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In economics, continued growth, prosperity and technological change, in politics, pervasive and in some ways increasing division, uncertainty and dissolution of state power. This verdict, paradoxical and perhaps unsustainable in its apparent separation of world economic trends, the fourth year running which global output rose by 4%, from the difficulties of the political realm, is the dominant message, and puzzle, bequeathed by the year 2006. Many are those who have speculated as to the impact of one domain on the other, be this the consequences for the US economy of its failed war in Iraq, for Europe the impact on economic performance of its inter-state and constitutional confusion, for Russia and China the price in market terms of their continued and in some ways strengthened authoritarian political systems. Speculation continued through the year as to the broader consequences of Chinese political stagnation, of the dollar overhang and huge trade deficit in the USA, of the defiance of monetary discipline by many EU member states, not to mention of the macro-economic and political consequences of the rise of oil prices to \$70 a barrel. Yet twelve months later, these questions remained unanswered and the outcome of these phenomena unpredictable. 2006 was another year in which the major states and economies of the world, and all who relied on their prosperity and leadership, managed to stave off the consequences of their policy decisions and continue to grow, expand their trade and increase their investment. For how long, no-one can tell.

The Hyperpower Loses Ground

In the realm of international politics, and the development in particular of the position of the USA, some very different, and more precise, verdicts are possible. Five years after the Al Qaida attack on Manhattan and the launching by the Bush Administration of its 'Global War Against Terror', and fifteen years after the collapse of the USSR and the fragmentation of that state, 2006 was a year in which the world saw, more clearly than ever before, the limits that faced US power, be it in the Middle East and in regard to the two former communist powers, Russia and China. While within the USA the Democratic victory in the November mid-term Congressional elections showed that the Bush agenda had run out of steam within the USA, even as his Democratic foes did not know how to take advantage of this change, and as the high-level Iraq Study Group in effect argued for rapid and unconditional withdrawal of US troops from that country, in the international arena US power faced an increased challenge in the two countries where it had chosen, after 9/11 to invade and change regime, Afghanistan and Iraq. Meanwhile, its closest ally in the Middle East, Israel, became involved, with US backing, in an inconclusive and domestically divisive war against the guerrillas of Hizbullah in Lebanon,

By contrast with the difficulties faced by the USA and its allies, Russia, above all through its strategic and political use of energy supply, and China, with its ever-growing economic and military weight, were able to take advantage of the difficulties and distractions faced by Washington in the Middle East to re-assert their claim to great power status and, in considerable degree, to hegemony within their respected regions. Even the most dogmatic of US neo-conservatives and associated think tanks had come by now to realise that the USA could not act as a unilateral international power and had to recognise both the limits of its own capabilities, particularly in the field of military deployment and in regard to the need to build and maintain alliances with other states. Although partly relieved by the election of the Christian Democrats under Angela Merkel in Germany, of the nationalist Shinzo Abe as Premier in Japan, committed to expanding Tokyo's international military role, and by the continued loyalty

of such allies as Tony Blair in the UK and John Howard in Australia, both of them with troops in Iraq, the USA was in several domains more isolated than it had been since the end of the Cold War, even as in its own arena of traditional regional hegemony, Latin America, it saw the initiative pass more and more, and despite election of Felipe Calderón in Mexico, to its left-wing opponents, be they of the more moderate (*Lula*, Kirchner, Bachelet) or militant (Chavez, Morales, Ortega) orientation. If in the optimistic and often deluded atmosphere of the 1990s, and in the angry and emotional response to 9/11 US politicians had come to believe they could, on their own, shape the world to their wishes, the lesson of 2006 was rather different.

Escalation in Iraq

Undoubtedly, the dominant issue in world politics during 2006 was the continued, and indeed deteriorating, conflict in Iraq, and the broader, long term and trans-national spread of Islamist terrorism across the Muslim world and among young radicals in Western Europe and the USA. Whereas in the first two years after the US invasion of March 2003 the main focus of conflict was between the US and allied forces on one side, and the loose coalition of Islamist and Iraqi nationalist armed opponents on the other, in 2006 the situation was dramatically complicated by the outbreak of a civil war between armed Sunni and Shi'ite groups. As a result, hundreds of thousands of people, in Baghdad and elsewhere, were forced to flee their homes, over one million went into exile, and sectarian killing, only remotely related to the war against the US occupiers, acquired a dynamic of its own. In this process nearly all forms of pre-existing political and social authority appeared to have been discredited: not only was the, elected but weak, divided and corrupt, Iraqi government unable to control the situation, or to prevent sectarian Shi'ite elements from infiltrating and using the army and police, but the Sunni clergy and tribal leaders on one side, and the Shi'ite leaders, traditional (Ayatollah Sistani) and newly emerged (Moqtada al Sadr) were also unable to maintain unity, or any political discipline, among their own followers. The same phenomenon, of loss of control and authority, also affected the influence of the main outside powers, above all Saudi

Arabia and Iran, who, in regard to the Sunnis and Shi'ites respectively, were no longer in a position to direct their former clients and sympathisers within Iraq. Added to this was the role of the 'foreign fighters', the Sunni Islamists that followed, and were to some degree directed, by Al Qaida, and who saw in Iraq an ideal place to develop their guerrilla, propaganda, training and recruitment activities.

