

November 2008

THE TIPPING POINT? ORG INTERNATIONAL SECURITY REPORT 2008

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EXECUTIVE SUMMARY

The report examines international security trends in relation to Iraq, Afghanistan/Pakistan, the al-Qaida movement, East-West relations after the Russian intervention in Georgia, and the probable security impact of the international economic downturn. This analysis is in the context of the US Presidential Election result. While the security situation in Iraq has improved, there remain major problems, many of them centring on the Status of Forces Agreement. An increased pace of US withdrawals combined with greater US regional engagement could be positive trends in the coming year.

In relation to Afghanistan, Pakistan and the al-Qaida movement, the Obama administration may actually reinforce US military commitments in Afghanistan. This is likely to lead to an intensified war, but the attitude of allied states, including Britain, Canada and the Netherlands, may prompt a significant reassessment of US aims and postures. The deterioration in East-West relations in the wake of the Georgian intervention is reversible – Russian economic problems, European caution and a new US administration may all combine to aid this.

The global economic downturn is the biggest single threat to security across the world. On present trends many hundreds of millions of people among the poorest communities across the world will suffer most. This is likely to lead to the rise of radical and violent social movements, which will be controlled by force, further increasing the violence. The intensifying Naxalite rebellion in India and the substantial problems of social unrest in China are early indicators. Responding to the crisis in a manner which places emphasis on improving emancipation and reversing the widening of the global socio-economic divide is the most important task for the next twelve months.

1) INTRODUCTION

In May 2003, a month after the termination of the Saddam Hussein regime, Oxford Research Group (ORG) began a series of monthly briefings on international security. These have continued since then, published on the ORG website and emailed to well over 2,000 subscribers. In addition, ORG later began a series of annual international security reports which sought to give an overview of major trends year by year. These have been published each autumn since 2004 and this is the fifth such report. While the monthly briefings and the annual reports have placed the main emphasis on three aspects of the “war on terror” – the conflicts in Iraq and Afghanistan and the continuing actions of the al-Qaida movement – they also analyse some of the wider aspects of international security, including the growing impact of socio-economic divisions, the potential effects of climate change, and relations between Russia and the United States.

The 2007 report, *Towards Sustainable Security*, presented the issue of the war on terror by contrasting the conflicting views held by the main parties to the conflict. In the case of the United States:

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To the Bush administration and to many people in the United States, a fundamentalist, nihilist and thoroughly dangerous Islamic movement has staged a spectacular attack on the homeland and is threatening US security through seeking to control much of the Middle East and South West Asia. This is a region of great importance to the United States, not least because of the requirement to ensure the security of Israel but also because of the energy resources of the Persian Gulf. The phenomenon of Islamofascism is potentially as serious as the Soviet threat at the height of the Cold War, especially if radical Islamists can at some stage acquire crude weapons of mass destruction.

Whereas for its main opponent:

To the al-Qaida movement and its many associates, their particular version of Islam is the one true path and it is under threat both from corrupt regimes and from the immensely powerful far enemy of the United States. Not only are they under attack, but their enemy, the United States, is allied with the Zionists in a systematic campaign to take direct control of the heartland of Islam and its valuable natural resources. Whatever the specific aims and motives of the leaderships of the movement, this is a message that resonates powerfully not just across the Middle East but around the world.

While those outlooks have very largely persisted over the past year, there have been significant developments in both Iraq and Afghanistan, in addition to the further evolution of the al-Qaida movement. Even so, what is notable about the twelve months to October 2008 has been the manner in which events in the last three months of that period have had an impact that may endure for some years to come. Among these were four specific developments.

- The further deterioration in security in Afghanistan, with conflict between Taliban militias and foreign forces on a level not seen for six years or more.
- The development of substantial unrest in Pakistan, not just in the western districts close to the Afghan border but also in the capital city of Islamabad, especially the catastrophic bombing of the Marriott Hotel, killing or injuring over 300 people.
- The development of a sudden crisis over the two breakaway regions of Georgia – Abkhazia and South Ossetia – involving robust Russian intervention following an attempt by the government in Tbilisi to regain control of South Ossetia from rebel forces. The Russia action prompted severe criticism from the United States, although there was a more cautious approach from some western European governments. Even so, the sudden deterioration in already poor East-West relations was sharp, with some prospect of it being sustained.
- Finally, towards the end of September, financial systems in the United States and several countries in Western Europe were affected by a sudden and extreme crisis of economic instability, stemming initially from serious weaknesses in a number of banks that had been developing for several years.

