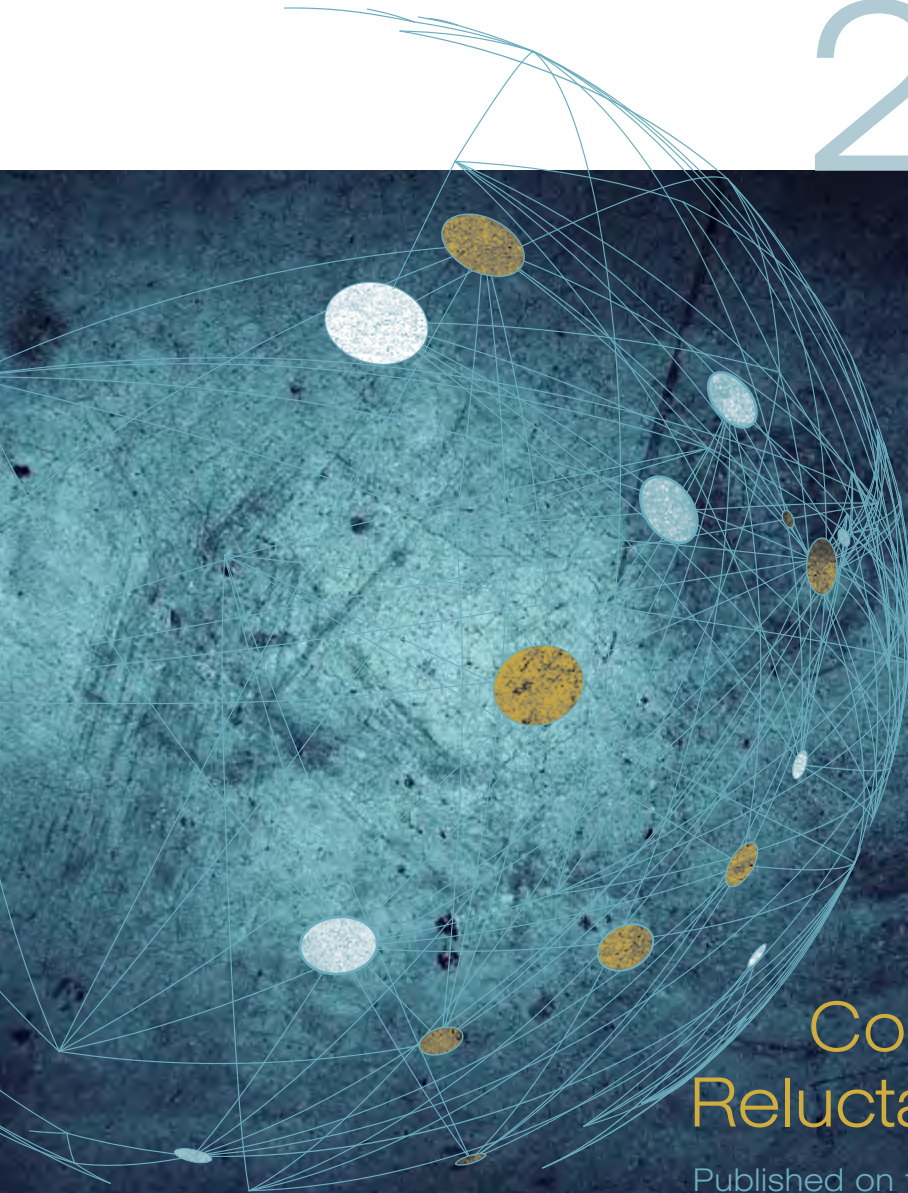


# Munich Security Report 2015



**Collapsing Order,  
Reluctant Guardians?**

Published on the Occasion of the MSC 2015

## Preface

*As we gather for the 51st Munich Security Conference, a particularly difficult year in international security policy lies behind us. Over the past twelve months, numerous crises have developed into crucial challenges and threats to international peace and security in ways that many decision makers and analysts did not see coming. And, what is more, these crises have exposed worrisome cracks in the international order and shed light on the shortcomings of existing collective security mechanisms and structures.*

*The document you are holding in your hands, the first edition of the Munich Security Report (MSR), is designed to help us make sense of current developments. It assembles material from many different sources and is an edited selection – heavy on graphics, charts, and maps – of some of the most interesting analytical and research work from the past year in key areas of the international security agenda. It also includes brief summaries of critical security debates, including some of the most poignant quotes of the last twelve months.*

*Here is what the MSR is not: it is neither comprehensive nor is it meant to offer a systematic ranking of the most serious security concerns we are facing. We are fully aware that a number of critical issues, including cybersecurity and global health security, are largely missing from these pages. We had to make difficult choices, much like when we put together the MSC conference agenda every year.*

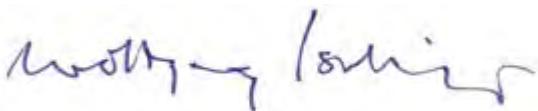
*The report is meant, first and foremost, as a – hopefully thought provoking – conversation starter for our conference. But we hope that it will prove to be a useful tool far beyond the Munich weekend – for decision makers, security professionals, and the interested public.*

*The MSR is one among several new initiatives to keep the Munich Security Conference young and fresh in the year after our 50th anniversary.*

*We could not have put this report together without the help of many great institutions and personal friends and partners who allowed us to include their work. Some even prepared material exclusively for us or made their data available prior to their official publication.\* I want to use this opportunity to thank all contributing organizations, listed at the end of this report, once again and express our hope that even more institutions will wish to work with us in the future.*

*Please feel welcome to share any feedback or draw our attention to research and analytical work you feel should be included in this digest. We know that there is a lot of brilliant work out there, and we will do our very best to make future editions of the MSR even more of a “must-read.”*

Sincerely yours




Wolfgang Ischinger  
Chairman of the Munich Security Conference

\* In the report, we acknowledge partners who collected data specifically for the MSR or who provided data before their official release by printing their logos along with their respective charts, maps, or tables.



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# Collapsing Order, Reluctant Guardians?

A year ago, as we prepared to assemble for the 50th Munich Security Conference in late January, a terrorist group that at the time called itself ISIS had just seized control of Fallujah and Ramadi in Iraq, but these advances mostly just

*“The world is recognizably in search of a new order, without having one. And from that, conflicts arise which are harder to solve today than 10 or 20 years ago.”<sup>1</sup>*

**Frank-Walter Steinmeier,  
November 2014**

*“We are looking at things happening and people scratch their heads, different people have different conceptions of what is happening but the idea is that we cannot really fathom what is going on in the world, why things are going this way, why the old agreements no longer work.”<sup>2</sup>*

**Toomas Hendrik Ilves,  
26 September 2014**

critical indicators such as significantly reduced global poverty, important progress in the fight against the world's deadliest diseases, and an overall downward trend in war deaths over the past few decades, some argue that while 2014 was bad in numerous respects, it was hardly a historically catastrophic year.

appeared on the radar screen of specialized analysts. Protestors had been filling the Maidan in Kiev for two months, but, to many, a peaceful, consensual inner-Ukrainian solution was very much on the table.

Only a few months later, the remarkable escalations of these two crises, along with a few other developments, have given rise to a plethora of essays announcing the advent of a new, more chaotic, and less peaceful era.

To be sure, not everyone is joining in this chorus. Pointing to crit-

ical indicators such as significantly reduced global poverty, important progress in the fight against the world's deadliest diseases, and an overall downward trend in war deaths over the past few decades, some argue that while 2014 was bad in numerous respects, it was hardly a historically catastrophic year.

Yet terms such as “the great unraveling,”<sup>3</sup> “the era of disorder,”<sup>4</sup> an “era of unprecedented level of crises,”<sup>5</sup> or a world “coming apart at the seams”<sup>6</sup> base their pessimism on eroding structures. After all, the flaws of today's international order that these analyses assess will probably be with us for a long time.

Numerous crucial international and regional elements of order are being tested. And today, it's more unclear than in many years whether those in the international community that are trying to uphold order are able to do so.

War has returned to Europe, proving that even the region with the most tightly knit web of common rules, institutions, and interdependence is at risk. Instead of moving closer to the vision of a Europe whole, free, and at peace, the continent in 2014 has seen attempts to resurrect divisions and classical spheres of influence. What many wanted to avoid may become entrenched: different levels of security across Europe. And the breakdown in relations between Russia and the West may well undo all the progress made since the end of the Cold War.

In the Middle East, the challenges are even more fundamental and threaten the very existence of numerous states and orders as we know them. The war in Syria has raged for well over three years, killing hundreds of thousands and forcing millions

*“We have been living in an illusion. For years, the world has believed that the transition from a unipolar to a multipolar order would be peaceful, orderly, and steady, with new players like China, Brazil, and Turkey adapting to the existing multilateral framework in a natural, harmonious way. How wrong we were.”<sup>7</sup>*

**Javier Solana,  
27 October 2014**

*“We have entered a period of differing interpretations and deliberate silences in world politics. International law has been forced to retreat over and over by the onslaught of legal nihilism. Objectivity and justice have been sacrificed on the altar of political expediency.”<sup>8</sup>*

**Vladimir Putin,  
24 October 2014**



*“The world is not falling apart. [...] Why is the world always ‘more dangerous than it has ever been’ – even as a greater and greater majority of humanity lives in peace and dies of old age?”<sup>9</sup>*

**Steven Pinker and Andrew Mack, 22 December 2014**

to leave their homes. It has now also metastasized into the broader region, enabling the rise of the self-proclaimed Islamic State and further contributing to disintegrating orders in the region. Crises in Libya and Yemen have moved toward civil wars, Egypt’s democratic interlude is over, and the conflict between Israelis and Palestinians erupted violently again. While a few governments have embarked on a path of reform, only Tunisia has made real progress toward a democratic future.

In the Asia-Pacific, even as major incidents were avoided, the state of play is precarious. Asia is the only region in which defense expenditures have increased each year for the past two and a half decades. The rhetoric employed by numerous actors has become much more assertive, the regional security architecture is far from solid, and the number of unresolved border disputes staggering. Moreover, the rise of a power of China’s clout has historically always been an enormous challenge.

*“Rather than fearing strong, opposing states, we worried about state weakness, the breakup of countries, or the global reach of non-state, terrorist networks. Today, however, renewed competition between key actors is a concern.*

*[...] Geopolitics – and realpolitik – is once again taking center stage.”<sup>10</sup>*

**Espen Barth Eide, 2014**

In Western Africa, the Ebola pandemic has almost shut down a number of states. And in other regions of the continent, humanitarian disasters and protracted conflicts threaten the lives of millions.

In terms of the conditions for effective global governance, challenges also abound. While structures for global economic governance have arguably performed rather well in managing the global crisis after 2008,<sup>11</sup> the same

can hardly be said for security governance. Our collective ability to solve problems has decreased, and major institutions of global security governance have been weakened. This leaves the world with a huge gulf between demand for and supply of international governance.

Collapsing orders are arguably both a driver and an effect of an increasing reluctance of its traditional guardians. As potential leaders stop acting the way they used to, other actors make use of their opportunity to test limits. And as orders are crumbling and become much harder to maintain or manage, potential leaders might consider the challenge to do so too great. Call it the vicious circle of international disorder.

To be sure, many charges leveled at the United States are exaggerated. But, at the very least, the focus on “nation building at home” that President Obama has repeatedly announced has led to a perception of retreat. Shrill warnings of an American empire, voiced only a decade ago, have given way to fears that Uncle Sam might disengage from the world. Both in Europe and in Asia, Washington had to make clear that defending its allies remained a core interest of the United States. But it is not certain how long the US can and will bear this extraordinary burden.

In Europe, many countries are still trying to overcome the impact of the financial and economic crisis as well as domestic blockades and rising Euroskepticism. Europe’s global

*“Our hope lies in the greater unity, understanding and commonality between the great democracies. If they don’t lead, it can lead to a state of anarchy. [...] Democracy is one of the most powerful tools for dealing with security problems.”<sup>12</sup>*

**Ajit Doval, 21 October 2014**

*“[The post-1945 arrangements are] the worst system of international governance – except for all the others.”<sup>13</sup>*

**Kevin Rudd, 21 October 2014**

*“We should be fully mindful of the complexity of the evolving international architecture, and we should also recognize that the growing trend toward a multi-polar world will not change.”<sup>14</sup>*

**Xi Jinping,  
29 November 2014**

role, while now sometimes on the agenda, will not soon be spelled out in a meaningful way. At the same time, many Europeans openly say, Russia’s policies have done a lot to help them move closer together in matters of foreign policy. If there is anything

positive about the crisis of European security, it is that this wake-up call cannot be ignored.

Many now consider Russia more of a spoiler than a contributor to international security and stability. Yet Moscow has played a constructive role in certain areas – notably in the negotiations between the P5+1 and Iran over Tehran’s nuclear program. But against the backdrop of Russia’s role in the war in Ukraine, cooperation with Moscow will remain a severe challenge.

And while the so-called rising powers have assumed crucial roles in the world economy, their contributions to safeguarding the international order have in the eyes of many been limited.

Of course, not all breakdown in order can be attributed merely to changing great power relations, a change in domestic priorities, or

economic considerations. The number of relevant actors and potential spoilers has skyrocketed, also contributing to a decreased ability of countries to solve problems on their own or in coordination. This and the increasing interdependence of today’s globalized societies further exacerbate broader risks, for example risks stemming from climate change or cyber attacks.

Finally, our ability to predict major crises, let alone prevent them, appears to be weakening as well. The more complex and complicated the world gets, the harder it is to get it right. Put differently, it’s much easier today to overlook or misjudge the signals amid the noise.

*“Our age is insistently, at times almost desperately, in pursuit of a concept of world order. Chaos threatens side by side with unprecedented interdependence: in the spread of weapons of mass destruction, the disintegration of states, the impact of environmental depredations, the persistence of genocidal practices, and the spread of new technologies threatening to drive conflict beyond human control or comprehension.”<sup>15</sup>*

**Henry Kissinger, 2014**

Thinking back to the situation in early 2014, as hundreds of decision makers were about to travel to Munich: if many “missed” the rise of ISIS and the coming fundamental crisis in European security a year ago, the question now must be: What are we missing today?

**What are the top 10 geopolitical risks for 2015?**

Eurasia Group, January 2015

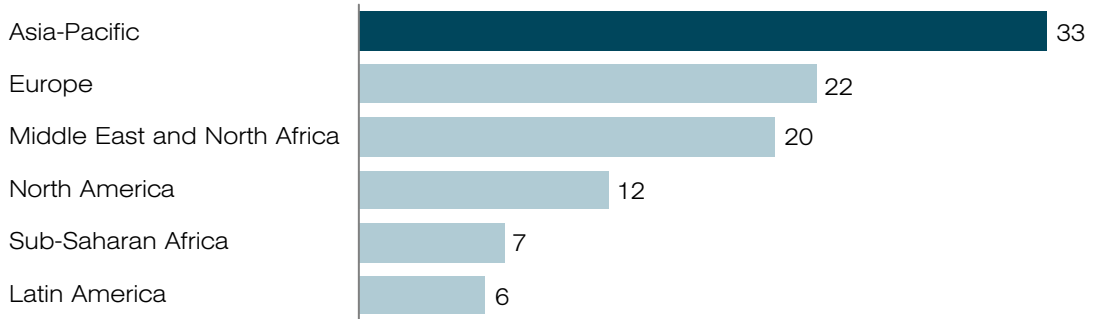
“Geopolitics is back. As 2015 begins, political conflict among the world’s great powers is in play more than at any time since the end of the Cold War.”

|   |                               |    |                               |
|---|-------------------------------|----|-------------------------------|
| 1 | The politics of Europe        | 6  | Weak incumbents               |
| 2 | Russia                        | 7  | The rise of strategic sectors |
| 3 | The effects of China slowdown | 8  | Saudi Arabia vs. Iran         |
| 4 | The weaponization of finance  | 9  | Taiwan/China                  |
| 5 | ISIS, beyond Iraq and Syria   | 10 | Turkey                        |

Source: Eurasia Group<sup>16</sup>

### Which region will be most affected by rising geostrategic competition in the next 12–18 months?

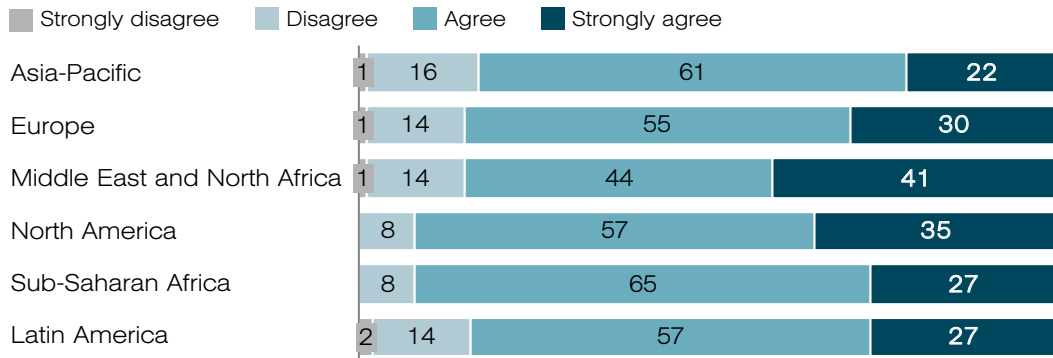
Assessment by the World Economic Forum's global knowledge network  
Percent



Source: World Economic Forum<sup>17</sup>

### Is there a leadership crisis in the world today?

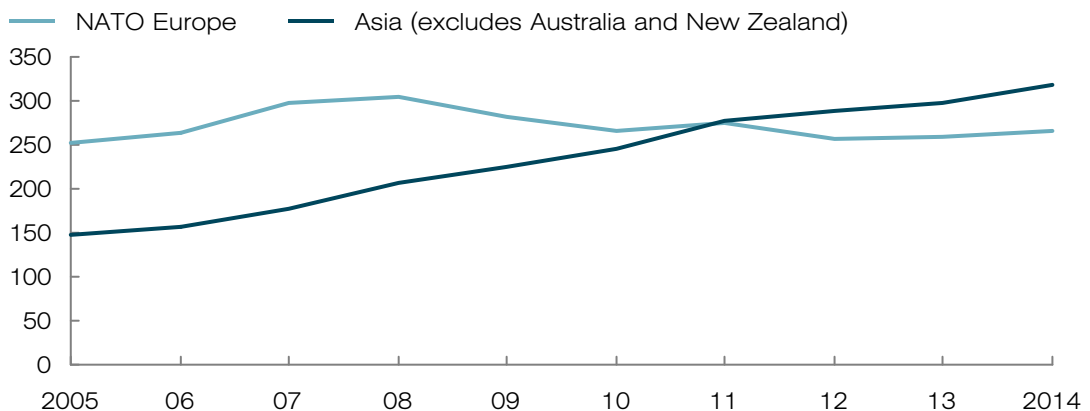
Assessment by the World Economic Forum's global knowledge network  
Percent; by region of origin of respondents



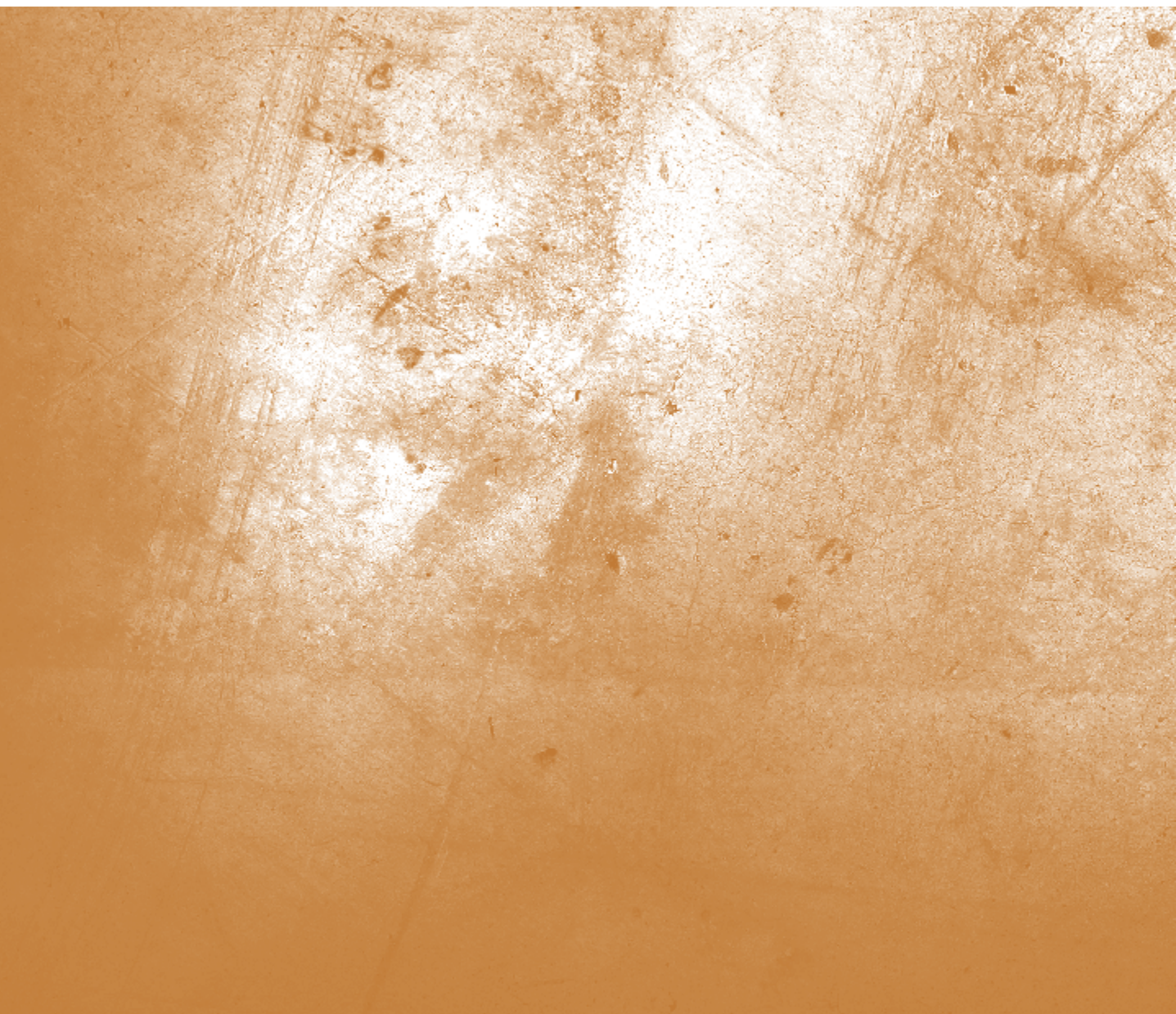
Source: World Economic Forum<sup>18</sup>

### Diverging trends in defense spending in Asia and Europe

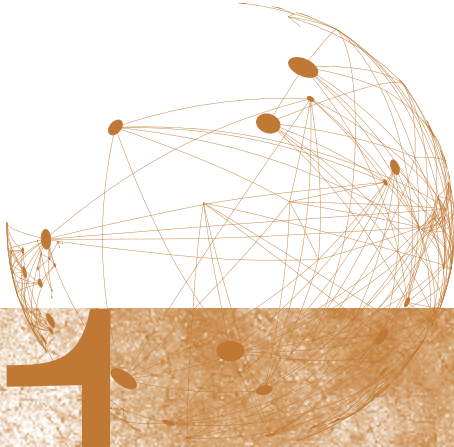
USD billions




Source: The International Institute for Strategic Studies<sup>19</sup>







# 1 Actors



# Germany: Ready to Lead?

“It is quite a sensation that took place at the Munich Security Conference,” one of Germany’s leading newspapers, *Die Zeit*, analyzed in February of 2014. “Three improbable allies” – German President Joachim Gauck, Defense Minister Ursula von der Leyen, and Foreign Minister Frank-Walter Steinmeier – “did nothing less than jointly inaugurate a new foreign policy course.”<sup>1</sup>

*“The United States and the Federal Republic have always been firm friends and allies, but today we share an added role: partners in leadership.”<sup>2</sup>*

**George H. W. Bush,**  
**31 May 1989**

“Germany should make a more substantial contribution, and it should make it earlier and more decisively if it is to be a good partner,” Gauck said.<sup>3</sup> “Germany must be ready for earlier, more decisive

and more substantive engagement in the foreign and security policy sphere,” Steinmeier announced.<sup>4</sup> “Indifference is not an option for Germany,” von der Leyen added.<sup>5</sup>

*“I fear German power less than I am beginning to fear German inactivity. You have become Europe’s indispensable nation.”<sup>6</sup>*

**Radosław Sikorski,**  
**28 November 2011**

Ever since, these speeches have served as the points of reference in the vivid inner-German debate about Germany’s international responsibility that followed. The German

Foreign Office launched its “Review 2014” process, engaging international experts and the public in an unprecedented effort to raise the level of discourse by asking: “What is wrong with German foreign policy? What needs to be changed about it?”<sup>7</sup> Results will be presented in February.

