



# ELIAMEP OUTLOOK – Predictions for 2023

*Special Edition*

Edited by George PAGOULATOS, *Director General, ELIAMEP*



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## *Special Edition*

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## Introduction

### *George Pagoulatos*

2022 was a year that shook Europe and the world. The brutal invasion of Ukraine by Russian forces shattered the post-Cold War expectation of Russia's inclusion in a European security architecture and demonstrated the limits of economic interdependence as a means of ensuring peace. The war in Ukraine spelled an end for visions of a *pax Europaea*, upgraded the West as a single strategic global actor and placed it on a new Cold War footing through a very hot war with WWII levels of brutality. It also marked the international decline of Putin's Russia into a pariah state, with grave economic and strategic consequences for the Russian Federation whose full extent is yet to unfold. It also signalled a dramatic change in priorities for a European Union faced not only with the geopolitical reality of Russia posing a threat to several of its members, but also with an acute energy and economic crisis echoing the 1970s stagflation –only worse.

In our *Outlook for 2022*, exactly one year ago, we wrote:

*So which of this year's predictions for 2023 will prove accurate? And what sort of legacy is the year now coming to a close leaving behind?*

*“In relation to the Ukraine crisis, Russia has shown itself willing to keep tensions high, testing the credibility of the US and the internal cohesion of the EU while also exposing the limits of the Atlantic Alliance. US military intervention has already been ruled out; the most likely response to a Russian escalation remains, in addition to heavy sanctions (such as Russia's exclusion from the international SWIFT payment system), the deployment of NATO troops along Europe's border with Ukraine. But not war”.*

We weren't wrong, but we did not expect the kind of all-out invasion Putin's Russia launched on 24 February 2022.

So which of this year's predictions for 2023 will prove accurate? And what sort of legacy is 2022 leaving behind?

In this "ELIAMEP Outlook - Predictions for 2023" Special Edition, fifteen of ELIAMEP's leading experts, outline main challenges and trends, risks, potential opportunities, and inflection points of the year ahead.

Starting with Greece's national security challenges for 2023, **Alexander Diakopoulos** believes that Greece may be confronted by a wide range of challenges, from the immediate one of the Turkish threat, the consequences of the war in Ukraine, regional instability and shocks to the international system through to a new polycrisis.

Focusing on Greek-Turkish relations, **Panagiotis Tsakonias** assesses the risk posed by a further escalation of tensions combined with the uncertainties brought about by the Turkish elections; he also looks at the positive dynamic a European-sponsored multilateral Conference on the Eastern Mediterranean could introduce.

Looking at South-Eastern Europe, **Ioannis Armakolas** stresses that vulnerabilities in the Balkans in the wake of the Russian invasion have triggered a more decisive diplomacy from the EU, but also notes the problems created by the tensions in both Kosovo and Bosnia and Herzegovina, as well as the domestic politics of North Macedonia and Albania.

2023 is a year of dual elections and considerable historical symbolism for Turkey. Analysing the possible scenarios, **Ioannis N. Grigoriadis** believes that efforts to address the country's

extreme economic imbalances cannot be postponed indefinitely, and that Turkey will be called upon to honour its obligations to NATO.

Writing about developments in the Mediterranean in 2023, **Ronald Meinardus** focuses on the main sources of conflict and pessimistically predicts that Europe's southern neighbourhood, from Turkey in the east to the Maghreb in the west, will remain a zone of instability and mounting tensions.

**Dimitris Kourkoulas** maps the limits of soft power in his analysis of Euro-Mediterranean relations and the EU's Southern Neighbourhood policy, predicting social turmoil as a result of the rising cost of energy and food, heightened tensions between the nations in the region, and pressure on the EU to assign greater priority to regional security.

**Marika Karagianni** examines the energy field in Greece and the South-Eastern Mediterranean, highlighting the significant mobilization of cross-border electrical interconnections with a view to creating a hub for the distribution and trading of clean green electricity, a "cable diplomacy" that will coexist with natural gas as a transition fuel.

**Maria Gavouneli** looks at migration in 2023, identifying three main trends in European and Greek migration policy: the shift from humanitarian protection to security policy, the expansion of border surveillance (also via new technological means), and the addition of legal migration to the debate.

**George Pagoulatos** maps the challenges for Europe in 2023, highlighting as priorities for the EU the need to tackle energy costs, secure the supply chain, manage the social consequences of the economic downturn, and protect European industry against American and Chinese protectionism.

**Loukas Tsoukalis** analyses the key dilemmas of an EU confronted by one crisis after another, focusing on what comes after the war for Ukraine, the unity of EU member states, the suspended quest for European strategic autonomy, transatlantic relations, and the need to adapt the European model to a world of Great Power confrontation.

**Manos Matsaganis** looks at the state of the economy in 2023 in Greece, Europe and the world, estimating that the spike in inflation may prove relatively transitory, and underlining the opportunity the resources of the Recovery and Resilience Fund represent for Greece and the EU to upgrade their production model.

Writing about the US and transatlantic relations, **Katerina Sokou** opines that US support for Ukraine will continue, defence spending will increase in view both of Ukraine and Taiwan, and the US will consolidate both its presence in the Eastern Mediterranean and its close cooperation with Greece.

**George Tzogopoulos** examines the state of China today and what lies ahead in 2023, focusing on the country's Covid-19 policy and Sino-American tensions, which he expects will continue. He also believes that China will seek to improve its international image by *inter alia* staging a third international Silk Road conference.

**Emmanouela Doussis** writes about policies addressing the climate crisis, beginning with an assessment of the mixed developments of 2022, and estimating that governments are unlikely to adjust their climate targets in 2023 to reduce the global emissions gap to a level compatible with the target set by the Paris Agreement.

Finally, **Michael Kritikos** assesses the developments in the field of technology and regulation, predicting significant investments in 2023 in the field of cybersecurity as well as in technological functions that enhance the privacy of specific technological applications.

## National security challenges in 2023

### *Alexander Diakopoulos*

In this era of volatility and geopolitical uncertainty, we can, to resort to Donald Rumsfeld, say that there are security challenges we know we know (known knowns), others we know we don't know (known unknowns), and others still we don't know we don't know (unknown unknowns). What is certain is that we can expect greater risk and instability factors in the near future.

2022 was marked by Russia's invasion of Ukraine. The war in Ukraine has radically changed the European security landscape, since a conflict is now being waged by both conventional and hybrid means in the heart of the European continent, with no end in sight. Most importantly, it is not only the West's ability to support and enforce a rules-based world order that is at stake, it is the very principle of non-intervention enshrined in the United Nations Charter. The war is acting as a catalyst for a new and more dangerous multipolar world.

If we add to all this the geopolitical competition between America and China, we understand that the near future will likely bring with it geopolitical instability and volatility on a global scale. The European and Euro-Atlantic institutions are facing unprecedented challenges, as is Greece as a component part of both which, as well as being surrounded by hotspots of instability, also has to deal with Turkey's aggressive revisionism.

For Greece, Turkey remains the biggest security challenge, as it seeks a de facto revision of the Treaty of Lausanne. It wants control over half the Aegean as well as the Eastern Mediterranean, and it will not be giving up on those ambitions any time soon. Each new claim (grey zones, calling sovereignty and sovereign rights into question, etc.) is simply added to its predecessors; what was added in 2022 was a direct and overt threat from President Erdogan that "we will come suddenly one night". This threat, which is repeated regularly, also marks a new phase in the dynamics of the relationship between the two states. It now seems clear that Turkey is officially and openly including the 'military option' among the methods it may employ to 'resolve' its differences with Greece. Ankara is trying to force Athens into a corner by presenting it with a dilemma: meet with Turkey around the negotiating table (to discuss all the issues Turkey has raised over time), or else on the battle field. In any case, "we will come suddenly one night" is not a verbal firework that makes an impression as it explodes but then disappears—it is here to stay.

Ankara creates and maintains a nexus of varied flashpoints (seismic surveys, the Turkish-Libyan memorandum, the demilitarization of the Greek islands, the weaponization of migration, fly-overs and violations of Greek sovereignty, Greece's Muslim minority, etc.) which it uses to employ coercive diplomacy against Greece. Turkey uses these flashpoints to methodically construct a narrative that portrays it as "defending itself", as responding to Greek provocations and treaty violations while it has actually planned its actions in advance. In the light of the above, we are likely to see Turkish warships obstructing future transfers of Greek troops and/or materiel to the islands of the East Aegean.

Given that 2023 will be an election year in both countries, and that neither government will want to appear weak or compliant, an accidental or even planned event could blow up out of proportion. The risk of a larger-scale conflict being ignited is small, but real. Finally, the situation in Libya is also becoming a major security challenge for Greece. The Government in Tripoli is totally under Turkey's thumb, its dependence on Ankara

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motivated not by interest, but by a desire to survive. Through its agreements with Tripoli, Turkey can create a source of tension south of Crete whenever it sees fit, thereby tightening still further the grip of its coercive diplomacy.

At the same time, with regard to the Cyprus issue, having abandoned any attempt at finding a solution, Turkey has now adopted the logic of partition, using all its influence and the means at its disposal to bring it about. This hardening of Ankara's stance increases friction and tensions. A possible annexation of Famagusta would exacerbate tensions still further, bring about greater instability, and create a new sphere of confrontation.

The situation in the Western Balkans is another potential security challenge for Greece. The risks of destabilisation are high and ongoing. The region risks slipping back into generalized instability and perhaps open conflict. The situation in Kosovo is volatile, and Bosnia and Herzegovina is in the throes of a crisis that could erupt at any time and for any reason. The competition between the Serbian and Albanian elements, and the obstacles Bulgaria is placing in the way of North Macedonia's accession process, are further fuelling the uncertainty and instability. The absence of a coherent and realistic EU strategy for the region has prolonged a geopolitical vacuum which Russia and Turkey, which have strong footholds in the region, as well as China, are now rushing to fill. The longer the activation of the accession process for the Western Balkans is delayed, the greater the potential for third-party intervention.

To the above, we should add multiple secondary-level security crises—such as energy, food and migration—which have either been caused directly by the war in Ukraine or exacerbated by it. These crises interact so that the whole is worse than the sum of their individual parts. It is this situation which the historian Adam Tooze has dubbed a "polycrisis".

It is thus likely that Greece will be confronted with a wide range of challenges in 2023, ranging from the immediate challenge of the Turkish threat, the consequences of the war in Ukraine, regional instability, and shocks to the international system through to a full-blown polycrisis. In the light of the above, it is good that the drafting of a National Security Strategy, which seems more necessary than ever, is now in its final stages.



