

# Strategic Estimate 2011



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**The global power balance has been in a churning state ever since the turn of the millennium. The disintegration of the Soviet Union enabled the United States global strategic predominance to be unrivalled and unquestioned. Concerned by America's unilateralism, Russia and China as the two nations most strategically affected set in motion two significant initiatives to offset the US predominance. Russia under the dynamic leadership of President Putin set Russia on a course of strategic and military resurgence. This was facilitated by rising Russian oil revenues. China with significant economic resources at its disposal embarked on a strategic build-up of its strategic assets and military up-gradation. The United States decade-old strategic global predominance was now to be under challenge by Russia and China. These strategic challenges by these two nations became further accentuated as a result of the United States getting inextricably tied down militarily in Afghanistan and Iraq.**

Global Power Balance 2020: Perspectives, 2008  
South Asia Analysis Group

## Introduction

Strategic Estimate 2011 is the second annual assessment of the global balance of power by Khilafah.com. Our assessment focuses on the global trends, the emerging trends and the developments that have taken shape during the year between the world's powers. We also give our assessment on what is likely to occur in 2011 based on the current international situation.

We concluded in our 2010 assessment that the US remained the world's superpower, however it had been over-stretched in both the wars it was engaged in after the events of 9/11, this led to a number of nations taking a more confident and in some cases a confrontational approach to the US in the different regions of the world.

In 2010, the US worked to extricate itself from the Iraq and Afghan wars which depleted her resources and undermined her prowess. Troop levels in Iraq became synonymous with success to the US public. The US attempted to pursue the same policy in Afghanistan, but found the conditions much different to the fertile ground it found in Iraq. 2010 saw the world's superpower consumed with attempting to disengage from foreign policy ambitions that were undertaken at the beginning of the 21<sup>st</sup> century.

The major development in 2010 was the successful expansion of Russian influence in its periphery. With the US marred in two wars Russia for the last decade has been working to reverse US attempts through NATO and the European Union expansion in bringing the former Soviet republic under its influence. Russia in 2010 worked to end the colour revolutions instigated by the US in order to expand its influence beyond its immediate territory.

The global economy at the end of 2009 was coming out of recession and had averted global economic collapse. The trillions spent on stimulus plans and quantitative easing (the printing of money) ensured this, however this money was meant to kick start economic growth. The quest for economic growth characterised the global economy in 2010.

2010 also saw the rise of Turkey as a regional player. In this report we assess Turkey's foreign policy positions and analyse its trajectory and ask the question if Turkey is an independent power?

What follows' *inshallah* is the author's opinion and assessment of 2010 and the trends for 2011 and beyond. Like any assessment, they are merely estimates and forecasts; as global politics is always in a state of flux such an assessment will never remain static.

26<sup>th</sup> Muharram 1432  
1<sup>st</sup> January 2011  
Adnan Khan

## **America**

The USA in 2010 was a very different world power to the one it was at the end of the 20<sup>th</sup> century. At the beginning of the 21<sup>st</sup> century the US was the unrivalled world power, having defeated Communism, established NATO as the world's default security organisation and dominated the world economy, it was assumed the world would be writing and printing about US prowess for decades to come.

Today America is a very different power. The US continues to bleed from two open wounds in Iraq and Afghanistan as it attempts to extricate itself from them. In Afghanistan - the US army, the most technologically advanced in history has been unable to defeat a band of fighters using weapons developed in the 1960's. As a result it has to rely on a variety of regional surrogates to avoid embarrassment. The US is facing numerous challenges in different regions of the world which only a decade ago it completely dominated.

## **Barack Obama**

When Barack Obama became the 44<sup>th</sup> President of the United States in January 2009 he inherited a nation with its prowess in decline. He took over with the US marred in wars with no end in sight and with an economy in disarray. Obama in his election campaign managed to capture the imagination of the nation with his 'change we can believe in' campaign, however for all those across the world who were hoping for change, this never materialised as US Presidents operate in a world of constraints and limitations. The most remarkable aspect of Obama's foreign policy was his consistency with the policies of former President George W. Bush. He retained Bush's defence secretary, Robert Gates and appointed Hilary Clinton arch supporter of the Iraq war as secretary of state having run against the Iraq war, in his election campaign.

### **- Iraq**

The centre piece of Obama's position was that the Iraq war was a mistake, and that he would end it. Obama argued that Bush's policies alienated US allies. He charged Bush with pursuing a unilateral foreign policy, alienating allies by failing to act in concert with them. In doing so, he maintained that the war in Iraq destroyed the international coalition the US needs to execute any war successfully. Obama further argued that Iraq was a distraction and that the major effort should be in Afghanistan.

Obama adopted the Bush administration's policy of a staged withdrawal linked to political stabilisation and the development of Iraqi security forces. While some detail was tweaked – such as the timeline on the withdrawal, the basic strategy remained intact.

In 2010 two major developments took place in Iraq:

1. Parliamentary elections took place in March 2010. After removing the Ba'athist's from power the US cobbled together a political architecture based on ethno-sectarian lines, which many opportunists have joined to line their own

pockets and protect the interests of their own factions. The March 2010 parliamentary elections saw Kurdish, Shi'ah and Sunni factions fight to gain power in the US constructed political system, yet the divisions the US has created are so deep that it took 9 months for the formation of the government, which remains tenuous at best.

2. US troop levels were reduced from over 100,000 to 50,000 in the August 2010. Whilst the remaining troops have been defined as transition troops, there still remain over 95,000 contractors doing the job the US military does.

Success in Afghanistan however has been much more elusive.

### - **Afghanistan**

The US military and foreign policy establishment abandoned the neo-conservative objective of crushing the Taliban and remaking Afghanistan into a functioning democracy long before Bush left office. America's Afghan policy fell into the hands of the realists, whose priority was maintaining a tractable and viable client-state in Kabul, keeping Afghanistan securely inside the US sphere of control and thus holding onto a key asset in Asia.

Obama's main foreign policy position was that Bush's adventure into Iraq had obscured the real threat from Afghanistan and Pakistan, which should be the priority. Obama publicly and repeatedly promised to escalate US military intervention in Afghanistan, increasing the number of US troops and expanding their operations and engaging in methodical, cross-border attacks. Obama declared that his regime would extend the 'war against terror' by systematic, large-scale ground and air attacks on Pakistan, thus escalating the war to include villages, towns and cities deemed sympathetic to the Afghan resistance. Obama sanctioned the increased use of drone attacks on the border between Pakistan and Afghanistan and on Pakistani soil to achieve US aims.

Like Iraq, the US has attempted a similar strategy in Afghanistan of utilising regional surrogates, corrupt warlords, and political compromises to reduce the level of violence to an acceptable level, whilst constructing the necessary political architecture that will protect US interests. In 2010 the US used targeted strikes against key Taliban personnel and towns in an attempt to bring the Taliban into a political settlement.

Victory for the US still remains elusive as the Taliban has not felt the need or urgency to come to the negotiating table. The Obama strategy of reducing troops in Afghanistan from July 2011 means the US is not in a strong position at the end of 2010 in achieving its interests in Afghanistan.

US military prowess has been a key pillar to its position as the world's superpower. The US used the most technologically advanced invention in WW2 – nuclear weapons, to bring to an end to WW2 in one stroke. Throughout the cold war the US outpaced the Soviet Union in the arms race and space race. The length and depth of the Afghan and Iraq conflicts has resulted in the US war machine being exposed as being overstretched and unsustainable, extricating itself from these two conflicts will have long term repercussions for US's superpower status.

We ended our 2010 estimate on the US facing two major challenges:

**“.....the challenge the US faces are twofold - how do you maintain your prowess when you have been humbled and how do you contain nations who are visibly taking advantage of the decline of the US?”**

The US has managed to more or less extricate itself from Iraq and will now attempt some type of political accommodation with the Taliban. This is how the US is trying to maintain its status in the world, by solving conflicts through political reconciliation and utilising the help of regional countries. In the case of Iraq, the US has even given Iran a stake. The democrat loss of congress means that in 2011 the deployment of additional resources towards Iraq, if violence spirals out of control or in Afghanistan, in order to bring the Taliban into a political resolution will be difficult to pursue. With the Iowa Caucus beginning in January 2012, it leaves only 2011 for Obama to make good the promises made in his election campaign. All of this means the US is not in the best position to curtail nations who are taking advantage of it's preoccupation with more pressing matters at home. However the US Constitution forces the American president to share domestic power with Congress, so a split government leads to domestic policy gridlock. The Constitution also expressly reserves all foreign policy — particularly military policy — for the presidency. A weak president often has no options before him except foreign policy.

The debacle of the Iraq and Afghan wars has severely dented US prowess around the world. It has undermined the power of America's military machine which was symbolic of its success. The US is overstretched, drowning in a misery of debt, and becoming more and more reliant on the cooperation of other nations to achieve its aims.

Is this the beginning of the end of the US as the world's superpower?

Our net assessment is whilst America's problems and challenges are mounting, it's unlikely the US will disintegrate as the US has lost wars previously and still maintained its position as the world's superpower. It is unlikely the US will crumble like the Soviet Union or be replaced as the world's superpower in 2011 or in the immediate future. For the US to be replaced as the world's superpower, requires the rise of other powers. The countries that will define American foreign policy for the next decades are Russia and China. These two heavyweights have interests most at odds with those of the US and the power to do something about it. How they deal with waning US prowess and how the US curtails them will determine the global balance of power in the foreseeable future.

## Russia

In the last decade Russia under Vladimir Putin has managed to gain control over its mineral resources and utilities and clipped the wings of many oligarchs who benefited from the break-up of the Soviet Union. With some of the world's largest energy reserves, Russia is now developing a state of the art military and competing with the US in regions where the US for nearly a decade had uncontested hegemony.

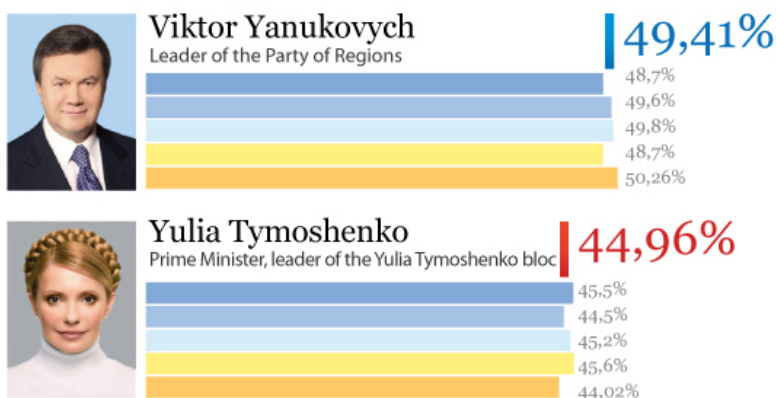
2010 was a year of consolidation for Russia. It took full advantage of America's preoccupation with the Islamic world to reverse the American sponsored colour revolutions. The project to bring all of the former Soviet republics under Russian influence has been a meticulous task led by Vladimir Putin. In 2010 Russia made significant gains in Ukraine, Kazakhstan, Belarus, Armenia, Kyrgyzstan and Azerbaijan, in removing what remained of Western influence. The reformulation of a political union in much of the former Soviet space has also made progress.

Our net assessment in 2010 was:

**“....by the time 2010 comes to an end over 70% of the former Soviet Union will most likely be under Russian control and any effort to change Russian expansion must be monumental if it is to succeed.”**

Russia continued to build upon its previous gains in bringing all its former republics under its influence. In 2010 the most significant gains Russia made were:

- **Ukraine** - The election of Victor Yanukovich in Ukraine's general election in February 2010 officially brought to an end President Viktor Yushchenko's time in office and his pro-Western movement which took power during the 2004 Orange Revolution. Russia had influence over the three main candidates and successfully ejected pro-Western decision-makers in the Ukraine government. Ukraine is Russia's breadbasket. It is also the location of nearly all of Russia's infrastructure to Europe and the Caucasus, making it critical for trade and commerce. Yanukovich



immediately agreed to extend Russia's lease for the Sevastopol naval base in the Crimean Peninsula (where the Russian Black Sea fleet is based) for an additional 25 years. Russia has been able to consolidate its hold on the Ukrainian military, security services and economy. This is a stark reversal of the policy of former Ukrainian President Viktor Yushchenko, who sought to remove Russia from the Sevastopol base and pursue accession into NATO.

