

15 December 2022

## Christmas Message 2022



**Dr Peter Collecott CMG** was the British Ambassador to Brazil from 2004 to 2008, and prior to that the Head of the FCO's Administration. He had earlier postings in Germany, Indonesia, Australia and Sudan, and in London worked on Middle Eastern and EU affairs. Since leaving the FCO he has advised multinationals, governments and NGOs on business, political and sustainable development issues.



**Richard Schiffer** is an international lawyer qualified and licensed in the UK and the USA (Illinois). He is a founding partner, Co-Chairman and General Counsel of the Ambassador Partnership LLP. Richard was a pioneer in bringing to the UK the use of mediation for the resolution of commercial disputes, founding and Chairing the ADR Group from 1989 to 2016.

\*\*\*\*\*

2022 has proved an extraordinary year, and one no-one would have predicted. Just as we in the West were beginning to feel that we were learning to "live with Covid", and were looking forward to resumed economic progress, President Putin decided to wage a war of aggression against Ukraine, profoundly upsetting all our political, security and economic assumptions.

By the beginning of 2022 the vast majority of Western populations were fully vaccinated and getting used to regular boosters to maintain levels of immunity. The new Omicron variant proved more infectious but less virulent than previous variants, and has, so far, not evolved to reduce significantly the efficacy of existing vaccines, which themselves are being tweaked.

At the same time, Governments had proved once again the essential role of the state by borrowing heavily to finance support for individuals and businesses, and to soften the downturn in their economies. By the beginning of 2022, Governments had successfully wound back most of this support, economies had bounced back strongly, helped by the release of forced savings during the pandemic, and reached pre-pandemic levels of output (except in the UK), and were looking for strong growth to restore livelihoods, sustain damaged businesses and replenish the public coffers. The main concern was growing inflation caused by supply chains which were slow to recover. The big debate was whether this inflation was temporary, as Central Banks maintained, or would be baked into economies through a price-wage spiral.

This mood of a slow return to normal, and of cautious optimism, was rudely shattered by escalating threats to Ukraine from Russia, and the build-up of troops on their common border. It was a significant success for US and UK intelligence agencies that they correctly called the imminent invasion, and have continued to use intelligence to good tactical effect, publicly and privately. That aside, the only positives from the war are the increased European and trans-Atlantic solidarity that it has engendered – leading to the rapid integration of Sweden and Finland

**Access. Engagement. Resolution.**

in NATO, despite Turkish brinkmanship - and a rapid change in attitudes towards Russia, in particular in Germany. Contrary to Russian intentions, Ukraine has been pushed further into the orbits of the EU and NATO. Despite Putin's threats, it seems unlikely that Russia will resort to nuclear weapons, and that the international consensus against their use has, if anything, strengthened.

The economic consequences of the war remain dire for Europe, principally because of dependence on Russian oil and gas, which Putin tried to use to weaken European resolve to support Ukraine. The decision not to allow this to happen, but to wean Western Europe off Russian oil and gas, and to impose waves of wide-ranging sanctions on Moscow, has led to higher and more persistent inflation and renewed borrowing as Governments sought once again to protect their populations and businesses. This process had a side effect of pushing the European Commission into a much more prominent role in the coordination of energy policy, as well as sanctions on Russia and economic aid for Ukraine. Only as we come to the end of 2022 can we begin to look beyond what is bound to be a tough 2023, and to the end of the recession into which the Ukraine war has pushed the continent.

In the UK, these economic woes have, of course, been exacerbated by continual political turmoil. The Johnson Government began the year hoping to renew "normal service" post-pandemic, only to find itself beset by a series of crises arising out of their own incompetence and political nepotism. Johnson himself tried to escape his domestic problems by frequent visits to Kiev to pose as President Zelensky's closest friend. However, by mid-year the "men in grey suits" from the Conservative backbenches intervened and told Johnson he had to go. After an interminable Summer of leadership contest, the Conservative membership chose Liz Truss, not the candidate favoured by Conservative MPs.

Liz Truss lasted only 45 days as Prime Minister before the "men in grey suits" had to intervene again. In that time, she managed finally to destroy the confidence of the international financial markets in the economic competence of successive British Governments by means of a "Mini-Budget" containing large unfunded tax cuts in a desperate attempt to stimulate growth. Coming on top of years of fractious obsession with Brexit, and the chaos of the Johnson years, this has done lasting damage to Britain's international reputation more widely. Many could not help contrasting the lack of seriousness of our ruling politicians with the devotion to duty of our longest serving monarch, Queen Elizabeth, who passed away in early September.

It is telling that when Rishi Sunak was "crowned" Prime Minister, without a contest, he defined his task as no more than cleaning up the mess left by previous Governments. He has succeeded in calming the financial markets, but the economic prognoses remain very bad. A General Election is due by January 2025, but it is unclear whether his Government can last that long.

Meanwhile the ramifications of the Covid pandemic and the war in Ukraine are continuing to play out across the world. The US suffered the same supply-side shocks as Europe and the rest of the world, but without the huge additional hike of inflation through energy prices. It looks as if US inflation may have peaked, and that the economy is beginning to recover. In addition, the Midterms suggest that Trump's political clout is waning, as he moves to the fringe-right, splitting the Republican party.

China, on the other hand, is still wrestling with Covid. Its "zero-Covid" policy and the consequent continual lockdowns have battered the economy, already hurt by effects of the post-Covid supply-

side shocks, and a faltering domestic property sector. Now, belatedly, China is trying to manage a risky exit from that policy in the face of low vaccination and natural immunity rates in the population.

However, at the end of the year, there are signs that President Biden, bolstered by relatively small losses in the Midterms, and President Xi, reappointed to a third term as leader, are beginning to unfreeze their relationship, and to look for areas of cooperation – which may include how to handle the denouement of the Russian military failure in Ukraine.

By comparison, the long-term existential threat of climate change received relatively little attention in 2022. COP 27 was a disappointment, and over the next couple of years the scramble to replace Russian oil and gas by fossil fuels from other providers is likely to overshadow the hoped-for “building back greener” after the pandemic.

Through these turbulent and uncertain times, we and many others have been trying to steer our businesses and expand our reach. Many of us are happy to have survived so far in good shape, and to be confident of riding out the present recession – after which we all hope for better things.

In the meantime, we could all do with a brief respite from economic and political issues, domestic and international, as we concentrate on family and friends over the coming holiday period. We wish you a very Merry Christmas – and a 2023 which is a bit more predictable and less devastatingly dramatic.

\*\*\*\*\*

### **Access. Engagement. Resolution.**

The Ambassador Partnership LLP is a **unique specialist** partnership of former Ambassadors with unrivalled networks of influence in almost 100 countries. We provide discreet services to resolve your international problems and to improve your capacity to operate effectively wherever you need to.

We are **dispute resolution** specialists and **political risk** experts.

To discuss how we can help you to manage your political risk please call:

**Tracey Stewart**

Partnership Secretary

+44 (0) 7950 944 010

[tracey.stewart@ambassadorllp.com](mailto:tracey.stewart@ambassadorllp.com)