## Will 2023 be the "most difficult" year of all for Greek-Turkish relations?

***Panayotis Tsakonias***

*Turkey's aggressive and provocative behaviour towards Greece has been combined with a more autonomous policy stance vis-à-vis the West and largely facilitated by the upgrading of Turkey's position and role in view of Russia's invasion of Ukraine.*

*The war in Ukraine has provided Turkey with an opportunity to exploit its crucial geopolitical position, in terms both of its control of the Straits and its proximity and closeness to both sides in the war.*

In last year's *Outlook*, where our predictions for 2022 were published, we argued that Turkey would not simply remain the main threat to Greece's national security; most importantly, the continuing—and intensifying—domestic and external pressure on the Erdoğan regime would neither lead to a change in Turkey's stance towards the US and the European Union nor to an adoption of a less aggressive or more conciliatory stance towards Greece—and still less so towards Cyprus. We also noted that, although the year was ending with Greek-Turkish tensions at lower or more controlled levels, it was anything but certain that 2022 would bring with it a return to a state of “confrontational normalcy” in the stand-off between Greece and Turkey.

Unfortunately, President Erdoğan has taken it upon himself not merely to confirm our reservations about Greek-Turkish relations, but to reinforce them in the most explosive way possible. Indeed, Greek-Turkish relations have remained extremely tense throughout the year now ending as Turkey dialled up its rhetoric against Greece to hitherto unheard-of extremes. In so doing, in the context of the broader revisionist narrative of the “Blue Homeland”, Turkey has remained true to its policy of creating and maintaining multiple “parallel fronts” of controlled tension in its relations with Greece. In addition, 2022 saw Turkey challenge not only Greece's sovereign rights but its sovereignty over certain islands and islets in the Aegean as it developed a narrative which presents Turkey as defending itself against Greek illegality and aggression—a narrative in which Greece is supposedly arming various islands as a threat to Turkey, as well as systematically oppressing the Muslim minority in Thrace. In fact, it was President Erdoğan himself who threatened that Turkey might “come suddenly one night” and even that Turkey's home-grown ballistic missile might be aimed at the Greek capital. Unfortunately, this policy of maintaining parallel fronts of controlled tension is likely to continue in the year ahead, since it allows President Erdoğan to initiate actions at will and hence to vary the tension with Greece, dialling it up when and where he chooses.

Turkey's aggressive and provocative behaviour towards Greece has been combined with a more autonomous policy stance vis-à-vis the West (US and EU) and largely facilitated by the upgrading of Turkey's position and role in view of Russia's invasion of Ukraine in February 2022. Indeed, the war in Ukraine—which dramatically increased geopolitical instability at both the global and regional level—has provided Turkey with an opportunity to exploit its crucial geopolitical position, in terms both of its control of the Straits and its proximity and closeness to both sides in the war, to “sell” its services as a mediator in the war in Ukraine to the West and particularly to the US. Interestingly, Turkey's mediating role—as the agreement on the shipping of grain from Ukraine to Africa, which averted a global food crisis, proved—is not only compatible with Turkey's wider-ranging efforts to render its foreign policy “autonomous”. It has also made Turkey a “useful partner” for the West, the US and NATO (whose cohesion Turkey threatened so seriously with the purchase of the Russian S-400 missile system) as well as for the EU—and for certain member states with major economic interests in Turkey. In the year ahead, and while the war in Ukraine continues, Turkey will continue to be a useful but problematic partner for the West—or, as the former American ambassador to NATO so aptly put out: “Turkey is the only state it is very difficult for the West to live with and nearly impossible to live without”.

*A high chance of Erdoğan being electorally defeated could push him to translate his extreme rhetoric into action in the Eastern Mediterranean and/or the Aegean.*

*It would be in Greece's interest for the bilateral maritime delimitation agreements signed to date with Italy, Albania and Egypt, and the effort underway to jointly delimit the EEZ with Libya, to be incorporated into the EU proposed framework, the "Multilateral Conference on the Eastern Mediterranean".*

Turkey's "multifocal" policy of maintaining controlled tension with Greece is part of a broader strategy of "coercive diplomacy" which it exercises in relation to several other countries in the Eastern Mediterranean, notably Cyprus, Israel and Egypt. This strategy seeks to overturn certain detrimental *faits accomplis* which Turkey considers to have been imposed on it through diplomatic and military pressure exerted by Turkey on certain states in the region. Although this strategy has not yet yielded the desired results, it is unlikely that Turkey will abandon it in 2023, the centenary of the signing of the Lausanne Peace Treaty, which set the boundaries of the modern Turkish state and which Erdoğan, the founder of the "New Turkey", has declared himself keen to revise.

Parallel elections are to be held in Cyprus, Greece and Turkey during the first half of the new year (between February and May 2023). The results of the polls conducted after the announcement of who will be running against Erdoğan in the presidential elections is sure to impact crucially on the Turkish President's decisions regarding Greece and Cyprus. If there is little to choose between the candidates, and there is a chance of Erdoğan being re-elected, it will probably mean that the lofty rhetoric and extreme statements continue. If the gap is large and there is a high chance of Erdoğan being defeated, it may push him to translate his extreme rhetoric into action in the Eastern Mediterranean and/or the Aegean.

Apart from preparing to prevent a hot incident and/or new *faits accomplis* in the Eastern Mediterranean, the Greek strategy of balancing a geopolitically upgraded Turkey could be rendered more effective if it is complemented by international initiatives which would oblige Turkey to take into account the cost of its continued aggression towards Greece and Cyprus, while highlighting the benefits that would accrue to a change of stance.

It would be in Greece's interest for the bilateral maritime delimitation agreements signed to date with Italy, Albania and Egypt, as well as the effort currently underway to jointly delimit the EEZ with Libya, to be incorporated into the EU proposed multilateral framework, called "Multilateral Conference on the Eastern Mediterranean". Were Greece to take the initiative and both revive the Conference proposal and play a key role in formulating its agenda, it could—even if the Conference does not fully succeed in its goals—act as a "safety net" for Greece and Cyprus in terms of restricting Turkey's behaviour during the first six months of the year that may prove to be the "most difficult" one of all in the history of Greek-Turkish relations.

## South-East Europe in 2023

### *Ioannis Armakolas*

*The Serbian leadership seems to believe it can keep on enhancing its regional position by making concessions to Moscow and taking advantage of the growing uncertainty in the Balkans.*

In our forecast for 2022, we rightly predicted a tendency towards destabilisation in the region, notably in Bosnia-Herzegovina and Kosovo, as well as political crises in North Macedonia, Montenegro and Bulgaria. The socio-political cost has been continued mass migration from the region and back-peddalling on democracy and the rule of law.

The Russian invasion of Ukraine has led to increased vulnerability and uncertainty in the Balkans, but it has also triggered more decisive diplomacy on the part of the EU. There were also some positive indications: France playing an active role in solving the dispute between Bulgaria and North Macedonia, which however resulted in an uneven compromise that is more favourable to Sofia; the French initiative for a European Political Community; the successful Czech presidency, which addressed outstanding EU issues with Bosnia-Herzegovina and Kosovo; the action taken vis-à-vis the Kosovo issue; the reactivation of the "Berlin Process" by the Scholz administration; and, above all, the re-emergence of Enlargement as a powerful foreign policy tool for the EU, through the candidacies of Ukraine and Moldova.

The war in Ukraine has clearly highlighted the "Serbia problem". Belgrade finds itself in an impasse, since the new security environment has hampered its attempts to continue its game of maintaining an equal distance from the West/the EU and their geopolitical rivals. The EU promises Serbia a European future. But the Serbian leadership seems to believe it can keep on enhancing its regional position by making concessions to Moscow and taking advantage of the growing uncertainty in the Balkans. It stirs up or tolerates activities that seek to destabilise Bosnia-Herzegovina, Montenegro and Kosovo. There are, however, indications that its European perspective may in the near future be called into question due to its non-alignment with EU foreign policy.

*In North Kosovo, the security vacuum stemming from the absence of Kosovar administrative structures and institutions, the lack of a powerful international force and the failure of inter-ethnic cooperation is particularly perilous.*

The epicentre of tension for many months now has been Kosovo, where the Kurti government is determined to extend state sovereignty to the whole country. However, due to active resistance from Belgrade and extremist elements within Kosovo's Serb community, its attempts have led to repeated crises. Pristina may make tactical concessions at times, but—given its conviction that 15 years of attempts to appease Belgrade have actually bolstered Serbia's influence in the north and weakened Kosovo abroad—it will not change its strategy. In North Kosovo, the security vacuum stemming from the absence of Kosovar administrative structures and institutions, the lack of a powerful international force and the failure of inter-ethnic cooperation is particularly perilous. Unilateral moves, made by either side, to impose order or expand their influence could potentially trigger violent developments. More intensive German and French efforts to hammer out an agreement by next spring has increased the pressure on Belgrade, which knows it will be in a difficult position if it does not accept it. Kurti government's confident diplomatic initiatives, such as submitting applications for membership in the EU and the Council of Europe, adds to Belgrade's nervousness and increases its appetite to tolerate radical elements and escalation of tensions.

In Bosnia and Herzegovina, the crisis is deepening as the nation's three main ethnicities become increasingly politically powerful. The international community continues to lack both coherence and a clear direction, but is increasingly interfering in the country's political affairs. The good news of the country being granted EU candidate status will remain a dead letter without a vision for reaching a long-term understanding and

*In North Macedonia, the screening process will be completed by autumn, but the Social Democratic government does not have the majority it needs to amend the Constitution, the key condition for the actual start of its EU accession negotiations.*

*Albania's geopolitical alignment with the West makes the country attractive to its European partners, who chose it to host both the 2023 Berlin Process Summit and the recent EU-Western Balkans Summit—the first time a country in the region has done so.*

reconciliation among the three competing sides, without cooperative stance from Serbia and Croatia, and without an acceleration in the process of integrating the Western Balkan into the EU.

In North Macedonia, the screening process will be completed by autumn, but the Social Democratic government does not have the majority it needs to amend the Constitution, the key condition for the actual start of its EU accession negotiations. The nationalist opposition party VMRO-DPMNE refuses to support the amendment, expecting to win the next election by exploiting citizens' frustration with the ongoing corruption scandals and the unpopular deal with Bulgaria. However, accession negotiations not beginning won't be enough in itself to bring down the Kovachevski government, which will attempt to remain in power until the end of its term in the first half of 2024. The prospect of an imminent return to power of an unreformed VMRO-DPMNE, in cooperation with the Albanian party DUI, which many blame for the frequent corruption scandals, does not bode well for the reforms that the country needs to embark on to join the EU.