- **Kyrgyzstan** -

Russia made gains in the Central Asian Republic, through the overthrow of the government that came to power in the 2007 Tulip Revolution. On Wednesday 7<sup>th</sup> April 2010 protests quickly turned into riots, followed by a seizure and then



the ousting of the government, culminating in the installation of a replacement government - all in less than 24-hours. Russia overthrew Kurmanbek Bakiyevs government through covert support to the opposition. Many from the opposition movement had been in power with Bakiyev until he began purging his government in October 2009 in order to consolidate his grip on power. Kyrgyzstan is not only an important hub for US operations in Afghanistan, to quote the US commander in Manas, Dwight Sones, *"Kyrgyzstan in itself is really the crown jewel of Central Asia, in terms of its location, its sphere of influence with the surrounding countries."* But it was also going to be central to US attempts to establish a training centre for special units to combat terrorism in the region which Alexander Kniazev, director of the regional Bishkek branch of the CIS Institute think-tank described as: *"The United States could use this centre to meet its needs in Central Asia. The slogan of fighting terrorism is only a pretext to achieve American goals as is the case in Iraq and Afghanistan. The United States is seeking through these projects in Central Asia to challenge and compete with Russia and China in the region."*

- **Eastern Expansion** -

In 2010 Russia's attention turned East after years of focusing on the West. President Dmitry Medvedev visited China in September 2010 and secured a number of deals which will have far reaching consequences in the Far East. These



include the completion of the long-awaited pipeline from eastern Siberia to North-Eastern China - linking the world's largest oil producer with the world's largest energy consumer. Dmitry Medvedev also visited the Kuril Islands, laying its claim to the islands, which are



disputed by Japan. Russia is also in the process of replacing its nuclear submarines in the Far East with a missile defence system, giving Russia offensive capabilities in the Far East.

- **Abkhazia** - The only remaining colour revolution is the Rose revolution that took place in Georgia in 2003 which brought the pro-West Mikheil Saakashvili to power. In 2008 during the opening ceremony of the Beijing Olympics, Georgia's president ordered an all-out military attack on Tskhinvali, the capital of South Ossetia, in response Russia moved its military into Georgia and eventually retreated to the regions of South Ossetia and Akhbazia, where it already had influence. In April 2010 Russia confirmed that it moved its S-300 sophisticated anti-aircraft missile system into the republic of Abkhazia, shortly after the Caucasian war. Whilst Georgia has a pro-Western leader, Russia now completely controls Georgia's airspace through the powerful radars and sensor's that constitute the S-300 missile defence shield.



## S-300

The S-300 is one aspect of Russia's missile defence shield. Missile defence systems which intercept launched missiles before they land or hit their intended targets come in two forms:

- Long-range Anti-Ballistic Missile (ABM) systems which are employed in case of long-range nuclear warfare, the US and China are considered to have the most advanced technology in this area.
- Regional missile defence, this is where short and medium range missiles can be launched and intercepted, the US, Russia, China and France have such systems.

The S-300 is regarded as one of the most potent anti-aircraft missile systems currently fielded. Its radars have the ability to simultaneously track up to 100 targets while engaging up to 12. It takes the S-300 system just five minutes to get ready for launching. It can attack aircraft, warships, any ground targets, cruise missiles and ballistic missiles with high target accuracy.

The S-300 missiles are considered in general to have more capabilities than their counterparts, including some advantages over America's patriot missile system. The use of advanced radar means while the missile system tracks launched missiles it also has the capability of monitoring the airspace of a significant area. It is here Russia has made a significant gain. Whilst the official purpose of deploying this system is to provide air defence for Abkhazia and South Ossetia, the air defence's battery range entails broader significance for Russia's efforts to consolidate its military position in the Caucasus.

## Russia's Resurgence

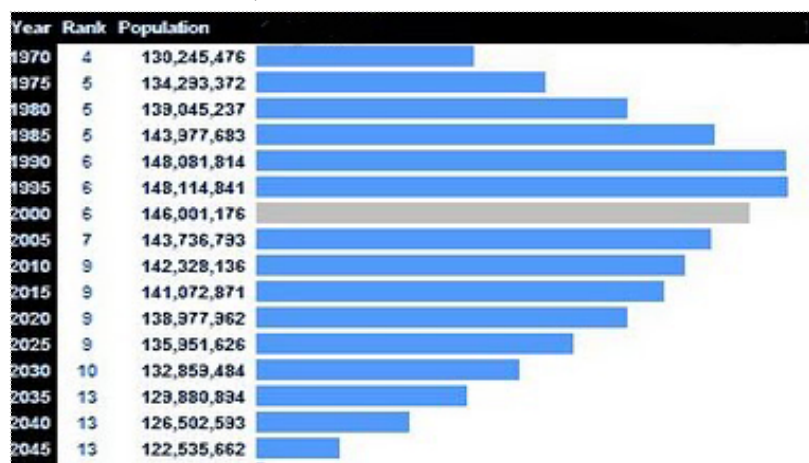
Russia does not have a one-size-fits-all strategy for the former Soviet republics. Russia has not simply waged war with each country like it did with Georgia, cut off energy supplies like in Lithuania, set up government like in Ukraine or overthrow governments as in Kyrgyzstan. Going forward, Russia will tailor the type of policies to reconsolidate control based on the influence it has on each of its former republics.

In 2011 our net assessment is that the three Baltic States: Estonia, Latvia and Lithuania will be the areas of tension for Russia. All three states are a mere stones throw away from Russia – Estonia and Latvia share a border with Russia. The Baltic States are also the only former Soviet states who were admitted into the European Union and NATO in 2004. This puts the West, right on Russia's doorstep. It is essential for Russia to consolidate its control over the Baltic States if it has ambitions to protect its periphery and challenge US dominance.

Turkmenistan remains the last Central Asian nation where Russia is yet to gain influence. Turkmenistan possesses the world's largest gas reserves after Iran, Russia and the US and will play a central role in supplying energy to Europe in the Nabucco project as the West and especially Europe attempts to reduce its dependence on Russian energy. In 2011 and beyond our net assessment is Russia will work to bring Turkmenistan closer to Russia in order to keep Europe dependent on Russian energy

In the short to medium term there are also two key strategic issues Russia will need to contend with if it's to pose a serious challenge to US hegemony:

- **Population decline** - The disintegration of the Soviet Union in 1990 didn't just have political and economic consequences; it also had massive social consequences. Russians stopped having children due to a decade of horror – termed liberalisation in the West. The crisis raised poverty from 2 million to 60 million, a 3000% increase. UNICEF noted that this resulted in 500,000 'extra' deaths per year. The Soviet health system crumbled, suicide and AIDS increased leading to deaths outstripping births. Russia's population on the eve of its collapse was 148 million, today it has declined to 141 million. The problem Russia faces



is the 20 – 29 year old age category is currently the largest segment of Russia's population, they were born in the 1980s when Russia was still a power. The under 20's are much smaller, born after the dissolution of the Soviet Union. This segment cannot sustain the high birth rates of the preceding generation and hence Russia faces a big problem as its labour force will be severely depleted. As Russia expands it will in all likelihood have more and

more non-ethnic Russians in its territory. How Russia integrates them will impact its territorial cohesion.

- **Military Industry** – Russia’s military industry is a generation behind that of Americas. During the Cold War the Soviet Union competed with the US in the arms and space race. Both nations developed powerful nuclear weapons. They both competed in delivery systems and both were able to construct Intercontinental Ballistic Missiles (ICBM) to deliver powerful warheads alongside strategic weapons systems. Both nations had huge military industry complexes which supplied technologically advanced weapons. The disintegration of the Soviet Union resulted in the newly independent states dividing up the military's assets. The Russian Federation inherited the largest and most productive share of the former Soviet defence industry, employing as many as 9 million workers in 1,125 to 1,500 research, design, and production facilities. Most Russian defence enterprises steadily lost their best workers to Western companies. In 1997 the Russian defence industry consisted of some 2.5 million workers. In dealing with this situation, the Kremlin came to rely increasingly on its nuclear arsenal as the guarantor of territorial integrity. Russia’s nuclear weapons are its trump card in all defensive scenarios. Until Putin came to power the Kremlin had no offensive capabilities or ambition. Russia continues to field a very sizable arsenal that includes established missile designs that work, even as it continues to toy with manoeuvrable re-entry vehicles and penetration aids to improve its capability against ballistic missile defences. 20 years since the dissolution of the Soviet Union America has developed and deployed the only 5<sup>th</sup> generation fighter jet – the F22 – Raptor, it has 11 aircraft carriers that are constantly at sea with 90 fighter jets on each carrier, ready for combat. More importantly the US in the last decade has been conducting expeditionary overseas operations. The US military has excelled in the logistical requirements of overseas deployments, and the rotations and training cycles required for sustaining expeditionary forces. Russia on the other hand has ballistic missile submarines that do not conduct patrols, the bulk of its deliverable warheads are carried aboard aging Soviet-era heavy intercontinental ballistic missiles. Russia’s military is a generation behind the US. To pose any challenge to the US Russia will need to modernise its military industry and develop mobile and agile military units that can be deployed at a moments notice.

US v Russia		
	Russia	USA
<b>Troops</b>	<b>21m</b>	<b>2.4m</b>
<b>Tanks</b>	<b>22,710</b>	<b>13,000</b>
<b>Aircrafts</b>	<b>1,900</b>	<b>3,318</b>
<b>Frigates</b>	<b>26</b>	<b>30</b>
<b>Submarines</b>	<b>74</b>	<b>146</b>
<b>Nuclear Weapons</b>	<b>9,400</b>	<b>4,300</b>

Whilst Russia has made significant gains, politically it still has a number of strategic issues that it will need to be overcome if it is to pose a challenge to the US. Currently Russia is not in a position to replace the US as the world’s superpower and it may take over a decade for it to reach a position of strength.

## China

China's economic prowess continued to grow in 2010 as it replaced Japan as the world's 2<sup>nd</sup> largest economy. This fact underscores China's emergence as an economic power, which is changing everything from the global balance of military and financial power to producing most of the world's goods.

China's global influence includes:

- Overtaking Germany as the world's largest exporter<sup>2</sup>
- The world's largest consumer of energy
- Consumes half of the world's seaborne iron ore<sup>3</sup>
- Consumes 33% of the world's aluminium<sup>4</sup>
- Consumes half of the world's copper<sup>5</sup>
- Consumes half of the world's coal<sup>6</sup>
- World's largest Gold producer<sup>7</sup>
- World's largest steel producer<sup>8</sup>
- World's largest cement producer – produces 45% of global production
- World's largest rare earth mineral producer – produces 96% of the world's total production
- World's largest lead producer – producing 32% of global production
- World's largest producer of Tin - producing 35% of the world's production
- World's largest producer of Zinc – producing 26% of the world's production
- World's largest producer of clothing - produces half of the world production<sup>9</sup>
- World's largest producer of computers – produces half of the world's computers<sup>10</sup>
- World's largest producer of digital electronics<sup>11</sup>
- World's largest producer of toys<sup>12</sup>
- World's largest carbon emitter
- World's largest car market – 13.5 million cars sold in 2009.<sup>13</sup>
- Possesses the three Gorges Dam - the largest electricity-generating plant of any kind
- World's largest agricultural producer
- World's largest Wheat producer
- World's largest foreign exchange reserves – \$2.6 trillion
- World's largest population – 1.4 billion
- World's longest bridge – the Hangzhou bay bridge is 22 miles long
- World's largest shopping mall - New South China Mall<sup>14</sup>

## Asia Pacific

2010 was a year of heightened tensions in Sino-US relations. Washington pushed ahead with its strategy to re-engage with Southeast Asia and to re-assert its commitment to the region's security. Vietnam and Indonesia occupy strategically important geographical positions in the South China Sea and the straits of Malacca and Makassar. They share a historical wariness of Chinese ambitions that has made them willing to partner with the US. US Secretary of State Hillary Clinton declared the US has a "national interest"<sup>15</sup> in seeing disputes over territorial claims in the South China Sea settled through multilateral talks, which she said the US was prepared to facilitate. China views the



area as its own strategic sphere of interest. Strategic Forecasting the private intelligence agency outlined the role of military exercises in US foreign policy: *The greater the role the United States takes in building up and sustaining an ally's military force, as well as the more prominent and overt the US military's role in defensive scenarios and war plans, the greater the American influence will be in its allies' individual and collective defence. That influence can translate into significant US input in the structure, posture and disposition within an*

*alliance. This can include orienting regional militaries to less critical, but manpower- or resource-intensive mission areas, while allowing Washington to focus on maintaining capabilities it considers more suited to its own interests and capabilities. This also ensures that Washington maintains control over strategic or decisive capabilities.*<sup>16</sup>

Since coming to power the Obama administration has pursued the US policy of containing China in South East Asia. Various visits took place during the summer of 2010, culminating in military exercises in the region.

The largest of these was the four-day Invincible Spirit joint war games with South Korea in the Sea of Japan off the East coast of the Korean Peninsula in July 2010, which included the participation of the 100,000-ton nuclear-powered super-carrier USS George Washington among 20 warships, 200 warplanes including F-22 Raptor stealth fighters, and 8,000 troops. A Chinese news agency described the exercises as: *“they were no ordinary war games; they were unprecedented in the past three decades both in terms of scale and weaponry. The resources involved were said to be enough for launching a full-scale war.”*<sup>17</sup> Alongside this the US also conducted a number of other military exercises which are significant developments for the US in the region, these include:



- In June 2010, Barack Obama and Indonesian President Susilo Bambang Yudhoyono announced in Jakarta that the two countries would form a Comprehensive Strategic Partnership. The agreement, signed by the Indonesian Director for Strategy and Planning - Major General Syarifudin Tippe, is intended to further integrate existing defence collaboration.

- In July 2010, the US courted its old adversary Vietnam with a week-long series of bilateral exercises focused mainly on damage control and search and rescue, held aboard the USS John S McCain.
- In July 2010, the first exercises between the US and Cambodia took place. The Angkor Sentinel included 10 multilateral military exercises involving 1,200 soldiers.

