

*“Want of foresight, unwillingness to act when action would be simple and effective, lack of clear thinking, confusion of counsel until emergency comes, until self-preservation strikes its jarring gong – these are the features which constitute the endless repetition of history.”*

*Winston Churchill House of Commons 2 May 1935*

## **JUNE 2012 NHJ SECURITY MEMO**

### **AMBER WARNING LIGHTS TURNING RED**

**Euro Zone Crisis:** we have long said that this crisis will get worse. Europe is facing its most difficult challenge since 1945. No one knows what will happen but politics and societal issues are clashing with economics, and there is a serious risk that this develops into a major global crisis. David Cameron’s admonition “make up or break-up” is bad either-way for UK. Euro zone make-up will not happen - political, fiscal, and banking union can never be achieved in time, let alone with essential democratic mandates. The best case scenario is that Europe keeps limping through with a ‘patch and mend’ approach for the next five years, hoping for more favourable economic conditions to consolidate some of the changes of the past year. Bridging the fundamental different political approaches between Germany and France and getting the rest to behave like Germans cannot happen in time either. Break-up, in any form, will be another hammer blow to Britain’s economy at just the wrong time. Soros, amongst others, has suggested that the climax may come in the autumn. The latest Brussels summit may have averted imminent disaster, however, there are plenty of economic commentators and former senior politicians who reckon that a financial calamity and first stage break-up could occur at short notice.

**Britain and Europe:** make or break, here we are once again with Germany heading to be the European super state and, out of the blue, suddenly the number one issue of British foreign and security (aka economic prosperity) policy! Whatever happens, the UK is not going to be at the centre of decisions in Europe. Yet in any scenario, we have major interests in Europe that include the single market and much else. We are at another UK in Europe historical moment. We must reflect a more nuanced understanding of UK’s proportionate role and influence in the world. We certainly need to build bridges beyond Europe, but it would be a huge mistake to burn all our European bridges too. The risks are legion and we must look beyond the short-term and somehow refresh our unique, distinct, position and role in Europe. Too little Europe could be the fastest route back to ‘Little England’.

**US-Pakistan:** this relationship just keeps on deteriorating. It has been on the brink for months and could tip over the edge at any moment. This would increase the prospect of an extremely difficult and bloody exit for NATO - especially US and UK troops - from Afghanistan. Significantly in Washington ‘AFPAK’ has become ‘PAKAF’ – the label speaks louder than words. Either way, events in this hottest of operational regions could trigger demonstrations and extremist violence in parts of UK at short notice.

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**Arab Revolutions and Israel:** some of the Arab revolutions are going through a phase as bad and ugly as many feared. Egypt has its first Islamist president but the most telling development was summed up in one Cairo newspaper headline that said ‘the military has transferred power to the military’. In Syria, the carnage has turned to civil war and William Hague hints at inevitable major international intervention and does not rule out a British role. Collapse is inevitable; the question is whether there is a managed political settlement or chaotic disintegration. Relations with Russia, already difficult, are not improving. Meanwhile crucial talks on **Israel-Iran** have hit deadlock, and Jonathan Evans, head of MI5, has warned us that the Arab Spring has spawned a new wave of UK terrorists.

**Britain:** just as we need to be in pre-match peak condition we are coming apart. The coalition government is anything but a coalition. The ‘omnishambles’ label has stuck fast, and both coalition parties have lost the trust and confidence of voters – barely 30% of whom bothered to vote in last month’s elections. The Coalition’s early reputation for attempting bold reform and competence has given way to tactical u-turns and incompetence. It continues to undermine some important, very necessary, initiatives by unnecessarily antagonising key sections of society. ‘Granny tax’ was one self-inflicted wound. Another much more serious one concerns our youth. NHJ has previously said that the greatest deficit is that of hope and confidence in the future, particularly for our youth. We have argued for much more radical approaches including, for example, ‘full employment’ for all fit and motivated 16-30 year olds and for education, innovation, and research to be ‘premier league’ top public spending priorities. We have also argued for radical overhaul of welfare provision and tackling the ‘something for nothing’ culture. Consider how much more successful Cameron’s latest welfare announcement on reducing benefits for the under 25s would have been if some positive policies – along the lines of those above – had been the main focus and reported first in the media? All the Duncan Smith and Gove good works risk getting overwhelmed by negative anti-youth and inaccurate ‘return of nasty party’ perceptions largely for want of effective strategising and savvy public messaging.