In Albania, the united opposition is aiming to do well in the municipal elections come spring. The Berisha-Meta opposition duo accuses the Albanian Prime Minister of undermining the rule of law and of links to organised crime. Rama has the advantage of support from western partners and of the country's progress in its EU membership path. Accession negotiations are expected to start in the autumn, with problems expected to arise vis-à-vis the rule of law and the independence of state institutions. The negotiations will not, however, be hampered by bilateral differences with Greece, since their resolution is clearly inscribed within the negotiating framework. Albania's geopolitical alignment with the West makes the country attractive to its European partners, who chose it to host both the 2023 Berlin Process Summit and the recent EU-Western Balkans Summit—the first time a country in the region has done so. These are facts which Rama will capitalize on politically at home by communicating an air of a "modern, European Albania".

And what of Greek foreign policy in the Balkans? It is now 20 years since the historic Thessaloniki Summit. The point is not for Athens to recall this major diplomatic success, but rather to signal that it is making a dynamic return to the region. Bold initiatives are needed: forming a united front with pro-enlargement EU member states, strengthening ties with Albania more rapidly, recognising Kosovo, supporting the reform process in North Macedonia, engaging in European actions to prevent further destabilisation in Bosnia and Herzegovina. Clear moves to ensure the region takes a westwards turn and that its economic malaise, democratic backsliding and geopolitical uncertainty comes to an end. But it needs vision, a strategic prioritisation of the Balkans, and decisive action: things we are unlikely to see, given that it is an election year. But also given the chronic "rigidities" of Greek diplomacy.



## Crucial issues for Turkey in 2023

*Ioannis N. Grigoriadis*

*While the likelihood of Turkish President Recep Tayyip Erdoğan being re-elected has increased in recent months, this does not make it any more likely the ruling coalition will prevail in the parliamentary elections that will take place in parallel with the presidential elections.*

*Given the growing influence of the HDP within Turkey's Kurdish minority and beyond, it is likely that a judicial ban on the party will be enacted to make it easier for the ruling coalition to win at least part of the Kurdish vote.*

Russia's invasion of Ukraine offered Turkey an un hoped-for opportunity to upgrade itself diplomatically and strengthen itself economically. The unexpected liquidity inflows resulting from the extraordinary circumstances made the country's fiscal problems easier to manage and facilitated the decision to avoid early elections in 2022. Capital inflows from states such as Qatar, Saudi Arabia, the United Arab Emirates, China and South Korea also contributed to this decision. The debate has begun on the revision of the Constitution, but not on turning the presidential into a parliamentary system. Taking advantage of the bill proposed by the Republican People's Party (Cumhuriyet Halk Partisi – CHP) on safeguarding the right to wear the Islamic headscarf, the Turkish president went even further and proposed a revision enshrining the right in the Constitution.

Already a year of presidential and parliamentary elections, plus—possibly—a constitutional referendum, 2023 also coincides with the centenary of the signing of the Treaty of Lausanne on 24 July 1923 and the proclamation of the Republic of Turkey on 29 October 1923. The use of historical symbolism is inevitable in the run-up to elections of such historic importance for the future of Turkey.

While the likelihood of Turkish President Recep Tayyip Erdoğan being re-elected has increased in recent months, as a result both of international developments that have worked in his favour and of the opposition's universally-acknowledged dithering, this does not make it any more likely the ruling coalition will prevail in the parliamentary elections that will take place in parallel with the presidential elections. The strong showing expected from the pro-Kurdish Peoples' Democratic Party (Halkların Demokratik Partisi – HDP) or its successor—assuming the HDP is banned by the courts from taking part in the elections—will probably deprive the ruling coalition of a majority and increase the possibility of a constitutional crisis the day after the elections. Such a development would lead to a cohabitation model that would test the applicability of the rather poorly written Constitution approved by referendum on 16 April 2017. While the Constitution grants broad powers to the president, the ambiguities in the text could lead to heated political confrontations, as the Turkish president would most likely claim the right to rule by presidential decrees, bypassing parliament.

Given the growing influence of the HDP within Turkey's Kurdish minority and beyond, it is likely that a judicial ban on the party will be enacted to make it easier for the ruling coalition to win at least part of the Kurdish vote. Although similar interventions have not only failed in the past, but actually achieved the opposite of their intended result, the demonization of the HDP—coupled with the new operations the Turkish army is planning against the PYD-YPG in Syria—might make the ban a one-way street for the ruling coalition.

On the one hand, the Turkish government may disregard the international financial institutions and consider the repayment of the nation's loans to the International Monetary Fund (IMF) to be one of the major successes that helped secure Turkey's political and economic independence and enabled its rise in the international diplomatic arena. On the other hand, the course of the Turkish economy in 2023 may force a change of course on the Turkish government that emerges out of the upcoming presidential elections. The use of various gambits may make it possible to leave the tackling of the nation's serious fiscal problems until after the elections, but it cannot be postponed

*The course of the Turkish economy in 2023 may force a change of course on the government that emerges out of the upcoming presidential elections.*

indefinitely. There is no guarantee that the unexpected windfall the Russian invasion of Ukraine brought to the Turkish economy in 2022 in the form of a liquidity inflow via intergovernmental agreements will be repeated in 2023. Recourse to the IMF may be vehemently rejected by both the Erdogan government and the opposition. However, it would not be the first time the Turkish government has performed a U-turn on a matter of key importance. This has been preceded by efforts to normalise relations with Russia, Saudi Arabia, the United Arab Emirates, Israel and Egypt. Moreover, should the opposition candidate win the presidential elections, they can always argue they were unaware of the magnitude of the problems facing the Turkish economy and that “they have been handed chaos.”

*The possibility of the opposition candidate winning in the elections could give impetus to a new initiative to restore Turkey's relations with the West.*

Although Turkish neutrality has been tolerated by both the United States and the European Union since the start of the Russian invasion of Ukraine and presented as a means for enhancing Turkey's regional role as a privileged mediator, developments may make it impossible for the country to maintain this position in 2023. Turkey will thus be called upon to honour its obligations as a NATO member state and abandon its strategic cooperation with Russia. The lifting of the Turkish veto on Sweden and Finland's NATO membership would be a precondition for reviewing decisions such as, for instance, the procurement of S-400 missile batteries from Russia. The possibility of the opposition candidate winning in the elections could give impetus to a new initiative to restore Turkey's relations with the United States and the West.

## The Mediterranean – ring of instability

**Ronald Meinardus**

*Europe's Southern neighbourhood is a cordon of instability. There are no indications that this will change in the foreseeable future, and it is safe to assume tensions and conflicts may intensify in the year and years ahead.*

*A lone encouraging development is the agreement struck by Israel and Lebanon (two countries which do not even maintain diplomatic relations) on the delimitation of their respective maritime zones for the exploitation of natural resources, which provides an example of a win-win deal for the Med.*

Russia's war against Ukraine has focused the world's attention on Eastern Europe, obscuring other hotspots of crisis and conflict. The Mediterranean region could be considered as political collateral damage of Putin's war. At the crossroads of Europe, Asia, and Africa, the Mediterranean has always been a focal point of world politics with an unparalleled density of political conflicts. The Southern rim is a conflict zone *par excellence*. However, with a few exceptions in the Western Balkans, the countries bordering the Mediterranean to the North are part of the European Union (EU) and enjoy a high degree of stability. Europe's Southern neighbourhood, extending from Turkey in the East to the Maghreb in the West, is a cordon of instability. There are no indications that this will change in the foreseeable future, and it is safe to assume tensions and conflicts may intensify in the year and years ahead.

The states of the South share the illiberalism of their political orders. "No other region has as strong a concentration of authoritarian regimes nor as limited an experience with democratic rule", states the 2022 Yearbook of the European Institute of the Mediterranean (IEMed) with reference to Europe's Southern neighbourhood. The relapse into authoritarianism in Tunisia, once the beacon of the "Arab Spring", is particularly sobering. Here, too, the economic slump is a driver of political authoritarianism. The socioeconomic decline is particularly dramatic in Lebanon: once the "Pearl of the Orient," the multi-ethnic state remains the victim of a latent civil war, foreign interference from many sides, and disastrous governance with a complete lack of accountability.

In Egypt, the new (old) authoritarianism on the Nile is accompanied by an escalating economic crisis. The most populous country in the Arab world knows how to lay its strategic importance on the line: for Europe and the US above all, the rule applies: Egypt is too big to fail. In all three countries—Tunisia, Lebanon and Egypt—, things are likely to get worse before they get better, which will surely not occur in the short term in 2023. A lone encouraging development is the agreement struck by Israel and Lebanon (two countries which do not even maintain diplomatic relations) on the delimitation of their respective maritime zones for the exploitation of natural resources, which provides an example of a win-win deal for the Mediterranean.

The normalization of Israel's relations with the United Arab Emirates, Bahrain, Morocco and Sudan has radically changed the political map. Through the Abraham Accords, and thanks to massive US support, Israel has succeeded in normalizing its relations with important Arab countries (2020) without first resolving the Palestinian issue. A strategic rethink in the Gulf monarchies, led by Saudi Arabia and the United Arab Emirates, initiated the turnaround. For their Sunni rulers, Iran poses the main threat—a geostrategic perception that will persist into the new year and beyond. The Palestinians' lot plays no role in the new Israeli-Arab alliances, yet the never-ending violence in the occupied territories is expected to continue. With the inclusion of right-wing extremists in the Israeli government, the outlook for a settlement in Palestine has seldom been as bad as it is today.

In neighbouring Syria, too, there are no signs in sight of a political solution to the conflict that has now raged for more than a decade. While the intensity of the hostilities has subsided, the political efforts of the United Nations (UN) are not moving ahead. The Astana format, too, in which Russia, Iran and Turkey regularly meet to discuss Syria, is also unable

to advance a solution. In the meantime, Israeli military attacks against Iran's allies in Syria continue. Turkey continues to occupy border regions in the north of Syria amid threats of yet another ground offensive. At the same time, the Russians are pushing the Turks to agree to a summit meeting between Erdoğan and the Syrian dictator Assad. However, in the run-up to the Turkish elections, Ankara may well opt for the military option. The role of the European Union in all these developments of major international importance on its doorsteps is negligible.