Those who argue that there has already been a significant shift point to German diplomacy regarding Ukraine since early 2014 and armed support for the Kurds. Or they can refer to what George H. W. Bush opined on the occasion of the 25th anniversary of the Berlin Wall. Asked whether he thought Germany had fulfilled his expectations to “contribute in full measure as a force for peace and stability in world affairs,” as he himself had put it in 1990, Bush in 2014 replied: “Yes, and then some!”<sup>9</sup>

*“But I come here today, Berlin, to say complacency is not the character of great nations.”<sup>8</sup>*

**Barack Obama,**  
**19 June 2013**

Others argue that the recent increase in German activity has, at best, been minor – and hardly substantial. Skeptics further highlight that the German public remains reluctant and that recent revelations about the Bundeswehr’s state of equipment and procurement perfectly epitomize the enormous gap between rhetoric and capabilities.

*“In my opinion, Germany should make a more substantial contribution, and it should make it earlier and more decisively if it is to be a good partner.”<sup>10</sup>*

**Joachim Gauck,**  
**31 January 2014**

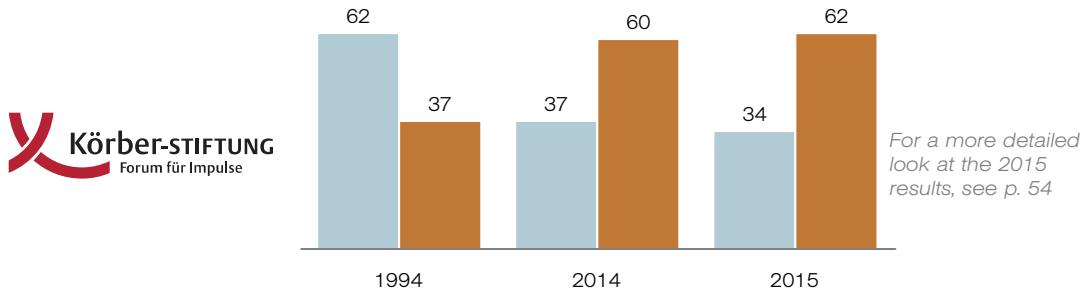
Critics also say that Germany’s international popularity stems from an often passive approach to security policy. Abroad and at home, observers are wondering whether Germany’s Western integration really is as strong as many assume. Heinrich August Winkler, a German historian and public intellectual, said that there is “reason for doubt” since “a strong minority questions fundamental elements of our Western integration.”<sup>11</sup>

In any case, the debate about Germany’s new role has just begun. The Social Democratic Friedrich Ebert Foundation made a question that is on many Berlin minds the theme of its annual foreign policy conference in September 2014: “Assuming responsibility – but how?”<sup>12</sup>

## What Germans think: Should Germany become more engaged in international crises?

Percent

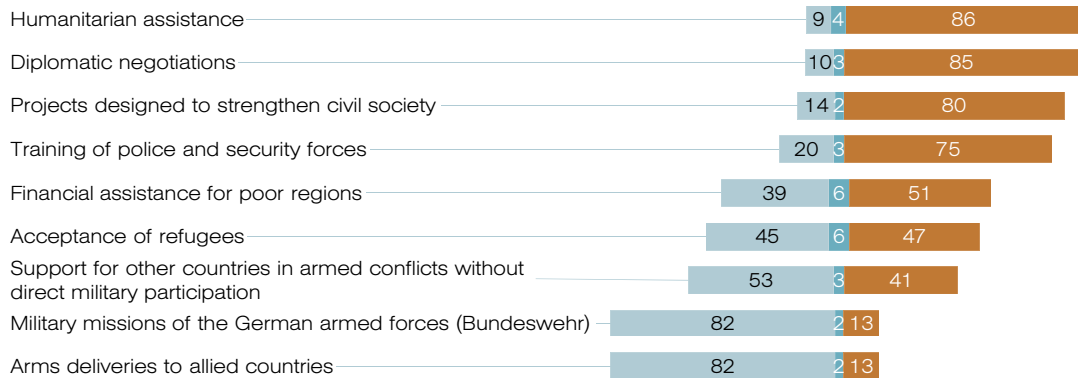
■ Germany should become more involved ■ Germany should continue to exercise restraint

Source: RAND; Körber Foundation<sup>13</sup>

## What Germans think: Where should Germany become more involved, where less (April/May 2014)?

Percent

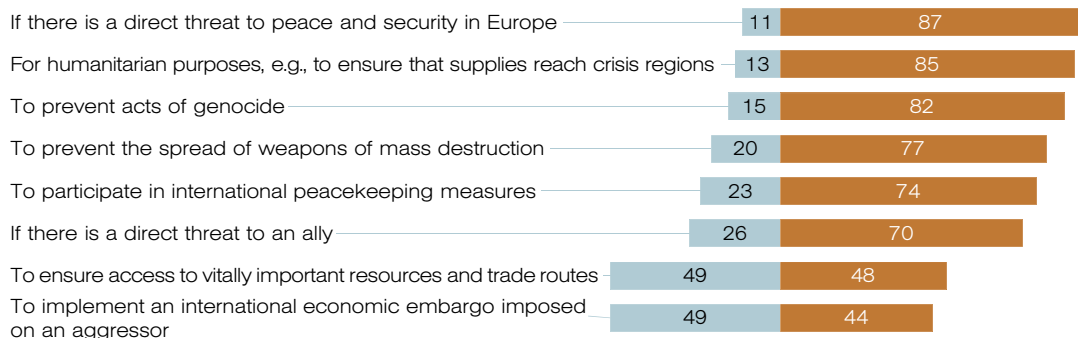
■ Less involvement ■ Same level of involvement ■ More involvement

Source: Körber Foundation<sup>14</sup>

## What Germans think: When is the deployment of German armed forces in missions abroad justified (April/May 2014)?

Percent

■ No, I don't think this is justified ■ Yes, I think this is justified

Source: Körber Foundation<sup>15</sup>





# The US: World- Weary or War-Weary?

“I travel all around the world and I hear unanimously that the United States is withdrawing and that the United States’ influence is on the wane and that bad things are going to happen, and they are happening,” John McCain said last year, channeling an assessment that has, rightly or wrongly, been uttered regularly around the world.<sup>1</sup> Middle Eastern allies, in particular, have voiced concern about lacking US commitment.

Given the United States’ military and economic prowess and its level and depth of engagement in many parts of the globe, charges of retreat, withdrawal, or retrenchment may well be unfounded or at least grossly exaggerated. But the very perception of retreat does matter, as much as decision makers try to dispel it.

*“[...] the liberal ideas that brought freedom, security, and hope to millions of people around the world in the last century remain essential in this one. America can promote them best if it restores its own democracy to health.”<sup>2</sup>*

**George Packer,  
17 November 2014**

the United States is somehow on a different track, I would tell you it is flat wrong and it is belied by every single fact of what we are doing everywhere in the world.” Sharing

At last year’s Munich Security Conference, Secretary of State John Kerry said: “I can’t think of a place in the world that we are retreating, not one. So I think this narrative, which has, frankly, been pushed by some people who have an interest in trying to suggest that

the stage with Kerry, Secretary of Defense Chuck Hagel added: “I would venture to say the United States is more present doing more things in more places today than maybe ever before. How we’re doing it is differently.”<sup>3</sup>

President Barack Obama has also been vocal in defending US leadership, arguing that it is merely less focused on military tools. On the other hand, essays by Brookings’ Robert Kagan, widely read and discussed in Washington last year, made the case that US policies in fact suggest the US is turning its back on the world.

Opinion polls allow for very different interpretations of the public’s view. According to a Pew poll from December 2013, 52% of Americans think that the US should “mind its own business internationally,” the highest figure in 50 years.<sup>4</sup> 58% of respondents to a Chicago Council survey, on the other hand, think it is “best for the future of the country if we take an active part in world affairs,” and 83% said they consider strong US leadership in the world somewhat or very desirable.<sup>5</sup>

The debate about a new vision for America’s purpose is sure to continue. This, then, disguised by simplistic arguments about notions of retreat, withdrawal, and military interventions, may be the real question: Does America today, reacting to the excesses of the recent past, underestimate its own indispensability? Or is it charting the right course of calibrated leadership?

*“Great nations need organizing principles, and ‘Don’t do stupid stuff’ is not an organizing principle. It may be a necessary brake on the actions you might take in order to promote a vision.”<sup>6</sup>*

**Hillary Clinton,  
10 August 2014**



**Not whether, but how we will lead**

“Those who [...] suggest that America is in decline, or has seen its global leadership slip away [are] misreading history or engaged in partisan politics. [...] So the United States is and remains the one indispensable nation. [...] The question we face, the question each of you will face, is not whether America will lead, but how we will lead. [...] American isolationism is not an option. [...] I believe that a world of greater freedom and tolerance is not only a moral imperative, it also helps to keep us safe. But to say that we have an interest in pursuing peace and freedom beyond our borders is not to say that every problem has a military solution. Since World War II, some of our most costly mistakes came not from our restraint, but from our willingness to rush into military adventures without thinking through the consequences [...]. Here’s my bottom line: America must always lead on the world stage. If we don’t, no one else will.”<sup>7</sup>

**Barack Obama, 28 May 2014**

**A desire to shed the unusual burdens**

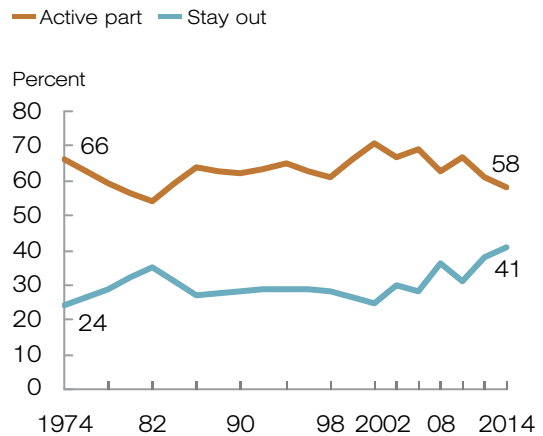
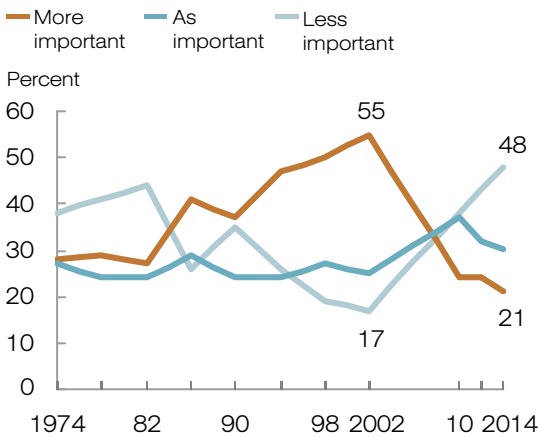
“If a breakdown in the world order that America made is occurring, it is not because America’s power is declining [...]. At the core of American unease is a desire to shed the unusual burdens of responsibility that previous generations of Americans took on [...] and to return to being a more normal kind of nation [...]. Unless Americans can be led back to an understanding of their enlightened self-interest, to see again how their fate is entangled with that of the world, then the prospects for a peaceful twenty-first century in which Americans and American principles can thrive will be bleak. [...] The conventional wisdom these days is that Americans are war-weary. But it may be more accurate to say they are world-weary. [...] As in the past, Americans will be among the last to suffer grievously from a breakdown of world order. [...] There is no democratic superpower waiting in the wings to save the world if this democratic superpower falters.”<sup>8</sup>

**Robert Kagan, 26 May 2014**

**What Americans think about their country’s role in world affairs**

Do you think the United States plays a more important and powerful role as a world leader today compared to 10 years ago, a less important role, or about as important a role as a world leader as it did 10 years ago?

Do you think it will be best for the future of the country if we take an active part in world affairs or if we stay out of world affairs?



Source: The Chicago Council on Global Affairs<sup>9</sup>



# Europe: Defense Matters?

“Defense matters” is the very first sentence of the European Council conclusions from December 2013. The document, the last of its kind to focus on security and defense, continues with a summary of the state of affairs:

*“Washington will not always take the lead when it comes to power projection. The United States will demand [...] that Europeans assume their responsibilities in preserving order, especially in Europe’s periphery.”<sup>1</sup>*

**Anders Fogh Rasmussen, July 2011**

Europe are constrained, limiting the ability to develop, deploy and sustain military capabilities. Fragmented European defense markets jeopardise the sustainability and competitiveness of Europe’s defense and security industry.<sup>2</sup>

*“[...] the question we have to ask ourselves is should we really fear the loss of sovereignty? Or should we define the concept of sovereignty in a less traditional way?”<sup>3</sup>*

**Jeanine Hennis-Plasschaert,  
2 February 2013**

backdrop, many observers have questioned whether the magnitude and importance of

Common Security and Defense Policy helps to enhance the security of European citizens and contributes to peace and stability in our neighborhood and in the broader world. But Europe’s strategic and geopolitical environment is evolving rapidly. Defense budgets in

And, one could add, with a large portion of US troops gone from Europe, many key European platforms massively reduced, and a war taking place in Eastern Europe, challenges really do abound for European defense. Against this

Europe could save

# 13,000,000,000

euros annually by pooling defense procurement.<sup>4</sup>

**McKinsey, June 2013**

the issue is matched by the spending and the commitment shown by many European governments.

What is more, there continues to be a huge gap between decisiveness and policies on the one hand and rhetoric on the other when it comes to European security and defense affairs. Over the past few years, many declarations have stressed the importance of much closer defense co-operation, of pooling and sharing, in order to maintain and eventually expand critical capabilities. Many consequential decisions in this realm, however, still remain to be taken.

*“I have got the impression that we already lost time by looking too much at our national courtyards instead of focusing on the whole set of European forces. If we Europeans want to remain a credible actor in security policy, we must plan and act together.”<sup>5</sup>*

**Ursula von der Leyen,  
31 January 2014**

*“After decades in which all too many people took peace for granted, it is now the power of arms that is the dictating force in the immediate European neighborhood. We must see the full truth for what it is: we have entered much more dangerous times.”<sup>6</sup>*

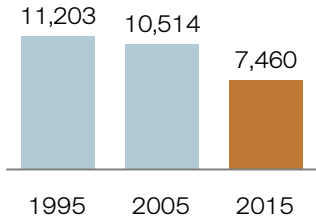
**Carl Bildt, 29 September 2014**

## Reductions in key military equipment in Europe (1995–2015)

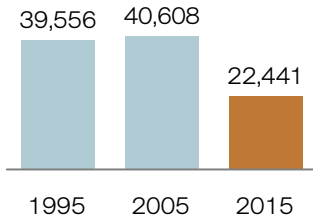
Number of units



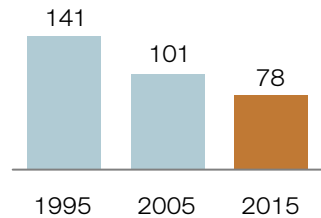
### Armored infantry fighting vehicles



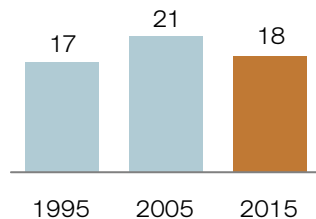
### Artillery



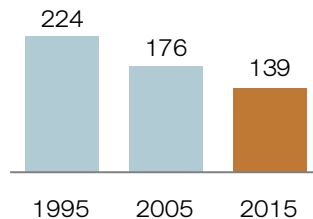
### Submarines



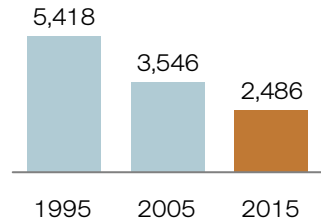
### Carriers and principal amphibious ships



### Principal surface combatants



### Tactical aviation

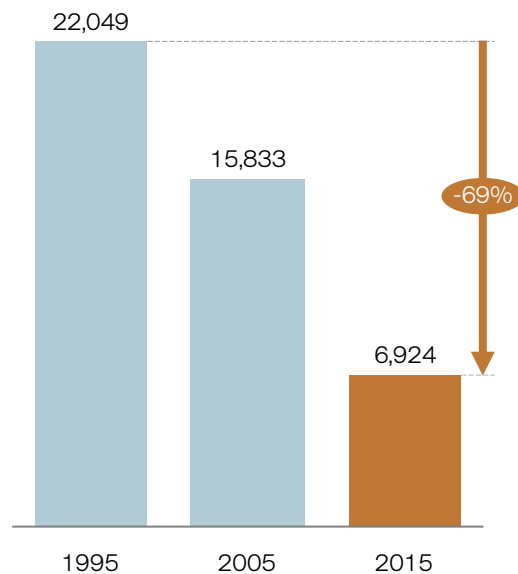


Numbers of military platforms in Europe have reduced substantially since the mid-1990s, driven by changing defense strategies and procurement plans as well as financial considerations. While the capability of Europe's military hardware and personnel has increased, defense forces have faced the challenge of adapting to new threats amid continuing budgetary constraints.

