisis of its own. Its financial system is still undeveloped. There are bubble tendencies in several sectors and the stimulus package has postponed China's adjustment to the new situation to some point in the future. The timing, extent, and management of a financial crisis in China will be decisive: not just for China's further development, but it will also be extremely important for the recovery of the world economy.

Presently, the acute economic situation in large parts of the Western world means that great hope is being pinned on the growth generated elsewhere – in Asia, above all, but also in South America. It is a buyer's market for long-term and strategic investments. China will be able to pick freely from the enormous smorgasbord of corporations in need of capital injections. China will also have considerably more

clout in re-regulating the world economic system and the institutions set to maintain it. The major long-term challenge will be to get China – which is still Communist in its rhetoric at least – to take greater responsibility for the global liberal world order.

The present order has effectively helped raise the living standards of China and many other countries over the past few decades. China's actions will be decisive for the development of the globalization trend in the future. Not long ago, globalization was regarded as an inevitable structural change. States were relics, and globalization was equated with economic development, integration, harmonization, and 'Westernization'. This may still be true in the very long term, but, viewed as a trend, globalization could, nevertheless, cease to exist or decline in a few years. The present crisis has demonstrated the vulnerability of globalization.

The increasingly global economic system that has developed during the post-war period has been very positive for small states like Sweden. Sweden has embraced economic globalization and benefited greatly when the globalization trend picked up speed again after the oil crises of the 1970s. If a more power-oriented (anarchic) system were to re-emerge, it could have devastating consequences for a small country with a very globalized economy.

13 Afghanistan: Is PRT a Successful Concept?

Jan Frelin

In the Western world today, the coordination of civilian and military resources for crisis management is often held up, at any rate by the military and politicians, as a necessary precondition for dealing with complex conflicts. Since 2002, the United States and NATO have been using so-called Provincial Reconstruction Teams (PRTs) in Afghanistan. The PRTs can be regarded as an attempt to implement this coordination. The question is whether it is a successful concept?

In 2002, the first PRTs were established in Afghanistan within the framework of Operation Enduring Freedom (OEF). The aim was to extend the Afghan Government's authority to the rural areas. There were several driving forces behind the formulation of the concept. US Secretary of Defense Rumsfeld wanted to limit the military effort, whilst both the Afghan president Hamid Karzai and the UN representative Lakhdar Brahimi wanted to avoid the image of an occupation, which resulted in the common desire for what was called a 'light footprint'. Each province would be provided with a very small military force whose main aim was not to fight, but to support various forms of civilian efforts.

THE DIFFERENT ORGANIZATION AND ACTIVITIES OF THE PRTS

Initially, all the PRTs were American; however, in 2003, other countries began to take charge of PRTs. At the same time, the PRTs began to be transferred from OEF to the NATO-led ISAF mission. Today, there are twenty-seven PRTs in Afghanistan, divided between fourteen countries. These PRTs are complemented with a number of regular units, principally in southern Afghanistan. Since 2006, Sweden, in cooperation with Finland, has been in command of a PRT in Mazar-e-Sharif which is responsible for four provinces in north-western Afghanistan (Balkh, Samangan, Jowzjan, and Sar-e-Pul).

The PRT in Mazar-e-Sharif is today composed of three provincial offices in Samangan, Jowzjan, and Sar-e-Pul, as well as a headquarters in Balkh. Most of the unit comprises a number of military observation teams, each with six people, as well as an infantry company. In addition, there are reconnaissance and maintenance resources. The Swedish contingent in Afghanistan is made up of 485 people in total, of which the main part is attached to the PRT. The Swedish area is one of the quietest areas in Afghanistan, but there are some locations that continue to be challenging. The main task of the Swedish contingent is to support the Afghan security forces, i.e. the army, the police, and the security service. Considerable progress has been made with support to the military, whilst the police are still dogged by huge problems with illiteracy and corruption.

NATO has given the various troop-contributing countries considerable freedom to create their own PRTs, which has resulted in the organization and activities being very different. This is partly because the conditions in the various areas where the PRTs operate are different, but the most important driving force has, if anything, been the difference in the security policy culture and the interests of the countries in command. In practice, there is an expectation, from both the Afghan leaders and the population, that the countries in command of a PRT must also provide civilian resources in 'their' area. This expectation has been handled differently by the various countries. The United States, Germany, Italy, and Turkey have invested a rather considerable amount of civilian resources into their PRTs, whereas other countries, such as the United Kingdom, Sweden, and Norway, have been more restrained. It should also be pointed out that while NATO is in charge of the military parts of a PRT, the countries are, as a rule, totally in charge of the civilian aspects.

