

It's a Funny Old World

Reflections on global developments in 2011
16 December 2011



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2011 has been one of the most turbulent and unexpected in decades: to suggest it is historic would not be an exaggeration.

As 2011 commenced the only signs of potential significant change were demonstrations in Tunisia, sparked by a vegetable seller immolating himself over food prices and government corruption. To be clear, there were clearly ongoing crises – notably the various elements of the global financial crisis, especially in the Eurozone, and the tensions in Afghanistan, Pakistan and around Iran – but these were known, and considered to be relatively stable.

Elsewhere, many other issues appeared no less stable:

Osama bin Laden was still alive, dictators had a strong grip on power throughout the Arab world, Turkey was at peace with all its neighbours, the Russian political system appeared to have descended into its own form of unchallenged dictatorship, China had a firm grip on its own economy and everyone else's, Burma (Myanmar) was completely closed off to the outside world, Japan was very cautiously starting to emerge from years of financial stagnation, India was poised to continue on its bold path of growth and liberalisation, Italy and Greece had elected governments, the US was in massive debt but there was a glimmer of recovery and political agreement, the wealth generating capacity of the financial world was relatively unchallenged, nuclear power was considered a safe source of alternative energy, oil prices were high, the UN and NATO were no longer considered overly useful for multilateral action, any deal on climate change was apparently not even to be considered, and the UK was deemed to be an unquestioned member of the EU.

What a difference a year makes.

Osama Bin Laden is dead – and with him went the allure of Al Qaeda, Pakistani credibility, and the tarnished image of the US Intelligence Services. These are all short term consequences, but significant nonetheless.

Within weeks of 2011 commencing the term “**Arab Spring**” had become completely current. By the end of January the Tunisian dictator Ben Ali was ousted and Yemen had erupted into violence; the end of February saw the demise of the Egyptian dictator Mubarak and riots in Bahrain; and March brought the start of revolution in Libya and Syria. By the

autumn Muammar Qaddafi was dead, Syria had descended into a civil war in all but name, and the Yemeni dictator had committed to stepping down (albeit only in favour of his family). Moreover, Tunisia had gone to democratic elections, Morocco had held a more democratic election for the first time ever, and Egypt was veering between renewed

protests against effectively another military dictatorship and its first democratic elections, somewhat dominated by Islamist parties. The biggest loser from all these manoeuvres is Iran, which is holding on to its Shia arc (Iran-Syria-Hizbollah in Lebanon, with a foot in the Shia majority in Iraq and Bahrain) by the skin of its teeth: if Syria falls, so does its access to Hizbollah, and thus to the near east. Moreover, it is deeply opposed to the Arab Spring unless it produces Islamist regimes friendly to itself. As such, the year ends with a very large question mark over the direction of the Arab Spring, but with an overwhelming understanding that it is significantly different to the reality of the Arab world before

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2011. The people have started to claim their rights, and their place – and democracy. Paradoxically this same move towards democracy of some kind also heralds, in a number of Arab states, the end of the axiomatic relationship with the US and the west, the apparent home of democracy.

Turkey started the year in a strong position in the Middle East – pursuing what it defined as a “zero problems” policy with all its neighbours, in a bid to become the regional power, and largely at the cost of its relationship with the US, Israel and the EU. It has ended it equally strong, but in a different way: undoubtedly the best example of secular Islam and democracy co-existing, and thus a shining example to many of the revolutionary states – but at odds with Iran, on the verge of confrontation with Syria, and in dispute with Russia via Gazprom over energy prices. And while it is still not reconciled with Israel, the rhetoric has become more muted, and it has agreed to host a NATO nuclear defence shield, which is one of the points of dispute with Iran. It has thus emerged as a realistic but beleaguered regional power, a position which may serve it in good stead in the turbulent months ahead.

Russia started the year with an air of expectant inevitability, confirmed within months, that Putin would replace Medvedev as President (and the latter would become Prime Minister) in the elections due in 2012. The idea of “managed democracy” had become a reality amounting to little more than a form of dictatorship – which received a sharp rebuke from the electorate at the end of year: following what are perceived to be corrupt and rigged elections to the Duma, the street came out against the regime. This had not been predicted – and as the year closes it appears the regime is being backed into a corner, with unclear consequences.

