



Watch List 2023

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Crisis Group's early-warning Watch List identifies ten countries and regions facing deadly conflict or escalation of violence. In these situations, early action, driven or supported by the EU and its member states, could generate stronger prospects for peace.

The Watch List 2023 includes a President's Take and detailed conflict analyses on Afghanistan, Armenia and Azerbaijan, Brazil's Regional Role, Global Commodity Shocks, Gulf Regional Security, Iraq, Mozambique, Myanmar, Sudan and Ukraine.

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Preventing War. Shaping Peace.

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President's Take

By Comfort Ero | President & CEO | International Crisis Group

By any measure, the European Union (EU) has a tough year ahead. So far, along with other Western powers, it has responded well to Russia's assault on Ukraine, backing Kyiv while avoiding escalation with Moscow. Neither cracks in that policy nor feared gas shortages appeared over the winter. Nonetheless, many of 2022's challenges still loom large. The EU's room for manoeuvre, meanwhile, is narrower, with budgets strained by the pandemic, the energy crisis and assistance to Ukraine. As an EU official put it, "We will have to do better, with less". Much of Europe's focus inevitably remains the Ukraine war (as we outline in the entry below). But it is also, in some ways, renegotiating its place in the world. With regard to peace and security elsewhere, it faces several challenges: helping vulnerable countries deal with the war's economic fallout; watching for destabilising side effects of efforts to diversify energy sources; shoring up a strained multilateral system; managing relations with influential middle powers; helping fund soaring humanitarian needs; and developing a humane migration policy that does not skew its overall priorities.

First is continuing to help manage the Ukraine war's far-reaching global economic consequences, particularly in the countries hardest hit by inflation and, in some cases, worsening food insecurity. Economic hardship does not automatically provoke instability. But in several countries where discontent with ruling elites was already rife, institutions weak or politics divided, the additional suffering has already brought unrest – and more could be on the way. As it represents around one sixth of the global economy, the EU is crucial to meeting this challenge, even if it cannot do so alone. Its offers of support will be essential for reducing the danger of disorder in vulnerable places. Aid can also signal that the EU is a reliable partner at a time when the war has revealed considerable disquiet with Western policy, as I outlined in our Autumn 2022 Watch List Update. The EU can also influence international financial institutions, or at least those in which Europeans have votes, to provide necessary support to countries at risk.

A second challenge lies in Europe's efforts to break its dependency on Russian gas. The scramble to find extra energy elsewhere means that for European capitals some parts of the world (Azerbaijan, the Gulf, Iraq and Mozambique in this Watch List) gain strategic importance. Indeed, over the past year, the EU and member states have signed over 70 energy deals with at least 27 countries, a sharp increase over previous years. Stronger economic and energy ties are not per se a bad thing. Deeper relations with the Gulf, for example, might open space for the EU to help relaunch or accompany regional dialogue.

But demand for energy can also carry risks. Azerbaijan's assertiveness over Nagorno-Karabakh and related issues, outlined in our entry below, is primarily driven by Russia's travails in Ukraine, which in turn hamper its ability to deter another bout of fighting in the South Caucasus. Still, demand for Azerbaijani gas plays a role. With energy security set to remain a key concern, Brussels should look out for such unintended knock-on effects.

Third is the priority of shoring up the multilateral system. Generally, multilateralism muddled through a difficult 2022. Major powers mostly still believe the UN has value as a venue for managing crises beyond Ukraine. The EU itself handled multilateral diplomacy around Ukraine reasonably well, despite some insensitivity to parts of the Global South. For 2023, priorities include continuing to use the UN General Assembly and other multilateral forums as places to rally support for Ukraine's sovereignty and territorial integrity, even if that means holding back on other demands – related to justice, for example – that could attract less support. More broadly, Europeans should maintain funding for humanitarian and peacebuilding initiatives despite budgetary constraints. They should continue to work for UN-African Union funding at the UN, as I laid out to the Security Council in 2022. As the secretary-general prepares his New Agenda for Peace, Europeans should push him to be bold in sketching how the UN can best defend multilateralism in a more fragmented world.

Fourth is grappling with activist and mostly non-Western “middle powers” – including Brazil, India, Indonesia, Saudi Arabia and Turkey, to name a few – whose influence and autonomy the Ukraine war has shone light on. Generalising about diverse countries, let alone about European policy toward them, is hard. Turkey, for example – which has largely balanced its NATO membership and ties to Moscow, while usefully helping with last year's deal to get Ukrainian grain onto global markets – is pivotal to European migration policy, its counter-terrorism and several crises on Europe's southern flank, plus now on Finland's and Sweden's NATO bids. Nor do such powers form a coordinated bloc. But what such powers share is increasing influence in the international system, a reluctance to pick a side over Ukraine and, while few welcome big power rivalry, determination to defend their own interests in a multipolar system. Europe, as it redefines relations with such middle powers, and indeed with others in the Global South, will likely struggle if it aims to do so solely through a lens of competition with Russia or China.

Fifth is the imperative of continued European generosity in meeting the world's humanitarian needs, which have spiralled partly thanks to the uptick in deadly conflict, plus the Ukraine war's fallout, coming atop stresses from the pandemic and climate change. Officials voice concern about maintaining the significant levels of support the EU and member states provided in 2022 to struggling countries around the globe. Some funds have been front-loaded to respond to needs in Ukraine – the EU has already spent money it had envisaged saving for future years, in other words. Reserves that the EU tapped in 2022 to cope with humanitarian crises are gone. The EU Commissioner for Crisis Management rightly advocates for burden sharing among international actors, as only ten donors provide over 80 per cent of humanitarian funding. Even so, European leaders should do everything they can to ensure that humanitarian aid organisa-

tions get the backing they need in responding to emergencies. Some initiatives that Europeans champion by diplomatic means, like cross-border aid in Syria, remain underfunded.

Relatedly, unprecedented levels of displacement merit a stronger European response. In 2022, the number of people forced to flee war and persecution worldwide surpassed 100 million for the first time. It has only risen since. Only a tiny fraction of the displaced make it to the EU, given the scarcity of safe, legal pathways. Indeed, an average of five people a day died or disappeared crossing the Mediterranean in the first half of 2022. Yet some EU states have outlawed and obstructed efforts by civil society organisations to save lives at sea, while others reportedly used force in blocking migrants trying to reach the EU through the Balkans. The support shown to Ukrainians seeking shelter shows what EU solidarity can look like; indeed, the contrast between Ukrainians' treatment and that experienced by people from other parts of the world is particularly galling to capitals in the Global South. The EU's Temporary Protection Directive applies only to those fleeing the Ukraine war. A more generous policy would help others escaping violence and oppression elsewhere. Urgent support is needed for Afghans under Taliban rule, in particular women and girls, who, according to the EU Agency for Asylum, are in general at risk of persecution.

The uptick in arrivals in Europe has made migration policy a greater priority, which could affect other EU foreign policy areas. For example, proposals by European capitals and the Commission suggest tying preferential trade terms, like tariff-free EU market access, to countries' willingness to cooperate on migration and readmit migrants the EU sends back. Trade benefits – a tool the EU traditionally uses to encourage reforms toward freer, more inclusive and, as a result, usually more peaceful societies – risk being used as a counter-migration measure. Moreover, Crisis Group has documented in the past how EU policy aimed at curbing migration, in Niger for example, can inadvertently fuel conflict risks. In Libya, EU money has reportedly been diverted to networks of militiamen, traffickers and coast guard members who mistreat refugees and migrants and contribute to the country's insecurity. Much as it should do with energy policy, the EU should watch for unintended side effects of a foreign policy disproportionately guided by stopping people from coming to Europe.

Beyond the broader trends, this year's Watch List, while not exhaustive, identifies some specific crises where Europe can help prevent and resolve conflict. Some entries, such as those on Ukraine, Armenia-Azerbaijan and Mozambique, highlight ways that the EU can, in places it has already invested political and financial capital, best use the role it has carved out for itself. Others, such as those on Sudan and Iraq, outline small but potentially important windows for the EU and member states to step up engagement after periods of deadlock. Some entries, in particular those on the Gulf and Brazil, highlight a wider regional role for the EU, which may in turn help de-escalate individual conflicts. Some, notably Afghanistan and Myanmar, examine how Europe can engage when repressive governments severely limit space. All the entries have one thing in common: they show that European efforts to help prevent, resolve and mitigate conflict are still badly needed in 2023.

AFRICA

Making the Most of the EU's Integrated Approach in Mozambique

An Islamist insurgency in Mozambique, locally known as al-Shabab (though it is distinct from the similarly named group in Somalia), has entered its sixth year. Since they began their attacks in October 2017, militants in the country's resource-rich northern Cabo Delgado province have killed over 4,500 people and displaced over one million, mostly women and children. Troops from Rwanda and countries in the southern Africa region have helped contain the insurgency. Yet the group's violence against civilians continues, and in May 2022, the Islamic State's (ISIS) central command recognised al-Shabab as one of its provinces. While weakened to the point where they are not conducting complex attacks, as they have in years past, the insurgents continue to resort to guerrilla tactics and pose a threat not only to Mozambique but to other states in the region.

In a bid to address insecurity in Cabo Delgado, the European Union (EU) has provided support at different levels as part of what it calls an "integrated" approach to countering the insurgency. To help stabilise northern Mozambique, the EU and its member states should:

- Press Maputo to keep up its end of the relationship by providing more and higher-quality information about the Mozambican military's activities and performance, with the aim of better assessing the impact of the European training mission for Mozambican forces.
- Encourage Mozambique and the foreign troop contributors supporting its efforts in Cabo Delgado – Rwanda and the Southern African Development Community (SADC) regional bloc – to agree to rotations of EU-trained Mozambican soldiers alongside their troops. This step would complement the EU training by providing these soldiers with mentoring and field experience under the supervision of seasoned officers.
- Seek better access to information from Maputo about al-Shabab's operations, while also increasing financial support to Mozambican and regional researchers looking into insurgency dynamics. The goal in both cases would be to gain a better understanding of al-Shabab's grievances and goals, as well as the risks presented by its links to the Islamic State and other transnational networks.
- Urge Mozambican authorities to conduct and share thorough security assessments before advising displaced people on whether to go home, so as to ensure that returns are well-informed.

- In addition to its ongoing support for community-based dialogue and regional peacebuilding initiatives, explore with the Mozambican government options for talks with insurgents, the purpose of which would be to determine the conditions that could persuade them to lay down their arms.

Foreign Intervention and an Adaptable Insurgency

Cabo Delgado's al-Shabab militants moved to armed revolt in October 2017. The province had long been ripe for conflict. Major sources of frustration included socio-economic exclusion and resentment of the influence of liberation-era generals with business interests in the province. Cabo Delgado has remained one of Mozambique's poorest provinces, notwithstanding discoveries of minerals and natural gas, which are perceived to benefit elites. Particularly at the rank-and-file level, many of al-Shabab's members were motivated to join by the desire to share in economic benefits through the seizure of power. The group quickly grew in strength, becoming a threat to national and regional stability. But with an under-resourced and unseasoned army, Maputo struggled to mount a robust response, turning in the first instance to foreign military contractors for support.

That changed in 2021, when Mozambique invited in military support from other African countries following al-Shabab's damaging high-profile attack on the port city of Palma in April of that year. Within months of the attack, the government of President Filipe Nyusi had agreed to the deployment of troops from Rwanda and the SADC regional bloc to Cabo Delgado. The foreign troops made inroads right away, taking back strategic roads and pushing the insurgents out of most of their bases, reportedly killing hundreds of fighters. But despite being weakened, and seemingly no longer able to conduct complex and high-profile attacks like the one on Palma, al-Shabab adapted quickly. Breaking up into small cells, the militants spread out across a larger area, raiding villages and security posts. Sixteen of Cabo Delgado's seventeen districts suffered attacks in 2022. Insurgents also appear to be making occasional incursions into neighbouring Niassa and Nampula provinces and across the border with Tanzania. Under military pressure, some al-Shabab fighters also have reportedly blended in with local people, waiting for the right time to regroup. Others appear to have left Mozambique.

The insurgents have also received their own boost from outside, of sorts. In May 2022, the Islamic State leadership named al-Shabab as one of its provinces, and more systematically began claiming the latter's activities as its own. Since the announcement, ISIS has asserted itself to be the perpetrator of numerous attacks in Mozambique, saying its fighters carried out 156 raids that killed 331 in the remaining months of the year. The claims are made rapidly after the incidents, are geographically very accurate, and appear to correspond to al-Shabab's activities, suggesting at the very least that the two entities communicate effectively. Events in Mozambique regularly feature in the Islamic State's al-Naba newsletter and other propaganda outlets. There is little evidence, however, that Mozambican insurgents are receiving more money, weapons or

other material support than before from the Islamic State or its affiliates in the Great Lakes and along the Swahili coast.

The deployments from Mozambique's regional partners remain in place. At present, about 2,500 Rwandan troops are stationed in the districts of Palma, Ancuabe and Mocímboa da Praia, notably close to the Afungi peninsula, where the French company Total aims to build a multi-billion-dollar onshore gas facility. Concurrently, the SADC Mission in Mozambique (SAMIM) has about 2,000 soldiers from SADC member states, mainly South Africa, in the Macomia, Nangade, Muidumbe and Mueda districts. The latter mission is struggling to secure sufficient funding, however. On 7 November, the African Union Peace and Security Council said it worried about SAMIM's "logistical and financial challenges".

Maputo insists that the situation is largely under control. As part of efforts to portray Cabo Delgado as safe for foreign investment, authorities are encouraging those displaced by earlier fighting to come back to the province. At least 70,000 residents – many more, according to Mozambican authorities – have reportedly travelled back either to their homes or to district headquarters in Mocímboa da Praia, waiting for security to improve before they return to their rural dwellings. Observers, meanwhile, say the government is either overly optimistic or deliberately concealing the full extent of the crisis. Militants have already attacked returnees, threatening others with violence if they stay in their home villages.

The humanitarian situation also remains dire. Though al-Shabab appears to have lost capacity to mount big, high-profile attacks, and despite the government's efforts to suggest that life in parts of Cabo Delgado is returning to normal, attacks by insurgents continue to displace people. The total number of persons internally displaced since the start of the insurgency has recently passed the million mark. Most of the places sheltering the displaced, in Cabo Delgado's Pemba and Metuge districts, and in Nampula province to the south, are impoverished themselves, with limited food stores, water, medicine and sanitation facilities.

What the EU Can Do: Maximising the Partnership

The EU has stepped in at different levels to help Maputo respond to the instability in northern Mozambique, working in an "integrated approach" that combines humanitarian, development, peacebuilding and security assistance (which includes the provision of military training and non-lethal equipment) as well as political and diplomatic engagement, among other things. Within this framework, the EU finances and conducts training for about 1,600 Mozambican soldiers, with the aim of protecting the civilian population, helping restore security in the Cabo Delgado region, and eventually seeing the national army take over from the foreign troops in northern Mozambique. To complement this effort, the EU has earmarked €89 million in non-lethal equipment and supplies for the units its mission trains. In the second half of 2022, the EU additionally mobilised €15 million for SAMIM and €20 million for Rwanda's counter-insurgent forces.

The EU has also provided support to regional and local peacebuilding efforts. It gave €1.9 million to a SAMIM Peacebuilding Support initiative for the period March-September 2022, which focused on building capacity among police and correctional services officers, empowering women and youth, and fostering dialogue among civic leaders. It is also supporting peacebuilding and dialogue efforts (including inter-faith discussions) at the community level in Cabo Delgado. The EU additionally gave €28 million in 2022 to support humanitarian efforts in Mozambique.