A relatively large share of the total aid to Afghanistan is channelled through the PRT structures, where, to a great extent, the money is used for so-called quick impact projects aimed at winning the Afghan people over to the ISAF and the Afghan Government. This has meant that aid to Afghanistan is fragmented by the political agendas of the various donor countries, and it can be questioned whether the short-term projects lead to any increased support for the Government whatsoever.

THE INDIVIDUAL SOLDIER HAS TO DEAL WITH THE CONFLICT OF GOALS THAT THE HIGHER LEVELS OF COMMAND HAVE NOT SUCCEEDED IN RESOLVING

Swedish aid to Afghanistan is not in any appreciable amount linked to the PRT in Mazar-e-Sharif. The Swedish military effort has, in practice, been focused on establishing security using military means, mainly in the form of support to the Afghan army. At the same time, there is great pressure from the civilian population to be allowed to receive some of the assistance that the PRT concept appears to promise. Because of the PRT's weakness as an aid channel, the Swedish approach may be a reasonable policy. However, at present, it is the individual soldier in the PRT who has to deal with the conflict of goals that the higher levels of command have not succeeded in resolving. Sweden is here faced with a dilemma: should it implement an imperfect but internationally acceptable concept, or should it continue to allow the soldiers there to explain why the PRT in Mazar-e-Sharif cannot give the assistance that, for example, the German PRTs can?

COUNTER-INSURGENCY

Since Sweden took over the command of the PRT in Mazar-e-Sharif, there has in the West been a development of the military doctrines for counter-insurgency (COIN). The American COIN doctrine was published in 2006. The reason for the development of the COIN doctrine is, of course, the difficulties the United States and its allies experienced after the initial successes in Iraq and Afghanistan.

The central themes of the COIN doctrine are to establish legitimacy for the domestic government, create local ownership, protect the population, and isolate the insurgent movement from the population in the areas where it has its support. According to the doctrine, it is hard to defeat a counter-insurgency using direct means since it often has a great ability to recreate itself. It is further stated that the insurgent movement's most dangerous course of action is when it creates a parallel state and takes over parts of the exercise of civilian authority. Thus, there is also, according to the doctrine, a need for coordinating civilian and military means in order to counter such developments. The

doctrine has gradually influenced the ISAF operations, and it had been given further prominence under the command of General McChrystal.

Some of the skills that the Swedish armed forces have accumulated over the years with their peace support operations, such as the ability to quickly adapt their conduct to the situation (it is usually termed as being 'firm, fair, and friendly'), and the long Swedish tradition of employing mission tactics are relevant in order to be involved in COIN. Other elements of the COIN doctrine are new, from the Swedish armed forces' point of view, especially the need to isolate the opponent from the population.

A particular challenge is that there is not any official position for employing the COIN doctrine using Swedish military personnel. At the same time, there is naturally a need to develop a competence in the concept used by the force they are part of. A sensitive subject is the need to provide assistance in order to prevent the insurgent movement from exercising authority since this can be construed as a military force giving humanitarian assistance. This activity should not be seen as aid, but a civilian part of creating security, and should, first and foremost, be handled by the Afghan authorities. It is, however, reasonable that the Swedish force is given the means for this purpose.

Both the COIN doctrine and Swedish political documents state that the long-term aim of the security effort in Afghanistan is to develop the operation so that security can be established by the administration of justice under the laws of the land rather than by international military operations. At present, the development of the Afghan legal system is way behind that of the army. There are shortcomings in every part, from the police to the courts to the correctional service. Both the international community and Sweden have invested very little in the legal system in proportion to the investment in the military effort. If the international community is to be able to reach its goals in Afghanistan, a much-increased investment in all parts of the legal system is required. It would not be unreasonable for Sweden even at present to make greater investments in the legal sector.

DEVELOPING THE EFFORTS IN AFGHANISTAN

Sweden needs to decide on the future development of aid

to Afghanistan's security. Shortcomings in the civilian elements of the PRT concept mean that it may be relevant to look for another model than a PRT in its present-day form.

