

IENE GEOPOLITICS BULLETIN

Contents

<i>Preamble</i>	1	<i>EU-USA</i>	5
<i>The Seven Plagues of Europe</i>	2	<i>Europe – Great Britain</i>	6
<i>Europe – Russia Relationship Amid</i>		<i>Turkey and Energy Security</i>	9
<i>Tectonic Geopolitical Changes in the</i>		<i>Terrorism</i>	11
<i>Region</i>	2		

Preamble

After one year of absence, the Energy and Geopolitics Committee of IENE is publishing the latest issue of its “Geopolitics Bulletin”, focusing on the geopolitical effects of Brexit for the UK, as well as for the EU and the world in general, but also in connection with the relations of the European Union, the US and Russia respectively.

Further analyses on other sectoral subjects are also included. On the occasion of publishing this new issue, the Energy and Geopolitics Committee wishes to thank all the recipients of its newsletter for their participation and support and promises to enrich its work with several new activities, such as conferences, seminars, discussion groups, working papers etc., in its effort to broaden its terms of reference. The scope of the Committee remains the study of geopolitical tendencies in relation to latest developments in the energy field at both global and regional level.

Following recent changes in the structure of IENE’s Scientific Committees and in compliance with the latest decisions of the BoD concerning the more efficient operation of the Institute’s bodies, Mr. Christos Dimas, an IENE partner, has been appointed as the new chairman of the Energy & Geopolitics Committee.

IENE wishes to acknowledge with thanks the work carried out during the previous period under the direction of Dr. Dimitrios-Vassilios Kokkinos, since appointed as honorary chairman of the Committee.

The Seven Plagues of Europe

Europe and the broader region is at a critical juncture in its history as seven major crises pose the most serious risk to its political order and economic stability since the collapse of communism.

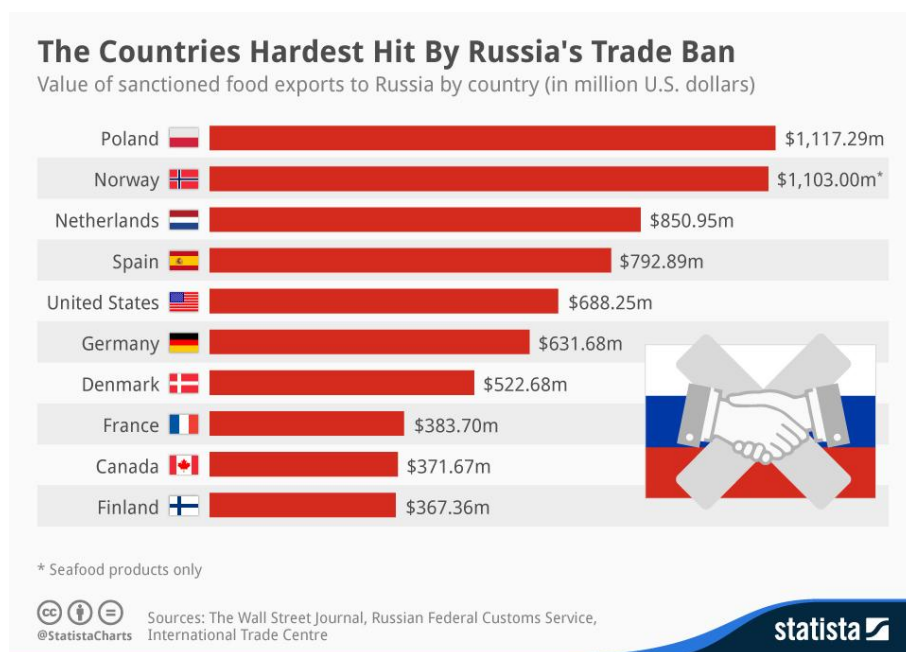
- (a) In the EU, a defective single currency zone has caused economic misery in its southern periphery with no obvious solution in sight.
- (b) In Europe's East, strategic competition between Russia and the West for influence over the regions bordering Russia has triggered a serious war in Ukraine, coupled with the imposition of severe economic sanctions against Russia.
- (c) Meanwhile, spillover from the chaos in the Middle East has seriously tested the EU's internal cohesion and solidarity, and triggered a serious crisis in relations between Russia and Turkey early in 2016.
- (d) Since 2015, terrorism has entered Europe's everyday life. Citizens can no longer feel safe at any moment or in any place. Such ominous warnings about indiscriminate violence create formidable challenges for EU leaders, who must strike a balance of raising awareness about the terrorist threat without gratuitously stoking fears and hindering economic stability.
- (e) On the other hand, the ongoing refugee crisis creates long-term economic and social conflict in key EU states and also among them. Along the way, the disruption that this crisis creates in the Balkans, upsets the social and political equilibrium, thus furthering the chaotic conditions of the region and of Europe as a whole.
- (f) As the Eurozone crisis rumbles on, and as the popular political mood of Europe drifts increasingly to the populist and xenophobic right, the question of Britain's role in 21st century Europe assumes a new and uncertain dimension following the decision by British people to vote for "Brexit" in the June 23 referendum.
- (g) A coup attempt in Turkey on July 15 adds to an already tumultuous year for Turkey that has featured two general elections, a prime minister deposed and a wave of large scale terrorist attacks with hundreds of victims blamed on ISIS and Kurdish militants which create huge uncertainty from a geopolitical point of view.

