

Europe in the world in 2023: Learning the language of power?

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List of abbreviations

AKP	Justice and Development Party
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BBP	Great Unity Party
BGP	Border Gateway Protocol
BRICS	Brazil, Russia, India, China, and South Africa
CIS	Commonwealth of Independent States
CCP	Chinese Communist Party
CFSP	EU common foreign and security policy
CHP	Republican People's Party
DDoS	Distributed denial-of-service
EaP	Eastern Partnership
EBRD	European Bank for Reconstruction and Development
EiW	Europe in the World
EMASOH	European Maritime Awareness in the Strait of Hormuz
EPC	European Policy Centre
EPF	European Peace Facility
EPoC	European Political Community
EU MFA	Macro-Financial Assistance
FSB	Federal Security Service of the Russian Federation
GCC	Gulf Cooperation Council
G20	Group of Twenty
G7	Group of Seven
HDP	Peoples' Democratic Party
IRA	Inflation Reduction Act
IPCEI	Important Projects of Common European Interest
IPEF	Indo-Pacific Economic Framework
MENA	Middle East and North Africa
MINUSMA	The United Nations Multidimensional Integrated Stabilization Mission in Mali
MHP	Nationalist Movement Party
NATO	North Atlantic Treaty Organisation
PKK	Kurdish Workers Party
Quad	Quadrilateral Security Dialogue
RDC	Rapid Deployment Capacity
ROK	Republic of Korea
rescEU	EU Civil Protection Mechanism
SCO	Shanghai Cooperation Organisation
TEU	Treaty of the European Union
TTC	Trade and Technology Council
UAE	United Arab Emirates
WTO	World Trade Organization

Executive summary

2023 will likely be another turbulent year for the European Union. This Outlook Paper presents a comprehensive overview of the main developments on the global stage in 2023, analyses and highlights how these will impact the EU's role in the world, and finally, outlines what the EU and member states can do to continue learning and speaking the language of power.

This is what the EU may expect to happen in several strategic regions and countries around the world and in its relationship with **key global actors**:

- ▶ The year 2023 could be a turning point for **EU-US relations** if emerging tensions undermine the recent transatlantic comeback and question the long-term sustainability of the relationship.
- ▶ No significant shift in **Britain's European orientation** can be expected in 2023 or for several years.
- ▶ The **Indo-Pacific** regional outlook is expected to be more volatile than usual in 2023 with great power competition and rising geopolitical tensions as additional destabilising factors.
- ▶ **China** is likely to try to improve relations with the EU in 2023 and reverse the downward trend and rhetoric of the last few years. Although Beijing's diplomatic style may change, the substance of its policies is unlikely to shift.
- ▶ In 2023, **Russia** will continue to be the most serious threat to Europe's security order and beyond. The Kremlin will continue using all weapons available to it – conventional and hybrid alike – to pursue its broad revisionist geopolitical agenda.
- ▶ Russia's full-scale invasion of **Ukraine** will continue and remain the main challenge to the country's security and economy in 2023. The burden of the war and post-war recovery needs will intensify with the prolongation of the conflict.
- ▶ Presidential and parliamentary elections, along with the centenary of the Republic, will dominate **Türkiye's** political agenda in 2023.
- ▶ In 2023, developments in the **Middle East and Northern Africa (MENA) region** will largely be shaped by the impact of the war in Ukraine. Multiple countries are bracing for high food security risks, on top of growing economic hardship, due to reduced food supply and rising prices.
- ▶ **EU-Global South relations** are expected to turn more fraught in 2023 as developing nations struggle with the fallout from the war in Ukraine and the impact of the pandemic while also dealing with rising energy and food prices as well as climate change.

The EU also needs to prepare for several **emerging policy challenges and developments**:

- ▶ 2023 is likely to continue to be shaped by the ongoing and gradual consolidation of a new global paradigm: **economic security**. Although cooperation is still present worldwide, competition and confrontation are central features of this emerging geo-economic system.
- ▶ In 2023, the transformation of the **global energy landscape** triggered by Russia's invasion of Ukraine is unlikely to slow down. The EU and its member states will need to do more to replace the fossil fuels from Russia that have been Europe's main energy source for decades.
- ▶ In 2023, **European defence** plans will continue to be shaped by the implications of the war in Ukraine, the Union's gradual adaptation to a new European security environment and striving to meet EU and NATO commitments. In a much more volatile environment, threat perceptions and political will are likely to be decisive factors in building-up the Union's strategic ambitions in security and defence.
- ▶ 2023 will be a defining year to determine whether EU leaders will be able to overcome the 'rhetoric-credibility gap' regarding **enlargement policy**, now that the war in Ukraine has re-focused attention on the Western Balkans, a region viewed as another potential battlefield for geopolitical confrontation.
- ▶ In 2023, the EU's **Eastern Partnership (EaP)** policy will need to be reformed to adapt to the new geopolitical realities in the region or risk becoming increasingly fragmented or even obsolete. The EU27 needs to offer clarity on the long-term sustainability of EaP.

The EU should take the following **actions** in dealing with the permacrisis and boosting its ability to learn and speak the language of power:

- ▶ **Set strategic goals** for the coming decade and consider how to achieve them in light of Europe's watershed moment of 24 February 2022. In a world of limited resources, priorities and trade-offs should be considered.
- ▶ **Foster better coordination** between the European External Action Service, the European Commission and its Directorates-General. The continued policy of 'siloesation' within the EU undermines its overall ability to project power and influence.
- ▶ Identify the tools and processes that can be mobilised within the current EU Treaties to **build up its capacity and freedom to act**, as well as its executive power in global affairs. If there are areas that need treaty change, prepare a roadmap with needed reforms.

- ▶ **Continue building partnerships with like-minded countries** to achieve common goals, but, in the current geopolitical vortex, pragmatically engage with those that continue to be reliable partners.
- ▶ The EU should continue to **invest politically and diplomatically in its engagement with the central branches of the US government** – presidency and Congress – to avoid a negative spill-over of ongoing irritants into the broader strategic relation. Both sides should continue to work closely together in raising the costs for Moscow regarding Russia’s aggression on Ukraine.
- ▶ **The EU should continue its pragmatic approach to relations with the United Kingdom** and explore all possible synergies in security and foreign policy, especially with regard to support for Ukraine.
- ▶ **The EU should start operationalising and boosting its institutional presence in the Indo-Pacific** by building up its capacity and partnering up with regional organisations and countries to ensure better connectivity and effective security.
- ▶ The EU should **continue pursuing a strategy of economic diversification from China** while avoiding a further deterioration in the relationship. High-level dialogue should be maintained to reverse the countersanctions on European analysts and Members of the European Parliament. The EU should closely monitor China’s ties to Russia.
- ▶ **The EU and the West should increase economic pressure on Russia** to significantly exhaust its ability to wage its war, support European companies and banks to relocate from Russia to other countries in the region and diversify supply-chains, reducing reliance on Russia for critical imports such as fossil fuels - including LNG - iron and steel products, non-ferrous metals, fertilisers, and nuclear fuel.
- ▶ **The EU (and other Western partners) should expand and accelerate their support to Ukraine** in key areas (military, humanitarian, financial, political, and diplomatic) to enable Ukraine to sustain the war, liberate its territories, and obtain permanent security guarantees from its allies. The EU should boost its support for Ukraine’s further European integration and start accession negotiations as soon as Kyiv meets the necessary requirements set out in the European Commission’s Opinion.
- ▶ **The EU must develop a clear strategy for relations with Türkiye**, putting an end to years of muddling through. A victory for the opposition in the coming elections could cause a full reset of relations. If President Erdoğan is re-elected, despite the many challenges the ties have faced, the EU will need to reengage with Ankara.
- ▶ **To enhance its presence and credibility in the MENA region**, the EU should initiate and foster multilateral, issues-driven regional platforms that promote dialogue and address problems such as climate related challenges, food and water security, violent extremism, and green energy.
- ▶ If the EU is serious about expanding its influence and healing rifts in its relations with the **Global South**, instead of trying to speak the ‘language of power’, **EU policymakers will have to learn new diplomatic skills and step-up efforts to understand developing nations’ priorities.**
- ▶ In response to urgent **economic security** and technological-industrial competitiveness concerns, **the EU must move fast in the establishment of the announced Sovereignty Fund.** The EU needs a common borrowing and investment instrument to support emergency investments in Europe’s green energy transition and infrastructure; top-up financing for Important Projects of Common European Interest (IPCEI) for strategic industrial ecosystems such as batteries, cloud and hydrogen; and scale-up financing to promising Europe’s start-ups in critical breakthrough technologies (e.g. AI, quantum, biotech, clean tech).
- ▶ In a new age of **energy geopolitics**, **the EU and its member states need to replace the decades-long dominance of Russian fossil fuels in the European energy mix.** This can take the form of energy savings, energy efficiency measures and an accelerated transition towards renewable energy sources. In the long term, reducing reliance on fossil fuels via the large-scale deployment of wind and solar power offers the clearest pathway towards a sustainable, affordable, and secure energy future.
- ▶ **The EU and its member states should match their ambitions on security and defence** to the realities of a demanding new geopolitical environment shaped by the watershed. Emphasis should be placed on the swift implementation of crucial commitments such as the increase of defence budgets, the development of joint key capabilities and procurement, as well as progress on military mobility in Europe.
- ▶ **The EU should overcome the ‘rhetoric-credibility’ gap vis-à-vis its enlargement policy.** The EU should launch a strategic debate around the limits of EU expansion, the meaning of the EU’s absorption capacity, and the institutional reforms needed to further enlarge. This should be a structured process that could eventually lead to a renewed enlargement policy that can better respond to the *Zeitenwende*.
- ▶ **The EU should present an Eastern Partnership 2.0 policy to respond to the watershed.** The EU should also devote more assistance and resources to combat Russian disinformation as well as boost cybersecurity in EaP countries. The EU should also strive to play a bigger role in regional conflicts in the East, with efforts similar to the EU-facilitated dialogue between Armenia and Azerbaijan.

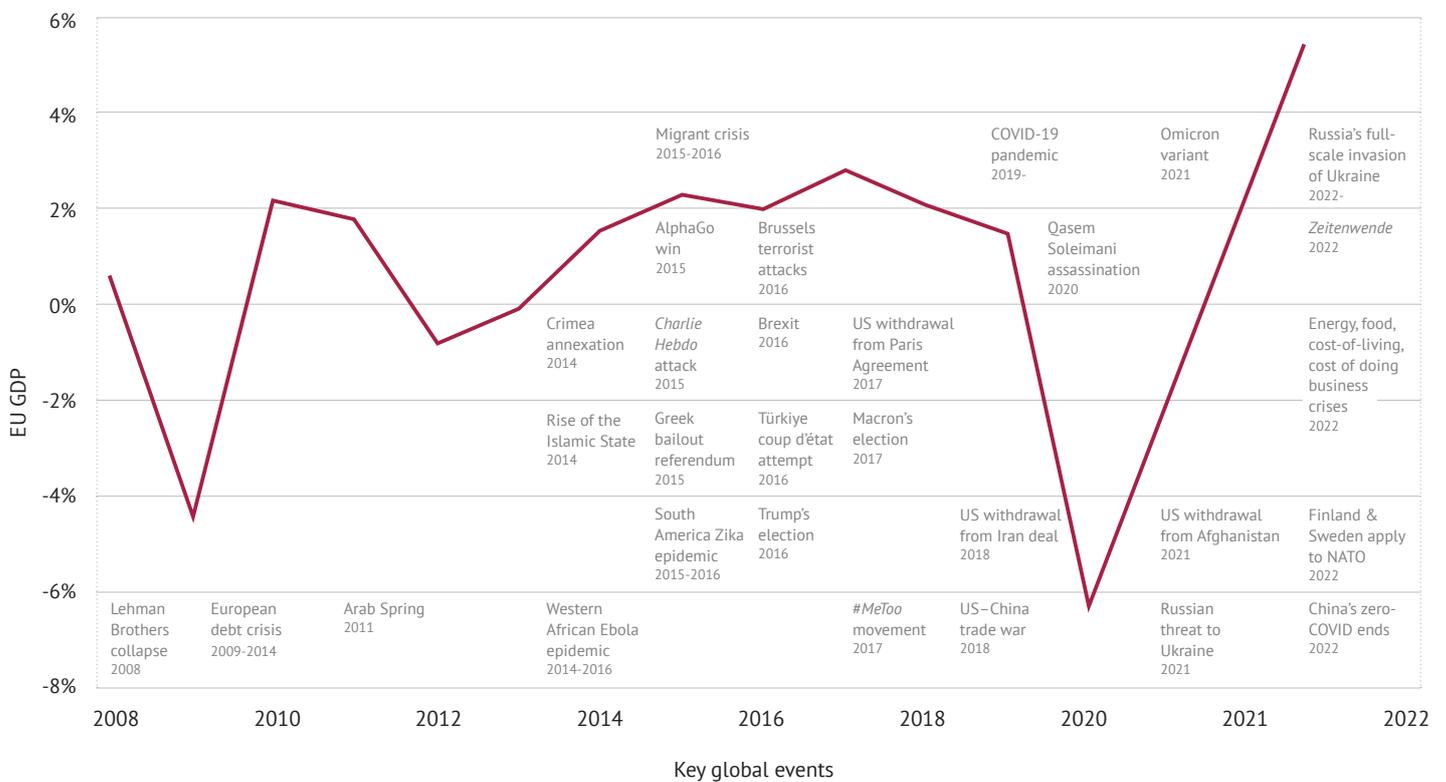
Introduction: Learning the language of power from permacrisis to *Zeitenwende*

The permacrisis¹ (see figure 1 below) is likely to continue generating high levels of uncertainty and volatility in Europe and in the world throughout 2023. Russia's war against Ukraine is a geopolitical watershed moment for the EU.² Alongside the brutal destruction and war crimes³ committed by Russia and the broader security upheaval unleashed by the war, the energy, food and cost-of-living crises are also affecting societies and businesses from the Global North to the Global South.

The EU is becoming a geopolitical actor not by choice, but by necessity. The crash course on geopolitics⁵ over the last few years is likely to continue in 2023. Russia's war of aggression against Ukraine revealed that, in a world of geoeconomic confrontation and renewed conflict in Europe, the EU needs to learn and speak the language(s) of power.⁶

Figure 1

EUROPE IN AN ERA OF GLOBAL PERMACRISIS (2010-22)⁴



Source: Authors, based on World Bank³

After Russia's invasion started, the EU reacted decisively and rapidly, showing the power potential in a host of EU policy sectors – the EU's hybrid power⁷ or collective power⁸ (see figures 4, 5 and 6 and tables 1 and 2). But as the war reaches one year and continues, the initial sense of urgency seems to have abated, and differences of opinion among member states on how to respond to Russia's aggression could split the EU27,⁹ revealing the challenges that a more geopolitical Union entails, especially considering the turning point in Europe's history.

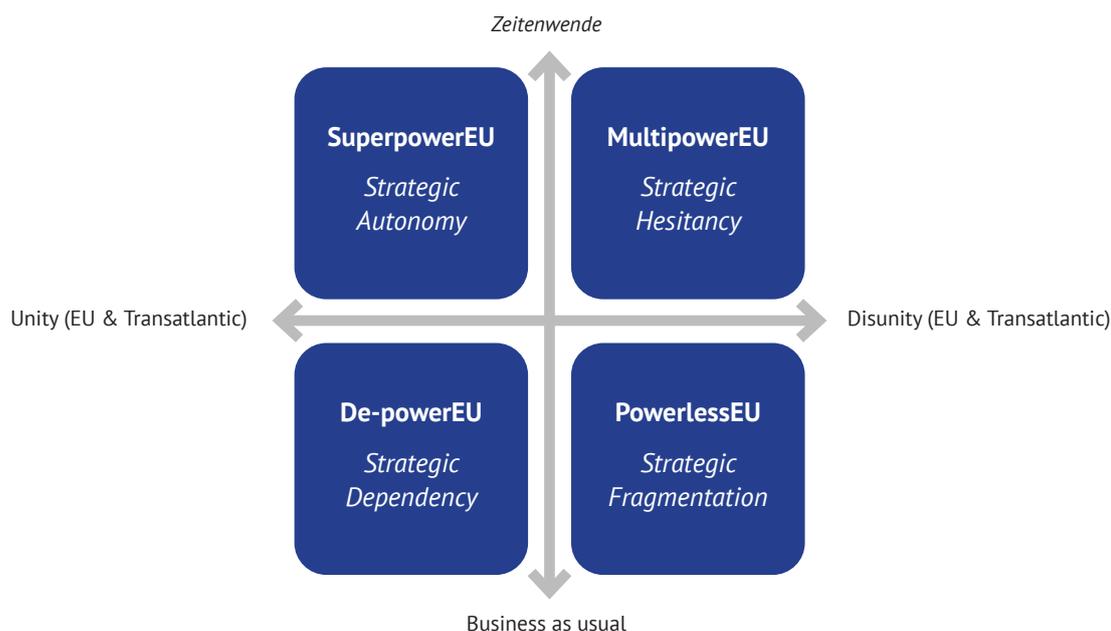
Key uncertainties are likely to shape the development and potential outcome of Russia's war in Ukraine. But, more importantly, they will influence Europe's global role and policies in 2023 and beyond.

Key uncertainties are likely to shape the development and potential outcome of Russia’s war in Ukraine. But, more importantly, they will influence Europe’s global role and policies in 2023 and beyond. Two are of significant importance and could shape scenarios (see figure 2 below) for the future of the EU through 2030 and beyond:

- ▶ Will the EU (and its transatlantic partners) remain united, or will the unity of the EU27 begin to crumble regarding the response to the watershed’s multiple consequences?
- ▶ Will European leaders show the needed ambition and political will to meet the policy challenges posed by the *Zeitenwende*, or will pressure to return to business as usual prevail?

Figure 2

KEY UNCERTAINTIES FOR THE EU THROUGH 2030



Source: Ricardo Borges de Castro and the Europe in the World programme

The outcome of these quandaries is likely to shape the next decade, and the EPC invites its readers to jointly build and discuss the scenarios above and their potential implications for EU policymaking.

The coming year, together with 2024, may prove to be a crucible where the future of the EU is decided. Much will depend on the ability of the EU and its member states to continue learning and speaking the language of power; something the EU has avoided for many decades, particularly in the great game of geopolitics.

Much will depend on the ability of the EU and its member states to continue learning and speaking the language of power.