There is also a need to consider what approach Sweden should take to the COIN doctrine. Owing to the present-day vagueness, the Swedish Government does not have to come to a decision regarding a controversial issue; however, it results in the Swedish effort perhaps not being as prepared as it might be. There is a need to coordinate Swedish contributions so that they meet better the international community's aims of the efforts in Afghanistan and to improve the training in COIN doctrine for both military and civilian personnel.

The shortcomings in the Afghan legal system are considerably greater than in the army, and the international assistance to the legal sector is both lacking in resources and the coordination is limited. The Swedish contribution is also relatively little. If Sweden is to increase its efforts in Afghanistan, the legal system's need is considerably greater than that of the military.

14 Security and Development: Towards an Integrated Approach?

Cecilia Hull and Claes Nilsson

The link between security and development is essential in today's peace support operations. Security promotes development and development promotes security. It is still unclear, however, how this link should be manifested in peace support missions. Coordination between civilian and military instruments is being continually developed in capital cities and in the field. At the same time, territorial thinking and an unclear casting of roles continue to prevent a dynamic development of peace support operations. Strategic cooperation involving objectives and strategies is still underdeveloped.

SECURITY AND DEVELOPMENT

There are a number of different contexts in which security and development efforts are recognized as interconnected. In peace support operations, this has often resulted in civilian and military actors having to work more closely with each other in the field. In principle, there is general agreement on the value of working together in order to reinforce the effects of military and civilian actors' operations. In missions with broad mandates and far-reaching objectives, a great number of civilian, military, state, and non-state actors are operating. Without any form of cooperation, there is a great risk of duplication of effort, wasting resources, or even working against each other.

The prerequisites for cooperation vary, depending on which type of organizations are involved. For humanitarian actors, the increased focus on civil-military cooperation has been a problem, as this breaches the guiding humanitarian principles, such as neutrality and impartiality. For other civilian actors, closer cooperation with the military is less problematic. The security-development nexus highlights the need for some form of cooperation between military operations and long-term development efforts. Development aid is more clearly governed by a political agenda than humanitarian aid and is not bound to the humanitarian principles. This should, at least in theory,

facilitate development workers and the military working together.

Despite these prerequisites, it has been difficult to find the required synergies in the field. Different forms of cooperation in the field have, to a larger extent, occurred through ad hoc arrangements but have not managed to be institutionalized. Various actors in a mission area meet to share information but rarely to coordinate their activities. The advantages of cooperation are not always evident to the individual organizations. The strategic guidance on how, and for what purpose, security and development should be more closely connected to each other remains unclear.

At the tactical level, military units are often involved in so-called ‘quick-impact projects’ and CIMIC-operations,³³ where they interact with the local population and civilian organizations in the operational area in different ways in order to generate support for the military operation. This often involves so-called ‘hearts-and-minds strategies’, designed to generate trust in the military operation amongst the local population. Short-term projects, such as repairing bridges, building schools, and setting up clinics, are regarded as important so that the local population can itself observe progress and development and, therefore, gain confidence in the peace and reconstruction process.

³³ Civil-Military Cooperation

These types of activities do not always correspond well with civilian development activities as these require a more long-term approach. Military actors often need to quickly demonstrate progress and gain the confidence of the population as a way of maintaining stability. These differences in time perspectives have a negative effect on the opportunities for cooperation. Civilian actors have generally found it difficult to find strategies for how development work could contribute to security and stability in conflicts. As a result, cooperation has been limited to information exchange.

COOPERATION IN AFGHANISTAN

The Swedish debate on security and development is, like that of many other countries, clearly characterized by the operations in Afghanistan, where the issue of cooperation has come to a head as many states have found the sole use of the military tool insufficient to address the issue at hand. The enormous challenges facing Afghan and international actors must be tackled using both civilian and

military instruments. So far, however, it has been difficult to identify and exploit synergies between civilian and military operations.

The countries taking part in the NATO operation in Afghanistan (ISAF) have been allocated different areas of the country to set up so-called Provincial Reconstruction Teams (PRTs). Each PRT is responsible for establishing and maintaining security in its own region. Each country leading a PRT is also expected to manage the reconstruction effort in the same region. The security operations have, therefore, been followed by nationally targeted development initiatives for the same regions.