The scale of its assistance has helped the EU to obtain greater collaboration from Mozambican authorities, notably around supporting humanitarian access and logistics, which are areas where Maputo had previously been reluctant to cooperate. Yet Brussels could go further in making use of its diplomatic and political weight to remind Maputo of where greater cooperation is needed.

Military training, in particular, has been difficult for Brussels to do as effectively as it would like. For one thing, Mozambican authorities are reluctant to share important information about the military's activities in Cabo Delgado and to grant EU military instructors access to the region. As a result, the instructors know little about the effectiveness of the troops they have trained once they are deployed on the ground. European officials should negotiate development of an efficient means of assessing the training mission through better access to the Mozambican command structure. In particular, they should push to station EU military observers in the Mozambican operational command centre in Cabo Delgado. This type of collaboration would allow the EU to better tailor its training program to needs in the field and to follow up with trainees.

Another useful measure would be for the EU to push for a system of rotations whereby soldiers trained by EU instructors are integrated into Rwandan or SAMIM units in Cabo Delgado on a temporary basis. In light of the Mozambican army's state of disrepair following decades of under-investment, and the fact it will need years of better funding and reform to be fully functional, such integration would improve the mentoring new trainees get on the battlefield. There would be practical challenges (military doctrines differ from one force to the next), and the rotation concept may be a tough sell politically in Rwanda and the SADC countries as well as Mozambique, meaning that the EU may need to do some coaxing. But it is worth exploring, as it could go a long way toward deepening the impact and long-term sustainability of the EU's training mission. By improving the quality of its troops, a rotation system along these lines could also help facilitate the eventual takeover of operations by Mozambique's military. The EU is in a particularly good position to push for this measure given that it is contributing financially to all three military interventions in Cabo Delgado.

In parallel, EU officials (along with other external actors) should press Maputo to help fill gaps in the information at their disposal about al-Shabab, which they complain is insufficient. Increased knowledge of the insurgency in Mozambique, its aims and its transnational links, notably with militant groups along the Swahili coast, in the Great Lakes and beyond, would be of particular help in assessing the risk it poses and allowing the EU and others to adjust their

response. Beyond seeking assistance from the authorities, one way to attain this knowledge could be for the EU to step up financial support to regional and local researchers who are trying to better understand the insurgency.

The EU should also use its influence to help ensure that internally displaced persons (IDPs) are not pressed to return to their places of origin in a manner that is unsafe. In particular, the EU should urge Mozambican authorities to conduct thorough security assessments of the IDPs' places of origin and share the results candidly in advising people whether it is safe for them to return to their homes. This practice could save lives. It could also limit the risks of gender-based violence, including abductions by insurgents and sexual slavery, and of exploitation of vulnerable people deprived of livelihoods in unsafe areas.

The EU should explore with Mozambican authorities whether talks with militants might be feasible, at least for information-gathering purposes. Though Mozambican authorities acknowledge that military responses alone are insufficient to stem the insurgency, they have thus far shown little appetite for engagement. Yet such contacts could go some way toward determining under what conditions insurgents (or some of them) could be persuaded to demobilise.

Finally, the EU should work with Maputo to begin addressing the longstanding discontent in Cabo Delgado, notably around socio-economic exclusion, that has helped give rise to the insurgency. In particular, the EU could push Maputo to acknowledge more frankly that Cabo Delgado's economically disadvantaged population (many of whom are youth) have legitimate historical grievances, in what has long been one of Mozambique's poorest province, something Mozambican authorities have so far been reluctant to do.

Sudan: Rebooting an Endangered Transition

The 5 December signing of a framework agreement between the military and a coalition of major civilian actors could restore civilian rule in Sudan and give the country another chance to chart a path out of decades of authoritarian rule. But progress is far from assured. The deal requires the military to hand over power to a fully civilian government after having interrupted the country's faltering political transition in an October 2021 coup. The December agreement also set the stage for broader "Phase II" negotiations – which have already begun – over a welter of difficult issues. But the agreement faces significant public opposition from an array of political actors excluded from earlier talks. Without wider buy-in, a final deal to form a civilian government will lack legitimacy and do little to sideline Sudan's powerful generals, who could try to seize power yet again. Even in the best-case scenario, the new government will face huge challenges, including a cratering economy and rising discord. If it is to succeed, outside support will be required to bolster the economy and offer hope to the Sudanese people.

To help give Sudan's transition to democratic civilian rule after decades of military dictatorship a fighting chance, the European Union (EU) and its member states should:

- Encourage the civilian political elite who negotiated the December deal to pursue energetically the coalition building necessary to build a stronger civilian constituency for the new round of discussions with the military. The credibility of a new civilian government will hinge on the extent to which it is acceptable to a wide range of political actors.
- In this connection, support efforts led by the UN, African Union (AU) and Intergovernmental Authority on Development (IGAD) regional bloc to facilitate a fully inclusive second phase negotiation process, including tribal leaders, former armed groups and civil society actors who now oppose the framework agreement. Unlike the Quad grouping (the U.S., the UK, the United Arab Emirates and Saudi Arabia), which helped broker the December agreement, the UN-AU-IGAD trilateral mechanism has not earned the frustration of those who feel excluded from the December deal, putting it in a better position to play the mediator in reaching a final deal to form a transitional government.
- Prepare to take a leading role in coordinating the resumption of financial assistance to Sudan once a credible civilian government is formed and the military meets its commitment to step aside. EU member states should engage international financial institutions in trying to fast-track development aid and debt relief programs.
- Continue to prioritise the delivery of humanitarian aid to Sudan, regardless of the political situation there, particularly to displaced people across the country.

An Ill-Fated Power Grab

Sudan has faced increasing political instability since a military coup on 25 October 2021 applied the brakes on the country's stuttering path toward more representative government. The coup toppled the transitional civilian-led government that took power in August 2019 in accordance with a power-sharing deal between, on one hand, a civilian coalition known as the Forces of Freedom and Change (FFC) that led months-long popular protests against Omar al-Bashir's 30-year rule beginning in late 2018 and, on the other hand, the military that finally deposed him the following spring.

Under the terms of the August 2019 agreement, the transitional government was meant to prepare the ground for fresh elections to usher in a permanent civilian government at the end of two years, but that failed to happen. Rather, popular frustration with the transitional government – including over the stagnating economy, power struggles within the civilian coalition, alleged corruption and mismanagement of public funds, and the failure to implement promised reforms – set the stage for the military's power grab in October 2021. As the two-year deadline neared for Sudan's top general, Abdel Fattah al-Burhan, to

hand over the chair of Sudan's power-sharing sovereign council to civilians, he used the pretext of growing anti-government sentiment to seize power and disband the civilian government.

The coup backfired. Burhan and his fellow generals faced fierce popular resistance and regular protests organised by youth groups, women's coalitions and others, while top civilian politicians refused to help it form a new government. Sudan's external partners including the AU, U.S., EU, UK and UN condemned the coup, while the military's traditional backers, Saudi Arabia and the UAE, proved reluctant to provide major support. The coup also left an already sclerotic economy on life support, with unemployment rates in excess of 30 per cent, and further deflated the hopes of the country's youth. Khartoum may have lost billions of dollars of outside assistance pledged to support the country's transition. Long-sought debt relief negotiations, critical to unlocking the economy's potential, also ceased. Living conditions continued to decline as rampant inflation further eroded the purchasing power of ordinary citizens. Floods, outbreaks of dengue fever and malaria, and violent unrest further undermined stability.

Mediation initiatives struggled to end the political impasse. Efforts centred around a joint UN, AU and IGAD mediation track, known as the trilateral mechanism, and closed-door talks between civilian and military leaders marshalled by the coalition of Sudan's partners known as the Quad, namely the U.S., the UK, Saudi Arabia and the UAE. Complicating matters, protesters continued to denounce any negotiations with the military. Still, the mediators pressed forward. Following Burhan's July 2022 announcement of the army's intention to exit politics if civilians managed to reach an agreement to establish a government, the U.S. in particular pressured the military and the FFC leaders (who played a prominent role on the civilian side of the table) to reach a deal.

The 5 December agreement, signed by more than 50 political and civil groups, promises the establishment of a transitional order in which a civilian will become head of state, serving officially as commander-in-chief of the armed forces and high commander of the paramilitary Rapid Support Forces (RSF), though in practice Burhan and his deputy Mohamed Hamdan Dagalo "Hemedti" will continue to lead the army and RSF, respectively. Under the new arrangement, civilians will also appoint the prime minister, a transitional legislative council and an eleven-member interim judicial council. The prime minister will in turn name the cabinet and state governors and chair the Defence and Security Council, where the heads of the various state security institutions will sit (including, presumably, Burhan and Hemedti).

The framework agreement looks very promising on paper, but its implementation will need to overcome significant challenges. The deal has yet to gain wider buy-in from most "resistance committees" (neighbourhood groups that formed the core of the 2018-2019 anti-Bashir protests but that have since sparred with the FFC), other civic groups and community leaders, some former armed group leaders and many political parties. Among those excluded are constituencies that were originally part of the FFC coalition in 2018-2019. These groups have

widely criticised the process for reaching the deal as exclusionary. Many of them accuse the FFC leaders of acting in bad faith by striking a deal to return themselves to power instead of first reaching agreement on a negotiated transition plan that has support from diverse political actors, and that also holds the coup leaders accountable for crimes committed against civilians.

The December agreement left space for a second phase of negotiations, which have commenced. These “Phase II” discussions are taking place among FFC leaders and other political actors on five major contentious issues, including security reforms; transitional justice; the status of the 2020 Juba Peace Agreement (which sought to fold armed groups from the peripheries into the transition); security and development demands from tribal leaders in eastern Sudan; and reclaiming economic and political benefits bestowed on Bashir allies.

The Phase II negotiations provide an opportunity for a broad range of political actors to reach a final agreement that leads to the formation of a credible civilian government. But it is hardly easy going. Non-signatories of the December agreement accuse the FFC leaders of trying to control the Phase II process and who gets to sign the agreement that emerges from it. Unless the FFC leaders make genuine efforts to forge a broader coalition with civilian groups that are critical of the framework agreement, their exclusion will affect the credibility of any final agreement and the legitimacy of the civilian government that will take power. Without broader support, Sudan’s next government risks falling again, possibly to another coup.

What the EU and Its Member States Can Do

As Phase II talks move forward, the EU and member states should encourage the FFC elite who negotiated the new deal to undertake the coalition building necessary to put up a strong front in further negotiations with the military. The credibility of a new civilian government will hinge on the extent to which it is acceptable to a wide range of political actors. Players left out of the initial talks will only be willing to take part in the new phase of negotiations, and sign a final agreement, if they feel their interests will be adequately addressed and they will be negotiating on equal grounds with all other parties, including the civilian coalition that signed the initial framework agreement with the military. The EU should thus encourage FFC leaders to not only continue expanding the groups included in the talks but also to add agenda items they would like discussed. December’s signatories should also signal willingness to include more actors in the governance structures of the transition period, so that a broader range of constituencies can be represented.

Secondly, to ensure a credible process more likely to bolster the next government with greater buy-in from diverse actors within both pro-coup and anti-coup camps, the EU and its member states should continue to support the mediation efforts of the UN-AU-IGAD trilateral mechanism. This mechanism, unlike the Quad, is not widely blamed for the closely held process around the December accord. The EU and member states should urge both the Quad

actors and FFC leaders to allow the trilateral process to take a lead supporting role as a neutral facilitator in further negotiations and consultations.

Thirdly, Brussels and member states should prepare to support the government that emerges from the dialogue. A civilian government that takes over from the military will face daunting challenges, and its success will depend on the extent it is able to address these. The major one is reforming and bolstering Sudan's economy to better the livelihoods of ordinary citizens. With very little income from exports and domestic markets, Sudan's new civilian government will need substantial outside financial support to meet the critical needs of its people and offer hope of a brighter future. A civilian transitional government will lose popular support if it fails to adequately improve the livelihoods of ordinary citizens, undermining public trust in the political transition. The result could be yet another military coup and a further setback for the effort to move beyond authoritarian rule. That in turn would not only help military-security forces further consolidate their political and economic power, but also create an opportunity for Bashir's defunct party – the Islamist National Congress Party – to make a comeback.

The EU should thus weigh what is at stake and be ready to help coordinate the resumption of financial aid from its member states, other Western and Gulf countries, and international financial institutions, including through the renewal of discussions on debt restructuring, once a transitional civilian government is reinstated in Sudan. The EU and member states such as Germany and France had previously coordinated donor conferences to galvanise financial support for Sudan's transition. A similar initiative with much more rapid delivery of financial assistance is required once a civilian government is reinstated.

Finally, Sudan is also facing enormous humanitarian needs. Already, 15.8 million Sudanese need humanitarian assistance. The EU and its member states should continue to provide such relief as a matter of urgency. Additionally, the EU should also continue to provide development assistance, particularly focused on health care, food security and education services, through its "urgent measures" budgets, which are implemented through UN agencies and international organisations. These measures will help mitigate the suffering of the Sudanese people and serve the broader ends of stability while the country struggles to find its political footing.

ASIA

Afghanistan: The Taliban Restrict Women's Rights, Worsening the Humanitarian Crisis

Afghanistan started 2023 facing less armed violence than it has in many years, but nevertheless in a state of crisis. Two thirds of Afghans need humanitarian aid, and with the stricken economy incapable of supporting the majority of the population, threats of famine and civil disorder remain on the horizon. A year and a half after the Taliban came to power, they continue to oppress women, journalists and political activists and to abuse the local population in areas where anti-Taliban resistance has taken up arms. Rolling back women's rights has been a central focus for the Taliban as they gradually push girls and women out of education, employment and other activities in public spaces. Major aid agencies responded to the Taliban's ban on NGOs employing female Afghan staff by pausing assistance, partially interrupting one of the world's largest humanitarian operations in the middle of winter, even as half the population suffers from severe food insecurity. Donors, distracted by other crises and horrified by the Taliban's misogyny, threaten a reduction in aid for Afghanistan. Taliban leaders' determination to sequester the country from the world seems destined to bring greater misery to the Afghan people.

The European Union (EU) and its member states can help address this complex set of challenges by:

- **Continuing to respond generously to appeals for humanitarian assistance.** Donors, including the EU, gave billions of dollars in 2022 in response to the humanitarian crisis that followed the Taliban's takeover in the previous year. Few of the economic drivers that led to that emergency have been addressed, which means that Afghans' immediate need for relief remains enormous.
- **Supporting principled aid delivery.** As a major donor well respected in Kabul, the EU should support the aid agencies it funds in upholding the principles of impartial, neutral and independent aid delivery, as well as advocate on their behalf when necessary. That requires injecting flexibility into its funding mechanisms to take account of the difficult choices aid workers make in response to worsening Taliban interference – including, at times, suspending operations.
- **Addressing the causes of the disaster.** The EU should cooperate with other donors, multilateral institutions and, unavoidably, the Taliban to work toward Afghanistan's economic stabilisation. Disgust with the Taliban's policies and shrinking aid budgets will constrain options, but work must continue to restore central banking, electrical grids, irrigation systems and other public goods. EU institutions have put forward a concrete proposal to

this effect. Member states should support it. Moreover, the Taliban's horrific subjugation of women should not provoke reprisals from outside powers that exacerbate their suffering; instead, the EU and other donors should adopt strategies aimed at fostering a more inclusive and open society over the long term.

