

THE
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Christmas Message 2018



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Those of us who hoped that 2018 might restore some predictability to our troubled world have been disappointed. Once again, many of us are looking forward to the Christmas and New Year period to bring us some respite from our tumultuous everyday.

Brexit has, again, dominated British politics and public life, to the exclusion of many other pressing subjects, and to the growing frustration of many people. Theresa May has followed her lonely, secretive, path, trying desperately to find some elusive reconciliation between the expectations aroused by the outcome of the 2016 Referendum, the needs of the British economy, and the imperative of not undermining the Good Friday agreement on the island of Ireland. However, she hamstrung herself by defining untenable red-lines, and failed in her prime objective of keeping the Conservative Party together, even if they are still, just, in power. At each stage she has lost senior members of her Government, and finally produced out of a hat a draft agreement that no-one likes. Now she has postponed the Parliamentary vote at the last moment, and, having fought off a leadership challenge, begun a humiliating process of seeking concessions from the EU - which will not be enough to win the vote in Parliament, even as the clock ticks down to 29 March. The damage to the economy and Britain's reputation is huge; and uncertainty grows.

Increasingly, there are only two realistic outcomes. Either she ignores the will of Parliament (again) and allows the UK to crash out of the EU, as some Brexiteers want, but most observers agree would be catastrophic; or she does a further U-turn and agrees to another Referendum. Sorting out the question to be answered and having a serious campaign would take months, so the Article 50 negotiation period would have to be extended. The EU is likely to agree to that – for a referendum or a General Election (unlikely), but not for a renegotiation.

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A referendum would be divisive and acrimonious, and the outcome uncertain. However, it is becoming the only sensible way forward; and Parliament would have to swiftly implement the result – whether that meant withdrawing the Article 50 notification and remaining in the EU on current terms; or reopening negotiations with Brussels – which Brussels would have to agree to if the new referendum voted to leave but not on Mrs May's terms. Either way, there might well have to be a General Election to produce a Government with a mandate; and we would be in for another lengthy period of uncertainty.

Meanwhile, the rest of the world – both friends and foes – look on and wonder at the ineptitude of the British governing classes, and the inability of the hallowed British political institutions to produce an agreed way forward. As a result, British global influence is much diminished – and the rest of the world gets on with its business without us.

2018 has seen little progress towards the resolution of international conflicts, or the addressing of the damage done to societies by globalisation. Equally concerning, there has been further weakening of the post-War global order, caused by both deliberate action and neglect.

The Middle East is becoming more, not less, unstable. In the face of Western irresolution, Russia and Iran are ensuring that Assad regains control of all of Syria; but this will not resolve the huge tensions across the region. Meanwhile, Mohammed bin Sulman in Saudi Arabia has demonstrated how insecure the Saudi regime feels, and also how unacceptable his actions are – whether it be the war in Yemen, the confrontation with Qatar, or the assassination of Jamal Khashoggi. Despite this, President Trump continues to ally himself closely with an increasingly belligerent Saudi Arabia and an inflexible Israel, effectively abdicating any chance of moving forward on a settlement of the Palestinian issue.

The Russians, having re-inserted themselves in the Middle East, are continuing to create instability elsewhere. The undeclared war in eastern Ukraine continues, and now the Russians are openly taking over the Sea of Azov, and choking access to Ukrainian ports. Russia has also continued its nefarious activities on foreign soil – the attempted assassinations of the Skripols in Salisbury; the subsequent attack on the OPCW in The Hague – plus a series of cyber-attacks and efforts to undermine democratic processes in Western countries. It appears that at last some Western Governments are taking these Russian attempts to assert itself against the West seriously, and are beginning to address more vigorously both the conventional and unconventional threats.

At the same time President Trump continues his ambiguous attitude towards Russia, as the waters of the Mueller investigation start lapping round his feet. Equally worryingly, in his second year in office President Trump has continued his transactional, power-based, approach to all issues, and his disdain for international agreements – whether multilateral or bilateral - which are at the heart of the post-War world order. Mr Trump tried, unsuccessfully, to scuttle the Trans-Pacific Partnership and the Nuclear Deal with Iran, and has now announced that the USA will withdraw from the Paris Climate Change Agreement, and, potentially, the INF Treaty. At the same time, he is pursuing his damaging trade war with China, refusing to denounce protectionism in a G20 communique, and deliberately undermining the functioning of the WTO. It is becoming impossible to reach agreements in key multilateral bodies.

The main beneficiary of this irresponsibility in the US, and the consequent lack of leadership and unity in the West, is China. China continues to expand its physical presence in the South China Sea and the Western Pacific, seeking to push back the US; and to use its wealth, including via the One Belt, One Road initiative, to extend its influence right across the Eurasian landmass and beyond to Africa, South America and Australasia. At least in one area, technology, Western countries are waking up to the threat. Beyond that the West has little answer as China poses as the champion of free trade, and projects authoritarian state-led capitalism as an alternative to liberal free-market capitalism.

As if to lend credence to the Chinese message, 2018 saw the triumph of another authoritarian leader in a democratic election – that of Jair Bolsonaro, the President-elect of Brazil. He joins a growing club of authoritarian leaders who have little regard for the rule of law, and therefore pose a threat to their country's democratic institutions.

Lying behind all this geo-politics are, as usual, some hard economics. 2018 is the tenth anniversary of the Global Financial Crisis. Banks may be more secure now, but debt is still rampant, and another downturn is anticipated. As important, the social effects of globalisation, which the GFC exacerbated, have not been addressed. Hence Trump and Brexit in 2016, the continuing rise of nationalist parties in Europe, and now the riots in France. The risks of social and political disruption will not decline until these deep issues are addressed, in all our countries.

Against that cheery background, we may all feel happy that we can indulge ourselves in family, friends and festive activity over the next couple of weeks. We wish you all a very Merry Christmas, and a New Year full of promise and, we hope, success – whatever 2019 brings.

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