



The Norwegian Intelligence Service (NIS) is Norway's civilian and military foreign intelligence service. It operates under the formal direction of the Chief of Defence.

NIS collects, processes and analyses information affecting interests of national security in relation to foreign states, organisations and individuals. The purpose of intelligence activities is to help inform better policy decisions by the Norwegian authorities in matters of foreign, security and defence policy.

The Director of the Norwegian Intelligence Service is in charge of the military intelligence process; is the intelligence adviser to the Chief of Defence in intelligence-related matters; and determines the operational requirements for intelligence capabilities in the Armed Forces.



NORWEGIAN INTELLIGENCE SERVICE

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ANNUAL ASSESSMENT BY
THE NORWEGIAN INTELLIGENCE SERVICE

PREFACE



Since 2011 the Norwegian Intelligence Service has published an unclassified assessment as part of its efforts to promote greater openness. In keeping with earlier editions, this year's unclassified assessment, Focus 2013, will present the Norwegian Intelligence Service's (NIS) evaluation of geographic and thematic areas that the NIS considers particularly relevant for Norwegian security and national interests. The annual unclassified assessment will, by means of a systematic presentation, enable the reader to understand the current status and expected developments in these areas. Furthermore, it contains an introductory chapter highlighting key aspects of the Norwegian Intelligence Service's activities and organisation.

The Norwegian Intelligence Service is Norway's foreign intelligence agency. The NIS is under the command of the Chief of Defence, though its remit is not restricted to military issues. The NIS works within those areas that are prioritised by the country's highest political and military authorities, and supports political decision-making processes by providing information relevant to areas of interest for Norwegian foreign, security and defence policies. This means that the NIS

gathers, processes and analyses information on foreign states, organisations or individuals that may represent a real or potential threat to our national interests.

The Norwegian Intelligence Service prepares assessments on the basis of information which is not generally available. This does not necessarily mean that the Norwegian Intelligence Service arrives at conclusions which differ from those based on open sources. Nevertheless, in a number of areas the Norwegian Intelligence Service's efforts do yield unique information that would otherwise not be available.

I hope that this document will contribute to a greater understanding of the circumstances affecting Norway's security, thereby providing the best possible basis for our authorities' decisions.

Editing concluded 7 February 2013.

A handwritten signature in black ink, appearing to read 'Kjell Grandhagen'.

Kjell Grandhagen
Director Norwegian Intelligence Service



Increasing amounts of sensitive information is stored in cyberspace. Photo: Norwegian Armed Forces Media Centre.

control industrial infrastructure and infrastructure critical to society, among other things) should be attacked and financial services should be crippled to affect daily life for the ordinary citizen. The few actual occurrences from extremist Islamists which can be traced back thus far to so-called terrorist elements are not very advanced. Thanks to the lack of security awareness on the part of the victims, they have nevertheless achieved a certain, although very limited, extent of damage.

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Photo: NTB scanpix

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Cover photo: NTB Scanpix.

About the Norwegian Intelligence Service

2012 marked the 70th anniversary of the Norwegian Intelligence Service's establishment. During this time a number of adjustments have been made to the scope and organisation of the NIS to enable it to fulfill its duty to provide timely, relevant and reliable intelligence to Norway's authorities. A brief historical review provides a good basis for a more detailed description of today's service and how it is organised to tackle contemporary challenges in the best possible way.

Norwegian Intelligence Service through 70 years

That the German invasion on 9 April 1940 took Norway by surprise was due in part to the lack of an organised Norwegian intelligence service. The Norwegian government, which was stationed in London during the war, sorely needed information about the situation in their occupied homeland, and decided to set up an intelligence service for that purpose. In 1942 Ragnvald Alfred Roscher Lund was given the task of establishing an intelligence department at the Norwegian Headquarters Defence Command (FO) in London. The function of the intelligence department was to gather information from occupied Norway, and provide the basis for further planning of operations to be conducted by the Norwegian resistance movement and military forces in Norway. Through the organisation XU a network of more than 200 agents was created during the course of the war. In addition, a network of more than 1,800 informants was also developed in Norway.

In 1946 the Defence Commission underlined the importance of an effective intelligence capability for Norwegian security policy. Vilhelm Evang was tasked with managing the development of the service, and was its leader for the organisation's first 20 years. This

was a period in which the service had to be created from scratch. At the same time the security situation was becoming increasingly tense. The Soviet Union was considered a real threat, Norway joined NATO, Norwegian military base and nuclear policies were hammered out, and the terms deterrence and reassurance had to be balanced through practical action.

Throughout the entire Cold War period the Norwegian authorities emphasised the importance of keeping the intelligence service and operational intelligence activities under full national control. NATO badly needed information from the strategically important High North, and the Soviet threat was crucial in determining the size of Norway's intelligence capacity. From the 1950s onwards the Norwegian Intelligence Service grew into a key element in NATO's understanding of developments in the Soviet Union's military capability and the High North. The focus was on technical intelligence collection through the construction of listening posts, particularly in Northern Norway. A dedicated intelligence-gathering vessel was also used. Norway's intelligence capability gradually developed into a modern strategic service, with a unique ability to monitor the strategic situation in the north, map Soviet dispositions and identify Soviet military installations. It also possessed unique specialist expertise with regard to the Soviet Northern Fleet. Throughout the Cold War this made a key contribution to NATO and our allies' understanding of Soviet military power and the strategic military situation in the north.

The end of the Cold War resulted in a substantial reduction in the size of the Norwegian Intelligence Service's extensive organisation in the early 1990s. Nevertheless, its focus remained the same, due to the



Research Vessel Marjata. Photo: Norwegian Armed Forces.



The NIS started operating from Korpfjell in East Finnmark in 1955. Photo: Norwegian Armed Forces.

High North's vital importance to Norwegian interests. As the 1990s progressed, however, the NIS was also given a number of new tasks, with associated requirements for restructuring. The breakup of Yugoslavia was followed by a new armed conflict in Europe. At the end of 1995 NATO intervened in Bosnia-Herzegovina to ensure implementation of the Dayton Accords. This was the first NATO operation conducted outside its own territory. The Norwegian Intelligence Service was tasked with supporting Norway's political and military authorities by providing information on and analysis of how the situation was developing. The NIS was for the first time asked to provide direct support to Norwegian forces engaged in an international operation. Since the NATO operation in Bosnia it has become a fundamental prerequisite that Norwegian forces receive support from the country's intelligence service, also when deployed abroad.

The Lund Commission published its report in 1996. The report concluded with a number of recommendations. The Norwegian Parliamentary Intelligence Oversight Committee (EOS Committee) was subsequently set up to monitor the activities of the secret services in Norway. Oversight by the Committee has helped generate confidence that the NIS' activities comply with the statutory framework.

On 20 March 1998 the Norwegian Parliament (Storting) passed the Intelligence Service Act, and on 31 August 2001 a Royal Resolution detailing instructions for the Norwegian Intelligence Service was issued. The Act and the Resolution form the basis for the NIS' operations today. The service's statutory mission is stipulated thus:

"The Norwegian Intelligence Service shall procure, process and analyse information regarding Norwegian interests viewed in relation to foreign states, organisations or individuals, and in this context prepares threat analyses and intelligence assessments to the extent that this may help to safeguard important national interests."

The provisions of the Act specify international terrorism, the proliferation of weapons of mass destruction and supra-national environmental problems as new areas of operation. The instructions make it clear that the list of tasks is not exhaustive, and that the NIS may be given additional responsibilities if new security challenges should arise. Each year, under the auspices of the Ministry of Defence, and in consultation with the NIS itself and other relevant authorities, a document is now prepared detailing the areas to which the NIS shall give priority. The list covers both military and non-military assignments. The Act used the term Norwegian Intelligence Service, which was intended to indicate that the service is not only the foreign intelligence arm of the Norwegian Armed Forces, but also of Norway's civilian authorities. This change was reinforced in 2003 when the service officially changed its name from the Armed Forces Intelligence Service to the Norwegian Intelligence Service. The name signals that Norway today has a national foreign intelligence service that addresses both military and civilian issues.

Since 11 September 2001 international terrorism has acquired a new and vitally important dimension for the Norwegian Intelligence Service. This was a new type of threat, with a complex and transnational gallery of actors, which required rapid changes in focus and information gathering. This development meant

that efforts relating to international terrorism became increasingly important for the NIS' focus and organisation. Other transnational threats, such as the proliferation of weapons of mass destruction and cyber threats, have also grown steadily in importance for the NIS' operations.

The Norwegian Intelligence Service today

Norwegian interests and changes in the nature of security threats after the Cold War have resulted in the Norwegian Intelligence Service today concentrating on three main tasks:

1. To support important political decision-making processes by providing relevant information on areas of interest for Norwegian foreign, security and defence policies.

In line with the Intelligence Service Act of 1998 the Norwegian Intelligence Service now supports both military and civilian authorities through the provision of information and analyses to help safeguard important national interests. In recent years the Norwegian Intelligence Service has experienced a sharp increase in its level of operational activity. The number of domestic recipients of intelligence products has increased, and the NIS receives an increasing number of requests for analyses. Changes in Norway's strategic circumstances, international developments and the overall threat situation have contributed to demands for the continuous production of material covering an ever widening array of geographic and thematic areas.

Despite the end of the Cold War, developments in the High North remain extremely important to the Norwegian Intelligence Service's organisation. The area is of vital interest to Norway, and is of major geopolitical and strategic significance. The Russian Northern Fleet has a large arsenal of strategic nuclear weapons, and a number of bases located in close proximity to Norway. Furthermore, it is expected that the High North will also experience a substantial rise in civilian and commercial activity in the years ahead.

However, in an ever more globalised world Norway

must take into account that its vital interests are, in ways not previously seen, affected by events taking place a long way away. The role of the Norwegian Intelligence Service is to help enable Norwegian decision-makers to make informed decisions on foreign, security and defence policy issues. Norway's overall need for intelligence is closely linked to global and regional processes around the world. This has changed the requirements for and challenges facing the country's intelligence capability.

2. Acquire information and provide warning on threats against Norway and Norwegian interests.

Adequate preparedness means taking into account that which has not yet happened, but which may occur. One of the Norwegian Intelligence Service's important functions, therefore, is to warn and advise Norwegian authorities on matters which may threaten Norwegian interests. By providing early warning and information about threats that have arisen, ongoing crises and armed conflicts, the NIS helps enable the authorities to handle the situation in as informed a manner as possible.

The Norwegian Intelligence Service has a duty to provide warning on military and civilian threats. This presumes an ability to uncover threats, identify emerging lines of conflict, track terrorists and spot malware before it reaches our computer systems. The Norwegian Intelligence Service must therefore be able to understand the normal situation and, not least, recognise probable signs that the normal situation is changing.

This is becoming increasingly challenging. Norwegian interests are to be found in many locations throughout the world, in many countries. Norway's national wealth is invested worldwide. Large publicly and privately owned companies operate on all continents. Norway pursues an active foreign policy, and engages in peace and reconciliation processes in many parts of the world. The Norwegian Armed Forces participate in operations far away. In a globalised world threats are fluid and cross borders. They are fast-moving, may material-

ise a long way away, and yet still threaten Norwegian interests at home and abroad.

3. Support Norwegian Armed Forces operations at home and abroad.

The Norwegian Intelligence Service is the Chief of Defence's intelligence organisation in support of the armed forces' activities at home and abroad. Optimal use of military capabilities depends on a thorough understanding of the situation in which the forces are to operate, and the ability to foresee future developments. A prerequisite for Norwegian Armed Forces operations is an up-to-date intelligence overview and relevant intelligence assessments. This applies to all levels, from the strategic down to the tactical.

The Norwegian Intelligence Service provides direct support to armed forces units and staffs by producing basic intelligence and ongoing updates of the intelligence overview at strategic and operational levels, and by providing tactical support to military leaders in the form of tangible intelligence capabilities and products. This applies to both national and international operations.