China started the year in a position of unquestioned economic strength, and ends it much in the same way – partly because it still holds much of the debt of the US and to an extent the rest of the Western world, and partly because it still shows impressive economic growth. However, there is no doubt the crisis in the west, especially the Eurozone, has begun to affect it adversely, much as its own housing bubble has started to exert pressure upon its economy. Notwithstanding, China remains the rising power, which together with other Asian states looks set to make real to some extent the idea of the rise of the East. This is reinforced by the rapid and amazing signs of recovery Japan is making from the horrific earthquake and tsunami that hit it in February, the slow emergence of Burma from its dictatorship, and the general resilience coupled with growth shown by many states in south-east Asia.

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India is undoubtedly part of this pattern – but is also set apart. At the start of 2011 it would have been unthinkable to assume India would go anywhere other than into further growth and liberalisation, led by its chaotic political system. However, like the people across the Arab world, Indians had also suddenly tired of their

politicians’ behaviour, and started to protest and revolt against their corruption. To the surprise of many, this forced the system into starting to investigate the more gross examples of such behaviour – and, by year’s end, also to force a rethink on a mass opening of the market to western retail chains. As such, India ends the year poised between continuity of reform, and a strong option for political and economic change, but no clarity about the direction and extent of this change.

In **Europe**, the year started with an understanding that both mounting sovereign debts in the Eurozone and the banking system were deeply

problematic. However, throughout 2011, concerns over the Greek debt situation spilled over into other Member States – in part due to fears about the exposure of a large number of banks (notably in Germany and France) in the case of a Greek default. This saga accompanied the EU throughout the year, with political leaders trying to insist it was a manageable problem – however, each “solution” was met with scepticism from investors – unsure whether politicians were ultimately able to resolve the crisis. Over the course of the year, with ever-greatening concerns over the magnitude of the crisis, two casualties were claimed: the elected governments in Greece and Italy fell, to be replaced by “technocratic”, basically professional ones. There is a danger of reading too much into these moves, partly because the situation in Greece was untenable and in Italy Silvio Berlusconi was no longer considered acceptable by many of his own people. However, it is a cautionary tale, which may repeat itself in 2012 – since the fate of the Eurozone remains perilously unclear.

The US is going through a dire economic crisis – a fact known at the start of the year no less than at its end. However, what was not clear was the depth of animosity the newly elected Republican majority in the House of Representatives – increasingly influenced by right wing Tea Party nominees – would have towards the incumbent administration. The long standing tradition in the US has been that regardless of all else, on matters of debt and fundamentals eventually an accommodation would be reached. The endemic standoff between the sides in Congress, and between Republican leaders and the White House, shocked many in the US, let alone the world. Nowhere was this more apparent than in the unwillingness of the sides to agree on raising the debt ceiling in July, and on cutting the debt in November. The start of the Presidential election year means the situation will probably not improve over 2012, suggesting the US enters it

somewhat wounded.

Not the least of the issues faced in the election year will be social and economic inequality. At the start of the year there was much comment on the matter, expressed in speeches and editorials. But there was a palpable sense of shock at the way in which mass protest movements began to spring up in the west regarding this matter. Effectively emulating the viral sweep of the Arab Spring, tens of thousands took to the main square in Madrid, then Tel Aviv over the summer. By early autumn there was the Occupy Wall Street movement, which spread to many cities in the US, then rapidly mirrored in Occupy St Paul’s, in London. There were undoubtedly some agitators involved in these protests – which in all cases were avowedly unpolitical – but it would be a mistake to dismiss them all as professional malcontents. By year’s end austerity had become a reality to many in the western world, and the issue of inequality had become palpable. There is no reason to suppose it will disappear in 2012.