All this poses profound questions about the future of the continent, of which the only certainty is that things will not remain the same.

Europe – Russia Relationship Amid Tectonic Geopolitical Changes in the Region

The ongoing crisis between the Russian Federation and the West continues unabated for the third year in a row but some mixed signs of fatigue are gradually

emerging. The US-EU sanctions have been extended for another six months but not without reactions since in some EU countries hurt by Russian sanctions, a backlash to extending them in July is growing. Italian PM M. Renzi declared in December 2015 that the sanctions should be reviewed in the coming months and the German foreign minister F.W.Steinmeier in the same spirit, suggested last May that a step by step ease of these sanctions could be the solution to the fighting in East Ukraine that fired up the sanctions in the first place, with the annexation of Crimea peninsula by Russia.

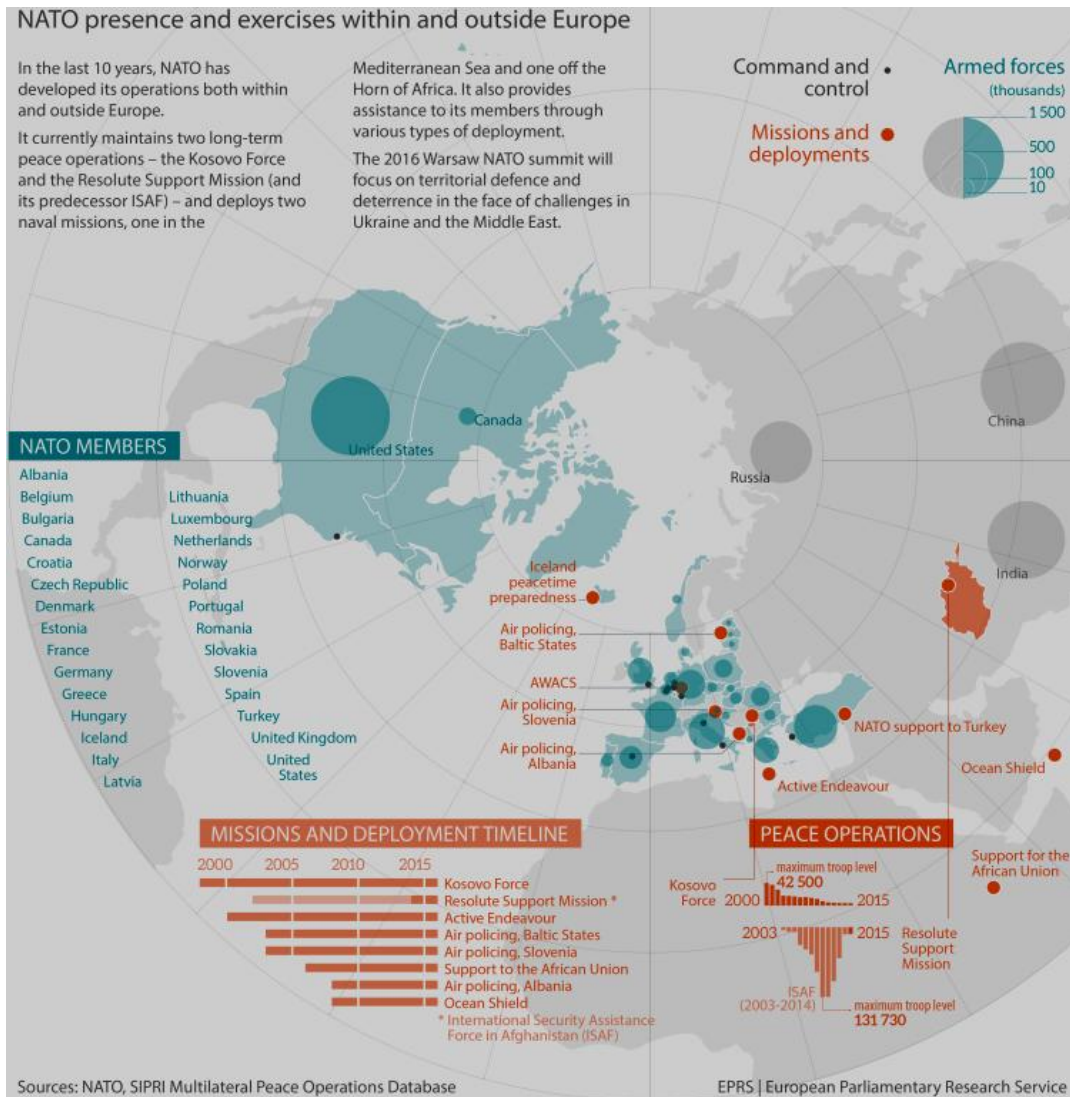


The framework strategy for a resilient energy union specifically over the long established objective of energy security has resulted in some measures in order to increase transparency of gas supplies, and in particular for agreements on buying energy from non-EU countries. The mandatory compliance monitoring with EU law prior to any governmental agreements on gas with third countries is inevitably going to affect the already problematic relations between Russia and EU and also the S-SE member countries that are more vulnerable to disruptions in energy supply than the rest of EU countries. European Commission President Jean Claude Juncker's and Italian PM M. Renzi's visit to the international conference in St. Petersburg was seen as a sign of bilateral relations improvement by few, but the USA and along with some allies within the EU, especially Poland, condemned the visit as ill-timed, counter-productive and against the general interest of the Union.