The Chief of Defence's Intelligence Directive (1 April 2011) endows the Director of the Norwegian Intelligence Service with operational authority over all intelligence activity in the Norwegian Armed Forces. As a result, the Norwegian Intelligence Service has not only responsibility for providing direct intelligence support to military staffs and units, but also for the total sum of intelligence activity undertaken throughout the armed forces' organisation. The objective is to create a unified intelligence environment within the armed forces, thereby ensuring a shared, comprehensive understanding of the situation and the operational environment in the area of deployment. Through participation in and guidance of relevant exercises the Norwegian Intelligence Service also helps to reinforce the intelligence capabilities of the armed forces' individual branches. To create a unified intelligence environment within the Norwegian Armed Forces also requires a shared

doctrine and regulatory framework, coordinated intelligence training, and a uniform intelligence architecture with shared information and communications systems. Work to achieve this is currently underway. In 2013 the NIS will carry out further work on its regulatory framework, and a separate intelligence doctrine will be published. The Norwegian Intelligence Service's contribution to operational planning, investment planning and capability development will also be expanded.

The Intelligence Service Act tasks the service with supporting Norwegian forces engaged in international operations. The Norwegian Intelligence Service has supported, and will continue to support, Norwegian forces engaged in international operations in a number of theatres. An important element in this work is to help provide the best possible basis for the decisions taken by the political and military authorities. Direct support for Norwegian units engaged in international military operations also represents a key function for the service. The NIS provides intelligence to force commanders, and air, sea, land and special operations in which Norwegian forces are engaged. Highly specialised intelligence-gathering and analysis units have been developed to provide decision-makers at all levels with the best possible foundation. The Norwegian Intelligence Service now supports Norwegian forces before, during and after deployment in operational areas outside Norway's borders, and will normally also deploy its own resources.

At the moment the Norwegian Intelligence Service's contribution to international operations is focused primarily on Afghanistan, where Norwegian units are supported in their day-to-day activities by NIS assets. The Norwegian Intelligence Service's responsibilities and activities relating to Afghanistan range from the gathering and assessment of on-the-spot information for tactical decisions during military operations, to large and complex analyses to support decision-making processes connected with the development of Norway's policies on Afghanistan. Drawing up and maintaining a picture of the current threat situation in Afghanistan is

an important part of this effort, and ranges from warning of possible local threats in Afghanistan to assessing the overall threat picture and matters of importance to national interests and decision-making processes.

In 2013 support for international operations will continue to be an area of interest for the Norwegian Intelligence Service.

Tomorrow's service

Global trends and changes in the threat picture have altered the requirements for and challenges facing Norwegian intelligence. Developments require the service to be able to uncover what those who pose a threat want to keep concealed. This means the ability to understand their motives and intentions by assembling an overall picture from a variety of disparate puzzle pieces. Developments also require a high level of trust and cooperation, and the exchange of information, between the intelligence and security services and between the Norwegian Intelligence Service and its partner NIS in other countries.

Future challenges and threats will be different to those we have seen over the past decade. The Norwegian Intelligence Service must keep step with developments in the society it is tasked with protecting, maintain established capabilities and competences, and at the same time acquire new ones. As it appears today, these changes mean that the NIS will have to possess a number of fundamental capabilities. The NIS must be able to gather the information required for the mission concerned, both from human sources and by means of technical devices that can access information where it is located.

Technological developments have changed the nature of the national and international threat situation. Information technology has paved the way for threats from new actors and made us vulnerable in new areas. These developments have also created new opportunities for the Norwegian Intelligence Service. In today's society the volume of information available is enor-



Range practice outside Mazar-e Sharif in Afghanistan.
Photo: Norwegian Armed Forces Media Centre.

mous, and increasing all the time. Out of this mass of data the NIS must be able to find those items that are relevant for the tasks it has been given. A trend in today's information society is for important information to be protected by ever stronger safeguards. A prerequisite for an effective service is that it is able to stay at the forefront of technological developments and find solutions to a constant stream of new challenges. In the years ahead the Norwegian Intelligence Service will have to find appropriate and effective ways to deal with the increasing volume of information available. This will require a long-term perspective, high-tech expertise and the ability to develop and operate advanced technological solutions. Not least, it will also require the service to have competent personnel, who are able to transform fragmented scraps of information into readable intelligence and understandable analyses in support of our principals' objectives.

This year's Focus report will present the NIS' analysis and assessment of the areas to which it will be giving priority in the year ahead.

Regional areas of interest

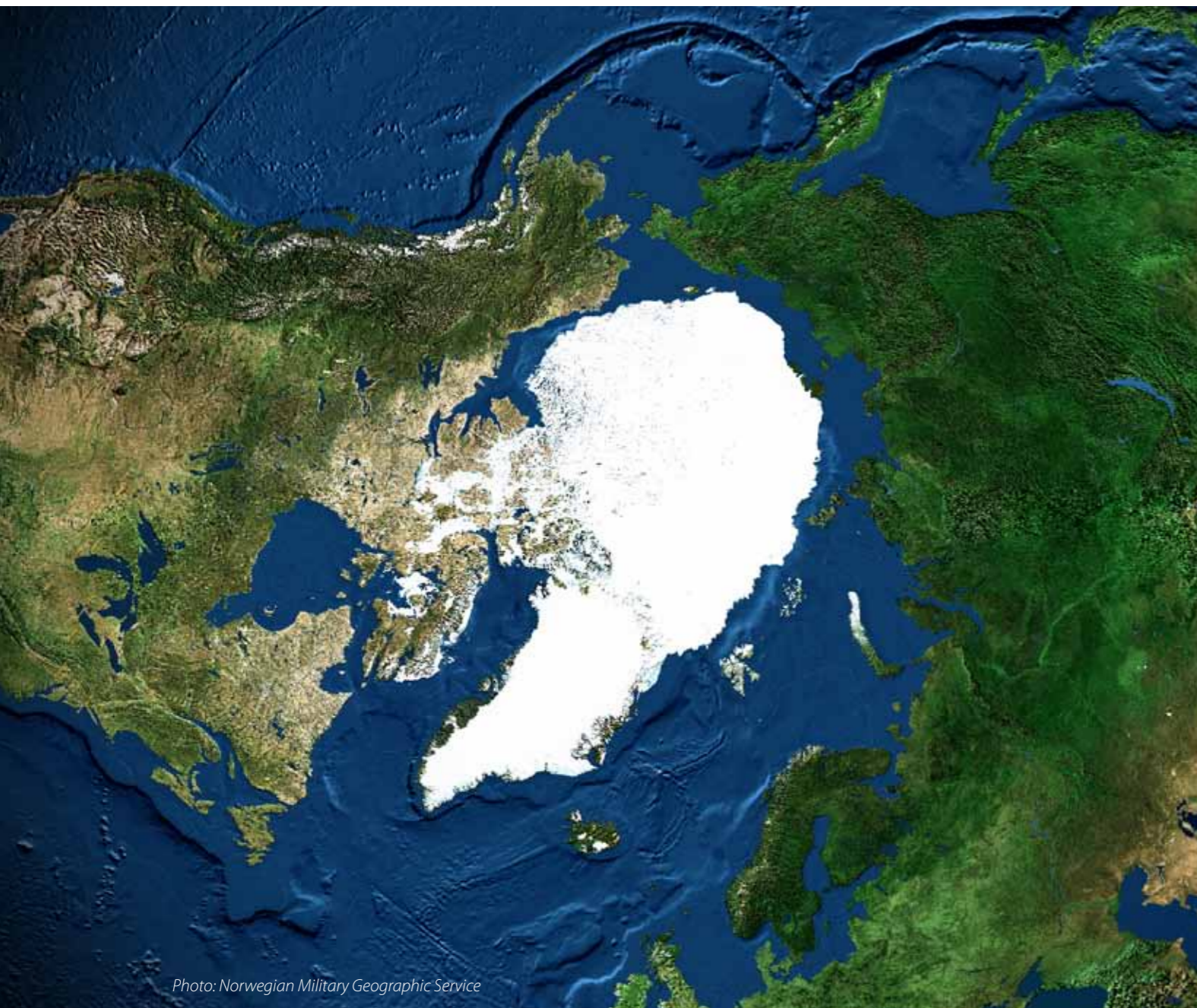


Photo: Norwegian Military Geographic Service

THE HIGH NORTH AND THE ARCTIC

The Arctic littoral states – Norway, Russia, Canada, the USA and Denmark – have broadly similar interests in the region, which reduces the risk of conflict. Developments are not characterised by tussles over resources or growing conflict, but by a number of actors who are positioning themselves in relation to potential future interests. A natural part of this trend is a stronger emphasis on research into Arctic conditions. Knowledge provides the basis for the framing of future interests, and is considered by a number of states to give increased weight and legitimacy to their desire to be consulted in matters relating to regulations and rights in the Arctic.

Russia remains the most important single actor in the Arctic region. The most important objective of Russia's Arctic policy is to safeguard access to energy resources and secure as much control and influence in the region as possible. The voyage of the Russian battle cruiser Pjotr Velikiy through large parts of the Northeast Passage in the Kara Sea and Laptev Sea in the autumn of 2012 illustrates how the waters from the Barents Sea to the Bering Straits must increasingly be seen as a contiguous whole. Official Russian policy emphasises that international cooperation in the region is a condition for further development in line with Russian goals.

The High North is an important area for Norway's national development, but is also of great significance from a foreign policy standpoint. The High North includes both the most northerly parts of the Norwegian mainland, the northern oceans and the Svalbard area. A number of international actors operate here already, and new ones are on their way into the region. International activity relates primarily to fishing, international transport along the Norwegian coast and research activities both in the ocean and in Svalbard.

The region is also part of the Arctic, which since 2006 has been lifted higher on the international agenda. In this context international interest in Svalbard is also

increasing. The international presence in Svalbard is growing, and is primarily research-related.

Melting ice, expectations of as yet undiscovered natural resources, growing interest in maritime transport along the Northern Sea Routes and growing international interest in the Arctic represent both opportunities and challenges for Norway. Norwegian interests must be safeguarded at the same time as the area is developed through international cooperation. With new activity and new entrants on their way into the region, the Norwegian Intelligence Service is monitoring the actions of foreign actors to safeguard Norwegian national interests in a region whose strategic importance is growing.

Potential for conflict

Not many years ago the future of the Arctic was described in many media reports as a scramble for resources. Today, quite rightly, this potential for conflict has been toned down substantially. Firstly, preliminary surveys show that most of the undiscovered Arctic resources lie within the coastal nations' already legally defined economic zones. Secondly, the efforts of the Arctic littoral states to expand their continental shelves are being coordinated through a UN-led process. Developments to date indicate that the Arctic littoral states will respect the UN process, and will negotiate bilaterally to define the final limits of the Arctic shelf.

However, it is the legal status of the potential new sailing routes in the north that have prompted the greatest disagreement internationally. Canada and Russia want national control over the Northwest Passage and the Northeast Passage respectively, while the USA wants them to be designated international transit routes and as such be regulated as international waters. China, whose economy is highly dependent on exports of goods, and therefore shipping, has not yet taken a clear position. In the longer term this issue could lead to disagreement over jurisdiction among certain major powers.

Russia in the north

Relations between Norway and Russia are characterised by stability and well-established cooperation in a number of fields. The Treaty on Maritime Delimitation and Cooperation in the Barents Sea and the Arctic Ocean came into force in 2011, thus eliminating a long-standing unresolved legal issue from the Norwegian-Russian bilateral agenda. Since the agreement was entered into activity within the energy sector in the High North has continued to expand, and cooperation within this sector is expected to intensify in the years ahead. Cooperation between Norway and Russia with regard to fisheries policy in the Barents Sea ensures that the shared fish stocks can be harvested sustainably.

Russia is a major power in the Arctic. The country, which probably has the largest undiscovered petroleum deposits in the region, has the longest Arctic coastline, potentially the largest continental shelf and extensive plans for the establishment of new infrastructure along the Russian Arctic coast. Furthermore, the ambitious goals for this effort that Russia has set out in its Arctic strategy are being followed up in practice.

Energy is an important driver for Russian activity in the north. Changes in the gas market have led to a slow-down in the development of certain high-cost gas projects in the Russian north. Nevertheless, the development of the resources in the Yamal Peninsula remains a high priority, and oil exploration on the continental shelf continues with increasing intensity. However, while the Russian authorities are clearly pre-occupied with the desire to maintain national control over the country's energy resources, they are undoubtedly in need of capital, technology and competence from abroad.

