THE EVOLVING DYNAMICS OF TRANSATLANTIC SECURITY COOPERATION IN THE MENA REGION

Working Session
July 11-12, 2013, Paris
# The Evolving Dynamics of Transatlantic Security Cooperation in the MENA Region

**Transatlantic Security Task Force Series**

**Working Session**

**July 11-12, 2013, Paris**

**November 2013**

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The GMF Transatlantic Security Task Force

The Aim

The GMF Transatlantic Security Task Force (TSTF) brings together a small group of approximately 20 high-level U.S. and European security experts and strategic thinkers to explore the security priorities for transatlantic cooperation in the years to come as well as to serve as a forum to stimulate and organize a much-needed transatlantic security dialogue on looming threats and possibilities of cooperation.

The goal of the TSTF is not to revisit the concepts that define the transatlantic relationship but for the transatlantic partners to reconsider the nature of their cooperation in the face of evolving and multifaceted global challenges, and a diminishing confidence that the differences between the two partners are bridgeable at all.

Each session will attempt to highlight the areas where the transatlantic cooperation should be improved and strengthened with regards to specific challenges and taking into consideration the latest issues on the international agenda. Bearing in mind the centrality of the transatlantic partners in solving today's and tomorrow's issues, the TSTF aims to provide a platform for experts and policy-practitioners to discuss the ways transatlantic security cooperation policy should be framed in the years to come.

The Context

The format and the objectives of the task force exactly fit an increasing European and U.S. demand to strengthen transatlantic understanding and cooperation in the security field, especially in the post-Afghanistan and the post-Libya period, and in the context of the U.S. rebalancing to Asia and the concerns it has triggered in Europe. Indeed, the political consensus between both sides of the Atlantic can no longer be guaranteed when confronting new international challenges. The economic crisis has more specifically affected the development of concrete policy cooperation as both sides of the Atlantic wish to redefine their military and diplomatic engagements in the world.

Consequently, hardly anyone would deny that there is a strong need for a high-level discussion among national security and defense strategists on emerging and potential security issues that Europeans and Americans will need to address in the future. These include both the issues falling under the grand strategy (i.e. the shifting military balance, the transformation of military alliances, emerging military powers, and the future of nuclear deterrence) as well as very specific challenges (e.g. maritime security, the energy competition, the strategic implications of the economic crisis, the evolving terrorist threat, and cyber security). Any challenge on this list could alter the dynamics of the transatlantic conversation and even the shape of the alliance. That these challenges are not singular snapshots in time but extend and often overlap, converge, and reinforce one another is reason for greater urgency in reinvigorating the transatlantic security dialogue.

The Method

The topics and participants of each session are defined by an annual executive planning session, designed to serve as a brainstorming discussion, during which the main security priorities to be addressed in the wider working groups are decided, as well as the format and the agenda of these sessions. The 2013 planning session was held on January 24-25, 2013, in Paris.

Further efforts will include three yearly workshops, to be held in Paris, to probe the questions that were decided at the executive planning session. In pursuance of these will be a series of short papers (4-5 papers per session), which will be distributed to all participants beforehand and will serve as the backbone of the discussions. The workshops will bring together the members of the core group of the TSTF, along
with select experts on the specific topics that will be discussed during the working group.

The Paper Series
For each session, a series of analytical papers produced by the participants will be published, which will develop different aspects of our reflections. These papers will be published individually and as a coherent series of comprehensive works dedicated to one major issue of transatlantic security cooperation. The GMF Transatlantic Security Task Force will thus open the debate to the public and feed future discussions on transatlantic relations.
Transatlantic Security Task Force Working Session: July 11-12, 2013, Paris
The Evolving Dynamics of Transatlantic Security Cooperation in the MENA Region
Agenda

Thursday, July 11
7:30-9:30pm Opening Dinner
Location: Restaurant Le Poulpy – Maison des Polytechniciens, 12 rue de Poitiers, 75007 Paris

Keynote Speakers:
H.E. Nassif Hitti, Senior advisor and spokesperson of the Secretary General of the Arab League
Robert Wexler, president of the S. Daniel Abraham Center for Middle East Peace, and former Congressional representative from Florida (1997-2010)

Friday, July 12
8:30am Welcome coffee
Location: Maison de l'Amérique Latine - 217 Boulevard Saint-Germain, 75007 Paris

9:00-11:00 Session I – The MENA Region After the Arab Revolutions: Opportunities and Responsibilities for Transatlantic Powers
What are the main geopolitical implications of the Arab Revolutions for transatlantic interests in the MENA region? How do these events affect the influence of the United States and the EU in the region? Has the economic crisis affecting both sides of the Atlantic changed the way Western democracy is perceived in the region? What, and which actors, should constitute the priority of transatlantic engagement with the MENA region in the coming decade? Political instability? Nuclear proliferation? Terrorism? Should specific instruments be privileged or should transatlantic partners resort to a combination of economic assistance, military support and training, and civil society support? Are Europe and the United States complementary powers in carrying out these policies, or do they share different goals? How do MENA powers see the transatlantic presence in the region, and how has this perception changed since the Arab Spring?

11:00-11:15 Coffee break

11:15-13:00 Session II – Assessing the Future of Transatlantic Counter-Terrorism Strategy in the MENA Region
How can transatlantic cooperation be improved in the struggle against Islamist terrorism? Do Europeans and Americans share common perspectives on this issue? Are their capabilities complementary in this struggle? How should this burden be shared between transatlantic partners? Have the Arab Revolutions had implications in terms of risks of terrorist attacks in the region/Europe/United States? What are the main drivers of terrorist activity that call for furthered transatlantic cooperation? Are there developing trends in terrorism that necessitate increased awareness and capabilities by the transatlantic partners? Who are the main regional allies for transatlantic powers in their struggle against terrorism? Who are the main threats? Which countries have the capabilities, the will, and the interest in taking military action? What should the role of NATO and regional organizations be in the struggle against terrorism in the region? Are military interventions such as the French operation in Mali the solutions to prevent the establishment of safe havens for Islamist terrorism? What lessons have been learned from the
Benghazi attack? What should the role of drones be in this strategy?

13:00-14:00 Lunch at Maison de l’Amérique Latine

14:00-15:45 Session III – U.S. Energy Transition: What Implications for the Transatlantic Partnership and the EU as a Strategic Actor in the MENA Region?

How will rapidly changing energy dynamics affect U.S. interests in the MENA region? Is the nature of U.S. engagement in the region bound to change because of this phenomenon, and will the MENA region remain a centerpiece of U.S. security strategy? In this context, can we expect a new transatlantic division of labor and new responsibilities for Europe regarding security in the MENA region? Are the traditional allies of Europe and the United States in the region particularly concerned by this issue; if so, which? What does this mean for the role of regional alliances? Will the United States leave a power vacuum, or does another major power — the EU or China — have the ability to fill the U.S. gap; and if not, what will this mean for the region, especially in terms of driving political change and the continued push for a peaceful settlement of the Arab-Israeli conflict? Or will this energy revolution have limited effects on the U.S. military and political involvement due to the persistent threat that the MENA region constitutes for global security and the U.S. leading position on counter-terrorism efforts?

15:45-16:00 Coffee break

16:00-17:00 Concluding session and next steps

What are the TSTF’s main recommendations regarding transatlantic engagement in the MENA region? How should the written papers integrate the discussion in their final version?
What are the main geopolitical implications of the Arab Revolutions for transatlantic interests in the MENA region? How do these events affect the influence of the United States and the EU in the region? Has the economic crisis affecting both sides of the Atlantic changed the way Western democracy is perceived in the region? What, and which actors, should constitute the priority of transatlantic engagement with the MENA region in the coming decade? Political instability? Nuclear proliferation? Terrorism? Should specific instruments be privileged or should transatlantic partners resort to a combination of economic assistance, military support and training, and civil society support? Are Europe and the United States complementary powers in carrying out these policies, or do they share different goals? How do MENA powers see the transatlantic presence in the region, and how has this perception changed since the Arab Spring? Have the MENA powers’ interests evolved since the Arab Spring? What are the lessons learned from the first transatlantic reactions in the aftermath of the revolutions? Can new strategic alliances between MENA powers, but also between transatlantic actors and MENA powers, be designed in the current context? How should transatlantic partners deal with states with growing diplomatic ambitions such as Qatar and U.A.E? What is the future of the partnership with Israel in this context? How can a “coalition of the willing” be built in the new geopolitical landscape?

Scene-setting papers:
Jon B. Alterman, Center for Strategic and International Studies, “Transatlantic Engagement in the MENA Region: Challenges and Perspectives”
Amy Hawthorne, Atlantic Council, TBC

Colin Kahl, Center for a New American Security, ”Turbulence Ahead: Key Challenges for the West in Navigating the New Middle East”
Sinan Ulgen, Carnegie Endowment for International Peace, “Growing Instability Challenges the Transatlantic Approach to the Arab Spring Countries”

Key Insights: Transatlantic strategy in the post-Arab Revolutions MENA region needs to rethink the traditional democracy vs. security bargain by supporting reforms and promoting Western values.

Designing a Transatlantic Response to the Power Vacuum in the MENA Region

The situation in the MENA region is currently defined by two overarching trends, the second deriving from the first: the power vacuum resulting from the new U.S. posture of strategic restraint after 2008, which was perceived as an opportunity by regional actors who eventually proved unable to live up to the expectations (becoming credible regional powers and filling the security gap) they assigned themselves, due in great part to overwhelming internal economic and political troubles. In fashion similar to Iran, Qatar, Saudi Arabia, and Turkey, the three Arab states that used to dominate Middle East politics in matters of war and peacemaking — Egypt, Syria, and Iraq — and shaped the region’s relations with the great powers for the most part of the 20th century are no longer capable of playing such a role in the region. The balance of power has undergone further transformations due to regime changes and political turmoil, as well as the growing ambitions of regional powers such as Iran and Turkey, which have yet to overcome their own domestic issues in order to engage more substantially with the region. Even in countries that have so far been spared from the Arab Spring, the fear of popular revolts spreading has led all powers to focus on domestic politics and internal reforms. In
parallel, transatlantic partners are in the process of reassessing their position after the excesses and overreach of the George W. Bush administration. The power vacuum resulting from this wide-scale reshuffling has had consequences both at a national level — the cases of Libya and Egypt being the best examples — and at a regional level, where regional leaders with the willingness and ability to build a new security framework are yet to emerge.

In this context, U.S. fatigue of war in the MENA region and the implications of the “pivot” to Asia for the global balance of power have set aside the reality of unilateral U.S. engagement in the region as the sole provider of a much-needed leadership. The European Union (EU) is still dealing with its own internal economic crisis, with governments having by now embraced largely unpopular restrictive policies that have consistently narrowed their margin of maneuver on the international scene. Yet, the need for transatlantic cooperation in the MENA region has never been greater. In addition to the ongoing Syrian crisis, the military coup in Egypt has recently reminded the international community that the Arab Revolutions are not necessarily finite in time, and that greater instability could and should be expected in the future. An “Arab Spring 2.0,” spilling over to more economically significant states such as Algeria and Saudi Arabia, could lead to further destabilization in the region.

Although transatlantic actors have failed to fully grasp the depth of the crisis, both the EU and the United States are and will continue to be relevant actors in the region: the former due to its social and ethnic diversity and large Arab population, and the latter as a military partner for governments in the MENA region. Continued interest in the region needs to be highlighted, as transatlantic powers are already part of the regional equation. Indeed, local decision-makers consistently take into account the international response to their acts when shaping their strategies, as the short-lived Morsi presidency has shown in Egypt. Even if transatlantic involvement is not sufficient to guarantee regional stability, the success of the political transition triggered by the Arab Revolutions will, however, ride strongly on the United States and Europe, and their ability to cooperate in the region.

**Adapting Responses to Increasing Sectarianism and New Dividing Lines**

The Arab Revolutions have greatly transformed the ideological landscape in the MENA region. New dividing lines have emerged, and the political tensions that structure the power relations between the leading ideological and religious movements have shifted to create a far more complex system. At the macro level, the Israeli-Palestinian conflict, which has been largely marginalized by the crises in Libya, Egypt, and Syria, can no longer serve as the reference point for all involved parties. Similarly, MENA politics are no longer governed by the conservative vs. moderate opposition, nor by the liberal-secular vs. non-liberal/fundamentalist tension. The post-Arab Revolution system has forced us to rethink these traditional divides as a preamble to engagement with the changing actors of the region. A more accurate dichotomy could lie in the opposition between populist movements and elitist movements (although themselves internally divided into a multitude of sub-movements), which hold no obvious implications in terms of religiosity or tolerance of Western values. In that sense, the Arab Revolutions can be inscribed in the framework of the greater regional changes, which include the evolutions witnessed in the Israeli/Palestinian Peace Process and in Iran over the past decade.

The structural changes brought by the Arab Revolutions can be understood as an attempt to move beyond the former authoritarian stability and order model of governance. In light of this, transatlantic partners should never
attempt to revert to this old system, or else they will encounter strong popular resistance from a population that, now more than ever, feels empowered to drive changes in their country. The MENA region’s future development lies in the hands of a growing young and educated population, whose aspirations and goals will increasingly shape national political debates. While it can be expected that their continued demand for better political representation will prevent any kind of return to the old model of authoritarian order, the desires of the populations should not be misconstrued or understood as being based on the model of a Western secular-inspiring lens. Transatlantic partners need to adapt to the ongoing changes in various strata of civil society and come to terms with their implications for regional security issues. For instance, despite being used to dealing with military elites, Western leaders should now expect to deal with new emerging actors, as we see in Egypt. The future leaders of Egypt — who will someday serve as the interlocutors of the United States and the EU — will be the result of a new set of rules and values, and will need to be fully engaged as soon as possible on a various set of issues that transatlantic partners can and should agree upon.

Finally, the current evolutions have also heightened the role of sectarianism in regional politics. The Sunni vs. Shia divide appears to be an increasingly defining tension both in inter-state relations and domestic issues. The Syrian crisis has aggravated these dynamics, while at the same time transatlantic actors have also encouraged the targeting of Shias in their dealings with Iran. By being unable, or at least reluctant, to engage Iran on the nuclear issue, the EU and the United States have indirectly increased the existing antagonism between Teheran and some of their Sunni allies, notably in the Gulf. Given its profound economic and political influences, this deep sectarian strife could have tragic humanitarian repercussions, as the case of Bahrain has shown. Since it also has an impact on all dimensions of the region’s security issues — terrorism and nuclear proliferation most particularly — the promotion of Sunni-Shia dialogue should therefore be one of the main objectives of transatlantic cooperation in the region.

**Defining Realistic Transatlantic Priorities and Methods: Why the Traditional Security vs. Reform Bargain Does Not Work Anymore.**

In this context, Western diplomacies will have to list new priorities and develop new strategic tools and methods for its involvement in the region. The Arab Revolutions have destroyed the security vs. reform bargain, as the transatlantic powers can no longer have security and stability requirements prevail over reforms and democratization. In the meantime, the same security issues have spread to new areas such as Yemen or even Jordan. The direction of the Arab Revolutions remains unknown but in this “certainty of uncertainty,” no long-term stability will emerge without serious political bets being hedged. Transatlantic cooperation needs to be shaped based on this realistic diagnostic, and while accepting that political changes cannot be traded for security purposes anymore, offer consistent support to the democratic transitions. The priorities of the transatlantic agenda should therefore be defined, to as large an extent as possible, by all the moving pieces of this long and unstable political process, using both governmental and non-governmental tools. Civil societies should be the subject of focus as much as decision-making circles; European and U.S. businesses and NGOs could play a role in developing a transatlantic strategy.

