



E3G

Security Trends and Threat Misperceptions

Contribution to 'Britain and
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Nick Mabey

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Beyond Intent: The Security Challenges of Growing Interdependence

The threat of terrorism and proliferation of weapons of mass destruction dominates the conventional security agenda, and in doing so often obscures trends which have far larger impacts on the security and prosperity of UK citizens and companies. These threats emerge from the rapidly growing interdependence which is the defining feature of our world: an interdependence that is deepening through multiple channels of communication, trade, investment, migration, and the impact of economic pressures on the supply of natural resources and climate stability.

The spectacular rise of China illustrates how these changes will affect the global security landscape, in both positive and negative ways. China is radically changing the global economic power balance, leading to concerns about competitiveness and future military threats. China's interventions in Africa, Central Asia and South Asia to secure access to energy and minerals are affecting the whole range of security concerns: from limiting Security Council action against Iran and Darfur, to weakening the international community's influence in moving regimes like Myanmar and Zimbabwe towards democratic reforms. China will become the world's largest emitter of greenhouse gases in the next five to 10 years.

But while traditional military strategists – particularly in Washington – focus on the threat from China’s future economic and military strength, the reality is that it is China’s weakness that is the biggest challenge to UK and global security over the few decades.

China is still a relatively poor and developing country, undergoing profound and destabilising changes. Chinese leaders estimate that they must grow at around 7% per annum to prevent internal social unrest, and they need to secure the energy supplies to achieve this. China’s inability to compete against the US in political, financial or military influence is a key reason for it striking energy deals with “pariah” states such as Sudan, Iran, Myanmar and Angola; with India (the world’s largest democracy) following close behind. China’s fears about destabilising shortages of food and water are also driving its relationships in Latin America and Africa, to secure access to fertile land. China’s economic need to use its major domestic energy reserves of coal is behind the rapid rise in greenhouse gas emissions.

China is trying to manage the domestic tensions caused by its growth, but is hampered by the immaturity of its political, governance and social systems. Ambitious targets to increase energy efficiency and lower oil imports have been missed; policies to save water and reduce pollution are not implemented; outbreaks of infectious diseases such as severe acute respiratory syndrome (SARS) are covered up; people traffickers continue to send economic migrants to Europe; and regulation to prevent land expropriation for commercial development is ignored leading to 70,000 public protests every year.

In the past we would perhaps have seen these as internal matters for the Chinese to deal with, and that an internal crisis in China could have been welcomed as reducing their global influence. But interdependence now means that we cannot afford for China to fail. The majority of the economic growth driving these tensions is devoted to producing exports for the developed world, often from factories owned and built by foreign companies. A failed China would bring global economic depression and probably a more dangerous and hostile regime into power. A hostile China would be less interested and less able to control its greenhouse gas emissions, which constitute a direct threat to the UK.

China is just the most visible example of how our security and prosperity is becoming ever more intertwined with what was previously called the developing world. UK security and stability will be increasingly determined by the ability of

India, Brazil, Mexico, Indonesia, South Africa and many others to manage the tensions of industrialisation and globalisation.

In this context, traditional security policies of deterrence and containment will increasingly fail to deliver. For these threats there is often no malign intent to identify and then deter, and we have in any case often chosen increasingly to intertwine ourselves with the sources of these challenges.

Four Trends to Watch

Interdependence heightens our exposure to governance failures and instability elsewhere in the world. These risks are being heightened by four key trends that will strengthen over the coming decades.

Organised crime and corruption

Before 9/11, international security discussions frequently focused on the rapid growth of organised crime as one of the largest security threats. Though terrorism has largely displaced organised crime as a priority in security and intelligence agencies, at least in the USA and Europe, crime remains a core concern. Illegal drug use alone costs the UK £24 billion every year in crime, health and policing costs. Online fraud and extortion are increasingly a trans-boundary problem, with a growing incidence in the UK of infrastructure attacks.

The markets supplied by international organised crime are estimated to be worth around \$1 trillion annually. Market growth is fastest in urban areas in newly industrialised countries, and in Africa, which is fast becoming a major transit and demand area for illegal drugs; in 2004, five of the seven fastest growing markets for heroin were in Sub-Saharan Africa. International organised crime undermines and corrupts supply and transit countries, and leads to high levels of violence. Latin America shows these impacts very clearly. Crime-related violence is the major cause of death for young men in five Latin American countries, and costs the continent \$138 billion every year as well as financing urban and rural narco-insurgencies in several countries.