The process surrounding the delimitation of the continental shelves for the littoral states of the Arctic will be a key issue in the years ahead. Russia, Canada and Denmark are assumed to have partly overlapping claims. Russia will intensify its mapping efforts and is expected to supply updated documentation to the UN Commission on the Limits of the Continental Shelf by the end of 2014. Delimitation in the Arctic will be determined in accordance with the UN Commission's recommendations and any bilateral negotiations between the states. Today there is little to indicate that the continental shelf issue will increase tension in the Arctic. However, should the situation remain unresolved, the level of tension may rise in the longer term.

One of the objectives specified in Russia's Arctic strategy is to develop the Northeast Passage for international maritime transport. So far the Russians have little search and rescue capacity along the passage, but there are plans for the establishment of rescue bases, border posts and ports along Russia's Arctic coast. Navi-



DELTA IV-class strategic submarine. Photo: 333 Squadron.

gation systems are also being developed. Commercial use of the Northeast Passage remains at an extremely low level, though the volume is growing. In 2012 a total of 44 transits were recorded, compared with 34 in 2011. The Russian authorities are probably waiting for the shipping industry to become more interested in this route and for an improvement in ice conditions before embarking upon any major investments in new infrastructure.

Russia sees its interests best served by preserving the Arctic as an area of stability and international cooperation. This is good for future Russian business development in the region, and is probably also considered crucial to ensuring that the UN process for extending the littoral states' continental shelves continues at today's pace. The Russian authorities will therefore probably give priority to strengthening international cooperation in the time ahead, while emphasising the need to avoid a militarisation of the region.

The Russian Border Guard Service, which is under the

jurisdiction of the Federal Security Service FSB, has been given overall responsibility for monitoring and securing Russia's borders in the Arctic and the vast Russian areas in the region. A clear sign of Russia's Arctic commitment, however, is that other agencies will also be given defined, new roles in the north. The Ministry of Emergency Situations is already playing a leading role in establishing the network of search and rescue stations along the coast, while the Northern Fleet seems to have been tasked with safeguarding the region's economic infrastructure.

The military situation in the north

Following the war with Georgia in 2008 Russia stepped up already initiated reform and modernisation measures to revitalise its armed forces. The effect of this can already be observed among the forces serving in the High North, in the form of more visible and effective Russian training and increased output particularly at military shipyards. All conventional forces in areas close to our territory are now under the command of Russia's Western Military District headquartered in St Petersburg.



The Chinese Research Vessel Xuelong/Snow Dragon sails north after crossing the Polar Circle on 21 July 2012. Photo: NTB Scanpix.

burg, while locally on the Kola Peninsula the Northern Fleet maintains operational control of the area's sea and land forces. The Western Military District, which is responsible for Russia's western borders, also controls the Baltic Fleet, two army formations and an air-assault force.

The High North, in particular the Kola Peninsula and the Barents Sea, has been and remains of great military strategic importance for Russia. This is due to the area's function as a base and field of operation for submarines carrying intercontinental ballistic missiles armed with nuclear warheads. Since new missile-carrying submarines make up an important part of the modernisation process, this situation will not change in the immediate future. The area's relative military strategic importance is more likely to increase than decrease.

The main task of the other forces on the Kola Peninsula is to defend the missile-carrying submarines, both

when they are in port and on patrol. With this mission determining the size of the capability deployed, Russia also has the capacity to act effectively in response to incidents, emergencies and conflicts, which includes defending itself against surprise attack and making rapid response units available for deployment elsewhere in Russia. In order to conduct offensive operations of any scale in the north, however, the area would have to receive reinforcements. Provision for this is included in the reform programme, and Russia conducts regular reinforcement deployment exercises.

Over and above Russia's ambition to further adapt elements of its existing land forces to operations under extreme Arctic conditions, it is currently undertaking no quantitative scaling up of its military strength in the north. However, in the longer term the addition of new materiel will increase the capability and capacity of the Russian forces, and will facilitate joint operations between the various military branches.

The geographic size and character of the High North and the Barents Sea make it particularly well suited to the testing of new weapons platforms and long-range weapons. For this reason many of Russia's most important naval weapons systems are developed and tested in this area. Examples include several new types of submarine with new intercontinental ballistic missiles, and new long-range cruise missiles for use against targets on land and at sea. Weapons destined for export markets are also tested in this region.

Russia continues to fly strategic bomber patrols over the Barents Sea and the Norwegian Sea, which they have done routinely since 2007. The flights are a combination of operational training exercise and demonstration of military strength. The bombers' main task, as a complementary capability to the missile-carrying submarines and land-based rocket forces, is to deliver long-range cruise missiles. The planes are stationed closer to central Russia, but have deployment bases in the High North.

The Northern Fleet continues to send naval squadrons on deployment to remote corners of the world. In 2012 the focus was on anti-piracy operations in the Gulf of Aden, visits to ports on the US East Coast and deployment to the Mediterranean in connection with the Syria conflict. As one of Russia's two strategic fleets the Northern Fleet will maintain a certain level of capacity for operations worldwide and for the projection of military power. At the same time the large surface vessels which are required for this kind of operation are used to underline Russian sovereignty and military strength in the High North.

In 2012, for the first time, the Northern Fleet sent a large naval detachment on patrol along the Northern Sea Route in the Kara Sea and the Laptev Sea. The objective was to underline Russian sovereignty and train in the performance of new tasks, such as safeguarding civilian shipping and defending commercial business activities and strategically important installations. However, since such operations are at odds with

Russia's interest in maintaining a low level of tension in the Arctic they will probably be undertaken only sporadically. On a day-to-day basis it will be resources drawn from the Federal Security Service FSB and the Ministry of Emergency Situations which operate along the Northern Sea Route and man the area's border posts and search and rescue bases.

A key objective this year for the Western Military District, including the forces stationed in the High North, is the staging of a relatively extensive strategic exercise – "ZAPAD 2013" (translated as "WEST 2013") – in conjunction with Belarus. Such exercises are routine and are staged annually on a revolving basis between Russia's four military districts. The last ZAPAD exercise took place in 2009.

Further developments in the High North and the Arctic

Bilateral relations between Norway and Russia are typified by well-established cooperation in a number of fields, and developments in the Arctic are all characterised primarily by stability and cooperation. As the Arctic region's resources are mapped out and a growing knowledge base is established, it is becoming increasingly accepted that the bulk of the interesting deposits already lie within the legally recognised economic zones of the littoral states. That Russia, the most important actor in the Arctic, is engaged in the UN process to clarify the continental shelf helps to weaken previous perceptions of the Arctic as a future seat of conflict. At the same time interest is growing in the Arctic and the opportunities which may arise there. As a result major powers and smaller states outside the region will also want to influence the framework conditions applicable in the area. The legal status of the potential new sea routes in the north is one issue which may prompt international disagreement in the time ahead.

RUSSIA

Russia's ambition to strengthen and further develop the country's status as a world power is a major driving force in Russian politics, also at the domestic level. The political system is increasingly characterised by authoritarian traits and contributes to growing dissatisfaction with the political situation among the population and parts of the elite. The leadership is expected to continue current policies, which may lead to political turbulence and increased conflict with the elite. Russia's main foreign policy goal will be regional integration, while its relationship with the West is expected to remain cool. The implementation of its large-scale weapons programme will increase the operational capabilities of its armed forces; however, the military's first priority will continue to be strategic deterrence.



Developments in Russia are of great significance for Norway. On the one hand, Russia has emphasised a constructive and close relationship with Norway. Practical cooperation, especially in the High North, is developing on several fronts, and conflict issues are managed within a well-established policy framework. Russia is interested in continued cooperation in the North and keeping tensions low. On the other hand, Norway, as a member of NATO, may be affected by conflict issues that arise from sources other than this bilateral relationship.

Foreign policy continuity

It is reasonable to assume that Russia will have a continued desire to develop and maintain bilateral relations with Norway and other European countries rather than strengthening relations with organisations such as NATO and the EU. Russia will continue to seek the support of individual countries in an attempt to prevent these organisations from presenting a united front on issues to which Russia is opposed. Russia's military and political leadership still view certain NATO activities, including the deployment of military equipment and installations in member countries bordering on Russia, with considerable scepticism. Plans to establish a European missile defence shield, and Georgia's aspirations for NATO membership, will remain the most contentious issues in relations between Russia and the Alliance. On the other hand, Russia will continue to seek cooperation with NATO in areas of common interest, such as transit through Russia in connection with NATO's withdrawal from Afghanistan.

Relations with the countries of the Commonwealth of Independent States (CIS) will continue to be a primary focus of Russian foreign policy, and Russia will seek to maintain its political-military dominance in the region. Russia's military bases in some of the CIS countries

serve a primarily political function, signalling Russian support for the country's political leadership and Russia's intention to play a central role in the region. While bilateral agreements on economic and military cooperation are the foundation of Russia's CIS policy, we see an increasing focus on integration through organisations such as the Collective Security Treaty Organization (CSTO) and the Customs Union, which currently comprises Russia, Belarus and Kazakhstan. Scepticism from several CIS countries towards Russia's influence and intentions, however, will limit Russia's opportunities for further security and economic integration in the region.

A central element of Russian foreign policy is its ambition to strengthen its role on the international arena. The political leadership aims to make Russia a key actor in international politics and be heard on issues that directly or indirectly affect its national security. It is important for Moscow that Russian views are taken seriously, which, in itself, will strengthen Russia's international position. Russia believes that its role in international affairs is supported by the country's permanent membership in the UN Security Council. Therefore, Moscow will continue to argue that international conflict issues, such as the conflict in Syria, should be addressed within the framework of the UN Security Council. A desire for binding agreements on a wide range of issues is a cornerstone of Russian foreign policy. In addition, Moscow recognises that Russia's status as a world power also depends on economic strength. The many initiatives aimed at modernising and strengthening the Russian economy must therefore be seen in light of its ambition to strengthen the country's role internationally.

Domestic Policy Hardening

In the eyes of the Russian leadership, Russia's international position also depends on political stability on the home front. This helps to explain the authoritarian features of the country's political system. The demonstrations in 2011 and 2012 led to some domestic political softening, partly expressed through the

reintroduction of direct elections of regional governors. After Vladimir Putin began his third presidential term in May 2012, however, the leadership tightened the reins again. Members of the opposition have been subjected to increasing harassment and new legislation has been introduced, restricting the activities of NGOs. There currently seems to be no prospect of a liberalisation of Russia's political system any time soon.

The protest movement has taken some steps in the direction of increased consolidation, not least through the establishment of a national Coordination Council in the autumn of 2012. Still, the movement remains politically fragmented, which impairs its ability to form an effective political force. Street protests have gradually declined somewhat, in both frequency and size. The future of the movement now seems contingent on a new strategy and a common leader to strengthen its role in the political arena.

Despite renewed control on the surface, the Russian leadership faces a number of internal challenges. Among other things, there seems to be an increasing risk of divisiveness among the political elite. After Putin regained the presidency, powers have become increasingly centred on his person and leading members of his circle have been appointed to positions in the Presidential Administration. This has come at the expense of Prime Minister Dmitry Medvedev's apparently somewhat more liberal government, and led to increased tension among the elite. Another challenge for Putin is that his immediate circle lacks regenerative growth, while several of his close allies are approaching a relatively advanced age. The lack of natural successors to today's elite politicians may eventually become a stability challenge for Russia.

The threat to the country's territorial integrity is low, and there is generally a low degree of separatism. However, the North Caucasus region and two republics in central Russia, Tatarstan and Bashkortostan, are exceptions. In the latter two areas, we see signs that Islamist groups are gaining strength, and there have

been a number of attacks on government officials. The North Caucasus region is characterised by high levels of violence, especially in Dagestan, which accounts for over half of the violence in the region. There are almost daily clashes between insurgents and security forces as well as assassinations of government officials, police and Muslim scholars. The situation in Ingushetia and Chechnya is also serious, while rebel groups in the western republics have been set back due to successful operations by the security forces. Recruitment into rebel groups seems to remain high, however, as a result of police harassment of supporters of more radical Islamic movements, extensive corruption and high unemployment. We do not expect the government's socio-economic development programme for the region to produce particularly significant results in the short term. The economy is likely to be crucial for Russian domestic political stability in the future. Any economic slowdown may give the protest movement new momentum and cause more serious conflicts among the political elite.