The NATO Summit in Warsaw

The two-day NATO summit in Warsaw on July 8 and 9 announced a range of previously agreed measures to bolster deterrence and reassure its eastern members in the aftermath of Russia's annexation of Crimea and covert invasion of eastern Ukraine. The four multinational battalions of about 1000 troops each, stationed in Latvia, Estonia, Lithuania and Poland, share an old idea from the cold war era.

Although too small to stand up to the giant Russian adversary, they could act as a “trip-wire”, triggering a full military response by the rest of the alliance.



Contrary to the mutual feeling, Berlin, which has an old special relationship with Russia, has stated that NATO military presence creates tensions with Russia, and is in favour of a dialogue process in order to avoid possible escalation. In that common spirit, German Chancellor A. Merkel stated that NATO should not provoke the Russian Federation. Prior to the Warsaw summit Chancellor Merkel had delivered a completely different speech in the German parliament saying that “...the acts of Russia in the Ukraine crisis have shaken deeply our eastern allies ..., ...when the power of law and the inviolability of the borders are endangered by words and deeds, then the confidence is reduced...”. These statements highlight Germany’s strategic dilemma: geo-economical dependence from Russia vs geopolitical necessities of the euro-Atlantic alliance. The joint declaration by the president of the European Council, the President of the European Commission, and the Secretary General of the North Atlantic Treaty Organization (NATO) in the face of unprecedented challenges such as migration flows, terrorist attacks in major

European cities, the destabilization of the Middle East and North Africa, the security dilemma of the eastern European countries, shows the common anxieties of both EU and NATO.