THE OUTLOOK PAPER: A ROADMAP

This Outlook Paper is a **navigation guide for 2023**. It focuses on the most important global actors and regions, as well as flashpoints and emerging policy challenges for the EU.

The Paper begins by looking back at 2022 to revisit key events and assumptions projected in last year’s outlook. It then anticipates developments in select EU global relationships and policies for the coming year as the world confronts **Russia’s war of aggression on Ukraine** and its aftershocks, prepares for the effects of China’s re-opening after zero-COVID, and battles the remaining social and economic **tail effects of the COVID-19 pandemic**.

As the EU continues to learn the language of power in 2023, **key actors and regions** are likely to influence the Union’s role in the world:

- ▶ The **United States**, which continues to be Europe’s indispensable security and defence partner.

- ▶ **Britain**, from where the EU should not expect much change from its conservative government.
- ▶ The **Indo-Pacific**, with which the EU27 will continue to engage despite a fraught geopolitical environment.
- ▶ **China**, which has just reopened to the world after an abrupt end of its zero-COVID policy.
- ▶ **Russia**, which will continue to be Europe's most serious security threat.
- ▶ **Ukraine**, which will continue to face the challenges of the prolonged Russian aggression.
- ▶ **Türkiye**, which will be focused on elections and the consequences of the devastating earthquake.
- ▶ The **MENA region**, which will be facing food insecurity.
- ▶ The **Global South** which could become further estranged from the EU.

The Outlook Paper also zooms in on a few **flashpoints** that could require the EU's involvement in 2023, further complicating the permacrisis and putting additional pressure on European leaders. These include: **Russia's** destabilising influence in the Balkans; **Iran's** growing security threat; the troubled waters in the **Aegean** and **Eastern Mediterranean**; the dangerous power vacuum in the **Sahel**; deteriorating women and girls' rights in **Afghanistan**; and a new flareup in **Nagorno-Karabakh**.

Besides key actors, regions, and flashpoints, the gradual shift of global politics from a predominant model of cooperation to one of competition, confrontation, or even conflict is likely to continue throughout 2023.

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This emerging era of **contested interdependence**, where geopolitics and geoeconomics meet, is likely to raise **new challenges** and/or a rethink of existing **EU policies**: the emergence of an **economic security** paradigm that is likely to transform globalisation as it currently exists; the dawn of a new era in the **geopolitics of energy** and what it could mean for the EU; the adaptation of **EU defence** policy to a new security environment; the defining but unpredictable fate of EU enlargement policy; and, finally, the need for a new **Eastern Partnership** policy in light of the consequences of Russia's war of aggression on Ukraine.

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In this year's edition, there is a new feature that complements the projections on select key actors or policy challenges, called 'What if...'. This is used to trigger reflection on potential events and what the implications may be from an EU policymaking standpoint. In short, it prompts us to ask a **'What if...'** to avoid the **'If only...'**

Before looking ahead to what 2023 may bring, there needs to be a look back at 2022.

1. A look back at 2022: An exercise in foresight

Staying honest with analysis and projections as well as checking assumptions requires a look back.¹⁰ It is good foresight to go back and re-read our understanding of the world and Europe's role a year on. Several topics could be revisited, but three seem central in 2022: Russia's aggression against Ukraine, transatlantic relations, and China.

2022 will go down in history as a watershed year for Europe. When the EPC published the first edition of the Outlook Paper, the expectation was of a difficult year ahead: "2022 is likely to be a turbulent year for the [European] Union... The crash course on geopolitics initiated in 2021 is set to continue."¹¹ This was spot-on, but reality proved to be even more challenging than anticipated. The EPC's Outlook Paper is not a prediction exercise but rather a geopolitical roadmap for the year ahead, mired by possible pathways. So, the Outlook Paper did not explicitly project Russia's full-scale invasion of Ukraine.

In hindsight, should the 2022 Outlook Paper have done so? At the time, a renewed Russian full-scale attack on Ukraine, although plausible and possible, did not seem fully rational from a Russian national interest perspective. And the EPC was not alone in what could be considered an analytical 'blind spot.' What was clear was that for Russia: "*Pushing towards a geopolitical capitulation of Ukraine by derailing the country's Euro-Atlantic course and bringing Kyiv back into the Kremlin's so-called sphere of influence – including the possibility of renewed war – will remain a priority.*"¹² And this is exactly what Russia attempted to do and, so far, failed

"*Avoiding a full-fledged escalation or Russian invasion in Eastern Ukraine will be Kyiv's top priority.*"¹³ Although Ukraine and its allies were not able to avoid the full-scale invasion, the tables have turned. The bravery and sacrifice of the Ukrainian people turned what the Kremlin (and several Western analysts) thought would be a 'walk in the park' into the biggest strategic setback to Russia since the collapse of the Soviet Union. President Putin's miscalculations and hubris have led Russia from defeat to defeat in a war that reaches its first year on 24 February. Yet, Russia is set to continue its brutal offensive, and transatlantic partners should be ready for it.

Russia's illegal aggression against Ukraine also spoke directly to the question asked regarding EU-US relations in 2022. In a make-or-break year, would there be a "transatlantic comeback"? What was uncertain last year, given the deterioration of the EU-US relationship since 2016 and well into President Biden's first year in office, Russia made abundantly clear: the war revived NATO, led Finland and Sweden to apply for membership in the alliance, brought Denmark into the EU's common security and defence policy (CSDP), strengthened the

transatlantic bond to a Cold War level, pushed European nations to stop pressing the snooze button when it comes to investing more in the continent's security and defence, and turned the EU into a provider of military assistance to Ukraine through the European Peace Facility (EPF).

The war revived NATO, led Finland and Sweden to apply for membership in the alliance, brought Denmark into the EU's common security and defence policy, strengthened the transatlantic bond to a Cold War level, pushed European nations to stop pressing the snooze button when it comes to investing more on the continent's security and defence.

Although the pathways for the transatlantic comeback were not sketched, the one that played out was hardly foreseeable before Russia's aggression, and even then, it was not a given. Perhaps, this was not a blind spot, but a reminder that the future is plural and can evolve in many ways.

Lastly, China. On the country itself, the Outlook Paper's projections were precise and broadly materialised throughout 2022. There was uncertainty on how long China would stay closed due to a zero-COVID policy. "*A looming question is how long the country will remain in self-isolation, with strict quarantine measures and border controls to avoid the spread of the coronavirus.*"¹⁴ The end of 2022 brought an abrupt answer to this question and China's re-opening is likely to shape events in 2023, from geoeconomics to geopolitics.

As written in the opening pages of the 2022 Outlook Paper: "*The growing rivalry between China and the US, along with the tensions caused by Russia to re-write Europe's security architecture, are likely to be pivotal geopolitical features of 2022.*"¹⁵ They were and are likely to remain during 2023 with implications for Europe's global role.

EU policy and decision-makers need to factor in that Russia's armed revisionism, China's re-engagement with the world, the US' increasingly protectionist policies, and the lasting effects of the COVID-19 pandemic are likely to be central agents of change and uncertainty in the new chapter of the permacrisis.

2. Key regions and players

As the EU continues to learn the language of power in this age of permacrisis, there are key actors and regions that are likely to shape the Union’s role in the world in 2023. Starting with the United States, the focus of the Outlook Paper turns West to the Indo-Pacific, China, Russia, Ukraine, Türkiye, and the Middle East and North Africa.

In special contributions for the 2023 edition, EPC Senior Advisers, Andrew Duff and Shada Islam, turn the EU compass respectively North to Britain and to the Global South. This selection reflects the EPC’s vision of what and who will be most relevant for EU foreign policy and global engagement in 2023.

I. THE US: A TRANSATLANTIC DÉJÀ-VU

2023 could turn out to be a turning point for EU-US relations. A key question remains open: is the current transatlantic comeback¹⁶ sustainable in the long term or will emerging tensions undermine its revival ahead of key elections on both sides of the Atlantic in 2024? The EU should continue to invest politically and diplomatically in its engagement with central branches of the US government – presidency and Congress – to avoid a negative spill-over of ongoing irritants (see table below) into the broader strategic relations, which are vital to overcoming the current geopolitical watershed.

Europe and the US, although much closer than before, are still in an ‘open relationship’. The way both sides manage the war in Ukraine as well as deal with policy and strategic irritants, such as trade or China, are likely to have profound implications for the future of transatlantic relations, well beyond 2023.

Developments in domestic politics in Brussels and Washington could also spell trouble if the current window of opportunity to build a stronger, more balanced transatlantic relationship is not seized before it possibly closes.

Developments in domestic politics in Brussels and Washington could also spell trouble if the current window of opportunity to build a stronger, more balanced transatlantic relationship is not seized before it possibly closes. The potential (re-)election of Donald Trump or a Trumpian candidate in 2024 could derail the current, more positive trends in the relationship.

Table 1. Issues likely to shape transatlantic relations in 2023

Key issues	Areas of cooperation	Main irritants and possible areas of disagreement
Russia’s war in Ukraine ¹⁷	<ul style="list-style-type: none"> Sanctions Political and economic support in reconstruction and recovery 	<ul style="list-style-type: none"> Imbalance in support between European and US sides¹⁸ Burden sharing in providing military assistance, capabilities, and enablers¹⁹ NATO’s lack of action Energy crisis
Geopolitical competition and strategic environment	<ul style="list-style-type: none"> Working together to tackle Russia’s illegal actions NATO-EU cooperation²⁰ 	<ul style="list-style-type: none"> Dealing with China and a lack of agreement on how to approach the challenges it raises: rival, competitor, partner²¹ Perception of strategic autonomy as opposed to NATO’s role
Economic security	<ul style="list-style-type: none"> Trade and Technology Council Chips Act²² Climate change 	<ul style="list-style-type: none"> Inflation Reduction Act²³ Investment competition²⁴ Lingering issues: data transfers, privacy issues

Source: Authors

Russia's evolving war of aggression against Ukraine and its potential outcome will be the key issue shaping transatlantic relations in 2023 and beyond. Given the significant threat posed by Russia to Europe, it is likely that transatlantic ties will remain strong and that Western and like-minded partners will continue supporting Ukraine in its self-defence despite a challenging global economic environment.

But there are challenges ahead. Russia's aggression reinvigorated NATO and brought the US back to Europe as the chief guarantor of the continent's security and territorial integrity. The short-to-medium-term effect of this *re-pivot to Europe* is that the continent (or at least the EU) has been reminded of its irrelevance when it comes to its own security, defence, and deterrence.

This is a *déjà-vu* that European (and not only) supporters of 'strategic autonomy' regret. But, as long as Europe's security order faces an existential threat, the marginalisation of the EU in defence matters is likely to endure in 2023. This does not mean that the EU should abandon its renewed ambition in the field of defence (see page 36). Although unevenly, European countries are also likely to gradually invest more in security and defence in 2023 and beyond. However, the fruits of that investment will only be harvested in the longer term, and much will depend on Germany's reaction to its *Zeitenwende*, which began on 27 February 2022.²⁵

China is likely to remain a contentious issue in transatlantic relations in 2023 (see page 15 on China). As the country ditches the zero-COVID policy and re-opens, it is likely that Beijing will seek to reengage diplomatically and improve relations with Europe, in part as a strategy to drive a wedge between both sides of the Atlantic. Despite gradually hardening their positions and coming closer to Washington's views on the long-term challenge that China poses, several major European countries are wary of severing economic and commercial ties with such a big market. Nevertheless, drawing lessons from Europe's chronic dependence on Russian fossil fuels, it is likely that Europe will continue its efforts to diversify and reduce strategic dependencies in 2023, while the US will continue its technological de-coupling from China.

Washington finally jumped on the EU's green bandwagon, but the tools it is using could lead to competition (or even confrontation) instead of cooperation, luring key investments needed for European industry to the US.

The US's new Inflation Reduction Act (IRA) will be a sensitive issue in 2023 (see page 32 on economic security).²⁶ How the EU and member states respond to it in the long-term and how both sides try to mitigate negative spill-over effects for the broader relationship will be important. Washington finally jumped on the EU's green bandwagon, but the tools it is using could lead to competition (or even confrontation) instead of cooperation, luring key investments needed for European industry to the US.

As much as President Biden may be focused on his middle class, so are European leaders. Arguments that the IRA makes the US stronger and consolidates the US as the global hegemon, benefitting Europeans, are unlikely to persuade Brussels if its implementation undermines European industry and the EU's economic security along the way.²⁷ Both sides of the Atlantic need strong and sustainable economies with resilient societies that can withstand the impact of a war on the economy and the current geopolitical vortex.

Both sides of the Atlantic need strong and sustainable economies with resilient societies that can withstand the impact of a war on the economy and the current geopolitical vortex.

As 2023 draws to a close, political attention in Brussels and Washington will gradually shift to the European Parliament's elections in late spring of 2024 and the US presidential elections in November 2024, which are preceded by primaries for the Democratic and Republican parties from February to June 2024. Therefore, the political focus is likely to gradually shift inwards although the external challenges will remain.

Diplomacy, political commitment, and transatlantic coordination will be badly needed throughout 2023 to avoid boosting latent European anti-Americanism as well as the hectoring and lecturing of so-called 'Venus' Europeans by Americans.²⁸ While criticism and debate are indispensable among democratic allies, it is important not to lose sight of the bigger picture, i.e., that only together are Europeans and Americans likely to prevail in this new era of permacrisis and confrontation.

Europe and Britain: No change in sight – *Special Contribution* by Andrew Duff, EPC Senior Adviser

In 2023, there will be no significant change in the European policy of the Conservative government. Although Rishi Sunak was a Brexiteer in the 2016 referendum, he is trusted neither by the right nor left of his party. If he strays towards convergence with Brussels, he will be felled by Boris Johnson. The most he hopes for is the avoidance of a major breakdown of EU relations. A pragmatic solution can improve the trading situation of Northern Ireland, but the government will continue to antagonise the EU in other ways: its wholesale repeal of all retained EU law, for example, breaks the agreement on “non-regression” from EU standards.

The UK will participate in the conferences of the European Political Community (EPoC) (See page 16) only in so far as the new forum is not owned by the EU institutions. Indeed, if the UK shows itself to be active in the European Political Community, it will be to ensure that there is no forced marriage hatched by French President Emmanuel Macron between EPoC and the EU.

The next general election is expected at the end of 2024, with a Labour victory.²⁹ Keir Starmer as Prime Minister says he wants to “make Brexit work”: he will seek neither to re-join nor sign up to the Single Market.

As far as Britain is concerned, do not expect Russia’s invasion of Ukraine to spark a renversement des alliances. That the EU was a feeble player in global politics featured prominently in the case made for Brexit. The UK, it was argued, with its proud martial past, was fettered by the constraints and incoherence of EU common foreign and security policy (CFSP). Over the years of its EU membership, the UK’s commitment to CFSP was reluctant and formalistic: British governments seldom contributed to substantive common policymaking at the European level. Rivalry with the French — notably over the Iraq War — was the norm.³⁰ Both Paris and London, for their own and contradictory reasons, sought to keep the EU and NATO well apart. This separation was insisted upon not only in terms of legal protocols — see Article 42 TEU — but also in operational matters. The spectre of an emerging ‘European army’, which haunted British politics from Churchill to Johnson, still lurks.

Liberated from the confines of CFSP, the UK was an early responder to the war in Ukraine. Since 2015, it has trained thousands of Ukrainian troops. After the Russian invasion in February 2022, Britain provided £2.3 billion of lethal aid, making it the second largest military donor after the US.³¹ It has promised to match that sum in 2023, including the dispatch of Challenger 2 battle tanks (although too few to have a significant military impact). London is claiming that its ‘leadership’ in Ukraine will goad Germany and France into following on behind.

The government’s stance on Ukraine has unusual bipartisan support. Ben Wallace, Secretary of State for Defence, one of the longest serving cabinet ministers (in post since July 2019), is respected on both sides of the House of Commons. Few British cabinet ministers, however, have first-hand experience of EU politics and institutions. Prime Minister Rishi Sunak has none. British support for Ukraine against Russia does not stretch to backing President Zelenskyy’s application to join the EU. (Would it help if it did?) Traditional British policy has been to support EU enlargement in principle only as a way of diluting the federal tendencies of Brussels. While the UK remains indifferent on Ukraine’s EU membership bid, it does not support Ukrainian membership of NATO within any foreseeable timetable.

As a result, no significant shift to Britain’s European orientation can be expected in 2023, or indeed for several years. In the long run, no doubt, the UK should accept some form of affiliation with a reformed EU — possibly alongside Ukraine, Europe’s other outlier. Such partial membership should be based on a Customs Union and a deep and comprehensive free trade agreement, but it would also need to accommodate the complex of British ambitions and inhibitions in security and defence (as well as Ukraine’s Russia problem).³² The most we can hope for is that 2023 will see the start of a deeper reflection on these geopolitical issues than heretofore — in both Brussels and London.

II. INDO-PACIFIC: A FRAUGHT GEOPOLITICAL ENVIRONMENT

In 2023, the Indo-Pacific regional outlook is expected to be more volatile than usual with great power competition and rising geopolitical tensions as additional destabilising factors. Yet, while global economic growth looks grim in many parts of the world, the Indo-Pacific is set for modest expansion thanks to growing economies (e.g. Indonesia, Vietnam, India), and signs of an economic rebound in China after easing COVID-19 restrictions.⁵⁵

Despite the war in Ukraine, the willingness of EU member states to engage in the Indo-Pacific has not disappeared. The EU should start operationalising its institutional presence in the region by boosting its capacity and partnering up with regional organisations and countries to ensure better connectivity and effective security.

The geopolitical architecture in the Indo-Pacific will continue to be structured and built around the US-China strategic divide. Despite being reluctant to take sides, countries in the region will continue to find it increasingly challenging to be mere bystanders as they will have to strike a hard balance between economic benefits and security guarantees at a time of economic downturn and diminishing security.

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The war in Ukraine has numerous ramifications on how the EU views the Indo-Pacific, highlighting the importance of reducing over-dependence, particularly with countries with alternative worldviews and different values or willing to exploit their economic power. In the wake of growing uncertainty surrounding the EU-China relationship, the Union will continue to seek partners in the Indo-Pacific to boost security cooperation and implement its policy of economic diversification by resuming talks on trade agreements.

In this context, expectations that the Association of Southeast Asian Nations (ASEAN) markets will become more important are likely to increase along with a strengthening of relations with India, Japan, and the Republic of Korea (South Korea – ROK). Although Russia's invasion of Ukraine reshuffled the EU's priorities, its member states reiterated their commitment to play a more influential role in the Indo-Pacific.