**Defence Cuts:** in a supreme act of strategic dissonance and short-sightedness, this government outdoes its other shambles by preparing to disband famous battalions and significantly reduce British Army combat power at precisely the worst moment. In 1972 local difficulties in Northern Ireland required 30,000 troops - 38 regular battalion-sized units (27 infantry battalions) to regain control of mainly Belfast and Londonderry city ‘no go’ areas – today before this latest round of cuts there are just 36 regular battalions and the regular Army is about to reduce from just over 100,000 to 82,000 personnel, its lowest level since the Napoleonic Wars. NHJ has always accepted that with an annual borrowing requirement of £126 billion, the top national priority is deficit reduction and that defence cuts must contribute to this. However, the choice of these specific cuts is perverse. Will history judge these cuts to be rational and prudent, or that politicians, senior officials and military have been in dereliction of their duty to safeguard the security of the British people and nation – the cyclical

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nature of British military history repeating itself once again (only 30 years since the Nott Review and Falklands conflict)?

**Mending Broken Britain:** NHJ article on Mending Broken Britain - One Year On From The Riots - is published this month in Chatham House/World Today:

[http://www.nhjstrategic.com/nhj\\_strategic\\_consultancy\\_articles\\_publications.htm](http://www.nhjstrategic.com/nhj_strategic_consultancy_articles_publications.htm)

<http://www.chathamhouse.org/publications/twt/archive/view/183691>

**Grand Coalition:** a plethora of articles on the theme of a coalition quickie divorce have appeared recently, and this week's economist too reckons that it would be an achievement for it to survive until 2015. Whilst others report all this and even of rebellion in the air in the Westminster village, we consider the scale and pace of converging risks and threats at home and abroad and reckon it is a Grand Coalition government that we need to take us through what is coming. The electorate despair for good governance. They have not had it from either Labour or Conservatives during much easier 'good times'. Both major political parties continue to be driven by 'me-first' 'my party' leadership and mentality. NHJ have said for months that it is time to go into calm emergency mode. But it appears that is inconceivable until catastrophe strikes. If and when it does, whoever is in the top job – he or she – will require some of the core crisis leadership qualities – strategic vision, moral courage, truth over popularity, stamina, and resilience - that Churchill and author of the quote at the top had in spades. Our next crisis leader will, of course, also require some very different skills too. Most importantly, we need a leader that brings different generations and different groups from our much more diverse society together: middle class, people who are most hit by recession, recent immigrants, women, children, young people, and old people.

### NHJ CRISIS PLANNING

**As more organisations and companies consider that 'just muddle on' may not work and that things could suddenly turn worse, we have growing demand for our crisis planning services.**

**Encouraging feedback on NHJ initial crisis brainstorming sessions:**

"A really helpful brainstorming session that enabled us to clarify the potential scope and scale of the deepening Euro Zone Crisis and our new top priorities. Your crisis methodology brings an order out of overwhelming information and chaos. The board will devote a half day within one week from now to developing our crisis approach and ideas. We have immediately established a top level (Crisis) Strategic Planning Group..... We are clear about next steps: which plans we need to put in place now and how to communicate our euro zone preparations with our people and partners. We also know what indicators to look out for to start the heavy duty planning. We now have a proportionate response approach that maximises opportunity, minimises opportunity cost, and mitigates threats. Your approach

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applies to different crises and scenarios, and we will immediately adopt some of your 'crisis rigour' and thought and delivery processes into our everyday high-level management'.

## **NHJ services include:**

- Initial brainstorming session.
- Informing & warning on the strategic environment – watching, joining the issues, interpreting, and predicting.
- Providing crisis-experienced advice on the rapidly changing strategic environment, official national and international positions and messages, reputation focus, and organizations and people under extreme pressure.
- On-call advice and mentor support during crisis and crisis recovery.

NHJ is a strategic 'Think and Do Tank':

- Its core team consists of proven, experienced, crisis experts with cross-government, major international organization, and multi-agency experience. It has an impressive outer team of associates and reach to very top international and national experts.
- It has developed a bespoke crisis planning approach and methodology and is being engaged by CEOs and (usually) top 3-4 board members to facilitate an initial 3 hours brainstorming session that stretches thinking and focuses on the potential impacts of a multi-dimensional major crisis upon the business concerned.
- It genuinely focuses at the strategic level and joins up the issues and silos.
- A well-known BBC presenter has described NHJ as being 'consistently ahead of events'.
- It was months ahead of other commentators in describing the Arab revolutions as a 1989-level event, it accurately forecast imminent civil disorder before last summer's riots in UK (published beforehand in RUSI journal and Daily Telegraph), and has consistently referred to multiple concurrent revolutions in economics, politics, and society and forecast that the euro zone crisis will likely get much worse.
- Europe is facing its most difficult days since World War 2.

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