The rising rivalry between Washington and Beijing for influence in South East Asia has until now revolved mainly on soft power initiatives involving diplomatic exchanges, aid and economic incentives. Chinese leaders avoided behaviour that aroused fear or suspicion on the part of its neighbours and economic partners. It has utilised its ‘soft power’ - diplomacy, development aid, and cultural ties - to cultivate friends and allies. However expanding US military ties may bring an end to so called peaceful competition. As US-Sino competition shifts toward security issues, the regions countries will increasingly be pressured to choose sides.

Our 2010 assessment concluded that the manner in which China navigates US plans in the region, to contain it, is central to China’s position in the future.

## Foreign Policy

China is rapidly modernizing and expanding its arsenal of missiles, ships and aircraft. This has given China’s army a much more prominent say in Chinese policy making, as a result of China’s increasing reliance on the military to secure supply lines for its economy. The People’s Liberation Army (PLA) has been playing a more prominent role in maintaining internal stability that has included responding to natural disasters, riots and international peacekeeping efforts. As the PLA’s clout has grown it has begun commentating in the press on issues concerning Chinese foreign policy.

	Total Active Duty		Army	Navy	Air Force
China	2,185,000		1,600,000	255,000	300,000
United States	1,539,587		632,245	526,114	340,530
India	1,281,200		1,100,000	55,000	120,000

This has led to a shift in the PLA’s attitude toward the US in Asia. As recently as a few years ago, Chinese officials acknowledged that the American military is a stabilizing force in the region. But while China’s civilian leaders still want to enhance military-to-military ties, Chinese officers have become increasingly confrontational. There is a struggle inside the Chinese Communist Party between those who want to more forcefully confront the US on a range of issues, mostly within the PLA, and those who genuinely seek better ties, and the faction favouring confrontation is gaining ground.<sup>18</sup> Rear Adm. Yang Yi, former head of strategic studies at the Chinese Army’s National Defence University, wrote in August 2010 in the military newspaper People’s Liberation Army Daily: “[The United States] is engaging in an increasingly tight encirclement of China and

*constantly challenging China's core interests. Washington will inevitably pay a costly price for its muddled decision*"<sup>19</sup>

In 2010 The PLA challenged the US Navy's right to operate in international waters near China's coast. In response to the announcement in July 2010 of military exercises in the Yellow Sea involving the aircraft carrier USS George Washington, something the Navy has been doing for decades, Rear Admiral Yang Yi told an Australian journalist that this was *"some kind of challenge and humiliation to China's national interest and the feelings of the Chinese people."*<sup>20</sup> After similar protests the Pentagon caved, opting to deploy the Washington and its battle group on the other side of the Korean peninsula. Beijing has also decided to enforce its claim to almost the entire South China Sea as its 'historical waters,' identifying this as a 'core interest' on a par with Taiwan and Tibet. Early in 2009, Chinese patrol vessels and trawlers mounted a coordinated effort to intimidate an unarmed US Navy surveillance ship. China has been equipping its fisheries service with ex-Navy ships to enforce a summer fishing ban in the South China Sea. In June 2010, one such ship was involved in a confrontation with the Indonesian navy off the Natuna Islands.

China is attempting to halt the US from operating freely in the waters bounded by Japan, Taiwan, the Philippines and Indonesia. Beijing's strategy, known as 'access denial,' involves fielding a large submarine force, developing cruise and ballistic missiles that could take out an American aircraft carrier, and deploying anti-satellite weapons that can disrupt US communications. These and other forms of 'asymmetric' military capabilities are intended to prevent the US Navy from gaining access to these waters in the event that China decides to bully Taiwan into accepting reunification on Beijing's terms.

With all the developments of 2010, our net assessment of China remains unchanged, and whilst there have been developments that show change is afoot, these are unlikely to alter the balance of power for the moment. This is because China suffers from a number of internal problems which at anytime can be exacerbated by the US if needed. These include:

- China today is an export oriented economy and dependent on foreign countries to continue importing from it. Therefore whatever the size of China's currency reserves, no matter how cheap it's labour force or its technological developments, China relies on foreign nations to import from it and physically ship to them – A naval blockade would cripple China. China today is the world's industrial workshop; it remains totally dependent on the world to continue buying from it rather than anyone else, this is a very fragile model of development.
- China's rapid economic development has made it intertwined with the US. The US, the world's largest consumer, imports the vast majority of the goods that come out of China's production lines. This has resulted in the current US trade deficit of \$226 billion with China, as a result US dollars end up in China, which today is over \$2 trillion. Such huge reserves have resulted in China purchasing US treasury bonds, which funds America's massive trade

## World Trade 2009

Rank	Country	Value US\$Billion	Share World Trade
1	China	1,202	9.6%
2	Germany	1,121	9.0%
3	United States	1,057	8.5%
4	Japan	581	4.7%
5	Netherlands	499	4.0%
6	France	475	3.8%
7	Italy	405	3.2%
8	Belgium	370	3.0%
9	Rep of Korea	364	2.9%
10	United Kingdom	351	2.8%

deficit. In turn this has resulted in the expansion of China's manufacturing base, China's need for a larger share of the world's oil and mineral resources. This has also led to the loss of jobs in America's manufacturing sector to superior Chinese craftsmanship.

- Being the world's industrial factory has led to economic development and created immense wealth. However on its own this does not turn a nation into a world power. Whilst China has become the world's factory, this is all at the lower end of the technology ladder. The Atlantic monthly writer James Fallows spent a year in China, watching the nation's industrial machine up close. He compared China's current manufacturing capability to the U shaped smile on a happy face 😊, he illustrated the development of a product, from its initial conception to its eventual sale. At the top left of the curve there is the initial idea and industrial design, the products details and how it will eventually look and work. Lower down the on the curve is the detailed plan by an engineer. At the bottom of the curve is the manufacturing, assembly and shipping. Then rising up on the right of the curve is the distribution, marketing, retail, sale, service contracts, parts and accessories. Fallows observed that in almost all the manufacturing industry in China, China takes care of the bottom of the curve and the US the top. *"The simple way to put this – that the real money is in the brand name, plus retail."*<sup>21</sup> The ends of the U is where the money is and the US dominates this area globally. China is fast going down the road Japan took in the 1980's. Throughout the 1980's Japan was meant to overtake the US economy and replace it as the world's superpower, similar to China it became the world's industrial factory, in the end the Asian financial crisis of 1997 proved the fallacy of what an export led policy actually leads to.

- China's rapid economic development has been anything but equal. The Special Economic Zone's (SEZ) have all been constructed on China's Eastern coast and everything that comes off the production line is placed on ships as cargo and exported to the world. The coastal region as a result is interlinked with the global economy; it has seen most of China's rapid development and enriched a new breed of merchants, all at the expense of the rest of China. Most of China today remains largely agrarian, has little infrastructure and lives in poverty. This has created China's massive internal cohesion problem.



- For centuries, China has attempted to hold together a vast multi-cultural and multi-ethnic nation despite periods of political centralization and fragmentation. But cultural and linguistic differences have worsened due to uneven growth and a massive misdistribution of wealth. Physical mistreatment, imprisonment, lax labour laws and pitiful pay and the fact that the Chinese government is seen not to have addressed the economic needs of the vast bulk of the population is causing internal strife and calls for political succession. In 2005 China handled 87,000<sup>22</sup> cases of social unrest; this is public disturbances, demonstrations and civil strife. Domestically China is a simmering tinderbox that could go off at anytime.



- China domestically is ruled by Communism, as such it still has a one party system, but economically it is moving more and more towards the free market. At the same time, China is nationalist led which has heralded calls for separation by some regions. Until China decides what its national identity is, the nation will continue to be pulled in different directions and China will never be able to pose a threat to the world's superpower. The imposition of the ethnic Hans over the other ethnicities only contributes towards the problem. If the US felt China posed an immediate threat to its interests it could with much ease support one of the minority groups and cause internal problems for China.

In the year ahead China has a number of issues it will have to tackle in order to ensure its development continues:

**Currency crisis** - Frictions with the US are set to continue after a summer of tensions around Chinese waters as the US conducted military exercises in what was a continuation of its long term policy of containing China. China has until recently relied on its soft power to deal with most foreign policy issues so as to avoid exacerbating them and injecting any fear about its rise. The global financial crisis has led China to protect its currency in order to keep it artificially cheap so its economy doesn't stall. This is however having an impact on the wider global economy as a currency or trade war is looming and impacting the US and European economies from recovering from the economic crisis. The US has for the moment refrained from anything more than threats against the Yuan, but as its recovery falters a trade war maybe on the cards.

**Economic Model** - The global economic crisis has exposed China's export driven economic model as a fragile method of development. The global economic crisis has also lead to a fall in global exports from China, for which China turned to spending on domestic infrastructure to stimulate the economy. China in 2011 will have to turn from reliance on exports to developing its domestic market, this requires some fundamental changes in the nation's culture as the Chinese have traditionally saved rather than spent.

**String of Pearls** - China's string of pearls policy is its first venture beyond the region. The policy was described by the US government as: *"The "String of Pearls" describes the manifestation of China's rising geopolitical influence through efforts to increase access to ports and airfields, develop special diplomatic relationships, and modernize*



*military forces that extend from the South China Sea through the Strait of Malacca, across the Indian Ocean, and on to the Persian Gulf.*"<sup>23</sup> The sea lines run through the strategic choke points of Strait of Mandab, Strait of Malacca, Strait of Hormuz and Strait of Lombok as well as other

strategic naval routes along Pakistan, Sri Lanka, Maldives and Somalia. With a summer of military exercises by the US in the region all of these key strategic routes for energy will need to be consolidated as the US strengthens its relations with the nations that surround China.

In the longer term China needs to develop global aspirations. In China's 4000 year history it has never been a superpower and has never influenced the global balance of power. Even when it adopted Communism it never carried this beyond its borders and never influenced any of the regions of the world. Much of China's 4000 year history is composed of internal wars and struggles in order to unify the homeland. China's foreign policy is centred on domestic economic development and procuring all the necessary raw materials to achieve such aims. Due to this reality China has focussed on its region and as of yet has shown little ambition beyond the region. China will need to develop global ambitions if it is to challenge the US.

China currently has shown little global ambition in constructing an alternative global system. It has in fact amalgamated into America's global system of trade - WTO, security – United Nations and finance – IMF and the World Bank. China appears to be working to achieve its interests from the existing system rather than attempting to replace it. With such a narrow view China will politically never be able to challenge the US.

For the US China poses a potential threat in South East Asia and hence the US wants to restrict potential Chinese political ambitions but at the same time it wants to benefit from the 1.4 billion domestic market. US central intelligence estimates and quadrennial reviews constantly propose the US to increase military expenditure in the face of Chinese threats. China as a threat to the US is overblown when China has for the moment restricted its interests and ambitions to its region – it is questionable whether a nation that has never been a world power, who has never expanded beyond its borders, even has global ambitions.

Currently China only poses an economic challenge to the US, due to this it is unlikely China will replace the US as the world's superpower any time soon

## Turkey

2010 has seen Turkey rise to prominence in the international arena. A number of analysts have described Turkey's recent assertiveness as a new resurgence with the nation playing a leading role in a number of international issues. Negotiations with Iran over its nuclear programme, intermediating between Azerbaijan and Armenia over disputed territory and participating in indirect negotiations between Israel and Palestine has left some nations in Eastern Europe expecting the return of the Ottoman Janissaries. With the collapse of the Soviet Union Turkey has been able to provide for the markets of Eastern Europe, the Balkans and the Caucuses, it is also showing a new confidence beyond Turkish borders, long absent after the Ottomans. Various experts are now describing Turkey's ascendancy as neo-Ottomanism.

Stratfor said:

*“Turkey, like Russia, is also on an ascendant path. Ankara is rediscovering its Ottoman-era influence after spending the past several decades as a geopolitical hermit. Its influence spreads across the Islamic world to the Middle East, Central Asia and South Asia as well as through Eurasia in the Caucasus and the Balkans. What we have is a careful Turkish strategy that involves probing into its various surrounding regions, attempting to take advantage of potential opportunities. Where the Turks find resistance, they retreat. In places where they encounter little or no resistance, they advance. These very preliminary and exploratory moves will define Turkish attempts at geopolitical revival for some time to come.”<sup>24</sup>*

John Feffer, co-director of Foreign Policy In focus said:

*“Turkey promptly becomes a likely candidate for future superpower. It possesses the 17<sup>th</sup> top economy in the world and, according to Goldman Sachs, has a good shot at breaking into the top 10 by 2050. Its economic muscle is also well defended: after decades of assistance from the North Atlantic Treaty Organization (NATO), the Turkish military is now a regional powerhouse. Perhaps most importantly, Turkey occupies a vital crossroads between Europe, the Middle East and Central Asia. A predominantly Muslim democracy atop the ruins of Byzantium, it bridges the Islamic and Judeo-Christian traditions, even as it sits perched at the nexus of energy politics. All roads once led to Rome; today all pipelines seem to lead to Turkey. If superpower status followed the rules of real estate - location, location, location - then Turkey would already be near the top of the heap.”<sup>25</sup>*

Since the dissolution of the Uthmani Khilafah, Turkey has worked to align itself with the West. Turkey was firmly in the Western camp during the competition between the Soviet Union and the US and internally all calls for a return to Islam have been drowned out by the Kemal Ataturk inspired programme of militant secularism. In 2010 Turkish assertiveness has been in the following areas:

## Caucases

Turkey under the Uthmani Khilafah fought and lost a number of wars in the 18<sup>th</sup> and 19<sup>th</sup> centuries which led to the Uthmani's ceding territory to Russia. The collapse of the Uthmani Khilafah in 1924 led to a number of incidents with Armenia - which have come to be known as the Armenian massacre. This defined the hostile relations between the Caucasian nations and Turkey. Today both Russia and Turkey are working to gain a foothold in the region.