- **Opening routes for Afghan migrants.** In line with its demand that the Taliban let Afghans who wish to leave the country go abroad, the EU and its member states should ensure that safe and regular pathways for protection in Europe are available to Afghans at risk and that asylum claims are swiftly approved. Subsidiary protection should be granted where refugee status is not provided. At a minimum, member states should follow the latest Country Guidance of the EU Agency for Asylum, which states that women and girls are in general at risk of persecution and hence eligible for refugee status. Member states should also offer scholarships to Afghan women for study abroad.

A Growing Humanitarian Crisis

After four decades of war, the level of armed violence in Afghanistan dropped off significantly after the Taliban takeover in 2021, even if the country is not fully at peace. According to UN estimates, the number of Afghans forced to flee their homes in the fourteen months after the Taliban seized power declined by 93 per cent compared to the fourteen months prior. Other indicators also show reduced violence compared with the pre-2021 period. By crushing most opposition, sometimes with extrajudicial killings and other abuses in restive districts, the Taliban gained a greater degree of control of Afghanistan than any group has attained in decades. Still, the Taliban are fighting two small insurgencies: northern factions (primarily supporters of the previous government) and the local branch of the Islamic State (mostly in eastern provinces).

The country is also facing both humanitarian and human rights crises. Even before the Taliban took over, Afghanistan's economy was fragile, its food supplies decimated by years of drought. But things quickly went from bad to worse. More than 20 per cent of the Afghan economy disappeared in the early months of Taliban rule, as donors cut development funding, foreign countries froze state assets, investor confidence plummeted, and Western sanctions and banking restrictions led to economic isolation. Resolving these problems would require cooperation between the Taliban and donors, which has proven increasingly difficult as the Taliban goes about installing one of the world's most repressive regimes. It has barred girls and women from most schools and universities, shut women out of many government jobs and imposed rules that limited women's participation in public life. In December 2022, the Taliban banned female Afghan aid workers, forcing humanitarian agencies to restrict operations and prompting Western donors to reconsider their already limited engagement with Afghanistan.

Those responsible for these obscurantist policies are the Taliban leaders based in Kandahar, who seem to crave isolation for themselves and the entire Af-

ghan population. This small group, which very few people have access to, will make it harder and harder for international actors to work in Afghanistan. The Taliban movement has long been divided between those who idealise the group's draconian governance in the 1990s and others who do not; in recent months, the conservatives have gained the upper hand and seem prepared to enforce harsh rules – despite protests from the rest of the world, including many Muslim countries.

As the hardliners tighten their grip, the Afghan people are suffering for it. The UN estimates that two thirds of the population, or 28 million people, will need assistance in 2023, up from 24 million in 2022. The humanitarian crisis disproportionately hurts girls and women, as the burdens of malnutrition and disease fall more heavily on girls than boys; rising poverty increases the number of child brides married for dowries; and restrictions on basic services affect women in dangerous ways, particularly during childbirth.

Responding to the Crisis

At \$4.6 billion, the 2023 UN humanitarian appeal for Afghanistan is the world's largest. The EU and its member states, which provided generous humanitarian assistance in 2022, should keep up high levels of support to match the scale of the human needs in Afghanistan. In so doing, they should be guided first and foremost by humanitarian considerations, but there is also a strategic logic to fostering stability in Afghanistan and the wider region. A downward spiral in Afghanistan could spell greater migration and disorder in the region. There is also an issue of responsibility: the EU and its member states played a role in shaping Afghanistan's current conditions through their participation in the recently concluded NATO military intervention and their support for sanctions and other measures intended to isolate the Taliban. More generally, one of the most pressing concerns for Afghan farmers is the changing climate, another problem in which Europe played a major role (as together with other rich parts of the world it generated half the planet-warming emissions in the last 170 years). Whatever their degree of responsibility, EU donors still have many strong reasons to help ameliorate the crisis, despite their growing reluctance to stay engaged.

As one of the few donors with staff in Kabul, the EU also has an important role to play in supporting humanitarian actors as they confront the Taliban's policies. The tension between the humanitarian imperative of saving lives and the humanitarian principles of neutrality, impartiality and independence is not unique to Afghanistan, but aid workers in Afghanistan feel it especially acutely. Taliban restrictions, particularly on women aid workers, are forcing staff to decide whether they will make compromises to keep delivering assistance or let Afghans suffer without it. Benefiting from the diplomatic skills of the EU delegation in Kabul, the EU should remain steadfast in backing aid agencies as they navigate Taliban efforts to disrupt aid flows, while being more flexible with Brussels' own regulations for its on-the-ground partners. In places where the Taliban block female aid workers, for example, the EU and member states should make clear to NGOs that they can pause their programming to negotiate

with the regime for better access, without fear that donors will cut their budgets because they have not spent the money as promised. Humanitarian workers need political room for manoeuvre, allowing for quick responses in the field to the Taliban's worsening behaviour – and workarounds that best serve Afghans.

The aforementioned actions are tangible ways of improving the lives of Afghans in the short term. Doing so should remain the priority, while the EU continues long-term activities in support of women's rights and Afghans' other needs, including peace and prosperity. For all the horrors of Taliban rule, there is no realistic way to replace the movement or force a wholesale change in their regime's policy. Indeed, outside condemnation has often been met by an unfortunate further entrenchment of hardline positions. European and other Western governments have for the most part sensibly accepted this reality. That said, a small minority of Western officials have contemplated support for anti-Taliban armed factions, on the theory that a desperate population and a well-backed insurgency could overthrow the regime. Such a scenario is far-fetched and would risk throwing the country back into civil war and making the humanitarian crisis even worse.

Beyond the humanitarian support it should provide, some of the decisions taken by the EU, member states and other international actors in 2023 will have far-reaching consequences. Afghans' only escape from life-threatening poverty lies in the country's economic recovery, which is now impeded by international isolation of the regime and unwillingness to make even modest investments in development projects such as electrical grids, irrigation systems and regional connectivity.

To lay the groundwork for an eventual end to the crisis, EU institutions should press ahead in the coming months with the "deepened and enhanced" aid strategy they proposed to member states' foreign ministers in November 2022, broadening the scope of assistance to Afghanistan. A more comprehensive set of interventions could, for example, help address the fast-growing need for climate adaptation in agriculture, reducing the impact of floods and droughts by building water infrastructure. The EU could also play a role in shoring up pillars of macro-economic management, including rehabilitating and recapitalising the central bank, especially as European banks hold some of its frozen assets. In some cases, modest investments could finish work that was abandoned when the Taliban took over in 2021: donors have already spent billions of euros on various development projects, many of them more than 80 per cent complete. Such efforts would help address the drivers of Afghan economic woes, reducing the size of future calls for emergency aid, which are already becoming unmanageable as other crises cry out for attention.

Finally, the EU and member states should do more to facilitate what they demanded in 2021: the safe, secure and orderly departure of Afghans seeking to leave the country. The EU and other donors spent billions over decades to support a new generation of Afghans, especially in cities. Many of these people reject the Taliban's ideology; faced with an increasingly despotic regime, they have a well-founded fear of persecution. The latest Country Guidance from

the EU Agency for Asylum states clearly that women and girls are in general at risk of persecution and hence eligible for refugee status. EU member states should ensure swift and fair access to asylum for those who come to Europe and consider granting subsidiary protection where refugee status is not provided. European capitals should also consider other routes for safe and legal migration, at the very least for those most at risk: for example, as part of efforts to support female education, the EU could offer the tens of thousands of Afghan women now expelled from universities scholarships to continue studies outside the country. Such assistance would help preserve decades of effort by the EU and its allies to support Afghan women in shaping their futures.

Myanmar: Post-Coup Crisis and a Flawed Election

Two years after the 1 February 2021 coup d'état, Myanmar remains in deep crisis, with the economy moribund and millions in need of humanitarian assistance. Despite the security forces' brutal repression of dissent, widespread popular resistance to the regime continues, by non-violent and violent means, across much of the country. Conflict has also escalated in several of the country's ethnic areas where armed groups have confronted the security forces, and in the current environment there remains no realistic prospect of repatriating more than one million ethnic Rohingya who fled violence in Rakhine State and have taken refuge in neighbouring Bangladesh.

While Crisis Group research and macro-economic indicators show the economy exhibiting signs of stabilisation, it remains some 20 per cent smaller than before the coup, and poverty rates have surged, compounding an already dire humanitarian situation. Health and education systems remain in disarray, and more than 1.5 million people are internally displaced, the vast majority due to post-coup conflict. Also contributing to the severe humanitarian crisis are new restrictions on non-governmental organisations that are likely to curtail even further their already very limited access to those most in need. Against this backdrop, the regime is gearing up to hold elections – likely in mid-2023 – that it presents as a return to civilian rule although its objective seems to be to consolidate its control by making a transition from emergency rule to a longer-term military-backed government. In the current circumstances, there is no prospect that these polls will be credible, and the risk that they will be marked by considerable violence is very high.

The European Union (EU) and its member states can help address the crisis in Myanmar by:

- Making very clear that the junta has not created the conditions for credible elections in the coming year, and working with the Association of Southeast Asian Nations (ASEAN) and other allies in the region to build an international consensus and common messaging in this regard;

- Using all available channels to avert election-related violence, including by working through actors with greater capacity to influence the junta, such as the UN Security Council, ASEAN, India, Japan and China, and by pressing the National Unity Government to issue a set of principles – well ahead of the polls – opposing violence against electoral targets;
- Maintaining and expanding targeted sanctions on the regime, the military and their business interests, while avoiding actions that would mainly affect ordinary people. In particular, Myanmar's access to the Everything but Arms trade preferences scheme, which supports the jobs of hundreds of thousands of mainly female garment workers but provides little benefit to the regime, should not be revoked;
- Continuing to engage closely with the National Unity Government as well as other key stakeholders, including ethnic armed groups and civil society, who will continue to shape the country's internal dynamics;
- Channelling aid to address both the current humanitarian emergencies and longer-term needs relating to health, education and livelihoods, through the mechanisms and partners that can most effectively reach those in need – including working more closely with local NGOs, providing cross-border assistance where appropriate, and potentially supporting the service delivery wings of the better established ethnic armed groups.

No Likely Pathway Back to Civilian Rule

Myanmar's post-coup crisis shows no sign of being resolved in the near term. The junta that seized power on 1 February 2021 continues to deploy extreme levels of political repression and violence to maintain its grip on power, while much of the country continues its determined resistance to military rule by both violent and non-violent means. With both sides intent on prevailing by force, there is so far no prospect of a negotiated settlement.

The regime has indicated that it will hold elections in 2023, likely before the 1 August deadline imposed by the constitution – which the military claims to be adhering to, despite the manifest unconstitutionality of the coup itself. The regime has presented the coming elections as a return to civilian rule and therefore a pathway out of the current crisis, but in reality, they appear intended to entrench a military-backed administration. The National League for Democracy (NLD), which won a landslide in the 2020 elections, only to be ousted from power months later, will not be willing (or even likely allowed) to participate and the military is reinvigorating the Union Solidarity and Development Party (USDP) as its electoral vehicle. With the vast majority of the population unwilling to participate in these polls, and with opposition forces intent on disrupting them, the elections are becoming a flashpoint for further violence, while further entrenching older ex-military men in positions of power, at a time when broader social shifts triggered by the coup have opened space for younger leaders, especially women, to emerge.

The regime is likely to ratchet up repression ahead of the polls, as it pressures parties, candidates and voters to participate in a fraudulent election, punishes those who refuse to do so, and deploys the military to try pacifying insecure areas so that polling can proceed there. The election will also be a target for resistance forces, some of which are already violently opposing it. Improvised explosive device attacks and assassinations of administrative officials and alleged regime informants have become common resistance tactics over the last two years, and some groups are likely to deploy them against candidates, polling stations, poll workers, political parties and voters, among other targets. There have already been deadly attacks on teams collecting civil data for voter lists. Schools could become a particular focus of violence if, as in previous elections, most polling stations are located in schools with schoolteachers serving as the majority of the poll workers.

Post-coup repression, violence and conflict, along with economic decline, have triggered a major humanitarian crisis in Myanmar. Some 1.1 million people have been displaced since the coup, bringing the country's total internally displaced population to 1.5 million. Millions more have plunged into poverty. To make things worse, as it seeks to control civic space, the regime has increasingly restricted the activities of international and local humanitarian organisations, limiting their access to banking services, severely constraining their access to parts of the country affected by conflict and insecurity and, more recently, imposing onerous registration requirements that will make it even more difficult to operate. Meanwhile, the over one million Rohingya refugees who in 2017 and before fled waves of mass violence in Rakhine State and now live in Bangladesh – primarily in camps in the coastal district of Cox's Bazar – continue to face an uncertain future. With the military now running Myanmar, and a fraught humanitarian and conflict situation in Rakhine State, there is no realistic prospect of mass returns in the foreseeable future. The prevailing sense of despair in the camps is prompting thousands to undertake dangerous sea journeys at the hands of human traffickers to try to reach South East Asia. Increasing numbers of Rohingya boys and young men are also joining armed groups running the illicit economy of the camps. Meantime, donor fatigue is making it increasingly difficult to raise the funds to provide for their essential needs (the UN humanitarian appeal was only 49 per cent funded in 2022, compared with 72 per cent the previous year), and Bangladeshi authorities are growing more and more impatient at the lack of any prospect of repatriation or other durable solutions.

Responding to the Crisis

With no sign of either an end to violence or a credible return to civilian rule, the EU and its member states can help address Myanmar's political and humanitarian crisis through the following steps.

Firstly, the EU and its member states should take a very clear position that conditions are not in place for credible elections or a legitimate outcome given the extreme violence and climate of fear created by the regime; the fact that the polls are being organised by the same military that overturned the (broadly

credible) 2020 election results in a coup; the fact that the regime has detained or killed many leaders, MPs-elect and members of the winning party; and the fact that it seems the vast majority of the public does not support these polls being held and has no interest in voting in them. The EU and its member states should encourage their international partners to speak with one voice in this regard, including by working with ASEAN and others in the region to build an international consensus, and coordinate common messaging. In the absence of a clear roadmap out of the crisis, there is indeed a very real risk that some governments, particularly in Asia, will be tempted to view the polls as an acceptable return to civilian rule, and push to resume normal ties with the new regime.

Secondly, the EU should throw its weight behind efforts to discourage election-related violence by both the regime and the resistance. While the EU and member states have limited leverage over the generals, they should work closely with other countries and groupings who may be better positioned to push the junta to desist from violence and repression. Among the actors with greater potential influence are the UN Security Council, ASEAN, India, Japan and China. The EU should also press the National Unity Government to issue at the earliest a clear statement of principles announcing its opposition to violence against electoral targets (including candidates, polling stations, poll workers, political parties and voters), and explaining the risk such attacks by its supporters would pose to the credibility and moral standing of the anti-regime resistance movement.

Thirdly, the EU should continue to develop its framework of sanctions focused on the military and its business interests, and make clear that those who commit election-related abuses may also be designated. Specifically, Brussels should expand targeted sanctions on senior police and military officers most responsible for post-coup abuses and repression, including in relation to the elections, as well as military-owned or -linked companies. Such measures in this context send a useful signal about the EU's values and principles, beyond whatever limited reputational or financial impact they may have. The EU should, however, refrain from revoking Myanmar's access to the Everything but Arms trade scheme that gives developing country products tariff-free access to the EU single market, as the impact would fall on workers – mostly young women from poor families employed in the garment industry – while there is no indication that such a move would create leverage over the regime or meaningfully affect its finances.