By early October, the Bush administration in the United States was taking interventionist action in the economy that was unparalleled for a Republican administration, including a substantial programme of nationalisation of financial organisations including banks and mortgage corporations. It is now clear that the financial upheavals will be sustained, and that they will have a wide impact on the world financial system. Indeed it seems highly likely that there will be a period of serious recession that will last for two years or more. Furthermore, this will not just affect countries of the North Atlantic. Given the integrated nature of most of the global economy, the impact will be felt worldwide, with particularly severe consequences for poorer communities.

It is in this context that this annual report will explore five themes: the war in Iraq; the escalating conflict in Afghanistan; the current status and development of the al-Qaida movement; Russia-NATO relations; and, finally, the impact of these developments and the current severe economic downturn on the ability of the international community to respond to the more substantial long-term threats.

It should be emphasised, though, that while this report concentrates on major areas of current conflict and also analyses those trends that might result in increasing insecurity in the future, the overall intensity of conflict across the world is actually lower than in the mid-1990s. The annual *Human Security Report* from Simon Fraser University in Vancouver, and work at the University of Maryland both indicate that the mid-1990s were particularly violent, not least with conflicts in the Balkans, Caucasus, Sri Lanka and elsewhere. Although the war on terror has attracted huge interest in the countries of the North Atlantic community and across the Middle East and South West Asia, it is not a truly global phenomenon. There may well be some immensely important global trends that will give rise to serious violence if they are not curbed, but it is also true that there have been significant developments in conflict prevention, peace-keeping, peace-building and conflict resolution. Furthermore, the election of Barack Obama as US President is likely to involve substantial changes in style in relation to US foreign and security policy, and may also result in significant policy developments.

2) IRAQ

Towards the end of 2006, the Bush administration took the decision to expand the US military commitment in Iraq in order to overcome the protracted and violent insurgency. This took the form of a "surge" in troop numbers comprising approximately 20,000 additional combat troops in five brigades, together with support personnel. The entire surge, of close to 30,000 people, took the US troop numbers up to around 160,000. This was broadly against the recommendation of the 2006 Baker-Hamilton commission report that had placed more emphasis on a withdrawal timetable combined with greater regional engagement with countries such as Iran and Syria.

The surge was undertaken during the first half of 2007 and the additional troops were deployed for about a year. During this time, the levels of violence in Iraq declined substantially and one of the results of this, especially during the middle months of 2008, was the development of a "narrative of victory" within Republican political circles in the United States. Such a narrative had a particular value within the context of the 2008 Presidential Election campaign in which the experienced Republican contender, Senator John McCain, was in favour of seeking a military victory in Iraq, whereas his most likely Democrat opponent, Senator Barack Obama, believed that a rapid if negotiated withdrawal from Iraq was necessary. In the event, by the time that Senator Obama was confirmed as the Democrat candidate, the state of the domestic economy had largely replaced Iraq as the main election issue. Nevertheless, the narrative of victory still gave the impression of considerable success for the US strategy in Iraq.

Most of the indicators available do support the view that security within Iraq has improved substantially, but, with the exception of the Kurdish north-east, there is still endemic violence. For the US forces, there has been a substantial decrease in casualties, yet service personnel are still being killed at a rate of one a day. Iraqi civilian casualties remain very much more substantial, with up to twenty people being killed and many more injured each day, with a sudden upsurge in late October and early November. The causes are primarily suicide bombs and shootings. While the overall level is still much reduced compared with most of the past five years, it is also the case that a number of factors have been involved.

The deployment of additional US forces, especially in the Baghdad area, undoubtedly made a difference during the period of the surge, and this was enhanced by the manner in which US troops have changed tactics. More emphasis has been placed on civil engagement, with much less recourse to the use of

firepower. There have still been many civilian casualties caused by US actions, but they are now at a much lower level than in previous years.