Source: The International Institute for Strategic Studies<sup>7</sup>

## Main battle tank reductions in Europe (1995–2015)

Number of main battle tanks

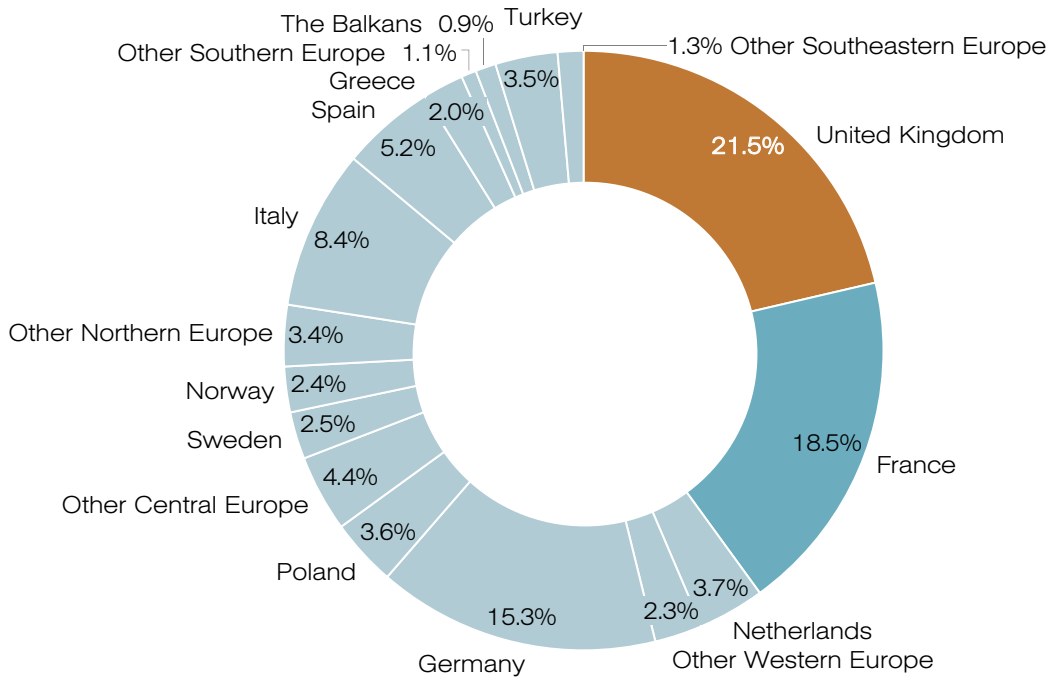


|                | 1995  | 2005  | 2015  |
|----------------|-------|-------|-------|
| Norway         | 170   | 165   | 52    |
| Belgium        | 234   | 52    | 0     |
| Denmark        | 411   | 231   | 55    |
| United Kingdom | 462   | 543   | 227   |
| Spain          | 684   | 339   | 327   |
| Sweden         | 708   | 280   | 132   |
| Netherlands    | 740   | 283   | 0     |
| Slovakia       | 912   | 271   | 30    |
| Czech Republic | 1,011 | 298   | 30    |
| France         | 1,016 | 926   | 200   |
| Italy          | 1,077 | 440   | 160   |
| Poland         | 1,752 | 947   | 926   |
| Bulgaria       | 1,786 | 1,474 | 80    |
| Romania        | 1,843 | 1,258 | 437   |
| Greece         | 2,268 | 1,723 | 1,354 |
| Germany        | 2,695 | 2,398 | 410   |
| Turkey         | 4,280 | 4,205 | 2,504 |

Source: The International Institute for Strategic Studies<sup>8</sup>



### European defense spending by country and subregion (2014)

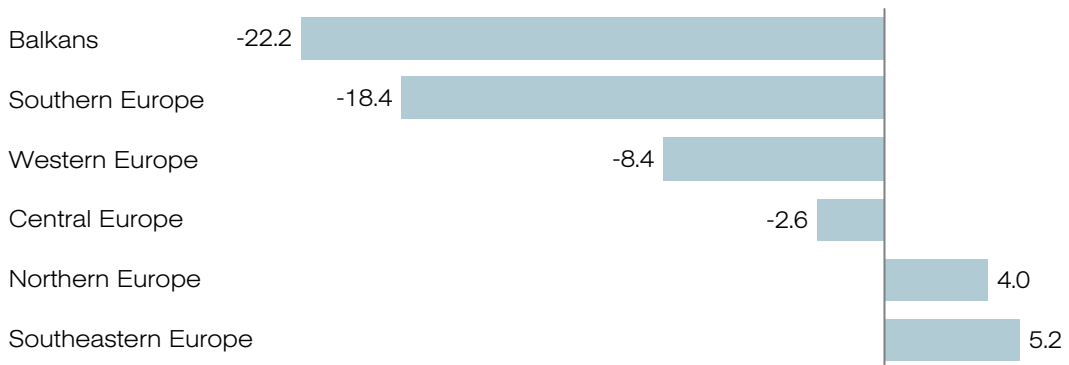


Other Western Europe – Belgium, Iceland, Ireland, Luxembourg  
 Other Central Europe – Austria, Czech Republic, Hungary, Slovakia, Switzerland  
 Other Northern Europe – Denmark, Estonia, Finland, Latvia, Lithuania  
 Other Southern Europe – Cyprus, Malta, Portugal  
 The Balkans – Albania, Bosnia-Herzegovina, Croatia, FYROM, Montenegro, Serbia, Slovenia  
 Other Southeastern Europe – Romania, Bulgaria

Source: The International Institute for Strategic Studies<sup>9</sup>

### Defense spending changes in Europe (2010–2014)

Percent; constant prices and exchange rate



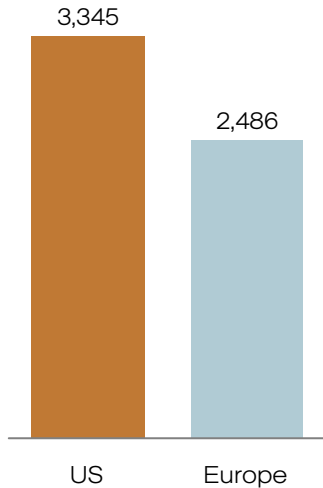
While significant cuts have also occurred in Western Europe, with aggregate real outlays down by 8.4% over four years, Western Europe remains Europe's highest spending sub-region, accounting for almost half of regional outlays (46.0%).

Source: The International Institute for Strategic Studies<sup>10</sup>



### How does the size of the European tactical aviation fleet compare to the US?

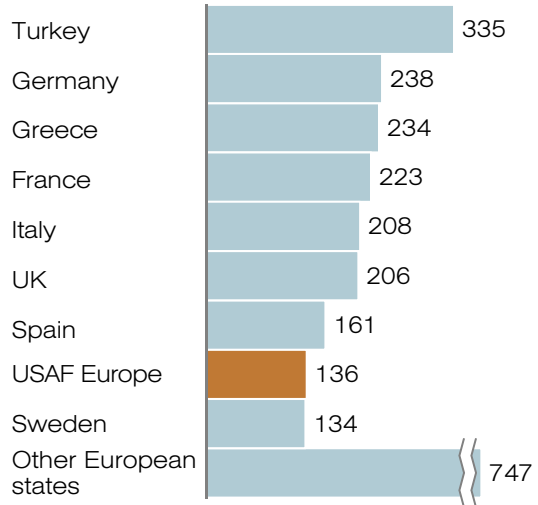
Number of tactical aircraft (2015)



Source: The International Institute for Strategic Studies<sup>11</sup>

### Who is providing tactical aviation in Europe?

Number of tactical aircraft (2015)



Source: The International Institute for Strategic Studies<sup>12</sup>

### How have principal US combat forces deployed to Europe been reduced since 1989?

Selected US European command organizations and equipment

|   | 1989    | 2001   | 2015   |
|---|---------|--------|--------|
| Total personnel (army, air force, navy, marine corps) | 326,400 | 98,000 | 66,200 |
| Armored brigade                                       | 10      | 3      | 0      |
| Armored infantry brigade                              | 4       | 1      | 0      |
| Light infantry brigade                                | 1       | 0      | 0      |
| Airborne brigade                                      | 0       | 1      | 1      |
| Mechanized cavalry regiment                           | 0       | 0      | 1      |
| Tactical aviation squadrons                           | 28      | 8      | 6      |
| Main battle tanks                                     | 5,000   | 657    | 29     |
| Armored infantry fighting vehicles                    | 940     | 887    | 33     |
| Artillery   | 1,600   | 508    | 97     |
| Short-range ballistic missiles                        | 120     | 0      | 0      |
| Tactical aviation (fighter/ground attack)             | 639     | 174    | 136    |
| Attack helicopters                                    | 279     | 134    | 48     |

The numbers of US organizations and equipment deployed to Europe have declined significantly since 1989, though in terms of capability deployed US forces remain significant. The US is investing in ballistic missile defense infrastructure and capabilities in Europe, and there have been increased deployments to Eastern Europe in 2014 and plans to increase army prepositioned stocks as part of an Enhanced European Activity Set. US forces remaining in Europe still present formidable capabilities, notably in terms of airpower. Indeed, the size of the US Air Force in Europe tactical fleet still surpasses that of many European air forces.

Source: The International Institute for Strategic Studies<sup>13</sup>



# NATO: Back Home for Good?

Only a year ago, many observers wondered whether the end of the combat mission in Afghanistan, the operation that shaped NATO's day-to-day work for about a decade, would trigger another re-run of the old "Is NATO still relevant?" debate.

Instead, 2014 became a wake-up call for NATO and turned the Wales Summit into the probably most important Alliance summit since the end of the Cold War. In light of Russia's application of "hybrid" warfare in Ukraine and President Obama's stated position that Russian-speaking populations everywhere should receive protection by Russia, NATO members had to ask themselves whether they were prepared for defending against a similar Russian playbook on their territory. The Alliance, in other words, was suddenly very much back "in area." On top, the emergence of the "Islamic State" made clear that NATO could not just return home and neglect "out of area" challenges. But populations in both North America and Europe are intervention-weary, and support for the different types of NATO operations varies widely across the Alliance.

*"[...] the defense of Tallinn and Riga and Vilnius is just as important as the defense of Berlin and Paris and London."*

**Barack Obama,**  
**3 September 2014**

After NATO had agreed to a first set of reassurance measures in spring 2014, then-NATO Secretary General Rasmussen repeatedly emphasized that every Ally was a contributor.<sup>2</sup> Yet, in the beginning, the commitment level differed substantially across the Alliance. For the first half of 2014, the Allies still

debated what NATO's response to Russia's actions should be and disagreed about the meaning of the NATO-Russia Founding Act. However, at the Wales Summit, NATO members managed to approve the most important restructuring of NATO's defense posture in decades, including a persistent presence in NATO's Eastern member states and the creation of a new "spearhead force."

*"Our NATO Summit in Wales [...] set out a clear course. That makes my job both easy – and hard. Easy, because we know what to do. And hard, because we still have much to do. And time is short."<sup>3</sup>*

**Jens Stoltenberg,**  
**28 October 2014**

Since September 2014, NATO has been busy implementing the decisions. Many pledges made in Wales were rather modest, to be sure. But, even so, freeing the necessary resources clearly requires a concerted effort by all Allies. Will they all make good on their defense pledges? And will they be ready in time or be overtaken by events?

## Wales Summit Declaration 2014

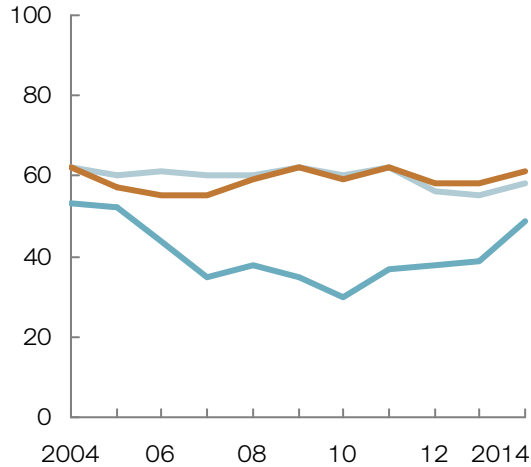
*"[...] Russia's aggressive actions against Ukraine have fundamentally challenged our vision of a Europe whole, free, and at peace. Growing instability in our southern neighborhood, from the Middle East to North Africa, as well as transnational and multi-dimensional threats, are also challenging our security. [...] In order to ensure that our Alliance is ready to respond swiftly and firmly to the new security challenges, today we have approved the NATO Readiness Action Plan. It provides a coherent and comprehensive package of necessary measures to respond to the changes in the security environment on NATO's borders and further afield that are of concern to Allies. [...] The Plan will contribute to ensuring that NATO remains a strong, ready, robust, and responsive Alliance capable of meeting current and future challenges from wherever they may arise."<sup>4</sup>*

### Is NATO still essential?

Percent

Respondents from

— US — EU — Turkey



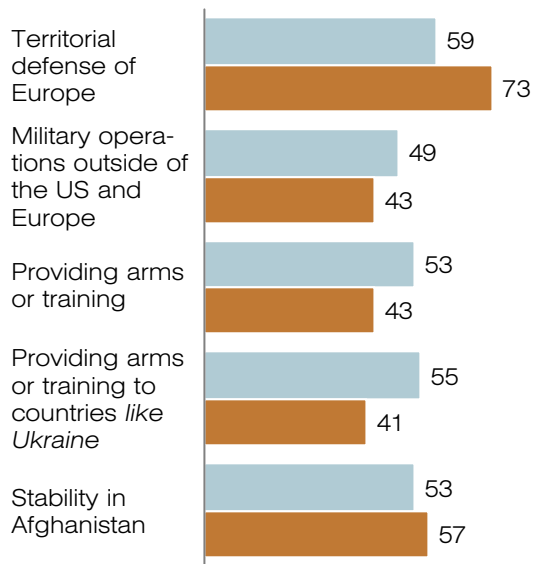
Source: The German Marshall Fund of the United States (GMF)<sup>5</sup>

### What should NATO be engaged in?

Percent

Respondents from

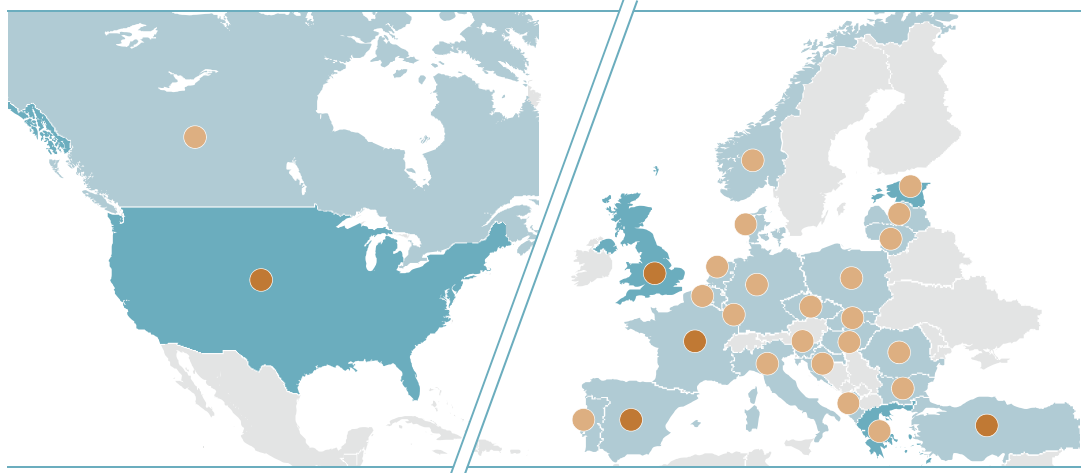
— US — EU



Source: The German Marshall Fund of the United States (GMF)<sup>6</sup>

### Wales defense spending pledge – who needs to do what?

Based on defense spending levels in 2013



#### Overall defense spending

- Continue to spend a minimum of 2% of GDP on defense
- Halt any decline in defense spending, aim to increase defense expenditure in real terms, aim to move towards the 2% guideline within a decade

#### Investments

- Continue to spend more than 20% of their defense budgets on major equipment
- Aim to increase their annual investments to 20% or more of total defense expenditures

Source: MSC, based on NATO data<sup>7</sup>



# Russia: Bear or Bust?

In mere months, most of the work of 25 years has evaporated. Only four years ago in Lisbon, NATO member states and Russia declared that they had “embarked on a new stage of cooperation towards a true strategic partnership.”<sup>1</sup> Today, this statement seems to stem from another age.

**82%**  
of Germans say Russia  
“cannot be trusted”<sup>2</sup>  
**ARD-Deutschlandtrend,  
August 2014**

Western leaders have accused Russia of violating international law and introduced far-reaching economic sanctions. At the same time, Russian President Vladimir Putin has described himself as a protector of international law and made clear that Russia would not be deterred by widespread international criticism. “We are stronger,” Vladimir Putin said in November, answering a question on Crimea. “Stronger than who?,” the journalist asked. “Everybody,” Putin replied. “Because we are right. Truth is power. When a Russian feels he is right, he is invincible.”<sup>3</sup>

### Russia will not yield

*“The misunderstanding is that this is, at root, a stand-off over Ukraine. To Russians, it is something far more important: a struggle to stop others expanding their sphere of control into territories they believe are vital to Russia’s survival. It is a miscalculation because Russia is far stronger, and the west far weaker, than many imagine. [...] Russia will not yield. This has become a matter of our nation’s life and death.”<sup>4</sup>*

**Sergey Karaganov, 15 September 2014**

For several years, observers have mainly expressed concern about the increasingly tense political climate in Russia itself. Now, after Russia’s actions in Ukraine, many international worries center on what has been called the “Putin Doctrine” in Russia’s foreign policy. In March 2014, the Russian president made the case that not only Russian citizens, but also a more widely defined group of Russian-speaking people should receive protection by Russia.<sup>5</sup> Will this logic, taken as far as in Crimea and Eastern Ukraine, be applied to other states with Russian-speaking minorities as well?

Another open question concerns the fundamental orientation of Russian policy: Will Russia permanently pivot away from Europe and search for partnerships elsewhere? Does the Russian government itself know how far it will take the break from the West? How will Moscow handle the biting impact of the sanctions, steeply falling oil prices, and the massive outflow of capital? Putin has denied that Russia is embarking on a path of self-isolation.<sup>6</sup> Yet, what path he will take, only he knows.

### The most malignant manifestation of Putinism

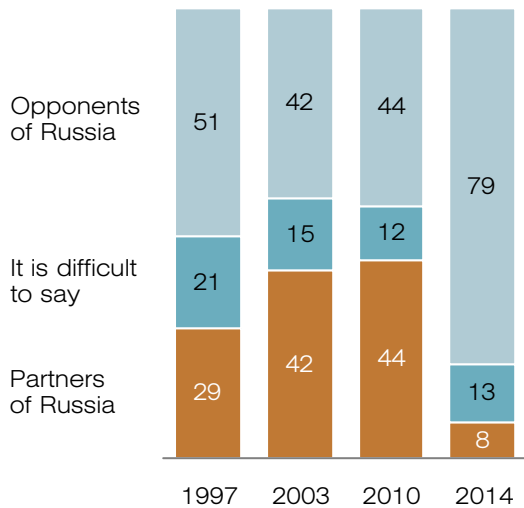
*“Putin’s aggression only makes sense against the backdrop of what has been the defining theme of his presidency: turning back the clock. For years that has meant [...] reinstating key attributes of the Soviet system within the borders of the Russian Federation. But there were also indications that, if given a chance, Putin might extend his agenda, his rule, and what he hopes will be his legacy beyond those borders. [...] Therein lies the most malignant manifestation of Putinism: it violates international law, nullifies Russia’s past pledges to respect the sovereignty and territorial integrity of its neighbors, carries with it the danger of spinning out of control and sparking a wider conflict, and establishes a precedent for other major powers to apply their own version of the Putin Doctrine when convenient.”<sup>7</sup>*

**Strobe Talbott, 19 August 2014**



### What Russians think: Are the big Western countries (US, Germany, Japan, Great Britain, and others) partners or opponents of Russia?

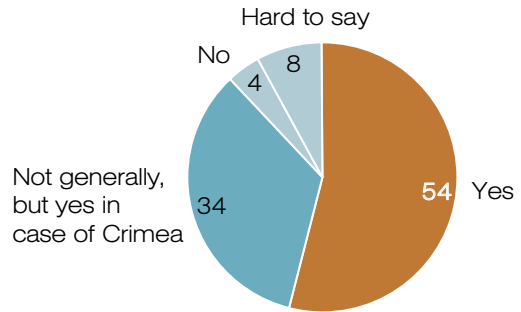
Percent



Source: Levada Center<sup>8</sup>

### What Russians think (April 2014): Does Russia have the right to annex territories of the former Soviet republics, justifying it by the statement that Russian people can experience rights infringement or are already discriminated there?

Percent



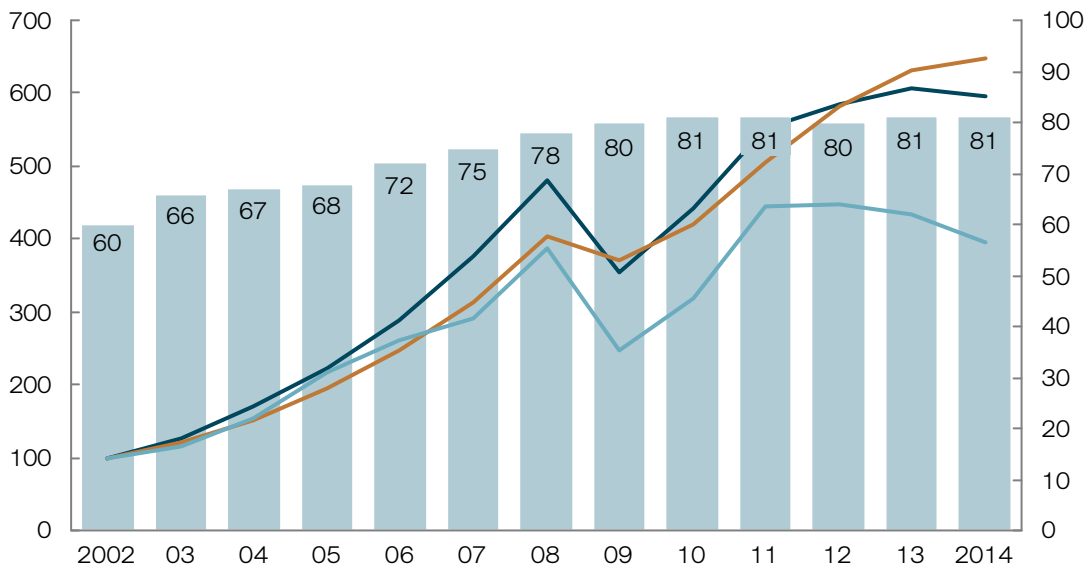
Source: Levada Center<sup>9</sup>

### Where is Russia going?

— GDP Russia — Brent crude oil — Russian defense spending — Freedom of the Press index

Index (2002 = 100)

1 = Best, 100 = Worst



Source: Stockholm International Peace Research Institute; International Monetary Fund; US Energy Information Administration; Freedom House<sup>10</sup>



## Emerging Powers: Free Risers?

This year, China's economy, if adjusted for purchasing power, has overtaken the United

*"[...] our coordination is well established in various multilateral and plurilateral initiatives and intra-BRICS cooperation is expanding to encompass new areas. Our shared views and commitment to international law and to multilateralism, with the United Nations at its center and foundation, are widely recognized and constitute a major contribution to global peace, economic stability, social inclusion, equality, sustainable development and mutually beneficial cooperation with all countries."<sup>3</sup>*

**BRICS Summit  
Fortaleza Declaration,  
15 July 2014**

states' economy as the world's largest.<sup>1</sup> Despite the rising economic importance of the emerging powers, some analysts continue to label them "reluctant stakeholders,"<sup>2</sup> noting that their contributions to global governance have not increased very much. Are they free risers, are they learning to route around long-established structures, or do they contribute more than commonly assumed?

Clearly, while Western representatives usually point out that rising global influence comes with more global responsibility, the emerging powers feel that their voices are not respected enough. Chinese President Xi Jinping, for instance, emphasized that his country "is a participant in, builder of, and contributor to the international system" and cited its economic development as an important contribution to the world.<sup>4</sup> Recently, US President Obama underlined that "the United States welcomes the continuing rise of a China that is peaceful and prosperous and stable and that plays

a responsible role in world affairs."<sup>5</sup>

Through the BRICS group, Brazil, Russia, India, China, and South Africa are joining forces in a coordinated fashion. So far, they have mainly focused on economic and financial matters, for instance through the creation of the New Development Bank.<sup>7</sup>

In broader political and security terms, the BRICS have often been lacking a common position: If they are "unified at all, it's out of a common perception of the strength of the West and a shared interest in limiting the West's ability to dictate the terms of international play."<sup>8</sup> Yet, given their traditional insistence on sovereignty and territorial integrity, the BRICS' muted response to Russian action in Ukraine heightened concerns that the BRICS might turn into an anti-Western bloc.<sup>10</sup>

Others, however, observe "a concerted effort by the emerging powers to construct parallel multilateral architectures that route around the liberal order."<sup>11</sup> While the importance of these parallel institutions remains limited to date, the increasing likelihood of an ever more fragmented system underlines the necessity of reform.