The economic situation

During the first half of 2012, the Russian economy approached the same level as before the financial crisis, and key institutions, such as the IMF and OECD, almost declared a recovery. Reduced growth during the second half of the year means that expected GDP growth in 2012 and 2013 is expected to end up at around 3.5%, against 4.3% in 2011. This is primarily due to uncertainty related to oil and gas prices and the state of the world economy. The government's goal is an annual growth of at least 5%. Estimated Russian GDP growth in 2012 and 2013 will still be higher than in many European countries and the United States, and the country has a low national debt. Consequently, Russia is entering 2013 in a more favourable financial position than many other countries.

The direction of Russia's economic policy for 2013 and beyond is motivated by the fact that the economy is too vulnerable to fluctuations in commodity prices on the world market. The oil-corrected budget deficit

has been a considerable 10% in recent years. This will require robust fiscal mechanisms to preserve economic stability in the event of periods of sustained low prices for oil and gas. Holdings in the country's two savings funds are low compared to levels before the financial crisis.

With lower growth and a tighter fiscal policy, focusing on stability and social development, the Russian government must, in 2013 and beyond, find new sources of revenue to sustain economic growth, investment and financing for political programmes. One possibility lies in privatisation, and the state plans to sell off shares in a number of large companies in the period up to 2016 to reduce its share of the overall economy and attract private investment and technology to develop the economy further.

Structural challenges, coupled with an uncertain business and investment climate, corruption, capital flight, expected increased inflation and weaknesses in the legal system are hampering and delaying economic development. Despite these challenges, there is also progress. In 2012, after almost 20 years of negotiations, Russia became a member of the World Trade Organization (WTO).

In addition, in 2012, for the first time since the Soviet era, Russia had periods with a slight natural population growth, i.e. the population grew without including immigrants. On the whole, 2012 saw a slight population decline, but it was much less than in previous years. Including immigrants, however, the population increased somewhat and is now at 143 million people. Nevertheless, the outlook remains challenging. The proportion of Russians of working age will fall dramatically over the next 20 years, and a far smaller percentage of the population will be employed in relation to the proportion of pensioners. Additional labour migrants will be important for compensating for the decline in the national working population.

A newly introduced budget regulation balances the



President Putin in conversation with Prime Minister Medvedev and Chief of the Presidential Administration Ivanov on 12 December 2012. Photo: NTB Scanpix.

budget for the first time against a lower than expected oil price, and should increase the holdings of the two savings funds. This regulation also limits the government's ability to stimulate economic growth by using more oil money. The balance between health and welfare spending, and defence and security spending, will be a key policy challenge in the years ahead.

Continuation of the weapons programme

Despite extensive staff changes in the Ministry of Defence and the top military leadership in the autumn of 2012, important policies with regard to ongoing plans to modernise and revitalise Russia's armed forces remain intact. The state weapons programme for the period of 2011 to 2020 has a nominal budget of nearly NOK 4,000 billion, supported by a fund of NOK 600

billion, with the aim of strengthening and restructuring the defence industry. Among other things, there will be a strong focus on modernising and developing the shipbuilding industry, and funds will be allocated for increased innovation.

The weapons programme is starting to take effect, in the form of contracts and materiel deliveries, and there is still a strong political will, including from President Putin, to achieve the agreed objectives. Even a partial implementation, however, will provide a noticeable boost in military power. Within the modernisation plans, highest priority is given to the Strategic Nuclear Force and Air Force, but developing the Northern and Pacific Fleets is also a top priority. A prioritised area for Russia is to become less unilaterally dependent on nu-

clear weapons for global and regional deterrence. This includes developing conventional long-range precision weapons, in addition to increasing and developing the ability to utilise all national military assets in a conflict situation.

Parliament continues to increase funding for Russia's armed forces. If the plan is followed, the defence budget's share of the Russian GDP will increase from about 3.1% in 2012 to 3.8% in 2015, and the burden on the state budget from nearly 15% to around 20%. Until 2011, this increase was not particularly exceptional with regard to Russian public spending. After 2011, however, defence spending has grown faster than other budget posts. In 2013, the government has planned to use an amount equivalent to approximately NOK 180 billion on investments. In 2014, there is a planned increase to about NOK 217 billion and further to NOK 307 billion in 2015. In such case, the investment share of the defence budget will be approximately 55% in 2015.

Further developments in Russia

President Putin aims to pursue a political course based on the centralisation of power in the Kremlin and strong measures against the opposition, while maintaining a balance between conservative and liberal forces in the leadership. However, Putin's declining support, conflict among the elite and problems with recruitment to the elite are generating challenges that could undermine the leadership's ability to govern. Although the opposition is currently divided, a growing consolidation will likely constitute a major challenge for the leadership in the longer term. The conflict between Islamist groups and the government in the North Caucasus region is expected to continue to be intense, particularly in the eastern areas, but is not expected to spread to other parts of Russia. In foreign policy, problematic issues will dominate Russia's relations with the West and Moscow will show little willingness to compromise in matters relating to security policy developments along its borders. Russia will continue to work for closer security and economic integration in

the CIS, but scepticism about Russian intentions and dominance in many of the CIS countries will slow this trend.

THE MIDDLE EAST AND NORTH AFRICA

Several Middle Eastern countries are facing major challenges with regard to national development, economy, social unrest and national conflicts. The struggle between who gets to define political and social institutions will dominate the agenda in countries that have undergone a regime change. National conflicts in Syria, Libya, Iraq and Yemen will lead to further political uncertainty and security challenges in these countries. The conflict in Syria will also affect regional alliances and neighbouring countries. Iran will continue its nuclear programme. International negotiations with Iran is expected to continue, but is not expected to contribute to a lasting solution that is acceptable to the regime and Iran's negotiation partners. Existing conflicts in the region will continue through 2013, with emphasis on national conflicts, social unrest and security challenges in several countries.



Regional Trends

Over the past two years, the Middle East has seen dramatic upheaval, and most countries have seen mass protests against oppressive regimes. Four of the region's countries, Tunisia, Libya, Yemen and Egypt, have undergone their own distinctive revolutions, regime

changes and are now in an unstable post-revolutionary phase. Syria is in the middle of a calamitous civil war, where so far the parties have focused on achieving their goals militarily rather than through political dialogue. Other countries, such as Algeria, Iraq, Jordan, Kuwait, Morocco, and Saudi Arabia, have seen significant protests, although they have not led to significant changes in basic structures and social inequalities.

There is no guarantee that the political turmoil in the Middle East will promote democracy in the region. Liberal and secular groups in Egypt and Tunisia have had a far weaker political presence than their role in the revolutions would indicate. Libya is dominated by security concerns, competition for resources and poor regulatory control. So far, Egypt has demonstrated a pragmatic approach to dealing with the country's foreign policy and international alliances, while balancing a more Islamist direction in domestic politics. Radical forces have gained ground in Syria, in line with the

conflict becoming more militarised. In the region as a whole, the future role of Islamist movements, and their desire to bring state and society more in line with Islam and Islamic law, will be one of the major uncertainties that will be decisive for future development.

Countries where the Arab Spring has not led to regime changes have also been affected by the recent upheavals. Regimes in these countries will seek legitimacy by seeming to align their policies more with popular demands from the uprisings. This may be through pursuing a more assertive foreign policy, giving more room to religion in public administration and management, and a greater focus on social welfare. It is considered unlikely that countries that so far have had good relations with the West will break this relationship. The need for investment, loans and aid is an important contributing factor, and a pragmatic policy, both with regard to economy and diplomacy, is still expected. Many of these countries are likely to seek to diversify their dependence on the West, particularly towards Asia, and to strengthen regional alliances. The development of a joint defence pact for the Gulf Cooperation Council (GCC) countries is an example of the latter.

Israel is still technologically and militarily superior in the region. Beyond Iran, which is engaged in a non-conventional, low-intensity conflict with Israel, none of the other states in the Middle East are considered to have any intention to challenge Israel militarily. Iran, Hezbollah, various Palestinian groups, and some militant Islamic groups have the intention and the capacity to undertake a strike against Israel, but are limited by their lack of a common agenda, and a local and national scope of action.

Tensions between Iran and Israel are high, and a potential Israeli strike against the Iranian nuclear programme would have major regional repercussions. Iran will continue to challenge the international community with its nuclear programme, but the lack of effective and definitive countermeasures means that the global community, including Israel, will probably

be less willing to enter into a military conflict with Iran. This may change if Israel comes to perceive Iran as an acute existential threat, for example, if there are strong indications that the country is in the process of finalising a nuclear warhead, or if other weighty concerns lead Israel to consider challenging Iran to be in its interest. The changes taking place in the region and in Israel's national security landscape may influence such a decision.

Sectarian divisions between Shia and Sunni interests have been increasingly strengthened through regional competition between Iran on the one side and a broad Sunni block, led by Saudi Arabia and Qatar, on the other side. The conflict in Syria has contributed to a further heightening of these tensions. Saudi authorities, in particular, are focusing on sectarian divisions in the country's foreign policy. In the short term, this will mobilise domestic and regional support against Iran and its allies. In the longer term, however, such a policy could lead to an increased distance between Saudi authorities and the country's Shiite population, with increased instability in Saudi Arabia's oil-rich Eastern Province in consequence. It could also weaken the internal stability of neighbouring Bahrain.

At the national level, a number of conflicts are being played out in the region. Civil war-like conditions will continue in Syria, the lack of political control over the militias and Islamist groups will dominate Libya, and Iraq will see increasing friction between the central government in Baghdad and the Kurdish Regional Government. Social unrest and demands for change will come to a head in countries that were not a part of the Arab Spring, including Jordan, Kuwait and the Eastern Province of Saudi Arabia.

This regional conflict situation poses challenges related to weapons of mass destruction and terrorism. The crisis in Syria will assume a new dimension if the regime uses, or threatens to use, chemical weapons against internal or external enemies, or if such weapons fall into the hands of other groups. Regional challenges related

to weak regulatory control in the Sahel region may play a part in the security situation in Algeria, Libya and other countries in the Maghreb region. As with Libya and Algeria, Syria and Sinai may also turn into arenas for Islamic militants.

IRAN

Nuclear programme, ballistic missiles and chemical and biological weapons programme

Iran has, over several years and in several areas, developed the capacity of the country's nuclear industry, but has also conducted work relevant to the development of nuclear weapons. Several of these activities date back to before international sanctions were in place, but some work on sensitive technologies is also recent. The International Atomic Energy Agency (IAEA) is still not able to verify that this programme is solely intended for civilian purposes and has concerns about a possible military dimension, which includes

the production of fissile material. Such weapons-grade uranium or plutonium is necessary for developing a nuclear weapon. Iran is enriching uranium to up to 20 percent at facilities in Fordow and Natanz. Iran may argue the need for an even higher degree of enrichment if they realise plans for nuclear-powered vessels. In spite of the sanctions against Iran, the country is continuing its activities in both operations and research, and the construction of a heavy water reactor at Arak. The reactor is suitable for the production of plutonium, but will not be operational until 2014 at the earliest.

Iran has successfully developed and produced ballistic missiles that can reach Israel and other potential targets in the region. There are suspicions that Iran also is developing missiles with the range to reach large parts of Europe.



President Ahmadinejad visits the nuclear facility at Natanz. Photo: NTB Scanpix.

Political decision-making

The Iranian regime's nuclear policy and the international conflict surrounding its nuclear programme, will probably not see significant changes in the dynamics we have seen in 2012. The threat of military action against Iran will continue, but the regime will try to limit the risk of armed conflict. Iran will therefore seek to continue international negotiations, but the regime will also oppose abandoning key parts of its nuclear programme. As such, it is not expected that negotiations will contribute to a lasting solution that is acceptable to Iran's leadership and its negotiating partner, P5+1.