Part of the change in US policy during 2007 and early 2008 was the progressive cooption of nationalist Sunni militias into a security structure financed by the United States. This built on the "Awakening Movement" of Sunnis opposed to the excessive violence employed by paramilitary groups associated with al-Qaida in Iraq, and eventually amounted to around 90,000 paramilitaries paid from US funds. Over the past 18 months this movement has done much to decrease the level of violence but the financing of the Awakening Movement by the US forces has now largely ceased and there are few indications that the Malaki government is going to incorporate these militias into the national security forces.

Two other factors have been important in decreasing the violence. One is that there has been a major relocation of Sunni and Shi'a communities, especially in Baghdad, with far fewer mixed communities. Confessional groups are more likely to be concentrated in particular areas, often protected by walls and other barriers. While this has undoubtedly reduced the inter-communal violence it has come at a severe human cost as communities have been disrupted. Within Iraq there are estimated to be close to two million people who have been displaced as a result of this trend, with an additional two million taking refuge in neighbouring countries, especially Syria.

The second factor was the decision in early 2008 of Moqtada al-Sadr's political faction to maintain a ceasefire for its substantial Mehdi Army militia. Although the ceasefire has not been total, it probably represents the biggest single factor in accounting for the decrease in violence across much of the country and is part of a major change in policy by al-Sadr's group which involves moving towards a much higher level of civil and social engagement. To some extent this is modelled on the experience of Hezbollah in Southern Lebanon and Hamas in Gaza, two political and paramilitary movements that retain much of their popularity because of their integration into their communities through multiple social engagements. The al-Sadr decision recognises that the movement speaks primarily for the poorer sections of Iraq's Shi'a community and it is most likely part of a strategy that is looking to consolidate influence over a number of years, rather than engage in an immediate military conflict that has few chances of success.

All of these factors help explain the decrease in violence in Iraq and at the start of 2008 there was an expectation that the Bush administration would be able to announce substantial additional troop withdrawals from Iraq – perhaps three combat brigades – before the end of its term of office. It has perhaps been indicative of the tenuous state of security in Iraq that there has been a consistent reluctance by senior US military commanders to allow such a withdrawal, whatever the political value to the Bush administration. This is even more significant given the urgent calls from US commanders in Afghanistan for troop reinforcements (see below). This caution suggests that military planners fear that further troop withdrawals will risk an increase in violence, calling into question the solidity of the gains of the past eighteen months.

3) US WITHDRAWAL FROM IRAQ?

During the course of 2008, the United States has been engaged with the Malaki government over a Status of Forces Agreement (SOFA) that should come into force on 1 January 2009 when the current UN Security Council mandate expires. It would be possible simply to extend the mandate but the Bush administration has been anxious to conclude a SOFA, not least because it would suggest some modest level of success for an administration that might otherwise be seen as presiding over a failure. Although the Malaki government is hardly stable, it has negotiated with a persistence that has surprised US officials and raises the issue of what the United States wants to achieve for the long term.

The aim for the Malaki government, especially as it has to contend with continual and deep-seated public opposition to the US presence in Iraq, is to have a clear timetable for withdrawal that will include all US combat troops out of Iraqi cities by the end of 2009 and a full US military withdrawal by 2011. It is unclear whether "full US military withdrawal" refers to combat troops or all US forces, with this uncertainty being useful to the Malaki government in that more can be implied than might be achieved.

From a US perspective, a complete withdrawal appears unlikely in the extreme, from any administration in Washington. There is abundant evidence that the United States has established a number of very large military bases in strategically important parts of Iraq, and that these have an air of permanence that even extends to the construction of substantial power plants to ensure a high degree of independence. Moreover, the US military has tended to place emphasis on locations that combine large troop facilities with air bases which are situated away from major urban areas so that they are easier to defend and can be self-sustainable. Furthermore, the US is completing a very large and heavily defended embassy complex in the heart of Baghdad. This is the world's largest diplomatic mission and is evidence of a long-term intention to maintain substantial influence in Iraq.