2023 is likely to see a constant presence of selected European countries conducting operations in support of freedom of navigation and joint exercises with local navies. Still, the level of ambition should not be

overestimated: EU member states are likely to try to avoid direct confrontation with China by steering way from any escalatory move in highly contentious places, such as the East and South China Seas and the Taiwan Strait.

Strangled by sanctions and political isolation (see page 16 below), Russia is likely to look for more economic engagement in the East. Moscow's shifting attention eastward will potentially make it more reliant on its economic relations with Asian countries. In a place where the economic and political regional architecture is becoming extremely complex, this adds a further layer of unpredictability.

A series of summits in 2023 will shed light on the future set of alliances in the Indo-Pacific. Japan will host the G7,⁵⁴ India the G20⁵⁵ and the Shanghai Cooperation Organisation (SCO),⁵⁶ Australia the Quad Leaders' Summit and the US will host the Asia Pacific Economic Cooperation (APEC) leaders' meeting.

China's assertiveness, the repeated crises over the Taiwan Strait, and the increasing threats from North Korea are likely to lead to a further militarisation of the area, reviving nuclear ambitions and proliferation, and expanding national defence budgets (i.e. Democratic People's Republic of Korea, India, Pakistan, China), leading to the overall deterioration of the security fabric and potential unforeseen escalations (e.g. cyber and space).

2023 is also likely to mark the emergence of a more emboldened India. The country is projected to surpass China as the world's most populous country.⁵⁷ India's first indigenous aircraft carrier will enter full service by mid-2023⁵⁸ and it will host not only the G20, but also the SCO. Yet, its strong tradition of non-alignment and strategic posture of maintaining positive ties with the EU, the US, and Russia could alienate some sympathies from many countries supporting Ukraine over the war of aggression initiated by Moscow.

2023 is also likely to mark the emergence of a more emboldened India.

III. CHINA: WAIT AND SEE

As the country abandons its zero-COVID policy and re-opens to the world, China is likely to try to improve relations with the EU in 2023 and reverse the downward trend and rhetoric of the last few years. However, relations are likely to remain tense and will be fraught with challenges as Russia's aggression rages and Washington hardens its stance on Beijing. The EU should continue pursuing a strategy of economic diversification from China while avoiding a further deterioration in the

relationship. High-level dialogue should be maintained to reverse the countersanctions on European analysts and Members of the European Parliament. The EU should also closely monitor China's ties with Russia.

With President Xi Jinping securing a third term as leader at the 20th National Congress of the Chinese Communist Party (CCP), he is expected to maintain unrivalled control over China's domestic and foreign policy for the foreseeable future. While Beijing's broader policy vision and direction will not substantially change, major challenges are piling up on Xi's agenda, which will put the CCP under significant pressure, both at home and abroad.

Domestically, the zero-COVID strategy was not only hurting the economy but also causing so much social dissatisfaction that it sparked national protests that eventually led to a dramatic change of course, putting the Chinese healthcare system under immense stress.³⁹ Among many other problems, rising internal debt and a real estate downturn will mark China's economy in 2023, with one of its worst economic performances in decades.⁴⁰ While China's recovery is likely to be very rapid following the end of lockdown measures, the economic rebound remains fragile and the economic fundamentals risk facing many problems ahead if not addressed in time.

China's image internationally, especially in Western countries, has steadily deteriorated due to Beijing's refusal to condemn Russia's invasion of Ukraine. Even though Chinese officials have made some veiled criticisms about Russia's invasion, Beijing's relations with Moscow are likely to stay strong, and the EU should keep a close eye on them.

China's image internationally, especially in Western countries, has steadily deteriorated due to Beijing's refusal to condemn Russia's invasion of Ukraine.

The EU will continue to find itself in a difficult position as it becomes increasingly aware of the potential risk of growing dependence on China. In the meantime, the Union and its member states will struggle to frame a new and consistent China policy that goes beyond the 'rival,' 'competitor,' and 'partner' approach.

Germany will launch a new China strategy, which is likely to have a tougher evaluation of bilateral economic relations with China and will push for more diversification or risk reduction. However, a policy revolution from China's largest trading partner in Europe is unlikely.

While the tit-for-tat sanctions are unlikely to be removed, the situation could deteriorate with Brussels increasingly aligning itself with Washington on China, together with

greater scrutiny from the EU on its economic and political relations with China. Nonetheless, several EU countries will avoid further deterioration of their political and commercial ties with China for a variety of reasons.

Despite the numerous challenges China faces at home, Beijing is likely to step up pressure on Taiwan in 2023, as a way to assert its primacy over the Taiwan Strait. This is a result of a number of high-profile international visits and policies that have increased the potential for an escalation. This could not only increase the level of international and regional tension, but also put the supply of technological materials at risk.

IV. RUSSIA: MOUNTING COSTS, AN ECONOMY IN TROUBLE, BUT DEFIANT AND DISRUPTIVE

In 2023, Russia will continue to be the most serious threat to Europe's security order and beyond. The Kremlin will continue using all weapons available – conventional and hybrid alike – to pursue its broad revisionist geopolitical agenda. In parallel, the costs to Russia's economy are expected to rise beyond 2023 because of the country's brutal war in Ukraine. The EU should be prepared to deal with an increasingly disruptive and unpredictable Russia. The EU27 should avoid becoming divided (or paralysed) in its support for Ukraine, as Moscow is likely to double-down on threats (including nuclear) and its propaganda war machine.

In 2023, Russia will continue to be the most serious threat to Europe's security order and beyond.

The EU and the West should increase economic pressure on Russia to significantly exhaust its ability to wage its war, support European companies and banks to relocate from Russia to other countries in the region as well as diversify supply-chains, reducing reliance on Russia for critical imports such as fossil fuels including LNG, iron and steel products, non-ferrous metals, fertilisers, and nuclear fuel.

The end of Russia's war in Ukraine is nowhere in sight. What President Putin expected to be a quick and relatively cheap 'special military operation' has become an expensive war of attrition. The collapse of the Putin regime – one way or another – remains a possibility in 2023 but not a certainty. Much depends on the evolving situation on the battlefield and internal dynamics, particularly within the security services (e.g. FSB or Federal Security Service).

Putin starts the year defiant and committed to continuing his invasion, with plans to mobilise 500,000 plus

conscripts⁴¹ in addition to the mercenaries⁴² supplied by Wagner and similar groups. Further mobilisations should be expected. Putin’s logic is that quantity will eventually wear out the Ukrainian armed forces. The country has also officially moved to a war economy.

Russia’s increasingly weak and insecure economic position in 2023, exacerbates the challenges faced by the Russian army *vis-à-vis* obtaining replacement arms and ammunition. Besides, Russian military and aviation industries, being particularly dependent on imported Western technologies, components (chips, sensors), and advanced services, will struggle to replace them with suitable alternatives.⁴³

Furthermore, given the growing Western military support to Ukraine and its determination to defend itself and liberate its land, the Kremlin has little to no chance of achieving a full military victory. Its occupation of the territories seized after 24 February also looks tenuous.

Still, Russia believes that Western support will eventually erode as the costs of supporting the war increase and fears grow over the Kremlin’s nuclear sabre-rattling. However, increased recognition of the existential threat that Russia poses, as well as admiration for Ukraine’s success on the battlefield, has made the West more united today than it was a year ago, including the EU’s public opinion. According to the Autumn 2022 Eurobarometer survey conducted between 12 October and 7 November 2022, 74% of EU citizens approve of the EU’s support for Ukraine following Russia’s invasion.⁴⁴ That makes Russian hopes of support for Kyiv fading or Ukraine being cajoled into peace negotiations unlikely for the time being.

The Russian economy is on shaky legs. In 2022, the Kremlin’s military spending increased by about a third (to 4.7 trillion roubles or about \$70 billion),⁴⁵ while Russia’s federal budget shifted into a deficit of 3.3 trillion roubles or 2.3% of GDP in 2022.⁴⁶ But 2023 will be more expensive⁴⁷ due to military spending, the costs of sustaining occupied territories, the money paid for mobilisation efforts, and security, not to mention the blowback due to sanctions.

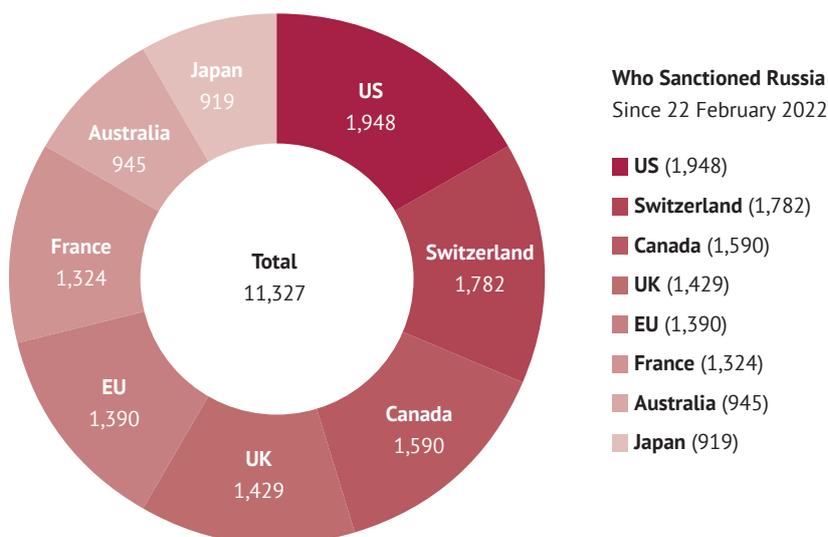
Indeed, the economic crunch that began in 2022 is likely to continue worsening, although it will not yet be catastrophic for the Kremlin in 2023 as the IMF now projects.⁴⁸ Still, as Western countries maintain the screws on Russian industries and significantly reduce their purchases of Russian supplies – such as natural gas, oil, coal, metals, and gold – it is likely that the full impact of sanctions will be felt later in 2023 and beyond. In fact, the most substantial restrictions on the export of oil only came into force between December 2022 and February 2023.

In 2023, the Russian job market will also likely suffer from the massive outpouring (approx. 1 million) of the working population in 2022, including the highly skilled, as well as from a parallel massive private capital outflow estimated at more than \$250 billion.⁴⁹ With ongoing mobilisation efforts, this emigration trend is likely to continue, and the Kremlin may have to put in place regulations to stop emigration.

In 2023, the Russian economy is also likely to take a further hit if gas and oil export revenues drop as projected. According to different estimates, oil and gas proceeds could decline by more than 30% in 2023,⁵⁰ and they historically represent about 45% of budget income

Figure 3

MAGNITUDE OF SANCTIONS PROGRAMMES TARGETING RUSSIA BY MAJOR SANCTIONING COUNTRIES, 22 FEBRUARY 2022 – 21 FEBRUARY 2023⁵¹



Source: Castellum.IA

for the Kremlin.⁵² Gas export flows and gas production will continue falling as Russia’s pipeline supplies to the EU market will further contract, while there is limited pipeline infrastructure capacity to quickly redirect these flows to other markets (gas exports to key markets fell by 46% in physical terms and gas production by 20% in 2022).⁵³ Prospects for Russian oil are also bleak, due to the West’s ban and \$60 price cap⁵⁴ taking hold.

The new round of EU sanctions on seaborne Russian oil products that took effect on 5 February 2023 put further pressure on the Russian economy.⁵⁵ While Russia will try to increase oil and gas sales to Asia – particularly to China and India – this will be increasingly difficult and costly, and it will not be able to compensate for the loss of the EU and other Western markets.

As gas and oil export revenues will shrink and military expenditures will grow (about 30% of budget spending is projected to be allocated to defence and security in 2023),⁵⁶ Russia will need to find additional sources to finance its growing budget deficit. Amid financial sanctions (including asset freezes and loss of access to external markets), Russia will continue to raid its Sovereign Wealth Fund: \$29bn is expected to be withdrawn from the \$148.4bn fund.⁵⁷

Further strengthening Western sanctions (reducing the oil price cap, sanctioning all systemic financial institutions, and preventing circumventions) will put Russia’s financial stability and budget performance under severe pressure. With export control sanctions by major Western countries being strengthened and the continued withdrawal of foreign investments, Russian industry’s access to

high-tech imports, including advanced technologies, equipment, and components, is likely to worsen, gradually undermining the productivity of the Russian economy.

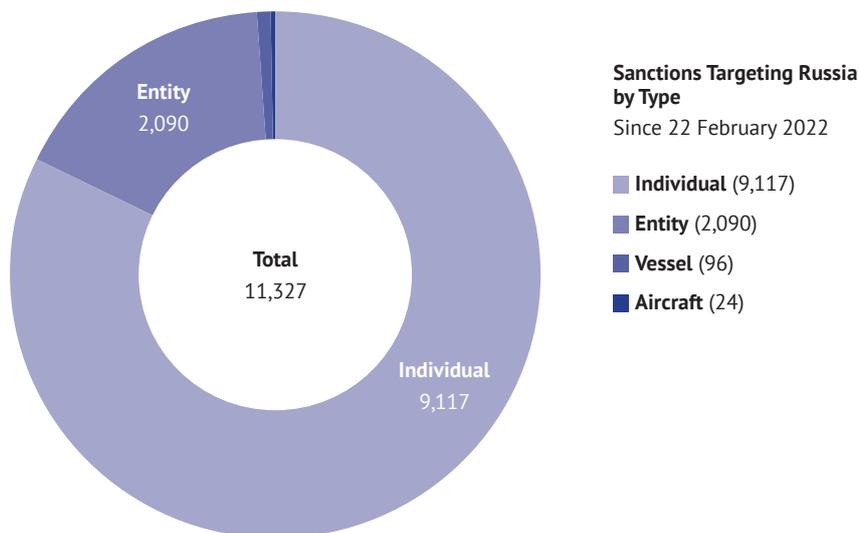
Russia’s economy is likely to continue diverting from advanced economies in the West to the East, as the EU and other partners take steps to permanently reduce reliance on Russian products, particularly on critical imports. Having provoked a serious energy crisis in Europe, Russia is bound to lose its position as a main energy supplier to the EU, while the Union will intensify its efforts towards a faster transition towards green energy and a low-carbon economy.

Russia’s dependency on China is likely to continue growing, increasing Russia’s exposure to the Chinese government’s decisions and risking eroding and weakening its political influence worldwide and in the region (including in Central Asia and other CIS countries).

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Figure 4

SANCTIONS OF MAJOR SANCTIONING COUNTRIES (EU, US, UK, JAPAN, AUSTRALIA, SWITZERLAND, CANADA, FRANCE) TARGETING RUSSIA BY TYPE OF SANCTIONS, 22 FEBRUARY 2022 - 21 FEBRUARY 2023⁵⁸



Source: Castellum.IA

Table 2. Sanctions, restrictive measures, and export controls on Russia (based on nine packages of sanctions adopted by the EU)



FINANCIAL, IT CONSULTANCY AND OTHER BUSINESS SERVICES

26 FEBRUARY 2022	The EU cuts Russia's access to the most important capital markets.
28 FEBRUARY	A ban on the transactions of Russia's Central Bank is imposed, paralysing billions in foreign reserves.
2 MARCH	The EU excludes seven Russian banks from SWIFT. Ban on investing in projects co-financed by the Russian Direct Investment Fund. Ban on the provision of euro-denominated banknotes to Russia.
15 MARCH	A ban on the provision of credit rating services to any Russian person or entity is placed.
8 APRIL	A full transaction ban and asset freeze imposed on four Russian banks; these banks are now completely cut off from the markets.
3 JUNE	The EU agrees to prohibit the provision of certain business-relevant services, such as accounting, auditing, bookkeeping, to the Russian government, legal persons, entities, or bodies established in Russia.
21 JULY	An additional three Russian banks - Russia's largest bank Sberbank, Credit Bank of Moscow, and Russian Agricultural Bank - and the Belarusian Bank for Development and Reconstruction are removed from SWIFT.
5 OCTOBER	The prohibition on accepting deposits is expanded to deposits from legal persons, entities or bodies established in third countries and majority-owned by Russian nationals or natural persons residing in Russia. The acceptance of deposits for non-prohibited cross-border trade are subject to a prior authorisation by the national competent authorities.
16 DECEMBER	Prohibitions on crypto assets have been tightened by banning all crypto-asset wallets, accounts, or custody services, irrespective of the amount of the wallet (previously up to €10,000 was allowed). Widened scope of services that can no longer be provided to the government of Russia or legal persons established in Russia: IT consultancy, legal advisory, architecture, and engineering services. Three additional Russian banks sanctioned, including a full transaction ban on the Russian Regional Development Bank to further paralyse Putin's cash machines. Ban on the provision of advertising, market research and public opinion polling services.



AIRSPACE AND TRANSPORT

27 FEBRUARY 2022	The EU agreed to shutdown EU airspace for all Russian-owned, Russian registered or Russian-controlled aircraft. The former will no longer be able to land, take off or fly over European territory.
8 APRIL	An entry ban on Russian flagged vessels to EU ports was agreed upon by the EU. In addition, a ban on Russian and Belarusian freight road operators working in the EU. An export ban on goods and technology in the aviation and space industry was also introduced.
3 JUNE	Oil transport services: After a wind-down period of 6 months, EU operators will be prohibited from insuring and financing the transport, in particular through maritime routes, of oil to third countries.
21 JULY	Port access ban: Russian flagged vessels are banned from accessing locks to prevent the circumvention of sanctions. Energy and food security: Transactions for agricultural products and the transport of oil to third countries with certain state-owned entities are exempted.



ENERGY

6 FEBRUARY 2022	Sale, supply, transfer or export to Russia of specific goods and technologies in oil refining has been prohibited.
15 MARCH	Prohibition of new investments in the Russian energy sector (with the exception of nuclear energy and the transport of energy products).
8 APRIL	The fifth round of sanctions imposed an import ban on all forms of Russian coal (in effect from 10 August 2022). Ban on exports to Russia of jet fuel.
3 JUNE	Ban on Russian oil imports (in effect for crude oil - from 5 December 2022, oil products – from 5 February 2023).
5 OCTOBER	Introduced a price cap related to the maritime transport of Russian oil for third countries. Ban on the export of coal including coking coal (which is used in Russian industrial plants).
3 DECEMBER	The Council set an oil price cap for crude oil and petroleum oils which originate in or are exported from Russia, at \$60 per barrel.