*"[...] the Atlantic democracies will have to work with emerging powers to consensually fashion a new set of norms best suited to sustain a rules-based order at the global level. Managing the peaceful arrival of a polycentric world will require compromise, tolerance, and recognition of political diversity."<sup>6</sup>*

**Trine Flockhart et al.,  
2014**

*"From the perspective of the BRICS, the hubris and arrogance of policy-makers in the US-led West is so breathtaking as to be scarcely believable. It's as though they have lost the capacity to see how others see them. Or they just don't care."<sup>9</sup>*

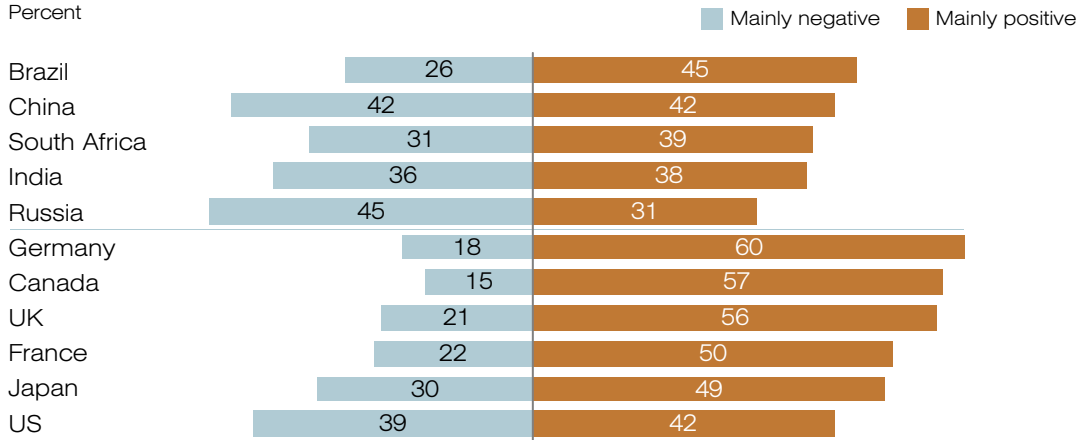
**Ramesh Thakur,  
21 July 2014**

**87%**  
*of respondents to a World Economic Forum network poll agree that we need to develop new global governance structures.<sup>12</sup>*

## How the influence of certain countries is perceived in the world

Average results from polls in 20 tracking countries

Percent

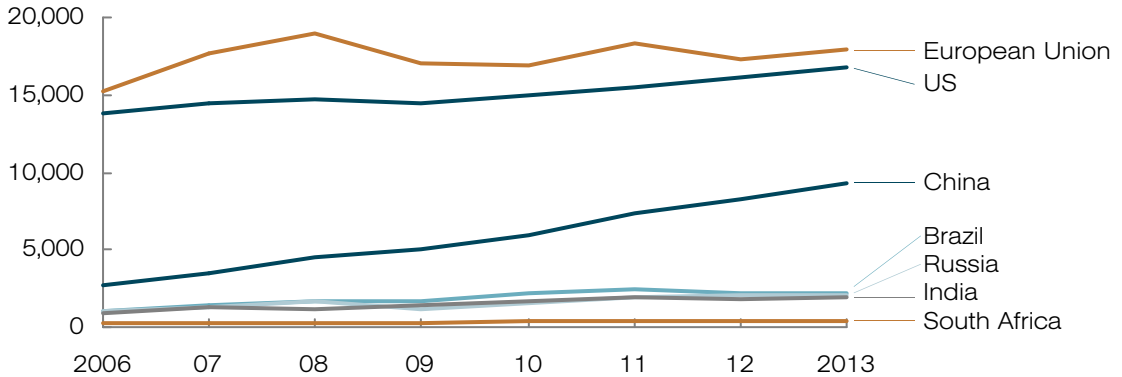


Source: BBC/GlobeScan<sup>13</sup>

## Catching up?

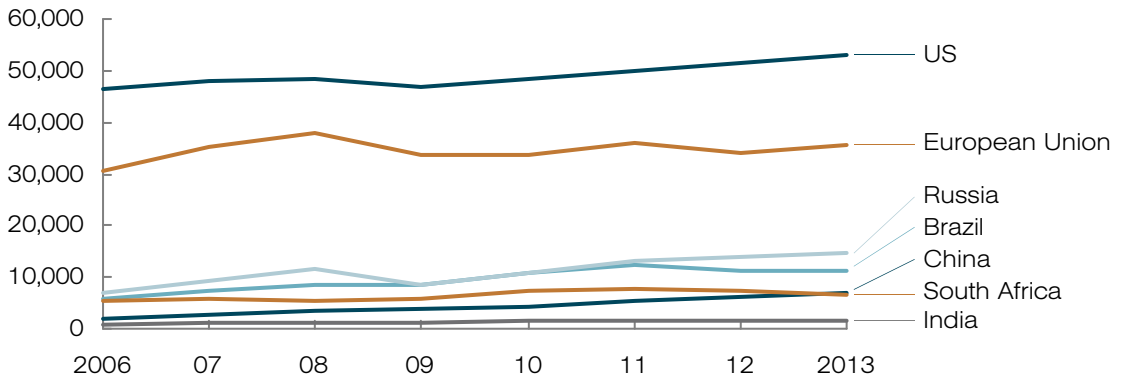
GDP

Current USD billions

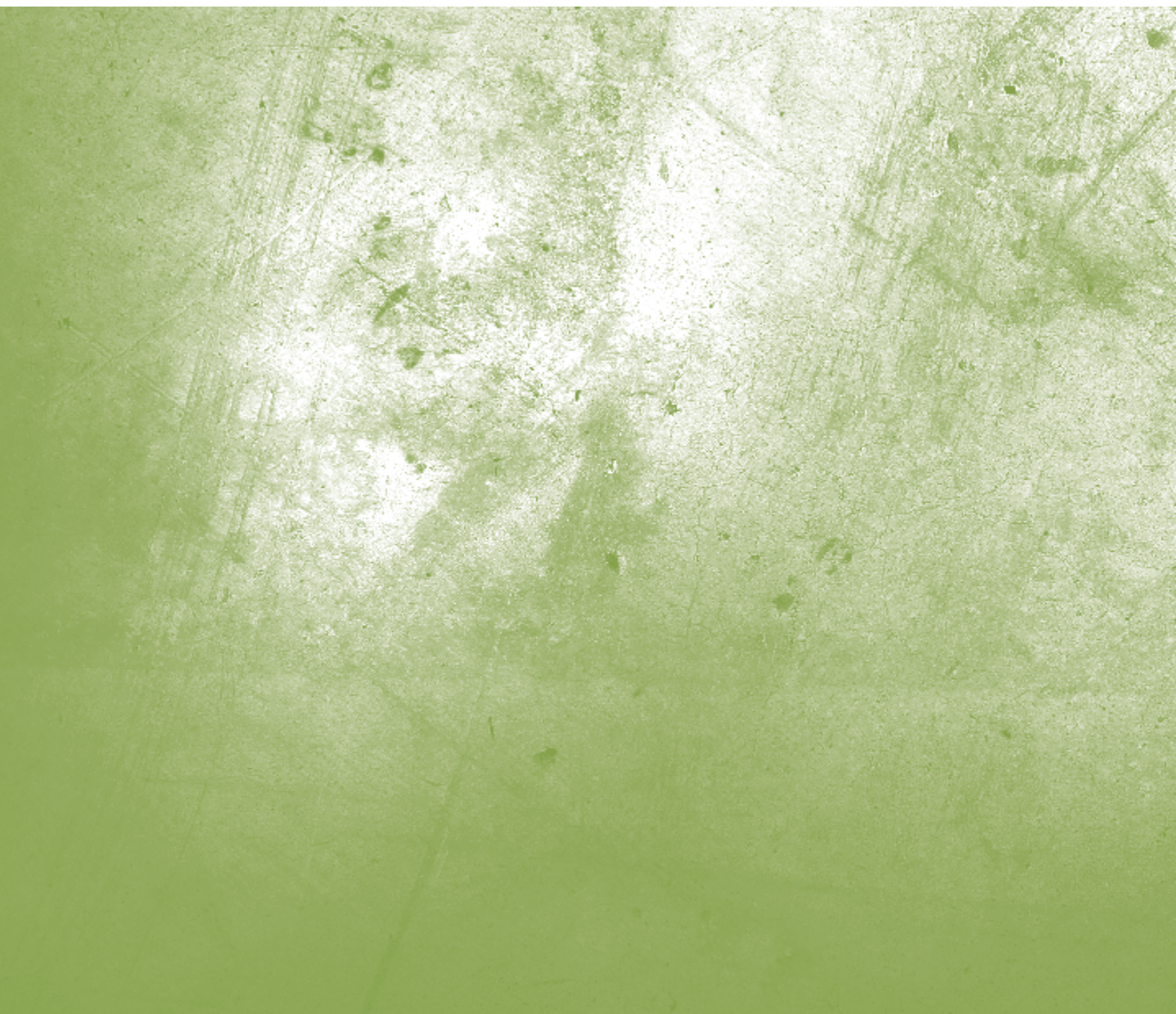


GDP per capita

Current USD



Source: World Bank<sup>14</sup>








2

# Hot Spots



# Ukraine: Tug or War?

In the summer of 2012, tens of thousands of European football fans flocked to the Donbass Arena in Donetsk for five games of the Euro 2012 championship.

*“[...] we fully recognize the freedom of States to choose their own security arrangements.”<sup>1</sup>*

**Charter of Paris for a New Europe, 1990**

Less than two years later, after negotiations over a rather limited EU Association Agreement had snowballed into an armed conflict, Donetsk was a war zone. A cease-fire agreement, concluded in Minsk in early September 2014, has been routinely violated. In the first ten weeks after it was signed alone, more than 900 people were killed in outbreaks of fighting and shelling,<sup>2</sup> and the separatists have continued to solidify their position.

*“Ukraine chooses its own path and for this it has become a victim of aggression.”<sup>3</sup>*

**Toomas Hendrik Ilves, October 2014**

While Russia denies direct involvement in the war, most Ukrainians have soured on the Russian government and are turning towards Europe, as numerous opinion polls show. In September of 2014, over 66% of Ukrainians supported the EU Association Agreement (16% were against). 17 months before, only 42% had been in favor.<sup>4</sup> Moreover, the October parliamentary election results strongly favored pro-European parties.

*“If Ukraine wants to join the EU and if the EU accepts Ukraine as a member, Russia, I think, would welcome this because we have a special relationship with Ukraine.”<sup>5</sup>*

**Vladimir Putin, 10 December 2004**

The coalition agreement has been hailed as an outline of an important reform agenda. However, the structural challenges the new government is facing in many sectors are formidable. And, in light

of a spiraling budgetary deficit, depleted foreign reserves, and a banking system in crisis, “Ukraine is at risk of a financial meltdown.”<sup>6</sup>

Moreover, there is a real danger that we are witnessing the development of a new “cordon sanitaire” between East and West.

Aware of this risk, the Ukrainian parliament dropped the country’s non-aligned status law in late December 2014. According to Russian Prime Minister Dmitri Medvedev, this decision amounted to “in essence, an application for joining NATO” and turned Ukraine into a “potential enemy of Russia.”<sup>8</sup>

While NATO countries affirm Ukraine’s freedom to choose its own path, most of them strongly oppose Ukrainian membership in the Alliance in the near future.

*“Crimea [has] invaluable civilisational and even sacral importance for Russia, like the Temple Mount in Jerusalem for the followers of Islam and Judaism. And this is how we will always consider it.”<sup>7</sup>*

**Vladimir Putin, 4 December 2014**

*“Russia is violating the territorial integrity and the sovereignty of Ukraine. It regards one of its neighbors, Ukraine, as part of a sphere of influence. After the horrors of two world wars and the end of the Cold War, this calls the entire European peaceful order into question.”<sup>9</sup>*

**Angela Merkel, 17 November 2014**

## **Budapest Memorandum 1994**

*“[Russia, the UK, and the US] reaffirm their commitment to Ukraine to respect the independence and sovereignty and the existing borders of Ukraine. [They] reaffirm their obligation to refrain from the threat or use of force against the territorial integrity or political independence of Ukraine, and that none of their weapons will ever be used against Ukraine except in self-defense or otherwise in accordance with the Charter of the United Nations.”<sup>10</sup>*

### Minsk Agreement 2014

[unofficial translation – official version published in Russian only<sup>11</sup>]

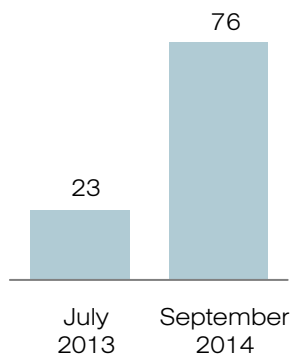
On the outcome of the consultations of the Trilateral Contact Group concerning joint steps towards the implementation of the Peace Plan of the Ukrainian President Petro Poroshenko and initiatives of the President of the Russian Federation Vladimir Putin.

After review and discussion of propositions, tabled at the consultations in Minsk on 1 September 2014, the Trilateral Contact Group of representatives of Ukraine, the Russian Federation, and the Organization for Security and Cooperation in Europe, reached an understanding about the necessity to realize the following steps:

1. Immediate cease-fire agreed upon by all sides.
2. Ensure monitoring and verification of the cease-fire regime by OSCE.
3. Decentralize power, inter alia through adoption of a Ukrainian Law “On a temporary regime of local autonomy in individual rayons of the oblasts Donetsk and Luhansk” (Law on Special Status).
4. Ensure permanent monitoring of the Ukrainian-Russian state border and verification by OSCE through the establishment of a security zone in the border areas of Ukraine and the Russian Federation.
5. Immediate release of hostages and illegally detained persons.
6. Adoption of a law on release from criminal responsibility and punishment in connection with events that took place in individual rayons of the Ukrainian oblasts Donetsk and Luhansk.
7. Continue an inclusive and national dialogue.
8. Take measure to improve the humanitarian situation in the Donbass.
9. Ensure the organization of early local election according to the Ukrainian Law “On a temporary regime of local autonomy in individual rayons of the oblasts Donetsk and Luhansk” (Law on Special Status).
10. Withdrawal of illegal armed groups, military equipment, as well as fighters and mercenaries from Ukrainian territory.
11. Adopt a program for the economic revival of the Donbass and vital functions of the region.
12. Provide personal safety guarantees for the participants of the consultations.

### Does Ukraine face a threat from Russia?

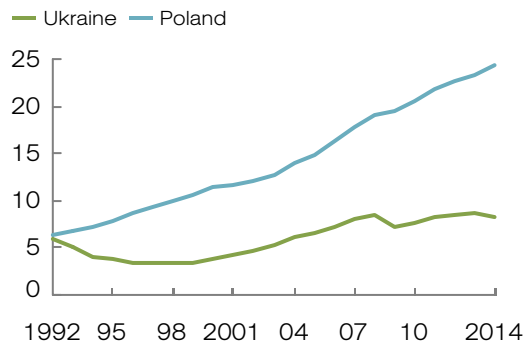
Share of Ukrainians who say “Yes”  
Percent



Source: Razumkov Centre<sup>12</sup>


### How has Ukraine's economy developed?

GDP per capita based on PPP  
Current USD '000



Source: MSC, based on IMF data<sup>13</sup>





## Middle East: Orders Built on Sand?

*“Arab civilization, such as we knew it, is all but gone. The Arab world today is more violent, unstable, fragmented and driven by extremism – the extremism of the rulers and those in opposition – than at any time since the collapse of the Ottoman Empire a century ago.”<sup>1</sup>*

**Hisham Melhem,  
18 September 2014**

1618-1648 in Europe and those of 2011-2014 in the Middle East. But the similarities are many – and sobering,” Richard Haass writes.<sup>3</sup>

*“It’s not just between Sunna and Shia. [...] The longer struggle and probably the more violent [and] difficult struggle will be the struggle for hegemony within Sunni Islam.”<sup>4</sup>*

**Volker Perthes,  
16 October 2014**

*“With the exception of perhaps Iraq, the breakup of Middle Eastern states is not foretold. [...] Even the most artificial of states can survive if its leaders discover a powerful vision of what it means to be part of that society.”<sup>5</sup>*

**Stephen A. Cook,  
15 August 2014**

Nowhere is the headline of “collapsing order” more fitting than in today’s Middle East. “We are just at the beginning of a long period [...] of turbulence which I think will leave no country of the region unaffected,” Volker Perthes analyzes.<sup>2</sup> “There are obvious differences between the events of

Many key features of today’s Arab world are very worrisome indeed.

The “Sykes-Picot” post-World War I order in the Levant, as flawed as it was, is vanishing. Borders are dissolving. And there is no new order in sight, much less potential guardians for it, be it external actors or a regional concert of powers.

The decades-long failure of elites in many states to provide services to their citizens, to build inclusive political

systems, and to help create joint political identities is finally coming back to roost. But except in Tunisia, and leaving aside some reforms in moderate monarchies, the hopes that came with the Arab uprisings have been dashed.

Civil wars, once confined to state borders, have become regionalized. The twin wars in Syria and Iraq threaten the stability of several neighbors. And numerous countries in the region now fall in the range between weak and failing states – with crises in Libya and Yemen deepening, in particular – while non-state actors in different shades have grown in strength significantly.

Moreover, in many areas, once tolerant coexistence between different sects and ethnicities is no more. In fact, questions of ideology and identity – about the most promising incarnations of political Islam, about nationalism and citizenship – are front and center in many conflicts in the region today.

Meanwhile, majorities of citizens in many Arab states continue to believe that democracy is the most preferable form of government, even as their disillusion with politics continues to grow. They won’t soon get their wish.

*“Four years after the promise of democratization swept the Middle East, America’s best friends in the Arab world are the kings.”<sup>6</sup>*

**Aaron David Miller,  
30 October 2014**

*“The best framework for understanding the regional politics of the Middle East is as a cold war in which Iran and Saudi Arabia play the leading roles.”<sup>7</sup>*

**F Gregory Gause III,  
July 2014**

*“US and Iran both attack ISIS, but try not to look like allies”<sup>8</sup>*

**New York Times headline,  
3 December 2014**

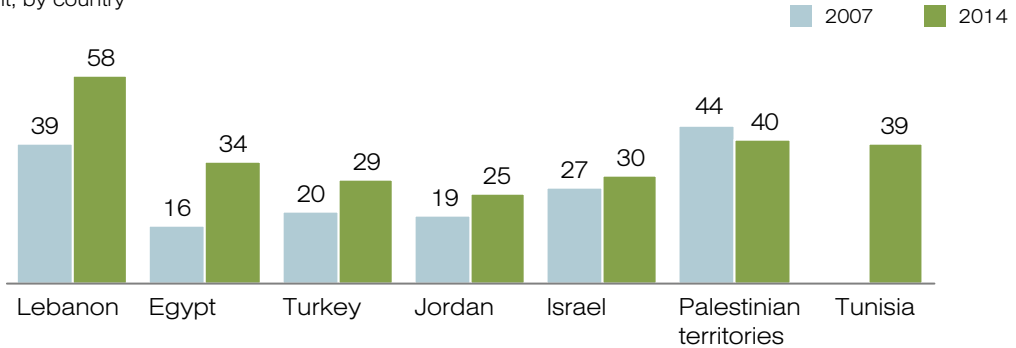
*“Too many countries in the MENA region are held back by inefficient and inequitable economic policies, unresponsive political institutions, inadequate investments in education, and a lack of fairness towards women. Fixing that is a long-term proposition, but long-term commitments are precisely what we need right now.”<sup>9</sup>*

**John Kerry,  
17 November 2014**



### What share of people in the region perceive religious and ethnic hatred as the greatest threat to the world?

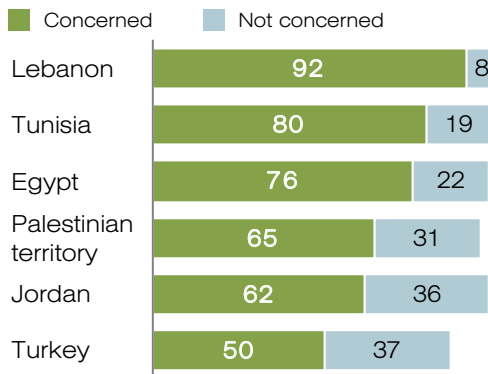
Choice of five threats – the others were inequality, nuclear weapons, pollution and environment, as well as AIDS and other diseases  
Percent; by country



Source: Pew Research Center<sup>10</sup>

### Concerned or not concerned about Islamic extremism in your country (2014)?

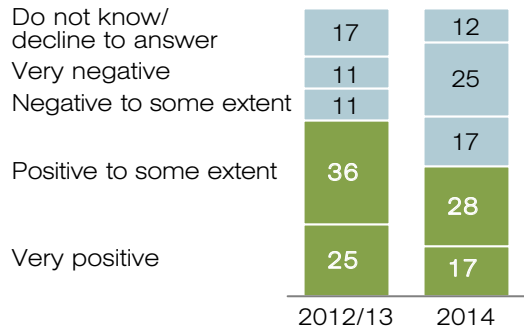
Percent



Source: Pew Research Center<sup>11</sup>

### What are Arabs' attitudes toward the "Arab spring"?

Percent

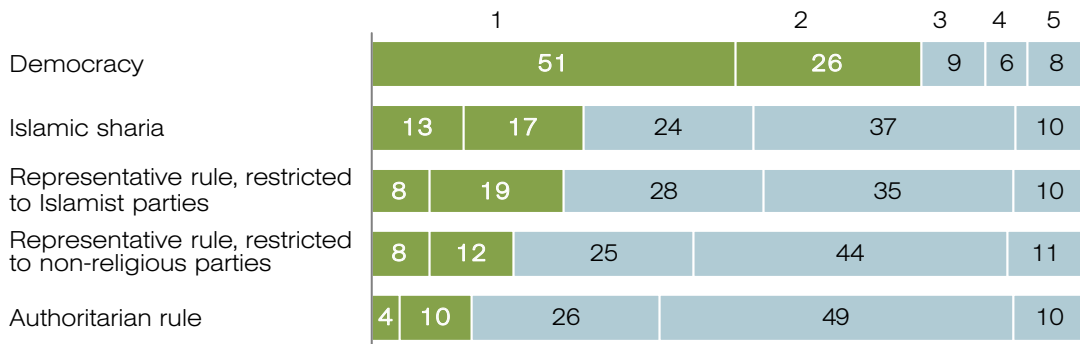


Source: Arab Center for Research and Policy Studies<sup>12</sup>


### What are attitudes in the region concerning the appropriateness of certain forms of government (2014)?

Percent

1 = Very appropriate  
2 = Appropriate to some extent  
3 = Inappropriate to some extent  
4 = Completely inappropriate  
5 = Do not know/decline to answer



Source: Arab Center for Research and Policy Studies<sup>13</sup>



## Asia-Pacific: Pow(d)er Keg?

When Japanese Prime Minister Shinzō Abe and Chinese President Xi Jinping met for

*“Because the Asia-Pacific region looms as being the strategic cockpit of the 21st century, we need more robust institutions than those we have at present.”<sup>1</sup>*

**Kevin Rudd, 2014**

a handshake at the margins of the APEC summit in November, there were no smiles – but a sigh of relief around the world. After all, the gesture, along with small suggestions made toward improving bilateral crisis management, came after many months of increasingly assertive and aggressive rhetoric from both sides.