It has to be remembered that the original expectation, at the time of President Bush's "mission accomplished" address in May 2003, was that Iraq would make a rapid transition to a pro-western state embracing the free market to an extent not seen anywhere else in the world. Its oil fields and production facilities would be privatised and opened up to international control and there would be a substantial permanent US military presence. Most important of all, Iraq would be a bastion of US power projection and, with the presence of US bases in a pro-western Afghanistan, the Islamic Republic of Iran would not present any substantial threat to western interests in the Persian Gulf. Given that over 60% of the world's readily available oil reserves are in this relatively small region (with another 20% held by Russia, Venezuela and Kazakhstan) the importance of Iraq to the United States is obvious.

With both the United States and China increasingly dependent on imported oil, it is highly unlikely that there will be a full withdrawal of US forces from Iraq at any time in the next decade. Whatever SOFA is negotiated, there will be an element of "security of US interests" and other factors that will ensure a substantial long-term presence. A complete US withdrawal would so throw Iraq open to Iranian influence that this would be perceived as a security disaster even greater than the defeat in Vietnam. Simply put, it will not happen.

Even so, this is one area where the Obama administration may opt for a new approach. The most likely change would be a greater willingness to set clear deadlines for a US withdrawal that would leave only small forces in Iraq. If the clear intention is to restrict US forces to a few bases involved primarily in training, then the psychology of occupation will be much diminished. This could have a considerable impact, not least in persuading states across the region to increase their diplomatic and economic engagement with Iraq.

4) AFGHANISTAN AND PAKISTAN

While the level of violence has moderated in Iraq over the past year it has escalated substantially in Afghanistan and western Pakistan, so much so that US military commanders see an urgent need for substantial troop reinforcements within Afghanistan alongside a determined effort to counter the power of Taliban and al-Qaida paramilitaries in western Pakistan. In broad terms it seems likely that the whole focus of US military involvement in the region is shifting back towards South West Asia, having been concentrated on Iraq for most of the past five years. There is, furthermore, a wide-ranging political consensus in Washington that supports increasing troop deployments in Afghanistan.

In the immediate aftermath of the 9/11 atrocities, the United States and a number of allies proceeded to terminate the Taliban regime in Afghanistan and severely damage the al-Qaida movement. This was

completed in a matter of weeks, although violence did persist through into early 2002, but the Bush administration was already convinced of the need to extend the war on terror to embrace an axis of evil of rogue states and to undertake further pre-emptive regime terminations to preserve US and western security. By mid-2002, almost all the emphasis in Washington was on the need to terminate the Saddam Hussein regime in Iraq, with very little concern over post-war developments in Afghanistan.

US troops continued to be involved in some counter-insurgency operations in the east of the country, but UN calls for a 30,000-strong stabilisation force to aid peace-building and reconstruction were largely ignored by the United States and other members of NATO. On the ground, the Taliban militias had not been defeated in the conventional sense of the term and most of them had melted away with their weapons intact. Over the period 2002-06, they were able to regroup and developed an effective power base in the Federally Administered Tribal Areas (FATA) in western Pakistan and then began to increase their influence in Afghanistan itself, especially in the south. They were aided by the weakness of the Karzai government in Kabul, by endemic corruption and the existence of multiple power bases centred on warlords, and by rapid increases in opium poppy production that provided major sources of illicit income.

The drug element is particularly significant for two reasons. One is that it is dependent on what amounts to smallholder cultivation, with an estimated one million Afghans dependent directly or indirectly on the production of raw opium paste. Thus, any attempt to control poppy cultivation without providing alternative income streams is likely to meet with widespread popular opposition. This is heightened by a situation in which poppy farmers are frequently paid in advance for their crops, meaning that if crops are destroyed the farmers are immediately in debt to the drug purchasers.

The second reason is that the last seven years have seen a significant change in the processing of raw opium paste. Until the early 2000s, around three-quarters of all opium paste produced in Afghanistan was exported in the raw form with only a quarter processed into the much more valuable end products of heroin and morphine. This ratio has reversed – as Afghanistan has become responsible for over 90% of the world's illicit opium poppy crop, it has also benefited from a much higher level of domestic processing. This has resulted in far greater illicit cash flows feeding into corrupt officials, warlords and Taliban militias.

Between 2002 and 2006, a pattern emerged of Taliban attacks intensifying during the summer months but receding during the winter. In each successive summer the level of activity increased, and so did the deployment of western troops, both under the umbrella of NATO's International Security Assistance Force (ISAF) and in the separate US Operation Enduring Freedom which mainly conducted counter-insurgency operations in the east of the country. By mid-2007, the levels of violence in southern Afghanistan were at their highest for six years, severely testing British, Canadian, Dutch and US forces operating there.

