



# Watch List 2017

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Watch List Updates complement International Crisis Group's annual Watch List, most recently published in February 2017. These early-warning publications identify major conflict situations in which prompt action, driven or supported by the European Union and its member states, would generate stronger prospects for peace. The Watch List Updates include situations identified in the annual Watch List and/or a new focus of concern.

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Headquarters

**International Crisis Group**

Avenue Louise 149 • 1050 Brussels, Belgium

Tel: +32 2 502 90 38 • Fax: +32 2 502 50 38

[brussels@crisisgroup.org](mailto:brussels@crisisgroup.org)

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## Terrorism and Counter-terrorism: New Challenges for the European Union

Over the past few months, military operations have eaten deep into the Iraqi and Syrian heartlands of the Islamic State (ISIS). Much of Mosul, the group's last urban stronghold in Iraq, has been recaptured; Raqqa, its capital in Syria, is encircled. Its Libyan branch, with closest ties to the Iraqi leadership, has been ousted from the Mediterranean coastal strip it once held. Boko Haram, whose leaders pledged allegiance to ISIS, menaces the African states around Lake Chad but has split and lost much of the territory it held a year ago. Though smaller branches exist from the Sinai to Yemen and Somalia, the movement has struggled to make major inroads or hold territory elsewhere.

ISIS's decisive defeat remains a remote prospect while the Syrian war rages and Sunnis' place in Iraqi politics is uncertain. It will adapt and the threat it poses will evolve. But it is on the backfoot, its brand diminished. For many adherents, its allure was its self-proclaimed caliphate and territorial expansion. With those in decline, its leaders are struggling to redefine success. Fewer local groups are signing up. Fewer foreigners are travelling to join; the main danger they represent now is their return to countries of origin or escape elsewhere.

Al-Qaeda, meanwhile, is increasingly potent. It, too, has evolved. Its affiliates, particularly its Sahel, Somalia, Syria and Yemen branches, are more influential than the leadership in South Asia. Osama bin Laden's successor, Ayman al-Zawahiri, inspires loyalty and offers guidance but has little say in daily operations. Al-Qaeda's strategy – embedding within popular uprisings, allying with other armed groups and displaying pragmatism and sensitivity to local norms – may make it a more durable threat than ISIS. Its strategy also means that affiliates' identities are more local than transnational, a shift that has sparked debate among jihadists. Although Western intelligence officials assert that cells within affiliates plot against the West, for the most part they fight locally and have recruited large numbers of fighters motivated by diverse local concerns.

U.S. national security policy looks set to change too. Much about new President Donald Trump's approach remains uncertain, but aggressive counter-terrorism operations for now dominate his administration's policy across the Muslim world. Protecting U.S. citizens from groups that want to kill them must, of course, be an imperative for American leaders. But since the 9/11 attacks a decade and a half ago, too narrow a focus on counter-terrorism has often distorted U.S. policy and at times made the problem worse.

Some early signs are troubling. Past months have seen a spike in civilian casualties resulting from U.S. drone and other airstrikes. The degree to which the administration will factor in the potential geopolitical fallout of operations against ISIS and al-Qaeda is unclear. U.S. allies could misuse counter-terrorism support against rivals and deepen chaos in the region. Nor it is clear that the U.S. will invest in diplomacy to either end the wars from which jihadists profit or nudge regional leaders toward reforms that can avert further crises. The new administration may also escalate against Iran while fighting jihadists, creating an unnecessary and dangerous distraction.

Though the influence of European leaders and the European Union (EU) on Arab politics and U.S. counter-terrorism policy has limits, they are likely to be asked to bankroll reconstruction efforts across affected regions. They could use this leverage to:

1. **Promote a judicious and legal use of force:** Campaigns against jihadists hinge on winning over the population in which they operate. “Targeted” strikes that kill civilians and alienate communities are counterproductive, regardless of immediate yield. Indiscriminate military action can play into extremists’ hands or leave communities caught between their harsh rule and brutal operations against them. European leaders should press for tactical restraint and respect for international humanitarian law, which conflict parties of all stripes increasingly have abandoned.
2. **Promote plans for the day after military operations:** Offensives against Mosul, Raqqa or elsewhere need plans to preserve military gains, prevent reprisals and stabilise liberated cities. As yet, no such plan for Raqqa seems to exist – it would need to involve local Sunni forces providing security, at least inside the city. As operations against ISIS and al-Qaeda linked groups escalate, the EU could seek clarity on what comes next and how operations fit into a wider political strategy.
3. **Identify counter-terrorism’s geopolitical side effects:** The fight against ISIS and al-Qaeda intersects a tinderbox of wars and regional rivalries. Frank discussion of the potential consequences of military operations could reduce risks that they provoke a wider escalation. The Raqqa campaign, for example, should seek to avoid stimulating fighting elsewhere among Turkish and Kurdish forces and their respective allies. Success in Mosul hinges on preventing the forces involved battling for territory after they have ousted ISIS. European powers’ own counter-terrorism support should not result in allies being more resistant to compromise.
4. **Reinforce diplomatic efforts to end crises:** From Libya to Syria, Iraq, Yemen and Afghanistan, no country where ISIS or al-Qaeda branches hold territory has a single force strong enough to secure the whole country. Unless the main non-jihadist armed factions in each country can arrive at some form of political accommodation among each other, there is a risk they either ally with jihadists against rivals or misuse counter-terrorism support for other ends. European powers should step up support for UN-led diplomacy if the U.S. neglects such efforts.
5. **Protect space for political engagement:** Over recent years, as jihadists have gathered force on today’s battlefields, Western powers have tended to draw a line between groups they see as beyond the pale and those whom they envisage as part of settlements. The EU should keep the door open to engagement with all conflict parties – whether to secure humanitarian access or reduce violence. It should be made clear to groups on the wrong side of the line how they eventually can cross it. Al-Qaeda affiliates’ increasingly local focus makes this all the more vital.

6. **Warn against confronting Iran:** Such a confrontation would be perilous. Militarily battling Tehran in Iraq, Yemen or Syria, questioning the nuclear deal's validity or imposing sanctions that flout its spirit could provoke asymmetric responses via non-state allies. Iran's behaviour across the region is often destabilising and reinforces the sectarian currents that buoy jihadists. But the answer lies in dampening the rivalry between Iran and the Gulf monarchies, not stimulating it, with the attendant risk of escalating proxy wars. This will mean resuming a tough but professional senior-level U.S.-Iranian channel of communication, something the U.S. administration seems reluctant to do but that Europe could encourage. And, for the EU and its members states (notably France, Germany and the UK), it means clearly signalling to the U.S. administration that any step to undermine the Joint Comprehensive Plan of Action (JCPOA) – in the absence of an Iranian violation of the deal – will leave Washington isolated and unable to recreate an international consensus to sanction Iran.

The roots of ISIS's rise and al-Qaeda's resurgence are complex and varied. Patterns of radicalisation vary from country to country, village to village and individual to individual. Clearly, though, war and state collapse are huge boons for both movements. Both groups have grown less because their ideology inspires wide appeal than by offering protection or firepower against enemies, or rough law and order where no one else can; or by occupying a power vacuum and forcing communities to acquiesce. Rarely can either group recruit large numbers or seize territory outside a war zone. The EU's investment in peacebuilding and shoring up vulnerable states is, therefore, among its most valuable contributions against jihadists. European leaders must do everything within their power to disrupt attacks, but they should also put conflict prevention at the centre of their counter-terrorism policy.



# Afghanistan: Growing Challenges

Rising insurgency and a fraught political transition are exacerbating an already pervasive sense of insecurity about Afghanistan's future. Since the 2014 international military drawdown, the resurgent Taliban has fast expanded its presence countrywide. The Islamic State-Khorasan (IS-K), an affiliate of the Islamic State in Iraq and Syria (ISIS), also has a foothold, albeit limited and mainly in some eastern districts. Two-and-a-half years after it was created to prevent the bitterly contested 2014 presidential election from plunging the country into turmoil, the National Unity Government (NUG) is beset with internal disagreements and dysfunction that undermine the capacity of the Afghan National Defence and Security Forces (ANDSF) to counter the insurgency. The government's ability to confront significant governance, economic and humanitarian challenges also is weak. Civilian and military casualties as well as the numbers of conflict-displaced and those in need of urgent humanitarian assistance continue to grow.

## *Rising insurgency*

After the transition to Afghan security forces in 2014, the thinly stretched ANDSF has been battling a growing insurgency on several fronts. According to the U.S. Special Inspector General for Afghanistan Reconstruction (SIGAR) only 57.2 per cent of 375 districts were under government control or influence by 1 February 2017, an almost 15 per cent decline since end-2015. According to the Special Inspector General, 6,785 Afghan forces were killed and another 11,777 wounded from January to November 2016, significant losses at a time when security forces are struggling with personnel retention. The UN Mission in Afghanistan (UNAMA) also reported a 3 per cent increase in civilian casualties (3,498 killed 7,920 wounded) in 2016 over the previous year. The number of high profile attacks in Kabul also was higher during the first three months of 2017 as compared to equivalent periods in previous years. On 21 April, Taliban gunmen and suicide bombers attacked an Afghan army base in the northern Balkh province, killing over 100 military and other personnel and injuring scores more. The army chief and defence minister both resigned the following day. Two attacks in March targeted police stations and a military hospital, killing 73 and wounding over 240 people.