TECHNOLOGY AND DUAL-USE PRODUCTS

26 FEBRUARY 2022	Restrictions on exports of dual-use goods and technology have been imposed by the EU, as well as restrictions on certain goods and technology that can contribute to Russia's technological enhancement of its defence and security sector.
9 MARCH	Additional restrictions on the export of maritime navigation and radio communication technology have been introduced.
8 APRIL	Further targeted export bans have been introduced in areas in which Russia is vulnerable due to its high dependency on EU supplies.
3 JUNE	The EU expanded its list of export restrictions to include additional chemicals that could be used in the process of manufacture of chemical weapons.
5 OCTOBER	Ban on electronic components (found in Russian weapons), technical items used in the aviation sector, as well as certain chemicals.
16 DECEMBER	<p>New export restrictions on sensitive dual-use and advanced technologies including drone engines, camouflage gear, additional chemical/biological equipment, riot control agents and additional electronic components found in Russian military systems on the battlefield. Exports of drone engines to Russia and the export to any third country, such as Iran, are restricted.</p> <p>New export bans on toy/hobby drones, complex generator devices, laptop computers and computing components, printed circuits, radio navigational systems, radio remote control apparatus, aircraft engines and parts of engines, cameras, and lenses.</p>

Source: Authors, based on Council of the European Union⁵⁹



INDUSTRY

15 MARCH 2022	The EU introduced trade restrictions concerning steel and iron, amounting to €3.3 billion in lost export revenue for Russia.
8 APRIL	Import bans on cement, rubber products, wood, spirits (including vodka), liquor and high-end seafood (including caviar).
21 JULY	Ban on the import of gold originating from Russia, including jewellery.
5 OCTOBER	Almost €7 billion worth of additional import restrictions on the import of Russian finished and semi-finished steel products (subject to a transition period for some semi-finished), machinery and appliances, plastics, vehicles, textiles, footwear, leather, ceramics, certain chemical products, and non-gold jewellery.
16 DECEMBER	Prohibition of investments in the mining sector (with the exception of certain raw materials).



TRADE

15 MARCH 2022	Russian products and services were denied most favoured nation treatment, the former was agreed upon by both the EU and members of the WTO.
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MEDIA

2 MARCH 2022	The broadcasting activities of Sputnik and RT/Russia Today were suspended.
3 JUNE	The broadcasting activities of Rossiya RTR/RTR Planeta, Rossiya 24/Russia 24, and TV Centre International were suspended.
16 DECEMBER	Four additional Russian channels have been sanctioned by the EU.



RESTRICTIVE MEASURES

A total of 1,386 individuals and 171 entities are susceptible to restrictive measures (as of 20 January 2023).⁶⁰ These include an asset freeze and a prohibition from making funds available to the listed individuals and entities. Additionally, a travel ban is applicable to the listed persons preventing them from entering the EU territory.

Transactions with certain state-owned enterprises across different sectors have been prohibited.

Diplomats and other Russian officials will no longer benefit from visa facilitation provisions (this decision does not affect ordinary Russian citizens).

Golden passports ('sale of citizenship') have been restricted and an EU export ban on luxury goods has been introduced.

Source: Authors, based on [Council of the European Union](#)

V. UKRAINE: THREATS AND CHALLENGES OF PROLONGED RUSSIAN AGGRESSION

Russia's full-scale invasion of Ukraine will continue to remain the main challenge to the country's security and economy in 2023. The Ukrainian population's resilience is strong, but for Ukraine, the burden of the war and post-war recovery needs will intensify with the prolongation of the conflict. Following the EU-Ukraine Summit in Kyiv on 3 February⁶¹ and President Zelenskyy's successful European tour (8-10 February), the EU (and other Western partners like the UK, the US, and Canada) should expand and accelerate their support for Ukraine in key areas (military, humanitarian, financial, political, and diplomatic) to enable Ukraine to sustain the war, liberate its territories and obtain permanent security guarantees from its allies.

The EU should also boost its support for Ukraine's further European integration and swiftly start accession negotiations as soon as Kyiv meets the necessary requirements set out in the European Commission's Opinion.

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After a significant decline in Ukraine's GDP (by 30.4%),⁶² massive civilian casualties and displacement, and infrastructure damage in 2022, the country's survival and recovery will rely heavily on military developments and Ukraine's Western partners ability to maintain and accelerate assistance, particularly military aid. Scope, scale, and speed will be of the essence in 2023.

The first part of 2023 may see the most bloodshed and escalation yet, with Russia and Ukraine both preparing for major offensives. As a result, the level of destruction and casualties, along with the government's financing needs on defence and social expenditures, will further increase considerably, putting Ukraine's economic and humanitarian situation at great risk. It will therefore be critical for Ukraine to strengthen its military capacity, allowing it to effectively counter Russia's possible offensives, liberate its territories, including Crimea, and stop the destruction of the country as soon as possible.

Kyiv will continue to heavily rely on military and financial assistance from the international community to maintain macroeconomic stability and to finance its growing budget needs (in 2022, more than half of Ukraine's budget

deficit was financed by international partners).⁶³ In 2023, Ukraine will need predictable and systematic external financing of the country's \$38 billion budget deficit⁶⁴ and Kyiv expects its international partners - the EU, the US, the IMF, and others - to step-up support. With the EU's €18 billion assistance package (as a long-term loan with 'interest subsidy' paid by EU countries),⁶⁵ Washington's \$13 billion direct budget support⁶⁶ in the form of a grant, and other donors' financial aid, Ukraine will secure financing of the country's essential social expenditures in 2023. At the same time, to avoid a sovereign debt crisis and ensure Ukraine's long-term financial sustainability and recovery, priority should be given to non-repayable financial support.⁶⁷ Ukraine and its allies will also try to find a way to use the frozen funds of the Russian Federation to repay Ukraine's debt obligations and finance the country's recovery needs.⁶⁸

To sustain the wartime economy and avoid high inflation and fiscal crises, Ukraine will also need to mobilise domestic resources (e.g. export and other revenues) and improve the overall efficiency of resource use. As an export-oriented economy, Ukraine will focus on restoring its export capacity (Ukraine's exports of goods fell by a third in 2022)⁶⁹ and overcoming trade and logistic restrictions with major trading partners, firstly, the EU, where around 63% of Ukraine's total exports in goods were destined to in 2022.⁷⁰ To support the growth of exports and generate foreign currency revenues, it will be important to further prolong the EU's temporary decisions on trade liberalisation with Ukraine (i.e. abolishing all customs duties and tariff quotas for Ukrainian goods,⁷¹ streamlining customs procedures, liberalisation of road transport), and further increase the capacity of the EU-Ukraine solidarity lanes.⁷²

Further extending the Türkiye/UN-negotiated Black Sea Grain Initiative when it ends in mid-March 2023 will also be a priority. The deal has allowed Ukraine to unblock three Ukrainian ports and resume its Black Sea exports of grain and food products, helping shore up the economy. As of January 2023, over 18 million tonnes of grain and food goods have been exported, contributing to addressing the global food security crisis and lowering grain prices in global markets.⁷³

The EU accession process and preparation for membership negotiations will be a strategic priority in 2023. Kyiv will focus on implementing the seven conditions specified in the European Commission's Opinion to open accession negotiations, including strengthening the rule of law and judicial reform.⁷⁴ The European Commission report on Ukraine's progress in the spring and the adoption of its 2023 Enlargement Package will be key milestones.⁷⁵

Ukraine will also press ahead with the implementation of its EU Association Agreement and strengthen its institutional capacity for the effective conduct of membership negotiations.⁷⁶ Further strengthening and liberalising EU-Ukraine economic and trade relations is expected, as well as Ukraine's gradual integration into the EU's internal market.

EU integration will also play a central role in framing Ukraine’s post-war recovery, reconstruction, and refugee return. In line with Ukraine’s aspirations to integrate the EU internal market, Ukraine will need to comply with EU standards when rebuilding critical infrastructure, recovering physical and human capital, upgrading the institutional environment, and creating an energy efficient economy. At the same time, such an EU-aligned upgrade and modernisation will make Ukraine stronger economically and more able to deal with the competition challenges coming from membership in the internal market. The approval and implementation of Ukraine’s recovery plan in partnership with the international community will significantly enhance its recovery prospects after the war.

Political developments will be impacted not only by the military situation but also by the upcoming March 2024 presidential elections, which could still be postponed. The unity of political groups around national defence and EU integration topics during the first months of the war may not be sustainable throughout 2023. The opposition has already warned about the risks of politicisation of law enforcement agencies, threats to press freedom,⁷⁷ lack of transparency in certain areas, and an ineffective system of checks and balances on the ruling Servant of the People party.

In 2023, Ukraine will also strengthen efforts to seek justice for Russia’s war crimes and the crime of aggression with support from the international community,

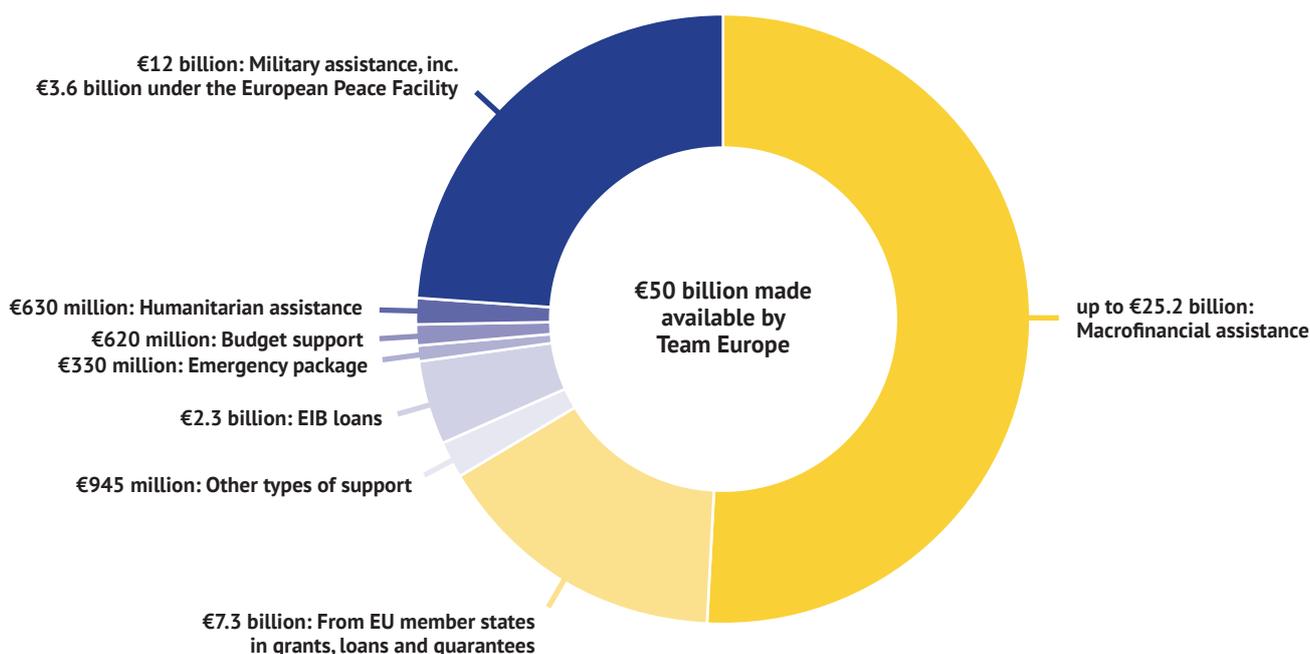
including rallying support for a Special Tribunal for the crime of aggression. It will also continue to push for permanent security guarantees from its allies, including from NATO, the US, UK, EU, and others.

In 2023, Ukraine will also strengthen efforts to seek justice for Russia’s war crimes and the crime of aggression with support from the international community, including rallying support for a Special Tribunal for the crime of aggression. It will also continue to push for permanent security guarantees from its allies, including from NATO, the US, UK, EU, and others.

The West’s unprecedented support and unity will remain essential for Ukraine to sustain this war in many domains, including military, humanitarian, financial, political, and diplomatic areas. Unity and coordinated actions will also remain crucial for increasing the effectiveness of international sanctions on Russia.

Figure 5

TOTAL EU ASSISTANCE (THE EU, ITS MEMBER STATES AND ITS FINANCIAL INSTITUTIONS) TO UKRAINE SINCE 24 FEBRUARY 2022, AS OF 15 FEBRUARY 2023⁷⁸



Source: Authors, based on European Commission “[EU assistance to Ukraine](#)”

Table 3. EU Support to Ukraine**EU ASSISTANCE TO UKRAINE**

Since the Russian aggression started, the EU, its member states, and its financial institutions, in a Team Europe approach, made available €37.3 billion to support Ukraine (as of 30 January 2023).⁷⁹ This has been in the form of macro-financial assistance, budget support, emergency assistance, crisis response and humanitarian aid. In addition, military assistance measures to the tune of €12 billion, of which €3.6 billion under the European Peace Facility. This brings the total support to Ukraine since the beginning of Russia's aggression to close to €50 billion.

**MACRO-FINANCIAL ASSISTANCE AND BUDGET SUPPORT**

The EU has made available €7.2 billion in EU macro-financial assistance (MFA) and €620 million in budget support. On 14 December 2022, the European Parliament and the Council adopted the Regulation on macro-financial assistance to provide €18 billion of support in the form of loans to Ukraine for 2023 through a new MFA+ instrument.

**EU MILITARY EQUIPMENT AND AID**

28 FEBRUARY 2022	The EU agreed to mobilise €500 million through the European Peace Facility to finance the supply of lethal and non-lethal material to the Ukrainian army.
23 MARCH	An additional €500 million will be provided under the European Peace Facility.
13 APRIL	The EU increased the initial assistance with an additional €500 million.
13 MAY	Another €500 million was provided by the EU.
19 JULY	A further €500 million was provided.
17 OCTOBER	The sixth tranche worth €500 million was provided. The EU Military Assistance Mission in support of Ukraine (EUMAM Ukraine) was launched to continue supporting Ukraine against the ongoing Russian war of aggression. ⁸⁰ Adoption of the assistance measure under the European Peace Facility worth €16 million to support the capacity building of the Ukrainian Armed Forces by EUMAM Ukraine.
23 JANUARY 2023	It was decided to give Ukraine €500 million, which brings the total amount of military aid paid for by the EPF to €3.6 billion.

**HUMANITARIAN SUPPORT**

The EU has provided €523 million for humanitarian aid projects.⁸¹ This includes €485 million for Ukraine and €38 million for Moldova (as of 20 January 2023). A further €330 million was provided for an emergency support programme that facilitates the secure access to basic goods and services.

Through the European Commission and Canada's initiative, 'Stand Up for Ukraine', €9.1 billion was raised to aid people fleeing the Russian invasion (including €1 billion from the European Commission). In addition, the European Bank for Reconstruction and Development (EBRD) announced an additional €1 billion in loan to cover the needs of people displaced from the invasion.

Delivery of material assistance via the EU Civil Protection Mechanism to Ukraine has also been set up by the Commission. Assistance has also been provided to Ukraine through the EU Civil Protection Mechanism (rescEU) medical stockpiles, with a total financial value of over €36 million.⁸²

Through rescEU, 20 European countries have offered around 800 power generators to Ukraine. At the request of the European Commission, €25.5 million have been made available to cover the immediate needs in the energy sector under the Ukraine Energy Support Fund established by the Energy Community.



SUPPORT FOR UKRANIAN REFUGEES

4 MARCH 2022	The Council of the European Union agreed to activate the Temporary Protection Directive (TPD) to offer quick and effective assistance.
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ENERGY SUPPORT

28 FEBRUARY 2022	The EU committed to delivering gas to Ukraine through physical reverse flow capacity from West to East.
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16 MARCH 2022	Ukrainian electricity grid – together with that of Moldova – was successfully synchronised with the Continental European Grid.
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11 MAY	The European Bank for Reconstruction and Development provided €50 million of emergency liquidity to Ukrenerg, the country's electricity transmission company.
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3 FEBRUARY 2023	The EU is providing 2,400 additional generators, further to the 3000 already provided. Over €157.5 million have been made available to cover the immediate needs in the energy sector under the Ukraine Energy Support Fund. The EU is also mobilising €30 million to purchase 35 million LED light bulbs for Ukraine.
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EU MEMBERSHIP

28 FEBRUARY 2022	Ukraine formally applied for EU membership.
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3 MARCH	The Republic of Moldova and Georgia also formally applied to join the EU.
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7 MARCH	The EU agreed to begin examining Ukraine, Moldova and Georgia's accession bids.
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8 APRIL	European Commission President, Ursula von der Leyen, handed President Zelenskyy the questionnaire (the latter is a formal instrument that is necessary to move forward in the accession process).
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23 JUNE	A summit of EU leaders unanimously agreed to grant Ukraine with candidate status. On this day, the EU also granted Moldova candidate status and argued that candidate status would also be granted to Georgia as soon as several 'priorities' had been addressed.
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13 DECEMBER	The EU Council Conclusions on the enlargement process: In spring, the European Commission will preliminarily assess Ukraine's progress in implementing the seven recommendations necessary to start negotiations on Ukraine's EU membership.
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Source: European Commission, "[EU assistance to Ukraine](#)," (accessed 15 February 2023)

VI. TÜRKİYE: ALL ABOUT THE ELECTIONS

Presidential and parliamentary elections, along with the centenary of the Republic, will dominate Türkiye's political agenda in 2023. While slated for 14 May, the elections may be postponed due to the impact of the devastating earthquakes in the Southeast of the country on 6 February.

With the 2017 constitutional reform shifting Türkiye from a parliamentary to a presidential system of governance, the ballot for the president is the main event. Irrespective of who wins Türkiye's 2023 elections, the EU must develop a clear strategy for relations with Ankara, putting an end to years of muddling through. An electoral victory for the opposition should bring about a full reset of relations. If President Erdoğan is re-elected, despite the many challenges the ties have faced, the EU will need to reengage with Ankara. Türkiye is now a major regional power with an expanding global footprint, making Ankara a crucial interlocutor on numerous issues of common concern.

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The elections have a strategic importance that goes far beyond the upcoming legislative period. It could be the last opportunity to prevent the total erosion of Türkiye's secular democracy. The economy, migration (of Syrian refugees) and issues related to the earthquake will be key electoral topics along with major foreign policy issues, including NATO's expansion, Russia's war in Ukraine, the Aegean, Cyprus, Syria and transatlantic ties.

Turkish president, Recep Tayyip Erdoğan, and the governing People's Alliance (*Cumhur İttifakı*) comprising of Erdoğan's Justice and Development Party (AKP), in power since 2002, the Nationalist Movement Party (MHP) and the Great Unity Party (BBP) will fight with all available resources to remain in power. After a prolonged economic crisis, polls show support for Erdoğan and the AKP at an all-time low. While this offers the opposition alliance, a diverse group of parties⁸³ representing ideological positions across the political spectrum, an opportunity to snatch the victory, major challenges remain.