In early February of 2014, at the Munich Security Conference, Chinese Vice Foreign Minister Fu Ying said that the relationship

*Could sea lanes in Asia be what coal and steel used to be for Europe at the beginning of its integration process?<sup>2</sup>*

**Point raised at the MSC Core Group Meeting, 21 October 2014**

between her country and Japan was “at its worst.”<sup>2</sup> A few days earlier, in Davos, Abe had likened the China-Japan relationship to the one between Britain and Germany just before the outbreak of World War I. “Even if military engagement is highly unlikely, China-Japan is still the world’s most geopolitically dangerous bilateral relationship and that will remain the case,” Eurasia Group President Ian Bremmer wrote at the time.<sup>4</sup>

Today, even as relations between China and Japan have improved, the situation in the East and South China Seas, in particular, remains fragile. While the risk of armed

conflict might be low, it is not negligible, and the consequences would be enormous – not only because the South China Sea is one of the world’s most important trade routes, with almost a third of global crude oil and over half of global LNG trade passing through it.<sup>5</sup>

Annual defense spending in the region has more than doubled over the past ten years, and regional security structures are rather weak and untested. Many historical grievances have yet to be dealt with, and the number of unresolved border disputes and competing territorial claims is extraordinary. They are further

exacerbated by estimates that there are enormous oil and gas reserves under its seabed.

A Pew poll in spring 2014 showed that large majorities in the region are “concern[ed] that disputes between China and neighboring countries could lead to armed conflict”: 93% in the Philippines, 85% in Japan, 84% in Vietnam, and 83% in South Korea. In China, 62% have the same concern.<sup>7</sup>

Sharing their citizens’ worries, China’s neighbors have been seeking much closer ties to the US. The US government, in turn, has stated unequivocally that it remains committed to the ‘pivot’ and to its allies’ security. “The rebalance

is not a goal, not a promise, or a vision – it’s a reality,” Chuck Hagel said at the last Shangri-La Dialogue. “We take no position on competing territorial claims. But we firmly oppose any nation’s use of intimidation, coercion, or the threat of force to assert those claims.”<sup>9</sup>

*“China has indisputable sovereignty over the South China Sea Islands and the adjacent waters. China’s sovereignty and maritime rights and interests in the South China Sea [...] are solidly grounded in history and law and have been continuously upheld by the Chinese Government.”<sup>6</sup>*

**Xu Hong, 7 December 2014**

*“I strongly hope that a truly effective Code of Conduct can be established in the South China Sea between ASEAN and China and that it can be achieved swiftly.”<sup>8</sup>*

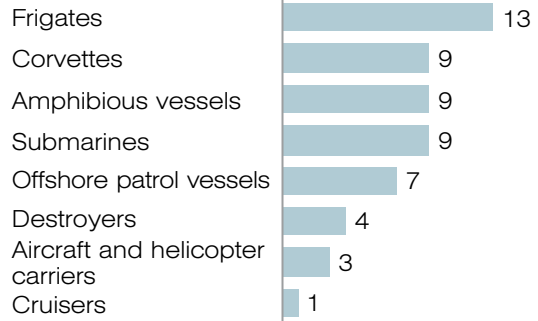
**Shinzō Abe, 30 May 2014**

*"[A]n effective security order for Asia must be based – not on spheres of influence, or coercion, or intimidation where big nations bully the small – but on alliances of mutual security, international law and international norms [...]. We have an ironclad commitment to the sovereignty, independence, and security of every ally. [...] And by the end of this decade, a majority of our Navy and Air Force fleets will be based out of the Pacific, because the United States is, and will always be, a Pacific power."*<sup>10</sup>

**Barack Obama,**  
15 November 2014

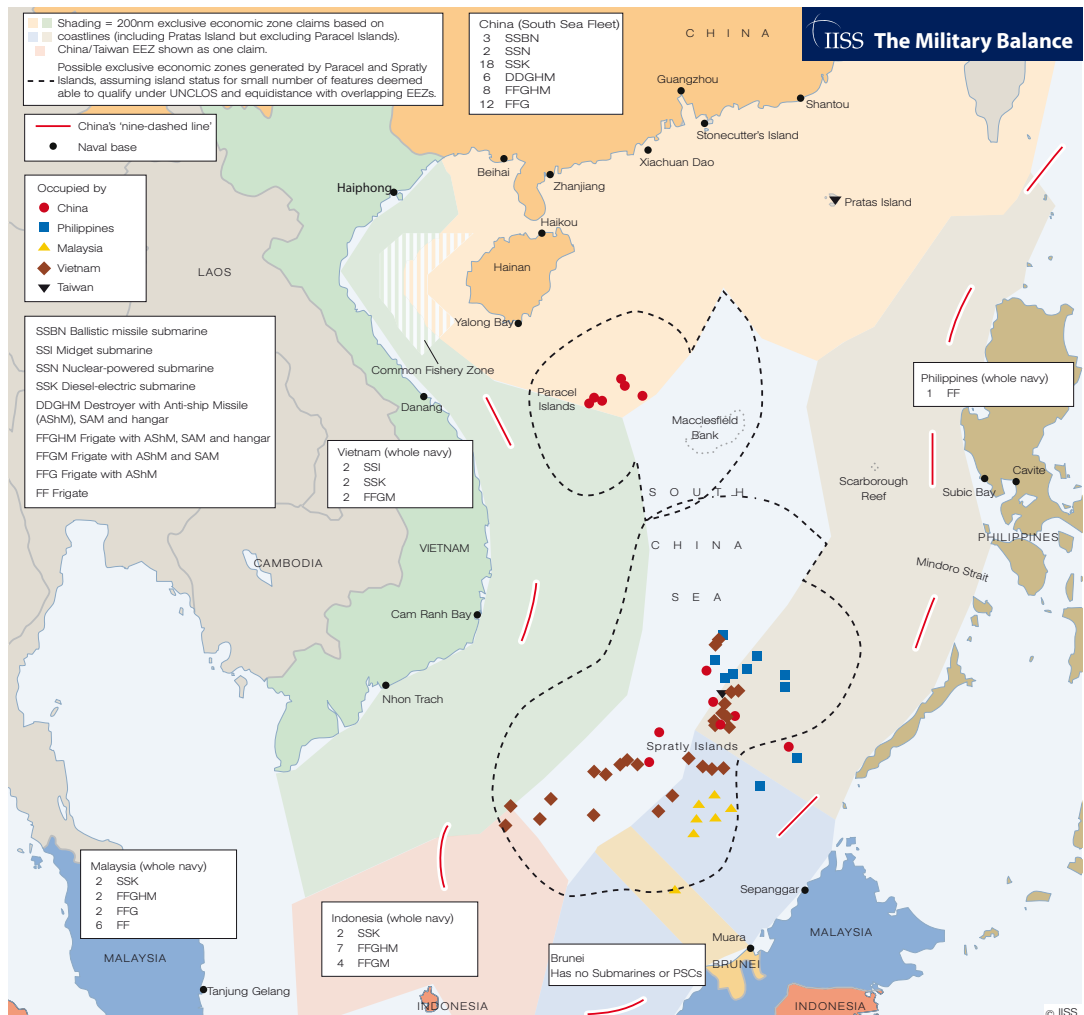
**Selected procurement and upgrade priorities in Asia since 2010**

Number of countries purchasing and upgrading



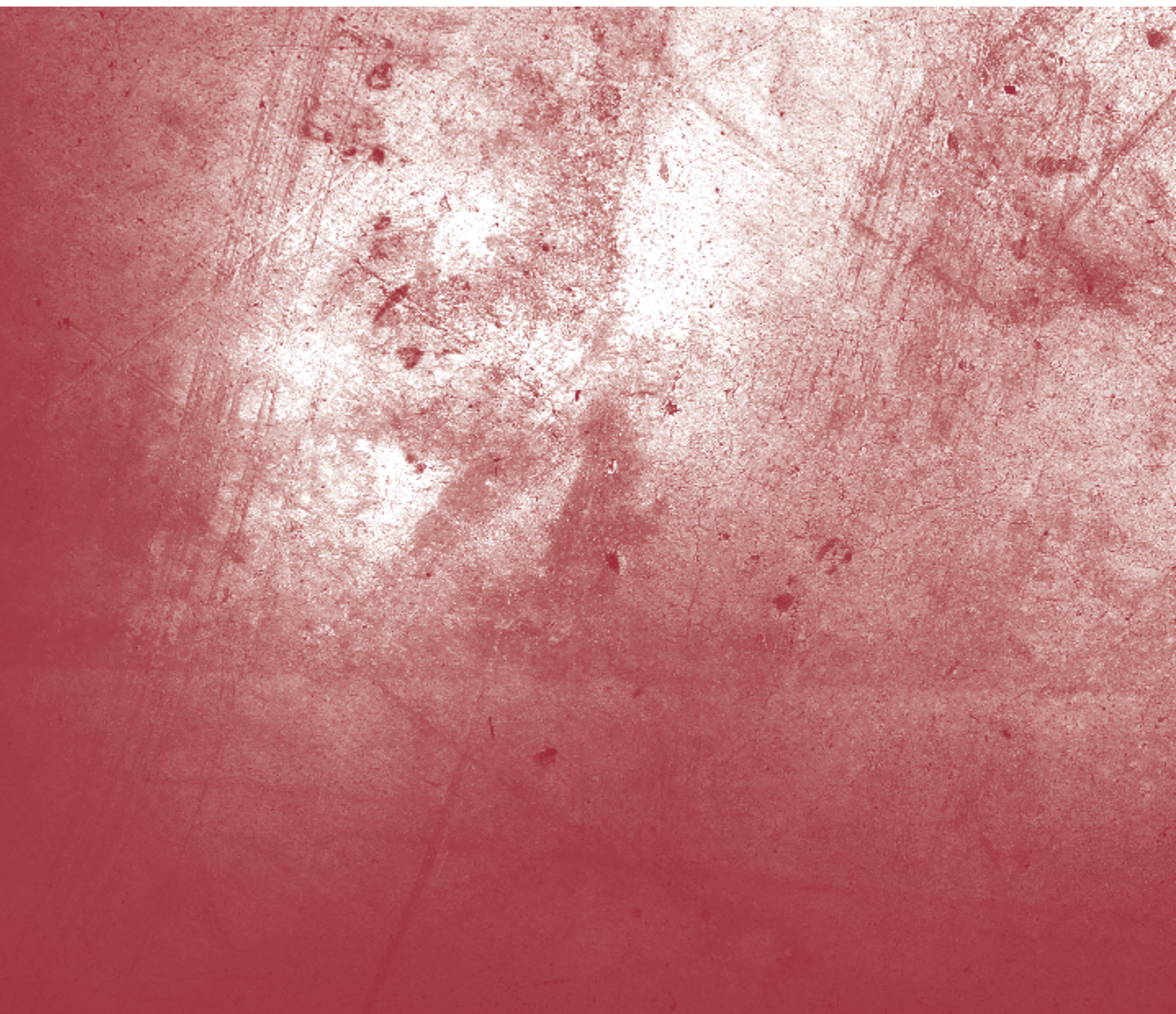
Source: IISS<sup>11</sup>

**Maritime disputes and selected naval capabilities in the South China Sea**

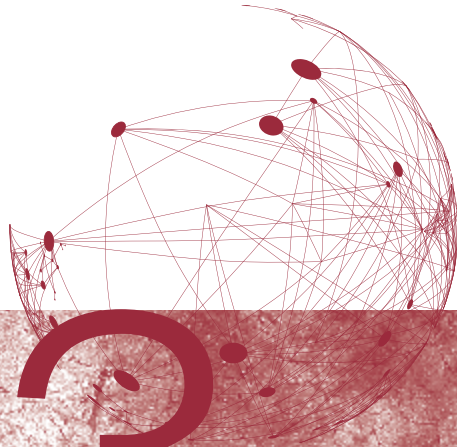


Source: The International Institute for Strategic Studies (IISS)<sup>12</sup>










# 3 Challenges



# Hybrid Warfare: Who Is Ready?

Before 2014, the notion of “hybrid warfare” was a topic for military experts and strategists. The Ukraine crisis changed that. War has come back to Europe – albeit in a new shape.

*“What we see in Russia now in this hybrid approach to war is to use all of the tools that they have [...] to reach into a nation and cause instability, use their energy tools, use their finance tools, use what I think is probably the most amazing information warfare blitzkrieg we have ever seen in the history of informational warfare, using all these tools to stir up problems that they can then begin to exploit with their military tool – through coercion [...] or through, what we see now in Crimea, what we’ve seen in Eastern Ukraine, Russian regular and irregular forces, these little green men without badges inside of nations stirring trouble.”<sup>11</sup>*

**Philip M. Breedlove,  
4 September 2014**

By definition, hybrid warfare employs a broad range of tools. Over the course of the crisis, Russian leaders denied any active involvement but sent irregular forces dubbed “little green men,” spread propaganda and encouraged local unrest, assembled regular forces at the border, and engaged in diplomacy trying to keep up the narrative that Moscow was not a party to the conflict. Putin’s pledge to protect Russian-speaking populations abroad rang alarm bells especially in those Western countries with considerable Russian-speaking minorities. How would NATO react in case parts of the Ukrainian playbook were to be repeated in a NATO state? A report of the UK House of Commons Defence Committee concluded that a “Russian unconventional

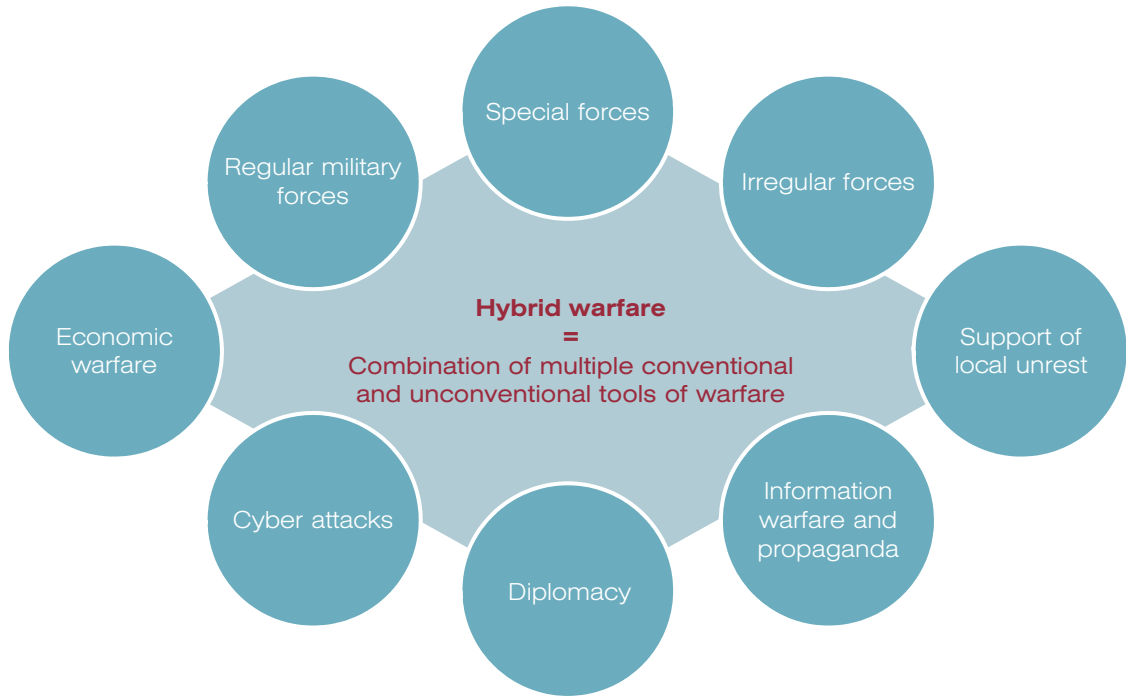
attack [...], designed to slip below NATO’s response threshold, would be particularly difficult to counter. And the challenges, which NATO faces in deterring, or mounting an adequate response to, such an attack poses a fundamental risk to NATO’s credibility.”<sup>2</sup> At the Wales Summit, NATO member states directly addressed the “specific challenges posed by hybrid warfare threats, where a wide range of overt and covert military, paramilitary, and civilian measures are employed in a highly integrated design.”

Yet it is far from clear what “the necessary tools and procedures required to deter and respond effectively to hybrid warfare threats” are.<sup>3</sup> The “weaponization of information,” for instance, by which the line between facts and falsehoods are effectively blurred and conflict parties create their own realities, is no option for liberal democracies.<sup>4</sup> But what if free media and their reports are just not heard? In the end, the essential question is: If states face hybrid threats, what does the best design for a hybrid defense look like?

*“The very ‘rules of war’ have changed. The role of non-military means of achieving political and strategic goals has grown, and, in many cases, they have exceeded the power of force of weapons in their effectiveness. The focus of applied methods of conflict has altered in the direction of the broad use of political, economic, informational, humanitarian, and other non-military measures – applied in coordination with the protest potential of the population. All this is supplemented by military means of a concealed character, including carrying out actions of informational conflict and the actions of special operations forces. The open use of forces – often under the guise of peace-keeping and crisis regulation – is resorted to only at a certain stage, primarily for the achievement of final success in the conflict.”<sup>15</sup>*

**Valery Gerasimov,  
27 February 2013**

### What does hybrid warfare entail?

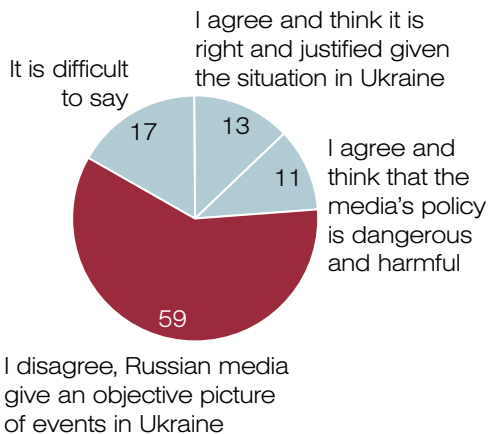


Source: MSC

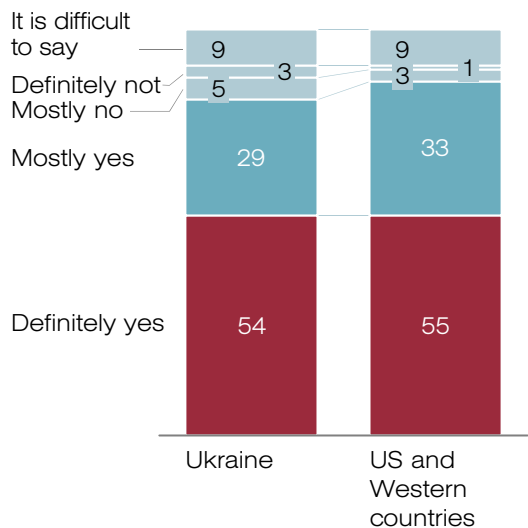
### Russian perceptions of information warfare conducted by and against Russia (October 2014)

Percent; rounded figures

*In recent months, many are saying that Russian federal media are conducting an information war against Ukraine. Do you agree with this, and if so, what is your attitude toward this?*



*Do you think that the following are conducting an information war against Russia?*



Source: Levada Center<sup>6</sup>





# War on Terror: Are We Losing It?

On 20 September 2001, nine days after 9/11, then-US President George W. Bush first spoke of the “war on terror.” It “begins with Al Qaeda, but it does not end there,” he argued. “It will

*“[...] changes in Islamist terrorism over the past five years will be as consequential in that realm as those that came about in the broader geopolitical sphere after the fall of the Berlin Wall.”<sup>2</sup>*

**John McLaughlin,  
3 March 2014**

not end until every terrorist group of global reach has been found, stopped, and defeated.”<sup>1</sup> At the time, already, some questioned that war aim as too broad and thus as hardly attainable at all. Today, the goal remains elusive. The number of jihadist groups has mushroomed in recent years, as have the numbers of militants and attacks worldwide.

To be sure, the leadership of al-Qaeda’s core has been decimated. And a RAND study found that about 99% of the attacks by Al Qaeda and affiliated groups in 2013 were “against ‘near enemy’ targets,” suggesting that these groups “have deliberately chosen to focus on the near enemy for the moment, found it increasingly difficult to strike ‘far enemy’ targets in the West, or a combination of both.”<sup>4</sup>

*“[The] announcement that [IS] has restored the caliphate is likely the most significant development in international jihadism since 9/11[...]. Al Qaeda affiliates and independent jihadist groups must now definitively choose to support and join the Islamic State or to oppose it.”<sup>3</sup>*

**Charles Lister,  
2 July 2014**

Yet, the global jihadist landscape today has become more diversified and decentralized, creating new safe

havens and fueling regional instabilities, most notably in Iraq and Syria, where the self-proclaimed Islamic State (also ISIS or ISIL) has taken proto-state

shape. Even the group’s name has become subject to political debate. While the militants call themselves the “Islamic State,” religious and other leaders have criticized those who have adopted that nomenclature and argue that the Arabic acronym Daesh should be used. The combination of air strikes and a more capable response by regional actors seems to have slowed down or even halted advances made by Daesh. But necessary structural conditions for rolling back IS significantly, among which are solid governance on both sides of the Iraq-Syria border, are hardly in sight.