For a long time, Sweden has differed from other countries in separating its civilian and military operations in an effort to avoid militarizing aid. However, even Sweden has sought synergies between its own national efforts in Afghanistan and some of the civilian development assistance has been pinpointed to the areas where there is a Swedish military presence. This has probably also been due to the fact that it has been difficult for Sweden to pursue a policy of a division between the military operation and development work when other countries have not. In some ways, Sweden has, therefore, been forced to fill the gaps that have arisen when other countries and organizations direct their aid to regions of importance to their own national strategic interest.

At the same time, the Swedish authorities continue to be autonomous in the sense that they are not integrated into one single operation. The Swedish Government's strategy for development work with Afghanistan states that 'synergies should be strived for, but an important principle is maintaining an appropriate division based on the authorities' various powers and not confusing peace support operations with development work'. This is based on a recognition that the different programmes and operations are being governed by different mandates and, occasionally, with different objectives, and are likely to remain so in the future.

The coordination and geographic co-location of national aid are not unproblematic. The division into geographic areas has meant that overall coordination within NATO's multinational operations has suffered. When national strategies and agendas gain greater influence than overall

efforts, it becomes difficult to push through multi-sectoral strategic objectives and programmes. The same applies to civilian development. Regionalization may have a negative effect on the country's development in the long run. When aid is transferred to an area due to the fact that the country has a military presence there, there is a risk that 'wrong' types of interests dictate how aid is used. There is also a risk that effectiveness will suffer when it is national coordination that is strived for, rather than strategic mission wide cooperation. The consequences of the path chosen remain to be seen, but, so far, the link between security and development in Afghanistan has been weak.

TOWARDS AN INTEGRATED APPROACH?

The operations in Afghanistan are still a special case. It is important to remember that the majority of operations are completely different regarding cooperation between civilian and military actors. The geographic division stands out as a relatively new phenomenon. At the same time, it is important to learn lessons from Afghanistan in order to develop strategies to manage this type of operation.

To broadly interpret the concept of security is an important step. Such broader interpretations make security and development and civilian, and thus civilian and military instruments, more evidently connected. Work on developing and clarifying these synergies should continue.

It needs to be made more apparent how development work will contribute to security, and security to development. The benefit of aid in 'hearts-and-minds' operations is difficult to demonstrate. In some cases, these operations have had the opposite effect and contributed to corruption and instability when large flows of aid end up in the wrong hands.

More attention needs to be paid to developing cooperation tools at a strategic level. Occasionally, civilian and military actors may, for various reasons, find it difficult to work together in the field. At a strategic level, we can, however, work more clearly to identify and create common overall goals. Cooperation during analysis and joint planning could generate a greater understanding of different types of operations and make future cooperation during later phases easier. The link between strategy, security, and development also becomes clearer at the strategic level.

Ultimately, close political cooperation could lead to more effective participation in peace support operations.

In several countries, work is going on to clarify the links between security and development. This is also the case in Sweden. Some countries have come far in their endeavours to create a mutual understanding and common strategies between different departments and authorities. Some of them have developed financing mechanisms for joint civil-military operations. Others have created operational liaison groups that actively promote closer cooperation between different national authorities.

In Sweden's strategy for peace support operations, we can read that '[t]oday's complex conflict management and reconstruction operations presuppose that the international community—like Sweden nationally—will coordinate the tools available at both the planning and implementation phases'. This puts great demands on the national development. Do we need new structures or institutions to promote cooperation? How will we ensure that Swedish actors can cooperate in an international and regional context? When might it be wise to distinguish between the different instruments? How do we create the conditions for cooperation with local actors and organizations? The answers to these questions will shape our peace support operations for the foreseeable future.

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15 Cyberwars between Hacker Groups Developing New Threats

Roland Heickerö

Developments in information technology are not just changing people's ability to communicate and disseminate information. They are also changing the conditions for pursuing hostile and criminal activity via the Internet. An advanced cyberattack directed at an opponent's critical information structure, e.g. the command and control functions in financial systems, the energy sector, and flight and communications networks, can have security ramifications within a very short period of time.³⁴ The first 'truce' in cyberspace is already history.