However, transatlantic cooperation in democracy promotion lacks strongly credibility and legitimacy in the region. Indeed, in addition to their historical support of authoritarian
regimes that guaranteed stability and security for Western interests, Europeans and Americans have been largely inconsistent with regards to the democratization process of the region, rejecting the results of democratic elections when they gave power to regimes hostile to the Western narrative. The electoral victories of Hamas in the 2006 Palestinian parliamentary elections and of the Muslim Brotherhood in Egypt in 2012 revealed the ambiguous attitude of transatlantic powers toward the empowerment of the populations in the region. The mixed messages sent after the overthrowing of Morsi by the Egyptian military have strengthened this impression of a transatlantic double standard. The EU and the United States have a lot to gain from a successful Islamist democratic project, and should engage with it. Islamists will not disappear, and may even grow in influence; their involvement in the region’s politics cannot be rejected but should rather be integrated in a realistic and comprehensive strategy.

This inconsistency has also plagued the transatlantic partners as they are confronted with uncertain situations. Whereas the many unknowns of Syria’s future have led transatlantic powers to refuse to intervene, the uncertainties related to a nuclear Iran have been interpreted as a sufficient reason to act. A clear transatlantic agreement has even been reached regarding Iran, but the consequences of this strategy on the transatlantic engagement with the rest of the region have been underestimated. The political implications of a nuclear Iran are unacceptable for the United States, and in that sense, almost make this issue a domestic one for the United States, without it carrying the same importance in Europe. The Western narrative considers that all Western priorities (terrorism, political reform, Israel, energy, proliferation) will be negatively affected by a nuclear Iran, but it is unclear whether transatlantic partners will continue to share the same position if the possibility of a military intervention rises. Nevertheless, both the EU and the United States would prefer a diplomatic exit that could save immense military costs: in the case of an intervention, they would be forced to stay in the region and deal with its aftermath, just as they would have to be involved in providing a military umbrella to their Gulf partners if Iran becomes a nuclear state. The only alternative — reaching a diplomatic solution — may be possible during the next 12 months or so, and transatlantic partners will lose significant negotiation leverage if they seem too desperate to find a compromise with the Iranian regime. The recent history of the Non-Proliferation Treaty, and the cases of India, Pakistan, North Korea, and Israel being allowed to develop weapons, has also diminished the legitimacy of the Western position. The Iranian nuclear issue therefore is a top priority for transatlantic engagement with the whole region; it will define the Western security commitment toward the region and the possibility of promoting reforms. The EU and the United States should therefore cooperate to maximize the prospect of a diplomatic settlement.

**The Promotion of Western Values as a Transatlantic Strategy in the MENA Region**

Transatlantic powers possess certain assets that could help countries ensure a successful democratic transition. The Arab Revolutions have generated a new political landscape in which the only path to stability is reform and better popular representation. The case of Egypt can serve as a model of transatlantic engagement in the region: in order to avoid being trapped in domestic political struggles and being accused of siding with one actor, transatlantic partners must keep a coherent position based on the promotion of the democratic transition. First, the United States and the EU have to engage with all the political movements that are willing to integrate this democratic framework — engaging with Morsi was, in that sense, a positive move — while at the same time remembering that
regular elections do not alone create a solid path to democracy. Such a position could be construed as Western interference by the local populations, and transatlantic powers should remember that they cannot bestow democratic legitimacy on a newly elected leader before he earns it as a policymaker. Pursuant to this, the Egyptian military should be firmly told to exercise maximum restraint in the use of force and to include the Muslim Brotherhood in the future democratic process. Finally, the international recognition of the democratic nature of the regime should be bestowed after a longer time in power.

The need to focus on the promotion of values also stems from a pragmatic assessment of current transatlantic strengths. Since the Afghan experience, transatlantic partners have become generally risk-averse, and an ambitious foreign policy in the region will only be considered if its outcomes are charted in advance with a strong chance of success. In the current context of regional uncertainty, the West is feeling deeply unconfident, as demonstrated by their treatment of specific issues as mere “units” without understanding their interconnectedness and designing a comprehensive strategy for the whole region. As a result, the United States and the EU have often been unable to offer a proactive agenda, which has led to the questioning of transatlantic interests. Besides, the military and economic limitations that are experienced in times of economic crisis have also reduced the prospect for the use of hard-power tools in the region. Values promotion will therefore help reconcile these constraints with our objectives of supporting the political transformations that will eventually foster stability and security. However, such a strategy goes hand-in-hand with a clear definition of goals and a reliable set of metrics with which to gauge progress. Transatlantic cooperation cannot exist if transatlantic partners do not share the ways by which to assess the success of their endeavors. Soft-power approaches sometimes lack the ability to call victory, and the transatlantic strategy in the MENA region needs to clearly state its end goal(s).
How can transatlantic cooperation be improved in the struggle against Islamist terrorism? Do Europeans and Americans share common perspectives on this issue? Are their capabilities complementary in this struggle? How should this burden be shared between transatlantic partners? Have the Arab Revolutions had implications in terms of risks of terrorist attacks in the region/Europe/United States? What are the main drivers of terrorist activity that call for furthered transatlantic cooperation? Are there developing trends in terrorism that necessitate increased awareness and capabilities by the transatlantic partners? Who are the main regional allies for transatlantic powers in their struggle against terrorism? Who are the main threats? Which countries have the capabilities, the will, and the interest in taking military action? What should the role of NATO and regional organizations be in the struggle against terrorism in the region? Are military interventions such as the French operation in Mali the solutions to prevent the establishment of safe havens for Islamist terrorism? What lessons learned in terms of transatlantic cooperation and division of labor? What are the lessons have been learned from the Benghazi attack? What should the role of drones be in this strategy?

Scene-setting papers:
Hassan Mneimneh, German Marshall Fund of the United States, “Transatlantic Divergence in the MENA Region? The Question of Hezbollah”
Peter Neumann, King’s College London - International Centre for the Study of Radicalisation, “Transatlantic Security, Terrorism, and the Middle East”
Fred Tanner, Geneva Center for Security Policy, “Re-Defining the Transatlantic Strategic Response to Terrorism in the MENA Region”

Key Insights: Terrorist movements have changed their operational mode to become more local-focused and emerge as the new threat for transatlantic interests while defining political extremism in the region has become more complicated.

Defining Extremism after the Arab Revolution
Two years ago, the issue of counter-terrorism in the MENA region would have been addressed with optimism. The Arab Spring was perceived as providing an alternative narrative to the Jihadists, and the successful drone campaign had substantially weakened al-Qaeda. However, in the last two years, the implications of the Arab Revolutions on Jihadism in the region have been reassessed with less cause for optimism. The military coup in Egypt has been read by radical Islamists as a confirmation of the failure of the “peaceful revolutions.” As a result of this, the characterization of extremism has become more complex and the lines separating extremist movements from moderate ones have blurred, which has led to the very concept of extremism being overstretched and in need of a redefinition. Faced with this uncertainty, transatlantic actors are often unable to separate the “good guys” from the “bad guys,” a fact that has increased their risk aversion. While the Israeli-Palestinian conflict used to serve as a referent, especially in the United States — extremists being defined as the movements that embrace the use of force against Israel — the structure of the extremist vs. moderate opposition has largely evolved, following the recent political shifts in the region. The 1982 Israeli operation in Lebanon, often considered a turning point in the development of the Jihadist movement in the Middle-East, has also been replaced by new symbols, such as the current Syrian crisis. The EU and the United States have tried to adapt to these evolutions, with the new forms of radicalization forcing them to reconsider their traditional understanding of extremism. For instance, and with regards to
the more extremist Jihadists movements that are involved in the conflict, transatlantic partners have come to regret the absence of a coordinated Islamist political movement comparable to the Muslim Brotherhood in Syria with whom they could establish a strategic connection on the ground. Similarly, the Egyptian crisis has strengthened the position of less extremist Salafis that are considered potential interlocutors by the United States and the EU.

Indeed, Salafis have been among the beneficiaries of the Arab Spring, and the dynamism of Salafi movements has had an impact on the recent development of extremism in the region. Using local traditional legitimacy, Salafis mix religious and identity issues to provide a narrative to those who feel oppressed. They play an important role in the escalation of sectarian tensions between Shias and Sunnis, and have proven adept at using internal tensions, notably in Egypt, to achieve their goals. Salafism has gained traction through both its top-down strategy (with the funding of certain Gulf States such as Qatar) as well as a Salafism “from below,” which has often originated from Western Europe, North America, and Australia.

Finally, another characteristic of today’s Jihadism lies in the emergence of more locally anchored movements. International networks such as Al-Qaeda, with their global ambitions and clear hierarchy, have been replaced with local groups mobilized by regional or national issues, for whom the Al-Qaeda label does not hold the same sway, and about whom the West lacks information. These more opaque networks represent a departure from previous trends, as their activities encompass organized crime endeavors as much as terrorism, which make them significantly harder for Western intelligence services to infiltrate. These local movements, as they only target transatlantic interests in the MENA region but do not threaten the Western territories, have led transatlantic partners to consider them as less dangerous. In parallel, the figure of the lone-wolf has replaced the international terrorist organization in the Western media, thus naturally decreasing the public interest for new extremist movements. Yet, in many cases, these movements eventually intend to target transatlantic actors, and still share the narrative of more traditional international terrorist groups. From Nigeria to Syria, it is expected that these new movements will continue to grow and become the main threat for external investment in the region.

The Emergence of Syria as a New Jihadists Haven and the Need for International Cooperation Beyond the Transatlantic Partnership

The Syrian conflict appears to be the opportunity Jihadists have been long hoping for. It has already attracted more than 5,000 foreign fighters, among which between 500 and 1,000 have come from Europe. Such an astonishing level of mobilization exceeds anything that has been witnessed since the Soviet war in Afghanistan of the 1980s; similar to the aftermath of the Afghan conflict, the surviving fighters will be able to bring back the “skills” they learned during combat in Syria. As a result, Jihadism will be perpetuated for another generation. Terrorist cells will potentially multiply and yield new safe havens and small emirates governed by Jihadists. These fighters are often new to Jihadism, and the most violent of them usually come from abroad. The conflict has even been labeled as Jihad by non-Jihadist Salafis, which reveals the symbolic value it has gained in the Muslim world. Faced with this humanitarian tragedy, Western powers may have no choice but to step back — even if this implies letting a situation opposed to Western interests develop — in order to maximize the prospect of a ceasefire.

The Syrian crisis also reveals the international dimension of terrorism: a complex interaction of multiple political ambitions is taking place.
in Syria, which transatlantic partners need to address at the bilateral level with the other powers involved. The Gulf countries have been very active in Syria, especially through constant financial support to anti-Assad fighters; creating more open channels of discussion with the Gulf partners should now be a transatlantic priority for the resolution of the Syrian conflict. The current succession processes in Saudi Arabia and Qatar could constitute an opportunity for these nations to reconsider their strategy of funding groups that are labeled as terrorist threats. Similarly, Russian support to the Bashar al Assad regime will have to be addressed directly between the West and Russia. If transatlantic powers want to create the conditions for a ceasefire, and eventually mitigate the development of terrorism in Syria, crucially they will need to engage all their partners at the bilateral level. Once again, the humanitarian consequences of this conflict require a quick compromise with all actors involved. The formation of a large coalition, even with very limited objectives, will strengthen the transatlantic position in the region as a security provider and the credibility of its struggle against terrorism, whereas the perpetuation of the current non-intervention policy could be perceived as moral treason.

Finally, what should constitute the framework of transatlantic cooperation on counter-terrorism? It will first be shaped by the divergence of threat perception between the EU and the United States. Due to obvious geographical reasons and the structural decline of terrorist organizations with a global agenda, Europeans should no longer expect the United States to share its viewpoint on terrorist issues. As a result, Europeans cannot afford to rely too strongly on Washington for carrying out counter-terrorism policies in this neighboring region. The European share in the transatlantic division of labor should be expected to increase. Transatlantic cooperation will continue its efforts for the military training of local forces, but Europeans will have to deal more specifically with the issues of border security and human intelligence. The need for capable intelligence units that are well integrated into the MENA societies is particularly significant considering the current development of more locally focused terrorist movements. However, the struggle against terrorism goes beyond a counter-terrorist strategy, and covers larger economic and state-building aspects. Transatlantic powers have tended to focus on the tactical level rather than embracing terrorist issues from a more strategic approach. A comprehensive transatlantic strategy should notably define how to deal with non-state actors, and more particularly regarding military support. These actors often blackmail the West, threatening to turn to extremist Jihadism if they do not receive the desired support from Europe and the United States. In order to prevent such situations, transatlantic partners need to share a consistent set of engagement rules and develop common responses.
**Session III: U.S. Energy Transition: What are the Implications for the Transatlantic Partnership and the EU as a Strategic Actor in the MENA Region?**

How will rapidly changing energy dynamics affect U.S. interests in the MENA region? Is the nature of U.S. engagement in the region bound to change because of this phenomenon, and will the MENA region remain a centerpiece of U.S. security strategy? In this context, can we expect a new transatlantic division of labor and new responsibilities for Europe regarding security in the MENA region? Are the traditional allies of Europe and the United States in the region particularly concerned by this issue; if so, which? What does this mean for the role of regional alliances? Will the United States leave a power vacuum, or does another major power — the EU or China — have the ability to fill the U.S. gap; and if not, what will this mean for the region, especially in terms of driving political change and the continued push for a peaceful settlement of the Arab-Israeli conflict? Or will this energy revolution have limited effects on the U.S. military and political involvement due to the persistent threat that the MENA region constitutes for global security and the U.S. lead position on counter-terrorism efforts?

Scene-setting papers:
Giacomo Luciani, SciencesPo, “Implications of the U.S. Energy Transition for the Transatlantic Partnership and the EU as a Strategic Actor in the MENA Region”

Gal Luft, Institute for the Analysis of Global Security, “The United States’ Energy Transition: Implications for the MENA Region”

**Key Insights: The so-called “energy transition” will not necessarily precipitate U.S. withdrawal from the MENA region, and may even reinforce its military presence on the long-run.**

**Nuancing the Real Nature of the “Energy Transition” and its Security Implications**

By default, transatlantic policymakers tend to anticipate major changes in the MENA region in the light of the so-called U.S. energy transition. These expectations partly stem from a misunderstanding of the implications of this phenomenon but more importantly from a general overestimation of its scope. The term “energy transition” could be debated, as experts still ignore the real impact it will have on the production, and the length of this transition. The nature of the underground resources trapped in large shale formations render all predictions more difficult since they do not constitute a reservoir of energy in the traditional sense of the term and since their true extent is not yet fully determined. Moreover, existing technology only allows for the use of 3 percent of energy resources contained in these shale formations. The evolution of the energy production in the coming years therefore remains unknown, along with its implications on the prices of these resources. This uncertainty is amplified by the difficulties of transportation experienced with these new resources (for instance, Canada is currently unable to export anywhere except to the United States). The repercussions of the so-called “energy transition” might therefore be contained at a regional level, which would lessen its impact on global prices. As a result, predictions anticipate a slow decrease from over $100 a barrel to $90 a barrel, triggering only limited security implications.

All MENA energy exporters will not be equally affected by these evolutions. Gulf countries can rely on their proven reserves and the quality of their refineries to adapt their production to this new context. Control of OPEC also gives them a
strategic advantage on price regulation, and they could even decide to reduce their production in order to keep “the fair price of oil” at a high level. Countries with a smaller degree of leeway, such as Nigeria, Algeria, Egypt, and Iran, may face greater difficulties if energy prices decrease more seriously. Outside the MENA region, Russia would be particularly affected, and the political consequences could threaten the stability of the regime. Venezuela’s position, on the other hand, is similar to Saudi Arabia’s, and will not be affected even if the United States and North America become a net exporter of energy. In this context, the global energy framework, already made stable by the pricing of resources in dollars, should not undergo fundamental changes, and transatlantic policymakers should anticipate stability in the shaping of their energy strategy.