As long as the international desire to engage Iran militarily is low, and negotiations do not lead to a breakthrough, sanctions and isolation of the country will continue. This will weaken Iran's economy further, which could affect the cohesion of the leadership as the interests of the elite are also challenged. This could lead to increased pressure to be more accommodating to the demands of the West, also among certain key members of the leadership. Inflation and unemployment will increase, but as long as the leadership maintains a positive trade balance, allocates hard currency to the import of critical basic goods, and can cut in public spending and projects, we will not see a complete economic meltdown. It is, however, likely that more and more sectors of the economy will be affected, which could affect the social stability of the country. The leadership will fear that the declining standard of living in the country could provoke riots and an opposition movement with broad appeal. Security forces will therefore be mobilised to quickly clamp down on any kind of protest.

Iran has a doctrine of proportional response to aggression. As sanctions increasingly challenge the stability of the leadership, the risk that the leadership may aim to execute attacks against Western interests will also increase. Sabotage and network operations would then be possible courses of action.

The regional turmoil, and particularly the ongoing crisis in Syria, will increase the Iranian leadership's sense of pressure and isolation. In 2013, the leadership will look for alternatives to Assad that can safeguard Iran's Syrian interests, but will have great difficulty making contact with alternative groups and actors. Iran will, with a lack of credible Syrian partners, probably continue to support the Syrian leadership, which will contribute to the further weakening of the leadership's regional influence. Certain regional powers to which Iran is looking to create and maintain ties, such as Hamas, are positioning themselves on the side of the Syrian opposition. This limits Iran's influence with such groupings.

Syria

The civil war in Syria will not likely be settled by one party winning a pure military victory. Political negotiations are needed to ensure a stable transition, and to protect minorities. In 2013, the armed opposition will gradually gain strength, and retain the strategic initiative, while the military superiority of the regime will decrease.

Syria has extensive stockpiles of chemical warfare agents available. They are primarily intended for use against a foreign military invasion if conventional means prove insufficient. The use of chemical weapons against opposition forces is less likely, due to the large political costs. However, the fact that the leadership has failed to reverse the negative trend despite a massive escalation of conventional tactics, means that the use of chemical weapons in extreme cases cannot be excluded.

The gradual erosion of the regime's military superiority may facilitate a break in the deadlock in Syria. The leadership's weakened position increases the likelihood of a break in the civil war. This may come as a result of key members of the leadership withdrawing their support to President Bashar al-Assad's military solution. This could result in a palace coup, the Assad family leaving the country, or the president being pressured into starting real negotiations. There will probably be little warning of such events.



The civil war in Syria will probably not be resolved by military means alone. Photo: NTB Scanpix.

A major challenge for any future negotiations is that the Syrian opposition currently lacks a leadership with a mandate and the authority to commit the numerous armed groups. The political leadership of the National Coalition will likely strengthen its influence over the armed opposition groups in 2013. This process will, however, take time and is dependent on the coalition delivering results on the ground. The possibility of successful negotiations depends on a coordinated military and political opposition with the ability to control the many armed groups. So far, this is not a reality in Syria.

Should a weakened regime make a credible offer to negotiate, it is likely that a majority of the nationally oriented opposition groups nominally agree to a ceasefire and negotiations. However, Jihadist-oriented groups are expected to reject such a proposal and continue the fight. This will contribute to a high level of violence even during negotiations.

Agreeing to negotiations will allow for a greater international scope of action, where incentives can be

used to influence both the leadership and opposition groups. Such a development will also likely put the issue of an international presence on the agenda. Whatever the mandate of any international force in Syria may be, it will be a target for various armed groups with ties to both the leadership and the opposition.

Although a negotiated agreement and a turbulent but essentially organised transition period is a possibility, an equally likely scenario is that negotiations will stagnate; perhaps because the Assad regime or other members of the leadership demand a continuing political role, or perhaps due to disagreement amongst the opposition about the future distribution of power. If negotiations break down, the military conflict will likely recommence and enter a new phase. This will likely be a more devastating and complex civil war than before, where opposing groups will fight against each other, not only against the leadership, to achieve political leverage through military victories. In such a scenario, an international presence would be highly vulnerable and have to deal with a complex landscape of competing interests.

Lebanon

Since 2005, Lebanon has gradually strengthened its national independence from Syria. However, the countries are still very closely connected politically, economically and socially. Powerful and important political figures in Lebanon, both in the March 8 and March 14 Alliances, have worked actively to keep the country from being drawn into a sectarian civil war. This also applies to Hezbollah, which primarily wants to use their weapons as a deterrent against Israel and not direct them against other Lebanese factions. Probably, these forces will prevent any significant destabilisation of the country well into 2013.

The Syrian conflict has the potential to destabilise Lebanon in the long term. Firstly, a young population is becoming radicalised by developments in Syria. This will contribute to an alignment with new, populist political figures to a greater extent than before. This will weaken the historical and traditional sectarian leaders in Lebanon, where the majority, regardless of political viewpoint, see a common benefit in keeping the country out of the Syrian conflict.

Another factor that may contribute to destabilisation is that a number of Lebanese groups expect Hezbollah to weaken in the future. Hezbollah, with its overwhelming strength, has been a guarantor of national stability for years. The Assad regime's decline and possible fall casts doubt on Hezbollah's future dominance. This will open a window of opportunity for political groups that have so far regarded Hezbollah as invincible and result in increasing critical awareness of Hezbollah's weapons and the mobilisation of competing militias. In the longer term, this may lead to Hezbollah being forced to re-establish respect and dominance through a demonstration of force. In time, such a development will increase the possibility of a more severe and prolonged sectarian conflict in Lebanon as well.

Egypt

In the last half of 2012, President Morsi has strengthened his position and administration, while weakening

the military's ability to influence policy. The country is still facing significant challenges. There have been, and are, major disagreements on how the political processes in the country's transitional period have been conducted. A lack of national unity and support for key processes has led to growing unrest.

There are still some potential conflict issues between the leadership and other power centres in the country. Egypt will therefore continue to be politically turbulent in 2013, with the possibility of some stabilisation after a new parliament is elected. The political opposition has so far failed to make itself relevant through political channels. The opposition is attempting to establish alternatives to Islamist domination and will likely gain momentum over the course of the year.

Egypt's economy will be one of the main challenges for the Egyptian authorities in 2013. It is expected that Egypt will secure financial support from international bodies, including the International Monetary Fund (IMF). This should contribute to the stabilisation of the Egyptian economy in the short term. Improving the fundamental imbalances in the Egyptian economy will, however, take years, requiring structural changes, increased foreign investment and action from President Morsi, which will be challenging for the Egyptian authorities given the lack of national unity. The difficult economic situation will contribute to social unrest throughout 2013.

The security situation on the Sinai Peninsula has deteriorated since Mubarak's departure and will continue to be challenging in 2013. President Morsi has a strong focus on this issue and has initiated both civilian and military campaigns to improve the security situation. These campaigns will have a limited impact in the short term, but can have positive effects if sustained over several years.

Morsi has set the tone for a more assertive foreign policy, focusing on Arab, Islamic and African affairs. Morsi's initiative for a regional solution to the crisis in Syria and



Demonstrations in Cairo, November 2012. Photo: NTB Scanpix.

his handling of the conflict in Gaza in November 2012 illustrates his desire to promote Egypt as a relevant and responsible partner with regard to regional issues.

Egypt's relationship with the United States and Israel is expected to remain stable. The relationship with Israel will still occasionally be tense as a result of individual events and Morsi's need to safeguard national interests in foreign policy. In particular, the question of Palestine will be a sensitive issue. Both Egypt's new government and the majority of the Egyptian population sympathise more strongly with the Palestinian population than the former Mubarak leadership did. However, current policies indicate continuity rather than change. Despite the Muslim Brotherhood's ideological proximity to Hamas, Egypt has not given unconditional support to Hamas. This emphasises the priority of a pragmatic foreign policy, which seeks to secure relationships with international connections. Domestically, Morsi will likely prioritise laying the foundation for a moderate Islamist direction for further development.

In line with Morsi's ambitions to be a regional actor, Egypt is expected to take an active role in the Palestinian reconciliation process, where the country will pursue a balanced approach to both Hamas and the Palestinian Authority.

Saudi Arabia

Saudi Arabia is the world's largest exporter of petroleum products, and alone possesses one-fifth of the world's known oil reserves. Stability in Saudi Arabia is therefore important for industrialised countries that are directly affected by the supply of oil and gas, and changes in the prices of petroleum products.

Saudi Arabia is expected to remain stable in the coming year, but there is growing opposition to the Saudi royal family from the country's Shia minority. Violent incidents related to this opposition have escalated since the spring of 2012, and are expected to continue. The use of highly trained security forces, increased government spending to ensure loyalty in the general

population and a functioning network of elite groups with a mobilisation base will prevent any national mass mobilisation against the Saudi leadership.

Saudi Arabia's foreign policy will continue to be formed on the basis of regional rivalry with Iran. Saudi Arabia will compete with Iran for influence in Syria and Bahrain, and seek to prevent increased Iranian influence in Shiite areas in northern Yemen. Saudi Arabia will continue to promote a closer collaboration within the Gulf Cooperation Council (GCC), both politically and militarily, and also with regard to political unrest in GCC countries.

Yemen

Yemen will continue to be characterised by an unstable political situation, where the authorities will lack control over parts of its own territory. This will continue to make it attractive for radical Islamists to travel to the country to receive military and ideological training. The country will therefore continue to potentially be used as a base for attacks against Western targets in the region or in Europe.

Planned reforms could lead the country towards democracy, but the power struggle between former elite groups will likely partly slow progression. Yemen may well experience a new political crisis. This could cause the country to break up into different sections, with little or no government control, contribute to the escalation of local and national conflicts, and put heavy pressure on the country's economy. Such a development would further undermine the security situation in the country.

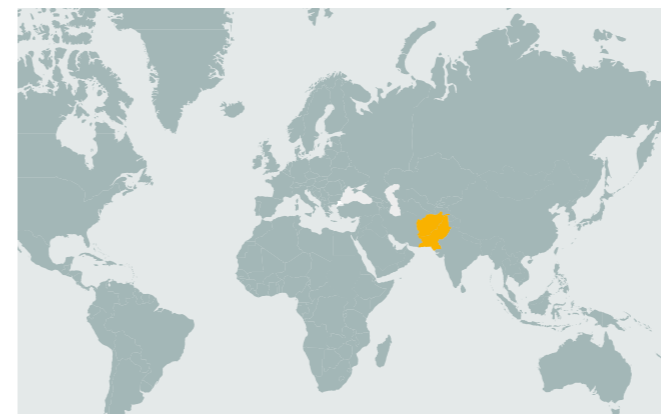
Assessment of further regional development in the Middle East and North Africa

Developments over the last two years in the Middle East have contributed to a more complex policy landscape than before. The coming year will present particular challenges related to the conflict in Syria. The conflict will likely continue in 2013 and lead to increased tensions in the region. Negotiations on

Iran's nuclear programme will likely continue without major concessions from Iran. Iran's nuclear programme contributes to the polarisation of relations between Iran and its Sunni Muslim neighbouring states on the Arabian Peninsula and will continue to contribute to increased tensions, increased armament and closer cooperation on regional defence. The NIS is of the opinion that, in the coming year, the Middle East region will be characterised by the continuation of current conflicts, and that domestic conflicts, security challenges and social unrest will have an impact on the domestic political climate in several countries in the region.

AFGHANISTAN AND PAKISTAN

In 2013, the power play in Afghanistan will be characterised by the preparations of the dominant actors for the presidential election. The gradual withdrawal of the international forces is likely to intensify local conflicts. There is little to indicate that any substantial headway will be made in the process of finding a political solution to the conflict with the Taliban's central leadership prior to the presidential election in 2014. Pakistan will continue to be dominated by a difficult security situation, a strained economy and weak civil institutions. There is unlikely to be any change in Pakistan's relationship with Afghanistan in the current year, and there will be marginal progress in the work of improving relations between the two countries.