Until the start of 2008, the separate US force in the east of the country believed they were conducting operations to greater effect and that the Taliban militias were in retreat. By the middle of the year, however, it was clear that Taliban activity was reaching a new peak both there and across much of southern Afghanistan. Indeed, the security situation in the country as a whole has deteriorated in a number of respects:

- Coalition military casualties this year have been the highest since 2002, as have civilian casualties.
- There is now substantial Taliban activity close to the Kabul.

- Even the centre of the capital has been subject to attacks, including an assassination attempt on President Karzai, an assault on the Serena International Hotel and a suicide bomb attack on the Information and Culture Ministry
- There has been an increase in attacks on supply lines from the Pakistan border through to Kabul, and on transport on many of the newly constructed roads that form part of the national ring road that connects the main cities.
- The use of roadside improvised explosive devices (IEDs) has increased substantially, with evidence that technologies developed in Iraq have been introduced into Afghanistan.
- There has also been an increase in the use of suicide bombs.
- There are reliable reports that paramilitary fighters from many countries are moving into Afghanistan via western Pakistan and joining up with Taliban militias, seeing Afghanistan replacing Iraq as the main focus of the war against the far enemy.

As of mid-2008 there were over 60,000 foreign troops in Afghanistan, the majority of them from the United States. By October the decision had been taken to add 4,000 more troops, with these due to arrive in January 2009, but it was also reported that local military commanders wanted a further three combat brigades – up to 12,000 troops in all – and also sought up to 10,000 additional support forces to help the combat troops operate in a taxing operational environment. If these reinforcements do materialise, then the foreign forces in Afghanistan could well approach 90,000 by the middle of 2009.

Two problems remain, even if the United States does substantially increase its forces, and if other NATO states follow suit. One is that the more foreign military forces are put into Afghanistan the more there is opposition to what is seen as a foreign occupation. During 2007 and 2008, NATO increased its troop numbers substantially but this was accompanied by increased violence from the Taliban. Secondly, there remains the problem of the safe havens in Pakistan. Following Benazir Bhutto's assassination at the end of 2007, there were parliamentary elections that initially seemed likely to usher in a period of political stability rooted in a coalition. In practice this did not last, Pervez Musharraf was removed as President to be replaced by Benazir Bhutto's widower, Asif Zardari, and political uncertainty persisted.

During Mr Musharraf's period in office, the United States offered considerable financial support to Pakistan but many in the US administration were not convinced that Musharraf was fully committed to destroying Taliban and al-Qaida elements in the FATA. President Zardari's government may be assumed to be closer to the United States but it is faced with a substantial groundswell of anti-Americanism that is further heightened when civilians are killed in US air-strikes in western Pakistan. Even the severe damage done by the destruction of the Marriott Hotel in Islamabad was blamed by many Pakistanis on the United States, being seen as an inevitable reaction to American military involvement in the country.

There is an underlying issue in Pakistani politics that presents considerable difficulties for the United States in seeking cooperation in its war against al-Qaida and the Taliban. That issue is the perennial fear in Pakistan that it is subservient to its much more powerful and more heavily armed neighbour - India. Much of the Pakistani support for the mujahidin in 1980s Afghanistan, and the Taliban a decade later, was about promoting Afghanistan as a client state both because of its geopolitical position adjacent to key countries in Central Asia and, more importantly, because it extended Pakistan's power base to help counter India's regional superiority.

This remains an issue, and one of the major developments in 2007-08 has been the closer links that the United States has developed with India, not least in terms of cooperation on the development of India's civil nuclear power programme. Even more worrying to Islamabad has been the increasing involvement of India in Afghanistan, not just through an enhanced diplomatic presence but also in terms of a wide

variety of economic development projects. One of these links the Afghan road network to a much-improved highway connecting it to the newly expanded port of Chahabar on the Indian Ocean coast of Iran, thus bypassing the Chinese-built port at Gwadar in Pakistan.