Turkey is currently in the middle of a lengthy process to normalise relations with Armenia. The talks have been long and slow, which has produced protocols both nations have signed. The outcome of such negotiations is intrinsically linked to Azerbaijan who wants the Nagorno-Karabakh territory to be resolved under any agreement between Armenia and Turkey.

Azerbaijan has doubts over the importance Turkey places upon its claims to the territory. This has resulted in Azerbaijan turning to Russia's mediation. Russia has been able to play Azerbaijan, Armenia and Turkey off each other.

## Energy

Turkey's geographic location has turned it into a conduit for energy. Straddling Europe and Asia, Turkey's ports receive crude oil and natural gas which is then refined and sold to European markets. Turkey has regularly advocated European energy projects, like Nabucco, that circumvent Russia's network. As one analyst put it: *"The other more secure corridor for European energy diversification is Turkey - already an end point for two major pipelines from the Caspian. Turkey's Mediterranean port of Ceyhan supplies Europe with much needed alternative oil."*



*But while Turkey has the potential to become an energy hub for Europe, there is much work left for the EU. The first order of business would be a diplomatic offensive to realize the Nabucco gas pipeline from Turkey to Austria through Bulgaria, Romania and Hungary. This project would provide another key alternative route for Caspian resources to reach Europe to begin to ameliorate overdependence on Russia."<sup>26</sup>*

Russia's use of its energy resources as a foreign policy tool has seen Ukraine, Lithuania and subsequently Europe being held hostage by the former world power. Europe and especially France and Germany's dependency on Russia's energy hydrocarbons has been exposed one too many times and Turkey currently represents the only alternative to Russian energy dependency.

## **Middle East**

Turkey is not part of the P5 + 1 group who are attempting to construct a sanctions programme against Iran for enriching Uranium. The US has reneged all deals and agreements that have been reached which has allowed the Iran nuclear issue to escalate to the level it has. The US continues to use the nuclear stand-off to protect its other interests in the region. America has gained a strategic advantage by providing security to the Gulf Arab countries in the face of Iran's rhetoric; it has also forced the Israelis into a security pact. Turkey and Brazil's nuclear fuel swap proposal to de-escalate the Iranian nuclear controversy took place on the same day that the US was tabling sanctions against Iran.

Turkey various positions in the Middle East are no different to America's. Turkey has actively participated in the indirect talks to kick start the peace process that works towards the two state solution. Similarly America needs nations it can rely on to extricate itself from Iraq and Turkey has been more than happy to play the patron. Stephen Larrabee, Corporate Chair in European Security at the RAND Corporation said regarding Turkey's role in the Middle East *"Turkey's new activism is a response to structural changes in its security environment since the end of the Cold War. And, if managed properly, it could be an opportunity for Washington and its Western allies to use Turkey as a bridge to the Middle East."*<sup>27</sup>

## **Justice and Development Party (AKP)**

Ever since Abdullah Gul and Recep Tayyip Erdogan left the Virtue party and formed the Justice and Development Party (AKP), they both began cementing ties with America. Whilst many reforms have been introduced to break the armies hold on power the centrepiece of the AKP's strategy was the 'Shared Vision Document' signed between the Turkish and American government by Abdulla Gul and Condoleezza Rice on 5<sup>th</sup> July 2006. The meeting confirmed: *"The strategic vision document confirms Turkish-US consensus to translate our shared vision into common efforts through effective cooperation and structured dialogue."*<sup>28</sup> The AKP and the US agreed to a number of issues including:

1. Supporting international efforts towards a permanent settlement of the Arab-Israeli conflict, including international efforts to resolve the Israeli-Palestinian conflict on the basis of a two-state solution
2. Supporting diplomatic efforts on Iran's nuclear program, including the recent P5+1 initiative contributing to stability, democracy and prosperity in the Black Sea region, the Caucasus, Central Asia and Afghanistan

3. Enhancing energy security through diversification of routes and sources, including from the Caspian basin

A US House of Representatives Committee on Foreign Affairs hearing entitled *The United States and Turkey: A Model Partnership* commented that, “*This cooperation is vital for both of the two states in an environment in which we face serious security issues in Afghanistan, Iraq, Iran, the Balkans, Black Sea, Caucasus and the Middle East, besides a global financial crisis.*”<sup>29</sup>

### **Turkish Assertiveness**

Since the end of WW2, throughout the Cold War and Gulf wars Turkey has sided with the US. Currently the Caucasus is a hot spot where a resurgent Russia is looking to bring its former republics under its influence and create a buffer zone to protect the Russian interior. Turkish manoeuvres in the region by forging relations with the nations of the region complicate Russian interests, which also happens to be the US strategy in the region.

In the area of energy the West has presented Turkey as the alternative to Russian energy dependency. Whilst Turkey does gain by becoming an alternative route to Russian energy, this also fulfils European energy interests and subsequently US interests in ensuring Russian influence doesn't gain any momentum.

Similarly Turkish mediation in the Middle East is within the scope of the US strategy for the region – the two state solution. The US is attempting to push ahead with Israel and the Muslim nations of the region in normalising relations after a decade of little progress on the peace process.

In 2011 and beyond Turkey's role will only grow in importance. Turkey has played an important role in the formation of the political process in Iraq and will continue to mediate in the Caucasus and the Middle East. Currently Turkish assertiveness has not conflicted with the US or its Western allies. How Turkey responds when they do, will be very telling on whether Turkey is an independent power on a path of ascendancy or a power that will play the role of patron for other powers.

The AKP has forged ties with the US and with the decision to house US missile defence components, relations are set to deepen. However governments are transitional and do not alter underlying trends. Turkey's ambitions beyond its borders have worried the US who in the wikileaks cables described their concerns over the dependability of Turkey. Ahmet Davutoglu, Turkey's foreign minister outlined Turkey's ambitions in a speech in October 2009, he said: “*Balkan history was a success story. We can reinvent this success. We can re-establish this success through creating an original ownership, this was the Ottoman Balkan. We will re-establish this Balkan. People are calling me neo-Ottoman, therefore I don't want to refer to the Ottoman state as a foreign policy issue. What I am underlying is the Ottoman legacy. The Ottoman centuries of the Balkans were success stories. Now we have to reinvent this.*”<sup>30</sup>

## European Union

The Greek debt crisis exposed the gaping holes in the European unification project that began over 60 years ago. Our net assessment in 2010 was that Europe would have to deal with a resurgent Russia and with the reality of opposing coalitions solidifying within the union. It would also have to deal with the increasingly divergent interests that would swell the ranks of member states. The Greek debt crisis brought all these issues to the surface.

Greece joined the Eurozone in 2001. By becoming a member of the Eurozone, Greece's credit rating was considered the same as Europe's heavy weights such as France and Germany as they were all now part of the same union. This gave Greece access to finance that it would otherwise not have been privileged to. Due to this a boom in the Greek economy took place, from 2000 – 2007 Greece was the fastest growing economy in the Eurozone as capital flooded the country. Successive Greek governments went on spending sprees, creating in turn many public sector jobs, new pension plans and many other social benefits. The spending addiction included high-profile projects such as the 2004 Athens Olympics, which went well over budget.

By 2010 Greece had accumulated external debts of €300 billion. The government budget was only €78 billion from an economy of €248 billion. Greece's total debt was more than the whole economy put together. The Greek government also had to repay €53 billion in 2010 alone. Greece's revision of its deficit figures in May 2010 confirmed its economic statistics had been outright lies. Greece deliberately misrepresented the country's official economic statistics. Greece paid Goldman Sachs hundreds of millions of dollars in fees from 2001 for arranging transactions that hid the actual level of borrowing. This enabled Greece to live beyond its means, while hiding its deficit from the EU.

Our net assessment of the EU in 2010 was:

**“There is however a number of obstacles that will keep the EU disjointed in 2010 and the foreseeable future. The European Union has expanded well beyond its original founder states. Consensus on how far enlargement should go and how deep integration should be continues to plague the union.”**

The European Union was created without any rules regarding exiting the Union. As more information came to light regarding Greece's finances it became clear that the Union's viability was in question. EU rules do not allow for bail-outs and this meant European Union member states would need to make use of their domestic budgets to bailout the Greek economy at a time when Europe was in the middle of austerity.

The response from EU members ranged from the EU's economic heavyweight - Germany bailing Greece out to dithering and leaving the decision for another day.

With both France and the UK unable and unwilling to utilise domestic budgets for a Greek bailout and save the EU, it was left to Germany to bail out the Greek economy when it was not prepared to do the same for its own domestic economy. The national interests of the key member states got in the way of a unified response.

The Eurozone eventually provided assistance in the form of a €45 billion loan to Greece in partnership with the IMF, however problems remain for the EU, as one analyst put it: *“For the Euro, unlike other currencies, is more than a means of payment and a store of value. It is a symbol of Europe’s aspirations to be respected as a community of sovereign nations engaged in a unique experiment to unite in peace and prosperity. But, as analysis of this year’s events shows, policymakers have their work cut out to fix the design flaws and economic weaknesses that have impaired the project from the start.”*<sup>31</sup>

Inherently a union of smaller states into a larger political union is a weak method of amalgamation. It lacks the characteristics found in full unification where a people become one nation. A union as a method of binding peoples and nations is always prone to political differences as it continues to recognise the sovereignty of constituent nations, this leaves it open to influence from the outside and held hostage by national interests.

In 2011 and beyond the EU faces challenges which bring the whole concept of a unified Europe into question:

**Germany** – The declaration by German Chancellor Angela Merkel in October 2010 that multiculturalism, or Multikulti, as the Germans put it, *“has failed, utterly,”* and that her government was *“committed to a dominant German culture and opposed to a multicultural one,”* has global implications. Germany has spent the period after WW2 apologizing for its role in WW2, this has resulted in it leaving aside questions of national identity and the German self-interest. Germany after WW2 embedded itself into the European Union and NATO and avoided anything that looked like German unilateralism. With the Greek sovereign debt crisis certainties about a united Europe have frayed and Germany for the first time since WW2 has started to look beyond the EU. Germany is the financial and economic guarantor of Europe. When Germany constructs notions of the German nation, historically the national interest was conquering Europe.

**EU Security** – The EU has attempted for the last decade to construct its own security apparatus. Without the ability to construct its own security the EU will always be reliant upon the US, the very nation the EU was created to challenge. A leaked version of the Pentagon's 1994-1999 Defense Planning Guidance report advises that the United States *“must seek to prevent the emergence of European-only security arrangements which would undermine NATO ... Therefore, it is of fundamental importance to preserve NATO as the primary instrument of Western defense and security, as well as the channel for U.S. influence and participation in European security affairs.”*<sup>32</sup> The US has worked to actively weaken the EU. The US has managed to maintain NATO as the world's default security organisation, European attempts at creating an alternative security force has met numerous challenges by the US. The NATO summit in Lisbon in November 2010 weakened the EU and strengthened the US as it was able to impose a missile defence shield on the whole of Europe which would place EU security in the hands of the US.

**Economic Recovery** – The Greek debt crisis has thrown the whole EU project into question. Whilst Greece was bailed out with a loan from Germany and the IMF, there remain a number of other EU nations who have a similar economic model to Greece and are also on the verge of collapse. All of this has long term implications of delaying the economic recovery in Europe. This places further



strains on the heavyweights of the EU such as France and Germany, who themselves are struggling with economic growth.

## **Iraq**

2010 was dominated by Barak Obama's election promise of withdrawing US troops. Barack Obama inherited George W Bush's plan that called for coalition forces to help create a viable Iraqi national military and security force that would maintain central government's authority and Iraq's territorial cohesion and integrity. Obama's election campaign pledge was to systematically reduce US presence in Iraq by the summer of 2010, with only non-combat troops remaining. Whilst US troops were reduced from over 100,000 to 50,000 this hides a number of problems the US faces, which exist due to the manner in which the US achieved stability in the country.

The so-called stability the US has constructed is tenuous at best. After removing the Ba'athist's from power the US cobbled together a political architecture based on ethno-sectarian divisions, which many opportunists have joined to line their own pockets and protect the interests of their own factions.