Fourthly, the EU and its member states should avoid taking steps that would legitimise the regime, while maintaining ties with the actors who are playing key roles in shaping the country's internal dynamics. Beyond staking out a clear position on the elections, they should maintain engagement with the National Unity Government and other key actors, including ethnic armed groups and civil society representatives. More broadly, it is important to continue supporting the roles of the ASEAN and UN special envoys, and to follow events on the ground closely as they evolve over the course of 2023, in order to be able to react quickly to emerging crises or situations that call for joint diplomatic initiatives.

Finally, the EU should continue to provide, and whenever possible, increase its assistance to address both the current humanitarian emergencies and longer-term needs of the Myanmar people relating to health, education and livelihoods. Given regime restrictions on NGOs and humanitarian access, aid delivery remains extremely challenging. It is important to provide aid through the mechanisms and partners that can most effectively reach those in need – including working more closely with local organisations, providing appropriate levels of cross-border assistance. While international donors have so far been hesitant to do so, it may also be time for them to consider supporting the service delivery wings of the better established ethnic armed groups, which have long experience in delivering assistance and services in the areas they control, as Crisis Group has outlined in more detail in a recent report. Given the shrinking humanitarian space, the EU and its member states should also prioritise the provision of cash assistance to those in need, which is often more logistically feasible than the delivery of in-kind support. It is also crucial to continue providing significant funding for Rohingya refugees in neighbouring Bangladesh, including greater support for the UN humanitarian appeal, given the signs that donor fatigue is setting in and resources increasingly difficult to mobilise.

EUROPE & CENTRAL ASIA

The Pressing Task of Advancing Peace Talks in the South Caucasus

A long-running deep and bitter conflict over Nagorno-Karabakh continues to drive violence between Armenia and Azerbaijan. The South Caucasus neighbours have fought two wars over the mountainous enclave that is home to a majority ethnic Armenian population – once in the early 1990s and again in 2020 – and the threat of a third war is very real. Although the two sides have engaged in serious talks about a comprehensive settlement, with support from the European Union (EU), these discussions did not stop an increasingly strong and confident Azerbaijan from simultaneously seeking to improve its battlefield position. In three bursts of major fighting over the course of 2022, Azerbaijan gained ground in and around Nagorno-Karabakh and also challenged Armenia along its own border, moving troops into Armenian territory. Recently, a weeks-long blockade by Baku-backed Azerbaijani activists of the Lachin corridor, the only road to Nagorno-Karabakh from Armenia, has left as many as 120,000 people there without medical and food supplies. Meanwhile, diplomatic efforts have stalled, and the EU has approved the deployment of a two-year monitoring mission to try to keep war from breaking out along the neighbours' increasingly contentious border.

To avert another war and get peace talks back on track, the EU and its member states should do the following:

- Most urgently, and via high-level diplomacy, the EU, in close collaboration with member states, should seek to persuade Azerbaijan to ensure free movement through the Lachin corridor so as to stave off a humanitarian crisis in Armenian-populated Nagorno-Karabakh.
- The EU, as the best-positioned candidate to mediate between Azerbaijan and Armenia under present conditions, should redouble its efforts to set the goals and pace of negotiations – with the active engagement of member states. In particular, Brussels should encourage a direct dialogue between Baku and de facto authorities in Stepanakert. All should avoid framing mediation efforts as part of the Russian-Western standoff over the war in Ukraine.
- As Brussels prepares to deploy the new two-year civilian monitoring mission to the region, it should prepare a flexible mission mandate that permits monitors to play essential roles in fostering communication and coordination between the two sides, as well as with Russia's presence in the area. While Armenia has made clear it will cooperate, Brussels should also seek

Azerbaijan's buy-in so that EU monitors can have necessary access on both sides of the border.

- Both for humanitarian reasons and as a signal to all parties of its good faith, Brussels (already the largest donor to South Caucasus countries) should provide additional funding to assist persons from both sides who have been displaced by fighting, including through vocational training, and support demining efforts. In developing an assistance package for displaced persons, it should include support for projects that promote inclusion of women and challenge stereotypes about their roles.

A Tumultuous Year

The past year has been marked by both violent clashes and significant diplomacy between Azerbaijan and Armenia. The crux of the conflict between the two neighbours concerns the area known in Soviet times as the Nagorno-Karabakh Autonomous Oblast, a mountainous enclave whose residents are majority ethnic Armenian, and that is currently administered by de facto authorities in Stepanakert. Armenia and Azerbaijan have waged two wars over the enclave. In the first, fought in the early 1990s, Armenia gained control of Nagorno-Karabakh and seven adjacent Azerbaijani territories. Although exact numbers are contested, well over 400,000 ethnic Azerbaijanis were displaced from the adjacent territories and some 40,000 from Nagorno-Karabakh itself. In addition, hundreds of thousands of Armenians from throughout Azerbaijan and Azerbaijanis from throughout Armenia fled their homes during the fighting. In the second war, fought at the end of 2020, Azerbaijan reclaimed the adjacent territories, as well as parts of the enclave, and demonstrated its growing military edge over its neighbour. Russia brokered a peace deal to end the 2020 conflict and has inserted peacekeepers in the enclave, and guards along the not fully demarcated border between the two countries.

But neither Russia's presence nor peace talks – which began in late 2021 – were enough to prevent three bouts of major fighting from erupting in 2022. The first two series of clashes, in the spring and summer of 2022, enabled an increasingly confident Azerbaijan to improve its military position vis-à-vis Nagorno-Karabakh. The third – which occurred over the course of two days in mid-September – saw Baku send troops over the border to take positions inside Armenia, where they remain. As the year drew to a close, talks faltered, and the parties missed an end-of-2022 deadline both had previously accepted for concluding negotiations.

The most recent manifestation of tense relations between the two sides is a blockade of the Lachin corridor, which links Armenia to Nagorno-Karabakh, by dozens of individuals who claim to be private citizens protesting gold mining in the enclave, but who appear to have Baku's backing. The blockade is badly hurting people in Armenian-populated Nagorno-Karabakh. In Stepanakert, which is home to roughly half the enclave's population, shelves in shops are bare and locals queue for hours to buy scarce cheese and potatoes produced in nearby villages. Schools have shut their doors, lacking food, and residents

say they can no longer find painkillers, much less medication for diabetes, cancer and other illnesses. In late January, many locals resorted to using wood stoves to heat houses due to the disruption of energy supplies. The International Committee of the Red Cross (the only international aid organisation present on the ground) has been able to deliver some supplies, though these have fallen far short of needs.

The EU, the United States, Russia and UN Secretary-General António Guterres have called on Azerbaijani authorities to disperse the activists blocking the corridor. But Baku has demurred, blaming Russian peacekeepers for the obstruction and denying that traffic of essential goods has halted. On 10 January, Azerbaijani President Ilham Aliyev praised the people camping on the road. State-owned media has covered the blockade extensively and favourably. Azerbaijani officials are quick to deny claims that have emerged about the worsening situation in the enclave, with Azerbaijan's parliament dismissing them as "baseless". Baku's specific objectives in allowing the blockade to persist are unclear, but so long as it continues the humanitarian situation will worsen. At present, Baku appears to have insufficient incentive to back down.

Beyond the immediate suffering it is causing, the blockade aggravates tensions around what is already the most contentious issue between Armenia and Azerbaijan – the future of ethnic Armenians in Nagorno-Karabakh. Baku says it views residents there as Azerbaijani citizens, with no greater or lesser rights and privileges than other citizens. Azerbaijan committed as part of the 2020 peace deal brokered by Moscow to guarantee the security of traffic through the Lachin corridor. But the blockade has shown how this arrangement leaves the enclave's residents exposed and foreclosed any short-term prospect that they would willingly reconcile themselves to Baku's rule. While Yerevan acknowledges that the territory will be under Azerbaijan's jurisdiction, it insists on special rights and guarantees for the area's ethnic Armenian residents, something Baku rejects out of hand. Indeed, Azerbaijan will not even allow the topic to be included on the formal agenda for peace negotiations.

The Diplomatic Track

The blockade is also making it more difficult to come back to the table for peace talks. While several parties have been playing a mediating role in these talks, the EU has increasingly emerged as the lead outside actor. This is partly because other formats and actors appear to be losing influence and credibility. For many years, the Organization for Security and Co-operation in Europe's Minsk Group chaired by France, the U.S. and Russia was the primary forum for peace negotiations, but it is now largely defunct. Russia, the dominant regional power and until recently principal mediator, is distracted by its war in Ukraine and resented by Azerbaijan for its peacekeeping presence in Nagorno-Karabakh – which Baku has increasingly come to view as a slight to its sovereignty. Moscow brought Armenian and Azerbaijani leaders together in Sochi on 31 October 2022, but it could not extract concessions from either. Moreover, both sides have criticised the Russian peacekeepers since the blockade began,

with Armenia saying they are not doing enough to help traffic pass through the Lachin corridor, and Azerbaijan saying they are stopping it, as noted above. Citing the blockade, Armenia's foreign minister pulled out of a meeting with his Azerbaijani counterpart that Russia was to host on 23 December.

By contrast, at least until recently, EU diplomatic efforts have gathered strength – even as fighting has sporadically flared. Led by EU leaders, especially European Council President Charles Michel, with support from member states, the EU hosted the two countries' leaders for a first-ever summit in Brussels in December 2021. When hosting another such meeting in Brussels in the spring of 2022, the EU announced the launch of a new bilateral diplomatic track in which Baku and Yerevan have worked to develop a draft agreement. The EU's emergent role has not gone down well in Moscow, which could be problematic. At first, Russia was content to look on, believing the EU's initiative would support its own efforts, but it has since come to perceive the EU's diplomacy as part of an effort to curb Russian influence in the South Caucasus. The Kremlin has proposed its own draft peace agreement, separate and in several places contrasting with that being drafted by Yerevan and Baku as part of the EU-supported track. Cracks between Russia and the West have also surfaced elsewhere. A late December push by France to get the UN Security Council to issue a joint statement on the blockade failed, as Russia and Western powers argued about whether to include language about the Russian peacekeepers.

What the EU Can Do

The EU and its member states, already grappling with the devastating impact of war in Ukraine, have every reason to strive to avert another conflict on the continent. Among other things, renewed fighting would create great hardship for the local population, add further stress and uncertainty to the European security environment, and complicate energy trade with Azerbaijan at a moment when the continent is increasingly looking for sources outside Russia given strained relations amid the latter's war in Ukraine. Accordingly, the EU and member states should seek a peaceful settlement of the dispute between Armenia and Azerbaijan through the following steps.

First, the most pressing task for Brussels is to seek an end to the blockade of Nagorno-Karabakh. The longer it persists, the more difficult things will get for the enclave's residents, and the more likely it is to become a flashpoint. The EU should follow up on its calls on Baku to clear the sole road to Nagorno-Karabakh with more insistent, higher-level diplomacy, including travel by senior officials to the region. The specific involvement of member states could help, as did the involvement of Austria, Lithuania and Romania, which helped launch the EU's mediation efforts after the 2020 war. Brussels and member states should also work with Washington to encourage the U.S. to throw its weight behind these diplomatic efforts. (While transatlantic cooperation on the region has been good, a new sense of urgency from Washington to work closely with Brussels on restarting stalled talks would be welcome.)

Secondly, the EU should try to jump-start the stalled peace negotiations, which have been overshadowed by the September fighting and the crisis over the Lachin corridor. In particular, it should push for direct talks between Stepanakert and Baku, as it did (along with the U.S.) when negotiations were advancing in 2022. It should articulate to Azerbaijan the importance of keeping space open for talks on the security and rights of ethnic Armenians, given their sense of exposure after 30 years of conflict and the brutal 2020 war that killed and displaced thousands. Notwithstanding the friction between Moscow and the West over Ukraine – and Russia’s resentment of Brussels’ role in South Caucasus mediation efforts – playing up these tensions will only harm efforts at dialogue. It is therefore vital for the EU and its member states to avoid statements and actions that frame mediation efforts in the region as another front in the Russia- West standoff.

Thirdly, Brussels should focus on ensuring that the new, two-year EU civilian monitoring mission, soon to deploy on at least the Armenian side of the border shared by it and Azerbaijan, has the means and mandate to be effective. This is the area where the greatest number of deadly incidents have taken place since the 2020 war, as illustrated in Crisis Group’s visual explainer. If properly constituted, the mission could provide a flow of information beyond the region to outside actors, giving them more of an opportunity to serve as a check on resurgent tensions, and facilitate contacts between Baku and Yerevan. But as Brussels prepares to deploy its monitors, it still needs to work out many operational details and turn its attention to eliciting Baku’s cooperation, absent which the mission will lack access to both Azerbaijan’s territory and certain areas of the border zone, which would be too dangerous to monitor absent arrangements with both sides. To set the stage for a successful deployment, Brussels should press for Baku’s permission to afford access on both sides of the border, and commitments from all relevant parties that the monitors can speak to all with a presence at the border, including – ideally – the Russian border guards. A good model can be found in neighbouring Georgia, where the EU mission helps create bridges among Georgian officials and their de facto and Russian counterparts present in breakaway Abkhazia and South Ossetia. This is a tall order given the state of relations between the neighbours, as well as between Russian and the West, but it is well worth trying.

Finally, in order to succeed in its mediation role, the EU must be seen as an honest broker by both sides. Carefully allocated assistance, even in small amounts, could go some way toward burnishing the bloc’s image, in addition to providing an obvious benefit to the region. The EU’s quick disbursement of €300,000 in aid for ethnic Armenians displaced by the heavy fighting in September provided a lifeline to women, children and elderly people – some of whom were fleeing their homes for the second or third time. Azerbaijanis have likewise appreciated the EU’s demining activities in the territories Baku won back in the 2020 war and support for displaced Azerbaijanis. Brussels should continue these programs on behalf of both parties, including those that have promoted the inclusion of women in demining. In its assistance package for displaced persons, it should support projects that contribute to dispelling gender stereotypes and provide tailored vocational training.

Keeping the Right Balance in Supporting Ukraine

Nearly a year since Russia launched a full-scale invasion of Ukraine, no clear path to peace is in sight. After trying and failing to take Kyiv in the first weeks of the war, Russia faced Ukrainian counteroffensives in the east and south starting in the late summer of 2022. Fighting is still concentrated in those areas, and for now the front lines are not moving much. Moscow has also been bombing cities across the country, in an attempt to deny Ukrainian civilians a sense of safety as well as heat, electricity and running water. Russian President Vladimir Putin has repeatedly invoked Russia's nuclear capabilities in a manner that seems, among other things, intended to constrain the support Ukraine's backers offer. As yet, Moscow shows no sign of willingness to compromise and, for its part, Kyiv is understandably categorically uninterested in doing so, either. Ukraine continues to seek Russia's withdrawal from all its territory, while the Kremlin, which in the autumn announced the "annexation" of four Ukrainian provinces (including swathes of land well beyond its control) wants Kyiv to accept its claims there and commit to an ill-defined demilitarisation.

Western actors, including the European Union (EU) and its member states, have judged that allowing Russia to achieve its strategic aims in Ukraine through a combination of aggressive military force and nuclear sabre-rattling would undermine security in all Europe and, indeed, farther afield. They have thus supported Ukraine through military aid and attempted to weaken Russia through sanctions until a peace deal acceptable to Kyiv becomes possible. At the same time, they have, sensibly, tried to minimise risks of direct confrontation with Russia by providing military equipment to Ukraine incrementally; the recent decisions in Berlin and seemingly Washington to supply tanks to Kyiv make sense today but would have been a huge escalation six months ago. Broadly speaking, Western capitals should maintain this careful balance, meeting Ukraine's immediate needs while avoiding direct confrontation with Russia. Western leaders should also signal to Moscow that when it negotiates there is an off-ramp from at least some of the sanctions imposed in response to its aggression, and prepare Kyiv to stand on its own feet as quickly and sustainably as possible once peace comes. The EU plays an especially important role in communicating to Moscow the benefits of peace and in setting the stage for a new, improved security order on the continent.