Organised crime by its nature corrupts public institutions, particularly law enforcement and border systems; global money laundering activity alone is estimated to involve annual flows of \$800 billion. Around 85% of Class A drugs are sourced in countries classified as unstable; for example, Afghanistan, Columbia and Burma. Transdnistria in Moldova is an example where organised criminal networks involved in the arms and drug trade are closely

linked to the ruling elite and have become embedded in the institutions of the country. This is driving instability on Europe's borders and spreading corruption to other countries, as well as increasing the risk of terrorists gaining access to sophisticated weaponry.

Organised crime creates an illegal infrastructure which is readily exploited by terrorist groups that do not themselves have the financial power to bribe officials. Al-Qaeda's global budget has been estimated at between \$10-50 million a year, which is dwarfed by organised crime flows in its core operating areas in Asia, Middle East and East Africa. Drug-smuggling networks are thought to have provided the transit routes to take Afghani insurgents to Iraq for training in the manufacture and tactics of "improvised explosive devices". Worldwide, there are over 35 reported cases of close links between international organised crime and terrorist groups. Organised crime in the UK is also funding conflict; for example, through extortion and fraud the Tamil community in London is a source of funds for the Tamil Tigers, and the Turkish Kurdish community for the PKK.

The globalisation of transit routes and the demand for illegal commodities will make law enforcement action against organised crime groups increasingly complex, and will spread the destabilising impact of corruption widely.

Infectious diseases

As increased interconnectedness increases opportunities for organised crime it also raises the potential speed, scope and severity of infectious disease epidemics. A serious global flu pandemic could cause global economic losses of \$800 billion, owing to knock-on macroeconomic effects. Following the experience of the avian flu and SARS outbreaks in Asia, estimates of the direct economic losses in Asia from a future pandemic lie between \$99 billion and \$283 billion.

Containing the spread of pandemics depends on effective global monitoring and surveillance, and on prompt and efficient action by counties where the outbreak occurs. A threat that is harder to control is the evolution and spread of drug resistant diseases – from TB in Russia to HIV in Africa – which is hastened by poor prescribing and medication practices. Drug resistant strains of dangerous diseases already present a growing threat to the UK, and this will only increase as global travel intensifies and the number of drug resistant strains increases.

Financial stability

Much of the economic impact of pandemics is caused by the precipitation of a financial crisis following a rapid decline in investor confidence. The fragility of the international financial system to such shocks was exemplified by the impact of the relatively small Thai economy in triggering the Asian financial crisis, in which Indonesian GDP was reduced by a startling 20%. Over the last 30 years financial crises have reduced global GDP by around \$8 trillion, with percentage impacts split evenly between developed and developing countries. However, the impacts on political stability are more severe in developing countries where increased unemployment is not cushioned by social safety nets and savings are low.

The increasing integration of global financial markets both stabilises the overall system by increasing overall global liquidity, and destabilises the system by making contagion effects from unstable to stable economies more likely. The ability to monitor and predict these crises is limited by their overall complexity – each financial crisis is unique – and by the continuing lack of financial transparency in major economies such as China and India. Though the UK, along with other developed economies, has been relatively insulated from recent financial crises, our exposure can only grow in the coming decades. The UK's high economic dependence on financial markets makes it particularly vulnerable to serious crisis.

Energy and climate security

Of all the systemic threats, energy and climate security is likely to become the defining issue for international relations in the coming decades. Instability in oil-exporting countries was estimated to add a \$10-\$15 bbl premium to oil prices in 2006, costing the UK between \$6 billion and \$9 billion a year; far more than estimates of the cost of any terrorist attack. The recent rise in oil prices have cost low-income countries \$270 billion, compared with net aid flows of \$85 billion, reducing the pace of economic growth and poverty reduction.

Reserves of oil and gas will become increasingly concentrated in the OPEC countries and Russia, as overall supply reduces and long term prices rise. This is already increasing the political influence of fossil fuel exporters at the regional level – for example, with Russia having an increasing influence in preventing democratic reforms and conflict resolution efforts in Europe's eastern neighbourhood. Scarcity is driving geopolitical competition among major energy-consuming nations, which often has the perverse effect of further

destabilising supplier countries by preventing necessary political and economic reform.

Fears about energy security continue to drive military planning for intervention in oil-producing regions and protection of strategic assets and transit routes, and increasingly also investment in more secure energy alternatives such as coal, biofuels, renewables and nuclear energy. Countries such as China, India and the USA are turning to coal to satisfy their energy security, and the lifetime greenhouse gas emissions of all planned coal power stations would equal total global emissions from the Industrial Revolution to 1970. If these investments go ahead without carbon sequestration, the world will be committed to over 6°C of global temperature rise by the second half of the century, with devastating impacts on global prosperity and security.