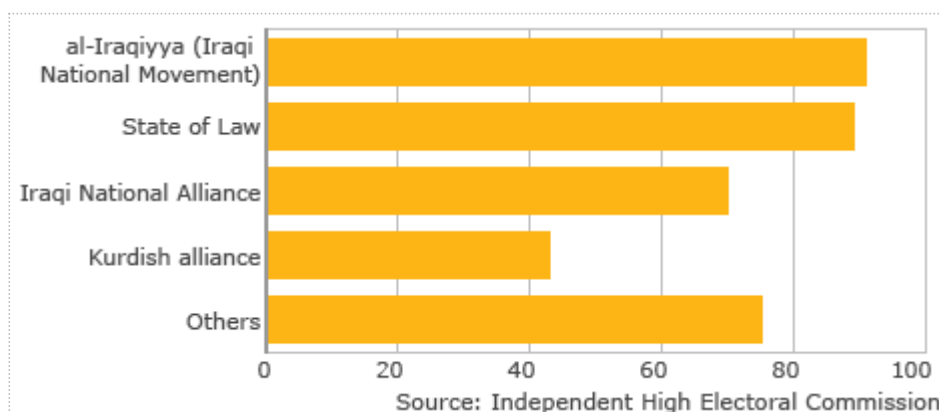
When the US was drowning in an insurgency comparisons were being made with the invasion of Vietnam. The US administration had massively underestimated Iraq's unconventional forces. However it could never have stemmed the insurgency or constructed a post-Saddam regime were it not for the help it received from surrogate nations in the region, namely Iran, Turkey and Syria.

- **Iran** - Iran was central to stemming the insurgency that gripped the US army in the South of Iraq. It was Iran's patron the Islamic Supreme Council of Iraq (ISCI), a group created in Tehran in 1982 that gathered the Shi'ah factions to join in the US constructed political system. This then allowed US forces to concentrate on the insurgency in central Iraq. Through promises of positions in government, bribes and rewards the US co-opted pro-Iran elements into its solution for Iraq. It was Sayyid Ali as-Hussayni al-Sistani, who brought Sadr, Islamic Supreme Council of Iraq (ISCI) and da'wah factions together to form the United Iraqi Alliance (UIA) that gained a large number of parliamentary seats in the 2005 elections. The group similarly won substantial seats in the 2010 parliamentary elections. This is how the US stemmed most of the insurgency.
- **Turkey** – Turkey played a central role in ensuring the US constructed architecture came together. Turkey has a policy of maintaining contact with all groups in Iraq. Moqtada Al-Sadr's held talks in Ankara focused on the political process in 2009, the deadlock after the March 2010 elections saw Prime Minister Nouri al-Maliki, the leader of ISCI and Iyad Alawi travel to Turkey in order to gain its support in forming the new government. Similarly the Semi-autonomous Northern Iraq has seen over \$5 billion in investment from Turkey. Turkish companies are the top investors in hotels, real estate, industry and the energy in the north, around 55% of the foreign firms in north Iraq - 640 of 1,170, are from Turkey. As one analyst put it: *“Turkey has long facilitated the political stability in Iraq and hereafter*

*Ankara would play a more critical role in Iraq's political process because Ankara's role in Iraqi politics balances the impact of Iran on Iraq.*"<sup>33</sup>

- **Syria** - Syria played an active role in infiltrating the Sunni resistance against the US in Iraq and passed on valuable intelligence to the US led coalition. Syria's influence over the Sunni resistance fighters that operated in Iraq was emphasised by the Baker-Hamilton report. In May 2006, the Department of Defence quarterly report, titled "Measuring Stability and Security in Iraq," Syria's influence was outlined: "... Syria continues to provide safe haven, border transit, and limited logistical support to some Iraqi insurgents, especially former Saddam-era Iraqi Baath Party elements. Syria also permits former regime elements to engage in organizational activities, such that Syria has emerged as an important organizational and coordination hub for elements of the former Iraqi regime. Although Syrian security and intelligence services continue to detain and deport Iraq-bound fighters, Syria remains the primary foreign fighter gateway into Iraq..." It was Syria that drove a wedge between the Ba'athists and the Sunni fighters who offered material assistance to Ba'athists. Behind the scenes, Syria extended its cooperation to the US in many ways. The US gradually began to engage Syria over the issue of Iraqi refugees and as Iraq faltered, the contact between the two countries expanded to encompass most, if not all the issues. In January 2005 Richard L. Armitage, then the US deputy secretary of state, visited Damascus. After long lambasting Syria for supporting the insurgency, Armitage brought praise. "We have seen a lot of improvement regarding foreign fighters who were using Syria to enter Iraq," he said. "And this is a good thing."<sup>34</sup>

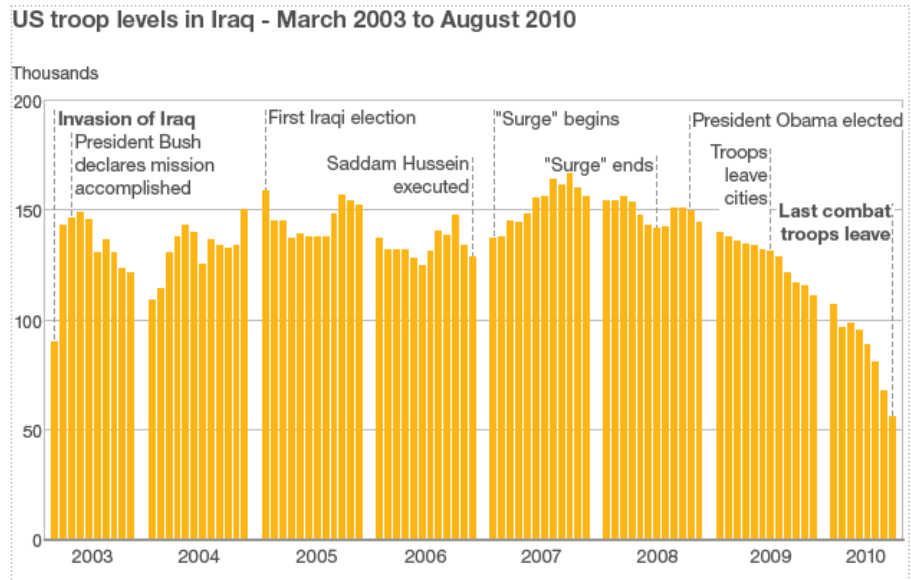
In 2010 as the US prepared to drawdown its troops, Parliamentary elections took place, which have now become the longest election where the winning party has been unable to form a government. The political architecture the US constructed saw the purging of ballot lists before the elections, the contentious and inconclusive challenges to the results, and the protracted delay in forming a new government since then have all deepened the ethnic, sectarian and societal cracks.



The final results of the elections gave the Iraqi National Movement, led by former Prime Minister Ayad Allawi, 91 seats in Parliament out of 325. The State of Law alliance, headed by Prime Minister Nouri al-Maliki come a close

second with 89 seats. The Shi'ah – pro Iran movements, including the followers of Muktada al-Sadr, won 70. The two main Kurdish parties together received 43 seats. However after months, the ethno-sectarian differences were so strong to overcome and it took over 8 months for the fractious government to take it place in Iraq's leadership, which still remains tenuous at best.

The existence of over 100 000 troops in the Iraq is what ensured the country didn't descend into chaos. The policy of troop withdrawal was in reality fiction. The reality on the ground still remains where 95,000 contractors are in Iraq doing the work traditionally done by the US military. Whilst 50,000 US troops will remain their definition has been



changed from combat troops to transition forces. Obama made a number of promises in his election campaign and this apparent withdrawal was critical for the US mid-term elections

Our net assessment is the US has more or less protected its interests in Iraq. Such interests however have been achieved through bribes, and co-opting opportunists. The US has Iran, Turkey and Syria to maintain such a system of protecting its interests. The US has achieved its strategic interests in controlling the flow of Iraqi oil. This is through the nature of the agreements to extract oil in the country. Usually governments and oil companies agree to so-called "Production Sharing Agreements (PSA)." Under a PSA, a government gives the oil company the rights to a certain share of the proven crude oil reserves, in return for pumping up (extracting) crude oil. Governments usually grant oil companies a share of the crude oil in the range of 30 - 70%. The contracts in the case of the Iraqi crude oil, however, are 'Service Contracts (ST).' Under the ST an oil company is only contracted by the government to perform the service of pumping up the crude oil. For each barrel it pumps up, the oil company is then awarded a remuneration fee. But ownership of the crude oil remains in the hands of the government. In this way Iraqi oil remained within the control of the US sponsored Iraqi government that is dependent on the US.

In 2011 the US will work to strengthen the political system it set up in Iraq via the surrogate nations of Turkey, Syria and Iran. This ensures that no other power can replace or threaten US interests in the country.

The US mid-term results could work in Obama's favour if he needs to increase troops as the republicans have always called for an expansion of the role of the army, however this would go against Obama's strategy of reducing troops in time for the next US election.

## Iran

2010 was characterised by a reset in relations between Iran and the US. Whilst the Bush regime composed of Neocons was hawkish about Iran the realists who became much more influential in the later years of the Bush administration, were able to pursue another approach with Iran away from the bellicose language that long dominated the Bush years.

This all took place because the US has been unable to extricate itself from Iraq and was forced to turn to regional surrogates. Iran viewed this as an opportunity to gain influence in Iraq, considering the US would one day leave. Whilst the US administration may publicly deride Iran in reality it views the nation through a different lens, one of protecting its interests in both Iraq and Afghanistan. Obama continued with this approach calling it 'pressing the re-setting button.'

The political language adopted by Barack Obama and his foreign policy team which included, Defence Secretary Robert Gates, and his foreign policy advisor Zbigniew Brzezinski called for the use of diplomacy and soft power, not only to normalise US-relations with Iran, but also to bolster Iran and encourage it to play an active role in the region. As early as July 2004, Brzezinski and Gates advocated greater engagement with Iran to change Tehran's behaviour through a system of reward and punishments. Both co-chaired a task force to study how best to approach America's relations with Iran. The outcome of the task force was a report entitled 'Iran: Time for a New Approach'. The substantive nature of the report opposed the neoconservative assertion of regime change. The report stated the Task Force reaches the important assessment that despite considerable political flux and popular dissatisfaction, Iran is not on the verge of another revolution. From this finding came its advocacy of the United States adopting a policy of what it described as limited or selective engagement with the Iranian government. The Task Force concluded that the lack of sustained engagement with Iran harmed US interests in a critical region of the world and that direct dialogue with Tehran on specific areas of mutual concern should be pursued.<sup>35</sup> Writing in *Foreign Affairs* in July 2007, Obama stated: *'Throughout the Middle East, we must harness American power to reinvigorate American diplomacy. Tough-minded diplomacy, backed by the whole range of instruments of American power - political, economic, and military-could bring success even when dealing with long-standing adversaries such as Iran and Syria.'*<sup>36</sup>

Rapprochement between both Iran and the US has been underway for some time. This was confirmed by Ahmadinejad, in his interview with the *New York Times* during his visit to the United Nations Summit in September 2008: *"Iran has extended its hand of cooperation to the United States on the issue of Afghanistan...and our country has given assistance to the US in restoring peace and stability in Iraq."* Iran has done this through its proxy the Islamic Supreme Council of Iraq (ISCI) a group created in Tehran with full backing in 1982. Abdel Aziz al-Hakim its supreme leader until recently, gathered the major Shi'ah factions to partake in Iraq's government, this left the US free to contend with the insurgency around Baghdad only, knowing the south had been secured by al-Hakim's actions.

In Afghanistan, it is Iran that has secured North East Afghanistan and begun the redevelopment of the area, once again coming to America's aid in its time of need. Iran played an important role for the US in stabilising North-West Afghanistan as outlined by Colonel Christopher Langton, who

heads the defence analysis department at the International Institute for Strategic Studies in London, he said Iran is an important country in the future reconstruction and development of Afghanistan, *"They are being closely linked by efforts against the Taliban in the past, but also because of the influence that Iran can bring there with the Hazara population [who, like Iranians, are Shi'a Muslims]. And in the development sector, there are already projects which Iran is involved in - for instance, the road from Bandar Abbas on the Persian Gulf up through Afghanistan to Central Asia is a very, very important project for the future of Afghanistan...There is a whole list of political, economic, and security issues which connect Afghanistan and Iran."*<sup>37</sup>

Similarly Ahmadinejad reiterated cooperation with the US in September 2010: *"If the U.S. administration truly wishes to alter its policies in Afghanistan, and In Iraq, and to move in a direction that serves the interest of the people of those two countries, we are always open to cooperation, as we are now."*<sup>38</sup> The US and Iran have virtually the same interests in the region and the US responded to the overtures from Ahmadinejad by recognising that Iran had a role to play in resolving the Afghan conflict during an the international conference on Afghanistan in October, Richard Holbrooke, the US special representative to Afghanistan and Pakistan said: *"The story here is very simple. This is the first time the Iranians have attended this meeting. We were asked whether we had any problems with that and we said 'No.' We recognize that Iran, with its long, almost completely open border with Afghanistan and with a huge drug problem ... has a role to play in the peaceful settlement of this situation in Afghanistan. So for the United States there is no problem with their presence."*<sup>39</sup>

Kenneth Pollack a former CIA intelligence analyst and expert on Middle East politics and military affairs, in his book, 'The Persian Puzzle: The Conflict between Iran and America' detailed the reality of US-Iran relations behind the veil of public rhetoric after the US invasion of Afghanistan: *"They [Iranians] also provided considerable assistance to Operation Enduring Freedom. Tehran offered to allow American transport aircraft to stage from airfields in eastern Iran to assist operations in western Afghanistan. It agreed to perform search and- rescue missions for downed American airmen who bailed over Iran...The Iranians weighed in with the Northern Alliance and helped convince it that Washington was deadly serious and that therefore the Northern Alliance should participate fully in the American war effort."*<sup>40</sup>

Whilst there is much distrust between the two nations that goes back to the 1979 revolution, the reality in the region means Iran and the US will only cooperate further. The nuclear stand off between the two nations does not conflict with this.