In particular, the EU and its member states should:

- Continue to give Ukraine military, economic and humanitarian aid, as well as military training, while managing the risk of escalation by avoiding direct military involvement, ensuring that capability increases remain incremental and carefully calibrated, and implementing mechanisms for the oversight of assistance so that it is not misused.
- Signal to the Kremlin willingness to lift some sanctions imposed in response to Russian aggression and related acts and provide other benefits if an

agreement acceptable to Ukraine is reached, however unlikely that appears at present. European capitals should also consider the impact of actions, such as judicial measures relating to the crime of aggression, that would seem to close off paths to agreement and dialogue because of the threat they would pose to Kremlin leadership.

- Close loopholes in the existing sanctions regime that enable Russia to obtain Western technology and components for weapons production.
- Support independent Russian media in Europe and elsewhere with access to Western countries for their operations and staff.
- Remind Kyiv that in order to keep faith with the norms and values expected of EU candidate countries and better serve its people through rights-respecting governance, the government should not use wartime exigency as a basis for placing further pressure on workers' rights, freedom of speech, freedom of conscience or for undermining social cohesion.
- Even while supporting Ukraine, look ahead to what a next-generation European security architecture might look like. While prospects for a negotiated end to the war for now seem remote, if that does happen, the EU and other Western powers should be prepared with their visions for such an architecture and both Russia's and Ukraine's place in it.

The Long Haul

Russia's war in Ukraine may last for some time to come. From late February 2022, Ukraine has surprised the world with its fighting prowess, refusing to yield to Russian forces that sought to capture Kyiv and instal a more pliant government. Western states responded to its show of fortitude by pouring in military and economic aid. This assistance sustained Kyiv through months of attrition on the battlefield and eventually enabled the counteroffensive that pushed Russian forces back and recaptured some territory in the east and south. But Moscow has not dialled down its demands that Ukraine change its government, demilitarise, and accept the loss of territory in Crimea and the eastern provinces of Luhansk and Donetsk. Indeed, it has added new demands: that Ukraine also surrender its southern Zaporizhzhia and Kherson regions. Kyiv has been steadfast in saying no. Russia controls Crimea, but only parts of the lands it claims to have annexed in September following sham referendums. With winter having set in, fighting has again turned positional, with the front shifting only slightly as Russia bombards Ukraine's cities and energy infrastructure nearly every day. Increasingly, Kyiv is striking back from the air as well as on the ground, hitting Russian troops and logistics facilities in occupied parts of Ukraine and in Russia itself.

Both Kyiv and Moscow say they want peace, but on their own terms. Ukraine wants Russian troops gone. Its officials also press for mechanisms that would require Moscow to pay reparations and to establish a mechanism to hold Russia accountable for the international crime of aggression. Russia, in effect, seeks

its neighbour's subjugation. At present, both feel that they can force the other side to back down through military means. Moscow may also hope that its air-strikes will break Ukrainians' will and that the war's price tag and the economic and energy uncertainty it creates will corrode support among Kyiv's backers.

Thus far, Russia's actions have mainly strengthened resolve in Western capitals. Indeed, its aggression and tactics during the war have strengthened the conviction among EU member states and their transatlantic allies that supporting Ukraine and weakening Russia is in their own interest. They assess, with good reason, that a Kremlin emboldened by the successful use of force, especially if its gains are partly attained through intimations of nuclear use, would create risks more dangerous than helping Ukraine in the current war. Berlin's apparent decision in late January, after much debate, to give Ukraine German tanks and allow others to do so, and the U.S. supplying tanks of its own, are in line with such thinking and in keeping with both Ukrainian and Western interests. As deliveries and training begin, Western states should take care that the capabilities provided can be integrated effectively into Ukraine's armed forces – disparate weaponry requiring equally disparate ordnance and maintenance must be carefully managed.

At the same time, the EU and member states have wisely tried to minimise risks of an escalation to direct conflict between NATO and Russia. They have prevented direct NATO involvement in the war. They have avoided the supply to Ukraine of some weaponry and kept military aid incremental; the gradual build-up of support has avoided the sense of a sudden rush to war and may well have softened Moscow's reaction. In this sense, the agonising that preceded Germany's apparent decision to send tanks reflects this caution which, while much criticised, is not in itself a bad thing.

Risks of escalation remain significant, however, including potentially if and when new weapons supplies translate into substantial new battlefield successes for Ukraine. It would be hard to overstate the consequences of a direct Russia-NATO war. Because of the West's military superiority, a direct confrontation with NATO could be seen by Russian leadership as posing an existential threat, potentially even, in its eyes, justifying the use of nuclear weapons.

It is thus all the more important to avoid language that indicates a desire for a change in government in Moscow. Western leaders have, sensibly, largely steered clear of such rhetoric. That said, verbal support for an internationally backed mechanism that could hold Russian officials accountable for the crime of aggression has grown within the EU. The desire for accountability is completely understandable. Still, even leaving aside the legal uncertainties, some Western officials and others rightly voice concern that such a mechanism could signal a desire for regime change. It could also undermine efforts to send Moscow the message that resolving the conflict through negotiations remains possible, even if for now the Kremlin appears uninterested in doing so. Such messaging may also become more crucial if Ukraine makes rapid battlefield progress.

Ukraine has been transformed by the war. Massive grassroots civilian movements, often led by women, have helped procure both military and humanitarian supplies (especially in the conflict's early months). Today, Ukraine's military, despite a more than two-fold expansion, continues to attract fighting men and women, and Ukrainians from all walks of life remain engaged in tasks related to war and reconstruction. The damage to the country is enormous. A third of its residents have now been displaced at least once, some abroad and some within Ukraine. The economy is in tatters, notwithstanding the buzzing cafés in many towns, with industry destroyed by air raids, supply chains interrupted and workers scattered. Meanwhile, legislation Kyiv dubs crucial for the war and reconstruction – but that seems in tension with EU norms – is compromising workers' rights and media freedoms while risking ill treatment of people accused of a poorly defined new crime of collaboration.

Against this background, Western aid is keeping Ukraine afloat, but its high volume is sparking worries that some could wind up diverted for private gain. A recent military procurement scandal, unrelated to Western aid, underlines that graft has not disappeared from Ukraine, that Kyiv is taking steps to counter it, and that Ukrainian whistleblowers and watchdogs remain crucial.

Russia, too, has changed. It has become more authoritarian, with individuals and organisations added to foreign agents lists almost weekly and continuing arrests for social media posts and protests. Kremlin propaganda continues to message that the war is the fault of a West hostile to Russia and Russians. The Kremlin's "partial mobilisation", announced in late September and deemed complete about a month later, seemingly drove more men (and often accompanying family members) out of the country than into the military ranks. Many have fled to Armenia, Georgia, Kazakhstan and Mongolia. A number of neighbouring EU countries refused to accept them, citing both security and capacity concerns. Russian independent journalists who fled the country as war began have faced challenges as they try to continue their work. Although many have benefited from relocation visas and grants arranged by the EU, member states or European NGOs, they often face restrictions on employment and services for family members. The Dozhd TV channel, a major Russian opposition outlet exiled since the invasion, lost its Latvian license and home in December due to an ill-advised comment by a reporter, though he was fired nearly immediately. Dozhd was in limbo for weeks before finding a new base in the Netherlands.

Amid reports of Russian reliance on private military companies, of recruitment from the prison population, and of Russian soldiers being sent to the front undertrained and barely equipped, small grassroots movements (including of soldiers' female family members) and widely read bloggers have begun to question the military effort, although some of the latter complain that Russia's army is too restrained, and much of the population appears to remain enthusiastically pro-war. Economically, Russia is holding on despite the heavy sanctions imposed upon it, but laudatory news stories about men choosing military service in order to feed their families bespeak widespread poverty.

The Russian military, although clearly hard-pressed on the personnel side, is continuing to deliver combatants to the front lines. It has also continued to produce and purchase weapons. Russia has been able to find loopholes in the export control system and circumvent Western sanctions intended to limit its access to technology that can be used for warfare. Russian defence enterprises can readily obtain some Western technology components, including commercial drones and microchips, because dual-use items, particularly, are notoriously difficult to contain. Other items reach Russia via companies in intermediary countries such as Türkiye, Kazakhstan, Armenia, China and the United Arab Emirates. Meanwhile, despite the announced end to partial mobilisation, draft notices continue to arrive, and the mobilised who are not at the front continue to train.

Recommendations

The EU and member states continue to play an essential role in supporting Ukraine. They will also be key players in shaping post-conflict scenarios. To optimise their contributions on both fronts, they should take the following steps:

First, the West calculates, correctly, that the risks and costs of supporting Ukraine outweigh those of clearing the path for Russia to reap the strategic gains of its aggression and nuclear menacing. Fighting will continue until one side or the other makes decisive military gains or until a political shift changes war aims in Moscow or Kyiv. The EU and member states should thus continue giving Ukraine the tools it needs to fight until peace is at hand, but avoid direct involvement in the conflict, while always being mindful of the escalatory risks.

As Ukraine keeps using its own capacities to push Russian red lines, the EU and its allies will need to continue to calibrate carefully what new weapons to provide to ensure Ukrainian defensive capacity while mitigating risks. As the recent discussion over German tanks illustrates, the choices are never easy or perfect, but delivering components that can support Ukrainian capacity, such as increased and heavier armour capabilities, are advisable at this point, as are increasingly capable air defences, to help Ukraine meet Russia's continuing barrages. To the extent possible, systems should be compatible with one another, to avoid creating new strains for Ukraine's armed forces.

At the same time, to ensure that aid is effective and does not wind up in the wrong hands – and because they are accountable to the public in Europe – the EU and member states should continue to ensure appropriate transparency and accountability measures are in place to track the use of their assistance. They might, for example, think in advance about how to bolster Ukrainian customs capacity to prevent weapons flows in the future, when active fighting ends.

Secondly, as for sanctions, these should be used to the extent possible to encourage a peace process. The EU and its member states should join their allies in emphasising to Moscow that some sanctions, particularly those that isolate ordinary Russians, will be eased or lifted once a peace acceptable to Ukraine is found. The kinds of measures that might be lifted in that circumstance could

include, in the first place, restrictions on Russian airlines flying to Europe or on Russian ships entering European ports, as well as impediments to normal transport links and logistics with Russia. Likewise, the EU could make clear that it would also be prepared to lift sanctions on banks that are not linked to the Russian defence complex and Putin's entourage, as well as on the Russian National Settlement Depository. (The latter measure would unfreeze the money of Russian private investors.) The EU could also, under those conditions, make efforts to restore international payment systems in Russia and bring much of the Russian financial system back into the global one. In the meantime, the EU should establish stricter control over the export of technology and dual-use goods to Russia as well as maintenance service to key sectors including petrochemicals, chemicals and energy.

Thirdly, to the extent that European actors want to preserve space for a negotiated outcome, measures that pose a risk of criminal prosecution for Russia's leadership (like, for example, the creation of an international mechanism to try the crime of aggression) may be an impediment.

Fourthly, given the withering of the free press inside Russia, the EU should continue to support independent Russian-language media, including outlets run by expatriates, and remove bureaucratic obstacles that hinder journalists' work and livelihoods. The main bases for these media, apart from Georgia and Armenia, have become EU countries such as Latvia, Lithuania, the Czech Republic, the Netherlands and Germany. They continue to work with Russian audiences and convey to them a perspective on the war that differs from Russian propaganda. The EU should ease bureaucratic obstacles for Russian journalists and their family members to live in Europe by granting them residency permits.

Fifthly, the EU should continue to back the Ukrainian government as it pushes for reforms to help ensure that its policies align with European values and best practices. The EU can caution Kyiv that reversals on human rights, basic workers' rights, religious freedoms or freedom of speech could undermine its goals to build a strong, successful democracy and would be inconsistent with its candidacy for EU membership.

Lastly, the EU and member states should keep an eye on the long term when it comes to European security arrangements. Should the war in Ukraine end in a negotiated ceasefire or in a settlement that creates space for Russia and the West to re-establish a substantive dialogue to prevent further clashes, the EU, together with its allies, should be prepared with a vision of what a new European security architecture might look like and what place both Russia and Ukraine might have in it. Negotiations over a more secure European order, which would have to include Kyiv and Moscow both, could lead to negotiated limits on weapon deployments and exercises in several key European regions.

LATIN AMERICA & THE CARIBBEAN

Brazil is Back: Can Latin America's Divides Be Bridged?

Luiz Inácio “Lula” da Silva’s return to the Brazilian presidency could mark a turning point in Latin America’s struggles to overcome its divisions in confronting regional and global issues, including long-running crises in the neighbourhood. With a professional foreign service, a big economy and a widely respected leader, Brazil stands out as a force that could drive cooperation in tackling the region’s most serious challenges and boost Latin American engagement in multilateral diplomacy – much as it did during Lula’s first two terms, from 2003 to 2010. But there is a caveat. Lula is facing far larger domestic difficulties this time around, which should temper idealism about the span of his foreign policy. Brazil suffers from deep political cleavages, as proven by the far-right rampage in the capital Brasília on 8 January, as well as economic hardships, both of which could hinder the new government’s ambitions outside the country. Yet in spite of its turbulent domestic climate, the new government is intent on restoring Brazil’s status as a prominent voice on the international stage, while the country’s economic and geopolitical weight means that it could still make a major contribution to regional peace and stability.

There is no shortage of dilemmas for Brazil to address. Looming instability is a concern throughout the neighbourhood, amid intense public dissatisfaction with political leaders and economic inequality, while disjointed handling of the COVID-19 pandemic and regional rifts over crises in several countries underline the difficulty of addressing shared challenges. In setting its foreign policy priorities, Brasília’s first and overarching goal should be to help rebuild interstate coordination in Latin America and the Caribbean, an objective that is crucial both to dealing with crises and to Brazil’s chances of projecting itself on the world stage and enabling other blocs to engage more fruitfully with the region. Secondly, Lula’s government is well positioned to spearhead efforts to revive regional cooperation to protect the environment, particularly the Amazon rainforest. Thirdly, thanks to his close ties to the left and strong relationship with various global powers, Lula could play a major role in easing the path toward a negotiated settlement to the deadlock in Venezuela. Finally, Brazil’s diplomatic dexterity could raise the profile of Haiti’s crisis in the region and balance the leading role played by the U.S. and Canada, which Haitians tend to regard with misgivings.

In order to support Brazil in its pursuit of these priorities – all of which could contribute to greater peace and security in Latin America – the European Union (EU) and its member states should:

- Work with the new Brazilian government to bolster regional integration, and in so doing improve European ties to Latin American and Caribbean counterparts. The EU should, for instance, strengthen its existing partnership with the Community of Latin American and Caribbean States (CELAC), among other things through financial and technical support for regional integration.
- Offer diplomatic and financial support for Brazil's new efforts regarding environmental protection, and especially revival of the Amazon Cooperation Treaty Organization.
- Assist Brazil in mobilising regional initiatives to encourage Venezuelan President Nicolás Maduro to improve electoral conditions ahead of his country's scheduled 2024 presidential polls, and seek the support of regional partners for implementation of the key recommendations of the 2021 EU Electoral Observation Mission. Brussels should explore with Brasília, Washington and regional capitals an approach that would emphasise the progressive easing of U.S. and European sanctions on Caracas in exchange for such improved conditions.
- Work with Brazil and other countries from the region to help address the crisis in Haiti by promoting an agreement between acting Prime Minister Ariel Henry and the opposition that would allow formation of a transitional government, as well as by seeking broad international backing for any eventual international intervention.