The playing field is not level. President Erdoğan and the AKP eroded institutional checks and balances and captured the media and the judiciary. Further restrictions on fundamental rights and freedoms and smear campaigns against popular opposition figures are likely to increase. One example is the sentencing of Ekrem İmamoğlu,⁸⁴ the Mayor of Istanbul and CHP member, to more than two years in prison and a lifetime political

ban. Despite Türkiye having a long history of free and fair elections, Erdoğan may manipulate or contest the results on election night. The opposition alliance's ability to remain united put personal goals aside and find a common approach to key issues is also a challenge. The choice of a presidential candidate will be a crucial factor in the race for the presidency.

The playing field is not level. President Erdoğan and the AKP eroded institutional checks and balances and captured the media and the judiciary.

Often kingmakers, the Kurdish vote and the pro-Kurdish Peoples Democratic Party (HDP), the third biggest party in the Parliament, is crucial. A key disadvantage for Erdoğan is his current weakness in terms of Kurdish support.

What if... the Turkish opposition wins the elections?

The departure of President Erdoğan would carry huge implications for Türkiye, the region, and the rest of the world. Türkiye would return to the Western fold, drawing a line under the country's increasingly illiberal geostrategic trajectory. Fundamental rights and freedoms will rapidly improve with the release of numerous individuals jailed on bogus charges. In terms of foreign policy, the opposition would prioritise revitalising transatlantic ties and returning Türkiye to the West. There would also be an improvement in relations with the EU although some challenges would remain, including those related to the unresolved Cyprus problem.

While relations with Israel and other normalisation processes in the Middle East are likely to continue to make positive progress, other areas of foreign policy, including the situation in the Aegean, Eastern Mediterranean, and the South Caucasus, would see continuity. Prospects for Türkiye-Russia relations remain unclear although the opposition is unlikely to be so accommodating to Moscow on some issues. Whether the opposition can be such an effective geopolitical heavy weight and balance the role of Russia in some regions is an open question. Lastly, they would likely take steps to return to a parliamentary system of governance. What happens to Erdoğan and his cohorts will also be a key issue. Political revenge is possible. Many in his team may choose to flee the country. However, President Erdoğan could challenge the results, leading to widespread protests and clashes.

In November 2016 HDP leader, Selahattin Demirtaş, was jailed on bogus charges.⁸⁵ If Erdoğan cannot find a way to increase his popularity among the Kurds, he is likely to take steps to undermine the party or even ban it altogether.⁸⁶ In January 2023, Türkiye's Constitutional Court ruled in favour of freezing HDP bank accounts,⁸⁷ while it heard a case on shutting down the party over alleged ties to the Kurdish Workers Party (PKK) terrorist group.

Efforts to shore up the economy,⁸⁸ particularly reducing inflation and boosting Türkiye's regional and global role, will be prioritised. This will include strengthening economic ties with the countries of the Middle East, Central Asia, Africa, China, as well as Russia.

Foreign policy will remain a crucial tool to rally domestic support. Erdoğan's increasingly autonomous, assertive, and frequently nationalist foreign policy, which has been popular with Turkish voters, will continue. Extending Türkiye's footprint in Central Asia, Africa, and the Far East will carry on. In addition to ongoing efforts to fully normalise relations with Israel and Egypt, normalisation with the Assad regime,⁸⁹ which would allow Türkiye to play a larger regional role, seems likely.

A further escalation in the Aegean and the Eastern Mediterranean is possible (see flashpoints below for more detail). While Greece was one of the first countries to help Türkiye after the massive earthquake, relations with the country will remain difficult, and a provoked hot incident in the Aegean is possible.⁹⁰ Steps to further enhance Türkiye's image on the global stage – such as the significant role Türkiye plays in facilitating talks between Ukraine and Russia – will be important. More broadly, the calculus of Turkish policymakers will continue to be shaped by the idea of a new multipolar world, where the US plays a weaker role, and China continues to rise.

Relations with both the EU and the US will remain turbulent with no broad rapprochement in the making. Ties with the EU will remain transactional while relations with NATO risk becoming more strained if Türkiye continues to stall on ratifying Sweden and Finland's accession to the Alliance. Accession may only happen post-election or if Washington strikes a deal with Türkiye.⁹¹

VII. THE MIDDLE EAST AND NORTH AFRICA: FOOD INSECURITY TOPS THE AGENDA

In 2023, developments in the MENA region will largely be shaped by the impact of the war in Ukraine, intraregional cooperation efforts, long-standing conflicts and rifts that will continue to persist as well as growing competition between external powers. To enhance its presence and credibility in the region, the EU should initiate and foster multilateral, issues-driven regional platforms that promote dialogue and address problems such as climate related challenges, food and water security, violent extremism, and green energy.

With reduced food supply and prices soaring,⁹² multiple countries are bracing for high food security risks which

come on top of growing economic hardship.⁹³ It is unclear to what extent the UN/Türkiye negotiated Black Sea grain deal helps meet the overall demand, but food insecurity will likely be at the top of the agendas for multiple MENA countries, which will also face a growing risk of unrest. The main priority will be finding alternative solutions to meet the demand and taking national measures to tackle rising prices.

Like last year, in 2023, quarrelling countries are likely to keep the intraregional trend of mending ties. Cooperation is likely to grow in the framework of the Abraham Accords,⁹⁴ and more multilateral regional cooperation summits and meetings should not come as a surprise.

Efforts by the EU and its member states to strengthen ties with the region will feature heavily, with a focus on deals to help mitigate the EU's energy needs, developing energy infrastructure, and advancing long-term energy-related projects.

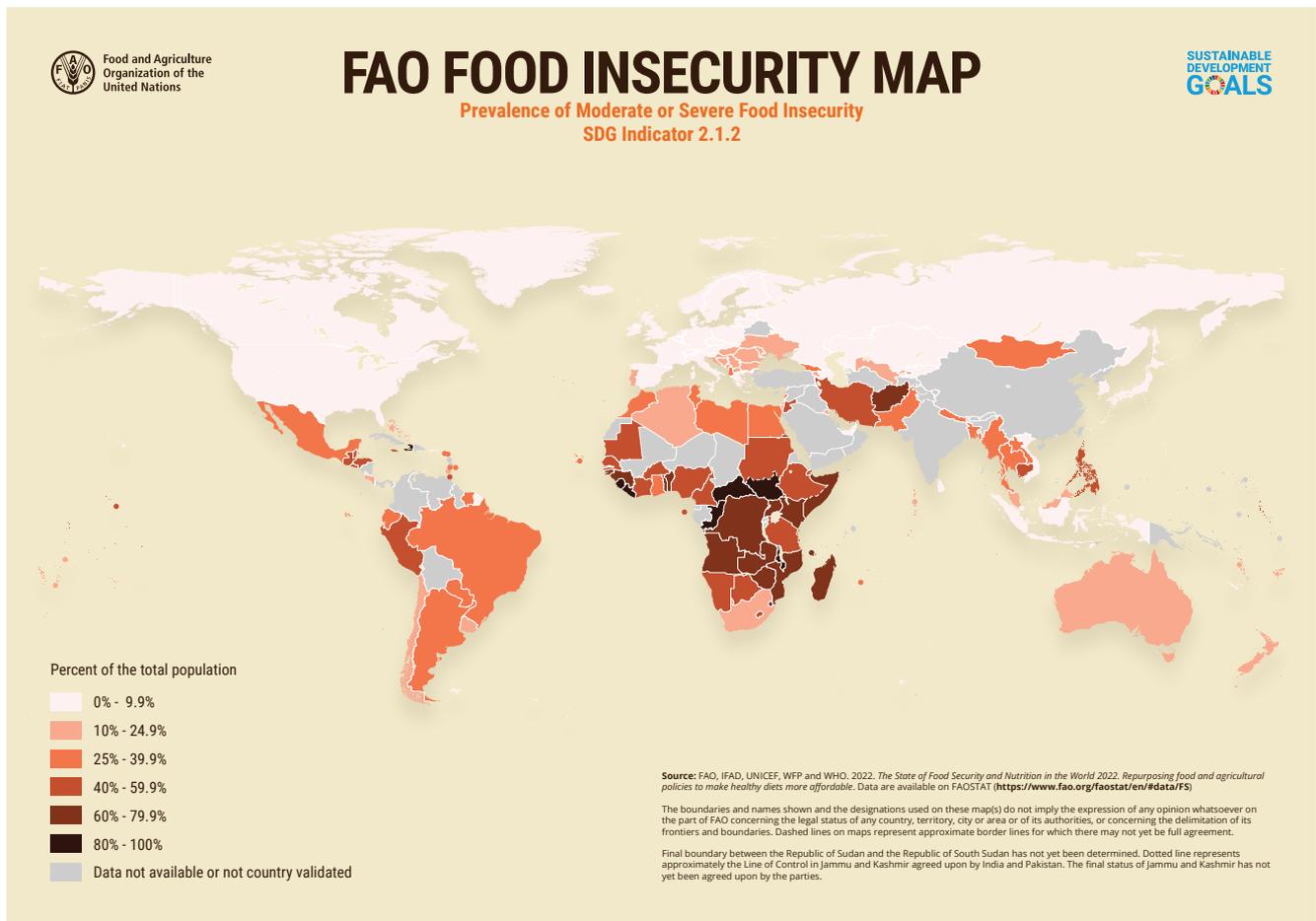
Considering the May 2022 Joint Communication on a Strategic Partnership with the Gulf,⁹⁵ the EU is likely to push to increase its presence and enhance political dialogue with the Gulf Cooperation Council (GCC) countries, as well as develop cooperation in multiple areas such as the green energy transition, cyber security, and people to people ties. Yet, developments in the so-called 'Qatargate'⁹⁶ could potentially slow down or hamper cooperation.

Following the designation of the North-Western Indian Ocean as a Maritime Area of Interest by EU leaders in 2022,⁹⁷ more EU maritime engagement in the region is likely, including concrete steps to enhance

What if... an LNG cargo ship travelling from Qatar to an EU member state is attacked and sunk in the Red Sea?

In the short term, such an attack would further squeeze the EU's access to energy sources. Although the EU and member states are present around the Horn of Africa and the South-West of the Indian Ocean through different missions and mechanisms, there are too few assets deployed to be able to cover such an extensive maritime area and respond to the range of existent and growing threats. The area is prone to more attacks that could disrupt an essential EU energy supply route.

More EU maritime assets should be deployed to protect cargo ships against threats that could become more frequent. After years of reducing the size of European navies and a lack of investment, such potential incidents highlight the urgent need for more naval assets that need to be sustained beyond political declarations. Joint capability development should be accelerated to offset the potential financial burden of such investments.

GLOBAL FOOD INSECURITY MAP 2022⁹⁸

Source: FAO, IFAD, UNICEF, WFP and WHO, 2022

maritime cooperation with the Gulf countries and building on already existent mechanisms, such as the European Maritime Awareness in the Strait of Hormuz (EMASOH) mission.

Great power competition between US, Russia and China in the region will likely intensify and it appears that the strategy of regional powers, such as the Kingdom of Saudi Arabia or the United Arab Emirates (UAE), will continue to balance cooperation and interactions with external actors. Concerns over Iran's erratic behaviour are likely to increase in 2023 (see flashpoints below on Iran, page 30).

With the new Israeli right-wing government in office, 2023 will likely witness increased tensions in Israeli-Palestinian relations with potential regional implications. In parallel, the Israeli government will look to strengthen and expand the Abraham Accords.

The effect of climate change will become more and more visible with increasing temperatures and extreme weather (droughts, floods or dust storms). There will be more

emphasis on increasing anticipation and preparedness to deal with natural disasters and developing cooperation mechanisms to tackle the effects of climate change in the region.

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Global South: The coming of age – *Special Contribution by Shada Islam, EPC Senior Adviser*

EU-Global South relations are expected to turn more fraught in 2023 as developing nations struggle with the fallout from the war in Ukraine and the impact of the pandemic while also dealing with rising energy and food prices as well as climate change. Global South leaders are likely to become more persistent in pressing home their concerns over climate justice and insisting that money being spent on the war in Ukraine be made available to tackle global inequalities, food insecurity, poverty, energy shortages and equitable access to vaccines.

Once viewed as marginal, easily pliable, and largely insignificant in a world dominated by Great Power competition, countries in the Global South are expected to demonstrate even more agency, self-confidence and enhanced geopolitical heft in 2023, potentially widening an already-dangerous rift with the EU as was revealed during Russia's war in Ukraine.

In 2022, the Global South's rejection⁹⁹ of repeated Western demands to publicly condemn Russia's brutal war in Ukraine and refusal to slap economic sanctions on Moscow were a harsh surprise to Europe, which expected a quick alignment with EU views from governments – especially democratically elected governments – in Asia, Africa, South America, and the Middle East.

Europe's initial dismay quickly turned into anger, with French President Emmanuel Macron saying countries that failed to line up with the West were guilty of complicity, "contemporary cynicism", and stood on the wrong side of history.¹⁰⁰ EU diplomats were reportedly tasked with making sure all recalcitrant nations recognised the error of their ways and voted with the EU in the UN and other international fora.

The EU's 'we know best' approach failed. Instead, it created anger and resentment. Senegalese President Macky Sall spoke for many African leaders when he said the continent's "burden of history"¹⁰¹ meant there was no appetite for a new Cold War. Indian Foreign Minister Subrahmanyam Jaishankar warned Europe to "grow out of the mindset that its problems are the world's problems, but the world's problems are not Europe's problems."¹⁰²

For most of 2023, Europe's hopes of upgrading its trade, business, and diplomatic relations with the Global South will depend not on promoting values by referencing 'democracy vs. autocracy' arguments, but on respecting differences among nations, prioritising economic interests, and learning to navigate in a puzzlingly, complex and volatile multipolar world.

Fiercer competition with Russia, China, and the US, which are also upping their game in developing countries, will be an added complication as the EU seeks to remain relevant

in the Global South, including through initiatives such as the Global Gateway, which most developing countries are likely to keep shrugging off as unimpressive.¹⁰⁵

As they seek to globalise the EU Green Deal, European diplomats will have to deal with sceptical comments such as those by Indonesian President Joko "Jokowi" Widodo who recently cautioned¹⁰⁴ the EU on the disconnect between its stated goal of equal ties with nations and the bloc's restrictive environmental and trade policies.

"If we want to build a good partnership, there should no longer be anyone dictating and assuming that their standard is better than others," warned Jokowi who will carry even more global clout in 2023 with Indonesia as chair of the 10-member Association of Southeast Asian Nations (ASEAN).

EU hopes for closer relations with African leaders,¹⁰⁵ meanwhile, will continue to be stymied by the bloc's Fortress Europe policies embedded in structural racism, colonialism's dark legacy, and repeated violations of human rights and international conventions.

In 2023, as in the previous year, the G20 will move further into the global spotlight as India follows Indonesia as chair of the group and pursues its plan to coordinate developing countries' views on global challenges through initiatives such as the recent virtual the Voice of Global South Summit.¹⁰⁶ Also expected is a revival of the "non-aligned movement" for countries seeking a middle ground between rival superpowers.

South Africa,¹⁰⁷ meanwhile, has said it will use its 2023 chairmanship of the BRICS (Brazil, Russia, India, China, and South Africa) group of nations to push for the admission of new members to strengthen alliances and counter the global dominance of developed nation economies.

Given such developments, the EU, which has traditionally divided its foreign relations along geographical lines, will be under pressure in 2023 to make its policies and messages towards the Global South more consistent.

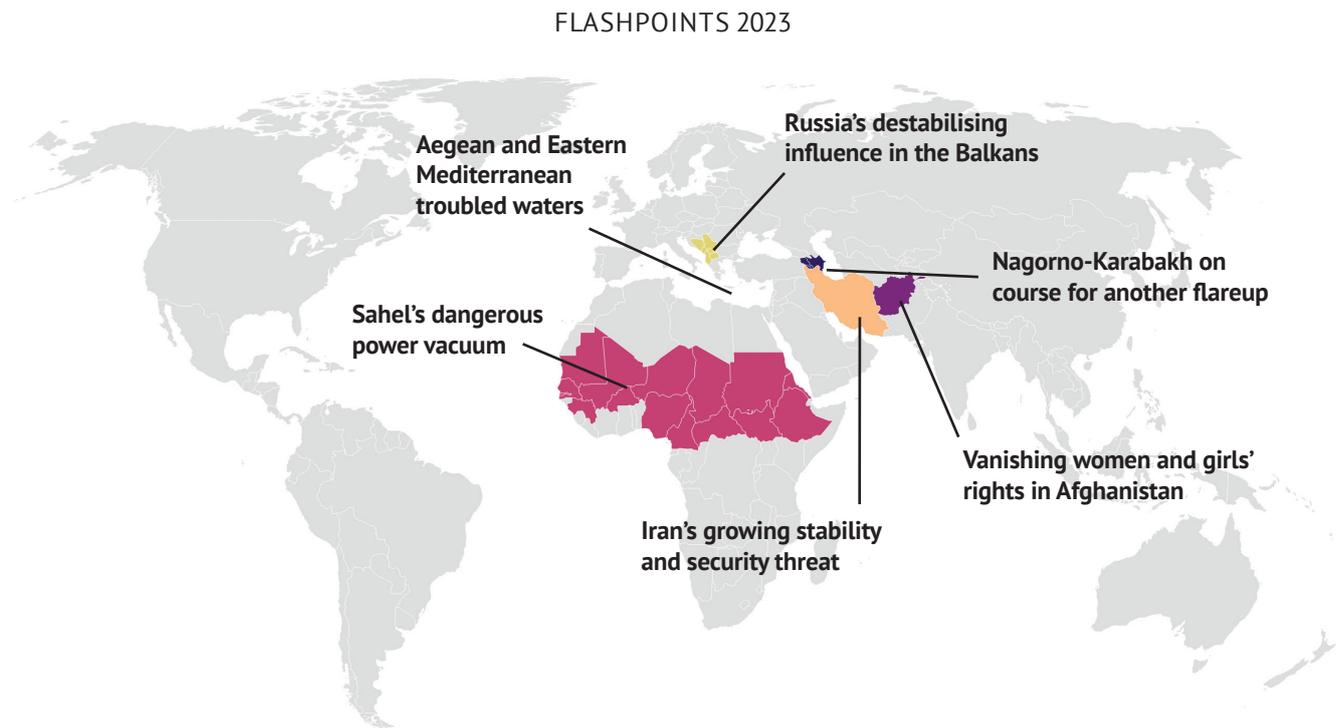
Most importantly, if the EU is serious about expanding its influence and healing rifts in relations with the Global South, instead of trying to speak the "language of power",¹⁰⁸ EU policymakers will have to learn new diplomatic skills and step up efforts to understand developing nations' priorities. Europe's role and influence in the Global South in 2023 will depend on the reality of EU domestic policies and their impact on developing nations rather than on fictionalised narratives crafted for external consumption.