The improvement in US-Indian relations is likely to prove a persistent obstacle to Pakistan working closely with the United States in the FATA, with this increasing the risk that the US military will see no alternative to a greater direct involvement in counter-insurgency operations in western Pakistan, especially the FATA. In his campaigning, President-Elect Obama has supported a substantially increased military commitment to Afghanistan, suggesting that there is no immediate prospect for a change in US policy. This is one aspect of US security policy where the influence of allies may be significant. If Britain, Canada and the Netherlands are reluctant to increase their commitments, there is a risk of Afghanistan being seen increasingly as an "American" war. Given the experience of the Bush administration in Iraq, this could have a direct effect on the Obama administration.

5) THE AL-QAIDA MOVEMENT

Al-Qaida remains vigorous and active. It is a broad and thoroughly decentralised movement rather than, in any sense, a tightly structured hierarchical organisation, making it difficult to counter using traditional methods. The activity in Western Europe and North America has been relatively low in 2007-08, apart from attempted attacks in London and Glasgow, but there has been a surge in activity in North Africa, especially Algeria, with repeated bomb attacks against government, military and transport targets. The continuing violence in Somalia has been boosted by foreign paramilitaries entering the country, Yemen saw a suicide bomb attack on a Spanish tourist convoy and an attack on the US Embassy in Sa'na, and the US Embassy in Ankara was also attacked.

The most intensive activity has been in Pakistan, including Benazir Bhutto's assassination, the bombing of the Marriott Hotel, an attack near the Danish Embassy in Islamabad and numerous attacks on police and army units across the country. Those responsible may have connections with the al-Qaida movement but the Islamist paramilitary movement in Pakistan and Afghanistan is best seen as a flexible and variable coalition of interests. The one trend that is apparent is that the Taliban elements of this coalition have continued to develop in two important respects. One is that the Taliban movement is much more engaged in effective propaganda, using modern communications and the media in a manner which was unthinkable a decade ago. The other is that many within the Taliban movement in Afghanistan now see their aims as part of a wider global Jihadist movement rather than being restricted to a narrow Afghan-centred campaign. This is less true of the Taliban movement within Pakistan, but that, too, embraces the al-Qaida global outlook more than it did.

6) REGIONAL ISSUES

Although few Palestinians welcome the support their cause receives from the al-Qaida movement, the severe problems faced by the Palestinians is of substantial value to the movement. Anti-Zionism remains one of its core themes and determined efforts are made to maintain the connection between Zionism and the regional activities of the far enemy. During the past year there has been virtually no progress made on moving to a just solution to the Israel/Palestine conflict, the Bush administration having made little effort in this regard. The Arab Peace Initiative, proposed by Saudi Arabia and endorsed by the Arab League, may have some potential but is not yet getting serious attention in Israel, partly because of the domestic uncertainty prompted by the resignation of Prime Minister Ehud Olmert. Much will depend on the outcome of the forthcoming Israeli general election.

Israel remains deeply unwilling to countenance Iran as a regional nuclear weapons power and there is a serious risk of Israeli military action against Iran. While one might expect that a decision on such action is improbable until Israel has a stable government, the incoming Obama administration may be seen as

unlikely to offer support for an attack, the implication being that the window of military opportunity for Israel may close with his inauguration in January.

Across much of the Middle East and South West Asia, socio-economic marginalisation remains a major factor and is one of the underlying reasons for the support given to radical Islamist movements. There are few indications of any improvement in the sharing of wealth and opportunity, and the resentment is particularly strong among younger people (and there is a substantial regional demographic bulge in the 16-25 year age group). If the decreases in oil prices that occurred during the latter part of 2008 are maintained, then the radicalising impact of marginalisation on a number of economies, including Iran, may well intensify.

7) RUSSIA AND NATO

One little-noticed aspect of the world financial crisis is its impact on Russian foreign and security policy. Prior to the crisis, Russia had developed a robust foreign policy stance that demonstrated vigorous opposition to NATO expansion into Georgia and Ukraine, and also to the basing of US missile defence components in Eastern Europe. It also saw it as a reasonable policy to protect Russian-speaking minorities in adjacent countries, to improve relations with Central Asian republics and to maintain economic and technical ties with Iran.