*In Libya, the existence of two governments has increased the risk of partition. It seems unlikely that the "fair and free" elections will produce an early solution.*

We see a similar picture in Libya, where the existence of two governments has increased the risk of partition. And it seems unlikely that the "fair and free" elections demanded first and foremost by the United States will produce an early solution. While, in the Eastern Mediterranean, tensions between Greece and Turkey are expected to continue in the run-up to the elections in Greece, Turkey and Cyprus, the feud between Morocco and Algeria over the future of the Western Sahara will carry on destabilizing the Maghreb region with wider international ramifications. Algeria has from the outset supported the Polisario Front and the Sahrawis' right to self-determination; for Rabat, the desert region on the Atlantic coast is part of its own territory. Morocco has achieved a breakthrough with a political trade-off of a special kind: In return for Rabat normalizing its relations with Israel, Washington has recognized Moroccan sovereignty over the Western Sahara. In response, Algeria has expanded its cooperation with Russia—in the military sphere, too. This has opened the door for interventions by Moscow in a country which is also of strategic importance for the European Union.

Sooner or later, the war in Ukraine will end. But the conflicts in the South of the Mediterranean will persist, and continue to challenge Europe in 2023 and for years to come.



## Euro-Mediterranean relations and the EU's Southern Neighbourhood policy: the limits of soft power

*Dimitris Kourkoulas*

*In most of the countries in our southern neighbourhood, the instability and deteriorating social and economic conditions will continue into 2023.*

*With the exception of two countries with large energy resources, Algeria and Libya, most North African nations are not in a position to prevent large swathes of their populations falling into poverty—a development whose consequences have yet to be determined, and which poses a risk of social upheaval.*

When, almost three decades ago, the European Union launched an ambitious Euro-Mediterranean policy it called the "Barcelona Process", it envisioned the Mediterranean as a sea of peace, stability, cooperation and prosperity for all the region's nations and of understanding between different cultures in full compliance with international law.

However, the current reality in the European Union's southern neighbourhood is the polar opposite of those ambitious goals. The southern shore of the Mediterranean is in the grip of growing chaos. In place of the convergence between the Mediterranean North and South that could have been achieved through the Europeanisation of the South, the two shores have actually been diverging for several years now, creating a virtually unbridgeable gap along with perilous economic, demographic, cultural and governmental imbalances.

The Russian invasion of Ukraine has made the Black Sea the epicentre of the West's strategic confrontation with Russia, but it has also upgraded the significance of the Eastern Mediterranean as the gateway to the Black Sea.

The acceleration in geopolitical upheavals has highlighted the reduced influence of the European Union in the nations of the region and the growing autonomy of countries that have traditionally followed Europe's strategic choices, with Turkey's decision not to impose sanctions on Moscow in line with the West, for instance, or Morocco's avoidance of voting to condemn the Russian invasion in votes at the UN.

In most of the countries in our southern neighbourhood, the instability and deteriorating social and economic conditions will continue into 2023. As the window of opportunity for a better future closes for the peoples of the region, their disillusionment and despair will succour extremist ideologies, fuelling the anti-Western and anti-European sentiment stirred up by countries like Turkey and Russia that are trying to regain influence in the region.

Currently, all the signs bode ill for 2023. The countries of the Southern Neighbourhood will continue to suffer even more acutely under the dual pressure from rising energy costs and sky-rocketing prices for essential raw materials and foodstuffs. The system of subsidies for basic foodstuffs such as flour and bread, which is a key tool for ensuring food sufficiency in many Arab countries, is in danger of collapsing as a result of soaring prices internationally. The projections for increasing poverty rates are alarming. With the exception of two countries with large energy resources, Algeria and Libya, most North African nations are not in a position to prevent large swathes of their populations falling into poverty—a development whose consequences have yet to be determined, and which poses a risk of social upheaval.

The widespread social foment observed in various Arab countries is largely due to pent-up resentment and frustration stemming from the Arab uprisings of 2011 and 2019 which, far from bringing about the expected improvements, have actually led to regression in terms of freedom and transparency. In many countries in the region, with Turkey being a

*The conflict between Shiite and Sunni Islam and its impact on Iran's relations with Saudi Arabia and the Gulf nations, the war in Yemen, and the ongoing total destabilisation of Lebanon show no signs of abating in the coming year.*

*The EU may be forced to press ahead with a rapid bolstering of its defence cooperation and a more comprehensive policy for countering the anti-European propaganda that is currently flooding the countries of the Middle East and all of Africa.*

typical example, an explosive ideological mix of nationalism and Islamism is emerging with clear anti-Western and anti-European underpinnings.

Another key factor that is expected to impact negatively on the situation in Europe's southern underbelly are the increasingly antagonistic relations between the countries in the region. The conflict between Shiite and Sunni Islam and its impact on Iran's relations with Saudi Arabia and the Gulf nations, the war in Yemen, and the ongoing total destabilisation of Lebanon show no signs of abating and allowing conditions to stabilize in the coming year. There are no prospects for a revival of the peace process between Israel and the Palestinians, while the situation in Syria will continue to create conditions that export instability to Europe, not only through refugee flows or the resurgence of Islamic State, but primarily because Russia has been able to consolidate its permanent military presence on the Eastern Mediterranean seaboard with its air base in Latakia and naval base in Tartus. For a decade now, the Russian Federation has been strengthening its military presence in the Mediterranean and the wider Middle East through its now permanent presence in Syria, Libya and Sudan, but also through its involvement in Turkey's missile defence.

The opportunity to sign an agreement on Iran's nuclear programme, which appeared after Biden's election and which would certainly have had a stabilising effect, seems to have been lost for ever. The military arsenals of numerous countries in the region have increased sharply at a time when new sources of tension and potential conflict are emerging: the tension marking Turkey's relations with Greece and Cyprus does not seem to be lessening, while the Algerian-Moroccan front centred on Western Sahara continues to fuel tensions and an arms race between the two countries.

The heightening of instability on the Mediterranean's southern shore and the possible spread of armed conflicts will have extremely negative consequences for the European Union as a whole, as they introduce still more instability into an already troubled Europe.

In the new year, the European Union may have to face new challenges in the Mediterranean, over and above Ukraine. The illusion cultivated for decades in European capitals that soft power could guarantee European security evaporated with the Russian invasion of Ukraine in February 2022. These ominous developments in the Mediterranean may deliver the coup de grace to these illusions and force the EU to press ahead with a rapid bolstering of its defence cooperation and a more comprehensive policy for countering the anti-European propaganda that is currently flooding the countries of the Middle East and all of Africa.

## The energy landscape in Greece and the South-Eastern Mediterranean

**Marika Karagianni**

*In the Mediterranean, the EU's Southern Member States are pushing for cross-border electricity interconnections with the nations of North Africa, with a view to creating a regional hub for the distribution and trading of electricity which, having been produced from renewable energy sources, will be clean and green energy.*

*Greece and Egypt are intensively promoting the submarine electric cable which involves the laying from the Egypt to Greece within the EEZ agreed between the two countries; the cable will transport energy generated by solar arrays in Egypt.*

Europe is experiencing a new dual energy crisis: a price crisis and a supply crisis. Three points need to be underscored: First, the crisis began in 2021 due to low gas storage in Europe as, ignoring its extent and immediate energy needs, the EU turned abruptly and absolutely towards the Green Transition. Second, the Russian invasion of Ukraine in February 2022 has exacerbated and inflated the price crisis into a supply crisis, as the EU imposed an embargo on Russian oil imports and set off in search of a formula that will cater for its natural gas needs. Third and most importantly, Europe, as an importer and not a producer of hydrocarbons, is being forced into high-cost emergency solutions: see, for instance, the surge in LNG imports—primarily from the US and Qatar—, the push to construct new terminals in Germany, and the search for alternative investments in green energy.

In the Mediterranean, the EU's Southern Member States are pushing for cross-border electricity interconnections with the nations of North Africa, with a view to creating a regional hub for the distribution and trading of electricity which, having been produced from renewable energy sources, will be clean and green energy. Surprisingly, despite the favourable geography of the Mediterranean, only two electrical interconnections exist: a) The networks connecting Turkey, Bulgaria and Greece (1.9 GW), and b) the submarine cable connecting Morocco with Spain (1.4 GW). Currently, the EU is funding the Tunisia-Italy "ELMED" Interconnection (600MW) as a Project of Common Interest (PCI). Under construction and expected to be operational in 2027, this is the first electricity connection between an EU Member State and a North African nation; its aim: to enhance the energy security of Southern Italy and Sicily.

In the Eastern Mediterranean, Greece, Cyprus and Israel are promoting the "Euro-Asia Interconnector" submarine cable (2,000MW, 1208 km long, laid at a depth of 3km). In another trilateral project, Greece, Cyprus and Egypt signed an agreement in 2021 providing for the production of electricity from solar energy in Egypt and its subsequent transportation to Europe, with Greece as its first point of entry. The protocol, signed in Athens, states that *"This interconnection strengthens cooperation and energy security, not only between these three countries but also with Europe"*.

In addition, Greece and Egypt are intensively promoting the "GREGY" submarine electric cable, which involves the laying of a 1,373 km long 3,000 MW submarine cable directly from the Wadi El Natrun area in Egypt to Attica in Greece, within the EEZ agreed between the two countries; the cable will transport energy generated by solar arrays in Egypt and will also have the capacity to carry hydrogen in the future. Although this is an initiative that will be implemented exclusively by the private sector, it is being strongly promoted by both the Greek and Egyptian governments as a project that also contributes to the dual objective of: one, decoupling from Russian natural gas and replacing it in part by clean, green electricity; and, two, upgrading the energy and geopolitical status of the countries in the region, and in particular of Egypt as an exporter and Greece as the first point of entry into Europe for electrical energy (in addition to natural gas) from the Eastern Mediterranean and North Africa.

Based on the above, as this Cable Diplomacy gradually takes shape in the Eastern Mediterranean, with Egypt, Greece, Cyprus and Saudi Arabia as the key players in the

*North Africa is emerging as a key region for the EU's future energy autonomy, in terms of the energy transition towards a green economy through the promotion of electricity generated from Renewables.*

*Natural gas will continue to exist in the global energy mix until 2050 as a transition fuel. The spike in exploration and drilling activity worldwide is expected to continue in 2023.*

Eastern Mediterranean and the Middle East, North Africa is emerging as a key region for the EU's future energy autonomy, in terms of the energy transition towards a green economy through the promotion of electricity generated from Renewable Energy Sources, in a move that will clearly lower CO<sub>2</sub> emissions as well as allowing for the exchange of electricity. It should be noted that Saudi Arabia is participating as a third party in most of these investment projects, as Riyadh has turned its investments towards renewable energy and hydrogen as the cleanest fuel of the future. The subsea electric cables are thus being designed to carry electricity from North Africa to Europe in the short term and hydrogen in the medium term.