The Warsaw summit is a small step to a new CSDP (Common Security Defense Policy) and the European countries (many of them also NATO members) by building stronger military capabilities are transforming from “security consumers” to “security providers”, note political analysts. The security pillar of the EU is extremely weak and the military capabilities of the major EU members fall far behind those of the Russian Army. This fact strengthens the security dilemma of the eastern countries and creates a strong Atlantic trend inside the EU (Atlantism). Consequently, USA and NATO take advantage of these EU weaknesses and are promoting a slow but constant expansion of NATO to the East.

EU-USA

The US is deeply concerned about the course of Europe, its closest political and military ally at global level. They are very much concerned about the effect Brexit would have on both the UK and the EU not only in the economic field (fears for re-emergence of national barriers to trade, undermining of development) but also in politics (rise of Euroscepticism and of demagogic political forces).

The Americans fear that NATO will be affected by these developments, and, on the other hand, the Alliance becomes even more significant for them at this time of turbulence. It is considered by them that NATO is the “last euro-Atlantic fortress” in case of the dismantlement of the EU. However, recent activity by NATO in Eastern EU-members, especially in Poland, and the Baltic countries, has given rise to concern both inside (Germany) and outside (Russia) the Alliance.

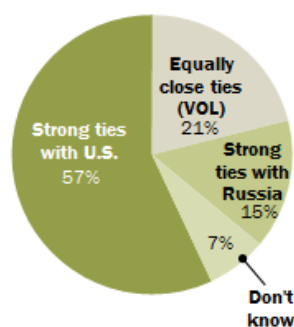
From a historical point of view, the EU and the US have had several arguments concerning NATO, since the crises in the former Yugoslavia in the '90s. The Americans have complained, during all these years, that Europeans cannot solve the problems of Europe on their own, and, at the same time, they do not share proportionate economic burden. Since the economic crisis of 2008 the Americans have been accusing the EU economic model as rigid and inflexible.

From the political point of view another “shadow” on EU-US relations has been the several cases of espionage by American Intelligence Services against European governments while the second war in Iraq, in 2003, became another cause of friction between Americans, on the one hand, and France and Germany, on the other. At the same time, the lack of political and strategic coherence within the EU was more than obvious in the case of the Libya crisis, in 2011, when France, the UK and Italy would not have been able to co-ordinate their action had it not been for the US leadership. However, even President Obama recently admitted that the biggest mistake of his Presidency has been the lack of a “next-day” scenario for Libya.

As far as Russia is concerned, many European countries (Germany, Italy etc.) have, on several occasions, expressed their disagreement with the US stance against Russia since the outbreak of the Ukrainian crisis, calling for a review of sanctions. On the other hand, East European states (Poland and Baltic states) have aligned themselves with the US position on the subject.

Germans: Majority Prefer Strong Ties with U.S.

Which is more important for Germany – to have strong ties with the U.S. or strong ties with Russia?



Source: 2015 Pew Research Center survey, Q3.

PEW RESEARCH CENTER

This divergence between the US and certain West European countries on the issue of Russia, is likely to become more pronounced. This dispute is reflected in the different views between these countries and the Americans on EU energy security, thus affecting the development and realization of the Energy Union.

Europe – Great Britain

The referendum on June 23 regarding the participation of the United Kingdom in the European Union, having provided a 52% result in favour of the UK leaving the EU (the so-called “Brexit”), has triggered an apparently long period of political and economic uncertainty on both sides of the English Channel and well beyond that. The referendum aftermath is bound to entail a blow both to the EU and the UK, but more so for the latter.

For the EU, the following consequences are at hand:

- The EU, is understandably focusing increasingly inwards in an effort to resolve its serious internal affairs, while the world around it changes dramatically as well as rapidly, posing pressing needs for urgent decision making and action.
- Resolution of the EU internal affairs becomes even more difficult given the immense strategic as well as tactical differences among several member states, e.g. between France and Germany and between southern and northern member states.