However, the possibility of greater security implications, especially in the MENA region, cannot be ruled out. Gulf countries, mostly because of their lack of actionable intelligence, usually anticipate the worst possible scenario. Consequently, the probability of a security revolution, although extremely low, has already indirectly affected the MENA region. For policy-planning purposes, it is therefore necessary to suppose that the energy transition will be sustainable in the long-term. Other powers, such as China and Russia, are also planning for this possibility and will design their strategy in the region accordingly. Although the reality of this energy transition can be questioned, the potential for miscalculation and mismanagement by other actors should encourage transatlantic powers to examine this issue very seriously. Moreover, the idea of the West misappropriating the energy resources of the MENA populations is a widely shared narrative in the region, and should be taken into account in the agreements that link transatlantic powers to oil producers in order to avoid creating further situations of instability.

The Myth of the U.S. Dependence vis-à-vis MENA Oil Producers: Towards a Greater U.S. Presence in the Region?

For decades, the issue of energy security in the MENA region has been connected to the idea that the United States was dependent on the oil of the Gulf countries. Both the Gulf Wars and overarching U.S. interests in the region’s politics have been understood as having the goal to insure the stability of energy exports. This dependence is actually a myth, as Americans have imported a marginal amount of their energy needs from the region since the Nixon administration. More accurately, the United States does not depend on energy supplies from the Gulf, but on the global energy prices (and especially oil), which are determined in part by the stability of the region. Since oil is priced at a global scale, troubles in the MENA region will have an impact on the price of Venezuelan oil. By being a security provider in the region, the United States therefore aims to prevent its energy expenses to increase, even though it does not directly buy its energy there. In return, oil producers such as Saudi Arabia welcome the U.S. military umbrella as it helps them stabilize their regime.

As a result, the thesis that the United States will eventually withdraw from the region after being freed from the burden of energy-dependence toward the Gulf country can be questioned. As a matter of fact, the United States has designed its strategic retrenchment from the region as a response to changing global interests, military fatigue after the operations in Afghanistan and Iraq, and important budget limitations. The energy transition, if sustainable in the long run, will strengthen the U.S. economy and foster its prosperity. The positive impact of this evolution on existing budgetary constraints could therefore enable Washington to rethink its global security strategy, and eventually develop a more proactive foreign policy. Thus, the energy transition, contrary to common interpretation,
may encourage the United States to increase its presence and capabilities in the MENA region. The security interests (terrorism, non-proliferation, Israel) would remain the same, but the greater energy independence would help the United States provide stability for the region.

Finally, will the energy transition affect transatlantic relations? The EU appears marginalized and no transatlantic division of labor seems to develop on this issue. The transatlantic partnership has yet to offer a common energy strategy; for the time being, it seems that Europe will not be integrated in the U.S. equation. Moreover, Europeans have recently shown more interest in green energy than in cheap energy, diverging in that sense from the U.S. perspective. On the other hand, China and India, two growing energy seekers, have recently deepened their access into the MENA region, and dealing with the future involvement of these two powers into the region’s politics could be an objective for transatlantic cooperation. China has adopted a rather nuanced attitude, making sure that its ambitions do not threaten the U.S. interests because it shares with transatlantic powers the common interest of keeping energy prices stable and sea access open. It is still unclear if Beijing and New Delhi will consider becoming security providers in the region in the near future, but transatlantic partners will need to engage these two powers to determine at what stage they could get directly involved in the stability of the MENA.
The transatlantic security partnership in the MENA region appears to be generally under-developed. The United States and the EU share strong common interests but fail to produce a common strategy and agenda based on these shared priorities. The numerous agreements in terms of perception of threats and objectives are not to be overlooked, but they also highlight the difficulties to design concrete solutions and recommendations at a transatlantic level. The EU and the United States agree on joint long-term objectives, but show more divergences when dealing with short-term objectives. In order for transatlantic central policies such as non-proliferation and counter-terrorism to be implemented more concretely, transatlantic dialogue should move beyond the step of simple diagnosis of issues.

In the near future, a broad status quo will prevail, with the United States continuing to shoulder a stronger portion of the security burden in the region. It is understood that the ongoing energy transition and Arab Revolutions will not yield fundamental changes. Transatlantic partners should seek to send complementary messages and form the basis for a security division of labor. Management of non-proliferation issues — and the management of weapons of mass destruction as the whole — will continue to be assumed by the United States. On the flip side, Europeans will have to increase their involvement in counter-terrorism operations.

The Arab Revolutions have overthrown the traditional authoritarian system. Transatlantic powers cannot harken back to old models of cooperation and will have to help local civil societies in the democratic transitory process. Transatlantic engagement in the MENA region should be based on the promotion of Western values and economic assistance. Economic development will be crucial to the success of the long political transitions experienced by MENA countries; the EU and the United States need to support the building of capacities that will help these states to govern efficiently and with legitimacy. A transatlantic agreement on conditionality rules is paramount to shaping a common assistance strategy.

There are three main impediments that have strengthened Jihadism: the repression of authoritarian regimes, the Israeli-Palestinian conflict, and the continuing crisis in Syria. Transatlantic powers should be more consistent at all levels of their efforts towards democracy promotion and can no longer afford to sacrifice reforms for security by siding with authoritarian regimes. Cooperation with local governments is essential, but the transatlantic counter-terrorism strategy should not rely on a top-down approach and should increasingly include civil-society actors. Further transatlantic dialogue on the Peace Process should be fostered, because the United States and the EU do not always share a common understanding of the Israeli-Palestinian issue for which a common transatlantic agenda is much needed. Regarding Syria, transatlantic powers should address the issue at the bilateral level with all the actors involved in the conflict, while also not underestimating the security implications of this humanitarian tragedy.

Nuclear Iran will constitute one of the priorities of the coming year. It is unclear if transatlantic agreement on this issue will hold in the face of a military intervention, but both Europeans and Americans will continue to strongly advocate for a diplomatic solution. The recent Iranian elections may constitute a window for renewed dialogue with Tehran. The EU and the United States also need to define what they can realistically expect from the Iranians, as well as to open space for dialogue rather than try to corner Iran and increase an Iranian feeling of insecurity. Designing a more comprehensive non-proliferation strategy for the region that would include Israel could be a first step to engage in renewed negotiations. The dilemma...
could also be prolonged for many years if Iran remained in an ambiguous situation, with its enrichment program running but its nuclear capabilities still unproven. Considering the costs of military intervention, transatlantic leaders also need to anticipate the possibility of a nuclear Iran and its implications for the region. However, transatlantic powers should not give exaggerated importance to nuclear proliferation at the expense of other powerful means that have recently spread, such as biological and cyber weapons.

China’s growing presence should not be seen as a threat for the transatlantic community, but should be understood as the presence of a third player that could eventually share the security burden. As its interests will continue to grow in the region, Beijing will have more incentives to become a security and stability provider. Beyond interest-based strategies, China is also seeking prestige at the global level and may be interested in being involved in the resolution of highly symbolic issues such as the Israeli-Palestinian conflict.

The MENA countries’ support for a greater transatlantic presence in the region has to be debated. The leadership that has come to power after the Arab Revolutions believes the West needs them more than they need the West. Transatlantic powers should therefore strive to understanding local priorities in order to build a pro-active agenda that will be able to respond to national demands. The transatlantic community tends to focus on the defense of the transatlantic community’s interests, which weakens the prospect for a more ambitious engagement with the region. Transatlantic partners need to highlight their assets and strengths in supporting the local political reforms and guaranteeing the stability of the new regimes.

What could constitute the best forum for transatlantic dialogue on these issues? The Deauville Partnership, using the diplomatic structure of the G8, has been designed to promote democratic values in the region. The G8 provides a constructive framework for diplomats to meet and discuss what can be achieved collectively and individually. Regarding the military aspect of the transatlantic engagement, NATO can serve as a forum and help in the training of local forces. For the time being, the EU itself cannot provide military responses as they need to modernize their own capacities and increase intelligence and surveillance capacities such as drones.
Despite holding potential long-term promise, the Arab revolutions have dealt a double blow to short-term Western security interests in the Middle East. First, the sidelining of all the major regional powers has created a power vacuum that a range of adverse actors is seeking to fill, undermining Western allies and Western security interests. Second, the Arab revolutions have dramatically empowered illiberal forces in Middle Eastern societies, imperiling the minorities and liberal groups that were traditionally close to Western powers and casting doubt on the future orientation of regional states.

While the shifts in the region present opportunities for transatlantic cooperation, a combination of fiscal challenges — more acute in Europe than the United States — and exhaustion with the Middle East — more acute in the United States than Europe — makes meaningful near-term coordination difficult. Yet, there are reasons to persevere, since the common analytical challenges will be profound in future years, as both partners seek to promote the inclusion of liberal forces in transitioning societies. Both also seek to parse the differences between groups that can be engaged and groups that must be isolated, if not crushed. Amidst ongoing debates about national defense infrastructures and the future of aid programs, each side’s interests are advanced by dialogue to promote common goals and compatible mechanisms to achieve them.

For decades, the “Big Three” in the Arab world were the revolutionary republics of Egypt, Iraq, and Syria. Secularly oriented, with tens of millions of people apiece, each sought in its own way to put a stamp on Arab political and cultural life. However, the internal problems facing each country have essentially taken them off the regional stage, with no clear date of return in sight. After decades of seeking to inspire the region, each country now stands as a cautionary tale of what happens when change comes, with startling declines in security and widespread economic hardship.

However, it is not just the “Big Three” that are enmeshed in crisis. Saudi Arabia has sought to be a guarantor of stability in the Arab world for a half-century, tamping down revolution and coopting a wide range of secular Sunni politicians to promote conservative ideas. Yet, Western government officials now find that Saudi Arabia is largely absent, its leadership too elderly, and its bureaucracy too fractured to take action. Qatar has been the upstart of the last decade, using its media to frame the logic of regional revolutions while seeking to broker deals from Palestine to Yemen. The country has now just gone through its own leadership transition, putting in place an untested 33-year-old Emir whose regional instincts and regional commitments are yet unclear. Furthermore, the country seems to have overplayed its hand in Libya and Egypt, where anti-Qatari sentiment in the broad population is deep and growing.

This would all represent a golden opportunity for Iran if the country weren’t suffering a prolonged economic crisis and facing widespread ostracism for the bellicose statements of its leaders. While the new political leadership in Iran may, to a degree, ease the country’s isolation, it remains true that the supreme leader rather than the president effectively runs the country, and that every modern Iranian president has come into office with big plans, only to leave humiliated after eight years.

Turkey, for its own part, seems stung by the fact that it has not proven more inspirational to Arab reformers, which, combined with rising political challenges at home, reduces the country’s Middle Eastern footprint. With Israel having reached accommodation with most regional governments over the last six decades, the shift to Arab populism now puts the country in unfamiliar ground, to the extent that most Israelis see the
regional picture with alarm rather than a sense of opportunity. Thus, every country that could seriously shape regional politics is instead being shaped by them.

Since the Mandate Period, Western states have considered positive relations with Middle Eastern states an important guarantor of regional stability. Whether a question of inoculating the region from Soviet influence or building coalitions against aspiring regional hegemons, embassies have reconciled themselves with the fact that getting things done in the Middle East often required close relations with a tiny number of leaders. Further, those leaders often wanted what Western countries could provide: armaments, technical expertise and support in global institutions.

The demise of this order is apparent. In Iraq, the central government seems determined to pursue a perilous balance between Iran on one side, the United States and its Gulf Cooperation Council allies on another, and powers such as Russia and China on a third. Meanwhile, large swaths of the country are beyond central government control, and the government is hard pressed to deliver basic services. In Egypt, the relationship between leading political parties, masses in the streets, and the military is unfathomable. Even if the military is now back in charge, it seems unsure what it wants Egyptian politics to look like or who should participate in them. On the margins of government, groups such as Hamas, Hezbollah, and Ansar al-Sharia seek a greater voice while remaining estranged from Western powers. The inadequacy of the previous state-focused paradigm of approach to Middle Eastern states is now obvious, with no clear substitute in sight.

Many of the most organized new actors on the regional stage are religious, and there is an instinct among many to include a broader array of them in Middle Eastern politics. That instinct now faces two challenges. The first is the uncertain effect of the Muslim Brotherhood's failure in Egypt. The Brotherhood's political overreaching on one hand and its spectacularly poor performance in governance on the other has damaged the Brotherhood's brand considerably. Less certain is what it will mean for the prospects of political Islam, which still has deep roots in Salafi organizations and elsewhere in Arab societies. One way this might play out is with the strengthening of Salafi groups at the expense of the Brotherhood, planting the seeds of an even more conservative future for these societies than they have now.

The second challenge is coming to terms with the idea of who is too extreme to be included in legitimate politics. Islamist parties long defined themselves vis-à-vis secular liberal forces, and now confront the fact that fundamental differences are emerging between religious forces. The issues at hand include treatment of women and minorities, toleration of diversity in religious interpretation and practice, and circumstances in which violence is acceptable.

Western powers have generally pushed for more inclusive politics, and gently sought engagement with Islamist forces when those groups were in opposition and illegal. The quiet expectation, however, was that liberal groups would be the prime beneficiaries of a political opening, as evidenced by Western governments promoting workshops and training sessions to embolden civil society. As the repression of all Islamist groups has diminished in many countries, with jihadists and a whole range of Salafi groups having entered mainstream politics, it is clear that civil society in the Arab world is emerging to be sharply different from civil society in Western Europe.

As there is no simple driver that can be identified behind Middle Eastern social and political changes, neither is there a simple approach to them. Still, the United States and Europe bring
different assets to the table, and an efficient combination of broad governmental cooperation and honest dialogue can help spot opportunities and staunch dangers.

The United States brings two key assets to this challenging exercise. First, it still maintains the military and security resources that continue to make it a desirable partner for most regional governments: no country or collection of countries can do a better job than the United States of guaranteeing security against external threats, coupled with the fact that the United States keeps a range of mostly productive relationships with national internal security forces. To the extent that governments remain relevant actors in the region — and they will — most are likely to seek a generally positive relationship with the United States government, thus creating a strong point of leverage for the United States. Second, the United States has largely been effective in incorporating Muslim populations into full citizenship, blunting a cycle of radicalization that spills from the diaspora back into countries of origin, and at least holding out the prospect of being a moderating force. These two elements can go together, as regional governments with an interest in positive relations with the United States can facilitate moderate religious discourse that is informed by the more liberal notions of citizenship that are fostered by the United States.

In parallel, the European powers also have their own assets. One is a larger Arab population in their own countries, which creates the opportunity for better understanding of the situation in the Arab world itself, while former colonial ties also create links of influence and understanding. Europe’s greatest asset, however, is its combination of diversity and unity. That is to say, its collection of countries has a series of different approaches, which can be brought together through efficient regional coordination, whereby European countries can match their efforts to countries that are most suitable to their different strengths, and the groups within a diverse Europe engage with a diverse set of actors in the Middle East.

This is not to suggest a division of labor whereby the United States concentrates on governments while Europe concentrates on broader populations: each will play a part in both. Instead, this argument suggests that taken together, the United States and its European allies can cover an impressive breadth of partners.

Doing so, however, requires a more unified strategy than either partner has been able to muster up to now. The new U.S. strategic orientation has consisted of limiting exposure to the Middle East and ceasing fighting the region’s wars, despite the United States having a fundamental security commitment to the region, especially in terms of energy security. The George W. Bush administration’s abundant optimism that the United States could play a productive role in encouraging positive political change is long gone.

Europe, for its own part, seems increasingly inwardly focused. European countries would be well served by a critical look at what went right and wrong in the Barcelona Process, a broad and expensive decade-long effort to promote positive social and political change that produced uncertain results.

What is important now is to deepen the Americans’ and Europeans’ understanding about what is indeed important in the Middle East, and what pathways exist to get there. There needs to be a serious discussion about lessons learned and best practices. Part of this discussion must be some deeper understanding about who could be engaged in the years to come, and how U.S. and European efforts can be coordinated to improve the prospects for engagement efforts. For instance, increasing trade with Asia means that
Asian powers will need to be brought in as well — a merely transatlantic effort will not suffice.

Doing so will require bringing more stakeholders to the table than are often included in such meetings — not just diplomats and aid officials, but military and intelligence establishments from across allied governments.