3. Flashpoints

In 2023, several flashpoints could potentially require the EU's involvement or positioning, putting additional pressure on European leaders in the context of the permacrisis. The Outlook Paper zooms in on six areas that European policymakers should closely monitor either to prevent a potential crisis from escalating or respond

quickly in case they flare up: Russia's destabilisation in the Balkans; Iran's growing security threat; the troubled waters in the Aegean and Eastern Mediterranean; the dangerous power vacuum in the Sahel; the deteriorating women and girls' rights in Afghanistan; and tensions in Nagorno-Karabakh.

Figure 7



Flashpoints: Issues to follow in 2023

RUSSIA'S INFLUENCE IN THE BALKANS: A DESTABILISING PLAYER

Russia's influence in the region has been on the rise in recent years and is likely to expand in 2023, namely in Serbia and in countries with a higher presence of ethnic Serbs, where pro-Russian sentiment is prominent. The Kremlin has backed disruptive actors in the region, capitalising on EU enlargement fatigue and the ongoing resentment towards the West because of the 1999 NATO bombing of Serbia. President Putin has consistently worked to sow political instability in the region and exploit ethnic tensions. Russia is expected to continue to back the secessionist agenda of the Bosnian Serb leader Milorad Dodik, Prime Minister of the Republika Srpska, and strengthen political and military ties with Serbia, the only country in Europe - aside from Belarus - that has refused to impose sanctions on the Kremlin. While Russia may now be fully focused on fighting its brutal war in Ukraine, the Balkans will continue to be of crucial strategic importance and used as another battlefield to weaken the West.

IRAN: A GROWING STABILITY AND SECURITY THREAT

Iran will be a growing security threat to its direct neighbourhood and beyond. The rift between the rulers and the ruled is likely to deepen. Country-wide protests that began in 2022 will continue, resulting in growing brutal crackdowns on civilians. Iran's leadership and the Iranian Revolutionary Guards Corps will further consolidate their grip on power. The situation surrounding the nuclear deal with Iran will continue to be critical. Presently, a return to the deal seems unlikely. Iran's support for proxies and its destabilising regional behaviour will remain high on the regional security agenda. Russia-Iran relations should also be followed closely, especially the evolution of military relations (considering the supply of Iranian drones and other military technology to Russia) and the development of economic ties. Despite this, continuing to engage with Iran diplomatically is crucial if the West is to prevent the country from developing a nuclear weapon as a deterrent against perceived threats to the regime.

TROUBLED WATERS: AEGEAN AND EASTERN MEDITERRANEAN

While there have been many clashes between Türkiye and Greece throughout history, since 2019, there has been a significant deterioration in relations between the two NATO allies. Maritime brinkmanship in the Aegean and the Eastern Mediterranean and heightened confrontational rhetoric has increased, reinforcing a zero-sum mentality. With leadership elections taking place in both Türkiye and Greece in 2023 and a new and rather inflexible President, Nikos Christodoulides, taking office on the divided island of Cyprus, regional dynamics are on a negative trend and risk undermining regional security. It remains to be seen to what extent Greek assistance to Türkiye in the aftermath of the 6 February earthquakes can turn this trend around.

SAHEL: A DANGEROUS POWER VACUUM

The political and security situation has worsened in the Sahel in 2022. France has completed its military pull-out from Mali, while the UK and Germany have decided to withdraw their troops deployed under the UN Multidimensional Integrated Stabilization Mission in Mali (MINUSMA). In addition, Russian influence and presence have grown in the region. Deaths related to conflict and violence continued to increase last year and 2023 seems poised to bring further spread of jihadi groups, the rise of local militias, and an escalation in terrorist attacks. The withdrawal of foreign troops portrays an uncertain and volatile future for security in Mali in 2023. The Russian invasion of Ukraine resulted in high inflation and rising food prices, exacerbating the region's ongoing humanitarian crisis. Socio-political instability multiplied by the effects of climate change is likely to further aggravate during 2023. The EU and its member states should search for new ways to engage with the region, tackle Russian influence, and reshape their humanitarian response.

VANISHING WOMEN AND GIRLS' RIGHTS IN AFGHANISTAN

2023 will continue to be a dark period for women and girls' rights in Afghanistan. Before the recent return of the Taliban to power, there were improvements in many areas of women empowerment. Despite numerous shortcomings, women were able to study, work, and express themselves in society. Currently, women are deprived of their right to education and employment. They are not allowed to leave their homes without a male companion, and they are required to cover their head and face, while only their eyes can remain visible.¹⁰⁹ Also, they are not allowed to speak in public, nor are they permitted to receive treatment from male doctors. Considering that female health workers are suspended from their jobs, access to health services has become nearly impossible.¹¹⁰ Women are likely to continue being deprived of the most basic human rights and increasingly oppressed. This situation is further aggravated by Afghanistan's collapsed economy, climate change induced drought, and the COVID-19 pandemic. Women have become more vulnerable in Afghanistan and their fate is likely to remain dire in 2023. Afghanistan ranked last among 156 countries in the Global Gender Gap Index 2021,¹¹¹ and this is unlikely to change as long as the Taliban stay in power.

NAGORNO-KARABAKH ON COURSE FOR ANOTHER FLARE-UP

A third war between Azerbaijan and Armenia over Nagorno-Karabakh is possible in 2023. Two years since the second war between the two countries, efforts to finalise a comprehensive peace agreement have run aground. Tensions are skyrocketing and Yerevan and Baku appear to be on course for another major clash. While a new war may be shorter than in 2020, it could nevertheless result in hundreds of new casualties and further increase tensions and instability in an already volatile region. With EU mediation efforts having failed, and scepticism over the ability of the recently announced EU mission to monitor the Armenia-Azerbaijan border (from the Armenian side only) to prevent renewed war, the United States is likely to double down on diplomacy and increase its role in the region.

4. Policies and emerging challenges

The gradual shift of global politics from a predominant model of cooperation to one of competition, confrontation, or even conflict, is likely to continue throughout 2023. This emerging era of contested interdependence, where geopolitics and geoeconomics meet, is likely to raise new challenges and/or a rethink of existing EU policies.

In 2023, the Outlook Paper investigates five emerging challenges or policy areas that are likely to continue growing in relevance in the decade ahead. Although some of them are not new (Russia's war in Ukraine; China's assertive global rise; the US' protectionist turn), the tail effects of the still ongoing COVID-19 pandemic sharpened or accelerated them. These include the emergence of an 'economic security' model in an age of confrontation; the dawn of a new era in the geopolitics of energy; the adaptation of EU defence policy to a new security environment; the defining, but unpredictable fate of EU enlargement policy; and, finally, the need for a new Eastern Partnership policy.

I. EUROPE'S ECONOMIC SECURITY IN AN AGE OF CONFRONTATION

2023 is likely to continue to be shaped by the ongoing and gradual consolidation of a new global paradigm: economic security. Although cooperation is still present worldwide, competition and confrontation are central features of this emerging geoeconomic system intensified by Russia's full-scale invasion of Ukraine and China's assertive rise. In a world of radical uncertainty, the EU is belatedly coming to the realisation that "the sources of its prosperity cannot be decoupled from the sources of its security."¹¹²

The EU must move fast in the establishment of the announced Sovereignty Fund. The Union needs a common borrowing and investment instrument to support emergency investments in Europe's green energy transition and infrastructure, top-up financing for IPCEIs for strategic industrial ecosystems such as batteries, cloud and hydrogen, and scale up financing to promising Europe's start-ups in critical breakthrough technologies (e.g. AI, quantum, biotech, clean tech).

Besides Russia's full-scale invasion of Ukraine and China's assertive rise, the 2022 US IRA is also ringing a hard wake-up call to this new reality for Europe.¹¹⁵ The Biden administration's whopping \$369 billion in green subsidies is perhaps good news for the climate in the coming year, but it is also a dramatic, protectionist turn. The IRA has the potential to capture the EU's industrial base through the World Trade Organization (WTO), breaching local content requirements, notably for electric vehicles and batteries. It marks the contagion of Trump-style confrontational trade measures in climate policies. Despite diplomatic efforts and some tokenistic

adjustments, the US Congress is unlikely to withdraw, in 2023 and beyond, the most damaging discriminatory measures hitting European manufacturers.

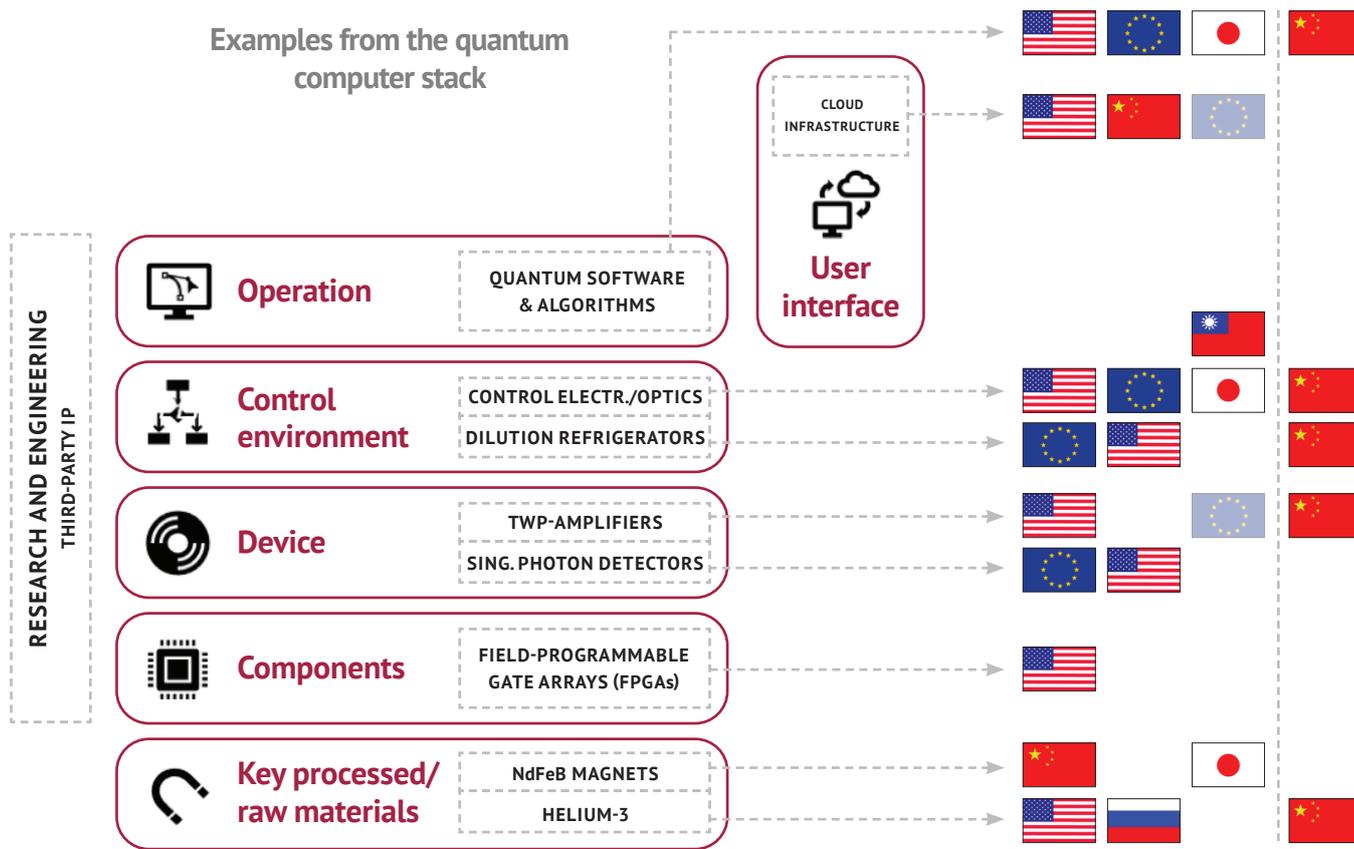
The economic shock for Europe is compounded by a wartime economy¹¹⁴ and record energy prices, currently four times higher than this century's average.¹¹⁵ Oil and gas massive windfall profits, in the \$300-400 billion range, are a measure of the scale of the hit to European competitiveness over the last year. There is no quick fix. The preferential gas deals the EU is looking for with countries like Norway, Canada and the US are unlikely to provide substantive discounts, and new green energy will not replace gas quickly enough to significantly alleviate the burden over this decade.

As some EU countries, like Germany, continue to deepen trade and investment ties with China, significant Sino-European decoupling is unlikely in the coming year. Many member states are too economically dependent on China to risk a trade war. As its rivalry with China ratchets up during 2023 and beyond, the geopolitical weight of the US is increasingly likely to translate into economic pressure on the EU. US sanctions on technology exports to China could hit European companies hard in the coming months. The ongoing US-China rivalry also spells further trouble for the rule-based WTO trade order on which the EU's economic success depends. The credibility of international trade rules and cooperation is at a tipping point beyond which it is unlikely to recover.

As its rivalry with China ratchets up during 2023 and beyond, the geopolitical weight of the US is increasingly likely to translate into economic pressure on the EU.

In this alarming situation, the EU faces some fundamental economic choices in the year ahead. The Union must still stand for an open economy while acting forcefully to limit strategic dependencies on countries it does not share the same values or interests with. This entails investing in critical value chains at home and pushing for strategic partnerships with countries like Chile for lithium, Canada for hydrocarbons, and Kazakhstan for rare earths, in line with the EU's open strategic autonomy notion of 'doing with others what one can, doing alone what one must.'

The EU has been developing public-private industrial alliances in battery, solar energy, hydrogen, semiconductors, data and cloud. The recent announcements of a 'Clean Tech Act' and a 'Critical Raw



Quantum computing is a next-generation foundational technology with significant economic and security implications. Truly powerful quantum computing might be many years away, but when it arrives it is widely expected to be able to break the digital encryption system that underpins most security and defence communication and business transactions today. The above graph seeks to illustrate emerging chokepoints and entrenchments in the global quantum computing value chain based on the technological position of key actors in selected, critical elements of the computer stack. China is a prime actor in the development of quantum computing, but its efforts remain largely shielded from international research collaboration and global value chains.

Sources: Quantum Delta NL/TNO, QUIC, QED-C, EPC stakeholder workshops & interviews. Illustration by Georg E. Riekeles

Materials Act’ are also good news. They must focus on accelerating the EU’s green industrial transition and driving for raw material security with the support for domestic projects and ecosystems. Yet in most cases, these initiatives have come late to the game and the real test certainly lies ahead. What can they effectively deliver in a contested economic space?

The moment has clearly come for industrial policy at the European level, and 2023 should be a defining year in this respect. But the trade-offs involved will test the EU’s capacity to act jointly and forcefully. The reshoring of critical value chains and the build-up of domestic industry call for a new and more interventionist toolbox at the EU level. Yet subsidies and trade defence measures also come at a cost for state coffers and import-relying industries. To make up for this, Europe must better leverage its Single Market and investments in 2023 and beyond.

What if... Europe also fails on digital security?

In the past months, energy security has grabbed all the headlines, but cyber resilience might be the next major test. Russia and other malicious actors dispose of significant offensive cyber capacities and are able to mobilise private cybercriminal organisations. Potential targets of so-called distributed denial-of-service (DDoS) attacks could be the European decision-making centres or critical infrastructure of all types. Border Gateway Protocol (BGP) hijacking attacks could also aim at the availability of the internet. This is something already seen in Ukraine where more than 15% of the internet infrastructure has been destroyed.

Most urgently in this wartime economy, Europe needs crisis investments in energy. Current EU measures, such as the gas price cap, dodge this issue. As the 600 billion euros in national energy support measures across the EU demonstrates, member states are largely ‘going it alone’. Further loosening of state aid rules is not the right strategy. To effectively harness the power of the Single Market and avoid costly duplications, what is needed is additional joint investment at the EU level already in 2023.

The Commission is likely to continue pushing its project of a Sovereignty Fund, but this is unlikely to see the day at the required scale in 2023. This is due to budgetary constraints and political divisions between pro-competition EU member states. Unwilling to adapt to a new era of economic security and interventionism, member states are happy to settle for laxer state aid rules and renationalisation.

Today’s crises and competitive pressures call for a debt and investment capacity of an entirely different order, akin to the Recovery and Resilience Facility (RRF), with a focus on three priorities: energy security and transition; technological and industrial competitiveness; and Europe’s geopolitical position (Ukraine, Global Gateway, defence). This ‘trillion-euro question’ is the real test for Europe’s economic security in 2023.¹¹⁷

II. GEOPOLITICS OF ENERGY: THE DAWN OF A NEW ERA?

In 2023, the transformation of the global energy landscape, triggered by Russia’s invasion of Ukraine, is unlikely to slow down. Russia will need to step up its search for alternative markets outside Europe for its gas, coal, and oil exports to circumvent Western sanctions,¹¹⁸ and preserve a vital source of revenue to finance its war in Ukraine.

In turn, further efforts by the EU and member states will be necessary to replace the decades-long dominance of Russian fossil fuels in the European energy mix in 2023 and beyond. This can take the form of energy savings, energy efficiency measures, and an accelerated transition towards renewable energy sources. However, it can also entail importing additional pipeline gas or LNG of non-Russian origin, and perhaps even a revival of nuclear energy or a turn towards coal.

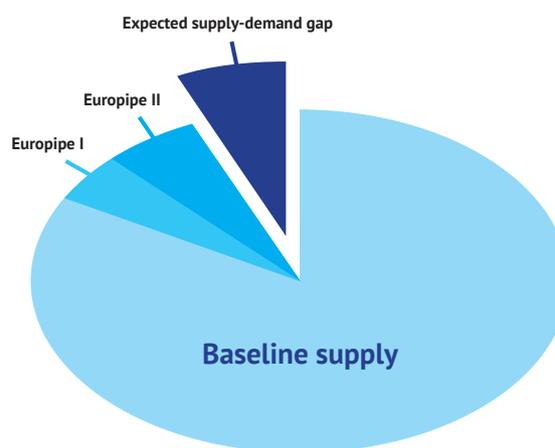
In turn, further efforts by the EU and member states will be necessary to replace the decades-long dominance of Russian fossil fuels in the European energy mix in 2023 and beyond.