On the other hand, there is no single political or energy strategy acceptable to all member states while Euroscepticism and nationalism are on the rise across Europe.

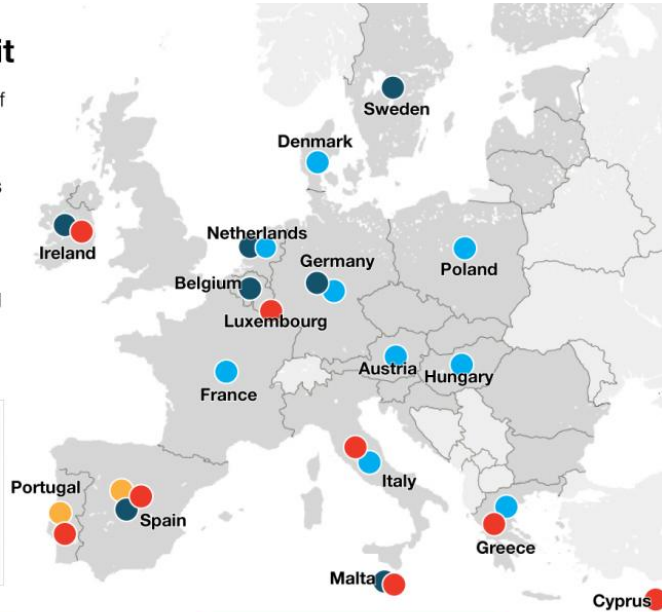
- The refugee crisis, the tendency towards weakening of national sovereignty and the development of a more “impersonal” globalised model, as well as the inability of the EU to provide decisive solutions on major economic, social and political matters, created centrifugal forces, thus firing the Brexit decision by a majority of the British voters.

Regarding the UK, the referendum outcome has at the same time opened a Pandora’s box of problems but has also thrown light on some promising prospects:

- The dynamism of the British economy (pound strength and export levels) was thrown into doubt. According to certain thinking, the UK might end up in a less affluent state. Furthermore, according to some analysts, London’s dominance among the world financial centres will come under fire and the UK might become isolated and could possibly lose its attractiveness as an internationally important political and economic center.
- Scotland and Northern Ireland sided with the “Remain” option in the referendum and will in all certainty express their disagreement with the overall result and hence will stoke their secessionist tendencies anew. Yet, the EU has shown, immediately after the referendum, that under no circumstances does it support secessionist tendencies, as many member states consider that a precedent might be formed affecting their own territories.
- On the positive side the UK, now free from the tight supervision of Brussels and its bureaucratic straightjacket, could forge ahead in strengthening its global leading position while London could further enhance its financial independence attracting a lot more investment without accounting to European banking regulators.

The Risk of a Brexit

A Brexit would lead to a period of uncertainty in Europe that would have a negative impact on most EU economies. In addition to this generalized risk, some countries face specific challenges linked to a Brexit, such as a sharp decrease in exports, higher bond yields and an increase in domestic Euroskepticism.



FINANCIAL RISK
 Countries with high levels of deficit and debt, fragile banking systems or unstable governments could come under financial pressure after a Brexit. Small financial services centers and countries linked to Britain through foreign direct investment and remittances could also be hurt.

POLITICAL UNCERTAINTY
 Countries with fragile government alliances or impending elections could be further weakened by the uncertainty generated by a Brexit. This in turn would create financial and economic risk.

RISING EUROSKEPTICISM
 Countries with strong Euroskeptical opposition parties could see an increase in anti-EU sentiment. Moderate parties could feel threatened by Euroskeptical forces and adopt elements of their agendas. Opposition and government parties could demand referendums on EU membership or aspects of it.

ECONOMIC RISK
 Countries with a strong dependency on exports to Britain could be negatively affected by Britain's withdrawal from the EU common market.