Preventing the loss of more territory to insurgents, particularly during the anticipated spring offensive, is an urgent priority, notably in order to limit the scope of ungoverned spaces that could be exploited by regional extremists and transnational terror groups. With 8,400 troops already based in Afghanistan, the U.S. military leadership has requested a few thousand additional troops, a step that – if approved – would boost ANDSF morale and potentially could help blunt the insurgents' offensive. But countering the growing insurgency also will depend on continued robust international financial and technical support, including honouring commitments made at NATO's July 2016 Warsaw summit to advise, assist and train Afghan forces and provide them with annual funding of up to \$4.5 billion until 2020.

Tackling the security situation also will require addressing widening internal disagreements and political partisanship that permeate all levels of the security apparatus and have undermined ANDSF command and control structures. Intra-governmental divisions likewise have impeded implementation of reforms necessary to mitigate the effects of corruption, nepotism and factionalism in the Afghan National Army (ANA) and particularly the Afghan National Police (ANP). Such weaknesses and overall government dysfunction played a major part in the 2016 Taliban advances in Kunduz city in the north, the siege of Lashkargah and Tirin Kot cities in the south, and, in March 2017, the Taliban capture of Helmand's Sangin district.

### *Regional neighbours*

Amid ambiguity about the Western will to remain engaged, Afghanistan's neighbours are more aggressively promoting what they perceive to be their own national security interests. This most notably is the case of Pakistan, whose relations with Afghanistan continue to be strained. Islamabad remains unwilling to facilitate talks between the Taliban and Kabul, and continues supporting its Afghan proxies, allowing them to recruit, fundraise, as well as plan and conduct operations from safe havens inside Pakistan. Pakistan in turn accuses Kabul of at best turning a blind eye, if not actively supporting, Pakistani tribal militants conducting cross-border attacks from Afghan territory.

Deteriorating bilateral relations have had other consequences. In 2016, Islamabad forcibly repatriated more than 550,000 Afghans (including 380,000 registered refugees) as relations with Kabul deteriorated because of heightened Taliban attacks in Afghanistan and cross-border attacks by Afghanistan-based Pakistani tribal militants. In February 2017, after a major terror attack on a Sufi shrine in southern Pakistan which was claimed by a Pakistani Taliban faction reportedly based in eastern Afghanistan, Pakistan closed its two main border crossings with Afghanistan – Torkham and Chaman – for over a month. It also conducted mortar and other military strikes on the bordering provinces of Kunar and Nangarhar. Though it has since reopened the crossings, Pakistan has begun to fence the border, a move certain to aggravate tensions insofar as Kabul does not recognise the Durand Line as the international boundary.

There are further complicating regional factors. Closer ties between Kabul and New Delhi, which has offered a \$1 billion aid package and MI-25 combat helicopters to Afghanistan, are viewed as provocative by Islamabad. Iran long has been suspected of providing military hardware to some Taliban factions, a stance motivated partly by animosity toward the U.S. and more recently by the desire to counter IS-K. Russia also recently has upped its involvement, reaching out to the Taliban and, according to senior U.S. military officials providing them with some military support, and proposing to lead a new negotiation process which could further complicate Afghanistan's security dynamics.



### *Peace negotiations*

No internationally-led negotiations will work unless there is a consensus among Afghans, both those backing and opposing the government, to pursue a negotiated peace rather than continued conflict. External actors can lend a hand, through facilitation and other support, but the impetus has to come from within. In this context, the European Union (EU) and its member states should continue their technical and financial support to an Afghan-led peace and reconciliation process in its upcoming 2017-2020 EU Strategy for Afghanistan.

A second precondition for successful negotiations is for the U.S., still the most powerful and influential foreign actor in Afghanistan, to settle on a comprehensive political strategy. While the Trump administration's Afghan policy remains a work in progress, there are clear indications it will maintain its presence in Afghanistan and likely enhance its military support. But it still must address the question of the optimal format and composition of the talks. The Quadrilateral Consultation Group comprising Afghanistan, China, Pakistan and the U.S. has been dormant since the May 2016 U.S. drone attack that killed Taliban leader Mullah Mansoor. Russia's efforts to bring together Pakistan, China, Iran, India, and most recently Afghanistan, are more promising insofar as they include all regional stakeholders. But Washington declined Moscow's invitation to participate in the process, concerned that Russia's outreach to the Taliban, including some military support, could endanger U.S. stabilisation efforts and endanger the lives of U.S. forces in Afghanistan. Given the U.S.'s key role, its absence clearly would be to the detriment of the process. The EU should continue providing technical support to a negotiating process that has broad Afghan support, which the Moscow-led process currently lacks even with one of the principal stakeholders, the Taliban.