The alternative of investing in more nuclear power raises serious issues over nuclear proliferation. Experts estimate that an aggressive programme of new nuclear build would see a tripling of global installed nuclear capacity over the next 40 years – half of which would be in developing countries, many of which are unstable, such as Nigeria and Indonesia. This would only have a modest impact on reducing climate change (about 10% of total carbon reduction needed by 2050), but a major impact in the spread of nuclear technology and fuels.

In the medium term, the costs of energy insecurity will be dwarfed by the impacts of climate change, which could produce impacts of 5-20% of GDP from 2050 – with negative effects highest for poor people in poor countries, who are least able to adapt. However the security and stability impacts of a changing climate will arrive much earlier than major economic disruptions. Average global temperatures may only have risen by 0.7°C owing to climate change, but the impact on marginal areas has been large. Major droughts in Sahelian Africa have been linked to climate change and El Niño events.

These abnormal conditions have pushed traditional resource management regimes beyond breaking point, resulting in a wave of migration and low-intensity conflict across the region. The roots of the Darfur conflict in part lie with the communalisation of conflicts between pastoral and agricultural groups over access to scarce resources. Even without climate change, increased population and industrial demand means that by 2025 over 60% of the global population will be living in countries with significant water stress.

Among those areas where water supply is vulnerable to early climate change, where the natural resource base is weak, where governance is poor and where communal tensions already exist over resources, several areas stand out as highly at risk, including North and Sahelian Africa, the Middle East, Central Asia and several small island states. More severe climate changes, including rapid sea level rise from the melting of major ice sheets, would severely affect major coastal populations in South Asia and Africa, especially Bangladesh. The water supply of over 1 billion people is at risk from declining Himalayan glaciers which feed the major rivers in India and China. Sea fisheries which provide primary protein for 800 million people are already being disrupted by climate change. These large events will produce mass migration, including across international borders, and severe conflict over remaining access to water basins and other resources.

Adaptation to help cope with these changes will require expenditure of between \$10 billion to \$40 billion per year, and increased humanitarian costs from natural disasters and environmental refugees estimated to be between \$30 billion and \$60 billion by 2015. This compares to current total aid expenditures of round \$100m, climbing to \$150m by 2015. The peacekeeping costs of responding to endemic instability from climate change would be far higher, as would be the consequent impacts on security.

Reducing the Risks of Instability and Conflict

Though the negative trends above pose growing security threats to the UK, they are neither inevitable nor entirely without positive features. The growth of the global economy, fuelled by global trade and investment, is also raising people out of poverty, strengthening managerial and governance systems and providing state resources to ensure stability and security.

However, for many countries the negative factors outweigh any positive trends, and are compounded by destabilising demographic trends increasing the proportion of young men, by economic transformation and by the HIV/AIDS epidemic. HIV/AIDS disproportionately affects working-age and professional people, reducing the capacity of the country to manage tension peacefully; in many African countries 80% of the armed forces are HIV positive compared to 5-10% of the general population. Many weak governments have few resources to manage these threats and reduce the risk of instability and conflict. State weakness is particularly correlated with the incidence of “grand corruption”,

much of which is related to industrialised country investment, and which imposes annual costs of between \$1 trillion and \$1.5 trillion on the world economy.

The impact of global instability on UK security, as opposed to humanitarian or poverty reduction goals, is never straightforward, but these threats should not be dismissed on the grounds that the countries concerned are far away and that future conflict and instability can never be exactly predicted. The major driver of asylum seekers moving into the UK has been internal conflict and state failure, and refugee camps have provided ideal recruitment camps for extremist movements globally. The UK's long term strategy to engage and foster moderate Islam, especially in the European neighbourhood, would be fatally undermined by the emergence of endemic instability and economic decline in these countries; a scenario which is highly likely given current trends and an absence of serious economic and political reforms.

Rebalancing the Strategic Mix

A broad-based security strategy needs to take into account these trends as both drivers of direct security threats and inhibitors of successful security responses. It would take a long-term and systemic approach to managing these risks, through a combination of four generic strategic approaches, which span foreign and domestic policy:

- > **Isolation** – closing/restricting borders, pursuing self-sufficiency in energy;
- > **Buffering** – reducing exposure to global shocks, for instance building national oil reserves, vaccine stocks, diversifying export markets;
- > **Reaction** – rapid response to emergent threats, for instance through military intervention and international police activity on drugs and international crime; and
- > **Prevention** – investing in global, regional and national governance networks to reduce instability and strengthen governance of key threats

There is no simple strategic solution to these complex problems; all responses are costly and have different probabilities of success. Interventions must be targeted and sustained if they are to be effective, and no country can work

everywhere. The effectiveness of each approach is heavily determined by the prevailing political context and willingness of others to cooperate.