Rebuilding Latin American Cooperation

Latin America has for years been unable to act in concert on regional crises or to speak with one voice on world events. Ideological divisions – such as those behind the venomous quarrel between Venezuela and Colombia from 2019 until relations were restored in 2022 – have undermined the cause of regional unity. In its place, hemispheric rifts have encouraged the creation of weak, ad hoc and often partisan regional platforms; given greater sway to outside powers, above all the U.S., Russia, China and Iran, over some governments; impeded economic integration; and made it increasingly hard for regional bodies, such as the Inter-American Development Bank, the Organization of American States or the Southern Common Market, to make leadership appointments by consensus.

Cultivating stronger unity of purpose in Latin America and the freedom to establish relations with all global powers, without automatic alignment with any of them, stand out as two of the main leitmotifs of Brazil's new foreign policy. But because regional platforms have atrophied, there is at present no productive space where all the region's governments can discuss burning issues and cultivate joint positions. During his address to Congress after taking office, Lula invoked his promise to rejoin the Union of South American Nations (UNASUR), a forum he helped create in 2008 but which is now moribund after former

President Jair Bolsonaro opted (along with current and former right-leaning governments in Argentina, Colombia, Ecuador and Uruguay) to abandon it. Other alternatives also have problems. The Organization of American States, which includes the U.S. and Canada, has been in steep decline for several years after earning the mistrust of left-wing governments. In his own inaugural speech, Foreign Minister Mauro Vieira did not even mention it.

But there is another option. Lula's government has already announced Brazil's return to CELAC – which Bolsonaro left after accusing it of being a “stage for authoritarian states” – and attended the bloc's summit in Buenos Aires in late January. This organisation is the regional interlocutor that the EU and China prefer, although there is room for it to become more effective: decision-making is presently cumbersome because it requires unanimous backing among member countries, and the organisation currently lacks a permanent institutional apparatus for following up on and implementing agreements. That said, discussions on strengthening it are under way. A meeting between EU officials and CELAC heads of state and government, due to take place in Brussels in the summer, offers the EU a chance to reinforce the fledgling bloc's role as well as strengthen cooperation with Brazil and Latin America as a whole.

Linked to the question of where Latin American states should hash out difficult issues is the question of what those issues should be. Right now, there is little agreement. Latin American governments diverge sharply in their views of where the main threats to democracy lie and what basic political rights need to be guaranteed. The region, and particularly its traditional left, tends to grant great importance to principles of sovereignty and non-interference in the affairs of other states. But a majority of governments still think these principles have some limits where human rights and respect for democratic institutions are involved. Brazil's own battle to ensure a peaceful handover of power to Lula underlined the need to rally at home and abroad in protection of democracy. Beyond these basic governance questions, there is a further list of issues that cry out for higher levels of regional coordination. High-level political cooperation in responding to drug trafficking and organised crime is largely dormant. Although governments have started to collaborate better in promoting safe, orderly migration, they differ in their border and reception policies.

Still, before it can address these and other shared concerns, the region first needs to define the best forum for rebuilding coordination and display the political will to respect commitments that governments may assume in that context. Although most governments (especially in South America) share a broadly democratic, left-leaning outlook, neither of these steps will be straightforward. Conditioning regional cooperation on coincidence in ideology with other governments is a mistake that Latin American countries cannot afford to continue committing.

Concrete Steps on the Amazon, Venezuela and Haiti

Alongside efforts to rekindle regional cooperation, renewed Brazilian engagement could prove crucial to addressing several crises in the region.

First is the state of the Amazon basin. Efforts to forge joint approaches to protecting the environment and addressing climate change languished under the rule of Bolsonaro, who showed brazen disregard for the fate of the river's surrounds and their Indigenous inhabitants. With the area crucial to efforts to counter climate change, and suffering an increased presence of organised crime and illicit trafficking, Lula's government has made clear it wishes to assert leadership on these overlapping issues. Foreign Minister Vieira has announced that Brazil will hold a summit to revive the Amazon Treaty Cooperation Organization, formed by the eight countries that are part of the biome (Brazil, Bolivia, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela). Lula is also coordinating with Colombian President Gustavo Petro, likely to be a crucial ally in advancing the cause of environmental protection.

Lula's priorities for the Amazon include protecting Indigenous peoples' territory, stopping illegal deforestation and restricting mining activity in specific areas. But a regional initiative in this spirit will stretch Brazilian diplomacy, particularly when it comes to seeking commitments from Venezuela, where President Maduro has allowed a huge expansion of gold and other mining operations in the Amazon, with the complicity of both the military and non-state armed groups, despite nominally endorsing green policies.

Secondly, Venezuela is generally set to be of keen interest to the Lula government, while posing a serious test of Brazil's diplomatic sway. In contrast to Bolsonaro's decision in 2019 to follow the lead of former U.S. President Donald Trump in denying recognition to Maduro, a policy that failed in its goal of ousting the Venezuelan president, Lula has already emulated Petro's Colombia government in restoring ties with Caracas. Foreign policy experts close to new government, and Lula himself, insist that its approach to Venezuela, as well as to the increasingly authoritarian rule of President Daniel Ortega in Nicaragua, will be guided by a belief in dialogue and engagement rather than demands, sanctions and threats. Lula's affinities with the late Venezuelan President Hugo Chávez should in theory place him in a good position to persuade Caracas to show a spirit of compromise in its negotiations with the opposition, while his regional stature will help him work separately with Washington.

That said, left-wing leaders in Venezuela, as elsewhere in the region, despite their former friendships with Lula, may not be as willing to restore political rights as Brazilian officials wish. Venezuelan leaders are generally unwilling to risk losing power in the 2024 elections, and despite a return to negotiations in Mexico City in 2022, may well resist the sort of steps toward a level electoral playing field that were recommended in the EU Electoral Observation Mission's report about the 2021 regional polls. Chief among these are reforms to the judicial system to prevent the partisan political use of the highest courts to ratify or annul election results. Even if the proposal encounters resistance in Caracas, Lula should urge Maduro to adopt reforms that help ensure the election is competitive and assure the Venezuelan government that it will work to support a fair deal respecting the interests of *chavismo*.

Thirdly, as it did in Lula's first two administrations, Haiti will pose a test for Brazil's diplomatic mettle. Brazil stood out for its role in leading and providing

troops to the UN peacekeeping mission to the country from 2004 to 2017, MINUSTAH. Although criticism of aspects of that mission is common in Haiti, its departure has been followed by a violent breakdown. Rampant criminal violence, humanitarian emergency and political turmoil, including the assassination of former President Jovenel Moïse in July 2021, have spurred the acting prime minister, Henry, to call for an international force to combat gangs. Crisis Group has previously noted that such a force may be the best way to bring some measure of order to the troubled country but that it should deploy only with support from Haiti's main political forces, including agreement to work together in forming a legitimate transitional government. Should these conditions emerge, Brazil's backing for efforts to get the UN Security Council to endorse such a mission would be an enormous boost to the countries that have been leading on this file in New York (the U.S. and Mexico in 2022, although Ecuador has now replaced the latter on the Security Council). It could particularly help win over Russia and China, which are both wary of what they perceive to be U.S. designs.

There are other ways Brasília could support the mission as well. It could also mediate between Henry and the opposition in efforts to form a transitional government. If a mission forms, it could contribute personnel and technical assistance. At a minimum, Brazilian diplomats could raise the profile of Haiti's crisis in Latin America and draw attention to the need for deeper consideration of how foreign powers could aid the country.

What the EU Can Do

The EU and its member states should look for ways to work with Brazil to forge closer ties with Latin America and the Caribbean. Among other things, stronger links between the two regions may depend on reinvigorating cooperation within Latin America itself, through more effective multilateral institutions set up around shared values. Given its size, resources and its new president's regional profile, Brazil could play a leading role in this effort. The EU should support regional consolidation through diplomatic backing, as well as financial and technical assistance that could help strengthen existing regional bodies, in particular CELAC, which appears to be the Lula government's preferred platform.

At the same time, the EU and member states should take care to acknowledge the domestic constraints under which the new Brazilian government is operating, including a highly polarised political climate, and not burden it with expectations of immediate breakthroughs. They will also need to accept the new Brazilian government's probable determination to maintain relations with all major powers, as well as its primary goal of defending the interests of developing nations in multilateral forums.

Brussels should also explore partnering with Brasília and draw on the region's support for global initiatives of mutual interest. In particular, the EU should use its diplomatic and financial muscle to back Brazilian moves to rekindle coop-

eration between all countries with territory in the Amazon, looking for ways to bolster environmental projects funded by Brussels and EU member states.

Likewise, the EU and member states could express their readiness to work with Brazil toward their mutual interest in helping Venezuela's feuding political adversaries reach a negotiated settlement. One key role they could play would be coordinating with Lula's government and the region, as well as with Washington, an approach that would emphasise the progressive easing of U.S. and European sanctions on Venezuela in exchange for improved electoral conditions ahead of the 2024 vote. The conditions to aim for should be drawn from the evaluation carried out by the EU's 2021 Electoral Observation Mission.

Lastly, the region's most serious case of extreme insecurity and humanitarian emergency is to be found in Haiti, where Brazil should be regarded as a source of expertise and a trusted authority, able to mediate between political forces and international powers in a way that European and North American countries find hard. The EU and member states should be ready to turn to Brazil as a crucial partner in shaping their policies toward Haiti, whether that means seeking a pathway to a transitional government, gaining UN endorsement for an international mission, or drumming up regional and global support for increased aid and attention to the country. In this case, Brazil's re-engagement in multilateral diplomacy is an opportunity that the EU, the U.S. and other Latin American countries should all seize.

MIDDLE EAST & NORTH AFRICA

Gulf: Promoting Collective Security through Regional Dialogue

Creating new channels of communication between enemies in the Gulf is the best way to prevent frequent flare-ups from escalating into open conflict. Tensions in the region are on the rise with negotiations to restore the 2015 Iran nuclear deal sputtering and huge popular protests roiling the Islamic Republic. They spiked in November 2022, when Saudi intelligence warned that Iran was planning attacks on the Kingdom akin to those three years earlier on Abqaiq and Khurais, two major processing facilities run by the state oil company Saudi Aramco. (Yemen's Huthi rebels claimed they had launched the Aramco strikes, which caused significant damage, but Saudi Arabia, along with the United States, blamed Tehran.) Riyadh and Tehran managed to avoid a more serious confrontation at the time, but a comparable attack, this time coming directly from Iran, could set the region on fire. It would certainly scuttle nascent diplomatic efforts at improving collective security in the Gulf, which at present are proceeding in a stop-start manner along two broad tracks: first, bilateral discussions between Iran and each of Saudi Arabia and the United Arab Emirates (UAE); and secondly, a regionwide forum known as the Baghdad Conference for Cooperation and Partnership.

The European Union (EU) and its member states, which have been supporting these regional dialogue initiatives, should take the reported threat of a new attack as an impetus to accelerate them. Helping Saudi-Iranian talks get moving again, ideally at the foreign minister level, is key. Those discussions could then serve as a bridge to the Baghdad Conference track and other Gulf regional dialogue efforts. The EU, and certain of its member states, could continue to act as facilitators accepted by both sides.

The EU and its member states should:

- Appoint a senior diplomat with a non-partisan reputation in the region as EU special representative for the Gulf as soon as possible. Doing so will allow the EU to make progress on the action points laid out in the Joint Communication on a "Strategic Partnership with the Gulf". To send a clear message that engagement with the Gulf is a top European foreign policy priority, the Representative should have significant experience throughout the Gulf, strong working relations with the Saudi and Iranian governments, in particular, and an established profile in international affairs.
- Through the new Representative and other channels, press for resumption of the all-important Saudi-Iranian bilateral talks as well as continuation of Emirati-Iranian dialogue in the EU's own bilateral talks with regional actors. Both sets of discussions can help soothe frictions and lower threat per-

ceptions between the Gulf states and Iran, and also indirectly de-escalate tensions between the U.S. and Israel, on one side, and Iran on the other, in the various Middle East conflict zones.

- Again through the Representative and other channels, explore prospects for a continuous regionwide dialogue. In so doing, they should draw on lessons from the Conference on Security and Cooperation in Europe (CSCE) to assist in building a similar, more targeted process in the Gulf, which could proceed on multiple independent tracks, and include confidence-building measures within the context of enhanced regional economic cooperation and the green energy transition.

Regional Dialogue

Various dialogue efforts have developed in the Gulf in the last few years, after more than a decade of high tensions of which the Abqaiq and Khurais attacks marked the zenith. The main source of conflict has been the struggle between Iran and Gulf Cooperation Council (GCC) member states, particularly Saudi Arabia and the UAE, for regional hegemony. The GCC countries have looked askance at Iran ever since its 1979 revolution threatened to spill over to mobilise Shiite Muslims in Arab states, especially Lebanon and various Gulf monarchies. They have watched with alarm as Iran embarked on a nuclear program and, following the popular uprisings in Arab countries in 2011, used the turmoil to back non-state armed actors from the Huthis in Yemen to paramilitaries in Iraq to project its power in the Middle East. A secondary conflict driver has been competing visions of the role of Islam in politics, which provoked a bitter quarrel between Saudi Arabia, the UAE and Bahrain, on one hand, and Qatar (backed by Türkiye), on the other. The latter had supported the Muslim Brotherhood's rise in Arab countries affected by the uprisings, threatening the interests of the former set of countries, particularly in Egypt. They battled or competed with each other by proxy in conflict zones as far afield as Syria, Libya and Somalia. From 2017 to 2021, the Saudis and their allies blockaded Qatar by air, land and sea.

The latter tensions were first to ease. In January 2021, the six GCC members signed the Al-Ula declaration, formally ending the confrontation. Since then, intra-GCC reconciliation has progressed, albeit unevenly. Qatari-Saudi dialogue has moved at the fastest pace. Direct flights resumed, land borders reopened soon after the declaration was issued, and Doha and Riyadh re-established formal diplomatic relations. The two heads of state have subsequently met several times, and the countries have formed new institutional partnerships to encourage greater trade and investment. Qatari-Emirati ties have also improved, a bit more slowly. But Qatar's hosting of the FIFA World Cup helped speed up reconciliation with both Riyadh and Abu Dhabi; Saudi Crown Prince Mohammed bin Salman attended the opening ceremony, and Emirati President Mohamed bin Zayed also visited Doha during the tournament, in two particularly powerful symbols of a revived Gulf unity. At the other end of the spectrum, dialogue between Qatar and Bahrain is almost non-existent, though Manama

lifted visa restrictions on Qatari nationals in 2022, seemingly reflecting a desire to turn the page. In January, the UAE gathered the leaders of Qatar, Bahrain, Oman, Egypt and Jordan in Abu Dhabi in what looked like another step toward intra-GCC reconciliation.