A third essential element is for Pakistan to become convinced that its interests would be better served by a political settlement in Afghanistan than by continued Taliban insurgency. This will require international efforts both to pressure Pakistan to shift course and to facilitate constructive dialogue between Islamabad and Kabul. The U.S. role will be central, including by conditioning continued military support to Islamabad on Pakistan working with Kabul to bring the insurgents to the negotiating table and rethinking its support to the Taliban's Quetta Shura and the Haqqani Network, now fully integrated into the insurgency's command structure. While the U.S. is best placed to pressure Pakistan to reverse its support for Afghan proxies, the EU and member states should use trade and diplomatic ties with Pakistan and financial assistance to Afghanistan as leverage to persuade them to peacefully resolve their differences.

### *The humanitarian situation*

Afghanistan suffers from one of the most protracted humanitarian crises in the world. In 2016, which witnessed some of the worst fighting since the U.S.-led intervention in October 2001, 646,698 persons were internally displaced due to conflict, compared to 70,000 in 2010; this added to the roughly one million conflict-displaced in previous years. 2016 also saw one million Afghan refugees and migrants forced to

return home from Pakistan and Iran. The EU's plan to deport back home some 80,000 Afghans whose request for asylum was rejected will further strain Afghanistan's capacity. More broadly, both Kabul and the humanitarian community, including UN agencies, estimate that 9.3 million people, or almost one-third of Afghanistan's population, will be in need of humanitarian assistance this year. As security continues to deteriorate and both Pakistan and Iran force more refugees and migrants to return, the humanitarian crisis likely will worsen.

The overall humanitarian crisis is putting enormous pressure on Afghanistan's already stretched public services and infrastructure, especially in urban centres, where 70-80 per cent of internally displaced and returning refugees tend to settle; most are jobless or under-employed, with little or no access to health care or education. Countrywide, as many as 1.57 million face severe food insecurity. Women and girls are often the worst off given the country's socially conservative nature. Addressing the humanitarian emergency will require continued, robust and long-term international, including EU, economic assistance. While the UN Human Rights Council (UNHRC) should persuade Pakistan and Iran to end the forcible deportation of Afghan refugees and migrants, the EU and member states also should at the very least slow down deportations as security continues to deteriorate in Afghanistan.

# Keeping Egypt's Politics on the Agenda

Europe's approach to Egypt has focused on accompanying economic reform, a massive challenge for a country of 90 million still reeling from the effects of post-2011 political instability. However, doing this at the expense of addressing the troubling and dangerous state of Egypt's domestic politics would be self-defeating.

## *Egypt's economy under stress*

Egypt's economy, under severe stress, is arguably the country's single greatest source of potential instability. Six months into the three-year, \$12 billion deal with the International Monetary Fund (IMF) inked in November 2016, its reforms are already taking a toll. The decision to free float the Egyptian pound (EGP) has diminished the currency's value against the dollar (USD) by over 50 per cent, and inflation has skyrocketed. In February 2016, CAPMAS, the government's statistics agency, found that food-price inflation reached 41 per cent year-on-year. Though the government also reduced fuel and energy subsidies in November 2016, the devaluation cancelled out much of the savings, since in EGP terms imports are now much more expensive.

President Abdel Fattah al-Sisi's economic decision-making has at times been decisive but often imprudent. He has invested scarce resources in prestige projects with uncertain returns, such as a costly widening of the Suez Canal, and significantly boosted arms imports. He has postponed important decisions, including the EGP's free-float, a delay that many experts say exacerbated the currency's fall. Overall, Sisi's behaviour suggests a reactive approach to economic reform, moving ahead only when under duress, such as when he needed to quickly secure the IMF loan. A \$12.9 billion debt repayment scheduled for 2018 (even if some of it, owed to Gulf countries, is likely to be quietly written off) and a public debt that has officially reached 98 per cent of GDP (though many experts believe it is higher) present other looming crises.

More importantly, the government appears to be pursuing economic reforms – many of which are likely to cause short-term pain and be contested by large segments of society – in an exclusively top-down, dirigiste manner. On the economy as in other matters, important decisions are often made with little to no consultation among stakeholders, without transparency or an adequate communications strategy. Even Sisi's supporters among Egypt's business elite appear sidelined, while the military has taken on an outsized role in implementing certain major economic projects, often without coordinating with private sector partners: the government announced a promising industrial zone in the Suez Canal zone but without consulting potential investors about their needs.

Simultaneously, the military and security services have tended to micromanage the use of foreign aid, the result often being either long delays in the implementation of projects or the blocking of those they do not like. The economy is relatively advanced, and the country enjoys both extremely successful private sector personalities and talented technocrats. Yet, as part of the wider reversal of the democratic opening of 2011-2013, the government is turning its back on consensus-building on major socio-economic issues. It often appears more concerned about securing foreign aid,

especially direct budget support, than genuinely thinking through what its reform plan should be and how to implement donor agendas.