Copyright Stratfor 2016 www.stratfor.com

(Source: Stratfor)

The above developments should be understood and analyzed within an environment with the following characteristics:

- An introspective tendency is rising in Europe, with a wave of resurgent populism reinforcing once again the predominance of the nation-state. The EU will have to introduce fundamental changes. Yet, it will have to consider what is the current global environment wherein it is called to be active and that those changes will have to take into consideration, but not limit itself to addressing internal EU issues alone.
- Given the economic, political and military strength of the UK, Brexit would create a disproportional gap in the EU and strain its very structure.
- A constantly growing anti-globalisation current is clearly discernible in Europe, with centrifugal forces developing, aimed towards a return to national structures. Therefore, the environment is exceptionally negative regarding meaningful changes in the EU, since its problematic structure tends to not take heed of national priorities. The financial crisis brings the tug-of-war between the EU

democratic deficit and the needs of European integration towards a new critical point.

- The 2017 elections in Germany (parliamentary) and France (presidential) are major upcoming political events where the British referendum fallout will be gauged, not only in terms of response by the electorate, but also on the part of the policies adopted by the political leaders themselves.
- The Donald Trump phenomenon in the US resonates among the same nationalist and populist lines as those of the Brexit camp leaders, with the republican presidential nominee hailing the British referendum result.
- The UK will either follow a particularly rough road with unforeseeable developments (the tendency of the Brexit camp leaders to abandon the political arena following the referendum is characteristic), or try via a legalistic and time-consuming procedure, to mitigate, in a sense, the referendum results.

This all means a lot of work internally for the EU while the external world changes rapidly and is in no mood to wait. Meanwhile, the geopolitical imbalance inflicted by the UK leaving the EU, whether eventually concluded or not, creates opportunities for other regional powers to exploit; the recent rapprochement between Russia and Turkey can be seen under this light as a move to put friction points under control and consolidate positions in view of upcoming developments, something that should be noted by all parties concerned.

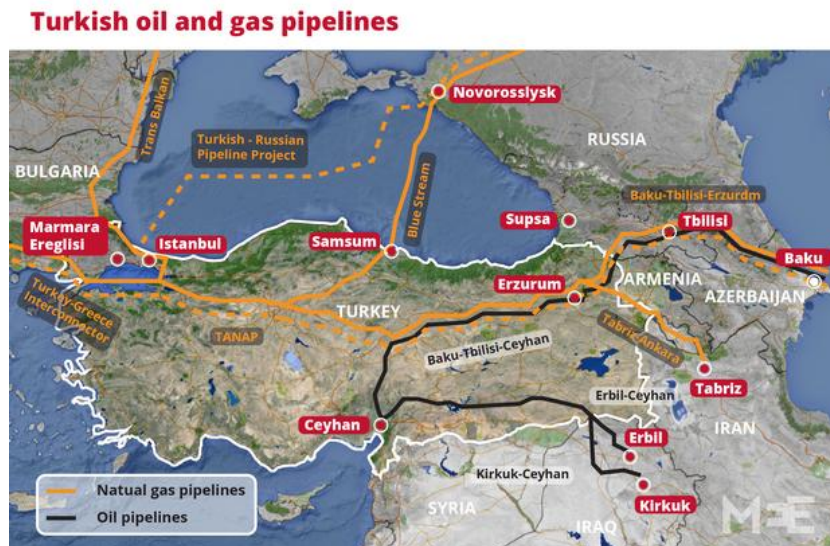
Turkey and Energy Security

Forces loyal to Turkish President Recep Tayyip Erdoğan quashed a coup attempt by members of the military that began on the evening of Friday 15/7 and devolved into turmoil and violence. At least 290 people died and more than 1,400 were wounded, according to Turkey's Foreign Ministry. Almost 6,000 people have been detained since the July 15 attempt to oust President Recep Tayyip Erdoğan, including at least 2,840 members of the military and 2,745 judges. Turkey could restore the death penalty, in a move that would heighten international tensions since the country is a key ally in the war against the so-called Islamic State and in tackling Europe's migrant crisis. The government closed five news websites, signaling a crackdown on media freedom. President Recep Tayyip Erdoğan has blamed the coup bid on supporters of U.S.-based cleric Fethullah Gülen, whom he has frequently accused of trying to foment an uprising in the military, media and judiciary. Erdoğan called on the United States to extradite Gülen.