Afghanistan National politics

2013 will be characterised by the positioning of powerful actors ahead of the presidential election, as well as a winding down of the international military presence. To strengthen their negotiating positions prior to the forthcoming election, leaders will seek to consolidate their power locally, and the struggle to form strategic alliances will be intensified.

Afghanistan's Independent Election Commission has set the date for the next presidential election, on 5

April 2014. This is within the time frame prescribed in the Constitution. However, there is still uncertainty attached to the electoral law, the composition and leadership of the Election Commission, and voter registration. These are challenges which will need to be addressed in 2013, and which will create a power struggle and friction between the government and the opposition.

With a view to the presidential election and the transfer of responsibility for security to Afghan authorities in 2014, the Afghan political power actors are now focusing on consolidating their local power bases. Local power will be an important card to play in the national power negotiations in 2014. Actors who have been marginalised under President Karzai will seek to regain power and influence in their own core areas. In combination with the gradual withdrawal of the international forces, this will most certainly help raise the level of intensity in local conflicts in 2013. The formation of an opposition and competition for important strategic alliances will continue to characterise the situation in Afghanistan. Politically motivated liquidations, and attempted liquidations, will in 2013 continue to be a feature of the local and national struggle for political power.



President Karzai in Kabul, December 2012. Photo: NTB Scanpix.

The National Front and National Coalition constitute the most marked political opposition to the current leadership. These coalitions arise from key actors in northern Afghanistan, and are highly visible in the political landscape. The internal conflicts among the dominant actors are, however, still great, and the absence of religious leaders and key Pashtun power actors make these alliances thus far appear to be little more than a moderate force nationally. President Karzai appears so far to have control of the more important power actors in the north.

The formation of an opposition in southern Afghanistan is less evident. This probably has to do with the fact that the Pashtuns are awaiting clarification around President Karzai's future intentions and strategies. Karzai has emphasised publicly on a number of occasions that he will not seek to retain power after the 2014 election. However, he will probably attempt to influence the outcome of the election in order to best effectuate his role as tribal leader for the Popalzai Pashtuns in the south. He is likely to use his office in the period up until 2014 to maintain and build strategic

alliances with this object in view. Replacing ministers, provincial governors and police chiefs has been, and will continue to be, an important means of achieving these aims.

It is thought probable that Karzai will back a presidential candidate who is loyal to him and that he will also place his national client network behind such a candidate. In the time ahead, Karzai will probably give weight to forging alliances with actors who are not in direct competition with him as regards strategic interests in the south and the internal struggle for power among the Durrani Pashtuns.

President Karzai issued a presidential decree in June 2012 announcing comprehensive administrative reforms aimed at combating the deeply entrenched corruption in Afghan society. The decree must be viewed as a response to the demands of the international community at the Afghanistan conference in Tokyo. It cannot be expected that all the measures outlined will be implemented in full. The anti-corruption work in Afghanistan must necessarily continue to be weighed

against the need for a stable security situation. The civil authority apparatus will for a long time be dependent on external support so as not to become the object of rival and destructive factional interests, as well as interference from states within the region.

As the international community gradually reduces its engagement in Afghanistan, weak state institutions will be challenged by strong individual actors and factional interests. To counter this, President Karzai is likely to point increasingly to interference from other states impacting negatively on the security situation. Throughout history, the perception of an external threat has been an important factor in creating cohesion across powerful internal conflicts of interest in Afghanistan.

There is little to indicate that any substantial headway will be made in the process of finding a political solution to the conflict with the Taliban's central leadership prior to the presidential election in 2014. Given the uncertainty attached to the likely distribution of power nationally in 2014, there is little likelihood that the traditional power actors will see it in their interests to undertake de facto negotiations with the Taliban before the election. A political solution to the conflict in Afghanistan will need to balance an overarching national distribution of power with a number of local actors and locally adapted agreements.

The gradual withdrawal of the international forces will probably intensify local conflicts. At the formal level, power will probably remain highly centralised, also after 2014. Over time, however, there is a likelihood of power to a greater degree gathering around historically important centres like Kandahar, Mazar-e Sharif, Jalalabad, Herat and Kabul.

Developments in northern Afghanistan

The situation as regards political power in the northern provinces remains unchanged. While the insurgency is fragmentary, much of the friction is related to the dominance of the central power actors in the political landscape. The security situation in northern Afghani-

stan is relatively good, and the number of security incidents is significantly fewer than in the southern and eastern regions of Afghanistan. This trend is likely to persist.

The growing power struggle between the Junbesh and Jamiat political parties, which has been seen in Faryab in the past year, has spread little to other provinces. Increasing polarisation between key power actors in northern Afghanistan may lead to a mobilisation along ethnic and political lines of conflict, where the intention is to secure geographic control.

In rural areas of northern Afghanistan, the position of the Afghan security forces is weak. Traditionally, responsibility for security has been assumed by the self-defence forces of local communities. Some of these forces are sanctioned by the authorities, while others are outside the authorities' control and answer to the village council or local power actors. In northern Afghanistan, sanctioned self-defence forces have increasingly become a tool for local power actors who desire a more formal anchoring of their power.

The armed resistance against the authorities and the ISAF is strongly characterised by opportunistic insurgent groupings with close ties to traditional criminal activity. Their aim appears to be first and foremost to secure their own survival. There is little today to suggest that there is one single insurgency in northern Afghanistan.

Security developments in Balkh province

Norwegian forces have been operating since January 2013 in Balkh province, which is the most stable province in northern Afghanistan. Economic developments in the past few years have gained real momentum, and the province is now established as a key node in northern Afghanistan. The security situation in Balkh province is generally good, and the number of attacks is low compared with other provinces in northern Afghanistan.



Released members of the Taliban and ANA soldiers during a ceremony in Pul-e-Charki prison on 4 January 2013. Photo: NTB Scanpix.

The insurgents in Balkh have over the past few years been pushed into the Pashtun core area west of Mazar-e Sharif. The insurgency may be further weakened if the Pashtun population are allowed to participate in the positive development of the province and as the Afghan security forces gradually develop and gain a better foothold in rural areas.

The Provincial Governor, Mohammad Noor Atta, has since 2004 gradually been expanding and strengthening his power base in central northern Afghanistan. Through his considerable network he has established a set of actors who look after his interests. Atta is the prime definer of the terms of security in Balkh province, and he will be important in assuring the further development of security in the province.

The border crossing at Hayratan connects Balkh to Uzbekistan and the northern distribution network. Hayratan may develop further into a logistics point with strategic importance for Afghanistan. The revenues from the border trade will probably bring about increased interest in the area. Hayratan's growing

strategic importance may set the stage for a political tug-of-war between central government authorities and regional power actors.

As this would be tantamount to international isolation, the Taliban recognise that they cannot create a sustainable government by the use of force alone. They realise that an intra-Afghan solution must be negotiated, where all groups are assured representation, but stress that this must be at a later time. There is little to indicate that any substantial headway will be made in the process of finding a political solution to the conflict with the Taliban prior to the presidential election in the spring of 2014. On the one hand, it is unlikely that the established power actors in the country will see their interests served by entering into de facto negotiations with the Taliban leadership before the election. On the other, the Taliban are refusing to enter into a dialogue and negotiations with an Afghan opposite or opposites until they have negotiated an agreement with the USA for the handover of prisoners and the establishment of a political office representing the Taliban in Qatar. The Taliban have suspended the dialogue with the USA since March 2012. In the longer term, any political solution to the conflict in Afghanistan must necessarily balance an overarching national power distribution with locally adapted agreements, where no-one feels the need to oppose the central government with armed resistance.

PAKISTAN Domestic policy milestones in 2013

Pakistan will hold elections to the National Assembly and also elect a new president in 2013. In the judicial system, the Chief Justice is due to retire in 2013, and in the Armed Forces two of the most important top military leaders will be replaced after their term of office ends. Nevertheless, there are no prospects of any fundamental change in Pakistan's political situation during 2013.

Major economic challenges, a very poor security situation, and a still-ongoing process in which the big

institutions are competing with one another to shape a future Pakistan, form the backdrop for a 2013 in which a number of important elections will take place.

The elections to the National Assembly, with the subsequent formation of a new government, will shape the spring of 2013. The initial period will consist of a political tug-of-war with a struggle over who should lead and be part of a transitional government which will govern the country from the dissolution of the present government and until the new government is in place. It looks as though the present government will be dissolved in March and elections held in May or June. During this intervening period until the elections take place, the election campaign will take precedence and no important political changes can be expected. The focus will be on gathering voters, and the current government will not want to risk alienating anyone during this period.

As soon as the next government is in place, it will have a number of challenges to deal with. The economic situation has been extremely difficult for years, and even though several reforms have been announced and efforts made to try to implement them, little has actually happened. Tax revenues are still very low, and the state is still doling out subsidies it cannot afford. If the next government is a coalition like the present one, the many considerations that will have to be balanced in order to preserve internal cohesion will make it difficult to bring about significant structural changes.

The poor security situation will have to be dealt with in co-operation with the Pakistani Armed Forces. The past few years have shown that military operations have not been followed up by civil efforts, even though the military approach has been anchored in the political leadership. As a result, little is being done to help tackle the underlying causes of the religious and sectarian extremism in Pakistan.

Even though there are repeated confrontations between the military and the political leadership,

there appears to be a functioning cooperation of sorts in place. How this cooperation will look in the years ahead will, in addition to the results of the election, be influenced by whoever takes over the very important post of Chief of Army Staff during the course of the autumn. General Kayani, who in November will have been in the post for six years, has followed a line whereby visible military interference in civil affairs has been reduced. He will probably wish to see a successor who will pursue the same course, and Pakistan may in the long term move gradually towards civil control of the armed forces – but there is still a long way to go before that happens.

Since the position of president had its powers reduced a couple of years ago – a reform introduced by the current president and government – the autumn presidential election will be less significant than previously. The outcome will nevertheless be important, particularly with regard to the civil authorities' collective capability to bring about political reforms, but also for the process of determining the final shape that the Pakistani power distribution will take between the legislature, the executive and the judiciary.

The incumbent of the highest office in the judicial system is due to be replaced towards the end of the year, when the present Chief Justice reaches the mandatory retirement age. The Supreme Court will also probably continue along the same course as in the past couple of years and do what it can to make both civil and military leaders take responsibility if laws are breached. Particularly conspicuous is the fight against corruption and electoral fraud, and the Supreme Court appears to have its eyes fixed firmly on Pakistan in future being a state based on the rule of law – even though at times it will give rise to a great deal of political unrest along the way.

Pakistan's relations with Afghanistan

Pakistan's relations with Afghanistan will not change significantly during the course of 2013. Both political and economic cooperation will continue. Despite the



Pakistan will hold Parliamentary and Presidential elections in 2013. Photo: NTB Scanpix.

likelihood of the occasional minor clash along the border, and often verbal criticism, relations between the two countries will probably improve gradually.

With a long border and a large common population group, Pakistan and Afghanistan have common interests and common challenges. Afghanistan feels that Pakistan is not doing enough to improve the situation in Afghanistan, both with regard to political cooperation and Afghanistan's need for effective goods transit through Pakistan. Afghan authorities often complain that Pakistan is not doing enough to clamp down on militant groups which operate inside Afghanistan. Similarly, Pakistan complains that militant groups based in Afghanistan cross the border and carry out actions in Pakistan, and President Karzai is perceived as being seemingly more interested in having a good relationship with India than with Pakistan.

For Pakistan it is vital that the security situation in Afghanistan should be improved, so that it does not impact negatively on the security situation in Pakistan. It is also desirable to resist Indian domination, which

gives rise to a need to compete with India for influence in Afghanistan. To attain these objectives, Pakistan will continue working to improve the political cooperation with Afghanistan and will go on helping to build up the Afghan infrastructure and to stimulate trade. With the ISAF period now in its final phase and the prospect of a negotiated solution being discussed, Pakistan sees it as in its interests to have a role to play in every peace and reconciliation process. Accordingly, Pakistan has expressed great willingness to support Afghan-driven processes in order to achieve an optimal solution. Thus far Pakistan's visible contribution has been to free a number of arrested Taliban warriors, at Afghanistan's request, as a confidence-building measure. For Pakistan this is of course all about contributing to an improved security situation in Afghanistan, but also about seeking to gain greater influence in a future Afghanistan – preferably at India's expense.