Whatever choices the EU makes, their consequences will be ranging wide beyond 2023.

Reducing reliance on fossil fuels via the large-scale deployment of wind and solar power offers the clearest pathway towards a sustainable, affordable, and secure energy future, but it is unlikely to be a quick fix for 2023. It also risks creating new unwanted dependencies on third countries like China, which dominate the global market for various types of clean tech (e.g. including solar PV panels, electric vehicles or batteries), as well as the raw materials and supply-chains from which these are produced.¹¹⁹

What if... a major Norwegian export pipeline to the EU falls victim to sabotage?

In 2022, Norway quickly replaced Russia as Europe’s number one gas supplier, delivering around a quarter of the EU’s gas requirements and serving as a vital lifeline to compensate for the drastic shortfall in Russian gas supplies following the war in Ukraine. Considering the measures set in motion by the EU and individual member states on energy security, the IEA estimates that the EU could face a potential supply-demand gap of 27 bcm in 2023, on the basis of an estimated natural gas demand of 365 bcm. Sabotage of one of Norway’s major gas pipelines to the EU, such as Europipe I (capacity of 18 bcm per year) or Europipe II (capacity of 24 bcm per year), could close to double this deficit. This would significantly exacerbate Europe’s energy crisis in 2023, bringing more hardship to EU households and businesses alike.



- Estimated 2023 EU baseline gas demand - expected changes: 365 bcm
- Estimated 2023 EU baseline gas supply: 338 bcm
- Estimated 2023 EU supply-demand gap: 27 bcm
- Annual capacity Europipe I: 18 bcm
- Annual capacity Europipe II: 24 bcm

Europe's dash for gas compounded by China's re-opening of the economy is likely to put an already tight global LNG supply under more pressure in 2023. Rival LNG buyers in Asia and elsewhere may be priced out of the market and turn towards dirtier forms of energy to satisfy consumption.¹²⁰ This could derail the sustainable development of import-dependent and fast-growing economies like India¹²¹ and Bangladesh,¹²² which are counting on natural gas as a transition fuel to replace coal-fired power generation in their energy mix.¹²³ This, in turn, risks undermining the binding objective set out in the Paris Agreement to limit global warming to well below 2%.

Europe's dash for gas compounded by China's re-opening of the economy is likely to put an already tight global LNG supply under even more pressure in 2023.

At the same time, replacing Russian gas with coal in Europe is also hardly ideal as it could jeopardise the EU's ambitious climate goals under the European Green Deal.

While a limited increase in European coal consumption can be justified to stop importing energy from Russia and cut off another important source of funding for the Russian war machine, the war in Ukraine should not be used as an excuse to cement Europe's dependence on fossil fuels in the next several decades. Rather, it should be harnessed as a window of opportunity to speed up the domestic roll-out of renewables and reduce energy consumption in households and across all sectors of the economy. Only this will end the EU's energy dependence on authoritarian regimes once and for all. Measures, such as price caps or the proposed reform of the electricity market, which are aimed towards tackling the symptoms (high prices) rather than the disease (dependence on imported fossil fuels), will not solve this energy crisis.

2023 is set to be another year of great turbulence, volatility, and further fragmentation on global energy markets, necessitating difficult policy choices and trade-offs between climate objectives, security of supply, and affordability concerns.

III. EU DEFENCE: ADAPTING TO A NEW EUROPEAN SECURITY ENVIRONMENT

In 2023, European defence plans will continue to be shaped by the implications of the war in Ukraine, the Union's gradual adaptation to a new European security environment, and the attempts to meet EU and NATO commitments.

Focus will be placed on the implementation of the Strategic Compass¹²⁴ in the CSDP area and the willingness of member states to follow up on commitments made. There is little doubt about the rhetorical support for the Compass, but its success will depend on the EU's ability to deliver on the long list of pledges according to the timeline. Threat perceptions and political will are likely to be decisive factors in building up the Union's strategic ambitions in security and defence in a much more volatile environment.

Discussions around common costs dedicated to EU missions are likely to become more frequent. Budgetary issues will take the main stage with many commitments – including sharing costs for initiatives such as the Rapid Deployment Capacity (RDC) – and multiple priorities at the EU level.

In the framework of the RDC, member states committed to agreeing on operational scenarios and organising live exercises from 2023 that will contribute to increasing readiness and interoperability. The key uncertainty is likely to be whether NATO troops' commitments to reinforce the Eastern flank will reduce the capabilities and willingness of EU member states to contribute to the Union's initiatives, such as the RDC.

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The overlay between the EU's Strategic Compass and NATO's Strategic Concept provides an excellent opportunity for further cooperation,¹²⁵ and the 3rd EU-NATO declaration highlights the complementarity between the two organisations and the areas of cooperation. However, it is unlikely that EU-NATO cooperation will witness a fundamental rethink or boost in 2023.

The war in Ukraine has revitalised NATO and renewed its purpose. In 2023, the main focus is expected to be on the implementation of the new defence and deterrence measures agreed at the June 2022 Madrid summit (positioning of troops, brigade level battlegroups, prepositioned equipment and pre-assigned troops). The summit in Vilnius in 2023 will be essential in assessing what has been achieved, and where the Alliance needs to improve. Another key priority will be the integration of Sweden and Finland into NATO, although it is unclear when the ratification process will be finalised (see page 27 on Türkiye).

The Alliance will continue to shape its approach to tackling short and long-term challenges, such as political cohesion, and compromising on long-term geostrategic priorities (e.g. climate change and the approach towards China). With the expected end of the mandate of the current Secretary General, Jens Stoltenberg, the Alliance will brace for new leadership at a pivotal moment.

Advancing military mobility in Europe will also occupy an important space in 2023 with specific focus on development of dual use infrastructure, easing up procedural barriers, and increasing resilience and protection of critical infrastructure.

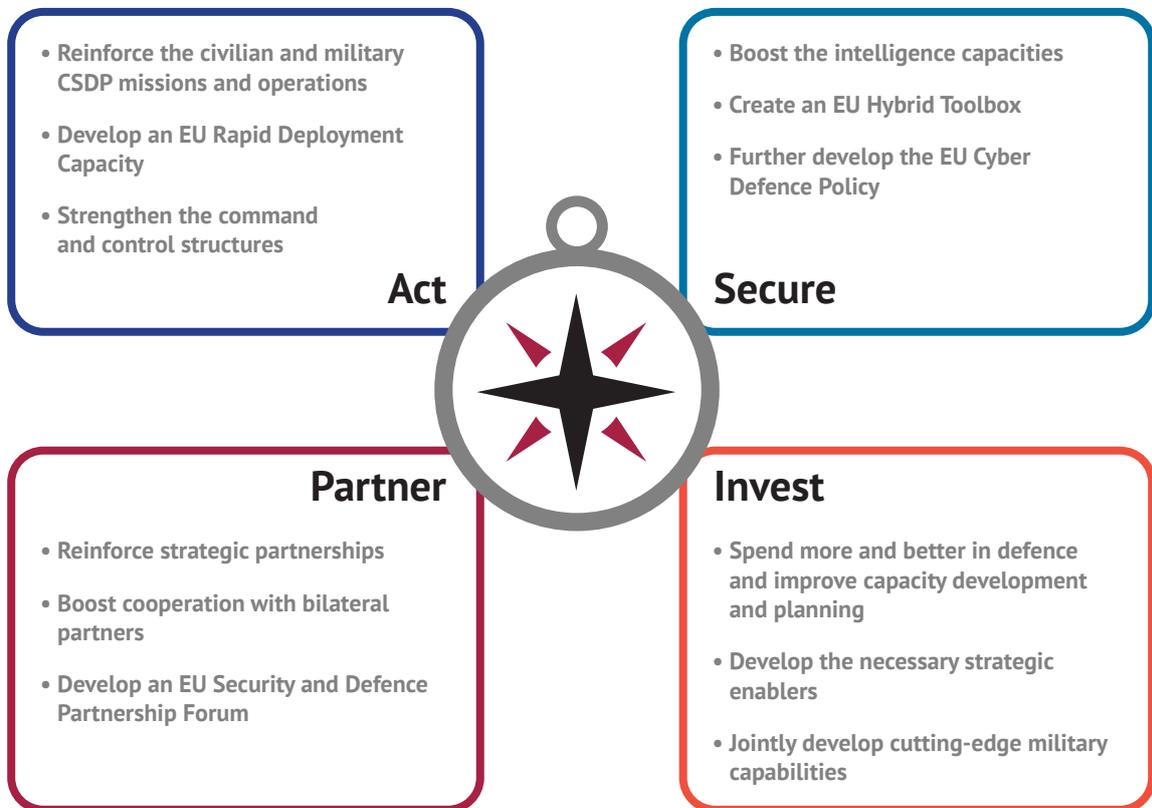
2023 will bring open questions about the implementation of the commitments made by multiple EU and NATO countries to increase their defence budgets.

What if... an EU rescue mission is needed in the Sahel to evacuate EU citizens and diplomatic presence?

The Sahel evacuation would be quite different from the withdrawal from Afghanistan. In Kabul, one international airport had to ensure the departure of thousands of military and civilian personnel. In the Sahel region, the effort is more scattered across a much larger region, requiring better pre-emptive coordination and more assets deployed on the ground. It would also require a broad range of capabilities and command and control structures for a successful evacuation to be implemented. These capabilities are still not available at the EU and member state levels. US leadership, capabilities, strategic enablers, and force protection would be required to help evacuate EU citizens and local personnel working closely with the EU. The EU would not be able to act without the US, and its credibility and tools as a crisis management actor would be severely damaged.

Figure 9

THE EU'S STRATEGIC COMPASS FOR SECURITY AND DEFENCE: WHAT'S IN IT¹²⁶



2023 will bring open questions about the implementation of the commitments made by multiple EU and NATO countries to increase their defence budgets. Attention will be placed on what these pledges will look like in practice, what the priorities will be and, how long it will take for the capabilities to become operational.

The maritime domain is likely to become even more important. The EU would want to continue projecting power and raise its ambitions in this area, but more capabilities would be needed to achieve this goal in a tight budgetary context. The updated EU Maritime Security Strategy is expected to be launched in the first part of 2023.

The EU and its member states should match their ambitions on security and defence with the realities of a demanding new geopolitical environment, shaped by the watershed. Emphasis should be placed on the swift implementation of crucial commitments, such as the increase of defence budgets, the development of joint key capabilities and procurement, as well as progress in military mobility in Europe.

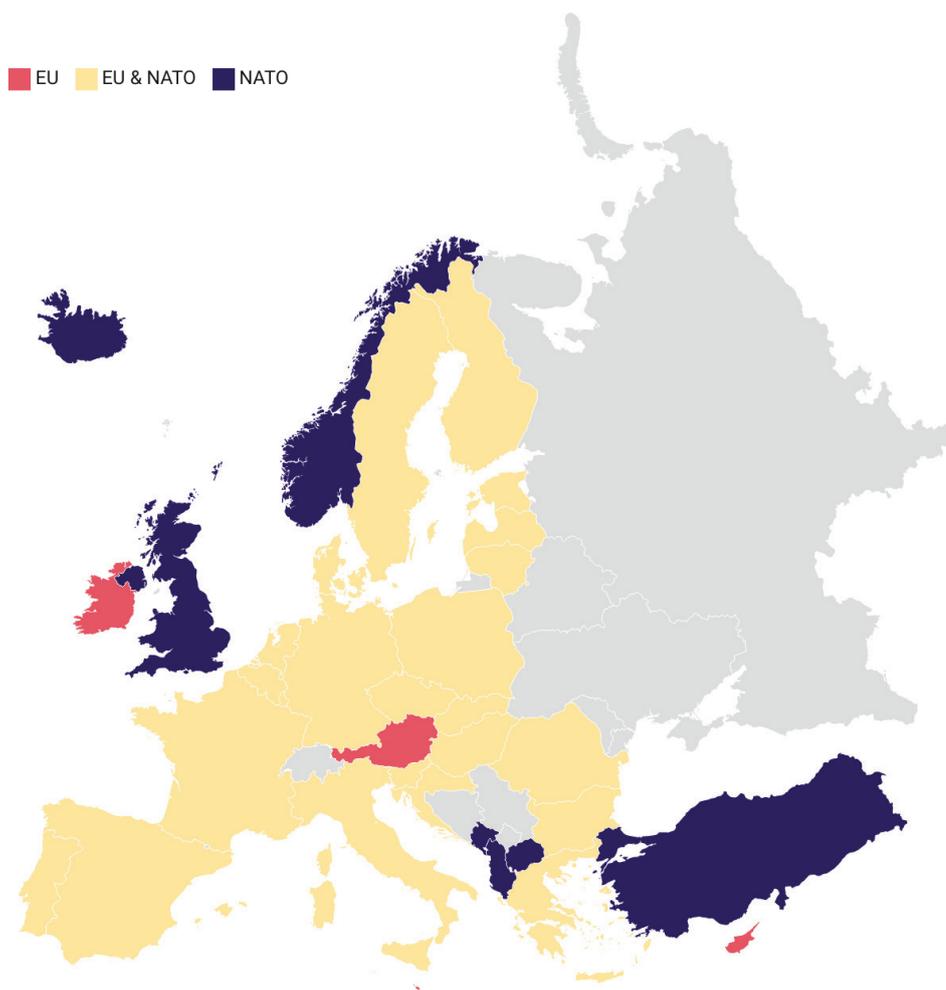
IV.A DEFINING, BUT UNPREDICTABLE YEAR FOR EU ENLARGEMENT

2023 will be a defining year to determine whether EU leaders will be able to overcome the ‘rhetoric-credibility gap’¹²⁷ in its enlargement policy, now that the war in Ukraine has re-focused attention on the Western Balkans, viewed as another potential battlefield for geopolitical confrontation.

But 2023 will also be an unpredictable year with the EU facing a delicate balancing act between managing geopolitical considerations, mounting regional instability, and long-standing internal divisions on the future of enlargement policy. As a result, the Union should launch a strategic debate around the limits of EU expansion, the meaning of its absorption capacity, and the institutional reforms needed to further enlarge. This should be a structured process that could eventually lead to a renewed enlargement policy that can better respond to the *Zeitenwende*.

Figure 10

EU AND NATO MEMBERSHIP AFTER FINLAND AND SWEDEN'S INTEGRATION



Russia's war in Ukraine and the EU membership applications from Ukraine, Moldova, and Georgia have revitalised the enlargement process after nearly a decade of stagnation. These events have also stirred EU rhetoric in favour of the European perspective of the Western Balkans and led to concrete breakthroughs in the region. After years of delays, the EU has finally opened accession talks with Albania and North

What if... Serbia and Kosovo go to war?

The repeated announcements that Serbia and Kosovo are on the brink of war continue to raise alert levels. The outbreak of a new war in the Balkans could have disastrous consequences in the region and beyond. If Russian-backed Serbian forces intervene in Kosovo, it would mean a direct clash with NATO peacekeeping forces, which could rapidly spiral beyond its borders. A new Serbia-Kosovo war would also effectively freeze any EU membership negotiations not only in the affected countries, but also in neighbouring ones, and provoke another refugee crisis at Europe's borders. It would further complicate the task of mustering public support for EU enlargement and for dealing with new refugee flows in the member states that already strained by war fatigue.

Macedonia, granted candidate status to Bosnia and Herzegovina, and agreed to lift visa requirements for Kosovo citizens by the end of 2023.

To maintain momentum, active EU engagement in the Western Balkans should be expected in 2023, with recurrent bilateral meetings and summits marking the Union's agenda.

However, political instability and ethnic tensions are likely to dominate the landscape in most Western Balkan countries, with Russia's invasion of Ukraine looming large and contributing to further polarising local politics. Unresolved statehood and post-war reconciliation issues, such as the escalation of tensions between Serbia and Kosovo, Bosnia's risk of disintegration, and the Republika Srpska's controversial pro-Russian stance, will continue to negatively affect the region's path towards EU membership.

Political instability and ethnic tensions are likely to dominate the landscape in most Western Balkan countries.

Widespread corruption, poor governance, and slow progress on the rule of law and democracy will also remain major challenges for the candidate countries. Additionally, the recent clashes between Pristina and Belgrade suggest that there could be more geopolitical turmoil in the area.

2023 will likely see progress in North Macedonia and Albania's EU paths now that talks have officially begun. However, North Macedonia's pace of negotiations will largely depend on whether its government succeeds to muster the necessary support to enact the constitutional amendment needed to resume accession negotiations.

The rapprochement between the EU and the Western Balkans will depend on the implementation of EU-related reforms, and political and regional stability. But Balkan leaders are not the only ones with pending homework. The EU27 ambivalence and conflicting views have often resulted in delayed promises, a widespread perception of enlargement fatigue, and a loss of EU credibility in the region.

The rapprochement between the EU and the Western Balkans will depend on the implementation of EU-related reforms, and political and regional stability.

Since Russia's invasion of Ukraine, EU leaders have emphasised time and again the European perspective of the Western Balkans and that their future lies within the EU. Translating rhetoric into concrete actions will be decisive if any progress is to be expected in 2023.

A radically changed geopolitical context in Europe's borders could be the trigger for changing the terms of the enlargement debate and installing the necessary political will, on both sides, to advance and actively seek solutions to the region's long-term stumbling blocks and unresolved tensions.

2023 could also see some changes in the EU enlargement and neighbourhood policy toolboxes to integrate broader regional security and defence considerations.

V. EASTERN PARTNERSHIP 2.0?

In 2023, the EU's Eastern Partnership policy will need to be reformed, and adapt to the new geopolitical realities in the region, or risk becoming increasingly fragmented, or even obsolete. The EU27 need to offer clarity on the long-term sustainability of the EaP.

In 2023, the EU's Eastern Partnership policy will need to be reformed, and adapt to the new geopolitical realities in the region, or risk becoming increasingly fragmented, or even obsolete.

The EaP was established to foster ties between the EU and the partner countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine), without the promise of membership. However, Russia's full-scale invasion of Ukraine has had a major geopolitical impact on the EaP region, resulting in the EU granting Ukraine and Moldova candidate country status, and offering Georgia the prospect of such status.¹²⁸

The remaining three EaP countries have different relationships with the EU. While Belarus has been suspended from the EaP, Azerbaijan and Armenia have tailor-made relationships that take into account their multi-vector foreign policies and the need to balance ties with the West and relations with the Kremlin and other regional players.