In a historic move too, Turkey, a NATO member since the beginning of the Cold War, has been recently softening its relations with Russia from which it faced sanctions, as the two countries are on the opposite sides of the Syrian conflict. The business and industrial lobbies in Turkey hard hit by Kremlin's sanctions also wanted President Erdoğan to mend ties with Moscow. But Turkey seems to be learning towards Russia especially after the latter gained the upper hand in the Syrian conflict.

Through Mr. Erdoğan's fog, this much seems clear: More than 35 years after the last coup, and almost two decades after the 1997 military intervention the Turkish people do not want a return to the seesawing military and civilian rule that characterized the country between 1960 and 1980. On the contrary, they are attached to their democratic institutions and constitutional order. Every major political party condemned the attempted coup. Even Turks accusing Erdoğan of a stance against Kemal's heritage would not favor a setback to the era of continuous military interventions. On the other hand, a rapid push by Mr. Erdoğan to reform the Constitution through a referendum and create a presidency with sweeping executive powers is possible. It may well be that democracy has triumphed in Turkey only to be strangled at a slower pace.

Furthermore, destabilization of Turkey could lead to chaos that could have unpredictable consequences for the region and the world alike. Turkey is ideally located between the major hydrocarbon consumers and producers and therefore plays a crucial role as an energy transit country for oil and natural gas directed to the European Union (EU), whether from the Caspian Sea, from the Middle East or from Russia, as it controls the Bosphorus and Dardanelle straits. In addition, several interregional oil and gas pipelines already pass through its territory. In this sense and because of its advantageous geographical position, as the region's key energy player securing essential transit routes for oil and gas to Europe, many geopolitical concerns and fears may arise in case of further political destabilization.



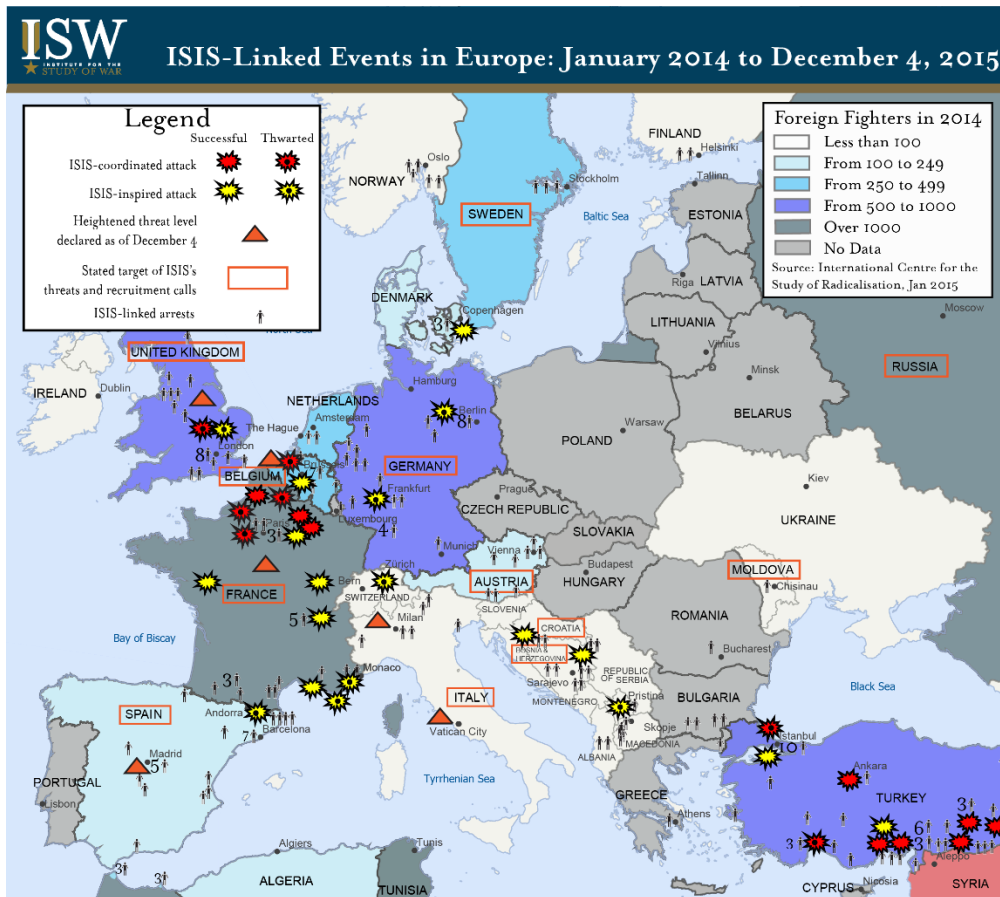
(source: Middle east eye)