The obvious argument that Western powers cannot control the evolution of Middle Eastern politics is often put forward as justification for limiting Western efforts to influence them. Regrettably, advocates of a more limited approach simultaneously downplay the importance of Middle Eastern political change on global security. In fact, Middle Eastern politics will continue to have a disproportionate effect in world affairs, irrespective of whether outside powers seek to ignore them or not.

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In the aftermath of the “Arab Revolutions,” promoting successful transitions to democracy should be a core part of multi-year transatlantic strategy in the Middle East and Egypt, as the most important Arab country, should be the focus of this effort. Egypt cannot be a stable, moderating force in the region and a strong partner for the United States or Europe if it does not develop a more accountable, inclusive, and just system of governance. Indeed, this is the only system of governance that will be sustainable for Egypt.1

As Egypt’s political crisis deepens and unrest grows, its democratic transition hangs in the balance. The Egyptian military’s July 3, 2013, extra-constitutional removal of Mohamed Morsi from the presidency and its reassertion of political control and re-engineering of the rules of the political game lay bare the failure of the democratization process since 2011. Despite the apparent widespread popular support in Egypt for the military’s actions and many Egyptians’ hope that the military will open a new pathway to democracy, the coup raises severe dangers for Egypt’s political trajectory. It also threatens U.S. and European interests in a stable Egypt. Now, with a new political process underway, U.S. and European policy in Egypt faces an important test. The United States and the European Union (EU) have an opportunity to shift course and develop a strategy that will emphasize democracy promotion with more clarity and effectiveness.

Obviously, internal factors in Egypt will be the major drivers of any democratization process. But through their relations with Egyptian leaders, especially, external actors still contribute, constructively or harmfully, to such a process. Their role is far from negligible, even in Egypt with its stated rejection of outside influence. Democratic change in Egypt will be frustrating and fitful. Encouraging it from the outside will be a long and mostly thankless task. Washington and Europe always prefer to support democratic change when such change is already visibly unfolding in a country and when their role is actively appreciated; neither of these conditions for “easy” democracy promotion is present in Egypt right now. But the alternatives for the West — quickly accepting and endorsing a newly authoritarian Egypt, or ignoring the internal politics of a repressive and unstable Egypt — are worse for U.S. and European interests.

Although ultimately it proved misguided, there was a transatlantic strategy of sorts for democracy promotion following Egypt’s 2011 revolution. The approaches of the EU and the United States following the ouster of Hosni Mubarak and through the Morsi presidency were, if not identical or always closely coordinated, broadly similar.2 This common approach comprised three priorities of policy engagement. The deepest, core priority, continuing on from the Mubarak regime, was to protect long-standing strategic and security interests through working closely with the Egyptian authorities. These interests include upholding Egypt-Israeli peace, fighting terrorism, and countering other threats and sources of regional instability. The United States and Europe sometimes prioritized and pursued these interests differently, but they were (and are) nonetheless part of a common basket of security goals. The second priority, representing an obvious and major change from the Mubarak era, was to strongly support the emergence of a freely elected and empowered civilian leadership

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1 This paper was prepared for presentation at the July 11-12, 2013, GMF Transatlantic Strategic Task Force meeting in Paris. The paper discusses U.S. and EU democracy promotion during the July 2012-July 2013 presidency of Mohammed Morsi and the immediate U.S. and EU response to the Egyptian military’s July 3 ouster of Morsi. It does not address developments in U.S. and EU policy toward Egypt from mid-July 2013 onward; subsequent writings by the author will tackle that issue.

2 “United States” refers to the Obama administration (the executive branch of the U.S. government in its foreign policy role); the role of the U.S. Congress in Egypt policy must be analyzed separately.
(with an anticipated receding political role for the military), and to engage forthrightly and build relations with that elected leadership by championing its democratic legitimacy and by offering economic assistance. The third priority, also new since 2011, was to encourage progress on democratic reform and human rights beyond elections. This can be considered the most superficial of the three priorities, and was accorded the least serious effort. The United States and EU sought to advance this priority mainly through public statements and rhetoric and sometimes through private diplomacy.

The style and tone of the United States and the EU in pursuing the second and third policy priorities was generally similar. Both powers preferred a modest, non-confrontational approach in advocating for democracy, wanting to offer the benefit of the doubt first to Egyptian leaders, seeking to avoid appearing too outspoken or strident in pushing for democratic values, and always emphasizing the need for “Egyptian ownership” of the process of change. One reason for this is the manner in which the current U.S. and EU leadership prefer to conduct public diplomacy in the Middle East. Another factor was a deep-seated worry that the United States and Europe might need Egypt more than Egypt needs them on security matters, and thus that pushing too hard on sensitive democracy issues might lead Cairo to turn its back.

The core priority, preserving security interests, was achieved under Morsi’s presidency, at times with strain and difficulty, but without major interruptions. The second priority also was pursued successfully: the United States and EU forged workable, though hardly easy, ties with Morsi and other Muslim Brotherhood officials who had assumed positions of national power. This set the important precedent that the United States and Europe were willing to work with the new leadership freely chosen by Egyptian voters — whatever its political coloration — as long as that leadership did not obstruct or question the core security priorities, which Morsi did not do to any serious degree.

Eventually, however, it was clear that positive, forthright engagement with Morsi to pursue the second and third priorities had little positive effect on Egypt’s democratization prospects. The United States and Europe did not in any significant way link the Morsi government’s democratic performance to the amount of promised aid and diplomatic support. Presumably they feared that this might have made building relations — already a challenge — too difficult. As long as Egypt’s leadership was willing to cooperate on security priorities, there was no appetite to calibrate assistance based on Morsi’s democratic performance. Being a democratically elected leader was considered sufficient. Building relations with the opposition was not, especially for the United States, a major focus, particularly if it would strain or distract from relations with the Morsi government. (In fact, building up those relations would have provided a source of leverage with Morsi.) The focus on building good relations with Morsi seemed to make the United States and the EU slow to understand the scope of growing Egyptian opposition to his rule. There was, until late June when it was clear the military wanted to move against him, not much desire to pressure his government on democratic reform and human rights. The preferred approach was to use the presumed influence built up through engagement and promises of assistance to raise sensitive governance and human rights issues privately, while speaking in more balanced and

3 A portion of EU aid offered to the Morsi government was linked to democratic progress, as part of the EU’s post-Arab Awakening “more for more” aid policy, but much larger amounts of ongoing and additional, larger promised aid were not connected to the Egyptian government’s democracy and rights performance. None of the U.S. aid economic package or other, non-monetary support (investment promotion, etc.) offered to the Morsi government was contingent on democratic progress.
muted terms publicly about these matters, if at all. But because the Morsi government believed it already had gained strong U.S. and EU backing from the outset, with no democracy conditions, it did not see such entreaties as constituting real pressure and mostly ignored them.

It may have made sense to pursue this original strategy right after Morsi’s election, as a first step to test the waters, before the Brotherhood’s authoritarian ambitions became fully apparent. But the fiasco of the Morsi presidency, the military’s dramatic re-entry to wrest political power from elected civilian leaders, and the ongoing post-July 3 crisis and violence indicate that the U.S. and European approach, pursued for nearly a year, did not work as hoped and that a course correction was needed. Of course, this is not to say that the United States and the EU caused the derailment of Egypt’s democratization process. But in the eyes of many Egyptians, the West, particularly the United States, is now closely associated with this failure. And it may be possible to argue that Western passivity toward Morsi’s domestic performance emboldened the Brotherhood’s authoritarian ways by creating a more permissive international (or at least Western) environment for its illiberal governance.

A new transatlantic approach should emphasize not just democracy acceptance — acceptance of freely elected leaders as legitimate and preferred interlocutors — but also democracy promotion, with a much more proactive and assertive stance on behalf of democratic values and human rights, especially when the Egyptian leadership is seeking to restrict them. It also must involve a conceptual shift, a strategy that recognizes the interconnection among the different policy priorities. Without real progress on accountable and inclusive government, democratic reform, and human rights, Egypt cannot achieve lasting stability, and Western security interests will be much more vulnerable.

At this point in turbulent and confounding post-Mubarak Egypt, the United States and EU might want to throw up their hands at the whole mess and decide to reduce, rather than redouble, efforts toward Egypt, essentially choosing to hunker down to focus on a narrow set of security priorities. But Egypt’s continuing strategic importance requires that the United States and Europe play a constructive role, especially when so many other actors are seeking to influence the country in ways that undermine Western interests in democracy. The fear that Egyptian authorities will cease cooperation on important security matters if the United States and EU apply more pressure on democracy and human rights is overstated. Egypt also has a stake and its own national interest in a strong security relationship that provides it with many benefits. And the Egyptian military and new military-backed government clearly want an international — especially Western — seal of approval following the extra-constitutional ouster of Morsi (no matter how large the domestic crowds supporting their actions, many Egyptians are sensitive to Egypt’s international reputation). For their part, cooperation between the United States and EU on a democracy promotion strategy is natural, as shared democratic values remain an anchor of the transatlantic relationship.

The United States and the EU are already closely associated, rhetorically at least, with the spread of democratic values and human rights, and are on the record as supporting them in Egypt. Many Egyptians still do expect these powers to act on behalf of democratic values, even as they express deep resentment about foreign “interference” and understandably are cynical about the U.S. and EU role. It all depends on how the United States and Europe work to advance these values.
So what should the United States and the EU now do differently? The immediate focus should be on urging Egypt's military to restrain its use of violence and repression in dealing with the Muslim Brotherhood post-coup. It is enough that Morsi has been forced from power and detained along with many other Brotherhood leaders and that the group has been severely discredited in the eyes of many Egyptians. The United States and EU also should — in an admittedly diplomatic heavy-lift — encourage the military to keep the door open for a future compromise about the group's role in the political system (either as an organization or, more likely in the near-term, by allowing some of its individual members who are not associated with violence to participate in elections and other political activities). The cycle of violence that a mass crackdown against Islamist supporters of Morsi (not just the Brotherhood's top leadership) will trigger may well send Egypt into a dark place from which the country will not quickly recover. Without an eventual consensus hashed out among the Brotherhood/Islamists, the state, and secular actors on the rules of the game for political participation (as opposed to imposing these rules), Egypt cannot democratize or stabilize. Thus Washington and Brussels should make it crystal-clear to the Egyptian authorities that assistance and diplomatic support for the military-backed government are off the table if the state continues to engage in security excesses or does not foster an inclusive process or empower the civilian leaders who must lead a transition back to elected government. So far, however, such messages, at least those delivered publicly, are less than clear. The United States has already said, in a statement on the night of the coup, that it will not suspend aid immediately, contrary to the anti-coup language in the appropriations bill that requires just such an action. Nor did it explicitly condemn the coup (to avoid triggering the coup legislation). The EU’s statements in the days after July 3 also made no direct reference to the military's actions or their effect on aid or other engagement. (Brussels, acting without the constraints of the U.S. “coup legislation” and the extensive military aid relationship that complicates Washington's response, should revisit its decision.) These rather vague public statements may allow for private diplomatic flexibility, but the new Egyptian leadership likely will understand (and tout) them as an endorsement of their actions. This will weaken Western influence and narrow room for maneuver.

The two powers also should use whatever channels they may still have to the Muslim Brotherhood leadership to avoid instigating violence. They should make it clear that future Western engagement with the group will be based on clear democratic red lines, in light of Morsi’s excesses and failure to adhere to core democratic norms while in office and the violence in which members of the group (along with other actors, especially the security services) has been involved.

None of this will be easy at all, given the military’s predilection for repression to eliminate its main rival, the Islamists’ anger at the West (especially the United States) for abandoning Morsi, and the bitter, angry public mood against the Brotherhood and the United States (which the military will seek to exploit). The United States and Europe will need to move delicately and carefully in the coming period. Even if the Egyptian leadership does not heed outsiders’ entreaties, the United States and EU should still make it very clear where the West stands and what it values (and cannot condone). The United States and the EU know that their support for democracy will earn them little public good will from many Egyptians in the near future. This will be very difficult for Washington, especially, which understandably is eager to avoid increasing resentment in an Egyptian environment marked by widespread hostility to the United States'
perceived past positions on democracy in the country. Washington will have to be patient and disciplined, to make an investment that hardly will generate a public diplomacy boon in the short term but will pay off down the road, as the political environment in Egypt inevitably shifts once again. Promoting democracy in Egypt can only be understood and pursued as a long-term goal advanced through many short-term choices and steps over many years.

Regarding a broader reorientation of policy in this new phase of post-Mubarak Egypt, the United States and the EU should concentrate on developing new shared strategies in the following three areas.

Diversify relations with Egyptians beyond those in power. The United States and the EU should develop a strategy, once the immediate tensions subside, to build confidence and strengthen relations with key actors across Egypt’s political spectrum, especially those who opposed Morsi. This will not be a simple diplomatic endeavor, given the current hostile environment in Egypt. But a failure to reach out and visibly begin the steps of trying to turn over a new leaf — simply by listening to Egyptian concerns and views, not by trying to explain the U.S. position — will only make the situation worse.

Offer incentives for democratic progress. Washington and Brussels should link economic assistance for the Egyptian government, especially when the military is running the show, much more closely and more visibly to its democratic progress. If possible, and consistent with U.S. law in Washington’s case, the economic aid packages previously offered but not yet delivered should be provided only when a democratically elected civilian government is in place. Beyond this, Washington and Brussels together should make it clear that they will continue to cooperate with Egypt on shared security interests but that public praise, high-level visits, and other forms of support for Egypt’s leaders will not be forthcoming until other clear democratic progress is evident. Such conditionality is not easy to apply or implement, and there are many skeptics who question its effectiveness. What is clear, however, is that the previous approach of offering aid and engagement with no connection to democratic performance (except being elected) did nothing to present the right incentives to Egyptian leaders. The strategic and economic ties that link Egypt to Europe and the United States will make it difficult for Egyptians to cut off engagement entirely if aid is suspended or conditioned. The United States and the EU should also take a hard look at how trade and investment incentives, which matter a lot to Cairo, could be linked to democracy and human rights progress.

Develop new approaches to support for civil society. Civil society — especially human rights and democracy defenders, along with other civic movements and networks — will remain at the core any future push for democratic change. The United States and EU should continue to press on a new NGO law that meets international standards and that would allow Egyptian civil society groups, especially human rights and democracy organizations, to work freely and receive foreign support within fair guidelines. They should also create a sustainable strategy to invigorate and expand interaction (not just through funding) between European and U.S. and Egyptian non-governmental actors, especially those involved with political development and democratic values, such as foundations, universities, and some private sector actors. Such soft power and people-to-people mechanisms is a major asset for the United States and Europe, but have been so far vastly underutilized in Egypt especially regarding youth.

Making these policy shifts will be difficult indeed. The desire in Washington and Brussels to avoid bold moves or significant policy changes
in such a confusing, volatile situation and instead to pivot quickly to accommodate to the new political order in Egypt without first taking stock of where we went wrong will be very powerful. The natural tendency to build up relations and then to minimize conflict and turbulence with each successive Egyptian government will persist in Egypt, as in other countries where security interests predominate. There may be little diplomatic energy left to devote to goals such as diversifying relations or developing creative ideas for democracy assistance when simply managing day-to-day relations with the new government will be arduous. In this regard, there is no strong appetite on the part of the Obama administration, especially, for deeper political involvement in Egypt or the region. Nor is there much public pressure in the United States (including so far from Congress, for various reasons) or, seemingly, in Europe, for a more vigorous role. Egyptians will continue vocally to resent outside pressure, despite their simultaneous desire for and expectation of the world’s support. Egypt needs the United States and Europe in numerous ways, and requires Western support to make its transition, and thus its economy, succeed and eventually stabilize. Because the United States and Europe have such a large stake in Egypt’s democratic success and so much to lose if democratization fails and repression returns, it would mark a major lost opportunity if a new course is not charted now.