The first officially published cyberattack on an individual state was against Estonia in the spring of 2007. The event was caused by the removal of a Soviet military statue from central Tallinn to a nearby churchyard in the city. The war monument is regarded by many Estonians as a symbol of the Soviet occupation and the annexation of the Baltic states. Moving this caused great anger among Russians in the country and riots broke out. In connection with this, there was frantic activity on the Internet. An operation began with the aim of attacking the Estonian parliament and a number of ministries' computer systems, two of the biggest banks and six news organizations and various other national websites. Over the course of a few days, servers and networks were overloaded and the functionality decreased. Who or which groups and organizations were behind this is still not entirely clear. However, suspicion has been thrown on Russian national hacker groups—so-called hacktivists. The attack lasted for a couple of weeks with varying intensity and then stopped as quickly as it began.

The Estonian cyber-incident demonstrates the risk of cyber-aggression. It is a phenomenon that must be studied and understood with a view to being able to handle new forms of challenges and threats. In this article, examples are provided of the escalation of conflicts on the Internet between different kinds of hacker groups as well as examples of cyber-aggression between different opponents. Finally, conclusions will be drawn regarding the risks of

³⁴ By critical information structures, we often mean the so-called supervisory control and data acquisition systems.

cyber-escalation and the security consequences that could arise as well as the need for the regulation of malevolent behaviour on the Internet.

THE DEVELOPMENT OF CYBER-CONFLICTS

Many online conflicts have their origins in the physical world. For example, the American bombing of the Chinese Embassy in Belgrade in 1999 led to massive attacks on both sides between Chinese and American hacker groups. In a similar fashion, events in Kashmir, Chechnya, and Gaza have taken on a life of their own on the Internet. Symbols, in particular, often serve as detonators for the escalation of conflicts, as the Estonian case shows.

³⁵ A. Cochran, 'Muslim Hackers Assaulting Websites since Cartoon Controversy Began', <http://counterterrorismblog.org/2006/02/muslim_hackers_assaulting_webs.php>, 8 February 2006. On the website www.H-Zone.org there is information about the defacement attacks against Danish websites.

One case in point is the uproar over the Mohammed cartoons, which led to the banning of Danish dairy products in the Middle East, the storming of consulates, and the burning of flags. The event also generated cyberattacks on websites. Groups of Islamic hackers, such as the 'Gangs of pro-Muslim hackers', attacked Danish websites with the suffix '.dk' almost six hundred times over the course of a week.³⁵ Danish hackers and groups linked to them attempted, in turn, to defend their domains by various means and methods and launch a counteroffensive. The publication of the artist Lars Vilks' 'Roundabout Dog' in 2007 also had consequences online. Swedish websites are said to have, at that time, been attacked by hackers from, among other places, Turkey.

When a cyber-conflict is initiated, a situation arises where many parties are willing to actively help one of the sides. Temporary alliances are formed between disparate groups. Individuals from many parts of the world may be involved. On various Internet forums, these conflicts are fuelled by accusations and outright abuse between opponents. Misleading information is spread for the purposes of creating antagonisms. There are signs that Islamic hacker movements from different countries and regions are organizing themselves and directing their activities at servers and websites in the Western world, and primarily at Israel. In a similar fashion, individuals and hacker groups from Europe and the United States and from other parts of the world are organizing themselves to attack Islamic websites and hackers.

In connection with the Second Intifada in 2000, pro-Palestinian hackers, for example, succeeded in attacking the Bank of Israel's website, the stock exchange in Tel Aviv, and the Israeli army. As the Israeli economy is very dependent on electronic trade functioning, the attacks led to the stock exchange falling by 8 per cent.³⁶ During the period that the Intifada lasted, the pro-Palestinian groups succeeded in attacking more than five times as many sites as the Israelis. As a result of the Israeli invasion of Gaza in December 2008, new tensions surfaced on the Internet. Several thousand websites, including the US army's³⁷ and NATO's,³⁸ are said to have been attacked by, among others, Turkish hackers.³⁹

³⁶ Abdel Bari Atwan, *The Secret History of Al Qaeda* (Berkeley, CA: University of California Press, 2006).

A couple of weeks before the acts of terror on 11 September 2001, the pro-Taliban website Taleban.com was hacked by a Western activist.⁴⁰ The reason was that the Taliban had made it clear that they intended to shut down the Internet in Afghanistan and all Internet users would be punished. The activist posted various obscenities directed at the Taliban and Al Qaida's leader, Osama bin Laden. The website afghan-ie.com was also subjected to an attack and forced to shut down.