Soon after the intra-GCC rift began healing in early 2021, serious contacts between Tehran and Gulf capitals got under way as well. The most important track is the bilateral dialogue between Saudi Arabia and Iran, facilitated by Iraq, which began in April 2021 and continued through four further meetings before stalling a year later. The talks have focused on Saudi concerns about Iran's regional activities, especially in Yemen, and Iran's desire for renewed diplomatic ties, which had broken down after a mob attacked Saudi diplomatic missions in Iran in January 2016. On 20 December 2022, Saudi and Iranian officials met on the sidelines of Baghdad Conference discussions in the Jordanian capital Amman, reportedly agreeing to restart the bilateral dialogue. Keeping this line of communication open is vital. It will help Saudi Arabia and Iran avoid misreading each other, thus reducing the risk of miscalculation in their standoff, especially as talks about reviving the Iran nuclear deal have broken down and conflicts involving Iran-backed non-state armed groups drag on. The latest threat of violence came in late 2022, when officials in Riyadh claimed they had received intelligence that Tehran was preparing to attack Saudi Arabia in retaliation for its alleged financing of a London media outlet, Iran International, that has vocally backed the anti-establishment protests in Iran.

Resumed progress in the Saudi-Iranian talks could also help assuage U.S. concerns about Iran's role in the Gulf, given Washington's closeness to Riyadh. This track affects others as well. Senior officials in several GCC countries have told Crisis Group that what happens on the Saudi-Iranian front will determine whether a broader regional dialogue – of the sort described below – takes off. Forward movement on this track would help as well to rejuvenate UAE-Iran bilateral talks, which started in 2019, and led to restoration of diplomatic ties in 2022. These are essential to reducing risks of violent confrontation based on Iranian fears that Israel may try to gain a foothold in the Gulf via the UAE and Bahrain following the latter's signing of the Abraham Accords. Iran and Israel have engaged in maritime and aerial tit-for-tats across the region; the UAE is now well placed to help contain any escalation.

At the same time that the bilateral tracks slowed, an important attempt at multilateral dialogue, the Baghdad Conference, picked up pace with its second iteration in December. While the event saw little discussion of substance, the fact that it brought together all the Gulf's main players was significant in and of itself. Iran sent its foreign minister to Amman despite its poor relations with Jordan, its increasing international isolation, and its discomfort with the presence of French diplomats and others from outside the region. Saudi Arabia also sent its foreign minister, an encouraging sign of openness to constructive engagement with Iran, given that it has so far rejected an Iranian request to raise the bilateral talks to the foreign minister level. The Baghdad process is receiving strong French backing and plans for the next meeting are under way, suggesting a certain momentum for broader multilateral dialogue.

What the EU Can Do

The Gulf region has been in a state of perpetual disquiet. The failure so far to revive the Iran nuclear deal has injected new uncertainty into the relationship between Iran and its Western-backed neighbours. Absent reliable channels of communication between adversaries, it is anyone's guess where flare-ups might lead. Bilateral talks between Iran and Gulf Arab states are an important initial step in opening such channels and thus reducing chances of inadvertent escalation. But the region needs mechanisms for keeping relations on an even keel in the long run. The best sort would be a regionwide dialogue effort, loosely modelled on the CSCE experience.

Yet to move from bilateral to multilateral talks has proven to be a major challenge. A number of factors add to the difficulty: distrust among allies within the GCC; Gulf Arab states' insistence that Saudi Arabia lead them in such an effort, with UN Security Council and possibly direct U.S. backing; Iran's countervailing demand that the U.S. have no direct part; and all sides' preconditions concerning matters that can be resolved only as a result of regional dialogue.

The EU and its member states, preferably with UN support and a U.S. green light, can step in here to play an important, constructive role, led by an EU special representative for the Gulf, a position they should promptly create and fill with a senior diplomat who has deep regional experience and is viewed as neutral by the relevant players. The Europeans have long held back on this appointment, waiting for nuclear talks to come to fruition. Yet the representative should be appointed, and regional dialogue facilitated, with or without a nuclear deal, whose full restoration would likely have only limited positive impact on interstate relations and whose failure can only aggravate them.

The EU special representative, once appointed, should push for regional stability and dialogues (as laid out in the EU's Joint Communication) as a priority. Job one is to get Saudi-Iranian talks going again. On the Emirati side, while Europe played no role in starting the bilateral UAE-Iran track, the representative could encourage the two sides to build on these talks to advance a regionwide dialogue.

In parallel, European actors should start exploring the possibilities for such a multilateral venture. Using expertise gathered during the CSCE process, as well as their good offices and (mostly) good standing in the region, and building on the Baghdad Conference and bilateral talks already under way, the EU and member states, as well as Norway and Switzerland, could test ideas with the pertinent players in the Gulf, starting with intra-GCC relations and moving to include Iran and Iraq. These ideas – about objectives, process, contours and agenda – should form the basis for any effort at starting a regionwide dialogue. The Europeans should then pledge diplomatic support and, if necessary, provide the venues for such an undertaking.

The process should involve several parallel tracks that focus on different areas of cooperation and conflict, and proceed at different paces and as independently from each other as possible. Initial meetings should focus on actionable confi-

dence-building and de-confliction measures, ranging from cooperation on religious pilgrimages to more difficult issues like establishing a military-to-military hotline or a maritime dialogue. States could also sign a statement of principles committing to non-interference and respect for sovereignty and territorial integrity, as well as disavowing the use of force. Then, the EU and its member states could back a range of projects to improve people-to-people exchanges among Gulf citizens to bolster the high-level political dialogue taking place in parallel; promote enhanced regional economic cooperation; and offer technical assistance in support of countries' transition to renewable sources of energy.

Iraq: Staving Off Instability in the Near and Distant Futures

A year of tumult in Iraq appeared to quiet when the Council of Representatives, on 27 October 2022, approved the cabinet of a new prime minister, Mohammed Shia al-Sudani. It was a breakthrough in what had seemed an interminable stalemate since parliamentary elections twelve months earlier. The deadlock ended when loyalists of Muqtada al-Sadr, the Shiite cleric and firebrand populist politician, who had been thwarting their adversaries' government formation plans, withdrew their representatives from parliament.

But the country is hardly stable. Tensions between Sadr and his Shiite counterparts could easily flare again. Challenges to the ethno-sectarian system – which allocates power and resources among Iraq's Shiites, Sunnis and Kurds – also persist. It was that system's inability to provide effective governance that sparked the 2019 Tishreen protests, which in turn precipitated the early elections of 2021. The return of politics as usual with the advent of Sudani's government represents the system's triumph over the protests. Yet the gap between citizens and elites has only widened since 2019, as rampant corruption continues to prevent the state from providing adequate public services. In the short term, the Sudani government may try to keep grievances in check through higher spending for services and public-sector expansion, but it can do so only as long as oil prices remain high – which will be difficult, as falling demand is pushing prices down amid fears of a global recession. Meanwhile, Iraq's population is growing and its water supply dwindling. In the long run, if governance and public services do not improve, the combination of demographic pressure and climate stresses will undermine any attempt at buying stability with oil revenue.

To top it all off, the autonomous Kurdistan region in Iraq's north is undergoing its most severe political crisis since the Kurdish civil war in the mid-1990s. Although a return to that period's violence looks unlikely, heightened enmity between the Kurdistan Democratic Party (KDP) in Erbil and the Patriotic Union of Kurdistan (PUK) in Sulaimaniya is threatening stability in the north.

Against this backdrop, the European Union (EU) and its member states should:

- Engage the Sudani government in a candid dialogue about how best to pursue financial and governance reform to meet global standards and make Iraq less dependent on outside support. In this connection, they should also discuss operational and financial reform of the powerful (and under-supervised) al-Hashd al-Shaabi (Popular Mobilisation) paramilitary coalition;
- To improve Iraqis' confidence in government by making it more accountable and responsive to local needs, urge Iraqi politicians to hold long-overdue provincial elections;
- Encourage dialogue in support of a constitutional review that could prompt better implementation of existing provisions as well as consideration of needed amendments. Such a process could be useful for reforming the muhasasa patronage system that is the source of so much popular grievance and accomplishing security-sector reform.
- Use its new presence in Erbil to mediate between the two main Kurdish parties, whose feud is complicating discussions with Baghdad over sharing oil revenue, and also leaving the region exposed to external interference.
- Step up assistance to Iraq's outdated irrigation system as part of efforts to alleviate water scarcity caused partly by climate change.

Crises Contingent and Structural

At the end of August 2022, followers of Muqtada al-Sadr staged protests inside Baghdad's Green Zone to prevent rival parties from forming a government. The demonstrations escalated into bloody clashes between the Sadrists and pro-Iran elements of Hashd, a collection of paramilitary outfits that, since helping defeat the ISIS in 2017, has become an entrenched political force in both various provinces and the capital. Tensions eased when Sadr's group, which had scored a surprise election victory in 2021, suddenly pulled its lawmakers out of parliament, paving the way for the pro-Iran factions among the Shiite parties to form a government. Another confrontation seems likely, however. Disputes within the Shiite house (as the amalgam of parties encompassing both Sadr and his Shiite opponents is known) continue to fester, and Sadr may simply be waiting for the government to fail or for people to take to the streets again before he ventures back onto the political scene and tries to form a majority-based government that excludes some of his main Shiite rivals. A call for snap elections will not be well received, either in Iraq or among its neighbours or donors, but it may become unavoidable if a political impasse develops.

The troubles with government formation underscored the extent to which Iraq's political system is in crisis. The massive Tishreen protests went to the heart of the reason why. They called for an overhaul of the ethno-sectarian apportionment system (muhasasa), which has reinforced a venal elite's grip on state institutions after every election since 2005. By the unwritten rules of muhasasa,

political parties compete not so much to advance a vision for the country as to divide the spoils of state power, for instance allocating plum government jobs to members of the ethno-sectarian community they claim to champion. The system may work for the well connected, but not for the vast majority of Iraqis, who have grown increasingly disaffected with its failures. Particularly vexing is the low quality of public services, for example the state's inability to keep the lights on or deliver potable water to homes in many southern provinces. Iraq also will have to cope with a rapidly growing population, which is expected to reach 50 million by 2030, an increase of ten million in ten years.

A final looming problem countrywide is worsening water scarcity, a seeming oddity in a country with two mighty rivers, the Tigris and Euphrates, and several others. Dams upstream in Türkiye and Syria have reduced the water flow in both rivers, combining with rising temperatures and droughts to disrupt livelihoods and harm public health. Likewise, Iran has dammed or diverted rivers flowing into Iraq. In the south, in particular, water scarcity has caused health hazards, internal displacement and, at times, violent conflict. But while climate factors are the proximate cause, it is primarily poor governance and corruption that are preventing the country from upgrading critical infrastructure that would blunt the impact. The problem is compounded by the existence of parallel security forces that are only nominally integrated into Iraq's state apparatus: the Hashd paramilitaries in effect operate under a separate chain of command, and have acted against perceived opponents, including people in the streets clamouring for improved services, with apparent impunity.

None of Iraq's political, social and economic challenges are insurmountable, but the Sudani government will have to change tack if it wants to secure a better future for the country. Governance by patronage has its limits, namely when it fails to produce a liveable society for the many who lack access to the parties' distributive system. Lessening the treasury's overreliance on oil revenues should be a top priority, but it is notoriously difficult to do: when oil prices are high, it is easy to forget that they may fall again, and when they are low, the government is in crisis mode and lacks flexibility to institute necessary reforms. Yet the alternative is worse: endemic social strife that peaks in violent outbursts, as Iraq has seen repeatedly over the past few years.

The northern Kurdistan autonomous region faces some of the same difficulties, but the biggest worry at present is a quarrel between the so-called yellow (KDP) and green (PUK) zones of party control. These geographic zones, which have no set boundaries, are roughly based on linguistic differences among the Kurds, with the KDP overseeing Badinani-speaking areas hugging the Turkish border and the PUK controlling Surani-speaking provinces neighbouring Iran. The authoritarian KDP has been predominant throughout the Kurdistan region for the past decade as the PUK has fragmented into personality-driven blocs amid popular demand for greater political openness. The precipitating factor in the inter-party dispute was a succession battle within the PUK following the death of party leader (and former Iraqi President) Jalal Talabani in 2017. The KDP has used PUK defectors to further split the latter party and degrade it to a

junior partner in the regional government. In response, the PUK has been boycotting cabinet meetings. At the same time, the dispute is preventing elections to the regional parliament, which are six months overdue, while both parties are suppressing dissent in their respective zones.

Setting the Ministerial Agenda

EU High Representative for Foreign Affairs Josep Borrell signalled the importance that Brussels is placing on its relationship with Iraq when he attended the second round of the Baghdad conference for partnership and cooperation, held in Amman on 22 December. In his speech, Borrell said the EU is “ready to do more, differently and better to support Iraq”, announcing that a ministerial-level EU-Iraq meeting will take place in the first part of 2023. The EU should take that opportunity to start discussing thorny issues with the Sudani government, including the ramifications of the failed effort to revive the Iran nuclear deal for regional security, and the Hashd’s future as a fixture of the Iraqi political and security landscape.

One entry point for the EU and member states would be Iraq’s economic and financial management, which needs external support. In November 2022, the U.S. Federal Reserve began requiring greater transparency about international dollar transactions. In response, the Iraqi central bank reportedly blacklisted four banks and barred them from carrying out dollar transactions. The new U.S. requirements thus had the effect of limiting dollar transactions and weakening the Iraqi dinar against the dollar. An outcry ensued, with pro-Iran factions in Iraq denouncing the blacklisting as deliberate U.S. pressure on the Sudani government (without suggesting to what end). The move came at a time when Iran, in response to tougher U.S. and EU sanctions following its arms sales to Russia and its crackdown on countrywide anti-establishment protests, was looking to bolster its trade with Iraq in particular.

Perceived as a more neutral actor than the U.S., the EU should engage in frank dialogue with the Sudani government on how to reform Iraq’s financial and governance system in a way that would meet global standards and strengthen Iraq’s independence, irrespective of the government’s policy orientation vis-à-vis either Iran or the U.S. The EU is already supporting security sector reform, public financial management oversight through the World Bank, and Iraqi accession to the World Trade Organization. It could offer similar assistance in further areas, including by encouraging international financial institutions to invest in Iraq, on the condition that the government meets agreed-upon reform metrics.

The EU should not shy away from discussing reform of the Hashd institution, both when offering support for security sector reform in the context of the EU Advisory Mission in Iraq (EUAM Iraq) and in high-level political engagements, such as the forthcoming EU-Iraq ministerial meeting and a planned high-level visit by Iraq’s prime minister to Brussels. The Hashd institution formally falls under the prime minister’s supervision in his capacity as commander-in-chief, but he exercises minimal oversight of its operational and financial management.

The groups constituting the Hashd, which has a budget almost as large as those of the interior and defence ministries, have repeatedly rejected any notion of strengthening the premier's prerogatives as a threat to their existence. Yet with U.S.-Iran tensions in Iraq on the wane and no Hashd attack on U.S. or coalition forces since the Sudani government was sworn in – several Hashd groups are looking to improve their international standing and back a government that also is seeking broad international acceptance – the time to tackle this difficult question may have arrived.

Other Recommendations

As Brussels works to expand its ties with Baghdad, the EU and member states should encourage the Iraqi government to adopt other policies that can help stave off a new political crisis.

First, they should urge the government to organise provincial elections as a way to promote political participation and improve local governance and accountability. The country has held no such contest since 2013, and parliament dissolved the existing provincial councils in 2019, on the back of the Tishreen protests. These moves have helped concentrate power in the hands of provincial governors, who no longer face scrutiny by elected provincial council members. Holding provincial elections might also entice the Sadrists, who enjoy considerable popularity in Baghdad and the south, back into formal politics and create an opportunity for a fresh crop of politicians, including Tishreeni activists, to join decision-making at the local level. In turn, such changes could open the national political arena to new actors. The 2021 elections were primarily a venue for elite competition, in part because many Tishreeni activists, having lost faith in Iraqi formal politics, declined to participate.