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The Arab Uprisings

Any discussion of regional dynamics must start with the Arab Spring, or what is more accurately described as the “Arab Uprisings.” The basic origins of the uprisings are now well known. On December 17, 2010, the self-immolation of Mohamed Bouazizi cascaded into a 28-day revolution that toppled a 23-year-old regime in Tunisia. The revolution spread to Egypt, where Hosni Mubarak’s decades-old reign came to an end over the course of 18 days in January/February 2011. Mubarak’s fall ensured the further spread of revolutionary fervor, as Arabs across the region suddenly believed that change was not only possible, but inevitable.

Over the past two years, mass protests have challenged regimes in almost every Arab country, but the results thus far have been highly uneven. In Jordan, Morocco, and Oman, for example, modest protests have produced tentative steps toward reform. In sharp contrast, in Syria, a peaceful protest movement has morphed into a nationwide insurgency in response to the brutal repression of Bashar al-Assad’s regime (see below). In Bahrain, the Al-Khalifa monarchy has responded to demands for political change by the country’s Shiite majority with a stern government crackdown, but the opposition remains active and is increasingly radicalized. And if revolution ultimately comes to Bahrain, it could spill over into the restive Eastern Province of Saudi Arabia, where the Shiite minority has already engaged in a series of protests, creating an additional challenge to the kingdom’s stability just as it grapples with an inevitable leadership succession.

In Egypt, Libya, Tunisia, and Yemen, authoritarian regimes have been swept away, but varying degrees of instability have plagued the transitions toward democracy. In the most consequential of these nations, Egypt, President Mohammed Morsi’s Muslim Brotherhood-dominated government made little effort to forge an inclusive national consensus, forcing through a controversial new constitution and exerting undemocratic authority over the judiciary, media, and civil society groups. Morsi similarly failed to address chronic unemployment, inflation, and power shortages; revive investment; or complete a much-needed assistance agreement with the International Monetary Fund. As dissatisfaction escalated, millions of protesters took to the streets in Cairo and other Egyptian cities on June 30, 2013 to demand that Morsi step down.

In response, the Egyptian military once again stepped in, removing Morsi, suspending the constitution, establishing an interim government, and promising to arrange new elections.

In the short-term, the prospect that Egypt or any other country in the Arab world will successfully transition to democracy remains highly uncertain; the forces unleashed by the Arab Uprisings will continue to create enormous political and geopolitical turbulence for years to come. Yet regardless of how specific cases turn out, one underlying structural reality seems clear: the apparent stability of dictatorship in the Arab world, which guided the West’s policy toward the region for decades, has proven to be an illusion and there will be no going back to the old authoritarian order. Given the dramatic rise in popular activism empowered by 21st-century satellite television, modern communications technology, and social media, long-term stability in the region will require meaningful steps by all governments toward genuine political and economic reform.

Syrian Spillover

Of all the uprisings sweeping the Middle East and North Africa, events in Syria stand out for their brutality. The struggle to depose Assad has devolved into a grinding civil war, producing 100,000 deaths and displacing half the Syrian population. As this is written, due to intervention by Lebanese Hezbollah and continued backing...
from Iran and Russia, the Assad regime appears to have reclaimed the momentum, and it may yet survive. It is also possible that the opposition, enabled by Turkish and Arab support and the recent U.S. and European decisions to provide military assistance, will defeat Assad's forces. The ultimate consequences of such an outcome are hard to predict, however. A rebel victory might usher in a more inclusive polity, but it could also lead to a failed state consumed by battling warlords and al-Qaeda-linked extremists. Alternatively, the current stalemate may persist, producing endemic civil strife and a deepening regional proxy conflict with profoundly destabilizing consequences for all of Syria's neighbors. Sectarian clashes have already escalated in Lebanon and Iraq, as Sunni and Shiite militants have crossed porous borders and the Syrian conflict has reverberated into the contentious domestic politics of both fragile states. Political instability and violence could also spill over into the Golan Heights, Jordan, and Turkey. Under most plausible scenarios, Syria will be a gaping security hole in the heart of the Levant for years to come — a wound Western nations will be hard-pressed to heal regardless of the level of intervention.

The Looming Iranian Nuclear Crisis
Iran's regional meddling and nuclear activities have left Tehran more diplomatically and economically isolated than at any time since the 1979 revolution. Yet nothing has slowed Iran's nuclear progress, and the slow-motion crisis over its nuclear program may reach a head in the next 12-18 months.

Iran has sufficient quantities of 3.5 percent low-enriched uranium to eventually produce half-a-dozen nuclear weapons. Today, it would take Iran approximately four months to enrich a portion of this stockpile into the weapons-grade uranium required for its first bomb, and about a year total to complete the remaining weaponization work. However, Iran is also producing low-enriched uranium at the 20 percent level, and by the end of 2013 it may have sufficient quantities to produce material for a bomb in about a month. Given the planned installation of thousands of additional centrifuges and the prospect of industrial-scale installation of much more efficient models, Iran may succeed in shrinking this timeline to a few weeks sometime in mid- to late 2014. At that point, Tehran may achieve an unstoppable “breakout capability”: the ability to produce fissile material for nuclear weapons so rapidly that it could not be reliably detected or stopped by the international community. Once Iran has this capability, it will be a de facto nuclear-armed state.

The June 2013 election of moderate candidate, and former nuclear negotiator, Hassan Rouhani as Iran's new president may provide an opportunity to move beyond the nuclear impasse and achieve a diplomatic agreement that at least slows Tehran's nuclear clock. But if a diplomatic deal is not struck over the next year or so, the United States (and potentially some of its European allies) may be confronted with the terrible choice of launching military strikes to set back the Iranian program, potentially triggering another costly regional conflict, or acquiescing to the profoundly destabilizing consequences of a nuclear-armed Iran.

Evolving Geopolitical Fault Lines
For most of the post-World War II period, the fundamental fault line in the Middle East was the Arab-Israeli conflict. But since the 1991 Gulf War, and especially over the past decade, the more relevant geopolitical cleavage has been the “resistance camp” (Iran, Syria, Hezbollah, and Palestinian militant groups) versus the “moderate camp” (the United States, Israel, Egypt, Jordan, and the Gulf monarchies).
This division has always had a certain sectarian cast to it, with Sunni powers, led by Saudi Arabia, confronting Shiite Iran and its allies. Nevertheless, Sunni-Shiite polarization was greatly exacerbated by the U.S. invasion of Iraq in 2003 and the sectarian civil war that followed in its wake. More recently, in response to Iran’s perceived hegemonic and nuclear ambitions, the Sunni Gulf monarchies have moved toward tighter security cooperation, resulting in military intervention in Bahrain, political intervention in Yemen, and support for the armed opposition in Syria. The Arab Spring has also produced acute anxiety among Gulf autocrats, including exaggerated perceptions of Iranian-backed subversion, contributing to deepening sectarian rhetoric and tensions further. As the conflict in Syria drags on, political instability worsens in Lebanon and Iraq, protests continue in Bahrain, and Iran moves closer to a nuclear bomb, sectarian divisions in the region are likely to worsen further.

Complicating this bipolar picture, however, has been the emergence of a third pole created by the Arab Uprisings: a populist Sunni Islamist trend, dominated by the Muslim Brotherhood and other Islamist parties and their backers in the region, most notably Qatar and Turkey. This third grouping has attracted energy from both the “resistance” and “moderate” camps. Hamas, a long-standing member of the resistance, has left Damascus, moving into the orbit of Cairo, Doha, and even Ankara. More broadly, opinion polls across the Arab world demonstrate that the rise of Arab nationalism and populist Sunni Islam has undermined the “soft power” appeal of Iran and its allies in the region. Yet, at the same time, the emergence of this new tri-polar order has also aggravated tensions within the moderate camp. Egypt, the region’s most populous state and a traditional diplomatic champion of initiatives favored by the West, has been transformed into an extraordinarily unpredictable actor. Sharp disagreements have also emerged among a number of the region’s Sunni states. Most notably, conservative powers Saudi Arabia and the United Arab Emirates have worked to undermine the Muslim Brotherhood in Egypt, while Qatar has provided Cairo with billions of dollars in assistance. And to counter Qatari and Turkish support for the Brotherhood and more radical Islamist groups fighting in Syria, the Saudis and Emirates have thrown their financial and military backing behind competing elements of the Syrian opposition.

The Changing Nature of Al-Qaeda

Al-Qaeda and its affiliates remain a significant security concern for the United States and Europe. Yet, as a consequence of aggressive counterterrorism activities, Osama Bin Laden is dead and scores of leaders and operatives in Afghanistan, Pakistan, Iraq, Somalia, and Yemen have been killed or captured. As a result, the capability of al-Qaeda to carry out large-scale attacks has been sharply degraded.

More broadly, al-Qaeda has seen its standing in the Middle East and North Africa greatly diminished in recent years. As a result of the political change sweeping the region, al-Qaeda’s ideology and prospects for long-term viability have suffered a major blow. The Arab Uprisings were not in any meaningful sense inspired by al-Qaeda or its core philosophy. And while elections have empowered Islamists in Tunisia and Egypt, the participation in government by more moderate Islamists challenges rather than empowers al-Qaeda. Whether this will remain the case in the aftermath of the military’s removal of the Muslim Brotherhood-dominated government in Egypt, however, remains to be seen, and much depends on whether Islamists are allowed to, and choose to, participate in future Egyptian elections.
Al-Qaeda’s very real setbacks have not ended the challenge posed by violent Salafi-jihadist movements, however. The fall of authoritarian regimes focused on al-Qaeda has reduced the pressure of radical Islamists in some cases. Moreover, although al-Qaeda “central” has been decimated, dangerous local organizations have emerged, including the Ansar al-Sharia organizations in Tunisia and Libya and Jubhat al-Nusra in Syria. Al-Qaeda in the Arabian Peninsula has established control over significant swaths of territory in Yemen, while radical movements have advanced in the Sahel. Syria in particular holds out the prospect of reviving the appeal of transnational jihad that served al-Qaeda so well in Iraq in the 2000s. In short, al-Qaeda is down but not out.

**Israeli-Palestinian Impasse**

Arab-Israeli tensions no longer represent the central cleavage of events in the Middle East. Nevertheless, resolving the Israeli-Palestinian conflict remains very much in the interest of both the West and the peoples of the region. In the absence of a two-state solution, the geographic reality of expanding Israeli settlements and continued occupation in the West Bank will inevitably collide with the demographic reality of an expanding Palestinian population to make it difficult for Israel to maintain its identity as both a Jewish and democratic state. Meanwhile, Palestinian disenchantment with both the peace process and their own leadership could produce a third intifada, a “Palestinian Spring,” or both. And, in the context of rising populism across the Arab world, either of these outcomes would risk deepening Israel’s isolation and exacerbating regional conflict.

For these reasons, U.S. Secretary of State John Kerry has made valiant efforts in recent months to bring Israelis and Palestinians back to the negotiating table. But even if talks eventually resume, the near-term prospects of achieving a two-state solution remain low. The rightward drift in Israeli politics, combined with the success in reducing Palestinian terrorism, has lessened the political appetite and urgency for achieving a deal. The better-than-expected success of centrist parties in Israel’s January 2013 elections offers a partial corrective to this trend, but it is unlikely to prove sufficient to produce a major Israeli push toward a two-state solution. And even though the surge of regional populism associated with the Arab Uprisings arguably makes achieving a Palestinian accord more important than ever for Israel’s long-term security, Israeli leaders have shown a clear preference for “hunkering down” in the face of upheaval in Egypt and Syria, the possibility of instability in Jordan, and the growing threat from Iran rather than taking risks for peace. For their part, Palestinian leaders remain deeply divided between the Fatah-led leadership in the West Bank and the Hamas-dominated Gaza Strip. Burdened by a fiscal crisis and the absence of any clear political horizon to justify its cooperation with Israel, the Palestinian Authority also appears to lack the popular legitimacy and political control to take the risks necessary to move the peace process forward. Consequently, while the peace process is not dead, powerful structural forces make it hard to envision substantial progress any time soon.

**Strategic Dilemmas for the West in the New Middle East**

These regional trends produce profound challenges for policymakers in the United States and Europe. Here I briefly highlight four key dilemmas that demonstrate the impossibility of maximizing the pursuit of all Western interests simultaneously and therefore the necessity for policymakers on both sides of the Atlantic to make hard strategic choices.

- 1. **Long-term vs. short-term stability.** In light of the Arab Uprisings, it is more important than ever to prioritize political and economic...
reform. Yet, assertively pushing reform complicates ties with remaining autocratic partners, may provoke accusations of interference and produce a nationalist backlash in some democratizing states, could worsen short-term instability in some countries, and risks empowering Islamist groups less inclined to cooperate with the West.

- 2. Security cooperation vs. reform and sectarianism. Western security cooperation with regional governments, especially the Gulf States, remains vital to combat terrorism and counter the threat posed by Iran. But this produces strategic dependence on the least democratic governments in a democratizing region, making it difficult to prioritize political reform, undermining Western influence with Arab publics, and inadvertently contributing to the emerging Sunni-Shiite Cold War in the region.

- 3. Vacuums vs. quagmires. In Syria and elsewhere, the perceived lack of U.S. and/or European leadership (often defined by regional partners in military terms) can undermine Western influence over events and produce destabilizing vacuums filled by state and non-state adversaries.

Yet, military interventions are easier to begin than end, risking costly long-term commitments that can worsen anti-Western sentiment and tie down scarce military assets that may be needed to confront other regional contingencies (e.g., Iran) and global challenges (e.g., the U.S. “pivot” to Asia).

- 4. Reassuring an anxious Israel vs. achieving “balance” in the peace process. Providing steadfast support to Israel’s security is essential at a time of great regional turmoil, and is likely crucial to eventually convince Israeli leaders to take risks for peace with the Palestinians. At the same time, the perception that the United States in particular is unwilling to put pressure on Israel, and thus lacks a “balanced” approach to the peace process, complicates Western credibility with Arab partners and undermines our ability to engage Islamist governments and newly empowered Arab publics.

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Growing Instability Challenges the Transatlantic Approach to the Arab Spring Countries

Sinan Ülgen

Two years after the onset of the Arab revolts, the ongoing civil war in Syria, the extreme sectarian polarization in Iraq, and the recent military takeover in Egypt make a strong case for the necessity of focusing more than ever on the strategic context in the region. Any realistic assessment of the potential for a transatlantic approach to MENA security issues must start with a sound analysis of the evolution of the internal and external security framework of the region. A vast majority of the changes that have occurred in the past year have tended to accentuate the internal security challenges, thus creating clear implications for the regional security order.

At the beginning of the so-called Arab Spring, hope existed that the onset of the transition from autocratic leaders to more accountable and legitimate regimes would help to tackle some of the core security problems of the region. These transitions, it was believed, would help to deal with the manifold problems that had bedeviled the political, economic, and social progress of these countries. Concurrently, the democratic transitions were also to alleviate one of the most frustrating conundrums for the West. In the past, the Western powers had been forced to engage with authoritarian leaders in the absence of any real political alternative in the region, an engagement that naturally gave rise to criticism of Western behavior and allegations of double standards. The perceived tacit alliance between the West and the Arab regimes undermined the soft power of the transatlantic allies. The ensuing heritage of popular sentiment have certainly also made it more difficult for the transatlantic allies to reach out to civil society and establish a more durable partnership with societal stakeholders.

Two years down the road, however, the optimistic expectations from the Arab revolts are due to be revisited. Democratic transitions in the region are proving to be more difficult, more uncertain, and doubtlessly more complicated than initially envisaged. It is also becoming clear that a stable outcome is not pre-ordained. The domestic dynamics unleashed by the aspiration for regime change cannot be channeled toward a consensus view about the future order of these societies. What we see is a gradual dissolution of the internal coalition that had come into being for accomplishing regime change, whose frailty represents the biggest danger for the long term stability of these nations.