The top-down model notwithstanding, some major reforms have been avoided or blocked because of political resistance from within state institutions. This may seem paradoxical in light of the regime's generally undemocratic nature, yet Egypt's state is both authoritarian and plural. The European Union (EU) should keep this in mind as it seeks to accompany Egypt's economic reforms; it cannot simply rely on a partnership with the executive.

Examples abound. For instance, parliament, despite being overwhelmingly supportive of Sisi, for the past year obstructed and ultimately watered down a civil service reform that sought to address the problem of a bloated bureaucracy. Although the private sector supported the reform, and the presidency sought to impose it, parliamentarians (most of whom have no party affiliation and were elected as independents) had to take into account the seven million civil servants (and voters) whose salaries amount to a quarter of the annual budget. That many of these parliamentarians themselves are former civil servants is another reason for their obstructionism. A proposed new investment law is likely to suffer the same fate. The judiciary, too, is battling attempts at executive encroachment. The presidency's resort to emergency law to bypass the ordinary judiciary, as well as direct pressure on judges, can have a negative impact on the rule of law and the investment environment.

### *The EU's dilemma: stability over reform?*

Egypt presents a difficult dilemma. Since the 3 July 2013 coup that deposed President Mohamed Morsi, the EU, after an initial period of caution, largely normalised relations with the military-led regime. Several member states publicly embraced Sisi despite his regime's repressive rule, judging that the priority was to help strengthen Egypt so it could better withstand domestic and external turmoil. This approach has been reinforced by the strong view among several key countries – notably Israel, Saudi Arabia, the United Arab Emirates and, more recently, the U.S. under the Trump administration – that stabilising Egypt is more important than reforming it.

In this sense, EU-Egypt relations are beginning to bear a striking resemblance to what they were during President Hosni Mubarak's era. This could well be a mistake: the country's polarised politics and resurgent authoritarianism are at the core of its inability to defuse the threat of extremism and embark on a sustainable path to reform of sclerotic state institutions. The 9 April twin bombings of Coptic Orthodox churches and their aftermath are tragic but telling symptoms. Despite three years of counter-insurgency in Sinai and ever more draconian counter-terrorism legislation, the Islamic State (ISIS, whose main local branch is called Sinai Province) now appears more confident and daring in its efforts to stir up sectarianism. The security services are widely perceived as inefficient, even as the Sisi regime has doubled down on an all-security approach by declaring a state of emergency and threatening to shut down critical media. This bodes ill for Egypt's appeal to tourists and investors and risks deepening a vicious cycle of repression and extremist violence without addressing underlying political factors, all against the backdrop of rising socio-economic tensions.

### *Growing polarisation*

Ultimately, stabilising Egypt in a sustainable manner will not be achievable without a government willing to address the widening chasm between the regime's defence of an ersatz secularism and its Islamist opponents' increasing radicalisation. While the former remains rigid and autocratic in the name of defending the "prestige of the state", the latter has embraced an irresponsible "revolutionary" discourse that, in essence, is banking on state failure. Voices calling for conciliation on both sides are marginalised; to date the EU and some of its members unfortunately appear, by and large, to have relinquished their early efforts at mediation. One result is the government's growing rejection of human rights and rule of law and resurgence of an ugly sectarianism on the part of the opposition, particularly among members of the Muslim Brotherhood and its allies.

Allowing this polarisation to fester has consequences beyond Egypt's borders. This is especially true in areas where Cairo tends to project its own domestic brand of politics, as in Libya. There, Egypt's stridently anti-Islamist approach and unconditional backing for General Khalifa Haftar inevitably may complicate resolution of the conflict and managing its consequences, including the central Mediterranean migration crisis.

### *Supporting economic reform and more inclusive politics*

Egypt and the EU will adopt their partnership priorities for 2017-2020 at the next Association Council in June 2017. These are expected to include support for Egypt's sustainable economic and social development, as well as strengthened cooperation on foreign policy, in particular in the fields of democratic governance, security and migration. The EU will also implement a new assistance program to support these jointly agreed priorities. In the past few months of negotiations, Egypt has resisted what it sees as political interference in its domestic affairs, especially on questions of human rights, civil society and political pluralism – even though these issues are covered under the Egypt-EU Association Agreement. Moreover, many European officials believe they have little leverage over Egypt given its rulers' determination to maintain their current approach at all costs. Both the EU and its member states appear inclined to revert to the pre-2011 status quo despite facing a very different Egypt. This could well amount to an ostrich strategy.