There has been much analysis of the ineffectiveness of reactive responses in controlling the international illegal drugs trade, as prices continue to fall in all major markets. However, investment in strengthening national policing systems in supplier and transit states (such as Columbia, Afghanistan and Jamaica) has also met with mixed success. UK energy security policy has so far focused on EU market liberalisation. But with the decline in national oil and gas reserves, the UK now needs to reduce exposure to volatile markets through efficiency and renewable energy, and through much stronger engagement on energy and climate security with other countries through the EU.

The reality of UK security policy is that choices between these approaches are often made implicitly, and are heavily determined by existing institutional structures. The current security architecture is designed essentially to deliver isolation and reaction strategies, and it tends to underinvest in resilience and preventive strategies. Except for high-profile missions such as Iraq and Afghanistan, the UK security machinery finds it difficult to maintain a long term strategic focus on delivering reform and stability in any region.

The result is an unbalanced portfolio of action and funding which does not reflect the relative size of different security threats. The UK spends only £40 million on tackling organised crime overseas, and £200 million on preventing crisis and conflict (including UN and EU contributions but excluding peacekeeping missions and general development aid), compared with an annual armed forces budget of £35 billion. The UK is one of the largest global investors in preventive responses globally, but still has a large imbalance between its capability to project force and its capability to project stability, enforcement and good governance.

This approach does not mean cutting the UK's ability to project hard power, but complementing it with new capabilities to deliver stability and security. It is vital that the security benefits of such investment are clearly prioritised, in order to strengthen the political impetus behind such interventions. A good example is the Extractive Industry Transparency Initiative launched by the UK in 2002, which works with resource-rich countries and oil and mining companies to make payments to public authorities transparent and so less prone to corruption.

Given the very strong links between badly managed resource extraction, corruption and conflict, this probably represents one of the UK's most effective conflict prevention and security initiatives. However, it is still primarily seen as a development policy (and though created in the Cabinet Office is now led by the Department for International Development), which reduces the political priority given to engaging countries such as China, which are essential to its long term success but have yet to cooperate.

Following the spate of civil wars in the 1990s there was political pressure in the USA, the UK, Germany and others to invest in new forms of preventive security capability. However, this political push has disappeared since 9/11 and many of the reform processes have stalled. The failure to produce sustainable stability in Iraq and Afghanistan and potentially Congo is also leading to a louder call from “neo-realists” to retreat to a mainly reactive approach, avoiding “nation building” and merely intervening on a short term basis to attack perceived threats. But events in Somalia show the danger in taking a short-term approach to building security, as this allows the creation of “ungoverned spaces” and weak governance, which undermines a range of security objectives – not least, the attempt to win hearts and minds in the Muslim world.

It is unsurprising that there have been failures, given our weak capacity and short experience of stabilising countries and building governance systems; but this has been a failure of implementation, not strategy. The emerging successes in the Balkans, Aceh, East Timor and Sierra Leone, among others, show that with concerted long-term effort by the international community, security and stability can be achieved in these areas. The task is to move forward with a more ambitious and balanced security agenda, which will require some fundamental reforms in the security architecture.

The danger is that current proposals to combine and centralise UK security architecture around anti-terrorism strategy will result in only strengthening capability to deliver hard security and intelligence cooperation. While important, this will further marginalise and weaken the UK's ability to anticipate, prevent and respond to more complex and long-term threats driven by the trends above, and will undermine our ability to deliver a long-term strategy towards global Muslim extremism. The UK should reinvigorate its role in pioneering new approaches to facing these threats, as it did through leadership on the International Criminal Court, the “responsibility to protect” agenda, and increasing global peacekeeping capability.

The coming years also give the opportunity to reshape the EU's security capability, as the revived constitutional debate brings back discussion of a strengthened security architecture, including a new EU external action service. As enlargement has shown, if deployed imaginatively the political and economic scale of the EU provides a unique ability to promote stability and good governance; particularly important in North Africa, the Caucasus and Central Asia and through partnership with the African Union into Sub-Saharan Africa.

Terrorism and proliferation of weapons of mass destruction are core security threats, but they often obscure the importance of other threats to the UK's security and prosperity. In an interdependent world, a security strategy must of course address short-term hard security threats, but must also be able to motivate the long-term investment in cooperative institutions, relationships and governance needed to tackle underlying drivers of insecurity and conflict and the negative side of globalisation.