While the geopolitical shakeup necessitates a reassessment of the EaP, finding an agreement that is acceptable for all stakeholders may prove difficult. Ukraine, Moldova, and Georgia view the EU's decision as a clear commitment to further Eastern enlargement and expect the EaP to be replaced with a structure that is more relevant to the new political realities. However, given the political and economic investment that the EU has put into the EaP, there is little appetite to replace it entirely. Due to the number of common challenges this region faces, it makes sense to find a way to group them together, including in their accession processes. The EaP remains a relevant framework, which has not exhausted its full regional potential and can continue to have a purpose for all partners.

More focus on connectivity is likely to be prioritised along with the green and digital transitions. Security also needs to become a key component of the EaP. The war shows that the EU does not exist in a vacuum. Conflict and instability in the neighbourhood are a danger to the Union. The security of all EaP countries is challenged by Russia, including Belarus, a Russian puppet.

To this end, Brussels should devote more assistance and resources to combat Russian disinformation and boost cybersecurity in EaP countries. The EU should also strive to play a bigger role in regional conflicts in the East. The important role that Charles Michel, President of the European Council, has played in facilitating dialogue between Armenia and Azerbaijan and the newly agreed EU monitoring mission in Armenia are examples of the EU's aim to strengthen its role in security issues.

Brussels should devote more assistance and resources to combat Russian disinformation and boost cybersecurity in EaP countries.

The EaP should also be closely linked to the EU's wider regional agenda as well as the new European Political Community. The EPoC (see infobox 1) will create a complementary space that focuses on geopolitics and security, and will offer a platform for all stakeholders to engage and discuss significant issues.

INFOBOX 1. THE EUROPEAN POLITICAL COMMUNITY: WHAT IT IS; WHAT IT IS NOT.

In 2023, attention will also be focused on the second meeting of the European Political Community which will take place in Chisinau, Moldova, on 1 June. The EPoC was first presented by French President Emmanuel Macron with the goal of bringing together European leaders to confront the geopolitical consequences of Russia's aggression against Ukraine. Despite sparking fierce criticism at first, Macron's vision came to fruition in October 2022 as 44 leaders gathered in Prague for the first EPoC inaugural meeting, in what was largely hailed as a historic success. However, it still remains to be seen how the initiative can induce action and achieve concrete results without a proper institutional set-up. In 2023, leaders will likely have to prove that this initiative is more than an inconsequential talking shop, and aims to deliver on its promises, namely to bring stability and security to the European continent. The initial suspicion among many EU candidate countries that this forum was being conceived as an alternative to enlargement has not been fully dissipated, and it may grow if the EU enlargement process does not make substantial progress. Yet, while the EPoC could serve as another forum for exchange between the EU and aspiring members on several topics, it will unlikely play the role of an accelerator for EU membership, as many had hoped for.

5. Recommendations

2023 is likely to be a very challenging year for the EU. However, it also represents an opportunity to adapt and prepare for new challenges ahead. As Europe deals with the permacrisis and continues learning and speaking the language of power, there are several actions that the EU should take in the coming year:

- ▶ **Set strategic goals** for the coming decade and consider how to achieve them in light of Europe’s watershed moment of 24 February 2022. In a world of limited resources, priorities and trade-offs should be considered.
- ▶ **Foster better coordination** between the European External Action Service, the European Commission and its Directorates-General. The continued policy ‘siloesation’ within the EU undermines its overall ability to project power and influence.
- ▶ Identify the tools and processes that can be mobilised within the current EU treaties **to build up the EU’s capacity and freedom to act**, as well as its executive power in global affairs. If there are areas that need treaty change, prepare a roadmap with the needed reforms.
- ▶ **Continue building partnerships with like-minded countries** to achieve common goals, but, in the current geopolitical vortex, pragmatically engage with those that continue to be reliable partners.
- ▶ The EU should continue to invest politically and diplomatically in its engagement with central branches of the **US government – presidency and Congress** – to avoid a negative spill-over of ongoing irritants into the broader strategic relations. Both sides should continue to work closely together in raising the costs for Moscow of Russia’s aggression for Ukraine.
- ▶ The EU should continue its pragmatic approach to relations with the **United Kingdom** and explore all possible synergies in security and foreign policy, especially with regard to support to Ukraine.
- ▶ The EU should start operationalising and increasing its institutional presence in the **Indo-Pacific** by boosting its capacity and partnering up with regional organisations and countries to ensure better connectivity and effective security.
- ▶ The EU should continue pursuing a strategy of economic diversification from **China** while avoiding a further deterioration in the relationship. High-level dialogue should be maintained to reverse the countersanctions on European analysts and Members of the European Parliament. The EU should closely monitor China’s ties to Russia.
- ▶ The EU and the West should **increase economic pressure on Russia** to significantly exhaust its ability to wage its war, support European companies and banks to relocate from Russia to other countries in the region as well as diversify supply chains, reducing reliance on Russia for critical imports such as fossil fuels - including LNG - iron and steel products, non-ferrous metals, fertilisers, and nuclear fuel.
- ▶ **The EU (and other Western partners) should expand and accelerate their support for Ukraine** in key areas (military, humanitarian, financial, political, and diplomatic) to enable Ukraine to sustain the war, liberate its territories and obtain permanent security guarantees from its allies. The EU should boost its support for Ukraine’s further European integration and swiftly start accession negotiations as soon as Kyiv meets the necessary requirements set out in the European Commission’s Opinion.
- ▶ **The EU must develop a clear strategy for relations with Türkiye**, putting an end to years of muddling through. A victory for the opposition in the coming elections should bring a full reset of relations. If President Erdoğan is re-elected, despite the many challenges the ties have faced, the EU will need to re-engage with Ankara.
- ▶ To enhance its presence and credibility in the **MENA region**, **the EU should initiate and foster multilateral, issues-driven regional platforms that promote dialogue and address problems**, such as climate-related challenges, food and water security, violent extremism, and green energy.
- ▶ If the EU is serious about expanding its influence and healing rifts in relations with the **Global South**, instead of trying to speak the “language of power”, EU policymakers will have to learn new diplomatic skills and step up efforts to understand developing nations’ priorities.
- ▶ In response to urgent **economic security** and technological-industrial competitiveness concerns, **the EU must move fast in the establishment of the announced Sovereignty Fund**. The Union needs a common borrowing and investment instrument to support emergency investments in Europe’s green energy transition and infrastructure, top up financing for IPCEIs for strategic industrial ecosystems such as batteries, cloud and hydrogen, and scale up financing for promising European start-ups in critical breakthrough technologies (e.g. AI, quantum, biotech, clean tech).

Conclusion: Beyond 2023

2023 is likely to be a very challenging year for the EU. This Outlook Paper ventures into 2023, but the effects and implications of the topics covered will certainly last beyond this year. 2024 will be an opportunity to take stock of the EU's relations with the key global actors, check flashpoints, and monitor developments in the policy challenges selected in this paper, from Russia's war of aggression against Ukraine to the EU's adaptation to an emerging globalisation model, shaped by economic security. Looking back in foresight is critical to ensuring the quality of analysis and reviewing assumptions.

The 2024 Outlook Paper will be launched in a year with key elections across the globe, with implications for EU external relations.

The 2024 Outlook Paper will be launched in a year with **key elections across the globe**, with implications for EU external relations. First and foremost, the elections of the **European Parliament** in May/June 2024 will inaugurate a new EU institutional cycle towards the end of the year. Also, at the closing of 2024, the **United States** will hold presidential elections, which will be preceded by primaries in the Democratic and Republican parties between February and June 2024. Crucially, presidential elections are foreseen for spring 2024 in **Russia** and **Ukraine** (if not postponed). But there is more. Before the summer of 2024, **Taiwan** will hold presidential elections, and **India** will also go to the polls for general elections. General elections are also expected to take place in the **UK** by the end of 2024.

Unless there is a reverse of current geopolitical trends, the debates and outcomes of the 2024 electoral processes will shape, but also be shaped by:

the evolution of Russia's war in Ukraine and its impact on the warring countries as well as on Europe's security, economic and social fabric; the state of transatlantic relations; the sharpening of the ongoing US-China strategic rivalry; the negative tail effects of the COVID-19 pandemic; and the ability of most institutions and governments around the world to master the permacrisis and address persistent problems, from inflation and food insecurity to climate change.

Other countries voting in 2024 in different types of elections relevant for the EU include Algeria, Austria, Belgium, Chad, Croatia, Finland, Georgia, Indonesia, Mali, Mexico, Moldova, Montenegro, North Macedonia, Romania, South Africa, and South Korea. 2024 will be an electoral year on steroids; that will be the main theme of the next Outlook Paper.

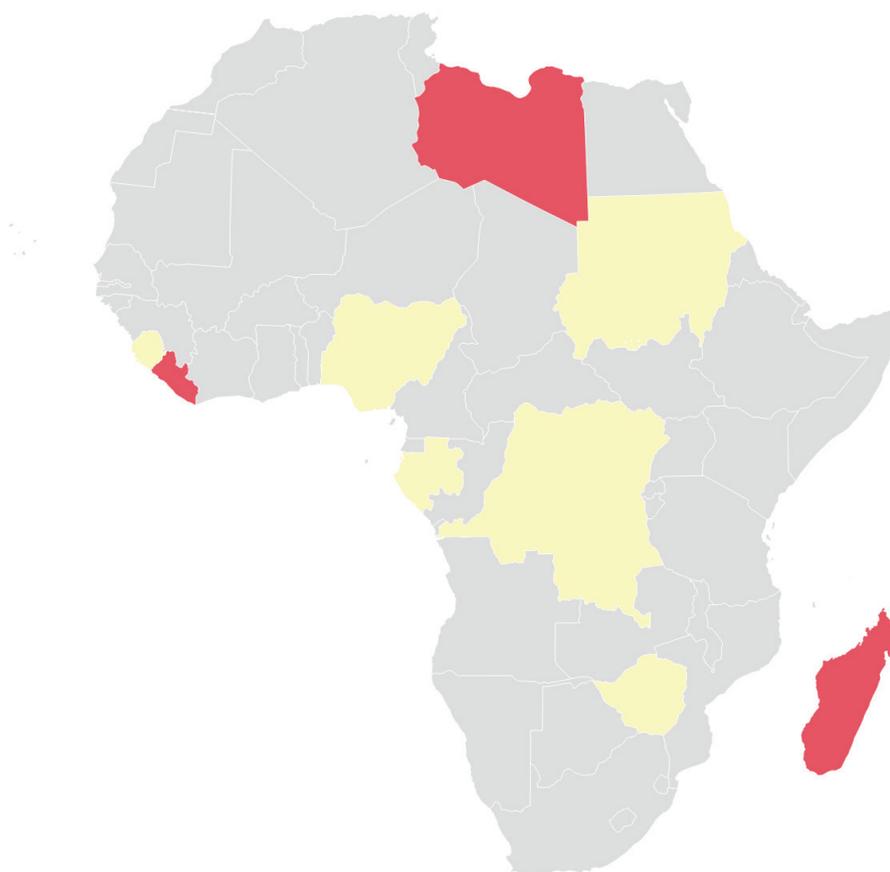
For the EU, 2024 will also depend on how the Union deals during the current year with the 'unity' and 'policy ambition' matrix presented at the opening of the 2023 Outlook Paper (see figure 2). Without unity as well as the ambition to address the many consequences of the *Zeitenwende*, the EU's growing irrelevance in global affairs is likely to be gradually irreversible. The initial response to Russia's aggression in 2022 demonstrated the EU's power potential by mobilising the many elements of its 'hybrid power,' showing what it is capable of and willing to do. The question that remains is: will the EU27 learn and speak the language of power in 2023 by choice or necessity?

Without unity as well as the ambition to address the many consequences of the *Zeitenwende*, the EU's growing irrelevance in global affairs is likely to be gradually irreversible.

Annex I. Select 2023 elections and national congresses

2023 elections: Africa

■ General elections
 ■ Presidential elections
 ■ Parliamentary elections



COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Democratic Republic of Congo	20 December	President, National Assembly
Gabon	(TBD)	President, House of Representatives
Liberia	10 October	President
Libya	(TBD)	President
Madagascar	November 25 February	President, Senate, House of Representatives State Assemblies & Governors
Nigeria	11 March	President, Parliament
Sierra Leone	24 June	President, Senate, House of Representatives
Sudan	July	General elections
Zimbabwe	31 July	President, National Assembly

2023 elections: Americas

General elections Presidential elections Parliamentary elections



COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Antigua and Barbuda	18 January	House of Representatives
Argentina	29 October	President, Chamber of Deputies, Senate
Cuba	31 March	National Assembly
Guatemala	25 June (2nd round 20 August)	President, Congress
Paraguay	30 April	President, Chamber of Deputies, Senate

2023 elections: Asia

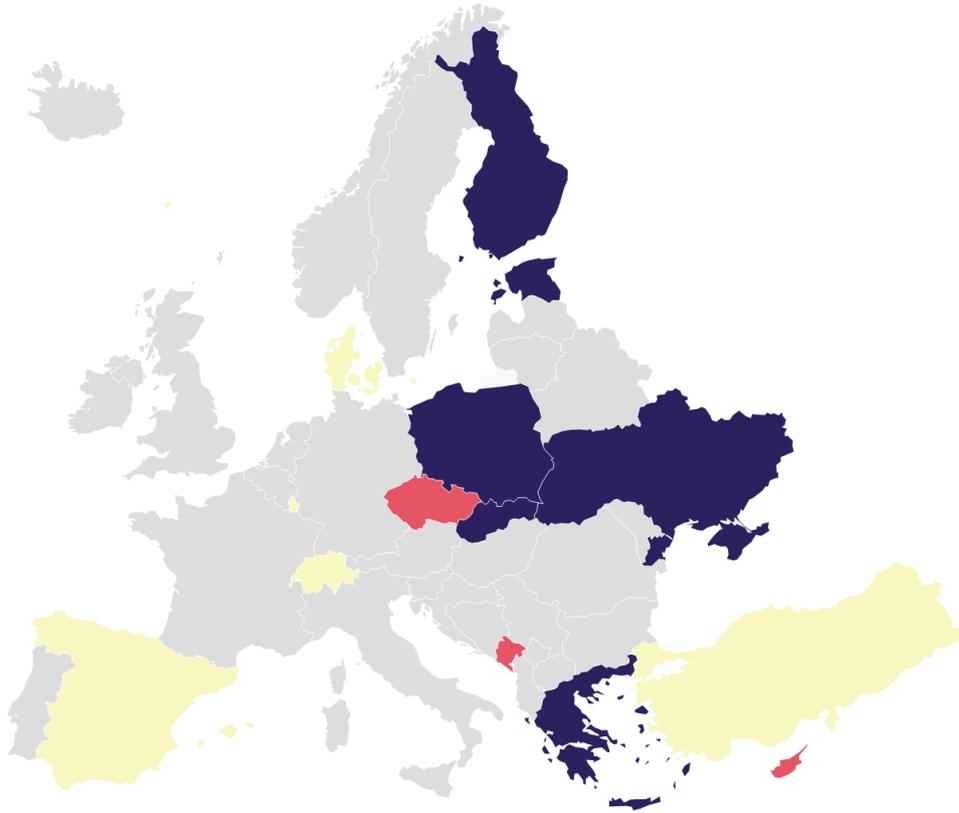
■ General elections
 ■ Presidential elections
 ■ Parliamentary elections



COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Bangladesh	19 February 1 December	President National Assembly
Cambodia	23 July	National Assembly
Myanmar	(TBD)	House of Representatives, House of Nationalities
Pakistan	(TBD)	National Assembly
Singapore	by 13 September	General elections
Thailand	7 May	President

2023 elections: Europe

■ General elections
 ■ Presidential elections
 ■ Parliamentary elections



COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Cyprus	5 February (2nd round: 12 February)	President
Czech Republic	13-14 January (2nd round 27 January)	President
Estonia	5 March	Riigikogu (State Assembly)
Finland	2 April	Suomen eduskunta (Parliament of Finland)
Greece	Expected by Spring	Parliament
Luxembourg	31 October	Chamber of Deputies
Montenegro	19 March	President
Poland	(TBC) 31 October	Sejm (Lower House), Senate
Slovakia	30 September	National Council (parliament)
Spain	(TBC) 10 December	Congress of Deputies, Senate
Switzerland	22 October	National Council, Council of States
Türkiye	14 May	President, Grand National Assembly
Ukraine	29 October	Verkhovna Rada (Parliament). Likely to be postponed

2023 elections: Oceania

■ General elections ■ Presidential elections ■ Parliamentary elections



COUNTRY	DATE (EXPECTED DATE)	ELECTIONS TYPE
Marshall Islands	November	Parliament
New Zealand	14 October	House of Representatives

Annex II. Key EU meetings and international summits in 2023

Key EU meetings and international summits 2023

ORGANISATION	DATE	EVENT	LOCATION
Council of the EU	January - June 2023	Swedish presidency of the Council of the EU	Brussels
G7	19-21 May 2023	G7 Summit	Hiroshima
EPoC	1 June 2023	EPoC Summit	Chisinau
NATO	11-12 July 2023	NATO Summit	Vilnius
Council of the EU	July – December 2023	Spanish presidency of the Council of the EU	Brussels
United Nations	12 – 30 September 2023	78th Session of the UN General Assembly (UNGA 78)	New York
United Nations	20-21 September 2023	Sustainable Development Goals Summit	New York
G20	9-10 September 2023	G20 Summit	New Delhi
United Nations	TBD 2023	United Nations Security Council Election	New York
EU	17-18 July 2023	EU - Community of Latin American and Caribbean States (CELAC) Summit	Brussels
ASEAN	TBD, 2023	42nd and 43rd ASEAN Summit	City TBD, Indonesia
Shanghai Cooperation Organization	TBD, 2023	SCO Summit	India
Roscongress Foundation	July 2023	Russia-Africa Summit and Economic Forum	Sochi
OSCE	December 2023	Ministerial Council	

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The **Outlook Paper** is published yearly and identifies and anticipates developments in the EU's global relationships and policies for the coming year. It is not an exercise in prediction but rather an attempt to guide the EPC and EU community through a new year.

Every year, the EiW team, in collaboration with other EPC programmes, will select topics depending on their relevance for the EU and analysts' expertise. A central theme, key actors and regions, policies, emerging challenges and chronologies of key events within and outside the EU will always be included. What is likely to change each year are the countries and issues covered.

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