Moreover, the success and ambition of the “Islamic State” – a clearly totalitarian, clearly expansionist, clearly hegemonic jihadist state-building project, as

Volker Perthes put it<sup>7</sup> – do not only represent a new kind of challenge on the ground. It has also captured the imagination of many thousands of young citizens of Western countries, creating unprecedented problems when it comes to dealing with returning fighters. And as recent attacks in Western cities and an apparent new sense of competition between ISIS and Al Qaeda demonstrate, the current energy level in jihadist circles will also be directly aimed at the West.

*“[ISIS] is no longer a terrorist organization. It is a full-blown army. [...] It is worse than Al Qaeda.”<sup>5</sup>*

**Brett McGurk,  
23 July 2014**

*“[IS] can’t live up to the myth it has propagated. The fact is, the caliphate bears greater resemblance to a failing state than an aspiring one.”<sup>6</sup>*

**Die Zeit,  
4 December 2014**

*“Our objective is clear: we will degrade, and ultimately destroy, ISIL through a comprehensive and sustained counter-terrorism strategy.”<sup>8</sup>*

**Barack Obama,  
10 September 2014**

*“O soldiers of the Islamic State, continue to harvest the soldiers. Erupt volcanoes of jihad everywhere.”<sup>9</sup>*

**Abu Bakr al-Baghdadi,  
13 November 2014**



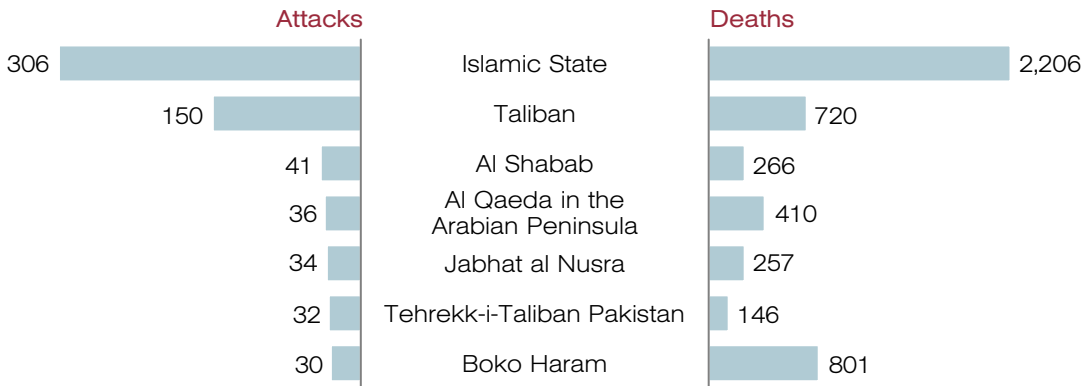
### The state of the “Islamic State” – facts and figures

|   |  |
|---|--|
| <b>USD 1 - 2 billion</b><br>Estimated assets of IS, October 2014 <sup>10</sup>  | <b>USD 0.27 - 3.6 million</b><br>Range of estimate of IS’s daily revenue from oil sales, October – December 2014 <sup>11</sup> |
| <b>20,000 - 31,500</b><br>Number of IS fighters, CIA estimate, September 2014 <sup>12</sup>                               | <b>200,000</b><br>Number of IS fighters, Kurdish estimate, November 2014 <sup>13</sup>   |
| <b>1,545</b><br>Confirmed number of air strikes in Syria and Iraq by US-led coalition, until 4 January 2015 <sup>14</sup> | <b>4 - 8 million</b><br>Estimated number of people living under IS rule, November/December 2014 <sup>15</sup>                  |

Source: RAND; New York Times; Newsweek; Zeit; Independent; BBC; CNN

### Jihadist violence – a global 30-day snapshot

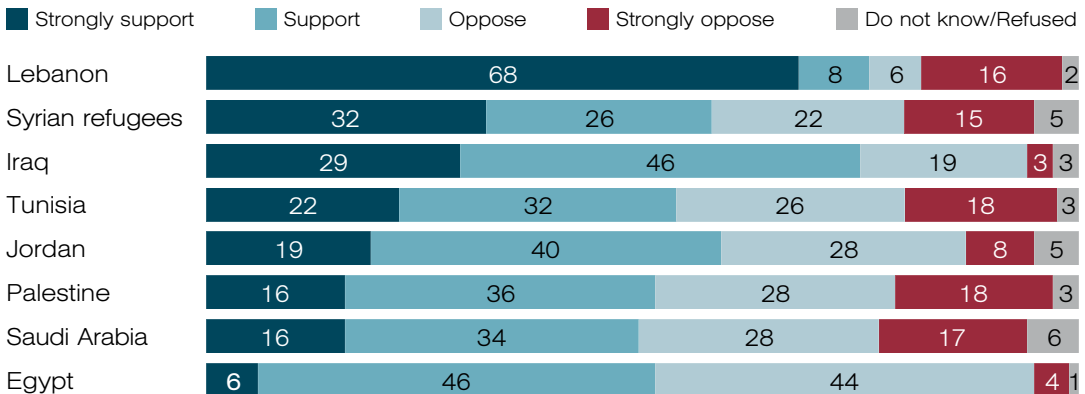
1–30 November 2014



Source: International Centre for the Study of Radicalisation and Political Violence<sup>16</sup>

### What respondents from the region think: Do you support or oppose the military air strikes by the US-led international coalition against Islamic militant groups including ISIL and other groups in Iraq and Syria?

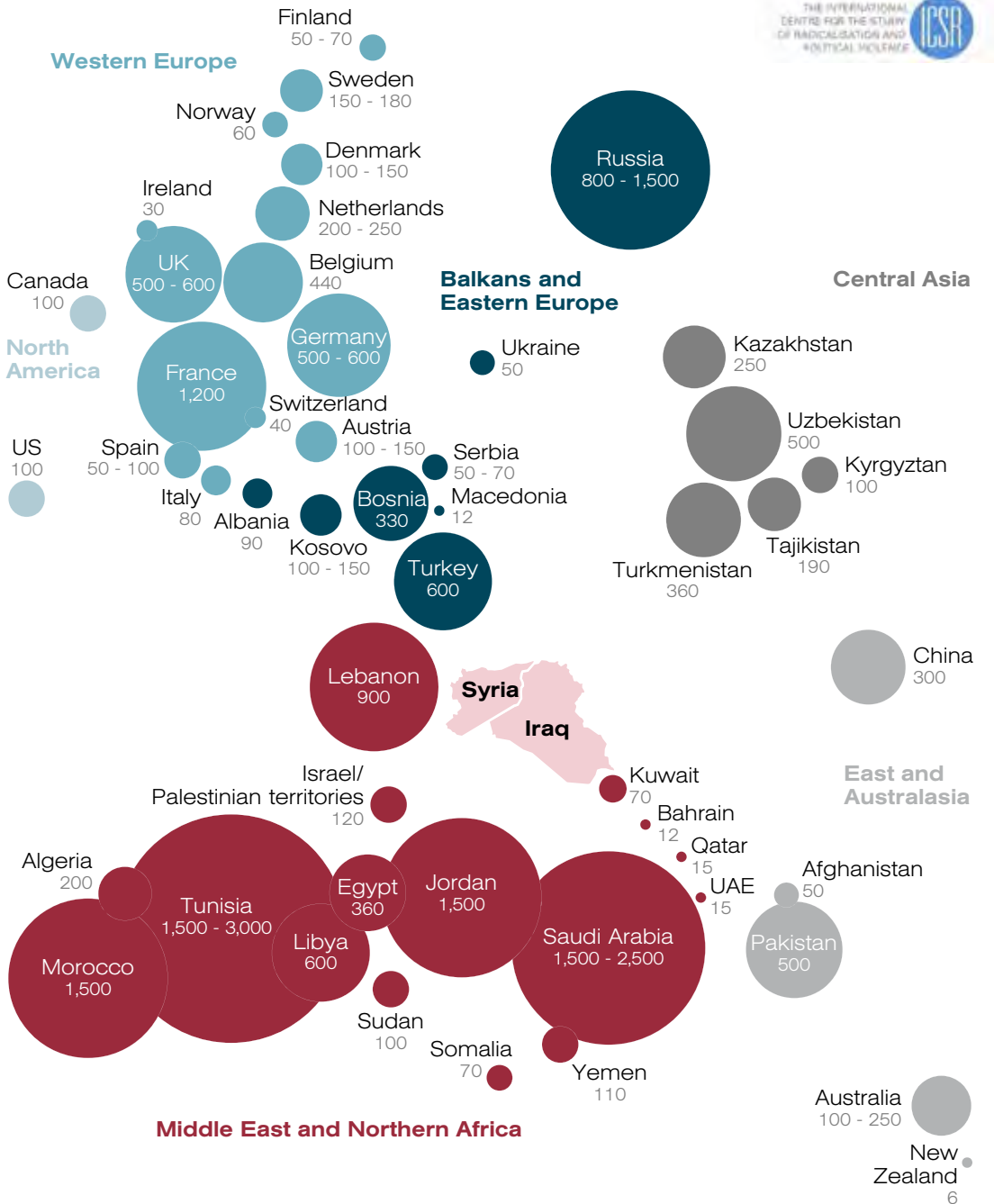
Percent, by country



Source: Arab Center for Research and Policy Studies<sup>17</sup>

### Where do foreign fighters in Syria and Iraq come from?

Number of foreign fighters per origin country

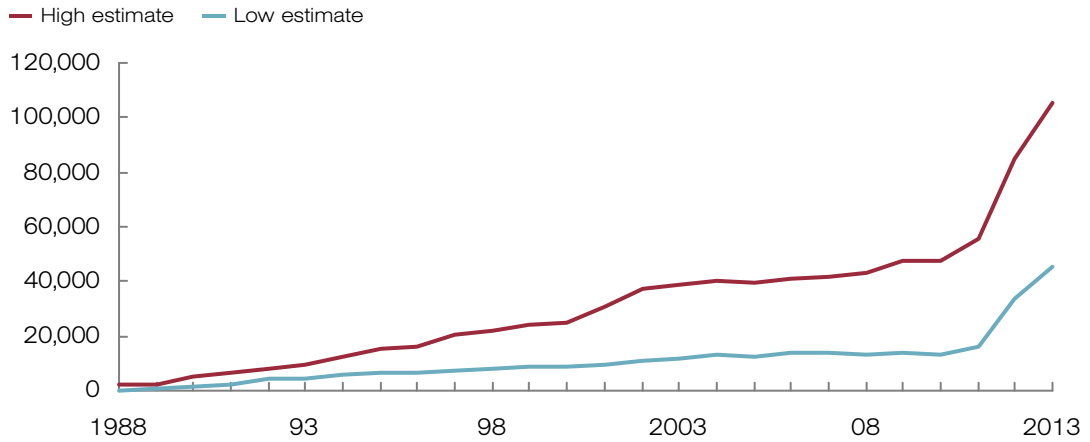


Note: Last compiled and edited in December 2014. Except for data from the Middle East and Africa, which could last be updated in late 2013, all the estimates below are based on official or semi-official figures from June to December 2014. All figures are aggregates, reflecting the overall totals of people who have traveled to Syria and Iraq as Sunni fighters since 2011/12. They include fighters who have died and those who have returned to their home countries.

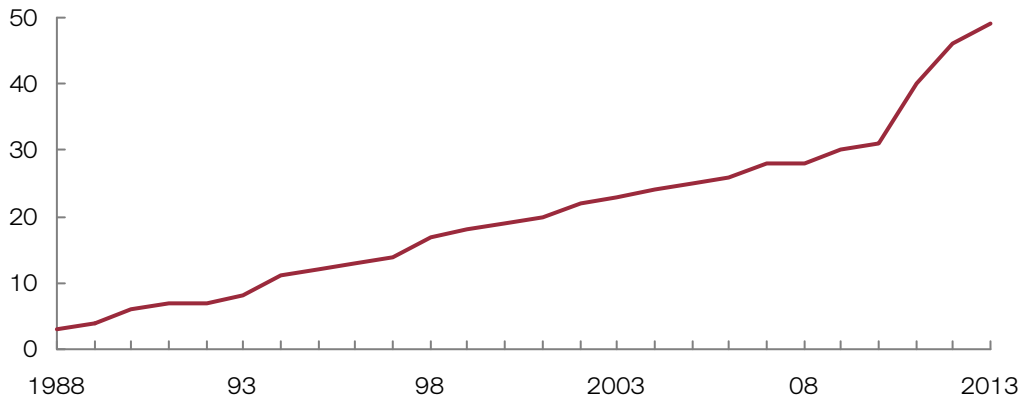
Source: International Centre for the Study of Radicalisation and Political Violence, 2014

### Jihadism rising?

Number of active Salafi-jihadist fighters worldwide



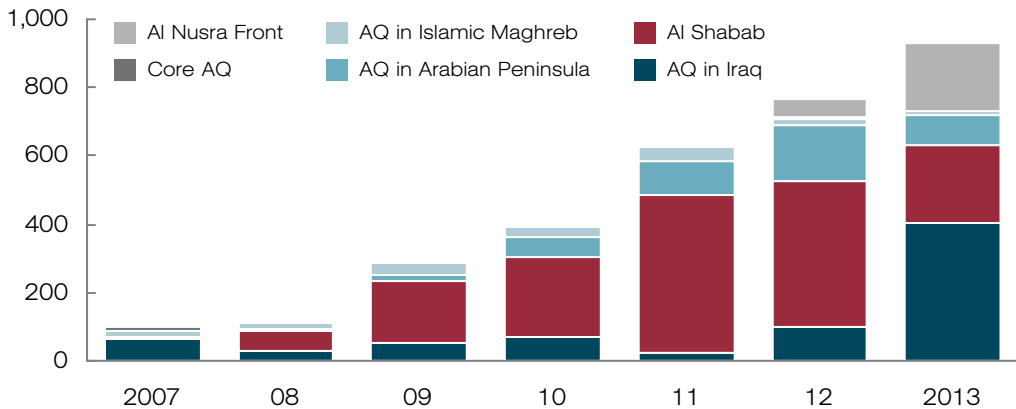
Number of Salafi-jihadist groups worldwide




Source: RAND<sup>18</sup>

### Who accounts for the rise in jihadist attacks?

Estimated number of annual attacks by Al Qaeda (AQ) and affiliates



Source: RAND<sup>19</sup>



# Refugee Crisis: Crossing the Line?

*More than*  
**27,000**  
*people died on their way to Europe since 2000.<sup>1</sup>*  
**The Migrants' Files,**  
**December 2014**

At the end of 2013, over 50 million people in the world were refugees, the highest total since the UN has begun to compile those figures. 86% are hosted in developing regions, 14% in developed regions.<sup>2</sup> While the number of refugees has long been over 30 million, it dramatically spiked since 2011, in particular as a result of the war in Syria.

By the end of 2014, according to UN data, 10.9 million out of a pre-war Syrian population of 22 million were uprooted from their homes. Syria's neighbors are shouldering enormous burdens. Lebanon, for instance, has accepted

**207,000**  
*refugees have attempted to cross the Mediterranean Sea to reach Europe in 2014; about*  
**3,400**  
*have died.<sup>3</sup>*  
**UNHCR,**  
**10 December 2014**

a number of Syrian refugees that totals a quarter of its own population, whereas many European states have been very reluctant. Germany and Sweden are notable exceptions. Moreover, the funding gap key humanitarian organizations are facing remains enormous.

Europe has also been struggling with its response to the refugee crisis in the Mediterranean. After the shipwrecking catastrophe in October 2013, when over 300 people drowned off the Italian island of Lampedusa, the Italian government launched the operation

Mare Nostrum, credited since with saving about 150,000 people in about a year.<sup>4</sup> Disappointed by its partners' reluctance to support the operation, Italy recently announced it is ending the mission (but does continue smaller efforts). Some in Europe have even argued that a continuation of Mare Nostrum or a similar mission would create incentives for people to risk the dangerous voyage.<sup>6</sup>

A small follow-up EU mission to Mare Nostrum has been criticized by human rights advocates.<sup>7</sup> They fear that it will focus on border protection, to the detriment of rescue at sea, even as the UNHCR has called the Mediterranean "the deadliest route of all."<sup>8</sup>

In addition to the urgent humanitarian challenge the refugee crisis represents, it also highlights the need to improve governance and economic conditions in the refugees' origin countries – and to support key transit or host countries for refugees.

As the German and Italian foreign ministers, Frank-Walter Steinmeier and Paolo Gentiloni, argued: "We must not leave countries in

the lurch that border on the world's trouble spots and that are under enormous strain as primary host countries. [...] We must develop long-term strategies through a comprehensive approach based on cooperation with the countries of origin and transit."<sup>11</sup> That approach, however, is, at best, under construction.

*"We are seeing here the immense costs of not ending wars, of failing to resolve or prevent conflict. [...] Humanitarians can help as a palliative, but political solutions are vitally needed. Without this, the alarming levels of conflict and the mass suffering that is reflected in these figures will continue."<sup>5</sup>*

**António Guterres,**  
**June 2014**

*"There needs to be a united response to the question of migration. We cannot allow the Mediterranean to become a vast cemetery."<sup>9</sup>*

**Pope Francis,**  
**25 November 2014**

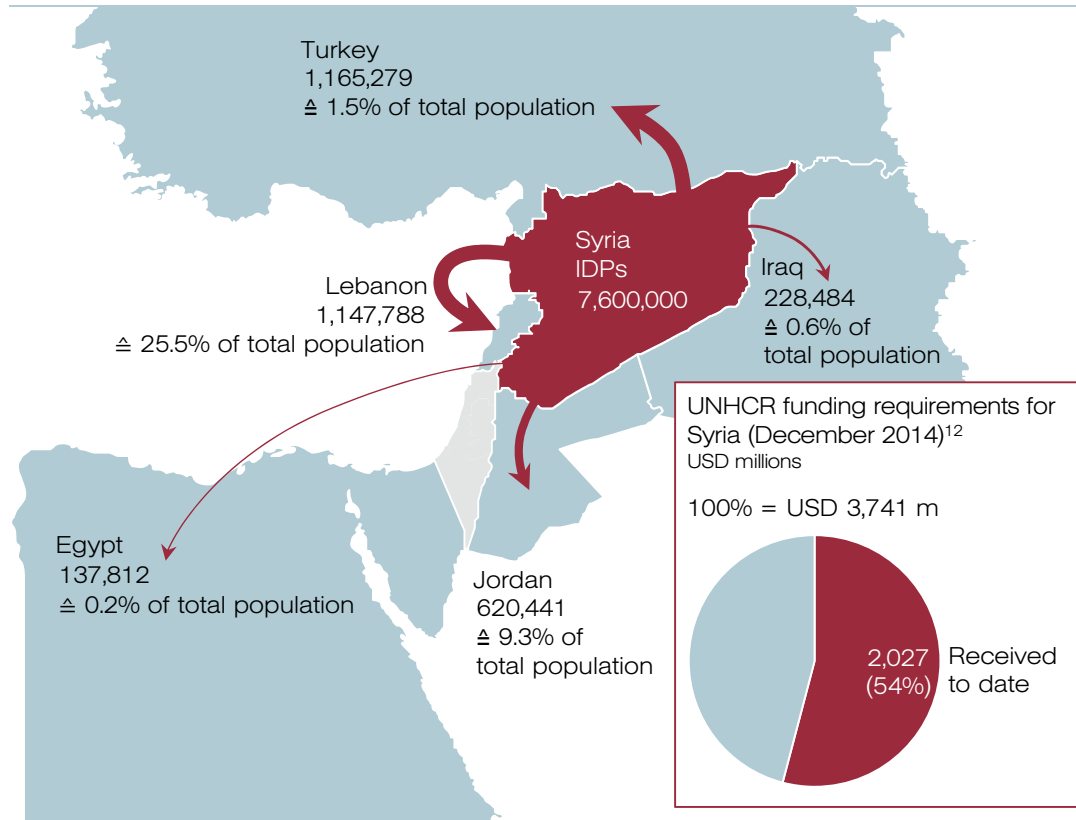
*"The Mediterranean is a European sea and a European responsibility."<sup>10</sup>*

**Cecilia Malmström,**  
**7 October 2014**



### Which countries in the region are providing refuge for Syrians?

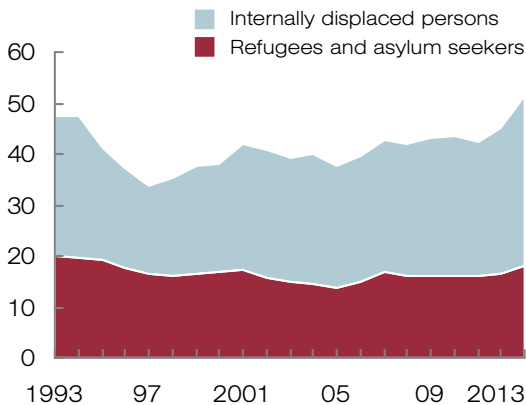
Overview of Syrian refugees and internally displaced persons (IDPs) since 2013 (as of December 2014)



Source: UN High Commissioner for Refugees; UN Office for the Coordination of Humanitarian Affairs<sup>13</sup>

### How many persons were forcibly displaced worldwide (1993-2013)?

End-year, millions




Source: UNHCR<sup>14</sup>

### Where do most of the refugees come from?

Number of refugees (end of 2013)

|                        |           |
|------------------------|-----------|
| Afghanistan            | 2,556,600 |
| Syria                  | 2,468,400 |
| Somalia                | 1,121,700 |
| Sudan                  | 649,300   |
| Dem. Rep. of the Congo | 499,500   |
| Myanmar                | 479,600   |
| Iraq                   | 401,400   |
| Colombia               | 396,600   |
| Vietnam                | 314,100   |
| Eritrea                | 308,000   |

Source: UNHCR<sup>15</sup>



# Energy Security: Running out of St(r)eam?

What is the nature of the new ‘global game’ of gas – how are countries securing their supplies through trade and interdependence? On the other hand, how did shale gas provide the United States with energy independence? And which course is right for Europe to secure its energy security – independence or interdependence?