The important question now is whether there will be peace and stability in the region. These are clear preconditions that enable cooperation and the formulation of a common regional strategy among the countries that can constructively participate in the energy corridors of the Eastern Mediterranean (i.e. Turkey, Greece, Israel and Cyprus).

Terrorism

The high death toll from the terrorist attack which killed at least 84 people in Nice during Bastille Day celebrations on July 14 raised the risk of the “repeated use” of the “lone wolf” tactic in Europe over the coming months or weeks. It should be remembered that 15 days before the terrorist attack in Nice, three IS terrorists killed more than 40 people at Ataturk Airport, Istanbul’s biggest international airport.

It now seems that the whole of Europe is a potential target, with terrorist networks and procurement lines spanning the continent and plots being foiled in multiple countries. IS propagandists have issued threats against more European cities and they are well aware that the continent is facing multiple crises related to economics, migration, identity, and the European project itself. The recent attacks also fit within the group's notion that Western Muslims are in a "grey zone," neither following the ways of the fantasized caliphate nor fully integrating with the Western mainstream. Through repeated terrorist attacks, IS hopes to provoke a political and security backlash against Muslim communities, thus pushing them into the arms of the radicals.



(Source: Business Insider)

IS – and its ancestor, al-Qaida – are highly aware of the impact of each “message in blood”. This is psychological warfare and has been an evolving aspect of the

extremists' strategy. Viewing victims as less than human is part of the process known as brainwashing that terror groups and cults enlist in order to convince their operatives to perform heinous acts of violence. These bloody strikes are meant to buttress IS's global influence and it hopes such mass casualty attacks will paralyze and polarize Western societies, making them more susceptible to both Islamist recruitment and further attacks.

Europe is not well equipped to stand up to this threat. Just as the monetary union was created without a fiscal union, free movement within Europe was established without strong security cooperation among member states or on the outer borders. The EU has conducted successful operations within the framework of its Common Security and Defense Policy, but that instrument was tailored to stabilize the EU neighborhood (e.g., in the Balkans) or resolve more distant crises, not to defend Europe against such kinds of asymmetric threats.

As a result, it is likely that IS will retreat further into asymmetric attacks, particularly against soft targets, with a view to maximizing raw casualties. IS undoubtedly still has attack cells and facilitation networks active in Europe, in addition to influence over a cohort of homegrown extremist sympathizers. In that sense IS will continue to build its global network, putting energy and resources into networking. They will also learn from the success of recent high-impact but low-tech attacks against soft targets and public spaces, particularly those associated with foreign nationals. Over the longer term, IS may come to resemble its rival al-Qaida even more, with a relatively weak "core" leadership providing guidance to more potent regional affiliates. And although IS is currently losing ground in Syria and Iraq, this cannot but lead it to more aggressive threats and fierce tactics until its total extermination.

IENE GEOPOLITICS BULLETIN

Compiled and edited by the Energy & Geopolitics Committee of IENE

Chairman Mr. Christos Dimas

Committee Secretary, Mr. Nicholas Sofianos, Research Coordinator of IENE

Contributors to current issue: C. Dimas, S. Koutsoukos, N. Sofianos, I. Stamoutsos, D. Faros

Issue No 7, July - August 2016

INSTITUTE OF ENERGY FOR SOUTH-EAST EUROPE (IENE)

3, Alex. Soutsou st. 106 71 Athens, Greece

tel: (0030)-210-3628457, 3640278, fax: (0030)-210-3646144, e-mail: marketing@iene.gr, site: www.iene.eu