

NHJ Predictions for 2012

Well known TV Presenter in 2011: “You are consistently ahead of events”

We see a 50% chance of **serious economic unwinding for Europe in 2012** that results in set backs to democracy, increasing protest and disorder, and multiple governments deciding towards the end of the year to dramatically cut back welfare state and e.g. international development commitments. There is a much smaller, but still serious, risk of worse - system-wide economic disaster - that sets dominoes tumbling including beyond Europe. In any event, watch out for a marked rise in protectionism.

There will be referendums in some of the **Eurozone** countries (e.g. Ireland) that will result in a ‘No’ vote because the proposed treaty changes impose new disciplines, but offer no way out of the current problems. The EU will try to overturn the election result - but they will not win through. The Greeks in particular will finally recognise that they are only losing by staying in the Euro, and will decide – however reluctantly – that a future decade of ultra-austerity just to get back to a “mere” 120% cent GDP debt is not going to run; and accepting more discipline and more rules which don't address the underlying problems of the Euro just isn't worth the pain. The European Union will be consumed by internal crises – the big question is whether firewalls can prevent contagion and systemic collapse if and when Greece and maybe a couple of others bin the euro?

A big European bank will go under; we will then see a **Second Financial Crisis** (after 2008). The timing is important – will it be before the referendums/debates over any agreed new Treaty or after? If before it will affect the outcomes of the debate; if after it will undermine the outcome.

One of the worse case scenarios is a **significant financial hiatus in the US** (c\$25trillion debt) that widens the Eurozone crisis to social unrest on both sides of the Atlantic and potentially wider as the slowdown in China's growth will be closely watched. Even as China becomes more of a global player with the Yuan becoming the world's number 3 currency overtaking the Yen.

Overall, and notwithstanding our own economic problems – which will get worse - politically David Cameron will be a winner; the Coalition will hold – but only because the Lib Dems know that they will be massacred in any General Election. **The UK** could find itself in a situation where the government, people, business, and civil society groups need to work together to cope with system-wide economic disaster. ‘How bad does it have to get before we have a proper national government?’ may become topical before the year ends. However, there is potential good news in the mid and longer term, assuming that after the painful initial hiatus and difficult transition to the ‘new normal’, UK takes full advantage of the crisis to adapt its economy, and pulls together and morphs into a ‘community-first’ and acceptable face of capitalism society. Who knows, once again UK might demonstrate the leadership and role model example that puts it at the heart of a much-adjusted non-federal new version Europe.

The Olympics will be a success for UK. If there is a major problem it will not be a ‘known’, top of the risk register issue but an ‘unknown-unknown’ issue or major shock beyond UK (e.g. Israel-Iran or Eurozone meltdown). Keep an eye on the Falkland Islands – if Argentina succeeds in getting all Latin America to refuse port entry to British ships (not just Falkland Island flagged vessels as now) – this could throw a big spanner in efforts to expand UK exports to some important emerging nation markets in the continent.

In Europe and beyond, the **destruction of trust** between the ‘people’ and the political classes will result in manifest unrest – including increasing trouble on the streets. Concerns around the clamp-down in civil liberties in the West will become a more dominant part of the Occupy movement. Continuing concern and political discourse around distribution and equality - plus the perceived inability/lack of desire of the governing elite to put in place measures to respond to these concerns - propagate alienation with traditional forms of political expression. New and innovative ways of

expressing dissent will arise - the extent to which they will facilitate constructive and progressive political dialogues will differ. This will be a common cultural thread linking people across countries and movements.

Iran will continue to play its own game and exploit the financial crisis and ensuing unrest to what it perceives as its own advantage. This will give a louder voice to the hawks in the West, and tension with Iran will increase. 2012 could be the year of decision for an Israeli pre-emptive move, and serious naval and air brinkmanship, or worse, in the Gulf and straits of Hormuz.

Syria will eclipse other Arab Spring issues on the international stage. Containment to prevent dangerous weapons getting into more dangerous hands will become critical. Standby for huge migration and refugee issues, and messy second and third order impacts beyond Syrian borders. UN safe havens may be established.

Opportunities and threats in **Africa** mean that we have to pay more attention to the continent as the Arab Spring shock-waves combined with retirement and increasing underlying tensions starts hitting previously more resilient leaders, e.g. in Rwanda, Angola, Algeria, Nigeria, and Sudan. Increasing instances of maritime and land insecurity will be ineptly expressed as an apparent emerging Christian/Muslim faultline running west-east – itself a local expression of longer-term negative regional drivers around governance, environmental and social factors. International and regional assistance will eventually flow to Somalia and Horn but ‘too little too late’ - more will have to be done at greater cost downstream.

Central Asia will be another region to watch. It has the same preconditions as much of North Africa - horribly repressed and mobilising citizens, it is startlingly unfree politically and socially, and is hydrocarbon dependent. Tajikistan's economic situation is looking increasingly desperate, Uzbekistan's Karimov is going off the rails and even stable, relatively moderate Kazakhstan is struggling. Just as Silk route strategies begin to focus global attention on region.

Small, flexible and locally-produced is beautiful - enterprising SMEs will replace some insecure global supply chains/production, and the use of the internet by citizens to facilitate local and domestic production and sales will hit a tipping point, as employment and production models become more flexible.

On the **technology** front, more and more companies will exploit the cloud, with its increased flexibility and lower cost. Few companies will invest in maintaining the ability to revert to current ways of doing things because of cost - should there be a ‘digital Pearl Harbour’ or even worse an EMP (low probability) this will ruin many companies. China will continue to build its own commercial base by exploiting for commercial espionage the back doors and ‘easter eggs built into Chinese engineered software and network equipment (Huawei).

Overall trends: some key regional powers, including South Africa, Nigeria, Turkey, and Saudi Arabia will find themselves more in the spot light as conflicts and instability increase and the world witnesses both the USA and Europe distracted by domestic and economic woes. Global insecurity will increase with a rise of irrational actions by pivotal states - North Korea, Iran – as well as non-state actors including extremist religious and ethnic terrorists. If we hit a systemic tipping point, the consequences will be borne by generations to come. Whatever happens, 2012 will see power continuing to accelerate east and south.

Finally, some **good news in an 'annus horribilis'**: the Queen's Diamond Jubilee and the Olympics will lift most of us and make us proud to be British. The icing on the cake will be a Cambridge royal baby!

NHJ Strategic Consulting help organisations to: get ahead of events stress-test thinking, assumptions, & plans up their game before/during/after crisis
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