## 55%

*Upper estimate of Europe’s additional gas supply need in 2030*  
**McKinsey Energy Insights**

The increase in trade and diversification has been a truly game-changing trend. New import markets have opened (China, India, Latin America, the Middle East, and

Southeast Asia). Producers like the Middle East, Russia, and West Africa all serve multiple markets today,<sup>1</sup> and we expect trade, pipeline growth, and LNG flows between regions to continue to grow. Buyers and sellers are strengthening bonds and exploiting diversification opportunities – the most prominent case being the Russia-China deal in 2014.

In this game of interdependence and inter-regional deal-making, Europe does not yet seem to have a coherent strategy to secure its supplies. This is curious, as Europe is highly dependent on imports. On the contrary, many hopes rest on more energy independence through shale gas – either as imports from the US or as a European project of the future.

The ‘shale revolution’ has clearly been a disruptive force, benefiting the US. Total gas

reserves doubled in 15 years,<sup>2</sup> and prices have fallen. Shale gas has created a significant competitive advantage for the US.

However, the ‘Goldilocks scenario’ of geological, regulatory, and economic enablers that produced the US shale revolution is not present in Europe.

With its dense population, fragmented land ownership, and only a fraction of the well data available in the US,<sup>3</sup> Europe’s shale gas projects are complicated. Drilling costs are roughly twice their US equivalent.<sup>4</sup> It may be 15 to 25 years

before Europe broadly adopts new fracking technologies and moves to commercial production. Further, US exports of shale LNG are unlikely to drive down European gas prices to US levels. The US will become an exporter of LNG, but delivered cost to Europe will be around USD 9 to 11.5 per MMBtu<sup>5</sup>. Add in a margin for the supplier, and this becomes higher than the price Germany pays for imports of ca. USD 9.2 per MMBtu<sup>6</sup> today.

The US path of achieving energy independence through shale gas is not a fix for Europe in the short or medium term. To achieve energy security, Europe needs to engage in the competitive global game of gas trade. Partnership is not a given and must be earned, as supplying countries now have alternatives, and economics play an increasing role.

*Global shale gas resources are estimated at*

## 46%

*of total conventional resources.*

**EIA Technically Recoverable Shale Oil and Shale Gas Resources 2013**

*“[...] markets and prices around the world will of course be influenced by the increased supply. Naturally, that also influences energy policy strategies in Europe.”<sup>7</sup>*

**Frank-Walter Steinmeier on shale gas**  
**28 May 2014**

“Energy Security: Running out of St(r)eam?”

was prepared by MSC’s knowledge partner McKinsey & Company

### How has growing global gas trade linked regional gas markets

Pipe and LNG export routes of more than 10 bcm/a

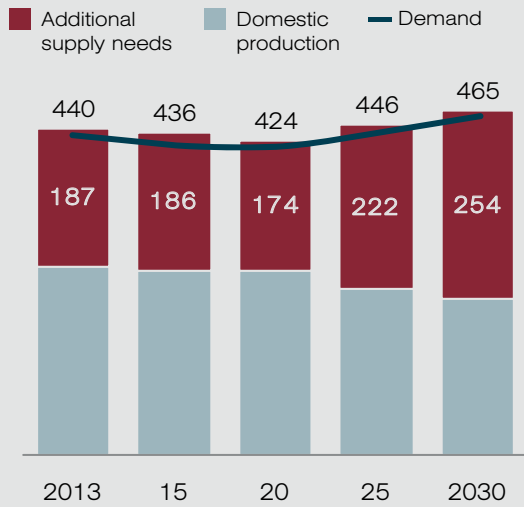
— 2001 — 2013 — Future flows ~ 2020



Excludes for simplicity flows within former Soviet Union and Europe

#### Will Europe<sup>8</sup> continue to be dependent on imports in the future?

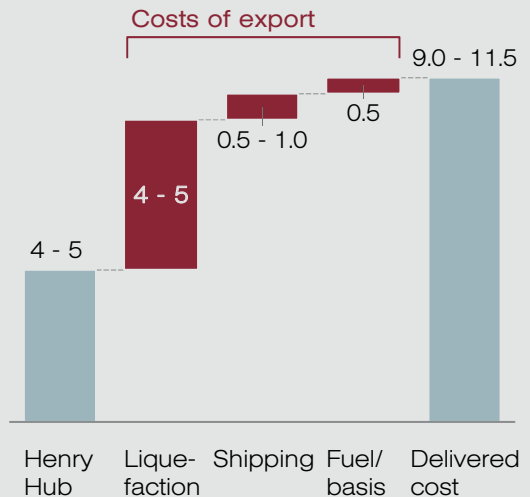
bcm



Additional supply need of up to 55% in 2030

#### What would landed costs of US shale gas be for Europe?

USD/MMBtu



US LNG export costs to Europe would be twice the price in the US



# Defense Suppliers: Going to Merge?

At present, the future trajectory of European defense suppliers is highly uncertain. EU countries are contending with financial austerity. Their situation is similar to that of the US industry in the early 1990s. Then, defense suppliers consolidated; European firms may need to do the same.

*“We have seen some consolidation in the industry in areas such as space, missiles and electronics. But there has been almost none in military aircraft, ships or ground systems.”<sup>1</sup>*

**Thomas Enders,**  
12 May 2014

Between 2011 and 2013, major EU countries cut their defense budgets on average by 5.3%. In addition, many large-scale projects will be completed within the next five years and will likely not be replaced on the same scale. This has directly affected the supplier landscape: total industry revenues for land and naval equipment have decreased by 1% p.a. since 2011, and export revenues of EU defense suppliers have declined since 2006 by about 5% annually. If revenues continue to fall, overcapacity could lead to a significant drop in EBITA margin which is – with 7.8% – already lacking behind the more consolidated US defense industry with 12.6%.

At the beginning of the 1990s, the US industry had similar problems of overcapacity and faced a cut of 50% in the US Department of Defense budget. Suppliers followed several strategies, including mergers and acquisitions (M&A). Starting around 1993, M&A led to the formation of the five primes. This

consolidation resulted in an increased EBITA margin that jumped from about 6% in the late 1980s to 9% 10 years later.

Although the European industry faces similar challenges, its success factors for consolidation are different. Commercial factors do not play the main role; rather, it is political reservations of stakeholders that must be addressed to improve acceptance and make M&A happen. The importance of this issue can be seen by the large number of companies that have a significant national ownership. Governments are concerned about the potential loss of national core military competencies and of jobs. Thus, the decision making process leading up to any M&A has to reflect the interplay of national political strategies and economic feasibility.

To address these challenges, decision makers can consider three consolidation approaches (see figure). Potential merger scenarios along these approaches are based on both economics and political concerns. To account

for the economics, the scenarios use a high-level estimation of potential cost synergies and competitiveness of the resulting company. To reckon with the political perspective, an assessment of the feasibility of potential mergers based on publicly available information on political strategies is used.

*“[...] the iceberg that is Europe’s defense industrial and technological base is slowly melting away.”<sup>2</sup>*

**Frank Mattern,**  
31 January 2014

For European countries, the latter is the most challenging task of all.

“Defense Suppliers: Going to Merge?”

was prepared by MSC’s knowledge partner  
McKinsey & Company



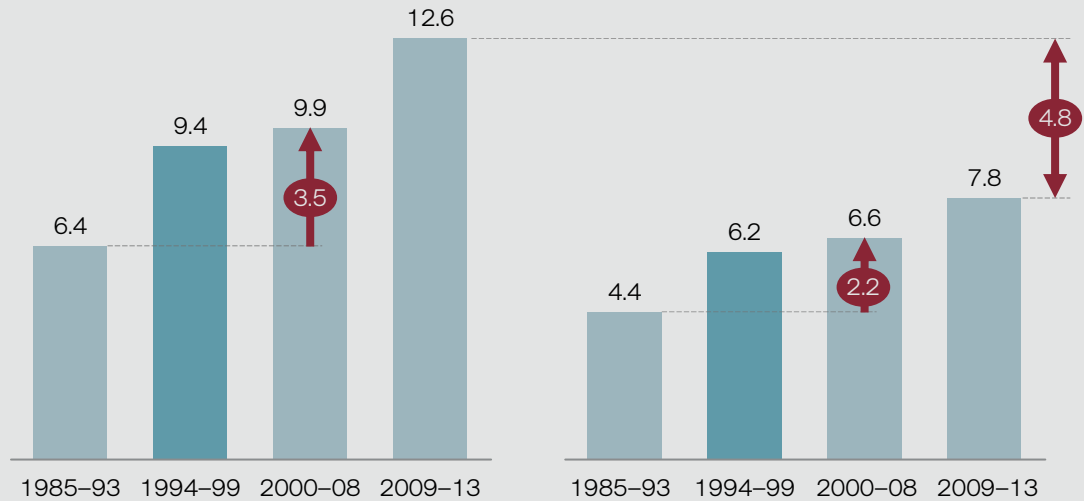
### Was there an impact of US defense supplier consolidation?

Average EBITA\* margins of US and EU publicly traded defense suppliers  
Percent

■ Bulk of M&A activity    ● Difference in percentage points

#### US industry average

#### EU industry average



\* Earnings before interest, taxes, amortization

### 3 scenarios on potential M&A activities in EU defense supplier landscape

■ Focus of M&A activities

#### National champions

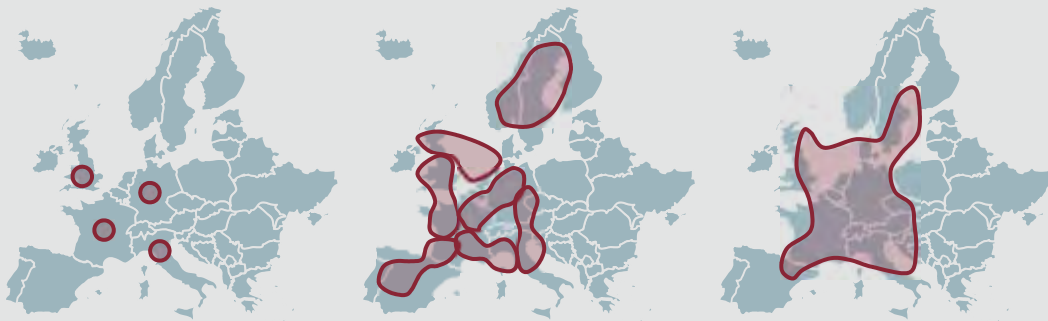
National champions within or across major military arms – national desires to preserve certain core military competencies are respected, although economical reasoning would suggest different paths

#### EU centers of core competencies

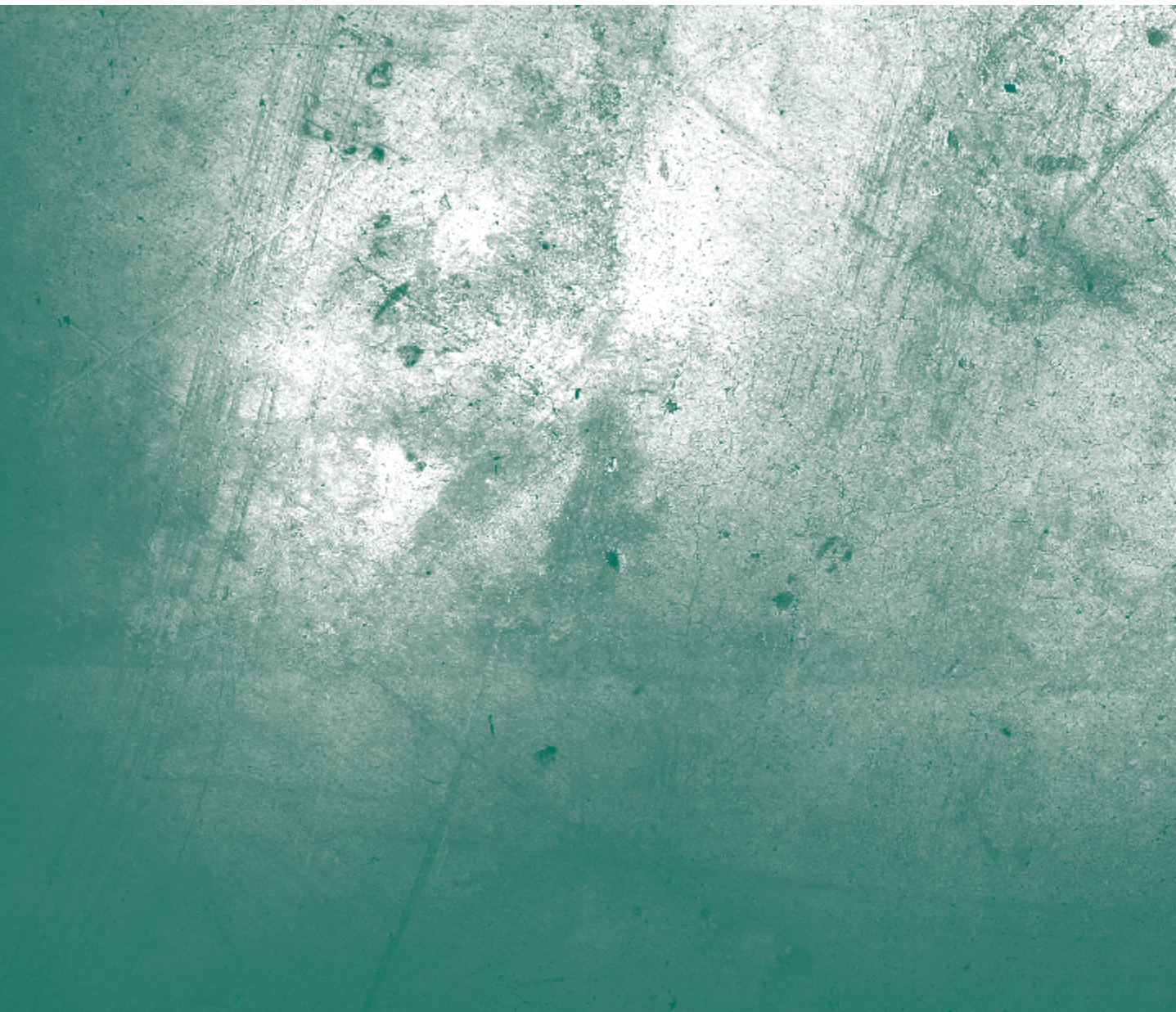
Supranational European defense suppliers covering one or more military arms – new champions that straddle borders boost international competitiveness and respect desire to preserve national military competencies

#### European champions

1 or 2 European defense champions covering major military arms – pan-European firms emerge, at the same economical scale as the top 5 US primes – however, political concerns need to be addressed up front



Source: CPAT; McKinsey







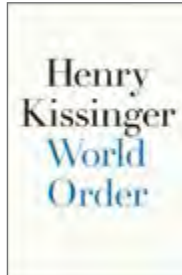
# 4 More Food for Thought



# Books

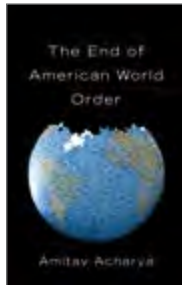
## *Henry Kissinger* **World Order**

As Hillary Clinton put it, this tome is “vintage Kissinger, with his singular combination of breadth and acuity along with his knack for connecting headlines to trend lines.” And contrary to his image of a *real-politiker*, Kissinger puts equal emphasis on legitimacy, culture, and interpretations when discussing the workings of past, current, and future world orders.



## *Amitav Acharya* **The End of American World Order**

The world order as a multiplex theater? As Acharya argues, the emerging international system will resemble a movie theater featuring a variety of plots and reflecting perspectives by different directors, even as some are shown on larger and some on smaller screens.



## *Stephen Sestanovich* **Maximalist**

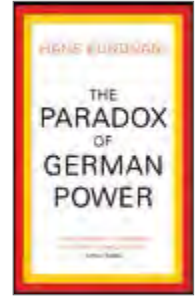
*America in the World From Truman to Obama*  
Cutting through the history of post-World War II US foreign policy, Sestanovich recasts seemingly familiar episodes by retelling them as the results of an ever-enduring dialectical relationship between overcommitment and retrenchment: “How to enjoy the benefits of maximal-



ism without going too far – this is the recurrent dilemma of American policy.”

## *Hans Kundnani* **The Paradox of German Power**

Without question, understanding the drivers of German foreign policy is becoming ever more important. Kundnani has written a provocative book on the “paradox” of German power, “characterized by a strange mixture of economic assertiveness and military abstinence,” a worthwhile and thoughtful read even for those who do not agree with him.



## *Angela E. Stent* **The Limits of Partnership**

*US-Russian Relations in the Twenty-First Century*  
In this comprehensive overview of more than two decades of US-Russian relations, Stent analyzes both the opportunities for and the numerous obstacles to strengthened cooperation with the Russian Federation that have plagued US diplomacy. This book will help you better understand the antecedents of the current crisis.



## *Peter Pomerantsev* **Nothing Is True and Everything Is Possible** *The Surreal Heart of the New Russia*

Pomerantsev’s provocative book is a timely addition to the growing literature about contemporary Russia under President Putin. Part reportage, part autobiography, and





part social commentary, it describes in a series of vignettes how state-controlled media was essential in building the “New Russia” where “everything is possible.”

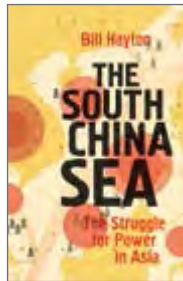
*Jan Zielonka*  
**Is the EU Doomed?**

In this original take on the future of European integration, Zielonka offers his vision of a “neo-medieval” European Union that is different both from a unified federalist European super-state and the cacophony of nation states, but rather a new type of order with different networks of cities, regions, or NGOs that bring to the fore a new European polyphony.



*Bill Hayton*  
**The South China Sea**  
The Struggle for Power in Asia

Hayton’s vivid account analyzes the South China Sea’s significance as a major passageway for global trade and as the stage for a classical security dilemma in action whose development may well shape the world order of the 21st century.



*Marwan Muasher*  
**The Second Arab Awakening**  
And the Battle for Pluralism

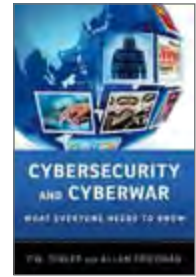
Many obituaries of the Arab Spring have been written in the West already. Muasher takes a longer view: he sees signs of a promising third force that might succeed in the long run, opposing both the illiberalism of political Islam and the authoritarianism of the old regimes.



*Peter W. Singer & Allan Friedman*  
**Cybersecurity and Cyberwar**

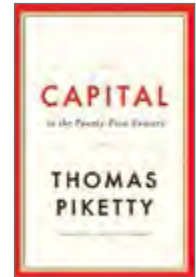
What Everyone Needs to Know

Navigating the reader between the Scylla of ignorance and the Charybdis of hysteria, Singer and Friedman offer an accessible primer on all things cyber security and explain what, indeed, everyone should know about these still poorly understood security challenges.



*Thomas Piketty*  
**Capital in the Twenty-First Century**

In what was probably the most discussed book in 2014, Piketty argues that the returns on capital that tend to exceed the rate of economic growth generate inequalities threatening to eventually undermine democratic stability. This makes it an important book for security wonks, too.



*Dayo Olopade*  
**The Bright Continent**  
Breaking Rules and Making Change in Modern Africa

Challenging the prevailing stereotypes about what some used to call the “dark continent,” Dayo Olopade provides an optimistic perspective on modern and vibrant Africa, emphasizing the multiple commercial and technological innovations on the community level. Her book recommends making use of exactly those homegrown tools to tackle the manifold challenges Africa is facing.





# Reports

## *World Economic Forum* **Outlook on the Global Agenda 2015**

This publication by the World Economic Forum features the top global risks and key regional challenges. Based on their network of experts, the WEF authors provide an overview of the perceptions of global leadership and governance as well as lay out a number of new strategic trends that are likely to shape the world's future.



## *The Brookings Institution* **The State of the Inter- national Order**

How does international cooperation work five years after the global financial crisis and ten years after the Iraq intervention? This Brookings policy paper assesses global efforts in the economic, diplomatic, and security realms.



## *Transatlantic Academy* **Liberal Order in a Post-Western World**

The 2013-14 fellows of the Transatlantic Academy argue that Europe and the United States must accept that the liberal international order built by them will not be universalized. They make the case for a consolidation of the West's internal strength and the active engagement with emerging powers to set new rules of the road.



## *German Marshall Fund* **Transatlantic Trends 2014**

Since 2002, the comprehensive survey Transatlantic Trends, published by the GMF and a number of European partners, provides an annual window into public opinion on a range of transatlantic issues, covering foreign, security, and economic policy. The 2014 edition includes data from the United States, France, Germany, Greece, Italy, the Netherlands, Poland, the UK, Portugal, Spain, Sweden, Turkey, and Russia.



## *Chicago Council on Global Affairs* **Foreign Policy in the Age of Retrenchment**

The 2014 Chicago Council survey of American public opinion provides diverse poll data to assess the ongoing debate about potential US isolationism. According to the results, the American public continues to support US leadership, favors diplomatic solutions, and prefers working within multilateral frameworks.



## *McKinsey & Company* **The Future of European Defence: Tackling the Productivity Challenge**

European defense is facing an austerity challenge. This McKinsey report argues that pooling of Europe's aggregate procurement spend holds impressive long-term productivity potential. However, in the short term, national governments will have to optimize their discretionary spending, while the industrial base will likely see further consolidation.

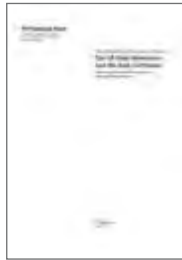


*Stiftung Wissenschaft und Politik*

**The US Shale Revolution and the Arab Gulf States**

The Economic and Political Impact of Changing Energy Markets

The US shale revolution not only has massive consequences for global energy markets in general but also poses a major challenge to the main oil-producing states. This SWP paper details the possible risks for the stability of the Arab Gulf states and offers recommendations for European policy-makers.



*European Leadership Network*

**Dangerous Brinkmanship: Close Military Encounters Between Russia and the West in 2014**

Long-forgotten security risks have returned to the European continent.

This ELN Policy Brief details several close encounters between Russian and Western militaries, including narrowly avoided mid-air collisions. Arguing that these practices entail a high-risk of escalation, the authors make the case for restraint on all sides.