In this context, and given the strategic relations Greece has developed with both Egypt and Saudi Arabia, we can expect these projects to be promoted in 2023 with a view to Final Investment Decisions (FID) being taken in 2023 or 2024 and the implementation phase to follow for those projects that are not already underway. Egypt and Greece are emerging as the key actors in this process, as all the projects are eligible for EU co-financing.

Regarding natural gas: it will continue to exist in the global energy mix until 2050 as a transition fuel (along with nuclear power). The spike in exploration and drilling activity worldwide caused by high prices supports this decision and is expected to continue into 2023. In the Eastern Mediterranean, the regional East Med Gas Forum (EMGF) is gradually expanding the scope of its activities beyond gas trading and gas pipelines to Europe (e.g. East Med) to include the transportation of LNG from existing and to-be-constructed terminals, primarily in Egypt, to the European market, and making Eastern Mediterranean gas competitive in that context. In addition, the progressive reduction through to the eventual elimination of methane leakage and combustion in the gas production, transport and consumption chain should be a top priority for the Forum in 2023 as part of the green transition effort.



## Migration in 2023

**Maria Gavouneli**

*Every European State now treats migration flows as a security issue, turning a blind eye to the humanitarian nature of refugee flows, which seem to have been severely curtailed.*

*No preparations would seem to have been made for the increased flows that climate change is causing now and will cause with still greater intensity in the future as millions of young people in Africa seek to escape famine in the sub-Saharan plains of Somalia, Chad and Mali and find their way to Europe.*

After a significant drop in numbers during the pandemic, refugee and migrant flows continued to increase during 2022; the 55% rise for Greece compared with 2021 reflects an upward trend observed along the entire length of European borders. The main entry point into Greece is now Evros rather than the islands of the North Aegean, while Asia—Syria, Afghanistan and Pakistan—remains the point of departure for the majority of the migrant populations. Young men continue to represent the largest group of asylum seekers in Greece (78% of the total), with a small number of women and unaccompanied minors. In the latter group, the vast majority come from Somalia with Pakistan, Afghanistan and Bangladesh providing most of the remainder. The complete data for January-October 2022 is available on the Greek Asylum Service website: [https://migration.gov.gr/wp-content/uploads/2022/12/Report\\_A\\_October-2022\\_International-Protection\\_NEW.pdf](https://migration.gov.gr/wp-content/uploads/2022/12/Report_A_October-2022_International-Protection_NEW.pdf)

Reading between the lines, one can identify the main trends in European and national migration policy, which we can expect to continue into the coming year:

**1. An ideological shift from humanitarian protection to security policy:** Every European State now treats *migration* flows as a security issue, turning a blind eye to the humanitarian nature of *refugee* flows, which seem to have been severely curtailed. This choice is reflected both in domestic political rhetoric, where the emphasis is now on integration processes for those who are already under an international protection regime; as well as in the external relations of the States involved, where there is renewed tension over the final destination of vulnerable groups. These tendencies are already manifest in the tension between France and Italy over the reception of migrants rescued by private individuals in the Mediterranean, and in Britain's attempt to set up migration control areas in Rwanda, very far indeed from the European continent—with the British courts ruling that the practice does not violate the principle of the 1951 Geneva Convention on the Status of Refugees: <https://www.bbc.com/news/uk-64024461>. The contrast with the willing initial reception of Ukrainians fleeing their beleaguered homeland, with the immediate activation of special legal instruments such as the temporary protection mechanism, could not have been more obvious.

It is reasonable to expect this trend to continue into next year, as no significant change to the situation in the field seems likely. The stalled negotiations for the EU overall asylum and immigration policy, barely moving again, also reflect this change. Thus, instead of discussing a single coherent system of administrative procedures aimed at protecting vulnerable people without putting the social acquis of European citizens under strain, the debate to date has been limited to strengthening border control mechanisms, consigning the EU humanitarian obligations to a system of 'voluntary and temporary solidarity' which has yet to be agreed upon. Moreover, no preparations would seem to have been made for the increased flows that climate change is causing now and will cause with still greater intensity in the future as millions of young people in Africa seek to escape famine in the sub-Saharan plains of Somalia, Chad and Mali and find their way to Europe.

**2. Expanded border surveillance:** Treating human flows as an aspect of security policy reinforces underlying efforts to keep entry routes under the sort of intense surveillance that may include drastic initiatives to push back refugees and migrants before they claim asylum and become internationally protected persons. The debate on informal forced

*This dichotomy between humanitarian policy and the rule of law on the one hand and security policy and the law of necessity on the other forces Europeans to take a look in the mirror. But while they may not like what they see, it seems that they will continue to avert their eyes in the hope that the countries of first entry, including Greece, will do the dirty work for them.*

*The only really new element in migration policy is the limited but distinct debate on lawful migration.*

returns is entirely indicative of the tension between these two views of migration as a phenomenon, and demonstrates the ongoing divergence between the principles of the rule of law, which form the foundation of the European idea, and the desire to protect the social and economic conditions of everyday life, which form the foundation of the European reality.

That this gap between words and deeds is part of the political game played out at the domestic, European and international level (see the numerous incidents on the Greek-Turkish border) serves to heighten the contrast rather than tone it down. The use of communication tools can bring about explosive situations, which democratic governments may find hard to deal with in the election year ahead. This dichotomy between humanitarian policy and the rule of law on the one hand and security policy and the law of necessity on the other forces Europeans to take a look in the mirror. But while they may not like what they see, it seems that they will continue to avert their eyes in the hope that the countries of first entry, including Greece, will do the dirty work for them.

**3. Lawful migration:** The only really new element in the field of migration policy is the limited but distinct debate on lawful migration, which was completely absent in the past. Legal migrants form part of cyclical temporary movements of unskilled workers, which are especially common in the agricultural sector. The issue has gained publicity in light of the working conditions of those who built the stadiums in Qatar, but no European country has grounds to pride itself on its own practices. This includes Greece, which was found to be in breach of the prohibition on slavery, servitude and forced labour under Article 4 of the European Convention on Human Rights in the first such case ever to reach the European Court of Human Rights: *Chowdury & others vs. Greece* (2017, [https://hudoc.echr.coe.int/fre#{"itemid":\["001-172701"\]}](https://hudoc.echr.coe.int/fre#{)), in the shameful Manolada case.

Whether the recent agreements with Bangladesh will ensure a better level of protection for migrants remains to be seen. In the meantime, other ways of moving to Europe to work legally simply do not exist: the Blue Card remains unknown and unimplemented, with Europe's ageing populations missing out on the opportunity to attract new and vibrant minds to buttress our declining economy and society.

## The European Union and developments in Europe: *permacrisis to be continued*

**George Pagoulatos**

*2023 will see France and Germany attempt to bridge the yawning gap that has opened up between them, on a symbolic level at least, starting with a celebratory summit on 22 January 2023, the 60th anniversary of the signing of the Elysée Treaty.*

*Important national elections are scheduled to take place in Poland in November 2023. They will decide whether the ultra-conservative nationalist PIS party will remain in office, weakening European unity, or whether a new pro-European majority will come to power.*

2022 found the European Union leaving the pandemic behind it and heading for a strong recovery, driven by green and digital investments funded by NextGenerationEU. Until February 24 came along, that is, and changed everything. The Russian invasion triggered the largest package of sanctions in history, a decoupling from Russian hydrocarbons, and the provision of aid and military materiel to Ukraine. The priority shifted to defence and energy security, and Europe secured a supply of LNG through a series of agreements with third countries. Ukraine will remain at the top of the EU agenda, since Europe will be the main contributor to the immense cost of Ukraine's reconstruction, whenever that begins.

2022 was a year of EU unity in support of Ukraine, but also saw the bloc weakened in geopolitical, energy and economic terms by the heavy cost of the war. The EU's political centre suffered setbacks: Macron was re-elected without a parliamentary majority, and Draghi was replaced by Italy's first postwar Far Right government. Scholz's already weak traffic light coalition is leading a Germany self-flagellating over its policy towards Russia, forced to fundamentally revise its energy and industrial model, and uncomfortable with the burden of responsibilities that comes with its leading position in the European Union.

The centre of gravity of the EU has shifted from "old Europe" to the central-eastern states (Poland, the Baltics), which converge in many respects with the Nordics. 2023 will see France and Germany attempt to bridge the yawning gap that has opened up between them, on a symbolic level at least, starting with a celebratory summit on 22 January 2023, the 60th anniversary of the signing of the Elysée Treaty by De Gaulle and Adenauer.

Stagflation will test the endurance of Europe's governments, and the pro-European arc, in 2023. Populist and nationalist forces will rush to fill the gap. Much will depend on the Meloni experiment, and how the new Italian prime minister responds to the recession that will be hitting the Italian economy in 2023: if she survives, others will appear in her mould.

In May 2022, the Conference on the Future of Europe concluded with an ambitious text which the European Parliament was quick to adopt, calling for a reform of the Treaties. The European Council has not responded to the call, and is not expected to do so in 2023, either. The Qatargate scandal will limit any ambition of further democratic deepening to a restoring of trust in the European institutions ahead of the crucial European Parliament elections in 2024.

Important national elections are scheduled to take place in Poland in November 2023. They will decide whether the ultra-conservative nationalist PIS party will remain in office, weakening European unity, or whether a new pro-European majority will come to power. Elections will also be held in the Czech Republic, Cyprus, Greece and Spain. Sweden will take over the Presidency of the Council of the EU from the Czech Republic on 1 January 2023, and will hand it over to Spain for the second half of the year. The Spanish Presidency will offer a unique opportunity to focus on the Mediterranean, whose complex challenges have been overshadowed by the war in Ukraine.

Rule of law issues will continue to weigh heavily on the European agenda. In December, the EU reached an agreement with Orbán, reducing the economic sanctions imposed on

Hungary for violations of the rule of law in exchange for his lifting Hungary's veto on crucial EU policies regarding Ukraine. The confrontation is set to continue in 2023.