REGIONAL RELATIONS

India is expected to continue its economic activities in Afghanistan in 2013, and to strengthen its military cooperation with the Karzai leadership. At the same time, India is expected to attempt to renew contacts with the leaders of Tajik and Uzbek groups, and also to form ties in the Pashtun milieu. The objective is to gain more legs to stand on in India's relationship with Kabul before the ISAF withdrawal in 2014.

A number of factors explain India's involvement in Afghanistan. Firstly, India wants to obstruct Pakistani influence and consolidate its position as an Asian major power. Secondly, India is working to access energy raw materials and markets in Central Asia via Afghanistan. Thirdly, India wants access to Afghan natural resources, especially mineral deposits. Here India is in a competitive relationship with China.

In order to realise its interests, India is seeking to win goodwill by providing loans and development aid to Afghanistan. India is also investing in infrastructure projects and trading with Afghanistan. India has four consulates and one embassy in Afghanistan, as well as

paramilitary forces to protect Indian interests. India also supplies small firearms and combat training to Afghan security forces.

For China it is important not to be associated with NATO and the USA, in order to avoid becoming a selected target for actions from the Taliban. This is likely to continue to be an important consideration in 2013. China will, like India, continue pursuing its economic activities in Afghanistan in 2013, and will probably expand them if they are deemed profitable in the longer term.

China has three main interests in Afghanistan. Firstly, China wishes to obstruct the progress of other regional actors, especially Russia and India. Secondly, stability and internal security are important: China is particularly concerned to prevent ties forming between insurgent groups in Afghanistan and Uyghurs in China. Thirdly, China has growing economic interests in Afghanistan.

With regard to economic interests, the Chinese are particularly interested in trade that will provide economic development for the provinces of Xinjiang and Tibet. One of China's most important investment plans in Afghanistan is connected with the copper mining in Aynak. Furthermore, the Karzai government recently opened up the Afghan energy sector to foreign investment, and the Chinese National Petroleum Corporation won an oil exploration and extraction contract worth 700 million dollars.

Iran has a number of different interests in Afghanistan. The overarching interest is that of security. Iran does not want Afghanistan to become a platform for hostile activity aimed at Iran, or for unrest in Afghanistan to spread to Iran's border provinces. For that reason, Iran sees Pakistani influence in its neighbouring country as potentially threatening and opposes the presence of Western forces. In view of the large-scale Western presence in Afghanistan, the leadership in Teheran are using the Afghan arena to demonstrate the extent of their reach and strength beyond Iran's own bor-

ders. Iran's economic interests in the country can also be related to the Iranian leadership's own security assessments. As the leadership in Teheran become progressively isolated by international sanctions and the economic crisis in the country strengthens, Iran wishes to establish a land bridge for trade towards the northeast through Afghanistan.

The Iranian leadership are working at several levels to attain their objectives. The country's leadership are establishing contacts with the various Afghan actors, groups and factions that are envisaged as coming into positions of power after the withdrawal of forces in 2014, and which may possibly affect Iran's interests. This work is going on both at the national level in Kabul and at the regional level in the various provinces. Iran is working to establish strong points of contact among Afghanistan's political leaders, which may make it easier to influence decision-making in the country. Iran is also exploiting its ties to various armed groups in Afghanistan so as to negatively impact Western interests and presence, but also in all likelihood to adjust the political strengths in Afghanistan in its favour.

Further regional developments

Afghanistan's neighbours have competing interests in the region, and Afghanistan has become an arena for their rivalry. The presence of the USA after 2014 will affect this rivalry, and whatever the strategic security cooperation between the USA and Afghanistan involves will have importance for the further course chosen by the regional actors in Afghanistan. These actors have the capability and the will to influence developments in Afghanistan negatively if they do not consider them to be in their interest. There are no indications that there will be any significant change in this situation in 2013.

CHINA

Developments in Asia in general, and in China specifically, are becoming increasingly important for Norway. China is forecast to supersede the USA as the world's largest economy as early as by 2016, and its foreign investment today is 25 times greater than 10 years ago. Furthermore, China has the world's second largest, and fastest growing, defence budget, and the country is carrying out a large-scale programme of military rearmament. There are growing regional tensions in Asia. The relationship between China and the USA, the most important bilateral relationship in international politics today, is tense. China views the USA's security policy shift towards Asia as an encircling strategy. China's new leadership will probably strengthen the country's self-assertive foreign policy. China has a number of internal challenges, and there is a need for a new economic development model. There is rising social discontent, an increasing number of demonstrations and pressure on the political stability.



Self-assertive foreign policy

China's Communist Party underwent a well-ordered generational shift in November 2012, when more than half the members of the Central Politburo and

its Standing Committee were replaced in connection with the 18th Communist Party Congress. At the head of the new leadership are the duo of Xi Jinping and Li Keqiang, who it is planned will govern China until 2022. The change of leadership is not expected to give rise to any change in China's foreign policy. This indicates that the current self-assertive line will be strengthened. Confronted with nationalism domestically, the new leaders will seek to appear to be strong defenders of Chinese interests – primarily in the territorial disputes in the South and East China Seas. As in 2012, there is reason to expect incidents and clashes among the states that are laying claim to these marine areas. However, the high economic costs involved mean that there is little likelihood of this resulting in further military escalation.



China's first aircraft carrier Liaoning. Photo: NTB Scanpix.

China's growth is not viewed as entirely positive by its neighbours. While they profit from increased trade with China, there is also increasing concern about China's ambitions as a major power and about the present military rearmament. Countries like India, Vietnam and Japan are balancing Chinese influence through closer security cooperation with the USA, which has signalled its willingness for stronger military engagement in the region. India also has close military technology cooperation with Russia. Other countries, like Indonesia and Thailand, are feeling an increasing degree of pressure to take sides.

China and North Korea have a mutual need to see their strategic partnership continue. The behaviour of North Korea, such as its satellite launch in December 2012 and its nuclear arms programme, has, however, cooled

the temperature of the relationship. China has little to gain from North Korea seeking to make itself appear a major power with its ballistic missiles and nuclear warheads as integral missile components. North Korea's behaviour is prompting countries like Japan, South Korea and the USA to alter and adjust their military capabilities so as to counteract a possible future threat. These changes have resulted in among other things an extension of the range of missiles and a strengthening of regional missile defences. This development has reinforced the Chinese perception of threat.

Large-scale military rearmament programme

China's self-assertive foreign policy goes hand in hand with a large-scale programme of military rearmament, which is again fuelling the regional arms race. No other part of the world is being militarised faster than Asia.



Environmental demonstration in Qidong, Jiangsu Province in July 2012. Photo: NTB Scanpix.

This trend is characterised by high defence budgets, new military capacities and little transparency. During the period 2007–2011, the world’s five largest arms importers were all Asian: respectively, India, South Korea, Pakistan, China and Singapore. At the same time there has also been a global shift, with US military forces especially being increasingly organised towards Asia and the Pacific region. Asian investment in the military is taking place at a time when major global economic difficulties are causing defence budgets to be cut in most Western countries.

The modernisation of Chinese military power, which has been taking place since the early 1990s, will continue with unabated strength. This means that growth

in the defence budgets will go on exceeding 10 per cent annually, as they have done for the past decade. China’s defence budget for 2012 was 106 billion dollars, and is thus the second highest in the world. In reality, the costs are probably even higher, and significantly more than what the Chinese authorities make public. Through modernisation of the defence materiel and higher quality of education and training, Chinese military power is increasing its capability to carry out effective joint operations against a technologically advanced opponent. The objective is to control China’s immediate surroundings and to obstruct the possibility of third parties, especially the USA, of undertaking military intervention in the South and East China Seas. China is therefore prioritising the development

of sea target missiles and their weapons platforms in network integration solutions, as well as asymmetrical capacities particularly within cyber and space defence domains. Naval and air forces are being prioritised over land-based forces, but also China’s missile forces will be supplied with new materiel. The Chinese defence industry is to a greater extent proving itself capable of mastering the manufacture of new, modern, Chinese-developed weapons platforms and systems.

Need for a new economic model

At the same time as China is appearing outwardly stronger, the country’s new leadership is having to tackle formidable challenges at home. China’s economic growth slowed in 2012, ending at about 7.5%. This decrease in growth is an expression of fundamental challenges with which China’s economy is faced. With rising wage levels and a lessening of growth in the Chinese labour force, the competitive power of export-oriented labour-intensive industrial sectors is weakening. These industries will no longer be able to count on an unlimited supply of cheap, unskilled labour, and more jobs will be needed for increasing numbers of well-educated Chinese.

In addition, China has challenges associated with its most important trading relationships. A number of trade disputes soured economic relations between the USA and China in 2012. China’s other major trading partner, the EU, is having problems with its public finances and there is increasingly less demand for Chinese goods. A large share of China’s currency reserves is in euros. A further weakening of the euro will thus have negative consequences for China. In order to maintain solid growth, China’s new leaders will need to create a new development model. In line with the guidelines given in the five-year plan for 2011–2015, China is expected to work for a more environmentally friendly, socially levelling, consumption driven, innovative and high technology-driven growth. This is a reflection of the fact that the leadership recognise the economic challenges facing the country, and is capable of taking action to tackle those challenges. The initiatives in the current five-year plan will be con-

tinued with unabated strength also after 2015.

Growing discontent at home

An important challenge for the new leaders is to dampen the ever growing social discontent. In order to succeed, they will have to be capable of meeting the population’s expectations of continued economic growth and increased prosperity. Furthermore, China’s new leadership will probably be obliged to implement reforms to strengthen the protection accorded to citizens by the law. The past few years have seen a big increase in the number of protests, against things like corruption among public officials, bad working conditions, confiscation of land and environmental destruction. The majority of the protests are aimed at isolated, local problems, and as such do not directly threaten Beijing. Broad political opposition against central government authorities does not exist.

Alongside these challenges, the new leaders will have to deal with persistent separatist movements among the country’s minority groups. The political situation in Tibet and Xinjiang is still tense. In Tibet a high level of security preparedness will continue to be maintained, as a result of the many protests in Tibetan areas in the past year. There is little to suggest that the leadership in Beijing will soften its policy towards Tibet in the near future.

Further developments

In the coming year, China will seek to appear ever stronger in its relations with other countries; Chinese companies will increase their foreign investment, the new leadership will act more self-assertively and military rearmament will continue. At the same time, internal challenges will be increasingly noticeable and developments characterised by an increasing number of protests and pressure on the political stability. However, it is considered unlikely that social discontent and protests will be of sufficient scope to pose a real threat to the leadership or to political stability.

TRANSNATIONAL THREATS

INTERNATIONAL TERRORISM

Militant Islamism still constitutes the most serious terror threat to Norway and Norwegian interests. Other ideological orientation, including anti-jihadism and right-wing extremism, may be the basis for terrorist acts, but it is from individuals with ideological affiliation to militant Islamism that the intention and capacities arise to carry out terror attacks which may strike Norwegian interests.

Militant Islamism and international terror

The international terror threat has changed considerably since the 11 September 2001 attacks. From 2001 to 2007/2008, al-Qaida's core organisation under the leadership of Osama bin Laden clearly dominated the threat picture. With a distinct organisational unity, together with command and control over several affiliated groups, the core organisation led international terrorism. Over time the core organisation has been weakened. This is due first and foremost to the fact that internationally implemented counter-terror measures have reduced the core organisation and its ability to recruit, communicate and conduct operational planning.

Today al-Qaida is considered to be a collective term for three phenomena: the core organisation, the regional affiliates and the ideological movement. The core organisation, consisting of the central leadership together with members under their direct command, still has a hideout in the tribal areas on the border between Pakistan and Afghanistan. This leadership exercises ideological supervision of the movement and is an inspiration for cooperating groups. As a consequence of the weakening of the core organisation, al-Qaida's

regional affiliates have acquired increased importance and influence in the last few years. Al-Qaida currently has four officially recognised regional affiliates: al-Qaida in Iraq (AQI), al-Qaida in the Islamic Mahgreb (AQIM), al-Qaida in the Arabian Peninsula (AQAP) and Al-Shabaab.