³⁷ <mdw.army.mil>

³⁸ <www.Nato-pa.int>

³⁹ Muhammed Ali Raza, 'Thousands of Websites Hacked by Muslims Hackers to Protest Gaza Attacks', 16 January 2009, <http://propakistani.com>

⁴⁰ 'Afghan Taliban Website Hacked as Internet Outlawed', <http://www.hackint-hebox.org/modules.php?>, 27 August 2001.

The terrorist attacks of 11 September 2001 aroused great indignation among many Western hacker groups.⁴¹ Six days after the event, an appeal was launched on the German hacker group Chaos Computer Club's website to avenge the outrage through denial-of-service attacks directed at Afghan and Pakistani targets. The objective was also to steal sensitive data from various systems.

⁴¹ Damon Marturion, 'Will Hackers Keep the Cyber Peace?' *New Business News*, <http://www.newbusinessnews.com/story/11160101.html>

A short time later, the European group YIHAT (Young Intelligent Hackers Against Terror) announced that it had succeeded in hacking into computers belonging to Al-Shamal Islamic Bank in Sudan and accessed bank accounts that are said to have belonged to al-Qaida. The accuracy of the information is debatable. In YIHAT's manifesto on the Internet,⁴² the objective of its operation is described as finding terrorists, identifying them, hacking into their systems, and providing information to police authorities, such as the Federal Bureau of Investigation. According to YIHAT's own information, the number of members around 2001 was to have been approximately 800.

⁴² <http://www.uk/cip/resources/nipc/cyber-protestupdate>

YIHAT's actions in identifying potential terrorists on the

Internet have aroused indignation in some hacker circles. Some individuals and groups feel that they have been wrongly singled out as cyber-aggressors. In turn, this has created a backlash,⁴³ particularly from hackers in Pakistan. A website under YIHAT's domains, www.kill.net, has been attacked by the hacker Fluffi Bunni, and shut down, causing YIHAT to be more cautious and forced to act more secretly.

⁴³ <<http://attribute.org/news/content/01-10-22001.html>>

CYBER-AGGRESSION BETWEEN PAKISTANI AND INDIAN HACKER GROUPS

One of the most serious conflicts on the Internet is between Pakistani and Indian hacker groups. Since 1998, conflicts have been going on in cyberspace between groups from both countries.⁴⁴ India's nuclear weapons test could be said to have been the starting shot. A short time after the country had officially concluded the testing of the Pokhran II missile, the Milworm hacker group attacked the Bhabha Atomic Research Centre's website. The group carried out a so-called defacement, i.e. they changed the information on the site and posted anti-Indian messages. They are said to have also succeeded in hijacking e-mail messages on the research institute's network. The identity and background of the hacker group are somewhat unclear. Some people assert that the members come from the United States and Australia,⁴⁵ while others claim that they are originally from Pakistan.⁴⁶

⁴⁴ Arsalan Jamsheed, 'Cyberwars between India and Pakistan', <<http://www.Goarticles.com/cgi-bin/showa.cgi?C=859977>>

⁴⁵ Satybrata Rai Chowdhuri, 'Subversive Activities through Cyber Space', The Tribune, 20 May 2002, <<http://www.tribuneindia.com/72002/20020520/login/main5.htm>>

⁴⁶ Jamshed, 'Cyberwars between India and Pakistan'.

A while later, a group of Pakistani hackers carried out an operation against the Indian army's website through social engineering.⁴⁷ The website administrators were contacted by telephone and asked to move the website's IP address to another address. When this was done, the hacker group changed the content to an anti-Indian message. One reason for this succeeding was that the server that controlled the site was not in India, but was located outside the country. This example demonstrates the danger of not personally controlling servers containing sensitive information.

⁴⁷ In this context, the term social engineering means how people, by being 'amiable', can obtain sensitive information, such as passwords, during, for example, a telephone call.

⁴⁸ CERT India, <<http://www.cert-in.org.in/knowledge-base/whitepapers/analysisdefacewebsites.htm>>

During the period 1998–2001,⁴⁸ the number of Pakistani defacement attacks on Indian websites increased from 4 in 1999 to more than 150 in the first six months of 2001. There were 7 Indian attacks on Pakistani websites in 2000 and, the year after, this increased to 18. Between 2002 and 2004, the situation stabilized and the conflict petered out.