In 2022, the EU granted candidate status to Ukraine and Moldova. The management of EU enlargement (the Western Balkans have precedence) will remain a major issue in 2023 and beyond. The Union must strike a delicate balance between accepting new members that could further widen existing intra-EU divergences vs frustrating their European aspirations, destroying the EU's credibility and leaving a void which third powers (Russia, Turkey, China) would rush to exploit. For the time being, the great enlargement of the EU will continue to be conditional on deepening and moving from unanimity to a qualified majority for foreign policy, as Chancellor Scholz also made clear in his Prague speech in August 2022. But the transition to a qualified majority itself requires a unanimous vote; this does not seem feasible within the visible future, and risks being perceived by candidate countries as a subterfuge meant to keep them indefinitely in the waiting room.

Tackling energy costs will remain a key challenge for the EU. The diversity of member states' individual 'energy mixes' restricted the EU to a timid response to price hikes in 2022, especially with regard to the much-vaunted cap on gas prices. Progress is being made on the joint purchase of natural gas, but the proposal for a joint EU energy crisis fund remains controversial. 2023 will see the decoupling of the European electricity market from natural gas prices and the promotion of hydrogen through the creation of a European Hydrogen Bank.

Alongside energy costs, American on top of Chinese subsidies will mean European companies face a competitive disadvantage in 2023. The crisis is dividing the EU, pitting supporters of a protectionist industrial policy (led by France) against the traditional free trade advocates (the Netherlands and the Nordics), with Germany somewhere in the middle. Entering 2023, the argument for a "Buy European" Act that would prioritise subsidies to those industries that contribute to European innovation, sovereignty and resilience is gaining ground. But Europe's smaller nations will not allow the rules on competition to be bent in favour of the continent's 'champions' without something in return. Financing such an Act through an extension of the newly created European Sovereignty Fund will be on the agenda in 2023. The Fund will acquire a role in securing the supply chain for raw materials, rare earth elements and semiconductors.

2023 will see the EU celebrate the 30th anniversary of the Single Market. The value of 'efficiency', which drove the single market programme, has already been succeeded as a priority by 'security'. And security in all its aspects will remain a top priority for the EU in 2023. We can expect initiatives aimed at increasing Europe's defence capabilities within NATO, while ambitions to develop a European defence industry and technology will remain pending. To secure its supply chains, the EU will seek to conclude trade agreements with friendly nations including Chile, Mexico, New Zealand, Australia and India.

Predictions have their place, but it is "events, my dear boy, events" that ultimately drive developments. The seismic challenges facing the EU over the last three years have both arisen out of unexpected events: the 2020 pandemic and Putin's 2022 massive-scale invasion. By definition, 'black swan' or tail risk events are off the radar, although they are included in the adverse scenarios drawn up by the EU's strategic foresight and planning services. What new crisis will emerge to challenge the EU in 2023? An escalation of the war in Ukraine, the use of nuclear weapons or NATO involvement? A massive food crisis in Africa, a new war, a new wave of refugees? An 'unknown unknown'? The book of the European 'polycrisis' that has become a 'permacrisis' is still being written.

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## The European Union in the world 2023: will the Cassandras be proven wrong yet again?

**Loukas Tsoukalis**

*With the war in Ukraine, Europe has left its goal of strategic autonomy by the wayside, or at least put it on ice for the time being. Because the more perilous the danger from the East, the more obvious Europe's weakness and the greater its dependence on its main transatlantic ally.*

*Europe's abrupt decoupling from Russian energy exports has entailed a frantic attempt to find alternative suppliers quickly, which will continue into 2023 with the possibility of serious shortages in the interim.*

Who could have predicted Russia's invasion of Ukraine or how the war has played out so far? The post–Cold War order in Europe has collapsed into violence and war is now on our doorstep. But Russia doesn't seem to be winning, as most people expected it to when the invasion began. That doesn't mean however that Russia is a paper tiger—not with the huge arsenal it has at its disposal, which includes a large number of nuclear weapons. So, what could a possible defeat for Russia mean, and where are its limits? Obviously, Ukraine isn't like Afghanistan or Vietnam. There are no easy answers to that question, though we may start to get an inkling next year.

Most people in Europe want the war to end sooner rather than later, but on what terms? For now, at least, the red lines of the two sides make the prospect of a peaceful settlement somewhat unrealistic. A front that remains open for years or, better, a temporary ceasefire seem more likely. And EU countries aren't strong enough to propose, let alone impose, solutions.

With the war in Ukraine, Europe has left its goal of strategic autonomy by the wayside, or at least put it on ice for the time being. Because the more perilous the danger from the East, the more obvious Europe's weakness and the greater its dependence on its main transatlantic ally. At the same time, the hawks are in the ascendant within the alliance.

Europe's abrupt decoupling from Russian energy exports has entailed a frantic attempt to find alternative suppliers quickly, which will continue into 2023 with the possibility of serious shortages in the interim. It has also entailed considerable cost. European consumers are paying a heavy price, as are national budgets, while the viability of a significant portion of Europe's industry is now in question. There is a risk of Europe losing its competitiveness along with its strategic autonomy.

So, were those voices right all along that said Europe was an empty shirt, more obvious still in times of crisis? And which now delight in adding, after the recent scandal revelations in the European Parliament, that the bloc has always had the whiff of corruption hanging over it. As nationalists everywhere rejoice, the hard-boiled realists of international relations never tire of repeating "We told you so". And yet the political project they are hell bent on discrediting—though it surely has its fair share of flaws and weaknesses—has changed Europe radically for the better. After all, is corruption a sad privilege of Europe's institutions, or rather a widespread phenomenon that can now be found in the best of democratic families?

Europe has withstood repeated crises in recent years. But the current crisis runs far deeper than its predecessors. And it's more dangerous, too. Because it touches upon core values such as freedom, democracy and solidarity. It impacts directly on the economy in general, as well as foreign policy and defence. It also invests with far more urgency the question of how relations between Europe and the US will evolve in the future: the elephant in the room of the Atlantic Alliance.

A first question is how long the unity of European countries —and the West—will hold out if the war continues for much longer. Putin didn't think it would last more than a few days, but that turned out to be yet another of his strategic errors. True, Europeans are slow to

take decisions, but experience should have taught us that Europe is resilient and repeatedly proves the Cassandras wrong. How many times in recent years has disintegration been foretold?

*A first question is how long the unity of European countries –and the West–will hold out if the war continues for much longer.*

The energy crisis followed quickly on the heels of the pandemic, and it will be difficult for Europeans to agree on something as ambitious as the initiative they took in 2020. Imagine the state we would be in today if it weren't for the Recovery Fund. But miracles don't happen every day, and I'm afraid that, when it comes to energy, we shouldn't raise our hopes high for the immediate future.

In a world in which strategic confrontation between the Great Powers is intensifying, nationalism is rising, and security tends to take precedence over the economy, the European model is also in need of radical adjustment. Gone are the days when Europe could concern itself primarily with the prosperity of its own population as a soft power that believed (or simply hoped) that the rest of the world would one day come to resemble it, while ready to delegate responsibility for its own security to NATO— and, more specifically, the United States.

*What Europe needs, in other words, is to come of age politically, which is also a prerequisite for a more symmetrical relationship with the US within the Atlantic Alliance.*

Adapting to today's realities will require the EU to introduce some revolutionary changes. Among other things, it requires an industrial policy on cutting-edge technologies and major investments in the green economy, a geopolitical role that isn't limited purely to words, and a considerably enhanced defence cooperation including both its defence industry and arms procurement. What Europe needs, in other words, is to come of age politically, which is also a prerequisite for a more symmetrical relationship with the US within the Atlantic Alliance. Because, in an era of great instability and upheaval internationally, Europe at long last will have to shoulder its responsibilities, also because the interests of the two sides don't always converge. Consider the growing confrontation between the United States and China, or the rise of American protectionism in a deeply polarized society.

The adjustment process will be a lengthy one. If we see substantial progress in these areas in 2023, we will know that Europe is moving forward, albeit more likely as coalitions of the willing and able. Macron's France seems to have grasped what is at stake, along with a handful of other countries. If only the Germans were to understand, too, and act accordingly.

## Economic prospects in 2023: in the world, Europe, and Greece

### *Manos Matsaganis*

In our December 2021 forecasts, we confidently predicted that “rising inflation in Europe will probably turn out to be temporary”. A year later, inflation is still with us, at its highest level since 1981. One can hardly fault readers for thinking that there may after all be some truth in the cliché that economists are better at predicting the past than the future.

In our defence, we would like to appeal to three extenuating circumstances.

The first is that we are not soothsayers. We did not predict that President Putin would unleash full-scale war on Ukraine – but, then, US warnings that Russia was going to invade were being dismissed by European leaders as late as 23 February 2022. It was Russian aggression that caused energy costs to skyrocket, causing the rest of the Consumer Price Index to climb with them.

Our second plea for mitigation is that we were hardly alone in underestimating inflationary pressures. Even though US inflation is higher, and unrelated to energy costs, few economists predicted its course. Janet Yellen, the US Treasury secretary, admitted as much in late May 2022. As she told [reporters](#): “There have been unanticipated and large shocks to the economy that have boosted energy and food prices and supply bottlenecks that have affected our economy badly that I didn’t — at the time — didn’t fully understand, but we recognise that now”.

With hindsight, it is not difficult to see that economic policy makers around the world appeared to be fighting the last war until late in the day—not unlike the French generals on the eve of the Nazi invasion of May 1940. The trauma of the previous decade, when ECB President Jean-Claude Trichet raised interest rates twice in 2011 (“to nip inflation in the bud”), plunging the European economy into deeper recession, meant that today’s decision makers were unwilling to listen to the policy hawks calling for an early response to rising prices. In this context, erring on the side of caution posed a real risk.

As a matter of fact, central banks are now more tolerant of inflation than they were in the recent past: few seem to have the stomach for attempts to bring inflation down to 2% at the cost of engineering yet another recession and causing unemployment to soar. Moreover, international organisations think that inflation has now peaked and is about to de-escalate: the IMF forecast (in October) that prices in the Eurozone would rise by 3% to 6% in 2023; the European Commission (in November) came up with the conservative estimate of 6.1%; and the ECB (in December) put inflation in 2023 at 5.5%. (Inflation in the Eurozone in 2022 was expected to reach 8.1%.) This is the third and final point in our defence of last year’s prediction: rising inflation in Europe may well turn out to be temporary after all, albeit slightly less temporary than we all thought at first.