### **The Politics of Nuclear Enrichment**

Whilst the US has always used bellicose language towards Iran's nuclear programme the Obama administration has continued with this and with the long term policy of sabotaging any solution to the stand-off. Whilst the European 'Troika' and P5+1 have engaged in negotiations with Iran to find a solution to the stand-of, the US has constantly delayed a possible solution. Whenever the negotiations reached a point of near-solution, US officials issue statements with an implied warning that the US has all options open to it. The nuclear issue achieves a number of interests for the US. Firstly it shows Iran that the US is prepared to use other means if it does not play ball. The

aggressive language until recently helped the US forcefully push its missile defence shield system in face of stiff Russian opposition. Additionally, it enabled the US to enter into new security pacts with the Gulf States who view Iran as a threat to their security and to acquire nuclear energy from the US. It has also forced the Israelis into a security pact with the US.

The sanctions imposed on Iran in July 2010 were due to European intensification, which found new life after the new British government came to power in the UK. The US stalemate against Iran was challenged by Europe led by the UK, William Hague the foreign secretary demanded intensifying sanctions against Iran as a first step leading towards achieving global legitimacy for eventual military action, he said: *“We are united about the need for stronger sanctions. We haven't ever ruled out supporting military action, but we have also been clear we're not advocating military action now.”*<sup>41</sup>

European pressure came at a time when the US is using the stand-off to meet its other aims. The US circumnavigated this through using the non-permanent members of the United Nations – Brazil and Turkey when the permanent members were intensifying the call for harsh sanctions. Turkey and Brazil agreed with Iran that low-enriched Uranium would be shipped to Turkey in exchange for 120 Kgs of 20% enriched Uranium which can be used for a peaceful nuclear reactor located in Iran. This delayed the sanctions being imposed upon Iran at the behest of Europe and Israel.

The Turkish Foreign Minister Ahmet Davutoğlu confirmed in June 2010 that letters sent by US President Barack Obama to Turkey and Brazil laid the groundwork for the Uranium swap agreement with Tehran.<sup>42</sup> Adding that a meeting with the US leader in April also helped shape the deal, Davutoğlu confirmed in a televised interview that *“Turkey progressed step-by-step for the Tehran agreement.”*<sup>43</sup> Davutoğlu said the letter sent to Turkey was the same as the one sent to Brazil, and the basic demands in the letters were met by the agreement he signed on May 17<sup>th</sup> 2010 with the Iranian Foreign Minister Manouchehr Mottaki and Brazilian Foreign Minister Celso Amorim.

The eventual UN resolution aimed to strengthen UN Security Council sanctions on Iran by applying pressure on companies with investment interests in the US to curtail their gas trade and financial exchanges with Iran, aside from pleasing anti-Iran elements lacked any teeth as Stratfor outlined: *“Announcing a cessation of gasoline shipments to Iran often entails finding more creative avenues to ship to Iran, rather than cutting off trade altogether. The simple fact is that without an expensive enforcement mechanism, such as a naval blockade, these sanctions efforts will likely end up having very little strategic impact on Iranian decision-making when it comes to the nuclear question. At the very least, they allow the U.S. administration and the Europeans to buy time and give the illusion that they are addressing the Iranian nuclear problem beyond the rhetoric while causing some political heartburn in Tehran.”*<sup>44</sup>

In 2011 and beyond Iran-US relations will deepen as their interests are the same in the region and as the US works to extricate itself from Iraq and Afghanistan. The US will need to show that its pressures on Iran are bearing fruit as Europe appears to be placing more and more pressure for more stringent sanctions. Europe has showed that it can cause the US problems in its plans, therefore this is another challenge the US will need to contend with. It is unlikely the aggressive language will

change as this pleases the more right-wing elements within the administration, justifies increases in defence expenditure and integrates the defence systems of the nations in the region with America's

Tensions will continue within the regime between the older clerics and the regime. Tensions began during the green movement protests which had the backing of a number of older members of the clerical establishment in Qom, who disputed the elections results. The friction has only grown as individual members have continued to criticise the Ahmadinejad regime. Grand Ayatollah Khomeini pleaded for the clerical establishment's support during a rare official visit Iran's holy city of Qom in October 2010. Such tensions have continued to grow as Ahmadinejad has attempted to clip the wings of certain establishment figures who he views as a threat. In the year ahead the fissures will only grow.

## **Palestine**

The Bush government, for the most part, was engulfed in conflicts in Iraq and Afghanistan and the issue of Palestine became secondary to its wars. After the Israeli defeat in the Lebanon 2006 war, Israeli Prime Minister, Ehud Olmert, became deeply unpopular due to a number of scandals related to his mayorship of Jerusalem. The Israeli coalition-government fell apart, causing the need for early elections. This unforeseen occurrence made any progress on the two-state US plan virtually impossible. For these reasons, George W Bush's administration was unable to move ahead with its two-state solution, which is why many consider Bush's Middle East policy a failure.

During the past two years, even before he became US president, Barack Obama largely took positions in support of the hard-line Israeli government, making statements virtually indistinguishable from that of the Bush administration. His primary criticism of Bush's policy was that the administration had not engaged enough in the peace process, not that it has backed the right-wing Israeli government on virtually every issue. Obama maintained that he was firmly committed to maintaining strong US-Israel ties, including military and economic aid. He continued with the US policy calling for a two-state solution and has stated that Jerusalem should be the capital of Israel.<sup>45</sup> Obama has continued his administrations support for Israel. He has also reiterated America's support to Israel and the "paramount" importance of the Jewish state's security, making no mention of the suffering of Palestinians, the Gaza war, nor the continuing Israeli blockade of the beleaguered territory.

Our net assessment in 2010 was:

**“It is very unlikely the US will be able to move forward with the two state solution in Obama's first term, let alone 2010. Iraq and Afghanistan will continue to preoccupy the US and Pakistan appears to be becoming centre stage of US plans.”**

In March 2010 indirect negotiations began in earnest. There were no face-to-face meetings but the US special envoy to the Middle East, George Mitchell, shuttled between Israeli Prime Minister

Benjamin Netanyahu and Palestinian Authority President Mahmoud Abbas for months to get them back to the negotiating table. This process led to direct negotiations in September 2010.

After the formal re-launch of talks in Washington in September, the Israeli and Palestinian leaders agreed to meet in the region every two weeks. The US-brokered negotiations also took place behind the scenes between senior members of the two negotiating teams. However the talks hit an immediate hurdle as the Israeli government continued with settlement building as a partial freeze ended.

The US attempted to push ahead once again with the peace process when the political facts on the ground were not conducive. Netanyahu had little room for manoeuvre as his coalition included strongly right-wing parties which opposed any kind of discussion on the status of Jerusalem. Whilst Mahmoud Abbas was very weak due to his mandate coming to an end, elections could not be held due to the feud between Fatah and Hamas. Hamas, which controls the Gaza Strip, has opposed the negotiations.

Whilst Israel has called for no preconditions for the talks to continue, it imposed its settlement construction which is the expansion of the land Israel occupied in 1948 and continues to expand when talks are taking place about what should remain as Israel and what should become the new Palestine.

Since the inception of the state of Israel, American policy has been to force the Muslim Ummah to give up land for an Israeli state. Its aim has been the two-state solution whereby two states would co-exist side by side with virtual autonomy. This would isolate Israel from the rest of the region, curtail her and minimise her role in the Middle East. US policy is centred on establishing a Palestinian state to act as an instrument of containment; this is to be achieved by establishing a host of international guarantees and by bringing multinational forces to be deployed along the borders between Israel and the future Palestinian state. All that is needed is for the US to decide upon the final borders and then impose this upon both Israel and what remains of Palestine.

Whilst the Obama Administration began the peace process in earnest, how serious the US is about the process is questionable when the Israeli government took a stance which was always going to lead to a collapse in the negotiations. The challenge the US has is utilising Israel to achieve its wider aims in the region, but then ensuring Israel is restricted to what the US has designed and shaped it for. This has for long required a delicate policy by the US in dealing with Israel.

In 2011 it is very likely the US administration will give much more attention to the two-state solution as the mid-term result has essentially handcuffed Obama domestically. This leaves Obama with his foreign policy positions to reverse the losses made in the mid-terms. This is going to make the two-state solution in all likelihood central to Obama being re-elected.



## South Asia

In 2010, the US campaign in Afghanistan approached the decade mark. In October 2001 the US launched the opening campaign of what has since become the nation's longest war. The quest to win the Af-Pak campaign, as it has come to be known continues. The Afghan strategy pursued by the Bush administration has been a complete failure, as it failed to achieve any of its ever evolving objectives. The central tenets of the Bush strategy rested on bolstering Hamid Karzai's legitimacy and capacity to govern, improving the capability of the Afghan army to provide security, co-opting moderate elements of the Pushtun resistance, and applying pressure on Pakistan to move against the Taliban and other militants residing in the tribal areas.

When Barack Obama became president in 2009, his administration conducted a complete review of the Afghan strategy. The initial Obama strategy, as well as the successive revisions to it, kept the central tenants adopted by Bush, but argued for the deployment of extra US soldiers, the expansion of drone attacks against militants on Pakistani soil as well as placing more pressure on the Pakistani army to conduct operations in the tribal areas, particularly in the Waziristan region. Other modifications such as reducing civilian casualties and strengthening civil institutions in reality was never going to happen and they never did materialise.

However, Barak Obama constantly undermined this strategy with his persistent quest to decrease the number of US troops deployed in Afghanistan by the summer of 2011. This not only stirred debate in the US, but the undermining of the strategy in this manner caused a rift with the US military and sharpened the differences amongst allies and surrogate regimes.

The reality of being US president, operating on an election cycle has resulted in Obama playing politics with the Afghan conflict. For Obama the timetable for withdrawal is viewed as essential to boost the election fortunes of the waning Democratic Party in the December 2012 elections. However, a number of military commanders and politicians have vehemently objected to the Obama administration for demanding too much from the US army within unrealistic deadlines — the most notable voice was that of General McChrystal whose outspokenness forced his early retirement from the US army. Even his replacement General Petraeus was unable to wholeheartedly proceed with the Obama strategy and as a result made a number of further amendments to the strategy. Hamid Karzai issued several statements calling for the allied forces to remain and stabilize Afghanistan beyond 2011. Whereas, Pakistan strongly protested that America would once again abandon Afghanistan and leave Pakistan to confront a vicious war with the Pushtun's on both sides of the border.

Hence in 2010 the Obama administration faced bitter complaints from its surrogates, faced growing dissent within the government, the political class and the US army. Since taking office, Obama has committed nearly 50,000 additional troops to an ambitious counterinsurgency campaign designed to oust the

Year	Number of Drone Strikes	Total Killed (Min)
2004	1	4
2005	2	6
2006	2	23
2007	4	53
2008	34	263
2009	53	413
2010	122	995
<b>Total</b>	<b>218</b>	<b>1,747</b>

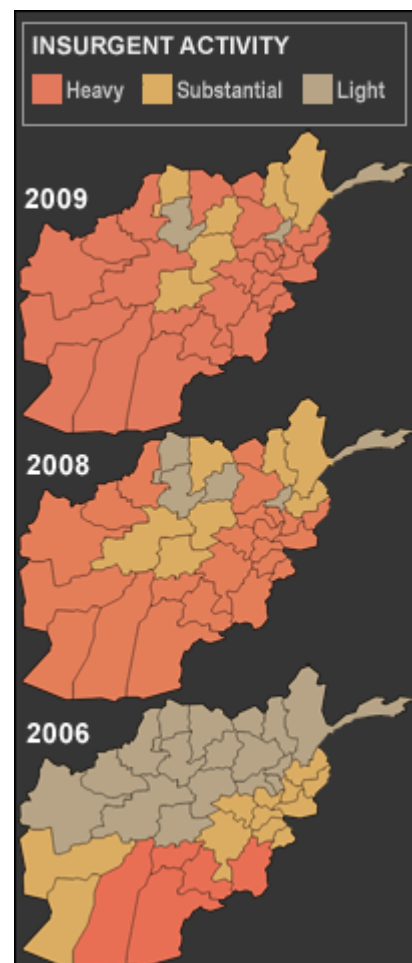
Taliban from the areas it controls. However the drone attacks along the Durand line has been the main pillar of Obama's strategy and these have expanded massively and have not reduced despite the devastation Pakistan suffered in the August 2010 floods.