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The tsunami in Japan ultimately unleashed more of a storm than expected: with its collapsing nuclear plants came

not only a massive danger to its own population, but also a rapid rethink on the subject of nuclear power. Germany suddenly announced the closure of all its plants within the next five years – and in many other states the matter is being debated avidly. Such uncertainties, coupled with the global financial crisis and the potential consequences of the Arab Spring, sent the price of oil rocketing – and other than concerted efforts to occasionally bring it down throughout the year, including through the release of US and European strategic reserves to flood the market, it has remained high ever since. Moreover, there is little evidence that it will come down any time soon.

Change came to the **multilateral world** too. The UN Security Council had in many quarters been dismissed

as a forum for anything but arid debate. But suddenly, in a flurry of activity in April – unleashed largely by the Arab League asking for a no-fly-zone in Libya – it came to life. States actually debated the issue, and remarkably an international intervention was approved: China and Russia, which fundamentally do not accept any external intervention in affairs of states, only voted against the motion rather than vetoing it. As such, with the backing of a full UN Security Council Resolution, NATO was asked to mount a military operation in aid of the Libyan rebels, which ultimately led to the fall of the dictatorship. It was anything but swift or elegant, but the mission succeeded – to the horror of China and Russia, which felt themselves duped and now stand firmly against any international assistance to the population of Syria. At the same time, and to the surprise of the delegates themselves, the UN conference on climate change, in Durban, suddenly produced an agreement that no-one had expected beforehand: conventional wisdom was that in economic straits, climate change had fallen by the wayside as an issue and the UN forum was inadequate. Any agreement was therefore a surprise – which, coupled with the action in Libya, suggests multilateralism still has a life. Questions remain around what form it will take going forward, however.

And finally, as the year ended, the EU went into yet another of its “definitive” summits – which produced an unclear but bold commitment to greater fiscal union in the Eurozone, and the total isolation of the UK within the union, in an amazing vote of 26 to 1. The euroscepticism of the Tory party, the demands of the City of London, and the bad negotiating skills of the UK delegation can all be variously brought to bear as explanations. Ultimately, however, it is not really to do with the euro crisis or even the financial crisis: it was more a collective exhaustion by the EU of the deep and harsh reality of a UK that has long been uncomfortable with the EU as anything but a

“Common Market”. In a muddled debate, this is what surfaced more than any other sentiment – and drove a division which will take a long time to heal.

So what lessons can be taken into 2012?

First, the idea of stability, long the bedrock of western – and global – diplomacy, is no longer a reality. In the name of stability – which also traded as *real politik* – deals were done with dictators; the rest of the world accepted western dominance; and lip service was paid to democracy. The people across the Arab world, India, Russia and elsewhere have risen to claim their rights, and the last thing they want is stability at all costs. The code for 2012 must therefore be change.

Second, modern means of communication – from chats and photos on mobile phones through news on the internet and social networking – are also a massive means of democratisation, the power of which neither dictators nor western supporters fully understand as yet. They are here to stay, and will be increasingly used as a force for political change, as has already proven the case in 2011, from North Africa to Wall Street.

Third, and finally, that democracy is in crisis, but is still the least bad system around. Twenty years ago, nearly to the day, the Soviet Union officially collapsed. The process that started two years earlier, with the fall of the Berlin Wall, had come to a point of completion. In what was both a turbulent and a triumphant moment, one of the few issues that seemed assured was that democracy had conquered: it was the system that had not only proven to be stronger and superior to Communism, it was clearly the one that worked. Not the least of the ironies of 2011 is therefore that democracy in the west is in crisis, with technocratic governments replacing elected ones in Italy and Greece; debates on referenda and how to avoid them across the eurozone; and political deadlock in the US. On the other hand, the Arab Spring shows that democracy

is necessary – even if it may not take the shape of that in the west. The final, and ironic, proof of this matter is in Russia itself: just as Messrs Putin and Medvedev thought they were safe from democracy, the people came out against them.

At her last Cabinet meeting, Prime Minister Margaret Thatcher surveyed the long table of ministers. She had technically just won the vote of

her party as leader but knew she no longer had its confidence – despite leading it to victory three times. It's a funny old world, she said, then left to hand in her resignation to the Queen.

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16 December 2011

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