What was called the 'first cyberwar' ended with a truce between Pakistani and Indian hackers when members of the Pakistani groups Pakistan Hackers Club and G-Force and the Indian group NEO came to an agreement.

⁴⁹ During the five-year conflict, several hundred sites on both sides had been attacked. More than 150 hacker groups and individual hackers were involved on the Pakistani side and at least 10 on the Indian side.

In November 2008, the cyber-conflict again grew in intensity. One probable reason was the terror attacks in Mumbai, which were launched from Pakistani soil. In connection with this, the Indian Hindu Militant Group (HMG) attacked the Pakistani Oil and Gas Regulatory Authority's website, which crashed for a few minutes. In response, what is perhaps now the leading hacker group in Pakistan, the Pakistan Cyber Army (PCA) attacked at least five websites, e.g. Indian Oil and Natural Gas Corporation's. The PCA also posted a warning on the Internet for the HMG as well as other Indian groups to cease their operations.

In just a few days, a number of websites were hacked on both sides. According to their own figures, the Pakistan-based KSA also managed to hack into several of the large Indian banks, including the Bank of Baroda. The Indians, on the other hand, threatened to strike at the Pakistani Internet system. The conflict lasted a few weeks and ended at the end of November after a settlement between the Pakistani groups PCA and KSA and the Indian group Indian Cyber Warriors (ICW)/HMG. In December 2008, a minor incident occurred when the Pakistani side claimed that its own defence forum had been attacked. ⁵⁰ This incident almost automatically led to accusations from both sides that the truce had been broken.

The defacement attacks are in no way sanctioned by the Pakistani and Indian authorities. At government level, both countries are trying to do their best to reduce and prevent hacktivism. Organizations with responsibility for Internet security, such as the National Informatics Centre in India and the Federal Investigation Authority in Pakistan, are actively working at counteracting escalation and alleviating effects.

HOW TO PREVENT AND REDUCE CYBERATTACKS?

The development of global hacktivism, which is driven by

⁴⁹ Muhammed Ali Raza, 'India-Pakistan in State of Cyber War', 24 November 2008, <<http://www.propakistani.com/2008/11724/here-we-go-again/>>

⁵⁰ Pakistanidefenceforum: <<http://www.pakistanidefenceforum.com/>>

political, religious, and national expressions of will, is going to gradually increase. The level and intensity of activities are largely governed by current events, where conflicts tend to spread from the physical world to the cyberworld. Symbols are used as detonators for the escalation of conflicts. Up to now, the majority of attacks between hacker groups have involved altering the content of the opponents' websites. Alternatively, negative messages are posted, and by overloading the network it is ensured that the websites do not work. These activities have been relatively harmless, but are obviously disturbing for those affected—often a third party who has nothing to do with the conflict.

However, there is a risk of the parties involved no longer being satisfied with attacking websites and thereby increasing the level of risk. Developments could take an unpleasant turn, which could be difficult to control. Escalation may be more or less instinctive and unintentional. Referring back to the cyberattack on Estonia in 2007 and the attack on Georgia the year after, there is concern that activists of various kinds will carry out larger coordinated cyber-operations against sensitive targets. From a Swedish perspective, this could be potentially very serious, bearing in mind our great dependence on effective information structures.

An operation like this could have a snowball effect, affecting national security and spreading across borders very quickly. At the same time, it is difficult to know which person or persons have initiated an attack and for what purpose. There is an imminent risk of the wrong instigators being singled out and the response to an attack being out of all proportion.

To reduce the threat, it is necessary to improve society's information security and thereby also security for trade and industry and the individual user. These are essential but insufficient measures. International cooperation must be initiated, e.g. within the framework of the United Nations, where all important countries and parties should be involved as well as the important policing and legal bodies. International conventions need to be rewritten, as cyber-aggression destroys principles like proportionality, neutrality, and distinction. By working together globally to create a more secure cyber-arena, increased security for military information operations is also made possible.

The conclusion is that some kind of ‘Cyber Rules of Engagement’ and an applicable code of practice are needed in order to control harmful cyber-activity, from hacktivism and criminality on the Internet to large-scale cyber-operations. To reduce the possible effects of conflicts in the cyber-arena between various groups, it is important to understand the hacker culture and the logic of their actions, as well as their motives and driving forces.

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