On another note, even though prospects for the European economy will also depend on what happens on the battlefields of Ukraine, recent developments leave room for (cautious) optimism. European manufacturers have recently achieved the rare feat of drastically reducing energy consumption while keeping industrial production at its previous level. Clearly, energy-intensive firms are struggling. But European manufacturing as a whole has to date proved remarkably flexible and inventive.

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*Entire industries have been allowed to desert old production centres and relocate elsewhere, while in terms of essential resources (energy, microprocessors, rare earths), the West is faced with dependence on foreign and often hostile regimes.*

*The resources made available by the EU Recovery and Resilience Facility constitute a unique opportunity to modernise the Greek economy.*

This is not to deny that the risk of deindustrialisation is real. To some extent, the fall in industry's share of the economy and the rise of services are simply the continuation of a long-term trend associated with the emergence of new industrial powerhouses in Japan, Korea, Taiwan, China and elsewhere. This trend was reinforced by the *laissez faire* policy paradigm which viewed the failures of industrial policy in the 1970s as sufficient cause to abandon any ambitions of influencing the direction and pace of economic change through government action. The implications are now clear for all to see: entire industries have been allowed to desert old production centres and relocate elsewhere, while in terms of essential resources (energy, microprocessors, rare earths), the West is faced with dependence on foreign and often hostile regimes.

In the US, the quest for strategic autonomy was given a huge boost by the passing of the Inflation Reduction Act in August 2022, which provides for subsidies and tax relief worth \$369 billion for firms investing in climate solutions. While clearly an impressive contribution to the fight against climate change, one side effect of the Act is that it radically changes the calculus by which firms weigh up investment decisions: European firms such as BASF and Enel have already announced that they will be investing in the US in order to take advantage of the very substantial public support made available by the Act, while US firms such as Intel have put investment projects in Europe on hold. In response, the European Commission, and those member states with the requisite fiscal space, are currently working on countermeasures. Whether these will be enough to stem the tide of relocation and give European manufacturing a new lease for life remains to be seen.

The Greek economy, though still nowhere near its 2007 peak, has outperformed expectations, bouncing back strongly from the Covid recession. The optimism of economic actors is a useful resource, provided it does not degenerate into complacency. Dependence on tourism remains excessive, too many activities remain low-tech and low-wage, and the shift to a more viable export-led growth model remains aspirational for now. The resources made available by the EU Recovery and Resilience Facility constitute a unique opportunity to modernise the economy, to upgrade skills and raise the game for Greek firms. We must not let it go to waste.



## The US and transatlantic relations

***Katerina Sokou***

*Polarisation is far from abating, and is expected to intensify still further in 2023 as the Republicans use their control over the House of Representatives to obstruct the government's agenda.*

*In Congress, the far right of the Republican party will resist the election of Kevin McCarthy to Speaker of the House in 2023; the Speaker will be under pressure to target President Biden and open investigations against him.*

2022 witnessed a strategic upgrade of transatlantic relations as Russia's war in Ukraine led to the US and Europe aligning almost perfectly in their response to it. The war was also one of very few issues that united Democrats and Republicans inside the US. However, it also highlighted a group of important third countries that preferred to keep their distance from the strategic competition between the great powers.

Domestically, the US Supreme Court's decision in June to overturn the constitutionally enshrined protection of a woman's right to abortion caused social upheaval and impacted on the results of the November midterm elections, which saw Democrats expand their control of the Senate and suffer smaller than expected losses in the House of Representatives. As it played out, those Republican candidates who adopted ex-President Donald Trump's "stolen election" argument suffered landslide defeats, while challenges to the election results were few and unsuccessful.

These developments have allowed us to breathe a sigh of relief for the resilience of American democracy. However, polarisation is far from abating, and is expected to intensify still further in 2023 as the Republicans use their control over the House of Representatives to obstruct the government's agenda.

As we enter the penultimate year of Joe Biden's administration, the election results have raised the profile of the US president, boosting the chances of his running for a second term—indeed, he may announce his intention to run over the holidays. In contrast, the midterms damaged Donald Trump's image, fueling competition for the Republican Party nomination. Of course, the final choice lies with the voters of each party, and it is interesting to note that most Republicans still favour Trump for the 2024 presidential election, while the majority of Democrats remain unreceptive to a second Biden nomination.

In Congress, the far right of the Republican party will resist the election of Kevin McCarthy to Speaker of the House in 2023; the Speaker will be under pressure to target President Biden and open investigations against him. However, it seems that a battle over raising the debt ceiling and a problematic government shut-down will both be avoided, thanks to a spending bill currently being negotiated in the outgoing Congress that includes \$1.65 trillion for the coming year along with the aid Ukraine will need.

So, despite growing Republican objections, US support for Ukraine will continue without reduction or interruption; in fact, it seems likely that the aid package will also include Patriot missiles. Similarly, transatlantic support for Ukraine will continue, but may be put to the test in the coming winter as Europe's energy needs increase still further. And while American LNG will prove the solution to Europe's immediate need for energy security, its exportation and price are likely to become the subject of political debate on both sides of the Atlantic.

At the same time, security challenges in Europe will increase defence spending on *inter alia* maintaining higher than normal troop numbers on NATO's Eastern flank. In fact, energy and defence spending will remain high, regardless of whether the war in Ukraine ends or not.

*The security challenges in Europe will highlight the strategic importance of Greece, and Alexandroupoli in particular, for Southeastern Europe, as the city's natural gas regasification plant becomes operational next year.*

*In parallel with its intensive transatlantic collaborations, the US government will continue to emphasize multilateral diplomacy and play a leading role at both the Democracy Summit in March and November's Climate Summit.*

The security challenges in Europe will also further highlight the strategic importance of Greece, and Alexandroupoli in particular, for Southeastern Europe, as the city's natural gas regasification plant (FSRU) becomes operational next year. In addition, the US will begin to give more specific form to cooperation in the Eastern Mediterranean within the framework of 3+1 and the East Med Gas Forum, with a view to strengthening regional security. Similarly, and given the need for unity within the alliance, they will also intervene if necessary to prevent a serious crisis erupting between Greece and Turkey. Depending on the circumstances, there is a risk that this could be done by simply freezing the conflict itself. In any case, no initiative taken to resolve the disputes will have any chance of success before the elections take place in Cyprus, Greece and Turkey.

As far as transatlantic trade relations are concerned, the US-EU Trade and Technology Commission (TTC) is emerging as the primary tool for negotiating and resolving transatlantic disputes with a view to preventing a trade war or an appeal to the World Trade Organization. However, the stakes are geopolitical as well as economic for the Western allies as they race to beat China in the race to the fourth industrial revolution and the green transition. The key issues the TTC will address include the protectionist measures included in the recent US legislation on electric vehicles and semiconductors, but also the European regulatory framework for artificial intelligence and the digital market.

Finally, in parallel with its intensive transatlantic collaborations, the US government will continue to emphasize multilateral diplomacy and play a leading role at both the Democracy Summit in March and November's Climate Summit. This constitutes an attempt on the part of the US to build broader alliances and best its great power rivals, given that the war in Ukraine has highlighted not only the Russian threat and Chinese ambivalence, but also a third pole of mainly developing countries that have distanced themselves from the conflict or from the sanctions imposed on Russia.

Needless to say, amidst the ongoing geopolitical tension with China, US diplomacy will be focused on Taiwan, for which Congress has already earmarked \$10 billion in the defence budget. However, as authoritarian regimes challenge the postwar global system, the resistance to their expansionism will be put to the test not only in Taiwan or Ukraine, but on numerous other fronts including—possibly—the Eastern Mediterranean.

## China in 2023

**George Tzogopoulos**

*2022 ended with China having to deal with the consequences of the war in Ukraine, especially in terms of its food and energy security.*

*In terms of foreign policy, Sino-American relations are expected to deteriorate. Congress is preparing a law which will bolster US support of Taiwan, with the American political system presenting a united front in considering China to be a threat.*

Chinese policy is traditionally based on continuity. The less things change the better for the Communist Party, which invests in stability. However, the challenges are now far greater than in past decades, when China experienced impressive rates of growth. The same is true of international uncertainty, which is also preventing a continuation of the secure and peaceful progress of the past. In this context, Chinese policy may become less predictable, which makes understanding the country a complicated process.

2022 was indicative of this new state of affairs. The performance of the Chinese economy could not easily be assessed in a context in which Beijing persisted with its zero Covid policy. The national growth target of 5.5% would ultimately hinge on an evaluation, on the one hand, of the impact the strict anti-coronavirus measures had over the first eleven months of the year and, on the other, of the partial relaxation of these measures in December. The renewal of President Xi Jinping's term of office at the 20th Communist Party Congress finds China facing the need to strike a balance between restarting the economy and protecting human life.

At the same time, 2022 ended with China having to deal with the consequences of the war in Ukraine, especially in terms of its food and energy security. The current situation is making the Communist Party's efforts to meet the needs of 1.4 billion citizens increasingly difficult, while suspicion in the West about China's relations with Russia, which remain very good, and Beijing's ambivalent support for Moscow, is growing. Apart from the war in Ukraine, the Taiwan issue dominated the agenda. The visit of the Speaker of the US House of Representatives to the island last August prompted China to stage military exercises and Sino-American relations to deteriorate to their worst level in recent years. However, the possibility of a second war, after Ukraine, in the Taiwan Straits remained slim.

2023 begins with a key question about where China goes from here. This relates to whether the country continues to ease its anti-Covid measures. The big problem for the Chinese government is that any relaxation will be accompanied by an increase in the number of deaths. The rate of growth of the national economy will depend on how the government manages the pandemic. Already, the Economist Intelligence Unit and Morgan Stanley are predicting growth of 5.2% and 5.4% respectively. However, any forecast is uncertain, as it is not entirely clear how wide-ranging the easing of measures will be. Nor is it clear whether China plans to open up to the outside world by abolishing its quarantine requirements. If it does, the figures will have to be revised, as, after a three-year hiatus, tourism will once again be a factor in the calculations.

In terms of foreign policy, Sino-American relations are expected to deteriorate. Congress is preparing a law which will bolster US support of Taiwan, with the American political system presenting a united front in considering China to be a threat. The efforts of presidents Joe Biden and Xi Jinping to tone down the rhetoric and the upcoming visit of Secretary of State Antony Blinken to Beijing in 2023 are important, but Sino-American differences remains essentially the same. And since the US strategy of seeking to impede China's technological development is not going to change, bilateral relations are bound to be subject to stresses.