The alternative for the EU, with the support of member states, would be to place far more emphasis on Egypt's broken politics. A presidential election is due in 2018, with parliamentary elections following in 2020; for their part, municipal elections are long overdue. Sisi supporters are pushing through constitutional amendments to remove term limits and otherwise strengthen an already extremely powerful presidency. All of these represent potential political flashpoints. It would be unwise and unrealistic to support Egyptian economic reforms – or partner on issues such as migration control or counter-terrorism – without taking this context into account and push for a more inclusive environment that could help defuse these potential crises. Several broad principles could be followed.

First, European governments ought to press for progress on issues that have been taken up by Egyptian political parties and civil society, such as pushing back on restrictions on civil society funding (especially foreign but also local) and organising,

a draconian protest law, or suspension of the rule of law under the state of emergency. As a corollary, they should ensure continued engagement with segments of Egyptian society other than the state and insist that political parties and civil society organisations be able to operate with some degree of safety.

Second, Europe should keep channels of communication (even discreet ones) open with the more intransigent opposition, including elements toward which it has little affinity – and that the Egyptian regime has labelled terrorist groups – such as the Muslim Brotherhood, as well as members of the “anti-coup alliance” it leads. It should use those channels to push those elements toward moderation and an eventual reconciliation with the regime, however implausible that might seem today. These groups continue to enjoy sizable local support. To ignore or, worse, adopt the regime’s stance toward them, would be both short-sighted and counterproductive. In this sense, Europe should seek to use its financial support to persuade Egypt to move in a more constructive political direction. The idea that it has little leverage over Egypt is an untested proposition; unlike in 2013-2014, Egypt can no longer expect automatic financial support from Arab Gulf states. At a minimum, Europe should ensure that core political issues remain at the top of its agenda, and that it maintains contacts with the full spectrum of Egyptian actors.

# Somalia: Transforming Hope into Stability

Somalia is at a tipping point. The election of a new president with cross-clan support, the emergence of a youthful and reform-minded parliament, and renewed international interest present a genuine opportunity to promote needed political and security reforms to combat Al-Shabaab and stabilise more areas. The London Conference on Somalia in May coincides with this moment and should be seized upon to mobilise international support. However, because the new federal cabinet was only approved in early March, conference organisers should be realistic about how detailed the government's plans can or should be. More broadly, key international actors – the European Union (EU), African Union, Arab League, UK, Turkey and the U.S. – will need to coordinate and achieve consensus on realistic strategic goals, including creating an environment in which the African Union Mission in Somalia (AMISOM) can begin to draw down. If the new president fails to deliver on promised key reforms – including to rebuild the national army, revamp the constitution, curb corruption and strengthen federalism – both domestic and external support for the Federal Government of Somalia (FGS) will inevitably wane and Al-Shabaab will be in a stronger position to rebuild its forces and support.

## *Al-Shabaab exploits humanitarian needs*

Although international aid has picked up, its geographic coverage remains limited, not least because insecurity is rampant and the UN has so far managed to raise only 30 per cent of the \$825 million it asked for in early March. As a result, the threat of famine is unlikely to diminish in the next six to twelve months and 5.5 million people (nearly half the population) will require emergency aid. The immediate priority is to mobilise more funds, prevent a repeat of the large-scale graft that marred past relief efforts and assist the hardest hit communities in remote regions which are increasingly turning to Al-Shabaab for assistance. Al-Shabaab is exploiting these needs to improve its image and attract public support, allowing people to move to relief centres run by local and international agencies, even as it gives no indication of its willingness to grant aid agencies access to areas it controls.

Al-Shabaab struggles to demonise diaspora Somalis' crowd-funding campaign (collecting small amounts of money from a large number of people) and especially the *Caawi Walaal* campaign organised by youth volunteers to provide water and food to remote villages. International actors should therefore support such initiatives, given their potential to extend the reach of the relief effort to remote areas inaccessible to Western aid agencies.

## *Harnessing the diaspora*

The recent elections produced Somalia's most demographically diverse and youthful parliament ever. Nearly half its 283 members are younger than 50; over 90 hail from the diaspora; and 63 are female. President Mohammed Abdullahi Farmajo campaigned on reform and owes his victory to younger and well-educated diaspora MPs. However,

efforts to push through needed reforms and national reconciliation will be complicated by the poor delineation of roles and authorities among the president, prime minister and speakers of the upper and lower houses, as well as by powerful vested interests that will want to maintain the 4.5 formula that apportions FGS positions among the four major and smaller minority clans. The president will not be able to rely solely on the diaspora bloc but will need to work with politicians more closely tied to the traditional clan leadership. In the same vein, the new administration will need to avoid giving too many positions to diaspora Somalis, which could aggravate deep societal divisions.