*Atlantic Council of the United States*

**Confidence-Building Measures in Cyberspace: A Multistakeholder Approach for Stability and Security**

According to this Cyber Statecraft Initiative report, it is high time to make use of confidence-building measures (CBM) in cyberspace. Due to the various actors involved, the report calls for a multistakeholder approach, adapting existing CBM approaches and creating new bottom-up strategies to reduce and potentially eliminate the causes of mistrust and miscalculations.



*Russian International Affairs Council*

**Strengthening the OSCE: Building a Common Space for Economic and Humanitarian Cooperation, an Indivisible Security Community from the Atlantic to the Pacific**

This report argues that the 40th anniversary of the Helsinki Final Act of the CSCE represents an opportunity for an open discussion about the shortcomings of the current Euro-Atlantic security architecture and suggests possible ways to improve it.



*Global Public Policy Institute*

**Effective and Responsible Protection from Atrocity Crimes: Toward Global Action**

This new GPPi report by researchers from Brazil, China, India, and Europe presents findings from a global research project on the Responsibility to Protect and provides options for more effective action on the prevention of mass atrocities.



*The Polish Institute of International Affairs*

**Is a New Cold War Inevitable? Central European Views on Rebuilding Trust in the Region**

Taking a look at the deeper origins of the current crisis between Russia and the West, the authors from Poland, the Czech Republic, and Latvia argue that more efforts are needed to prevent a continuing erosion of the European security system. They call for a stronger role of the OSCE and the preservation of a European system of arms control.



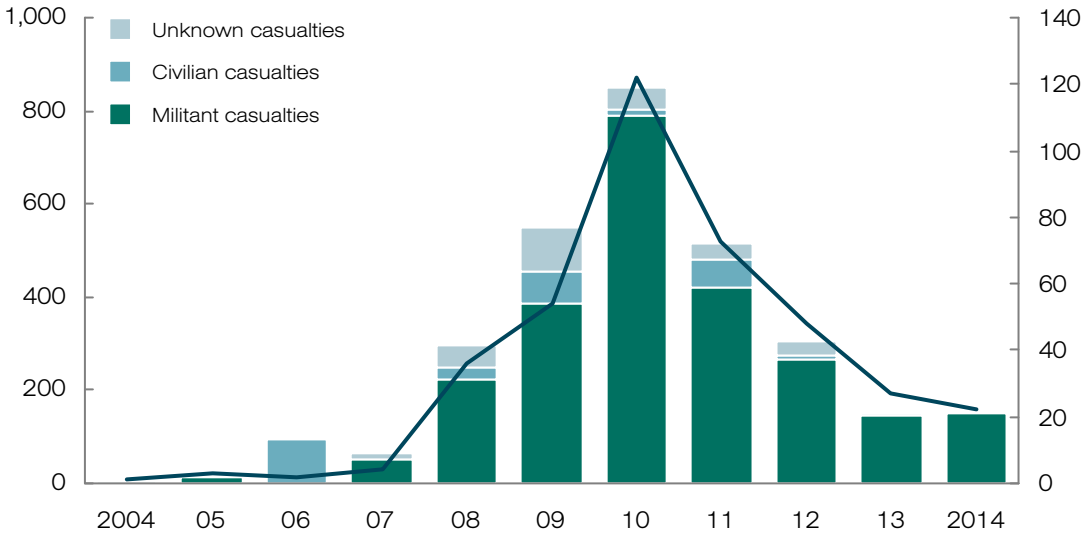


# Did You Know...

... that 2014 was the year with the fewest US drone strikes in Pakistan and Yemen combined since 2008?

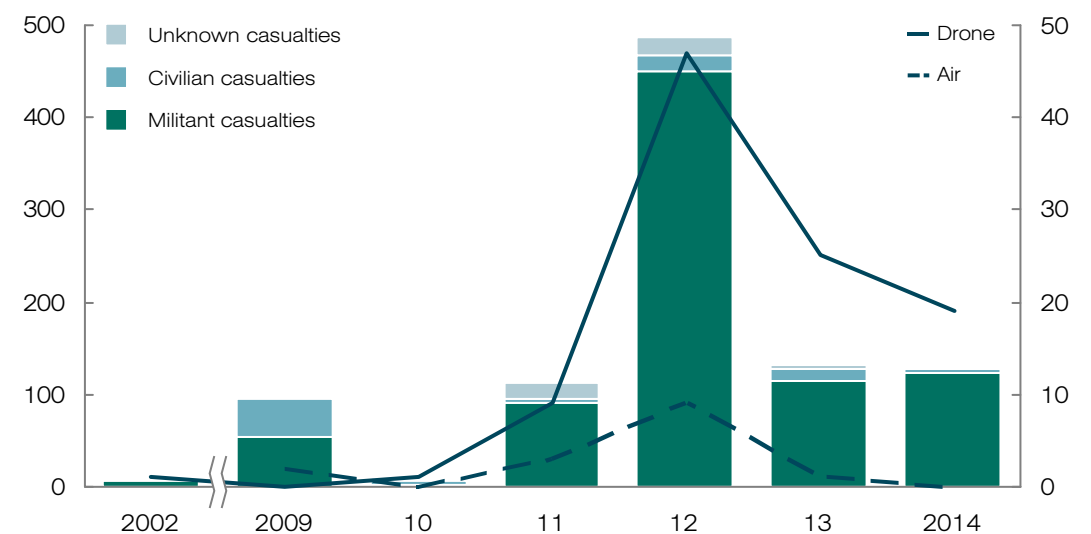
## Pakistan

Number of casualties



## Yemen

Number of casualties

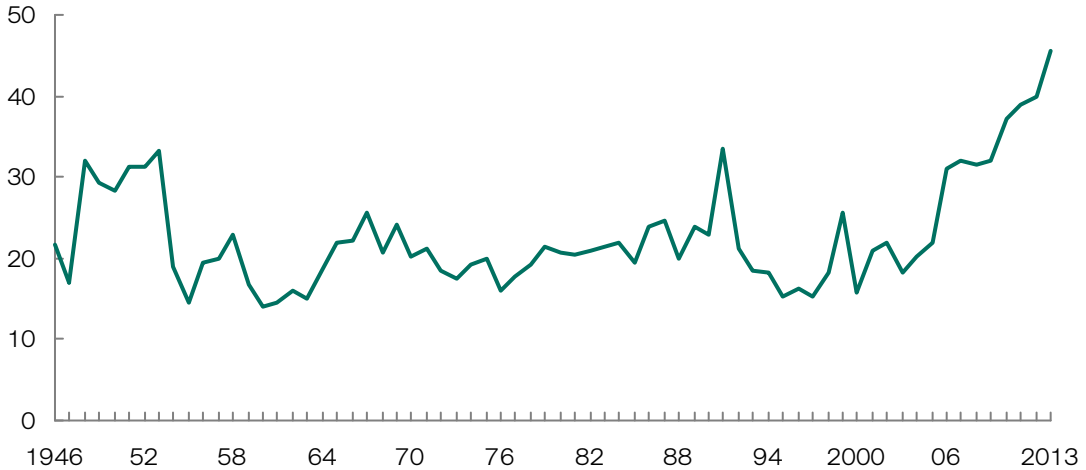


Note: Casualty totals are an average of high/low estimates  
 Source: New America Foundation<sup>1</sup>



**... that 46% of all countries have participated in armed conflict in 2013, the highest share since 1946?**

Percent

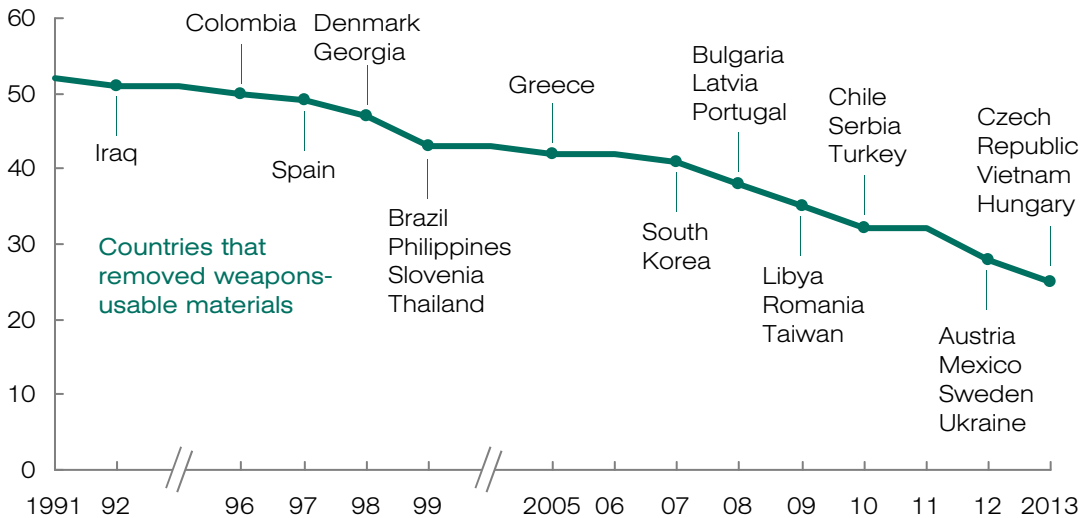


Even as a given country is less likely to have armed conflict on its own territory today, and the general trend in war deaths points downwards, countries are more likely to participate in armed conflict, mostly because several conflicts in the recent past have been fought by large coalitions.

Source: Gleditsch et al., What Do We Know About Civil War?, based on the UCDP/PRIO Armed Conflict Dataset<sup>2</sup>

**... that the number of countries possessing weapons-usable nuclear materials has been cut by more than half since 1991?**

Number of countries

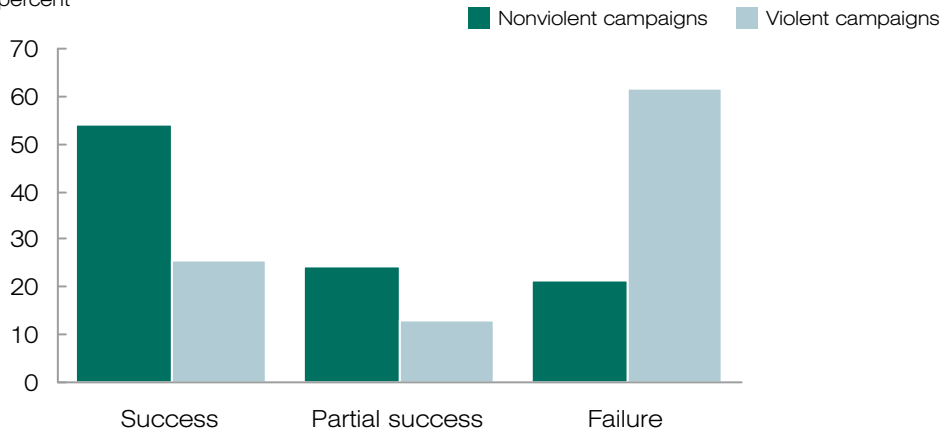


Efforts to eliminate all weapons-usable nuclear material began in 1992 when the United Nations Special Commission removed all highly enriched uranium from Iraq after the Gulf War.

Source: Nuclear Threat Initiative<sup>3</sup>

**... that, between 1900 and 2006, campaigns of nonviolent resistance against authoritarian regimes were twice as likely to succeed as violent movements?**

Success rate, percent



Source: Erica Chenoweth and Maria J. Stephan<sup>4</sup>

**The virtues of nonviolent resistance**

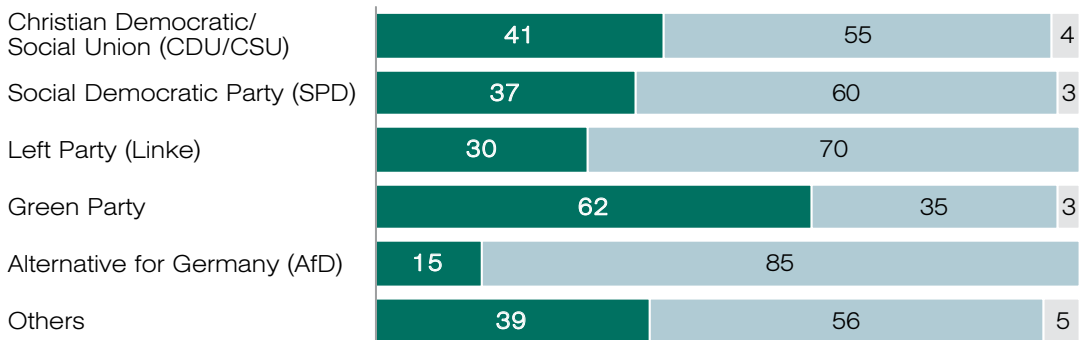
*"Nonviolent resistance also increased the chances that the overthrow of a dictatorship would lead to peace and democratic rule. This was true even in highly authoritarian and repressive countries, where one might expect nonviolent resistance to fail. Contrary to conventional wisdom, no social, economic, or political structures have systematically prevented nonviolent campaigns from emerging or succeeding. From strikes and protests to sit-ins and boycotts, civil resistance remains the best strategy for social and political change in the face of oppression. Movements that opt for violence often unleash terrible destruction and bloodshed, in both the short and the long term, usually without realizing the goals they set out to achieve. Even though tumult and fear persist today from Cairo to Kiev, there are still many reasons to be cautiously optimistic about the promise of civil resistance in the years to come."<sup>5</sup>*

**Erica Chenoweth and Maria J. Stephan, 2014**

**... that Green party voters in Germany are most likely to be in favor of a stronger German engagement in international crises (January 2015)?**

Percent; by party preference of voters

- Germany should become more involved
- Germany should continue to exercise restraint
- Do not know/no response



Source: Körber Foundation<sup>6</sup>

### ... where elections will take place in 2015?

Selected elections

|                         |   |                              |                             |   |   |
|-------------------------|---|------------------------------|-----------------------------|---|---|
| 8 January               | + | Sri Lanka<br>Presidential    | 19 October                  | + | Canada<br>General                           |
| 20 January              | + | Zambia<br>Presidential       | 25 October                  | + | Argentina<br>Presidential                   |
| 25 January              | + | Greece<br>General            | October                     | + | Cote d'Ivoire<br>Presidential               |
| 14 & 28 February        | + | Nigeria<br>General           | October                     | + | Tanzania<br>General                         |
| 1 March                 | + | Estonia<br>Parliamentary     | October                     | + | Poland<br>General                           |
| 1 March                 | + | Tajikistan<br>Parliamentary  | October                     | + | Portugal<br>General                         |
| 17 March                | + | Israel<br>Parliamentary      | October                     | + | Thailand<br>General                         |
| Starting<br>22/23 March | + | Egypt<br>Parliamentary       | 1 November                  | + | Azerbaijan<br>Parliamentary                 |
| 29 March                | + | Uzbekistan<br>Presidential   | Before<br>15 November       | + | Belarus<br>Presidential                     |
| March                   | + | Togo<br>Presidential         | November                    | + | Croatia<br>Parliamentary                    |
| 2 April                 | + | Sudan<br>General             | November                    | + | Burkina Faso<br>Presidential                |
| 19 April                | + | Finland<br>Parliamentary     | November                    | + | Burma<br>General                            |
| April                   | + | Afghanistan<br>Parliamentary | On or before<br>20 December | + | Spain<br>General                            |
| 7 May                   | + | United Kingdom<br>General    | 2015 TBD                    | + | Mauritius<br>Parliamentary                  |
| 24 May                  | + | Ethiopia<br>General          | 2015 TBD                    | + | Haiti<br>Presidential                       |
| 26 May                  | + | Burundi<br>Parliamentary     | 2015 TBD                    | + | Kyrgyzstan<br>Parliamentary                 |
| 13 June                 | + | Turkey<br>Parliamentary      | 2015 TBD                    | + | Venezuela<br>Parliamentary                  |
| 26 June                 | + | Burundi<br>Presidential      | 2015 TBD                    | + | Chad<br>Parliamentary                       |
| July                    | + | Mexico<br>Parliamentary      | 2015 TBD                    | + | Yemen<br>General                            |
| July                    | + | South Sudan<br>General       | 2015 TBD                    | + | Trinidad and Tobago<br>General              |
| 13 September            | + | Guatemala<br>General         | 2015 TBD                    | + | Slovenia<br>Parliamentary                   |
| 14 September            | + | Denmark<br>General           | 2015 TBD                    | + | Central African<br>Republic<br>Presidential |
| 18 October              | + | Switzerland<br>General       |                             |   |   |

Note: The above selection does not reflect opinions or judgments by the MSC on the validity, format, or transparency of the listed elections, but is merely an attempt to factually list election announcements.

Source: Office for Democratic Institutions and Human Rights; National Democratic Institute; Electoral Institute for Sustainable Democracy in Africa; press reports<sup>7</sup>



# Events

|  |   |
|--|---|
| <b>MSC Kickoff</b>                                     | 26 January 2015<br>Berlin, Germany                  |
| <b>AU Summit</b>                                       | 30–31 January 2015<br>Addis Ababa, Ethiopia         |
| <b>Munich Security Conference 2015</b>                 | 6–8 February 2015<br>Munich, Germany                |
| <b>European Council Meeting</b>                        | 12–13 February 2015<br>Brussels, Belgium            |
| <b>European Council Meeting</b>                        | 19–20 March 2015<br>Brussels, Belgium               |
| <b>Summit of the Americas</b>                          | 10–11 April 2015<br>Panama City, Panama             |
| <b>ASEAN Summit</b>                                    | 15–17 April 2015<br>Malaysia                        |
| <b>Tana High-Level Forum on Security<br/>in Africa</b> | 18–19 April 2015<br>Bahir Dar, Ethiopia             |
| <b>MSC Munich Young Leaders<br/>Alumni Meeting</b>     | 30 April–1 May 2015<br>Washington DC, United States |
| <b>MSC Energy Security Summit 2015</b>                 | 6–7 May 2015<br>Berlin, Germany                     |
| <b>IISS Shangri-La Dialogue</b>                        | 29 May 2015<br>Singapore                            |
| <b>G7 Summit</b>                                       | 7–8 June 2015<br>Elmau, Germany                     |
| <b>MSC Core Group Meeting</b>                          | 16–17 June 2015<br>Vienna, Austria                  |
| <b>European Council Meeting</b>                        | 25–26 June 2015<br>Brussels, Belgium                |
| <b>Parliamentary Assembly OSCE<br/>Annual Session</b>  | 6–10 July 2015<br>Helsinki, Finland                 |





|   |   |
|---|---|
| <b>BRICS Summit</b>   | 8–9 July 2015<br>Ufa, Russia                    |
| <b>Shanghai Cooperation Organisation Summit</b>                           | 9–10 July 2015<br>Ufa, Russia                   |
| <b>40th Anniversary of the OSCE</b>                                       | 1 August 2015                                   |
| <b>MSC European Defense Summit 2015</b>                                   | 15–16 September 2015<br>Brussels, Belgium       |
| <b>United Nations General Assembly Opening Date of the General Debate</b> | 22 September 2015<br>New York, United States    |
| <b>Millennium Development Goals – Post-2015 Summit</b>                    | 25–27 September 2015<br>New York, United States |
| <b>70th Anniversary of the United Nations</b>                             | 24 October 2015<br>New York, United States      |
| <b>G20 Summit</b>   | 15–16 November 2015<br>Antalya, Turkey          |
| <b>ASEAN Summit</b>   | 19–21 November 2015<br>Malaysia                 |
| <b>MSC Munich Strategy Forum</b>  | 22–24 November 2015<br>Elmau, Germany           |
| <b>United Nations Climate Change Conference</b>                           | 30 November–11 December 2015<br>Paris, France   |
| <b>OSCE Ministerial Council</b>   | 3–4 December 2015<br>Belgrade, Serbia           |
| <b>World Economic Forum</b>   | 27–30 January 2016<br>Davos, Switzerland        |
| <b>Munich Security Conference 2016</b>                                    | 12–14 February 2016<br>Munich, Germany          |




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Should you wish for further information on this report or want to share criticism, suggestions, or ideas for future improvements, please email us at [msr@securityconference.de](mailto:msr@securityconference.de). You can also find us on Twitter (@MunSecConf). We are looking forward to being in touch with you.

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If you want to know more about the history and the evolution of the Munich Security Conference, please have a look at our anniversary volume, published in 2014.



#### **Towards Mutual Security**

Fifty Years of Munich Security Conference

Edited by

Stiftung Münchner Sicherheitskonferenz

Wolfgang Ischinger, with Tobias Bunde, Antje Lein-Struck, and Adrian Oroz  
Göttingen: Vandenhoeck & Ruprecht, 2014

(available as hardcopy and e-book)

The table of contents and selected essays are available on our website:  
<https://www.securityconference.de/en/discussion/50-jahre-msc/>

Founded in 1963 as the Internationale Wehrkunde-Begegnung, the Munich Security Conference celebrated its fiftieth anniversary in 2014. On this occasion, numerous prominent participants – including former and current heads of state and government as well as foreign and defense ministers – reflect on the conference's history and significance, on some of the major issues debated, and on key security challenges facing the international community.




# Endnotes

Please note that all links have last been checked on 9 January 2015. All quotes in British English have been changed to American English.

## Collapsing Order, Reluctant Guardians?

- 1 Alison Smale, "Germany's Foreign Minister, a Man in the Middle," *New York Times*, 19 November 2014, <http://nyti.ms/1tekJLM>
- 2 Toomas Hendrik Ilves, "Speech at Columbia University," 26 September 2014, <http://president.ee/en/official-duties/speeches/10619-toomas-hendrik-ilves-at-columbia-university-26-september-2014/index.html#sthash.si2okzID.dpuf>
- 3 Roger Cohen, "The Great Unravelling," *The New York Times*, 15 September 2014, <http://nyti.ms/1q6XHoc>
- 4 Richard Haass, "The Era of Disorder," Project Syndicate, 27 October 2014, <http://po.st/BccWPV>
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- 7 Javier Solana, "The Years of Living Tactically," Project Syndicate, 27 October 2014, <http://po.st/MIGfJF>
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- 10 World Economic Forum, *Outlook on the Global Agenda 2015* (Davos: World Economic Forum, 2014), [http://www3.weforum.org/docs/GAC14/WEF\\_GAC14\\_OutlookGlobalAgenda\\_Report.pdf](http://www3.weforum.org/docs/GAC14/WEF_GAC14_OutlookGlobalAgenda_Report.pdf), p. 17
- 11 Daniel W. Drezner, *The System Worked. How the World Stopped Another Great Depression* (New York: Oxford University Press, 2014).
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