In the Middle East, the biggest threat to domestic stability is the ongoing polarization fuelled by sectarianism. Although the Sunni-Shiite schism has existed for more than 14 centuries in this region, autocratic regimes of the post-colonial era have been able to paper over these differences on account of their secularism. The principle of secularism managed to keep at bay the sectarian proclivities of a religiously heterogeneous population for whom Arab nationalism was the cement of the effort of nation building.

The U.S. intervention in Iraq can be seen as the preview of the currently unfolding sectarian dynamics in the whole region. Iraq was the first country where an external intervention that deposed an autocratic leader unleashed ultimately destabilizing domestic dynamics. Instead of coalescing around a pluralistic political framework that would have guaranteed fundamental rights to all, Iraqi society fell prey to an increasing sectarianism, which is unavoidably dominated by a “zero-sum” mentality. The emerging ruling coalition has been unable to eliminate the prospect of increasing sectarian strife. The threat of a protracted sectarian war is very real in Syria as well, with the danger of this strife spreading to multi-ethnic and multi-confessional states such as Lebanon and Jordan becoming increasingly palpable.

In North Africa, where societies are more homogenous and where the Sunni-Shiite divide is less prevalent, the problem has had more to do
with the (im)maturity of the political system. As the current events in Egypt demonstrate, the new ruling elites have been unable to embrace a more open and inclusive interpretation of democracy. The dividing lines in North Africa are to be found on the secular/Islamist dimension instead of the sectarian dimension.

However, in both regions, the deficiencies in the institutional development of these societies have been laid bare by the political vacuum created by the exit of the authoritarian leaders. Political institutions of consensus building and conflict management have proven to be ineffective and democratic instincts and tolerance to differences superficial. As a result, societies became increasingly polarized.

In the MENA region, the post-Ottoman order based on nation states is collapsing. The nation building efforts of the last century are losing out to the atavistic trends of tribalism, sectarianism, and Islamism. The emerging security order in the Middle East and North Africa is more likely to be defined by failed and failing states than stable nation states. It is this disturbing reality that any clear-headed assessment of the role of transatlantic interests in furthering peace and prosperity in the region should take into account.

There are three fundamental lessons that can be drawn from the standpoint of the transatlantic partnership from this recent experience of witnessing the Arab transformations.

The first lesson is that the transatlantic partners have, by and large, been sidelined from the internal developments in the Arab world. They have been generally absent from the domestic debates and unable to steer the events. This is partly the result of the heritage of past relations with former regimes that have handicapped the relations with the new Islamist elites. But it is also due to the emergence of other international actors such as China, the Gulf Cooperation Council countries, and Turkey, which have been willing to engage the new elites without the inherent conditionality approach of the West. The willingness of these new actors to heavily invest politically and economically in their relationship with the Arab governments has given these client states the luxury of a more selective approach to their international partnerships. For instance, it can easily be asserted that Qatar’s $5 billion and Turkey’s $2 billion yearly aid to Egypt allowed Egyptian authorities to become less compelled to reach a politically challenging deal with the IMF. There is no reason to believe that the conditions that constitute the basis of effective transatlantic engagement in the MENA region are likely to change in the near term. As a result, the first lesson to draw from the experience of the last two years has to be a call for moderation in terms of the expectations of what renewed transatlantic engagement can deliver.

In this changing environment, the West has to come to terms with an almost intractable problem created by its longstanding principle of conditionality. This principle may be a cornerstone of the transatlantic engagement, but it is predicated on the assumption that there will be gradual but nonetheless real progress toward democracy. It has been embellished by catchphrases such as “more for more” in describing the EU’s aspiration to deliver more aid to countries that reform more. However, this approach was problematic from the get-go because of the “legacy” issue: while the transatlantic partners had not exactly imposed this conditionality on the former autocratic leaders, how can they be expected to enforce it in their relations with more democratic regimes? If anything, the recent unfolding of events in the region throws more cold water on the applicability of this principle. If there is to be no meaningful progress on the ground toward an enhanced democratic polity, a strict application of this principle will further constrain the ability...
of the West to gain leverage in the Near East. Recent events have also highlighted the return of a fundamental Western dilemma of stability vs. democracy. The Arab revolts had given hope that this tension could be resolved by standing firmly on the side of democracy, but as progress toward more democratic governance has faltered, this unpalatable question is coming to the fore. How will the West react to cases where stability can only be achieved by a curtailment of democracy? Divisions have already appeared among transatlantic partners in relation to the events in Egypt. Whilst the United States and the EU have put more emphasis on the need to return to democratic rule, Ankara has been much more critical of the military leadership.

Finally, the transatlantic approach should take into account the emergence of the new set of players that have proven to be more influential than the West in establishing links with the new elites in Arab regimes. The objectives for these newer players range from a desire to acquire more political influence (Qatar), more economic influence (China), and more political and economic influence (Turkey). Any future transatlantic strategy to engage the MENA countries will have to seek to leverage the existing relationship between these new players and the Arab governments. This renewed approach for more effective regional and global partnerships could facilitate and serve as the basis, in particular, of the multilateralization of technical and economic assistance to the Arab world, which will remain a central tool of influence for the transatlantic partners in the region.

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The designation by the EU of the Lebanese Hezbollah’s “military wing” as a terrorist organization represents a corrective convergence of European and U.S. policies towards this militant formation, while at the same time also revealing the extent of the remaining divergence. Far from incidental, the difference in approach results from the varied weighing of criteria in the assessments from each, but also of a deliberate approach by Hezbollah itself to cultivate the distinct points of view in order to reduce the impact of a harmonious approach on its activities.

The Iranian origins of Hezbollah are not in dispute. The Lebanese “Party of God” represented, in the 1980s, the consolidation of Iranian assets and allies in Lebanon to create a reliable, ideologically coherent, and operationally effective tool in the new context of an expanded Israeli presence in Lebanon, out of which the Palestine Liberation Organization had been expelled. The anti-Western stances and actions of Hezbollah — reifying and amplifying the Iranian positions — were made evident in the coordinated suicide attacks on the U.S. and French contingents of the multinational peacekeeping force in Beirut in 1984, as well as in the long plight of Western hostages that were held in captivity by Hezbollah operatives under Iranian tutelage.

It is also evident that in post-civil war Lebanon, the public face of Hezbollah underwent two main transformations in the 1990s. 1) Hezbollah succeeded in monopolizing the resistance to Israeli occupation of southern Lebanon by intimidating or eliminating other factions involved in anti-Israeli action; and 2) retreated from seeking a pro-Iranian Islamic order in Lebanon, and gradually incorporated itself into the Lebanese political and electoral process.

The divergence in evaluating Hezbollah and its potential for renewed anti-Western action originates in the assessment of these transformations. Do they represent a strategic evolution that reflects the success of the Lebanese core of Hezbollah — the Shia community, which is not substantially different from the rest of Lebanese society in its cosmopolitan and mercantilist orientations — in diluting the initial radical Iranian input? Or were they tactical adaptations designed to confound and ultimately alter the status quo?

The U.S. perspective was shaped by three continuous elements: 1) Hezbollah’s violent track record in the 1980s, further confirmed in the 1990s, in carrying out lethal terrorist attacks in Latin America and the Persian Gulf; 2) its declared enmity to the United States, and, echoing its Iranian sponsors, its persistent characterization of the U.S. presence in the Middle East as malevolent; and, last but not least, 3) its unchecked belligerence toward Israel, despite its May 2000 withdrawal from Lebanon, through openly indiscriminate direct actions, and through the support of Palestinian factions engaged in similar efforts. Washington has thus been consistent in seeking to contain and counter actual or potential Hezbollah activities in the United States, through a variety of legislative, judicial, and financial tools: designation as a terrorist organization; extension of the designation to front entities, such as media operations; prosecution of operatives; and restrictions on banking activities. Recognizing the wide reach that Hezbollah had gained through the cover of the global Shia Lebanese diaspora — notably in Africa and Latin America where Hezbollah’s entanglement in drug trafficking and illicit diamond trade became apparent — the United States sought an international law enforcement cooperative approach against what seemed increasingly to be more of an organized crime network than a militant organization.
Many European capitals, informed by the assurances of trusted interlocutors in Lebanon, were willing to consider Hezbollah's foray into international terrorism in the 1990s as an extension of its conflict with Israel, and were as such more inclined to accept the apparent domestication of Hezbollah as an indigenous Lebanese force, notably with the elevation of Hezbollah to the status of dominant political force in the Shia Lebanese community and its success in forging a lasting alliance with mainline Christian Lebanese partners. Two counter-facts challenged such assumptions, but both could be, and often were, discounted as incidental.

Firstly, Hezbollah had in fact created a totalitarian order in its areas of control in Lebanon. Exceeding the notion of a "state-within-a-state," Hezbollah provided comprehensive social, educational, and health services to its constituency, evolved into its primary employer, and required in exchange to its absolute loyalty and acceptance of its bellicose rhetoric and actions. Many Shia Lebanese are thus born in Hezbollah hospitals, educated in Hezbollah schools, imbued with Hezbollah narratives, work for Hezbollah enterprises, and fight and die in Hezbollah battles, with the assurance that their families will be attended to by Hezbollah social support programs. The presumed resilience of Lebanese society and its ability to resist and subvert socio-cultural engineering attempts is indeed being tested by this state of fact. Arguments questioning the sincerity of the ideological purity of Hezbollah's leadership have even been made, and attributing some of its hard-line rhetoric to the need to satisfy its Iranian sponsors. As "pragmatic" and "rational" as the Hezbollah leadership is purported to be, the long term effects of the indoctrination of many Shia Lebanese in ideological, sectarian, and messianic discourses as a means of strengthening mobilization potential indeed seems to be producing a next generation of Hezbollah leaders less utilitarian in their recourse to Hezbollah narratives. The success of Hezbollah in dispatching thousands of its fighters to Syria in support of that country's embattled dictator was built on a foundation of thinly disguised sectarian rhetoric that recasts 7th century events in new quasi-messianic tones.

The second "red flag," equally discounted as political decorum, is Hezbollah's own self-characterization as abiding by the "rulership of the jurisprudent," that is, its obedience to the diktat of the Iranian Supreme Guide, first Khomeini and then Khamenei. Hezbollah's leadership has repeatedly asserted that their decision to accept and engage in the Lebanese political process is at the direction of the Supreme Guide, whose words are absolute commands. The non-rhetorical character of these assertions was brought to the fore recently, when Hezbollah hailed a Lebanese multi-party accord to avoid entanglement in the Syrian conflict as being of fundamental national importance, only to abruptly reverse course and dispatch forces to Syria, once so instructed by the Khamenei. The blatant contradiction between the intervention and previous stands was left unexplained; the erosion, even the collapse, of the carefully crafted image of the "Party of God," nationally and regionally, however damaging, is mere collateral damage in the need to fulfill Hezbollah's core mission as an Iranian asset.

The obfuscation of this core mission has contributed to the dilution of European positions vis-à-vis Hezbollah. The "Party of God" can claim considerable success when even its most determined local opponents feel obligated to mitigate any punishment or sanction it is to face, lest the damage extends to the whole of Lebanon and leads to a proportional strengthening of Hezbollah's grip. Hezbollah can claim further success when analysts in Washington and other capitals suggest that its continued grip on Lebanon may be the lesser of two evils, with...
chaos and uncertainty being certain to reign were Hezbollah to suffer a severe setback. In the 1990s, Hezbollah held a few Western hostages. Today, it seems that it holds all of Lebanon as a hostage. In the abusive relationship between Hezbollah and its host country, the “Party of God’s” responsibility for intermittent political assassinations may be all but evident; still, Hezbollah benefits from “plausible deniability,” however thin it may be. It has indeed created a tamed political culture that circulates the notion that a coalition of the Party’s external enemies (the United States, Israel, Saudi Arabia, al-Qaeda) is repeatedly engaged in eliminating Hezbollah’s effective local opponents in order to sully its reputation.

Hezbollah seems intent on extending the concept of plausible deniability to a global scale in what appears to be a re-invigoration of its international operations. Incidents in India, Azerbaijan, Thailand, Cyprus, and most notably Bulgaria suggest that Hezbollah is experimenting with a model of out-sourced terrorism that would enable it to keep a sufficient distance from the action. In the case of both Bulgaria and Cyprus, the experimentation has partially faltered as links to Hezbollah were exposed, but not sufficiently to eliminate remedial plausible deniability. This allowed willing and inadvertent Hezbollah apologists to plead innocence on its behalf.

Such pleas of innocence are premised both on the continuation of the “moderation of Hezbollah” argument, recently strengthened by a sub-text of “Hezbollah as a protector of Christian and other minorities” in the face of a radical Sunni onslaught, and on a more open categorical distinction between Hezbollah and such radical Sunni outfits of al-Qaeda type. The latter are abject terrorists while Hezbollah engages in bona-fide “resistance.”

There is undoubtedly a distinction to be made here. Al-Qaeda and associated organizations seek spectacular massively lethal operations in order to project a power that they lack in their precarious settings. Hezbollah, mending its considerable influence over its area of control, has avoided open global entanglement. The reconstitution of a global terrorist capacity may reflect the desire of its Iranian overlords, as a further tool of “messaging,” against the backdrop of the multi-dimensional warfare Tehran has been facing for almost a decade. The probable loss of Syria as a strategic ally seems to be directing Iran to seeking more versatility beyond its main investment and asset in the Levant.

The Burgas, Bulgaria, incident — a homicidal attack on European soil with established, albeit circuitous, links to Hezbollah — may have nuded some European assessments in the direction of recognizing the negative potential of this party. But the European reluctance to address the implications has resulted in the curious compromise of limiting the terrorist designation to the presumed “military wing” of a party with totalitarian entrenchment — one in which the military is indistinguishable from any other activity.

The transatlantic alliance is thus still torn between two approaches with regard to Hezbollah: a hard one on measures of containment, with an underlying unwillingness to escalate beyond such measures, and a soft one, offering a new version of the EU-branded “more for more.” “More” terrorist actions will presumably result in “more” designations and implications. Hezbollah, in the meantime, may better hone its “plausible deniability” methods.

Whether an immediate proactive strategy can be adopted by the transatlantic alliance towards Hezbollah may remain an open question. A common understanding of Hezbollah as an impenetrable tool of the Islamic Republic of Iran, with entrenchment in Lebanon and the Lebanese diaspora, and with potential expansion
in operational scope as warranted by the evolving geostrategic situation of the region, may be the first element in shaping such a strategy.  

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Introduction

By mid-2011, U.S. officials were confident that they had finally turned the tide against al-Qaeda. Four months before the tenth anniversary of the September 11 attacks, which made al-Qaeda a household name and launched the “Global War on Terror,” a special forces operation killed Osama Bin Laden, the group’s enigmatic leader, in his hideout in Pakistan. For Dan Benjamin, the U.S. Department of State’s counterterrorism ambassador, the killing of Bin Laden was “the most important milestone” in the fight against al-Qaeda. Yet, like other officials, he was quick to add that this hadn’t been the administration’s only success. According to Defense Secretary Leon Panetta, for example, U.S. drone strikes and special operations had eliminated “around 10 to 20 key leaders” in the months before the Bin Laden raid, including many of its most active planners and operators. Though some of al-Qaeda’s affiliates remained dangerous, Panetta concluded that “we are within reach of strategically defeating al-Qaeda.”

There was another reason for the policymakers’ confidence and enthusiasm — albeit one that they had no direct role in bringing about. The near-destruction of al-Qaeda’s infrastructure in Pakistan coincided with the uprisings in the Arab world that became known as the Arab Spring. By mid-2011, peaceful demonstrations in Tunisia and Egypt had brought down authoritarian governments — the supposed root cause of extremism in the Muslim world — and also challenged the most important tenet of al-Qaeda’s ideology, namely that doing so required violent means. According to Benjamin:

“Millions of people are pushing their nations to move away from repression that has long fuelled resentment which underscores extremism... Should these revolts result, as we hope, in durable, democratically elected, non-autocratic governments, [al-Qaeda’s] single-minded focus on terrorism as an instrument of political change would be severely and irretrievably delegitimized. This would indeed be a genuinely strategic blow.”