Economic regeneration (symbolised by upmarket hotels, restaurants and homes in Mogadishu) is largely underwritten by remittances from some two million diaspora Somalis, worth some \$1.4 billion each year. The FGS has held meetings to mobilise more effective diaspora support for reconstruction, yet there is neither an agency entrusted with policy formulation nor a proper regulatory environment, a gap that could prove risky. For example, Mogadishu's acute land crisis is fuelled by poorly planned investment exploiting local regulatory loopholes. One idea would be for the Somali Economic Forum, a donor-funded organisation fostering private sector development and economic growth, to use its upcoming conference in Dubai that will bring together diverse stakeholders to help the new administration create a rules-based regulatory environment to promote sensible investment.

### *Fostering peaceful federalism*

Strengthening and broadening the fragile administrations of federal member states should be a priority for the government in order to stabilise areas far from Mogadishu. So far, the protracted and ad hoc devolution of power from the weak FGS to federal states has resulted in de facto blocs dominated by powerful clans which tend to monopolise power and resources. Minority clans, including smaller sub-clans within major ones, often feel sidelined, with dangerous implications: in Puntland, for example, successive mutinies by security forces occurred in February and March over unpaid wages, and several armed clan-based militias operate largely outside the control of Puntland President Abdiweli Gaas. Equally problematic are increasing Al-Shabaab attacks and targeted assassinations, as well as a growing, albeit small, Islamic State faction operating in Puntland.

Elsewhere, the ousting of Galmudug Interim Administration (GIA) President Abdikarim Guled by the state parliament has created a power vacuum and elections planned for late March were postponed due to the severe drought. A similar no confidence motion was initiated against Interim South West Administration (ISWA) President Sharif Hassan Sheikh Adan in March. Pushing for genuine and viable political settlements at the intra- and inter-federal state levels must remain a priority. To that end, the FGS and international actors should focus on the following:

- ❑ Setting up a permanent mechanism to help resolve disputes among federal states, such as Puntland, Galmudug Interim Administration, Juba Interim Authority and Interim South West Administration. In so doing, the government in Mogadishu and state presidents would address the reality that several inter-state borders are



contested and, in almost all states, minority clans feel aggrieved by local power sharing, with the risk that such discontent could trigger wider violence within and between states;

- ❑ Supporting the Independent Boundaries Review Commission (IBRC) to first demarcate contested state borders and then define their boundaries more generally;
- ❑ Supporting efforts to finalise currently vague and unaddressed issues in the provisional constitution, including especially by clarifying legislation on resource and power sharing among federal states and the FGS;
- ❑ Supporting constructive dialogue between Somaliland, which continues to seek independence, and the FGS. In this respect, Somaliland's agreement with the United Arab Emirates (UAE) to manage Berbera port and host a military base is likely to exacerbate simmering tensions between Somaliland and the FGS.

### *Security after AMISOM?*

Al-Shabaab remains a resilient force that undertakes suicide bombings, targeted assassinations, ambushes and sweeps across south-central Somalia. After AMISOM played a key role in pushing Al-Shabaab's conventional forces from most urban centres, most troop contributing countries (TCCs) are seeking to depart; at a March meeting in Nairobi, the TCCs began crafting a plan for the mission's drawdown. AMISOM Commander General Soubagleh now says the withdrawal could start as early as 2018. But to make this possible, the FGS and federal states will need to improve governance dramatically and end local conflicts in liberated areas.

Indeed, without a clearer and more institutionalised division of power, resources and security responsibilities between the FGS and federal states, as well as among federal state administrations, current security gains against Al-Shabaab will be difficult to sustain. In addition, the plan to draw down AMISOM needs a coherent framework to establish a sustainable national force that can take over responsibility for security and mitigate the negative effects of regional competition. The new administration's further development of a national security architecture is a positive step, but the roles and responsibilities of the National Security Council and the president, notably in terms of command and control authority, will need to be clarified and institutionalised. Moreover, efforts to build the Somali National Army (SNA) could be improved through much better international coordination among the EU, U.S., UK, Turkey and Gulf states, which are all involved in troop training. There are growing indications that the U.S., under the Trump administration, is determined to up its direct military involvement. This carries risks. Although enhanced training and equipment would help, increased airstrikes could inflame public opinion and unwittingly drive communities into Al-Shabaab's arms – especially if they cause civilian deaths.