Holding provincial elections will also necessitate a discussion about how to improve local representation, as parliament will need to pass a new law regulating how they are conducted. A single non-transferable vote system used in the 2021 parliamentary elections, or a hybrid that partially allows transferable votes under party lists, which was used before that, could diversify the mix of candidates to provincial councils the same way it did in the parliament elected in 2021, which (despite remaining primarily an elite preserve) has more new parties, more independent candidates and a number of female members surpassing the quota for women. (The new law should reflect the language on that quota in the 2008 law on local elections.)

Secondly, the EU and member states should encourage dialogue across the political spectrum and civil society in order to create momentum for a long overdue constitutional review that could prompt better implementation as well as needed amendments. Holding credible provincial elections is a necessary but insufficient condition for addressing the underlying problems spotlighted by the Tishreeni protests. Governance reform is unlikely to be effective unless the muhasasa system is revamped, which could be most enduringly done by amending the constitution, and paramilitaries are fully brought under the control

of the relevant security ministries. Key provisions of the constitution adopted in 2005 remain unfulfilled, some awaiting the requisite legislation.

Thirdly, with respect to the frictions in Kurdistan, the EU should use its newly established permanent mission in Erbil to offer itself as a mediator between the Kurdish parties, working closely with its U.S. and UK counterparts. The rift between the parties is complicating negotiations over oil revenue sharing with Baghdad and making the north more vulnerable to military intervention by Iran, which is targeting Iranian Kurdish exile groups, and Türkiye, which is in a long fight with the PKK.

Finally, the EU and its member states could support Iraq in coping with water scarcity. They could give both material aid and technical advice in the agricultural sector, where outdated irrigation techniques are causing extreme water loss. Such aid would strengthen Iraq's claims vis-à-vis especially Türkiye, which has said it will not release more water from its dams as long as Iraq does not fix its water waste problem. It could also help Iraqi farmers struggling to make do with less water stay on the land, rather than leave for cities, where infrastructure is already strained and they are often stuck in poverty.

GLOBAL

Responding to Global Economic Vulnerability

Growing economic vulnerability – caused by the cost-of-living crisis, financial instability and debt burdens that countries are facing – has potentially serious consequences for global peace and security. Though COVID-19 rates have dropped, and food and fuel commodity prices have fallen from their post-Ukraine invasion highs, these compounding crises nevertheless exposed longstanding weaknesses in the international financial system, which, in previous decades, was better able to buffer at least some shocks. Poorer countries, especially those with weak governance and a high debt burden, are most at risk, but some middle-income countries face crises, too. The protest wave that engulfed Sri Lanka and led to the resignation of President Gotabaya Rajapaksa in 2022 exemplifies the sort of tumult that could occur elsewhere – especially in countries already suffering instability – if supply chain disruptions, the financial system’s fragility and states’ inability to provide for their people remain unaddressed.

The global system is ill equipped to deal with a situation in which a fifth of all countries, by Crisis Group’s count, have experienced some level of food and fuel-related protests since the start of the full-scale Ukraine invasion, and the major rating agencies consider 26 countries at risk of default on their debt. It is daunting to imagine the sort of international mobilisation that would be required to pull all these countries onto a sound financial footing – especially when many wealthy countries, including some in the European Union (EU), are suffering their own economic strains.

Yet short of a full global economic rescue, there are steps the EU and at least some member states could take to mitigate crisis conditions, help protect vulnerable nations’ finances and ameliorate the looming wave of sovereign debt defaults.

- To address vulnerable conflict countries’ financial and fiscal instability, EU member states should follow through on their commitment to recycle their allotment of Special Drawing Rights (SDRs) and consider pushing for a new allocation.
- To prevent the severe economic deterioration that accompanies default, the EU should encourage, and coordinate among, its member states to lengthen the repayment period for sovereign borrowers and to introduce broadly framed contingency measures and concessional financing to respond to extreme shocks.
- To address the cost-of-living crisis and food insecurity, the EU and member states should maintain high levels of humanitarian aid funding, and where possible increase it, recognising the difficulty of doing so amid the weak-

ening European economy, while also ensuring that their sanctions regimes include wide-ranging, predictable and consistent humanitarian exemptions, starting with the robust incorporation of the provisions recently adopted in UN Security Council Resolution 2664.

Assessing the Risk

Expert opinions differ widely on the 2023 economic outlook, though there is precious little by way of optimism. Some economists warn of a deep recession, despite recent improvements, while others foresee a milder dip. The World Bank has warned of a “sharp, long-lasting slowdown” that could see high unemployment, rising prices, low growth and stringent debt burdens, all of which will take a toll on humanitarian assistance.

This situation is at least partly the result of overlapping systemic shocks – including COVID-19, Russia’s all-out invasion of Ukraine, tight anti-inflation policies and climate distress – in a deeply interconnected world of just-in-time supply chains, which means that a problem in one place can cause catastrophe in another. Countries dependent on external sources of energy, fertilisers, food and key natural resources are particularly vulnerable; low-income countries without financial resources to buffer economic shocks tend to be even more at risk; and states with deep political polarisation or those already suffering from deadly conflict, where economic distress is often exploited for political gain, may be the most precarious of all.

Managing the effects of volatile energy and food markets, as well as government policies to control inflation, will prove especially challenging over the coming year. EU and U.S. sanctions on Russia will continue to unsettle global markets, even as supply chains readjust to political realities, and it will continue to be important that Western powers take steps to ameliorate their impact. In 2022, 93 per cent of lower- and middle-income countries and 89 per cent of upper-income countries experienced average domestic food price inflation of above 5 per cent, with the majority facing double-digit increases. Malnourishment is rising markedly, with women particularly at risk of food insecurity. The gendered impact already seen in the wake of the economic upheaval – including increases in unpaid care work by women, domestic violence, sexual exploitation, underage and forced marriage, and the number of children pulled out of school – is expected to become more marked as a result of the cost-of-living crisis.

Not surprisingly, humanitarian aid organisations have reported an increased need in conflict arenas, particularly to combat food security and malnutrition, but also because operating expenses have gone up. In South Sudan, for example, the World Food Programme has projected the need for an additional \$1 million per month to maintain its operations, largely due to high fuel prices, which have been affected by both the war and the imposition of sanctions by outside actors. As costs increase, organisations face the difficult decision to reduce beneficiaries or cut benefits.

The risk of deadly violence stemming from economic vulnerability depends greatly on pre-existing conditions. In some places, even plummeting indicators might not contribute to violence, whereas in others, an objectively smaller deterioration might; in still others the causal links between economic hardship and violence are unclear, but the two work together to compound immiseration. To offer just a handful of examples, in Pakistan, political turmoil and the risk of instability is increasing partly as a result of the rising cost of living; in Sudan, the transition to civilian rule will be in serious jeopardy – with another coup in the offing – if the future transitional government fails to bolster the country's cratering economy; and, of course, in war-torn countries like Afghanistan, Ethiopia, Syria and Yemen, cost rises and competition for donor dollars are exacerbating suffering.

Promoting a More Stable Economic Environment

The EU and member states can take several kinds of actions to help buffer crisis conditions and promote an economic environment that is more conducive to peace and security.

Use of SDRs to protect finances. The EU and member states should also make better use of mechanisms that can help protect the finances of affected countries, including SDRs.

The need for additional protection is clear. In reaction to the price hikes accompanying Russia's all-out invasion of Ukraine, governments worldwide have raised fuel and food subsidies, cut taxes, expanded social programs, augmented food reserves and diversified commodity import sources. These measures not surprisingly have strained national budgets, especially since they came on top of the already substantial COVID-19 monetary stimulus. By the end of 2022, 60 per cent of low-income countries were in debt distress and 26 countries faced a significant risk of default on their sovereign debts. Most governments today have few financial and fiscal tools left. Against this backdrop, the European Commission encouraged its member states to expand macro-economic support to economically vulnerable countries, particularly those affected by rising food prices.

To this end, SDRs, an asset created by the International Monetary Fund (IMF) to boost the national reserves of its member countries, can be useful for addressing the financial limitations of conflict-torn countries. In August 2021, the IMF allocated \$650 billion globally to help confront COVID-19 challenges. Each member country was allocated a percentage of the total roughly in proportion to the size of its economy, though crucially, a country can only convert its SDRs into usable currency if another state is willing to swap hard currency for the SDR. So far, 98 low and middle-income countries have used SDRs for economic stability, including direct pandemic relief, fiscal purposes, debt relief and other social needs. For 23 of these countries, more than half of which suffer from conflict, SDRs were a lifeline that prevented debt default.

With allocation proportional to economic standing, the wealthy countries of the world received the lion's share of the SDRs. In October 2021, the G20 promised to "recycle" – transfer – \$100 billion in SDRs to poorer countries, but the commitment has not been met, despite the additional problems caused by the war in Ukraine, rising inflation and counter-inflationary measures. Autocratic nations have recycled a greater portion of their SDRs; Saudi Arabia has used its SDRs to extend financing to Egypt and Pakistan, and China committed to recycling 25 per cent of its SDR allocation to Africa alone. By contrast, EU member states have made a less than robust showing, having promised to recycle fewer SDRs than other states.

The EU and its member states should fulfil their commitments to recycle funds and advocate for the distribution of new SDRs in order to stabilise the finances and economies of vulnerable countries experiencing conflict. A frequent justification among wealthy governments for refusing to support a new SDR allocation is the felt need to deny resources to sanctioned countries like Belarus, Iran, Russia and Sudan. This logic is not convincing. Although these states indeed received an allocation in 2021, they have not been able to use it for anything because no state or multilateral body has agreed to exchange a sanctioned state's SDRs for one of the world's five hard currencies (the dollar, the euro, the pound, the renminbi and the yen), which as noted is necessary to use funds that can be spent either domestically or externally. Any country that swapped its own hard currency reserves for the SDRs of a sanctioned entity would be subject to reputational damage and, theoretically, to secondary sanctions.

Some states also worry that a new SDR allocation runs the risk of worsening inflation by increasing countries' liquidity. That is indeed a risk. But for places that are facing desperate need, the trade-off may be worth it.

Reconfiguring debt relief. While most global attention has been focused on inflation and the cost-of-living crisis, sovereign debt default can be even more disruptive to markets and livelihoods through its effects on capital flows, currency depreciation, balance of payments crises and subsequent unemployment, with those in informal and precarious jobs – in many countries, disproportionately women – hardest hit. The number of countries potentially defaulting has increased dramatically, rising from 30 per cent of low-income countries in 2015 to more than 60 per cent in 2022.

The priority right now is to avoid default. There are several ways to do that, chiefly forgiving debt, extending the repayment period, renegotiating interest rates and reducing principal obligations. Each has benefits and drawbacks. For instance, a write-down would provide some relief, but with interest rates sky-high, even a considerable reduction in principal owed might not reduce payments to a manageable level in the short run. No less important, international financial institutions, as well as banks and hedge funds, tend to strongly oppose write-downs.

For decades the Paris Club was the primary forum for debt renegotiation as most international debt was held by the Western countries that formed its membership. But now, with non-Western powers like China, India and members of the Organization of the Petroleum Exporting Countries holding the majority of the debt of low- and middle-income countries, the pressure to include them in international forums has escalated. In November 2020, G20 countries created what is referred to as the Common Framework to unite major debt holders in a single forum and replace the Paris Club. The Common Framework has been ineffective, however, with only one country (Chad) receiving relief through it.

Other solutions are needed, and here the EU could play a useful role. True, EU member states have decreased the proportion of their debt holdings from low-income countries from 65 per cent in 2008 to 30 per cent in 2020. But 30 per cent is still a significant number and affords the bloc considerable influence. One option for the EU would be to encourage and coordinate among its member states to extend the repayment period for sovereign borrowers in lower-income countries (and possibly middle-income countries depending on how one defines income and assesses the severity of need). It could also develop contingency measures in the event of shocks generating extreme economic distress. Such a crisis response would include concessional financing instruments and contemplate partial interest forgiveness and interest renegotiation. Experts and multilateral groups including the Group of Thirty, comprising renowned economists and financial leaders, have recommended just such a course. Though some people fear this move might raise interest rates and thus borrower payments, IMF analysis suggests this concern is overblown. Creditors overwhelmingly prefer restructuring and easing payments over the complications of default – particularly when the prospect of cascading defaults looms over the global economy.

In parallel, the broader reform of the international financial architecture should accelerate. Many of today's debt-burdened countries may not be able to repay their loans no matter what allowances are made. But with, for instance, Pakistan down to a single month of import reserves, the need for immediate measures is becoming acute.

Humanitarian aid and sanctions carveouts. With aid agencies facing rising needs and costs, the bloc will need to try to mobilise more humanitarian funding for those it serves if it is to merely tread water. The EU and member states should maintain high levels of humanitarian aid funding, and where possible increase it, recognising how challenging this task will be amid the projected decline in Europe's economic strength between 2023 and 2024 due to rising energy costs, inflation and the economic strains of the war in Ukraine.

At the same time, Brussels and member states can usefully take measures to avoid encumbering their own assistance. Humanitarian providers must wrestle with EU sanctions regimes in places like Syria, Myanmar or Iran and more broadly with the EU's Russia sanctions. In theory, providers may benefit from two kinds of exceptions for humanitarian activity: 1) *exemptions*, which are broad carveouts from EU sanctions for specific types of goods or activities;

and 2) *derogations*, which are explicit authorisations for specific types of goods or activities that would otherwise be prohibited by EU sanctions, and which humanitarian operators have to apply for – on a case-by-case basis – prior to conducting their activities.

Despite the preferences of humanitarian organisations, the EU has so far refused to grant general humanitarian exemptions (apart from a very small number for specific types of sanctions) and prefers a system of derogations. Aid groups tend to find derogations inadequate and onerous, resulting often in “over-compliance”, that is, a reduction of operations beyond that which is required in order to avoid legal, financial or reputational risk. The procedures to obtain them are complex, time-consuming, slow and unpredictable, which make them unfit for emergency response; once a derogation is granted to an organisation for a specific activity in a specific country, it cannot be extended to others. Nor is it clear if and when a derogation granted by one country will be respected by others. Even when the EU and its member states endeavour to minimise sanctions’ burdens and secondary costs for humanitarian actors, and have granted limited humanitarian exemptions, such as in the case of Russian sanctions, the exceptions’ patchwork and partial nature mean they often do not achieve their stated objective.

At the global level, countries increasingly recognise this problem. In December 2022, Ireland and the U.S. sponsored UN Security Council Resolution 2664, which provides for a standing humanitarian carveout to almost all asset freezes implemented under UN sanctions. The resolution (which was adopted) authorises a wide variety of specifically enumerated entities, including those entities’ “grantees” and “implementing partners”, to support the delivery of humanitarian assistance even if it requires transactions with designated entities. The U.S. subsequently made promising changes to its general licences framework to align its humanitarian aid provisions with the resolution.

At a minimum, all EU member states are obligated to comply with Resolution 2664 in their implementation of Security Council asset freezes. But there are two key further steps the EU can take to maximise the effects of the resolution in removing impediments to humanitarian support.

- The EU should take Resolution 2664 as a model for creating an identical carveout for its own sanctions regimes – or even, like the U.S., to create a stronger one by extending its provision to certain additional entities and activities.
- To the extent possible, the EU should seek to harmonise the European approach to humanitarian carveouts, including by reflecting a robust interpretation of the Security Council resolution in its directives to member states and in other norm-generating outputs. In this regard, the EU should specify well-defined implementation measures for member states, requiring them, for instance, to report annually on how they put into effect the carveout that Brussels develops. The EU also could go further by including carveout provisions for additional activities in its grantmaking.