The major difference between the Obama strategy and his predecessor was the manner in which US goals were to be achieved i.e. the size of the US military footprint in Afghanistan. The Bush administration was of the opinion that US operational goals could be achieved with a small force on the ground in Afghanistan; it envisioned drawing Pakistan into its strategy. Obama on the other hand espoused a much greater US military footprint in Afghanistan and coercing Pakistan to play an active role in pursuing the war in the tribal areas.

Obama's strategy, which called for a massive escalation was in reality just another in a number of nominally different strategies announced throughout the nine years of war. All of them had roughly the same theme, more troops and more attacks, and had the same results, an ever worsening security situation. The release of Bob Woodward's book, considered America's preeminent investigative reporter suggested the decision was a matter of enormous contention, and President Obama himself was determined to have some sort of pullout strategy in place. Though President Obama initially made much of a July 2011 drawdown date, he has since disavowed it and officials are now openly talking about another decade of war in Afghanistan.

The challenges the US currently faces in Afghanistan can be summarised as follows:

1. Whilst the US was able to initially with considerable ease remove the Taliban from power, Stratfor outlined what really occurred: *"It is important to remember that the Taliban was never really defeated on the battlefield. Once they realized that they were no match for U.S. air power in a conventional war, they declined battle and faded away to launch their insurgency."*<sup>46</sup> US firepower has been unable to contain the guerilla insurgency, even with the help of Iran and Pakistan. This is because of the nature of guerilla warfare: *"In thinking about Afghanistan, it is essential that we begin by thinking about the nature of guerrilla warfare against an occupying force. The guerrilla lives in the country. He isn't going anywhere else, as he has nowhere to go. By contrast, the foreigner has a place to which he can return. This is the core weakness of the occupier and the strength of the guerrilla....The strategy of the guerrilla is to make the option to withdraw more attractive. In order to do this, his strategic goal is simply to survive and fight on whatever level he can....Tactically, the guerrilla survives by being elusive. He disperses in small groups. He operates in hostile terrain. He denies the enemy intelligence on his location and capabilities. He forms political alliances with civilians who provide him*



*supplies and intelligence on the occupation forces and misleads the occupiers about his own location. The guerrilla uses this intelligence network to decline combat on the enemy's terms and to strike the enemy when he is least prepared. The guerrilla's goal is not to seize and hold ground but to survive, evade and strike, imposing casualties on the occupier. The occupation force is normally a more conventional army. Its strength is superior firepower, resources and organization. If it knows where the guerrilla is and can strike before the guerrilla can disperse, the occupying force will defeat the guerrilla. The asymmetry of this warfare favors the guerrilla.”<sup>47</sup>*

The problem of intelligence is the perpetual weakness of the counterinsurgent. The counterinsurgent is operating in a foreign country and thereby lacks the means to distinguish allies from enemy agents, from accurate and non-accurate intelligence. This is why Obama's counter insurgency-focused strategy has struggled to make demonstrable progress.

2. Britain has played an ominous role in the Helmand province where British troops are stationed. Britain cut deals with the Taliban in the South which included bribing the Taliban, a London Times investigation in 2007 revealed over £1.5 million was spent in bribing members of the Taliban.<sup>48</sup> Similarly Research by the independent Afghanistan Analysts Network, a Kabul-based think tank, in a report, titled Golden Surrender, was highly critical of the British-backed Peace and Reconciliation Scheme (PTS), established in 2005, which it says has been left to flounder under bad leadership with neither the political nor the financial capital it required. The British similarly cut deals with the Taliban in the withdrawal of Musa Qala in 2006, after they failed to defeat the Taliban. British forces cut a deal with the Taliban that both British forces and Taliban forces would disengage from the area, saving Britain from embarrassment.<sup>49</sup> US forces have replaced British forces in the district of Sangin in the Helmand province, after British forces failed to achieve the level of security the US demanded. The US lost patience with Britain in September 2010 and relocated the 1000 Royal central Helmand from Sangin. Anglo-American military personal have criticised each others role in the conflict. US Marine battalion commander Lt. Col. Michael Manning said *“They didn't pursue the Taliban. We'll go after them.”* He mocked the British reconstruction effort as *“promise everything, delivering nothing.”*
3. Pakistan has also been indifferent in carrying out US aims. The US faced Mullah Omar's Taliban in the south of Afghanistan, where the bulk of combat continues to take place. Whilst the Haqqani's network is fighting NATO in the southeast, which is where the US expects the Pakistan army to conduct operations. The network maintains old links with Pakistan's ISI and Pakistan regards the Haqqani's as an important force in protecting its interests in Afghanistan after America withdraws from the war and therefore have been unwilling to move against them in North Waziristan. The Pakistan army has dragged its feet over launching an offensive in the North Waziristan tribal area to crack down the Haqqani network. A report issued by the National Security Council in response to a congressional requirement for regular progress updates, reflecting the input of numerous agencies, including the State Department, Pentagon and intelligence agencies said: *“the Pakistani military continued to avoid military engagements that would put it in direct conflict with*

*Afghan Taliban or Al Qaeda forces in North Waziristan.*"<sup>50</sup> However, the army stepped up efforts for the US to engage the Taliban in peace talks. Pakistan has been occupied by the insurgency being led by the Jihadi groups that have been banned under US pressure who formally fought Jihad in Kashmir and India, they have now turned against Pakistan.

4. It is these challenges that have led the US to begin talks with the Taliban in order to come to some type of political settlement as US resources continue to expand. Encouraging moderate Taliban fighters to defect and join the central government has been a US aim from the day they entered Afghanistan. However such talks have been painstakingly slow as there is no need for the Taliban to negotiate when they are clearly winning. Abdussalam Za'eef, the former Taliban Ambassador to Pakistan in September 2008 clarified to Reuters that certain Taliban elements travelled to Saudi Arabia in September 2008 and met the Saudi King and Afghan officials.<sup>51</sup> The governments of Pakistan, Saudi Arabia and the UAE confirmed meetings with the Taliban for such purposes in Ramadan 2009. The Taliban, despite their vowed statements that they would never enter into negotiations while Afghanistan was under occupation, have continued with such meetings. In the 2010 traditional Iftar dinners were held in the UAE and Saudi Arabia for Taliban representatives, a senior Pakistani security official familiar with the talks told Asia Times Online *"This is the first time the situation has reached this level and this is the result of several months of unannounced but untiring efforts by the Pakistan army, with the consent of US military leaders who have very patiently and diligently allowed the Pakistan army to create this environment in which the Taliban feel comfortable, and they are now showing flexibility in their attitude."*<sup>52</sup> Such talks still have some way to go on many issues, but time is something the US does not have on its side.

In 2011 the US will work to extricate itself from Afghanistan. The US has enlisted the help of regional surrogates to achieve this, however the fertile ground it found in Iraq is missing in Afghanistan. The US will continue to fight the Taliban and attempt to force them to negotiate, however negotiations have same way to go as the NATO's representative in Afghanistan, Mark Sedwill said: *"The reconciliation process is at an extremely vulnerable "embryonic" stage, there are significant [Taliban] leaders who seem to be weary of the fight and seem to be willing to contemplate a future within the mainstream. But essentially; we're at the embryonic stage. The channels of communication are open. I wouldn't, at this stage, say that we've reached the point of real negotiation."*<sup>53</sup>

Tactically the US needs to tame the ferocity of the Pushtun resistance and co-opt the Taliban into the Afghan government, this is to make the nature of the occupation more palatable to the Afghan population and minimize the threat to America's military presence. The US will also work to solidify its position in the region, in order to protect its longer term aims in the region. Whilst all indicators point to a US drawdown, the US is in the process of expanding the Bagram, Kandahar and Mazar-E-Shairf air bases in Afghanistan with an allocation of over \$300 million. The expansion of US military bases in Afghanistan is running counter to the commitment to begin withdrawing troops from Afghanistan in 2011. This would be to consolidate America's global military network and guard against possible future threats from a resurgent Russia and confident China.

## Global Economy

At the beginning of 2010 the global economy was emerging from the great recession and beginning to show signs of growth. The US, China, Japan, France, Germany and Britain were all beginning to emerge from the crisis and all had appeared to have averted economic meltdown. The issue the world's premier economies faced was replacing the leg up's provided to their domestic economies such as government stimulus, Quantitative easing (QE) and nationalisation with organic growth.

Over the past year, world output and trade have expanded and financial conditions have improved, but policymakers have still had to deal with the strains of sovereign debt crises and the start of public sector austerity. Ben Bernanke, chairman of the Federal Reserve, summed up the global economy in 2010 at the annual get-together of central bankers in Jackson Hole, Wyoming in October 2010: *“Notwithstanding some important steps forward ... I think we would all agree that, for much of the world, the task of economic recovery and repair remains far from complete.”*<sup>54</sup>

The European debt crisis, which brought the whole question of a united Europe and the Euro into question averted economic and political catastrophe, after most European nations attempted to protect their domestic economies rather than the European Union itself. In the end after weeks of wrangling Germany was forced to issue a bailout in concert with the IMF to save Greece from defaulting on its debts. The PIIGS economies – Portugal, Italy, Ireland, Greece and Spain showed in early 2010 that the economic recovery was tentative at best.

In 2010, the consensus driven response to the financial crisis began to crumble. This was most apparent at the G20 summit in June 2010. Whilst the US called for a continuation of stimulus which would encourage consumer spending and stimulate the economy with new jobs and allow the recovery to take hold. Europe however was calling for austerity, as the various fiscal stimulus plans and Quantitative Easing (QE) were creating even more debt in Europe – the Greek debt crisis also caused Europe to focus on individual strategies for economic recovery rather than a global approach. These differences sharpened over the year due to the different effects the global financial crisis has had on the premier economies of the world. Mohamed El-Erian, chief executive of Pimco, the world's largest bond investor, said: *“A once promising global response has now been replaced by inadequately co-ordinated national economic policies and growing frictions among countries.”*<sup>55</sup>

The US economy the largest in the world has seen its recovery stalled. US policymakers in October were considering how much ammunition they had left to throw at the economy as global economic co-operation, so strong at the start of the global financial crisis descended into quarrels over currencies and economic nationalism. The global financial crisis has left an unprecedented degree of unemployed in the US and underused factories in its wake. Signs of the recovery faltering pressured the Federal Reserve, America's central bank, to unleash new measures to strengthen the recovery. The various stimulus measures may have prevented economic collapse, but the spending programs that were financed by them are winding down, and cash-strapped local governments, have resorted to layoffs and other cost-cutting measures.

The global economy in 2010 has been unable to achieve sustainable economic growth. In some ways the global economy at the end of 2010 is where it was at the beginning of 2010. Whilst the

world largest economies attempted to kick-start growth with stimulus plans, any stimulus was always a high-octane boost and a temporary measure. Stimulus plans are designed to kick-start stalled economies, not to fuel sustained economic growth. The growth figures achieved in 2010 are the inflated results of stimulus measures achieving their intended effect to be temporary. Brian Bethune, economist at IHS Global Insight highlighted this: *“It's good to have the economy growing again, but we don't think that rate of growth is sustainable because it is distorted by all the government stimulus. The challenge here is to get organic growth - growth that isn't helped by fiscal steroids.”* This is why over 15 million people remain unemployed in the US.

## **Currency Wars**

The weak recovery has led to many nations to resort to protective measures for their own economies which has led to currency wars. This sharpened differences between China and the US during 2010 as many senators considered the support China provides to its currency a subsidy which has an adverse impact on the US economy. Various senators attempted in September 2010 to mark up the ‘Currency and Reform Fair Trade Act,’ the new bill would force the US commerce department to treat China’s undervalued currency as a subsidy for its exports and retaliate accordingly.

The value of the Yuan plays an important role in China’s rapid economic development. China is an export driven economy, its economy is built to produce goods which are exported around the world. To make Chinese goods more attractive than Japanese and German goods, the Chinese government controls the value of the exchange rate of its currency with the world, rather than let it float freely. China keeps the value of its currency low, which makes it cheaper for the worlds to purchase Chinese consumer goods – far cheaper than from anyone else. By China undercutting the global market, aside from keeping Chinese factories open, it also ensures most Chinese citizens have a job. Having high levels of employment within China is central to abating social unrest which has long plagued China. Territorial cohesion is what drives China’s currency policy.

China’s currency policy has implications on the wider world too, especially in the US. With China undercutting the global market, American companies are unable to compete on both price and craftsmanship. China is now the cheap goods factory for the world, this means, domestic suppliers the world over, are suffering due to China’s dominance of world trade. Losing orders to China has meant an increase in unemployment across the globe as companies increasingly turn to China for cheaper manufacturing. It is those senators who have seen many businesses collapse in their states, due to China, that have led the campaign to have the US pass legislation to counter China’s currency policy.