Behind this robust approach lie two factors. One is the persistent memory of western countries being cavalier in their attitude to Russia when it went through momentous economic difficulties in the 1990s. From being seen as a superpower, Russia was treated with what amounted to contempt, and there remains bitterness at that treatment even fifteen years later. During his Presidency, Mr Putin played on that resentment and used the second factor, Russia's oil and gas reserves and high energy prices, to revitalise Russian perceptions of themselves as still a great power. He also took action to curb the power of some of the oligarchs who had benefited so much from the economic chaos of the 1990s, ensuring that those that remained were more subservient to the interests of the state.

The singularly high oil prices in early 2008 were particularly valuable in this regard and do much to explain the confidence that the Russian leadership demonstrated in aiding the South Ossetian rebels in August. That military intervention was, in practice, a difficult operation and amply demonstrated the obsolescence of much of the Russian military system, but it still represented a determination to demonstrate the power of a revitalised Russia. The response from some NATO countries, most notably the United States but also Britain, was one of deep and protracted criticism, suggesting almost that a new Cold War was in prospect.

Fortunately, recent events have conspired to limit that risk. Firstly, several other NATO states have been far more cautious in their criticism of Russia, and it is now unlikely that there will be a rapid accession to NATO membership for Ukraine, let alone Georgia. Secondly, the Russian economy itself is being badly affected by the economic downturn in two respects. One is that the halving of world oil prices in the six months to the end of October means that Russia's foreign exchange earnings have been much reduced. Four fifths of such earnings come from primary commodity exports, the great majority being oil and gas. The other is that the economic downturn and stock exchange collapse has reduced Russia's overall reserves from \$500 billion to \$300 billion. The effect of these changes – internal opposition to NATO expansion and economic problems within Russia – is that there is likely to be a decreased risk of renewed East-West tensions, especially with a more internationally engaged Obama administration in power in the United States.

8) THE FINANCIAL CRISIS AND INTERNATIONAL SECURITY

The specific problems being experienced in the conduct of the war on terror, and the more general effects of the world economic downturn are both relevant to Oxford Research Group's evolving 'sustainable security' analysis of the future drivers of insecurity. This assesses that there are four main trends that are particularly salient:

- Global socio-economic divisions are widening, with most of the benefits of the past three decades of economic growth being concentrated in the hands of a trans-global elite community of about 1.2 billion people, mainly in the countries of the Atlantic community and the West Pacific, but with elite communities in the tens of millions in countries such as China, India and Brazil. Increased awareness among many marginalised people of this unjust distribution of wealth can, in extreme circumstances, lead to the rise of violent and extreme social movements.
- Climate change is expected to have profound effects on that majority of the world's population living in the tropical and sub-tropical regions but without the economic resources to respond to severe storms, rising sea levels and drastic changes in rainfall distribution. Increased migration and social and political unrest are likely consequences.
- Resource competition, especially over energy resources in the Persian Gulf region and elsewhere, will, on present trends, be an increasing source of tension and conflict.
- The strong tendency of powerful elites to maintain security, by military force if necessary, is expected to be counter-productive, as has already been seen by many of the consequences of the war on terror.

Countering such trends involves a fundamental commitment to emancipation and socio-economic justice. This includes fair trade, debt cancellation, assistance for sustainable development, a radical cut in carbon emissions (especially by industrialised countries), rapidly increased use of renewable energy resources and the development of conflict prevention and conflict resolution policies that avoid the use of force.

There is a great risk that all of these requirements will be severely damaged by the impact of the 2008 financial crisis. As the crisis feeds through to a worldwide recession, all the indications are that the poorest communities will suffer most. While this will be the case in the richer states of the North, many of these have welfare systems that will help limit the extent of direct harm. This is simply not the case in the majority world where loss of jobs and collapsing markets will impact directly on hundreds of millions of people, increasing poverty, ill-health and levels of malnutrition.

The initial response from the richer states is focused narrowly on the immediate financial crisis, with calls for improvements in international financial cooperation involving:

- An effective early warning system.
- A more effective framework for transnational responses.
- An independent "college of supervisors" to provide systematic monitoring of the world's major companies and financial institutions.