Al-Qaida's propaganda activity is an effective means for maintaining the organisation's position and power to define. Through declarations and statements, al-Qaida seeks to affect international events. Al-Qaida's current leader, Ayman al-Zawahiri, gives guidance in matters and areas which have topical value. An example was the declaration in October 2012 in which he calls on supporters to kidnap Western nationals. It is thought that this appeal will receive broad support, both within al-Qaida and its affiliates and among sympathetic groups and networks.

In addition to the official affiliates, there are a number of organised groups in Nigeria, Mauritania, Mali and Syria, among other countries, which are strongly inspired by al-Qaida's ideology. The Arab Spring has also given the ideology a boost in Libya, Tunisia and Egypt, among others.



A member of Jabhat al-Nusra among ruins in Aleppo on 24 December 2012. Photo: NTB Scanpix.

Regional trends

Syria

Since the rebellion against Bashar al-Assad's regime in Syria started in March 2011, al-Qaida's leader al-Zawahiri has called on Muslims on several occasions to participate in jihad against the Syrian leadership.

In the summer of 2011, the Free Syrian Army (FSA), a primarily secular umbrella organisation, was formed by deserters from the Syrian army and other volunteers. At the same time, more and more militant Islamist groups have participated in the struggle against the leadership. Foreign militant Islamists, mainly from the Middle East and North Africa, have travelled to Syria to participate in the struggle.

Several al-Qaida-inspired militant Islamist groups have established themselves in Syria. Some of these groups have an express intention of establishing a Sharia state in the country, and in the long term to use Syria as a base for realising the objective of re-establishing the Islamic Caliphate. The most prominent and most effective of these groups is Jabhat al-Nusrah li-ahl al-Sham (The Support Front for the People of Syria). This group has assumed responsibility for the most advanced and extensive attacks against the Syrian leadership. The attacks show that Jabhat al-Nusrah has a high degree of competence and a great deal of experience. As a result of this, the group has gradually acquired a more pronounced role in the rebellion. Jabhat al-Nusrah's success in striking important regime targets has given the group great recognition, including among more secular rebel groups. Jabhat al-Nusrah probably has an established relationship with al-Qaida's leadership and is the only group in Syria that disseminates news on Internet forums that are also used by the leader of al-Qaida, Ayman al-Zawahiri.

If militant Islamist groups obtain increased influence in Syria, it might have several consequences. One likely consequence is that the objective of establishing a Sharia state will result in increased distance and

conflict between secular rebel groups and groups that have a militant Islamist ideology. This conflict may also become more pronounced in a post-Assad Syria and create continued instability. Such a development also increases the probability for a violent spill-over effect to neighbouring countries, something which will probably result in an increased threat against the international presence in the region. The focus on the West and Western intrusion into Islamic nations' internal affairs has long been a part of al-Qaida's strategy. Any military intervention in Syria will be regarded as a legitimate target for al-Qaida and al-Qaida-inspired groups.

Syria has gradually developed into a conflict zone that is attracting Muslims from Europe, including individuals from Norway, who wish to fight against the Syrian leadership. For some of these, it is probably the struggle against a brutal dictator and not militant Islamist ideology that governs their desire to participate. However, there are more and more individuals who travel from Europe to join al-Qaida-inspired militant Islamist groups in Syria. Relatively easy access from Europe to Syria is probably an important reason that these people choose Syria as a battlefield instead of Afghanistan or other jihad areas. Foreign fighters may become a threat upon returning to their homelands in Europe. The stay in Syria may result in increased competence in warfare, lower the threshold for use of violence, and contribute to further radicalisation and building of networks. Foreign fighters may consciously or unconsciously make their homeland visible to militant Islamist groups who wish to strike targets in Europe. The competence they acquire can also more easily enable them to actually participate in the planning and execution of terror attacks.

Seen as a whole, militant Islamist groups still constitute a small part of the rebellion in Syria. Their competence and experience is becoming steadily more important, however. As long as the conflict goes on, and there is room for action for al-Qaida and other militant Islamist groups, the country will continue to be marked by instability and to attract foreign fighters.

Afghanistan and Pakistan

As a result of the high level of operational focus by the military on fighting al-Qaida in the tribal areas in Pakistan, al-Qaida's operational capability has been weakened. Osama bin Laden's heir Ayman al-Zawahiri has nevertheless managed to maintain the core organisation's position as a strategic and ideological super-structure for global jihad and for the organisation's affiliates and collaboration partners. The core organisation's intention to carry out terror attacks in Europe is still in place. An indication of this is the leadership's call to persons in Europe to carry out attacks on their own.

Yemen

The terror threat to Western interests has increased as a result of al-Qaida in the Arabian Peninsula (AQAP) having been established in 2009. The group has struck Western targets in Yemen on several occasions and has attempted in at least two instances to carry out terror attacks against aircraft en route to the USA. A new attack was probably averted in the spring of 2012. The group has repeatedly declared intentions to attack targets in Europe. As recently as the spring of 2012, AQAP launched a campaign in its magazine *Inspire*, in which persons in Europe are called on to carry out terror attacks in European countries.

As a result of the Yemeni authorities' military offensive in June 2012, AQAP has withdrawn from areas they previously controlled in South Yemen. This has in fact weakened AQAP's ability to plan the execution of international terror attacks. AQAP still has the capacity to attack Yemeni and Western targets in Yemen, however.

East Africa

In February 2012, al-Shabaab was formally incorporated into al-Qaida. This arranges things so that al-Qaida can give strategic guidance to al-Shabaab to a greater degree than previously regarding participation in international attacks. Al-Shabaab has the capacity to attack Western interests regionally and has the intention of attacking targets in the West. It is thought that al-Shabaab has limited capacity to carry out attacks

in Europe without facilitating networks being present that can arrange for such actions.

The Sahel region (Mauritania, Mali, Niger)

The Sahel region has been partly able during the last decade to function as a sanctuary for militant Islamists. The region has been the locus for a number of plots against Western interests, mainly in the form of kidnapping actions against Western nationals.

Traditionally, the most important Islamist group in the region is Al-Qaida in the Islamic Magreb (AQIM). This is a group that has roots going back to the civil war in Algeria. In the course of the last five years, AQIM has moved its main activity out of Algeria and into Mauritania and Northern Mali. As a result of Malian government forces' loss of control over Northern Mali in January 2012, local militant Islamist groups, supported by AQIM, have been able to control large areas



Armed members of al-Shabaab in Mogadishu.
Photo: NTB Scanpix.

of the country. They have introduced Islamic law in these areas.

In the course of 2012, a number of splinter groups arose from AQIM. The attackers who carried out the terror attack in January 2013 against the gas production facility in In Amenas in Algeria belong to the group known as the al-Mulathman battalion. This group is led by Mokhtar Belmokhtar, who is thought to have broken away from AQIM in December 2012. Belmokhtar has a stated goal of expanding AQIM's traditional area of operations to involve the entire Sahara, from Chad to Burkina Faso. He has cited the international intervention in Mali as the principal reason for the attack on the gas production facility in In Amenas, and has also threatened to attack Western interests in the area as a result of Western interference in Mali.

Mokhtar Belmokhtar's group and AQIM have access to financial resources and weapons, together with a broad regional contact network. Porous borders and

desert areas with a low level of control by the authorities establish the conditions for freedom of movement and clandestine activity. They probably have the capacity to carry out additional terror attacks against Western interests in the region.

The threat from far-right extremist and anti-Islamic circles

The terrorist attacks of 22 July 2011 have led to increased awareness of the threat from far-right extremist and anti-Islamic circles, both in Norway and in the rest of the world. In close cooperation with the Norwegian Police Security Service (PST), the Norwegian Intelligence Service pays attention to the international development in these circles.

Far-right extremism and anti-Islamic groups are advancing in Europe, Russia and the USA. Cooperation between these groups across national borders mainly occurs at the political and ideological level. The violence and terror from these groups takes place to a

large degree within national boundaries. Typical target groups for their violent practises have been Jews, Muslims, left-wing radical activists and national authorities. So far no desire has been revealed, nor any attempt, to carry out terror attacks across national borders.

The threat to Norwegian interests abroad

Militant Islamism still constitutes the most serious terror threat to Norwegian interests abroad. The current terror threat to Europe appears more fragmented and more complex than previously. The weakening of al-Qaida's core organisation has meant that the regional affiliates have gained increased importance and influence. The threat no longer springs from a unified and clearly-defined al-Qaida organisation, but is characterised instead by a number of different organisations and networks that are not dependent on central control to undertake operations. Several of the groups have an uncertain connection to each other and to al-Qaida's core organisation.

The development in which extreme Islamists with a connection to Norway travel to conflict zones and associate themselves with militant Islamist groups is thought to contribute to a greater focus on Norwegian interests internationally. For the most part, the terror threat abroad is primarily thought to be a consequence of militant Islamists' hostile image of the West in general and not to Norwegian interests abroad in particular.

A key to effectively combating transnational terrorism is close cooperation between the intelligence and security services. In Norway, the Norwegian Intelligence Service and the Norwegian Police Security Service (PST) cooperate to uncover and counteract terror threats to national interests. Through collecting and exchanging information and joint use of it, the Services are strengthening their ability to avert terror attacks.



The In Amenas facility in Algeria. Photo: NTB Scanpix.

THREATS IN CYBERSPACE

More and more sensitive information is being stored in cyberspace. Cyberspace may become an arena which acquires an important role for crisis and conflict management. The world powers are using operations in the cyber domain as one of several instruments in such situations.

Those who may be behind threats in cyberspace range from national intelligence and security services to traditional military opponents, global industrial enterprises, terrorist and extremist groups and organised hacker groups. The Norwegian Intelligence Service focuses primarily on governmental actors, together with quasi-governmental and non-governmental actors who operate on behalf of, or are used by, governmental authorities. In addition, extremist groups who intend to commit acts of terrorism in the cyber domain will get attention.

Some of these activities may be used by state actors as a platform for planting so-called back doors which can be used later in a crisis or conflict for the purpose of disrupting or damaging systems and processes. In some cases, espionage activity during peacetime will be a starting point for establishing a platform for offensive operations in the event of serious interest conflicts.

Several states are developing advanced malware which has a specific goal of damaging infrastructure, disrupting important societal activities or affecting decision-making and information processes. One purpose with this type of activity can be to create confusion and weaken trust in one's own systems, which in turn can affect political decisions and the power to act.

The world powers are preparing to use digital operations as an instrument in conflict resolution, primarily as a tool together with other more traditional measures. More and more nations are establishing so-called

cyber commands or national cyber centres to protect national infrastructure against offensive activities. However, these elements can also be an independent platform or a supporting element for offensive actions against other states.

In 2012, Russian authorities presented several documents which indicate an accelerated effort on cyber security. The Defence Ministry's document on cyber security confirms the president's legal power to declare a cyber attack as a declaration of war. The document signals a shift in military preparedness to act in cyberspace. In the spring of 2012, the Russian Deputy Prime Minister indicated that the Defence Ministry will establish a cyber command on the same level as the USA and other states. Immediately afterwards, Russia announced a cyber security strategy for protection of critical infrastructure.

Chinese authorities are using digital operations to a large degree as a replacement for human collection and often use proxies for obtaining information. Educational institutions, firms, organisations and hacker circles provide a good cover for the activity.

Al-Qaida describes "cyber jihad" as a form of action with great potential for damage, and has called on individuals to carry this out. The possibility for carrying out acts of terrorism via cyberspace is also discussed on other jihadist websites. Some of these sites promote views on establishing their own centres for this type of activity, others explain why so-called SCADA systems (which



Increasing amounts of sensitive information is stored in cyberspace. Photo: Norwegian Armed Forces Media Centre.

control industrial infrastructure and infrastructure critical to society, among other things) should be attacked and financial services should be crippled to affect daily life for the ordinary citizen. The few actual occurrences from extremist Islamists which can be traced back thus far to so-called terrorist elements are not very advanced. Thanks to the lack of security awareness on the part of the victims, they have nevertheless achieved a certain, although very limited, extent of damage.