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*In addition to COSCO's investment in the port of Piraeus, increasing Greek exports to China and Chinese tourists in Greece mean that Athens cannot be indifferent to Beijing.*

In 2023, China will seek to improve its international image after three years of pandemic. We might therefore see the third international conference on the Silk Road to follow on from those staged in 2017 and 2019. That is what the Chinese newspapers are announcing, at least. Of course, the Asian giant's relations with the West have already been shaken to such an extent that a return to relative normality cannot be taken for granted. The European Union, for example, which needs China for economic reasons, is finding it hard to strike a balance in the current volatile environment. However, the appointment of a Chinese ambassador to Brussels following European Council President Charles Michel's visit to Beijing shows that mutual efforts to keep channels of communication open will intensify. Obviously, much will depend on China's stance on Ukraine and the tensions in the Taiwan Strait. A new wave of instability in 2023 will bring Europe even closer to the US. China knows this, just as it is aware that its economy remains inextricably linked to that of Europe.

For any Greek government, there is limited room for manoeuvre given conditions such as these. That Greece belongs to the West is not being called into question and will form a pillar of the Greek approach in 2023 and beyond. Greece is nonetheless interested in improving bilateral Sino-Greek relations to the extent that this is possible. In addition to COSCO's investment in the port of Piraeus, increasing Greek exports to China and Chinese tourists in Greece mean that Athens cannot be indifferent to Beijing. China is the world's second largest economy and a country with growing geopolitical power. Whether additional joint ventures will be entered into in 2023 will depend on the extent to which China opens up. Although 2022 was the 50th anniversary of the start of diplomatic relations between the two countries, the pandemic meant the event went uncelebrated.



## Tackling the climate crisis in 2023

*Emmanuella Doussis*

*At COP 27 in Egypt in November, the EU declared its willingness to further increase its emission reductions, up to 57% from 55% compared to 1990 levels by 2030.*

Last year's—optimistic—predictions for 2022 have not come to pass. The war in Ukraine and the worsening energy crisis have revived interest in fossil fuels and prevented subsidies being abolished as agreed at COP 26 in Glasgow. Many seized the opportunity to argue that developments had made it necessary to search for new sources of fossil fuels, proposing gas as a transitional fuel to ease the transition to climate neutrality and clean energy paths. The EU responded with the RePowerEU, a plan which seeks to accelerate the green energy transition and wean the EU off unreliable suppliers quickly, and in so doing to demonstrate that the Union not only remains committed to the ambitious climate targets it set in 2019 with the European Green Deal, but is actually speeding up their implementation. At COP 27 in Egypt in November, the EU declared its willingness to further increase its emission reductions, up to 57% from 55% compared to 1990 levels by 2030.

Despite calls to do so from countries outside the bloc, too, COP 27 failed to proceed any further with the decision adopted at its previous iteration to phase out carbon by adding oil and gas to the list. Together, they account for some 40% of annual emissions, but the powerful presence of the fossil fuel lobby prevented their being mentioned. The issue that monopolized interest in Sharm el-Sheikh was funding vulnerable countries to address the devastating impacts of climate change. The climate summit resolved to set up a new fund, but did not endow it with the resources needed.

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In Greece, the national climate law was finally passed, a landmark document that charts the country's path to climate neutrality by 2050, setting interim targets as well as carbon budgets for every polluting sector. Nevertheless, the government has decided to resurrect the programme for exploiting national hydrocarbon reserves (if any are located, naturally) as one of its options for dealing with the energy crisis. However, the new climate targets set by the European, and now also the national institutional framework, do not allow for a new cycle of fossil fuel exploration, production and consumption. Infrastructures of that sort will not only delay the transition away from fossil fuels, it is far from certain that they will help deal with the ongoing energy crisis, as—quite apart from the issue of their amortisation remaining open—they will require a number of years and large sums of money to come online. They will become stranded assets far faster than we imagine. And it won't be the first time. We've been through all of this before in Greece, with lignite.

We shuttle back and forth between incompatible positions without taking into serious consideration science's stark warning about the consequences of inadequate preparation and the mounting proof of climate crisis. Keeping global heating within tolerable limits requires the transition to green energy to be sped up. In this scenario, there simply is no room for emissions from new fossil fuel infrastructure. With the knowledge at their disposal, scientists champion renewable energy sources, and especially wind power, which is the most productive form of renewable energy available today.

At the current economic and geopolitical juncture, governments are unlikely to adjust their climate targets within 2023 to reduce the global emissions gap to a level compatible with the target set by the Paris Agreement. Despite this unpleasant forecast, there are still some causes for optimism. The tailwind is coming from the markets and the energy industry, which, showing more foresight than governments, are turning rapidly to green energy. Large—mainly European—companies are transforming themselves with a view to

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their numbering among the leading producers of Renewable Energy Sources (RES) in 2030. Total, Repsol and Shell are all involved in planning for zero emissions, while BP has adopted a new motto, "Reimagining energy", with targeted investments in renewable energy projects. It seems that Russia's invasion of Ukraine has accelerated the energy industry's turn away from fossil fuels towards renewables, rather than slowing it down. In a recent report, the International Energy Agency predicts that demand for fossil fuels will soon reach its peak. Decoupling ourselves from them will be a slow process, but a time when they are no longer used is now on the horizon. The green transformation has already begun, and there is no turning back.

Will Greece, a country with huge wind power potential, follow this path without delay and potentially earn itself a place among the world's energy production pioneers as a green energy hub in the Mediterranean? Although the rise in the use of renewable energy is impressive, and a few weeks ago Greece managed for the first time to meet its electricity demand with RES alone, the green transition is unlikely to speed up in 2023, which is an election year. Although there has been considerable interest over the last decade in installing offshore wind farms in Greek waters, the process has not yet got underway. This is largely due to the fact that wind turbines have been vilified and demonized. But the fact is, wind energy is an inexhaustible and proven energy resource, not simply a speculative one. Properly sited, wind turbines can help the country achieve energy autonomy in time for the next energy crisis. Are we going to let this opportunity, too, go to waste, simply because the general public has a poor grasp of the perils that lie ahead?

## Digital technology and EU regulation

### *Mihalis Kritikos*

*The coming year will see significant investments in cybersecurity technologies and in those technological functions that enhance the privacy of specific technological applications (privacy-by-design).*

The year now coming to a close witnessed the introduction of new EU rules governing digital services and markets. Two critical pieces of legislation were adopted to ensure the proper functioning of the major online platforms as well as search engines (the Digital Services Act (DSA) and the Digital Marketplaces Act (DMA)), making the EU the first jurisdiction in the world to adopt a comprehensive standard regulating how technology companies operate and provide services. In addition, the Directive on improved cybersecurity (NIS 2) was recently adopted, obliging electronic communications providers and social media operators to adopt harmonised cybersecurity measures on issues such as incident handling, supply chain security, encryption, access control, and the use of multi-factor authentication.

Technologically speaking, the forecasts converge on the fact that the coming year will see significant investments in cybersecurity technologies and in those technological functions that enhance the privacy of specific technological applications (privacy-by-design). We can also expect especial growth in metaverse technologies, the Internet of Things, and AI adaptive systems which seek to develop models that adapt directly and continuously to changes in real-world conditions using 'intelligent' feedback mechanisms.

At the institutional and regulatory level, 2023 is expected to prove a key year for a number of legislative initiatives such as those that relate primarily to regulatory control and liability issues in the context of artificial intelligence, to cyber resilience, semiconductor availability/supply, the rules for data traffic control, the fight against online child sexual abuse, and efforts to improve working conditions for people who work on digital platforms.

*2023 is expected to prove a key year for a number of legislative initiatives such as those that relate primarily to regulatory control and liability issues in the context of artificial intelligence.*

More specifically, the European Commission's much-discussed legislative proposal for regulating and monitoring artificial intelligence systems (the AI Act) will remain at the epicentre of intense political ferment in the coming year. It is these rules, in their final form, that will determine whether the European Union's vision of the most influential technology of our times being moulded around humanity and its needs will be realized. By the end of next year, the Commission's proposal for another set of rules governing data use (the Data Act) could optimistically have been adopted, allowing both users of connected devices to control the data created these devices create and public sector bodies to access data held by the private sector, particularly in emergencies.

The European Chips Act, a legislative initiative that aims to guarantee Europe a sufficient and diversified supply of microchips, now the most critical component in digital infrastructure of every sort, is expected to pass into EU law in 2023, particularly if an agreement can be reached on how to fund such a major initiative. The proposal aims to double Europe's semiconductor production so that it covers 20% of the global market by 2030. At the same time, the European Commission is expected to establish an Observatory of Critical Technologies which will be tasked with publishing up-to-the-minute reports identifying the Union's strengths and vulnerabilities in comparison to its global competitors and assessing the potential for exploiting new technologies. The EU is also expected to continue its work aimed at shoring up European cybersecurity in 2023. The proposed Cyber Resilience Act aims to improve the security of consumer products which contain digital elements and to ensure a coherent cybersecurity framework. The proposed

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legislative framework, which will allow consumers to safely switch between different cloud data-processing service providers, is expected to enhance personal data protection. In an ideal scenario, two bills of a powerfully social nature could have entered European law by the end of next year. The first is the proposed Directive on improving working conditions for people employed by digital platforms, which sets out to protect their rights, clarify their employment status, and monitor the algorithmic systems involved, given that these workers' rights are not enshrined in EU labour law. The amendment of the Directive on combating the sexual abuse of children, which seeks to prevent and prosecute offences of this kind with greater intensity as well as to support and protect the child victims, is another legislative goal for the Swedish and Spanish Presidencies of the Council of Ministers. In terms of new legislative proposals of a technological nature, 2023 would seem to hold little in store, since the European Commission is planning to limit itself to non-legally binding toolkits for the development of open anthropocentric virtual worlds, such as the metaverse, and for combating the illegal streaming of live sports events.

The likely adoption of the aforementioned legislative initiatives by the end of next year will leave the Union legislatively equipped to address a number of technological challenges in a way that ensures that citizens' rights are protected in the digital environment and that the competitiveness of the European technology market is enhanced. The speed with which these legislative issues are negotiated, the willingness to compromise demonstrated vis-a-vis the creative combination of the different positions held, and the boldness with which the Union approaches the development and use of emerging technologies from a regulatory point of view are the major policy challenges for the year ahead. At the same time, the bills that are currently being discussed provide a unique opportunity to lay solid foundations for a socially responsible use of digital systems in Europe, while formulating regulatory standards with an international scope.