These may well be useful responses to the immediate crisis but they have little or no relevance to the wider global predicament. Nor do they address the past behaviour of the IMF and World Bank, with these institutions having sustained the "Washington consensus" of loans to weak countries requiring neo-

liberal conditionality including extensive privatisation. Since so many wealthy countries have abandoned such an outlook for their own economies, including emergency nationalisation of banks and insurance companies, the Washington consensus is no longer sustainable, yet there is little sign of any moves in a new direction. Furthermore, a period of several years of financial stringency will not only decrease commitments to majority world debt relief and trade reform, it may also lead to the loosening of targets for carbon emission reductions and a cutback in investment in renewable energy resources.

There is thus a great risk that the main effect of the financial crisis and consequent recession will be a sharpening of the wealth-poverty divisions worldwide. Quite apart from the deeply unethical consequences of such a trend, there are major security implications. An enduring feature of Oxford Research Group's analysis has been that the welcome and impressive improvements in education, literacy and communications in the majority world over the past four decades has an important consequence in that the marginalised majority of the world's population has a much greater awareness of that marginalisation. This is demonstrated by substantial increases in crime and the growth of gated compounds to protect wealthy communities, but also involves the rise of radical and violent social movements.

China has experienced many thousands of incidents of social unrest as its rapid economic growth is concentrated in a minority, even if that numbers well over 100 million people. In addition to establishing new paramilitary units focused on public order control, China announced in early November that it was establishing a two-year \$586 billion economic stimulus package, with much of the investment going into rural areas where the recent loss of remittances from migrant workers in the cities were having particular effects.

Similarly, India is facing multiple insurgencies including, most notably, the neo-Maoist Naxalite rebellion that is now affecting 185 districts in 17 out of 26 states across the country. ORG has long argued that this "revolt from the margins" is one of the most significant global trends, and that it will be exacerbated by the increasing impact of environmental constraints, most notably the effects of climate change on the world's marginalised majority.

If the response to the current financial crisis is primarily concerned with ensuring that the economic system works more effectively, this will benefit the world's elite communities but will do little or nothing for the majority, whose predicament will be worsened. Thirty-five years ago the economic geographer Edwin Brooks spoke of the risk of:

"...a crowded glowering planet of massive inequalities of wealth buttressed by stark force yet endlessly threatened by desperate people in the global ghettos."

The current financial crisis could well make that world much more likely, especially as the many hundreds of millions of people on the margins are far more aware of their marginalisation than three or four decades ago. There is, for example, a significant comparison to be drawn between reaction to the 1974 world food crisis and the food problems of 2007-08. In the more recent period, unlike the earlier crisis, numerous riots and other disturbances were evident in many countries including Egypt, Mauritania, Mexico, Haiti, Morocco and Senegal. Unless the response to the current global economic crisis extends to far-reaching programmes to redress the world's deep divisions, the most serious effect of the crisis will be a substantial increase in radical and violent social movements in direct response to marginalisation. These, in turn are likely to be controlled by forceful state action, leading to further conflict.

9) OVERVIEW

During the past year, the security situation in Iraq has improved, but with substantial levels of violence remaining. The incoming Obama administration is likely to speed up troop withdrawals while seeking more sustained regional diplomatic engagement, two changes that could result in a decrease in regional tensions. On the other hand, its policy on Afghanistan appears likely to involve an increased military commitment. Even so, problems in that war coupled with the sceptical attitudes of close allies may result in substantial changes in policy, including a greater willingness to engage with elements within the Taliban.

In the immediate aftermath of the Russian intervention in Georgia, East-West relations deteriorated markedly. There are some grounds for optimism that this will not be sustained. Some key western European allies are anxious to avoid further problems and the Obama administration may engage with these views. Any scaling down of rhetoric, combined with a slowing of moves towards forward-based missile defences would be welcome, and Russia's economic downturn in the face of declining oil revenues may moderate recent incidents of belligerence.

While an inadequate response to the global economic crisis will lead to a far greater risk from radical and violent social movements, the crisis could also be a spur to reform the global economy in a manner which both deals with the problems facing the leading economies and puts much greater emphasis on meeting the needs of the majority of the world's people. If it also embraces a sustained commitment to the control of climate change, with appropriate investment in green economies, then there could be major progress made towards a sustainable and emancipated global economy. The coming year will provide that opportunity and might even be a positive tipping point towards global stability and emancipation.

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