As China is an export driven economy, it has to ensure it can sell goods globally cheaper than anyone else, its currency policy is central to this. This has the impact of those industries closing in the West – where most of Chinese exports go, as they are unable to compete with China in terms of price. It results in China selling more goods to the world than what China buys from the world. This is why China has a trade surplus with the world, whilst the world has a trade deficit with China. Commerce Minister Chen Deming told the BBC in 2009 that when economic growth slowed *‘the chances of possible social unrest increase as well.’ I don't worry a lot about the GDP growth,*

*however the biggest challenge to China is unemployment.' We need to create sufficient jobs for university graduates and the redundant workforce from the countryside.'*<sup>56</sup>

As the West struggles in its quest for economic growth, unemployment is now at the top of the agenda. China's currency policy has a direct impact on the US economy as it attempts to reduce unemployment. For these reasons the currency war between China and the US heated up and is set to continue and spread. For the US this issue is beginning to hurt the US economy. However due to the break down in the multilateral approach that characterized the early response to the financial crisis, the US has been unable to pressure China into revaluing its currency. In general, the Europeans have taken a far more conciliatory line toward China. The French finance minister, Christine Lagarde, said in October 2010: *"It's not helpful to use bellicose statements when it comes to currency or to trade."*<sup>57</sup>

In 2011 the world's largest economies will have reached the point where all the government interventions have worked their way through the system. Without any organic growth, some economies have already turned to austerity which has caused civil unrest as was seen in Greece and in France in October 2010. The prospects of a double dip recession are still on the horizon. The challenge the global economy faces is how to kick-start their economies, when the housing bubble which drove the global economy for the last decade has collapsed. Japan in the 1980's attempted to address this throwing more bank loans at failing companies leading to deflation and the lost decade. Whilst Europe is going through austerity, this will only cause more civil unrest as many will take to the streets compounding the economic situation further. 2011 will be about the quest for economic growth.

## Conclusions

In 2010 Russia consolidated its gains from 2009 and has successfully expanded its influence. China has also begun to show more teeth in its relations with the US.

The US on the other hand faces larger, deeper and broader challenges. It is unlikely the US will disintegrate like the Soviet Union or cease to be the world's superpower as is what happened to the British Empire, because the US still maintains its economic hegemony through the dollar and its industrial advantage.

The US can only really be deposed through the rise of another power.

The US faces challenges in different regions of the world and in areas which has come to be symbolised as the 'rise of the rest.' In Latin America the US faces calls for independence from a whole host of nations including Brazil, Venezuela, Argentina and Mexico. In Central Asia the US faces challenges from China and Russia, whilst in Africa the US faces growing influence from China. China and India's demand for the world's oil means the US faces new challenges to the world's dwindling oil resources. Such challenges will only grow and place further strains on US global dominance.

China still faces significant issues in its military industry, but also currently lacks the global ambition necessary to remove the US as the world's superpower. Its economic development is fragile and its territorial cohesion can be easily manipulated by the US, if the US deemed it necessary. China is every day becoming more and more like Japan and becoming an economic power, however an economy without political aims and global ambitions will turn a nation into a trade powerhouse never a global power.

Russia on the other hand has managed to take advantage of America's weakness and strengthen itself in the former Soviet republics. However Russia is still very far from the necessary economic and industrial base needed to pose a direct challenge to the US. For these reasons the US will remain the world's superpower for the foreseeable future even though it is faltering, because none of the powers who realistically can challenge the US – China and Russia, can pose a challenge sufficient enough to topple the US - for the moment.

The Ummah's yearning for Deen has alarmed the West who view the Khilafah, Shari'ah and Ummah as a threat to very essence of Western liberal democracy. However without a state the Ummah will be unable to shift the global balance of power. The politicisation of the Ummah will continue to bear heavily on the Muslim rulers who will have to resort to ever more brutal methods to maintain their grip.

2011 will also be the year of a new Germany. In 2010 Germany has shown new signs of political ambitions after remaining a political hermit since WW2. Whether this is a false dawn remains to be seen, but as history has shown, Germany with global aspirations usually leads it to expand.



2010 ends with the US still the world's superpower, although a weakened US to a decade ago. Russia continues its resurgence, however it has a number of policy areas it will need to address to pose a challenge to the global superpower. France, Britain and Germany work with the US and complicate its plans when it's in their interests, such a strategy however will not remove the US from the global pecking order. China due to its economic focus remains for now only an economic threat to the US.

2010 ends with the US remaining the world's superpower, however it is finding challenges both globally and regionally against its dominance.

## 2011

What follows are a selection of issues which have international dimensions and are likely to shape 2011 and impact the nations who constitute the global balance of power:

**Egyptian Presidential elections** – With Hosni Mubarak on his death bed there has been talk for some time about the possible successor to Mubarak, who has been president since 1981. Egypt has played a central role in protecting US interests in the region ever since the US helped overthrow King Farouk in 1953. Egypt legitimised Israel's usurpation of Palestine; it is also the strongest nation in Africa and the Middle East. As the Iraq conflict has shown the US is much more dependent on regional nations to protect its interests than ever before as instruments of foreign policy.

Currently the most likely candidate to succeed to the president is Hosni Mubarak's son Gamal Mubarak. He has visited the US on a number of occasions and has met the leading figures of the US Congress including Senator John Kerry, the Chairman of the Senate Foreign Relations Committee as well as Howard Peerman, the Chairman of the House of Representative's Committee on International Affairs. From this it appears the US and the Egypt's ruling party is creating the conditions to facilitate Gamal Mubarak's ascension as the next president to succeed his father.

Ayman Nour of the Wafd party is the only other candidate with any possibility of becoming president. This is because it appears the European nations are supporting him in order to counter the US in Egypt. The Europeans intensely demanded Ayman Nour's release when he was arrested for demanding amendments to the Egyptian constitution. They demanded he be released and objected to his detention right from the first day of his arrest and had even maintained contact with him during his detention. The Reuters reported in February 2007: "*Edward MacMillan Scott, the head of the European Parliament and its special envoy for its "Democratic and Human Rights" tried yesterday to meet Ayman Nour but was prevented from seeing him though he was made to wait for an hour and a half. MacMillan Scott called on the European Union to take a more firm and stronger view towards the Egyptian regime and pointed to the fact that the regime had violated Ayman Nour's liberties.*"

There is a struggle between Europe and the US over the successor to Mubarak. However due to the US influence over Egypt, the person who appears to be most likely to succeed Hosni Mubarak is his son, Gamal Mubarak.

**Sudan Referendum, January 2011** – America brokered the Naivasha peace accord in 2005, which culminated in the eventual termination of the civil war between the main rebel group, the Sudan People's Liberation Movement/Army (SPLM/A) and the Sudanese government. The terms of the agreement included a variety of measures that gave the South autonomy and the prospects of secession in 2011 when the deal expires. America actively aided and supported the minority Christian rebels in Southern Sudan both diplomatically and militarily by providing them with arms without which the rebels would not have had the success they enjoyed in forcing the Sudanese government to pursue a peace settlement.<sup>58</sup>

To counter this both Britain and France provided arms to Chad, which supports and arms the rebels in Darfur, creating the Darfur issue. Both nations have successfully internationalised the issue of Darfur and complicated US plans to separate the South of Sudan and turn it into an independent nation. Hilary Clinton told an audience at the Council on Foreign that it was "inevitable" that the south would vote to break away and form an independent state. She also said that the US, the African Union and other international partners are trying to ensure the vote goes smoothly. She described the secession as "*The [north-south] situation is a ticking time bomb of enormous consequence.*"<sup>59</sup>

Their still remains many issues with the cessation of the South. The proposed border between North and South Sudan crosses through the oil fields of Sudan, without any agreement on the distribution of the nation's energy wealth. Whichever way the oil wealth goes it will in all likelihood lead to conflict in Sudan.

**Turkish Parliamentary Elections, July 2011** – Ever since the ruling Justice and Development Party (AKP) rose to power it has worked to counter the influence of the secularists led by the armed forces. It has worked to weaken the army's hold on Turkey and expand the government's penetration of the National Security Council. In the name of democratisation the AKP has been pushing through various reforms to alter the balance of power in Turkey. The AKP has changed the composition of the judiciary, long seen as a staunch secular bastion. The AKP has also grown closer to the US. Turkey has become indispensable to America, coming to America's aid in its time of need in Iraq. Turkey has also protected American interests in Iran and the Middle East. Turkey has played a central role in the indirect negotiations between Palestine and Israel, aiding the progress towards the two-state solution.

If the AKP is able to increase its members in the national assembly this will make it much easier to pass far reaching reforms which will remove the armies hold on the nation and weaken the secular hold of Turkey. The army has traditionally undertaken a coup when its position was under threat but the grip of the AKP over the national assembly and victory in two referendums have made this option difficult. In July 2011 the struggle over Turkey will reach a critical phase between pro-British secularists on one side and Pro-US secularists led by the AKP on the other side, the outcome will have major global implications.

**US troop withdrawal from Iraq, December 2011** – Troop withdrawal has become synonymous with success for the US public. Whilst the US reduced its troops in 2010 to 50,000 it does still have over 90,000 contractors in the country, doing the work the military did. With US elections scheduled for 2012 and with the political architecture established upon a number of compromises, bribes and secret deals if the ethno-sectarian differences are not overcome, the absence of US troops which has kept the Iraqi system intact may find Iraq falling apart once again.

**Nord Stream natural gas pipeline** - The Russo-German gas pipeline, the planned natural gas offshore pipeline from Vyborg in Russia to Greifswald in Germany is scheduled to begin delivering its first gas supplies in 2011. Once fully operational it will be the longest sub-sea pipeline in the world. Most of Europe's energy and infrastructure is directly from Russian fields and delivered through Russian infrastructure. Germany and France are the most dependent on Russian

energy. This pipeline will make Germany – Europe’s heavyweight even more dependent on Russian energy. Europe’s attempt to circumvent Russia’s oil reserves will suffer a severe set back once this pipeline goes online.

**Afghanistan Troop drawdown, July 2011** – Obama in his election campaign promised to reduce troops in 2011 as his counter intelligence strategy would have been in operation for over a year by the summer of 2011. However the strategy in Afghanistan has been a complete failure and with general elections scheduled for 2012 in the US, Obama will find sticking to this deadline near impossible. Whilst troop withdrawal has been linked to political stabilisation, Obama may find troop reduction impossible at a time when troop withdrawal has become synonymous to success. At the NATO summit in November 2010 the transfer of power in the first provinces by NATO’s ISAF forces to the Afghan side was agreed to take place by July 2011. However NATO said it would help the Afghan forces in the most dangerous regions until 2014. This means this withdrawal date at most is just to make good on promises the US has made regarding withdrawal. The US plans to withdraw from safe areas, where there is little resistance by the militants. But the US and ISAF forces will remain until 2014 in the most dangerous areas. Hence the July 2011 deadline has already been undermined.

**Nigeria presidential elections, January 2011** – Nigeria has risen in importance for the US as it attempts to diversify its oil dependency from Middle Eastern oil – Nigeria is central to this as it represents an alternative source to that of the Middle East. Nigeria was a British colony; Britain maintained its grip through producing a large share of Nigeria oil wealth through Royal Dutch Shell, which today produces 50% of Nigeria’s oil. Nigeria’s military has protected the oil infrastructure, which has protected British interests in the country. Nigeria’s military has ruled the country for most of its history since independence.

The US entry into Nigeria began when it called for elections in 1997. The US has attempted to counter the British grip through democracy which would weaken the military hold on the nation which has protected British interests. As the military has been under the British influence for most of its post independence history, the call for democracy is to oust the military that has run the country thus protecting British interests.

When Obasanjo came to power in 1997 he dismissed over 200 army officers. Then in the 2007 elections Umaru Yar'Adua, came into power in an election that was condemned by the international community as being massively flawed. This is only the second civilian election in Nigeria’s post colonial history. Umaru Yar'Adua was a protégé of Obasanjo and died in May 2010. This led to Goodluck Jonathan being appointed as president until the elections of 2011.

The struggle over influence in Nigeria is set to be intense as the US continues to use democracy as a front to gain influence over Nigeria’s coveted oil wealth and reduce its dependency on Middle Eastern oil. Whilst the British attempt to maintain their grip on the nation through the weakening hand of the army.

**China Elections, Early 2012** – Whilst a change in China's leadership is due in 2012 and not 2011, however it is most likely 2011 will be the year major moves will take place in anticipation of the elections in 2012. China is set to experience a major leadership turnover at the 18th National Congress of the Chinese Communist Party in 2012. Current top leaders, including President Hu Jintao, Premier Wen Jiabao, and Chairman of the National People's Congress Wu Bangguo, are all expected to retire. The Politburo and its Standing Committee will be repopulated with a large number of new faces.

There is a struggle at the heart of China's politics with two factions wrestling for control. There is current President Hu Jintao's Youth Leaguers, who are more concerned about the growing inequities between the rich and poor in China and providing a better social safety net for those areas of China negatively impacted by its quick economic rise. Then there is former President Jiang Zemin's "Shanghai Clique." The Shanghai Clique stresses economic development, high GDP, and continuing China's integration into the global economy. Currently, the Chinese Communist Party leadership is evenly split between the two factions. The outcome will decide exactly how China deals with the US and its role as a world power in the short to medium term.

**US presidential elections, December 2012** – With the Iowa caucuses in January 2012, 2011 will really be the year Obama will need to make good on his campaign promises as 2012 will be election year. Obama made many promises in his election campaign and only a year in he was deeply unpopular for continually compromising on his promises and his handling of the economy. With the loss of the legislative chamber in the Mid-terms, Obama may very well be in very weak position to contest the elections. This will have a major impact on America's already waning position in the world.

## Notes

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