The administration’s new counterterrorism strategy — published in June 2011 — reflected this consensus. Presenting the document in Washington, DC, John Brennan, the president’s counterterrorism advisor, told his audience: “It will take time, but make no mistake, al-Qaeda is in its decline.”

Consequences of the Arab Spring

Two years later, the optimism has faded. Contrary to the hopes and expectations of many officials, the uprisings of early 2011 have failed to transform Arab dictatorships into liberal democracies. In Libya, the new government has failed to establish any meaningful authority, leaving large parts of the country in the hands of militias that pursue their own agendas and spread weapons and conflict across the region. In Egypt, the downfall of President Hosni Mubarak

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3 Panetta, quoted in Ibid.
was followed by the Muslim Brotherhood’s rise and — most recently — a military coup, which was caused and accompanied by instability and increasing social polarization. Even in Tunisia, initially hailed as the most promising candidate for transition toward democracy, the constitutional process has stalled and extremist movements have gained support. In all cases, dictatorships have been replaced by weak governments that have failed to satisfy people’s aspirations and that can no longer control all of their national territories.

Rather than undermining terrorism, this dangerous cocktail of state collapse, lacking institutional legitimacy, ungoverned spaces, and proliferating weapons has created opportunities for al-Qaeda to return to places in which the group had long been beaten. In Libya, for example, supporters of al-Qaeda attacked a U.S. consulate, killing the ambassador and three other U.S. citizens. Libyan weapons have shown up in the Sinai and Syria, fuelled the Islamist insurgency in northern Mali, and strengthened Algeria’s al-Qaeda in the Islamic Maghreb (AQIM). 7 In the Sinai, jihadists are recruiting among the Bedouin, setting up camps and structures that threaten Egypt, Israel, and the peace treaty between the two countries. 8 More broadly, the recent military coup in Egypt seems to have fatally undermined the narrative of peaceful transition, instead proving al-Qaeda’s point that even comparatively moderate Islamists will never be tolerated in power and that armed revolution is the only way to implement sharia. 9

But nowhere have Western hopes been shattered so profoundly as in Syria. Similar to Egypt and Tunisia, Syria’s uprising started off peacefully and remained so for several months. But unlike Mubarak and Tunisia’s Zine el Abidine Ben Ali, Syria’s President Bashar al-Assad refused to give in, responding — instead — with brute force, the beating and killing of protesters, random arrests, and torture. By mid-2011, the situation in Syria had become a powerful and shocking refutation of the idea that peaceful protest alone could bring down a dictator. Far from disqualifying and “de-legitimizing” violence as an “instrument of political change,” as Benjamin had predicted, this part of the Arab Spring appeared to send the opposite message: that violence — even terrorism — may be the only choice when faced with someone as determined, brutal, and ruthless as Assad. Indeed, ideological jihadists — consisting of the al-Qaeda linked al Nusra front as well as the groups that are united under the umbrella of the Syrian Islamic Front — are now leading the armed opposition, having marginalized other, more nationalist and/or Islamist forces that appeared to be leading the revolution at first. As a consequence, the conflict has become highly sectarian, prompting clashes between Sunni rebels and the Lebanese Shia group Hezbollah inside Syria, as well as the spreading of refugees, instability, and sectarian tensions beyond Syria’s borders into Iraq and Lebanon.

Implications for the West

Cynics might argue that the turmoil that has resulted from the Arab Spring is good news for the West. For the first time in decades, the “Muslim world” is preoccupied with itself, having turned toward domestic power struggles rather than seeking to blame “Zionists and Crusaders.” Daniel Pipes has gone as far as arguing that a long and protracted conflict between Sunni and Shia extremists in Syria is in the West’s best interests, as it weakens its two principal enemies — al-Qaeda and Iran — and prevents them from turning their attention to the West and/or Israel. 10

In reality, this position is not just cynical, and fails to consider a number of key factors:

- Rightly or wrongly, the West still features prominently in the narratives of extremists in the Middle East — be it in Egypt, Syria, or Libya — and it will only be a question of time until extremist groups re-focus their attention on the “far enemy.”

- Within the region, Western interests have repeatedly been the targets of terrorist attention. The attacks on the U.S. consulate in Benghazi in September 2012 and the seizure of a gas plant in Algeria in January 2013 are but the most prominent examples.

- According to estimates published by the International Centre for the Study of Radicalisation (and subsequently adopted by the EU), up to a 1,000 Europeans have joined rebel groups in Syria, potentially posing threats to Western countries’ internal security upon their return.

- While the risk of al-Qaeda taking over entire countries is very small, on-going instability and loss of government authority in places like Libya and Syria provide jihadists with opportunities to establish permanent bases or safe havens from which to run training camps and organise international terrorist operations.

- Both Sunni extremists and Hezbollah may, at some point, be tempted to launch a diversionary attack against Israel, triggering a full-scale regional conflict that would create significant dilemmas for Western countries and prompt terrorist attacks in the West.

Rather than fostering continued turmoil, as Pipes suggests, Western countries should make it their priority to promote stability and support whatever institutions are most likely to be reliable sources of authority (in some countries, this may be the military, in others the elected government). Defense and law enforcement assistance programs must continue, regardless of the composition of a particular government. The single most important counter-terrorism measure would be to bring about an end to the conflict in Syria, which has become al-Qaeda’s new center of gravity and threatens to produce a third generation of jihadists. Doing so, however, is easier said than done.

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Introduction

There are many joint interests between European states and the United States regarding the Middle East and North Africa (MENA). Undoubtedly, the dynamics of the Arab Awakening and its socio-economic, political, and security implications are of serious concern to the transatlantic community. This concern includes, at the forefront, transition management toward more open and democratically accountable governments with an economic future. This requires joint action, specifically in terms of crisis management and engaging with the military leadership in the region. With regards to security, common transatlantic concerns are summarized by a recent Congressional Research Service (CRS) report: “Countering terrorism, weapons proliferation, and transnational crime; curtailing Islamist extremism; ensuring a reliable flow of energy exports and commercial transit; and advancing regional peace.”

This paper explores various trends in transatlantic counterterrorism cooperation. It argues that 12 years after 9/11, the transatlantic security community is today facing a different set of challenges arising from terrorism, which in turn requires rethinking and reconsidering transatlantic responses.

Arab Awakening and Terrorism

Due to the high degree of uncertainty, instability, enfeebled state institutions, and radicalization following the events of the Arab Awakening, the threats from terrorism are significant in the MENA region. The ongoing transitions and upheavals in Egypt — as we are currently witnessing — as well as in Libya, Tunisia, and Yemen, continue to represent acute security threats. They are marked by a slowdown in economic activities, including increased youth unemployment and social disruptions, as well as by difficult political transformations led by an inexperienced leadership.

The civil war in Syria is spreading fragmentation and is destabilizing neighboring states. The war has become sectarian and is about to turn into a proxy war of outside powers. The lack of prospects for termination of the fighting leads to further radicalization in the entire region. The nexus between weak governance structures and terrorism represents a key element in the highly complex and multilayered security equation in the region, with an impact on European and transatlantic security. This became very clear with the Benghazi attack and the vendetta of radical and terrorist groups in Mali.

Changing Nature of Terrorism in the MENA Region

Following 9/11 and a decade of strong transatlantic cooperation on counterterrorism, the nature of terrorism has changed. First, U.S. counterterrorism policies and actions against al-Qaeda’s leadership in the Middle East and Central and South Asia, which culminated in the death of Osama bin Laden, seem to have been averted large-scale threats arising from an internationally organized al-Qaeda network for the moment. However, as recently revealed by the National Security Agency (NSA), the al-Qaeda network “is back” and is planning major attacks. The Interpol police agency stressed at the beginning of August 2013, following a number of prison breakouts in nine countries — including Iraq, Libya, and Pakistan — from which hundreds of al-Qaeda members escaped, that the transatlantic security community should show “increased vigilance.”

Second, the terrorist threat today tends to be more diffused and localized, with lower-scaled and tightly focused attacks conducted by individuals and small groups of extremists rather than complex strikes carried out by
highly organized terror cells (such as 9/11 or the bombings in London and Madrid). For now, it looks like terrorism has shifted from Western countries to Western interests and presence in the MENA region. The attack in Benghazi, the hostage taking in the Sahel zone, and the 2013 attack on an Algerian gas plant epitomize this pattern.

Third, new technologies have become increasingly influential in the way terrorists operate. Not only have Facebook and Twitter gained importance, but so have new weapons technology such as unmanned robotic aircraft. Israel accused Hezbollah, for instance, of deploying a drone in Israeli air space.

Fourth, terrorist propensity is increasing in European countries and in the United States, and it is often linked to the radicalization of immigrant communities from the Islamic world. The Boston Marathon attack and the daylight killing of a British soldier in London reflect such a trend.

Finally, with the current high level of instability and uncertainty in the MENA region, the context in which terrorists operate has changed. Syria and Mali are de facto failed states. Mali and other countries in the Sahel have substantial difficulties in prosecuting extremist groups and in effectively controlling their territory. Egypt, Libya, and Tunisia are undergoing far-reaching and destabilizing transitions. Syria is not just becoming a “Florida sinkhole” for its neighborhood; it will also have long-term security implications for the entire Mashreq-Maghreb region. For the last year, and especially after the military intervention of Hezbollah in Syria, thousands of Jihadist fighters from Libya, Tunisia, Morocco, and Algeria have followed the call of Salafist imams to join the Syrian opposition. Many of the foreign Jihadists are fighting with al-Qaeda and the Nusra Front in Syria. This generation of fighters will undoubtedly radicalize beyond their engagement in Syria, and thus represent a dangerous potential for future international terrorism, similar to the Algerian Jihadists returning from Afghanistan in the late 1980s.

**Aspects of Transatlantic Cooperation on Counterterrorism in the MENA Region**

Both the U.S. and the European allies remain vulnerable to terrorist attacks rooted in the MENA region. On both sides of the Atlantic, there are fears about the spread of “safe havens” in the area. Europe and the United States also share concerns about the humanitarian consequences of growing terrorist activities. Due to Europe’s geographic proximity, migration is also an issue. In terms of strategic threats and risks, the MENA region is more important to Europe than is Afghanistan, which may not be the case for the United States.

U.S. cooperation with European countries in the areas of counterterrorism has been largely enhanced since 9/11, and has resulted in the development of a number of common tools. For instance, the respective lists of entities designated as terrorist organizations have been aligned, with the notable exception of Hezbollah.

As far as NATO is concerned, the *Strategic Concept* assigns a high priority to the fight against terrorism. It reaffirms that NATO must “deter and defend against emerging security challenges where they threaten the fundamental security of individual Allies or the Alliance as a whole.”

It stops short, however, of linking NATO’s Mediterranean Dialogue with counterterrorism cooperation. In the Chicago Summit Final Declaration, NATO leaders refer to Operation Active Endeavour as an Article V operation in

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the fight against terrorism. NATO allies work with partners on security sector reform projects through the Individual Partnership Action Plan (IPAP) and Planning and Review Process (PARP). Counterterrorism projects include border security management, terrorism-related training and exercises, and destruction of surplus and obsolete munitions or hazardous materials. Some of these projects are financed through NATO/Partnership for Peace Trust Funds.

Cooperation on “Kidnapping for ransom” (KFR) is managed by the Global Counterterrorism Forum (GCTF). The Financial Action Task Force report identifies KFR as a significant source of revenue for terrorist groups often operating in politically unstable countries where central authority is often weak, public and private corruption is endemic, and the social fabric of those nations has unraveled to considerable degree. Currently, a large number of Western hostages are being held in the Sahel Zone. In the context of the GCTF, in 2012 Algeria and the United States worked out a set of good practices to prevent hostage taking, keep any hostages safe, and deny terrorists the financial and other benefits of such actions.

Even though there are shared concerns, and given that a basis of cooperation exists, coordinated transatlantic responses are rare. The United States has not displayed sustained commitment and leadership, due to Iraq and Afghanistan, as well as to the Benghazi incident. Low-key counterterrorism projects such as the interagency Trans-Sahara Counterterrorism Partnership (TSCTP) have been designed to strengthen the capacity of North African and northern Sahelian states to combat al-Qaeda in the Islamic Maghreb (AQIM) operations, activities, and ideology, and prevent AQIM from expanding its operational reach in sub-Saharan Africa. These projects were hampered by military coups in the region (Mauritania, Niger, and Mali) that led to the blockage of the allocated U.S. funds.

The United States has expanded its Mali-related intelligence efforts with satellite and over flights, and most probably shared this information with its European allies.

As far as Europe is concerned, some countries have shown their commitment, as the military intervention in Libya and the French operation in Mali, illustrate. However, there seems to be no coherent approach. The EU has once again been unable to use its security and defense capabilities when being confronted with a conflict in its neighborhood. Not to be underestimated, however, is the European commitment in “soft” long-term engagements, including training missions in Mali, Niger, and Somalia.

**Faute de mieux,** the United States opts for semi-covert operations using drones for targeted killings to contain terrorism. After the attack on the U.S. consulate in Benghazi, where no U.S. air support was available for a long time, the United States decided to establish a military presence in West Africa. Today, the AFRICOM-operated drone base in Niger deploys Predator drones for surveillance and reconnaissance missions in Mali and other countries in the region. The use of drones for counterterrorist activities will undoubtedly expand, including on the European side of the Atlantic. The French air force deployed the Harfang drone to Mali, and now seeks to acquire the U.S.-built MQ-9 Reaper drones for deployment in Northern Mali. However, the scope of the use of “killer drones” in counterterrorism requires transatlantic dialogue, specifically regarding to the legal and ethical implications of their sometimes indiscriminate and extra-territorial use.

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3 The United States is legally prohibited from financially supporting or aiding a country “in which a military coup or decree has overthrown a democratically elected government.”

4 AP, 22 Oct 2012.
What Next?

On a strategic level, the Atlantic partners need to overcome differences on the question of how to engage with Islamist parties in the Middle East, as well as the military leaderships in countries such as Egypt or Algeria, and the involvement with the Syrian opposition. Future transatlantic cooperation on counterterrorist information-sharing arrangements may be at risk because of differences over data privacy safeguards and the “extremely serious incident” of alleged U.S. spying in Europe. Furthermore, in order to effectively respond to the multiple security challenges and the terrorist threats arising from the MENA region, Russia and Iran must be part of the solution even as the United States and Europe still pursue divergent approaches. Another potentially divisive issue could be the use of drones and unmanned robots to fight suspected terrorist groups; the human rights and humanitarian law dimensions of this need to be taken into account.

To overcome potential misunderstanding across the Atlantic, there is a need to enhance the understanding of the key features of today’s nature of terrorism. The security situation in the MENA region is a complex equation with strong regional dynamics, a spillover effect (which has largely dominated the discussions of the 2013 G8 Summit in Northern Ireland), multilayered interrelationships, and complex national dimensions.

Moreover, a transatlantic counterterrorism strategy for the region needs to address the profound transitions in the countries affected by the Arab Awakening, which are marked by weak state authorities, disorder, and vigilantism. The post-revolutionary phase that is playing out on a transnational level requires an increased international commitment. NATO should bring Libya into the Mediterranean Dialogue and engage the MENA partners further in counterterrorism. This could include border management, intelligence cooperation, and surplus weapons and ammunitions destruction, as well as support in security sector reform and joint exercises.

The key challenge for the transatlantic security community will be to find a common approach to managing transitions in the MENA region, one that includes sustained political, economic, and technical engagements in reconstruction, security sector reform, development, and the building of robust but legitimate state structures and institutions. This cannot be done as part of a counterterrorism policy; rather this must be viewed as a generational project that requires determined political and financial commitments to build long-term national and regional partnerships in a rapidly evolving MENA region.