### *Pursuing electoral reform*

Somalia still has a long way to go before shifting from the 4.5 quota system to one-person-one-vote elections; in particular, it is unlikely that the requisite level of security will be achieved in the next four years. Recent elections were also marred by lack of transparency and accountability, which generated both corruption and electoral manipulation. Therefore, rather than focusing on the overly ambitious goal of one-person-one-vote, the London Conference ought to consider some of the inherited challenges, principally the 4.5 clan system. In particular, Somalis and international actors should:

- ❑ Encourage the FGS to finalise the process of establishing functioning political parties;
- ❑ Provide technical support to register citizens across the country;
- ❑ Strengthen the capacity of the Independent Electoral Commission (IEC) to organise and oversee future elections; and
- ❑ Help the IEC organise smaller scale (eg municipal) elections.

# The Western Balkans: Fragile Majorities

Mounting political instability in the Western Balkans has the potential to spark new crises on the EU's immediate borders. Political tensions are particularly high in Macedonia, Bosnia and Herzegovina (BiH) and Kosovo. Many EU policymakers are concerned that Russia aims to exacerbate this disorder, a worry that has intensified since elements of the Russian intelligence service were implicated in a failed coup in Montenegro last year. But the region's crises are rooted in a prevalent winner-takes-all party politics and flaws inherent in the political settlements forged to end the Yugoslav wars. While Russia has deep-seated interests in the Balkans, its interventions are more opportunistic than strategic.

The Balkans are a part of the ongoing geopolitical contest, but local sensitivities are much stronger drivers of events and risks in the region than geopolitics: the EU therefore should concentrate on local sources of instability, which often are linked to ruling parties' refusal to give up power despite losing elections. Regional states – including those discussed below – have endured on-and-off political tensions since the 1990s, so far without sliding back into secessionist wars. But the political space for avoiding more serious crises is narrowing, and the EU must engage intensively to ensure it does not entirely vanish. This will play out differently in each context but at its core the EU should seek to impose meaningful financial costs on, and slow down the pace of EU accession for actors who violate basic norms, and in particular on parties that obstruct a peaceful transfer of power.

## *Macedonia*

The risk of a serious crisis is highest in Macedonia. National elections in 2016 failed to restore stability after a period of political turmoil and sporadic violence. The incumbent right to far-right VMRO-DPMNE party has refused to cede power to a majority coalition of parties led by the Social Democratic SDSM party. A central point of contention is the SDSM's willingness to make some political concessions to the Albanian minority, which VMRO claims threaten the state's existence. This invalid claim has resulted in daily anti-Albanian rallies in the capital, Skopje, as well as in growing alienation among ethnic Albanians. While the Macedonian Albanian minority's leaders generally have remained committed to working within Macedonia's political structures since the country came close to civil war in 2001, the current crisis could undermine this uneasy bargain.

Civil society groups have called for targeted sanctions against senior VMRO officials, and the European Parliament's rapporteur has echoed these calls. The EU should use the threat of possible sanctions to press the VMRO to accept its electoral defeat and play the role of responsible opposition. Leaders of the European People's Party (EPP), of which VMRO is a member, should use their contacts in Skopje to insist that VMRO stop blocking the transfer of power; if it does not the EPP should consider suspending VMRO.

### *Kosovo*

The political climate in Kosovo has been poisonous since the ruling PDK party refused to cede power after losing elections in 2014. The nationalist opposition party – VV – has responded with public protests and accusations that the PDK is too generous to the ethnic Serb minority. The PDK subsequently reached a power-sharing arrangement with another part of the opposition, the centrist LDK, though this political deal failed to bridge deeper societal divides. While the EU previously coaxed Belgrade and Pristina into constructive talks, relations have worsened and there were tensions this winter over a Kosovo Serb plan to build a wall in the divided city of Mitrovica. Although EU officials keep a close watch on the situation, inter-ethnic tensions are liable to recur if the PDK and opposition exploit them as part of their standoff.

Domestic and international civil society groups have launched a dialogue between the PDK and opposition, and the EU should continue to support this. In particular, it should encourage these civil society efforts to bring ethnic Serb minority parties and representatives into the dialogue, while using its leverage with Belgrade to persuade Serbia not to obstruct the process.

### *Bosnia and Herzegovina*

BiH potentially faces a decisive test of its sustainability as a state in 2018-2019. The country could be unable to replace the current legislature and executive when their terms expire in October 2018. The constitutional court has struck down elements of the electoral law, and all major Bosniak, Croat and Serb parties will have to agree on amendments to the law if state-wide polls are to take place next year. Given the polarisation of BiH politics, there is a significant danger that this will prove impossible.

Failure to hold elections in 2018 would result in the state's gradual paralysis. In a worst-case scenario this would allow Republika Srpska to press anew for its secession from the federal state. The EU, supported by BiH's neighbours Croatia and Serbia, should use the leverage of the accession process and related assistance to push all sides to amend the electoral law as quickly as possible, and emphasise its long-term focus on the country by, for example, committing to keep in place EUFOR, the small EU-led peacekeeping force, for as long as necessary.