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The United States’ Energy Transition: Implications for the MENA Region

Gal Luft

Introduction

Since the beginning of the recent oil and gas boom in the United States, it has become an article of faith among many foreign policy experts that reduced U.S. dependence on imported oil will erode its interest in the Middle East and North Africa (MENA) region, and as a result perhaps lead to gradual reduction in its military presence in the region. This leap of logic is based on a paradigm that has dominated U.S. strategic thinking since the 1973 Arab Oil Embargo, according to which the United States is heavily dependent on the Middle East for oil and must therefore reduce this dependency and strive for self-sufficiency in oil in order to reduce its exposure to the region’s travails. However, this paradigm is based on some widely held misconceptions about the nature and dynamics of the global oil market as well as on a misunderstanding of the complexity of the United States’ perception of the Middle East. The energy transition in the United States, which according to the International Energy Agency could make the United States the world’s top oil producer over the next five years, is a welcome development that is likely to boost the U.S. economy at a time of prolonged global recession. This development is nonetheless unlikely to shield the U.S. economy from oil price fluctuations emanating from the MENA region and even less likely to weaken U.S. diplomatic and military commitment to the region. In fact, one can expect the exact opposite to happen.

The United States is Dependent on the Persian Gulf for the Price of Oil, not Oil Itself

Contrary to popular belief, the United States is not dependent on the Persian Gulf for oil and has never been so. The region currently supplies fewer than 10 percent of U.S. oil demand, and as Figure 1 shows, never in history has the number surpassed 15 percent. In fact, most of U.S. imports come from the Western Hemisphere. The United States is therefore much more dependent on the fluctuation of prices that may have roots in the Middle East than the oil itself. Oil being a fungible commodity with a global price, spells of political instability in the region have global consequences, regardless of the physical exposure of certain countries to MENA crude. For instance, between mid-February and April 2011, the war in Libya caused oil prices to spike by US$25 per barrel for the United States despite the fact that it imported no oil from Libya. Even if the United States were to become self-sufficient in oil, it would still not be shielded from the world market, as was the case with other countries that enjoyed self-sufficiency in their history, such as Canada, the U.K., or Norway.

Figure 1: Oil Imports from the Persian Gulf 1973-2013 as a Percentage of Overall U.S. Consumption

Source: U.S. Department of Energy
Furthermore, it has become increasingly apparent in recent years that the level of imports and the price of oil are moving in opposite directions. While U.S. oil imports dropped from 60 percent of consumption in 2005 to 36 percent in 2013, over the eight same years, the price of oil more than doubled. The conclusion is that self-sufficiency does not yield low prices.

The reason that the price of oil and the level of imports have been moving in opposite directions is that the price of oil is becoming increasingly responsive to the fiscal needs of the major OPEC producers, whose economies are primarily dependent on oil revenues.

Increased financial obligations due to the Arab Spring have forced OPEC members to adjust their production downward in order to tighten the global supply-demand relationship and reach the fiscal break-even price of oil (the per-barrel price needed to balance their national budgets). Despite its control over three-quarters of the world’s conventional crude reserves and despite the blistering growth of the world economy over the past four decades, those countries currently produce much less oil than their reserves allow. OPEC currently produces the exact number of barrels it produced 40 years ago: 30 million barrels per day. No change in U.S. production habits could change this dynamic.

On the other side of the equation, the U.S. economy is highly susceptible to spikes in oil prices. As Figure 4 shows, every major hike in oil prices in the past 40 years was followed by a recession. Therefore, what Americans should care about is not the origin of its oil but its price. As long as oil does not face serious competition with other energy commodities in the global transportation fuel market, OPEC will continue to dominate global oil prices. Under these conditions, it is difficult to see how the United States could afford to withdraw from the MENA region, leaving the world’s largest pool of oil in the hands of dangerous predator regimes and vulnerable autocracies.
Will the United States Reduce its Military Commitments in the Region?

U.S. interests in MENA have to do with many factors. Of course, oil is one of them — and an important one — but geography, Cold War legacy, Israel, terrorism, religion, nuclear proliferation, and democracy promotion are some of the no less important factors guiding U.S. thinking on the region. Any suggestion that U.S. foreign policy is “all about oil” ignores the complexity and multitude of U.S. interests. When Saddam Hussein invaded Kuwait, Persian Gulf oil represented less than 5 percent of U.S. oil consumption. While the United States could surely have survived without that oil, this did not stop it from embarking on a major war to liberate Kuwait and since then, the United States has maintained a prolonged and costly military presence in the region. According to some estimates, the annual financial burden of maintaining U.S. military capabilities in the Middle East adds up to $50-$60 billion in a non-war year. Not only is this presence costly, but it has also fueled anti-Americanism and been a factor of radicalization. According to Osama bin-Laden’s writing, U.S. presence in the Arabian Peninsula was one of the main reasons for al-Qaeda’s attack on the United States on September 11, 2001. U.S. military deployment in the Persian Gulf may help stabilize the region, but it barely has benefits.

Figure 3: World Demand for Crude is Growing, but OPEC’s Production Isn’t

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<tr>
<td>Number of automobiles</td>
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<td>World GDP</td>
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<td>Global oil demand</td>
<td>55 mbd</td>
<td>88 mbd</td>
</tr>
<tr>
<td>OPEC production</td>
<td>30 mbd</td>
<td>30 mbd</td>
</tr>
<tr>
<td>Share of global supply</td>
<td>54%</td>
<td>33%</td>
</tr>
<tr>
<td>Price per barrel (2012 $)</td>
<td>$13</td>
<td>$100</td>
</tr>
</tbody>
</table>

Figure 4: Oil price spikes and economic recessions

on the actual supply of energy to the United States. A quick cost-benefit analysis shows that it actually has an inverse relation to the amount of MENA energy that flows into the United States. The case in point is Iraq, where the United States carried most of the burden of the liberation of Iraq in terms of blood and treasure, but yet the oil spoils are shared today by China and Russia with almost no contracts having been awarded to U.S. companies. Equally striking is the discrepancy between U.S. imports from MENA and the scope of its military investment in the region. Europe, China, India, Japan, and Korea are all importing more MENA oil than the United States, yet their financial contribution to the mission of protecting the region is still minimal. In essence, U.S. taxpayers subsidize oil protection services in the MENA region for the rest of the world, while their cars and trucks use the region’s oil the least.

The United States could be pushed to reduce its military presence in the region as a result of two factors: either deep cuts in the defense budget, or a shift in global priorities toward other troubled regions, but not due to a change in its energy portfolio. There are at least three good reasons to assume continuous U.S. military commitment to the Middle East, even in the event of energy self-sufficiency. First, with Asia’s growing dependence on MENA energy, a U.S. pullout from the region would essentially open the door to a stronger Chinese and possibly Indian and Russian military presence in the region, an outcome not viewed as being in U.S. strategic interests. Second, a sharp increase in U.S. energy production would strengthen the United States’ economy, bolstering its currency, reducing its debt, and improving its balance of payments in ways that would allow it to maintain its military budget and hence its presence in the region. As Figure 6 shows, in the past four decades, due to the sharp rise in oil prices, the ratio between the cost of oil imports and the defense budget has been shrinking. In 1973, the United States paid an amount equal to 2 percent of the defense budget at that time for oil imports. This figure today has gone up to about half of the defense budget. This means that any policy that could reduce the financial burden of oil imports on the U.S. economy might free up resources and reduce the need to cut defense expenditures. Third, the United States exports aerospace and defense products to the tune of $100 billion per year, and more than half of the products go to MENA countries. The centrality of aerospace and defense industries to the U.S. economy means that the United States remains engaged in the markets where its products are needed most and where the strongest growth in demand is likely to be.

**Figure 5: MENA Oil Exports by Destination (in mb/d)**

![MENA Oil Exports by Destination](chart.png)

Source: IEA, 2012 World Energy Outlook
What Does All this Mean for U.S. Strategic Posture and the Future of Transatlantic Relations?

There are several changes in the energy resources map that could play a role in reshaping MENA geopolitics. Among them is the discovery of vast natural gas reserves in the Eastern Mediterranean and the construction of new energy corridors to circumvent the Strait of Hormuz. However, as discussed above, the boost in U.S. oil production is not one of them. The Middle East will continue to exhibit chronic instability due to the rise of militant Islam, weapons of mass destruction proliferation, and the acute and deep-rooted rivalry between Sunnis and Shiites. Such challenges will continue to consume large parts of Washington’s attention and, at times, significant military resources. Europe’s preoccupation with its own internal economic challenges is likely to preclude a new transatlantic division of labor and new responsibilities for Europe in the MENA region. If there were to be a new division of labor, it is more likely to be between the United States and major Asian clients of MENA energy. But a more likely scenario is that the North American energy boomlet will be a shot in the arm to the U.S. economy and the harbinger of an industrial renaissance and increased prosperity relative to other parts of the world. Such an economic upturn is likely to make it easier for U.S. leaders to mobilize the financial resources and public support needed to address global problems. In short: a prosperous United States means an omnipresent United States.

Natural Gas: A Game Changer

If there is one aspect of the United States’ energy transition that could potentially have a significant impact on the future of the MENA region, it is the development of new technologies to extract natural gas from shale formations and other non-conventional sources. This technology has matured and is now spreading throughout the world to other countries in Europe and Asia with similar geological shale formations. As a result, the domestic price of U.S. natural gas has collapsed, and the United States is transitioning from a net gas importer to an exporter. The decoupling of oil and gas prices offers a historic opportunity for the United States to challenge oil’s hegemony over the transportation fuel market. A variety of natural gas-derived fuels have arisen that will upset this balance: natural gas can be used directly as fuel in the form of compressed natural gas; it can be used to generate electricity, which can power pure electric vehicles and plug-in hybrid electric vehicles; and it can be converted to methanol, a liquid fuel that...
today sells for one dollar less than gasoline on an energy-equivalent basis and can power flexible-fuel vehicles that cost manufacturers an extra $100 to make compared to gasoline-only cars. With these developments, the United States will be able to pit a cheap and abundant commodity against one whose price is inflated and controlled by a cartel. Outside the United States, technologies to unlock even larger reserves of non-conventional natural gas such as methane hydrates are also making progress, and could create the same economic rationale to shift from oil to natural gas in China, Japan, and the EU. At this point, oil would be priced globally in relation to natural gas and other energy commodities from which transportation fuels can be made. Such commodity arbitrage will reduce the strategic status of oil and limit MENA countries’ ability to manipulate crude prices through production cuts. The implications for the petrodollar-dependent MENA economies could be profound, and at the very least will require them to embark on painful political reforms and a fast expansion of the non-petroleum sectors of their economies. Even then, the convulsions the region will go through during this long transition period will be closely observed from the deck of a U.S. aircraft carrier.

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The rapid increase in oil production in the United States is a game-changing development for the global oil market, and has fueled speculation in multiple directions.

The most frequently posited scenario is one in which North America (but not the United States alone) becomes self-sufficient in oil, and possibly a small net exporter. This scenario raises the issue of Canada's attitude: for how long will Canadian producers accept having no other option than selling into a low-price market (the United States)? I would expect that a way to export oil and gas from Canada to the Far East will be found sooner rather than later in the light of the very sharp differential between oil prices in Canada, in Cushing and for Brent.

Secondly, the U.S. government is not in the business of importing oil. U.S. refiners are. Significant refining capacity in the United States is owned by Saudi Arabia and Venezuela, and therefore Saudi Aramco and PEDEVESA can decide to continue importing oil into the United States. The United States will continue to import crude oil and, at the same time, will increase exports of petroleum products. The oil that is displaced by domestic shale oil is light oil from West or North Africa, not oil from the Gulf.

Thirdly, the oil market will remain effectively global, and major price differentials are unlikely to persist for long. Hence, the United States and U.S. producers will remain keenly interested in what happens in the Gulf. Furthermore, Gulf oil production and financial assets have macro significance for the global economy, which means that the region will remain very important for all markets and not just oil.

More importantly, oil is not a main determinant of U.S. foreign policy and military posture. The latter, as in any democratic country, is determined by coalitions of influences, which include oil interests; however, these are only one component and not necessarily part of the prevailing coalition on any one strategic decision. Historically, U.S. involvement in the Gulf predated the time when the United States became a net oil importer, and it is difficult to see this changing.

Oil is not even the most important game currently being played in the Middle East. The question of a possible regional evolution toward greater democracy, and the concomitant issue of the relationship between religion and politics are much more important — and will not be resolved anytime soon. The Middle East remains a crucial battleground between different conceptions of international and domestic governance — and one can hardly see the United States withdrawing from it. This, of course, includes the future of Israel as a democratic and Jewish state.

I see little concrete prospect for a much different division of labor between the United States and Europe in the region. First, because the two sides of the Atlantic do not see eye-to-eye on several issues, but also because there is no consensus within Europe and because the European Union is neither equipped nor interested in playing a much enhanced role. NATO could be a tool, and it has been, but results have not been entirely satisfactory, and the United States remains in a leading role.

Regional allies are worried by what they consider a waver and incoherent U.S. policy in the region. Their desires are sometimes contradictory — wanting a more activist and involved United States at times, and then resisting the same at other times. This is not surprising; public opinion is becoming increasingly important in the region, and the United States is admired and rejected at the same time. Many of the bad feelings are linked to what is viewed as a one-sided and submissive U.S. posture toward Israel — a policy that delegitimizes the United States in the region and will forever poison U.S. regional relations.
including with its closest allies. Oil has very little to do with this.

Thus, the direct geopolitical effects of the shale oil revolution will be minimal. In contrast, the indirect effects may be quite important:

- U.S. GDP growth, accompanied by partial reindustrialization, an improved balance of payments, and a relatively stronger dollar (notwithstanding the massive injection of liquidity in recent years), will certainly reinforce confidence in the U.S. economy and continue to attract financial investments.

- All things being equal, these elements should also be expected to improve the fiscal position of the federal government, which is central for shaping decisions concerning maintaining a military presence in the Gulf.

- Economic strength will support the perception of a strong and vital United States remaining at the center of the international system and being capable of steering the necessary evolution toward multipolarism and more rule-based international relations.

The shale oil revolution will also have consequences on the functioning and balance of the global oil market.

- The initial effect of the surge of oil production in the U.S. midcontinent has been a dislocation of West Texas Intermediate (WTI) from Brent prices. WTI has increasingly appeared as a purely U.S. benchmark, and an increasing proportion of internationally traded oil has been priced out of Brent. However, if the logistical bottlenecks that have plagued WTI are resolved, and the dislocation to Brent is reabsorbed, WTI may emerge as a much stronger benchmark — being backed by more abundant and flexible physical supply — while Brent is having growing problems.

WTI coming back to a position of global benchmark means that shale oil may play the role of marginal crude supply, and therefore exert significant pressure on global prices.

- The economics of shale oil production are substantially different from that of conventional onshore oil, deep offshore, and other non-conventional sources such as Canadian tar sands or Venezuelan bitumen. In particular, it may be expected that shale oil production will be much more responsive to price changes than the production of other types of formations. A market in which the supply of the marginal barrel is price elastic will behave very differently from today’s market, in which both demand and supply are rigid relative to prices in the short term. Prices may become much more stable than in the recent past, fundamentals may play an increased role, and the impact of investors or speculators be greatly reduced.

- At the same time, global oil flows are evolving toward greater regionalization, in particular with the emergence of three major regional markets: a North American market potentially self-sufficient in crude oil; a European market that would be supplied primarily by Russia, Central Asia, and Africa; and an Asian market more and more closely connected to the Gulf. Oil transportation remains much easier and cheaper than gas, and this is certainly a factor favoring price equalization. Any persistent differential would immediately attract arbitrage trades that would eventually eliminate the gap. However, it is a distinct possibility that contractual and security conditions for oil trade might end up differing from one region to another, sometimes also leading to price differences. A network of closer relations in the state capitalist mold may emerge between the major Asian importers and Gulf exporters, “blessed” and encapsulated in
high-level political relations. While these are not likely to lead to any significant change in the regional security equation (China is not keen to become involved in Gulf security), they may facilitate access to weapons or technology independently of or against the wishes of the United States.

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