If there was a moment when the axis of conflict shifted from being predominantly Iraqi resistance-US forces to acquiring this more complex and dangerous character, it was on 22 February 2006, when Sunni Islamists blew up a major Shi'ite shrine in the city of Samarra. A cycle of sectarian violence, ethnic cleansing, fear and militarisation of society then followed, one that the Iraqi government and its US backers were unable to stem. While in the southern city of Basra the British forces in effect abandoned any attempt to police and control the city, and withdrew to a heavily fortified base position outside the populated area, in Baghdad the US forces, commanded by a President who refused to face reality or admit failure, were augmented towards the end of the year, in what was curiously termed a 'surge'. Coinciding as it did with the publication of the Baker-Hamilton report in Washington, a product of the work of the bipartisan Iraq Study Group that called on the President to rethink, and to negotiate with neighbouring states, this military escalation by the USA promised no letup in the longer term crisis of Iraq or of the regime. The Iraqi government, for its part, was itself unable to stem corruption, sectarian killing or infiltration of its forces by sectarian groups.

The development of the war in Iraq represented a massive defeat for the whole strategy of the Bush Administration across the Middle East, one that had, as late as 2004, sought to use the removal of the Saddam Hussein dictatorship to promote democracy in the region, and strengthen support for the USA. When it finally happened at the end of December, the execution of the former Iraqi President was at best irrelevant, at worst an obscene theatre, in the overall context of his country. It was, at the same time, justified as part of the 'Global War Against Terror' launched after September 11 2001. However, instead of achieving any of these goals, it

became evident that, if anything, the US invasion of Iraq had heightened hostility to the USA, to the west as a whole, and to moderate and reasonable voices within the region, and, through promoting a recruiting ground for guerrillas and *jihadis*, in effect reinforced the widespread sympathy for Bin Laden and his tactics that existed in the Arab and Muslim worlds. In regional terms, the Iraq war affected the situation within, and international relations of, a range of countries, from Iran and Turkey, to Syria, Jordan and Saudi Arabia. It was, in effect, the most serious outbreak of conflict in the region for probably half a century or more, since, indeed, the first Arab-Israeli war of 1948-1949. What its longer-term consequences would be is too early to say, but it may well become the formative political, and military, experience for a future generation of Middle Eastern leaders and militants.

Iran and Regional Dominance

Among the many, unanticipated but by now evident, consequences of the war in Iraq was the increased influence, and military importance, of Iran. Two and a half decades after the revolution in Iran, the regime of the Islamic Republic retains, as have all revolutions, a set of goals that combine state interest, revolutionary internationalism and, as the French, Russians and Chinese all showed in their post-revolutionary years, reformulated elements of imperial and hegemonist aspiration. In many ways, the Islamic Republic found itself, after the fall of Saddam Hussein, in the most advantageous position it had been in since the 1970s: to the east, the USA and its allies had removed Iran's fanatical Sunni enemies, the Taliban, in 2001, and now, after Iran itself had failed to dislodge Saddam in the bloody eight year war of 1980-1988, a war Iran had helped to provoke with its reckless incitement to Islamic revolution in Iraq, the USA had, in 2003, removed the Ba'athist regime from power. With 60% of the Iraqi population Arab Shi'ite, and the two Kurdish parties, representing another 25% broadly beholden to Iran, and with substantial political, economic, religious and intelligence networks within the country, Iran was, in the words of one senior Arab observer, 'the main occupying power in Iraq'. Iran had no territorial claims on Iraq nor did it wish to replicate the kind of control that

the USSR had, after World War II, imposed on the 'People's Democracies' of Eastern Europe. What it wanted was an Iraq capable of helping Iran in its bid for regional influence, one that was free of US and, as far as possible, Turkish and Saudi influence.

The USA was slow to recognise either Iran's influence, or its aspirations, not least the fact that, in broad terms, because the elections returned Shi'ite and Kurdish majorities, Iran broadly favoured the political changes introduced by the USA in Iraq. By the time this became clear to Washington, matters had become more complicated. First, Iran had to a considerable extent lost control of the political process in Iraq, not least with the fragmentation and increasingly sectarian radicalisation of the Shi'ite population itself. Secondly, the very increase in Iranian influence, and misguided propaganda from Tehran about the new regional importance of the Shi'ites, meant that hostility to Iran was growing in the Arab world, at least among some of its rulers (in Egypt, Jordan, Saudi Arabia). Thirdly, the issue of Iran's, in itself potentially constructive, role in Iraq was now overlain, in US eyes, by two other controversial processes, Iran's support for radical Palestinian groups, such as HAMAS and its President's repeated calls for Israel to be eliminated, and the issue of Iran's nuclear programme. On top of all this, of course, came the unexpected election as President in 2005 of Masud Ahmadinejad, a representative of the most bigoted, confrontational and coercive elements in the Iranian state, more or less those who issued from the Iraq-Iran war, and who enjoyed the support of the real wielder of power, the (unelected) Spiritual leader since 1989, Ali Khamenei.

Iran's actions and words have to be seen in the context of its regional position, facing rivals and conflict on its eastern and western borders, of its long history of invasion and covert interference by outside powers in the last century, and of the fact that, less than three decades after the fall of the Shah, it remains a country still shaped by revolutionary militancy and objectives. The election of Ahmadinejad, in the third decade of the revolution, bears similarities with other such newly radicalising paroxysms in other modern revolutions, be it Russia in the 1930s, China in the Cultural

Revolution and Cuba during the *rectificación* of the 1980s. Yet Iran's overall goals are of a more conventional, if still to the west unacceptable, kind: it wishes to see its influence recognised in all directions, in Afghanistan and Central Asia to the east, and in Iraq, Syria, Lebanon and Palestine, as well as in the Gulf, to the west and south. The pursuit of nuclear weapons, or at least the theatrical policy of pursuing what has, in other contexts, been termed 'nuclear ambiguity' is a reflection of such political and strategic aspiration, as well as, self-evidently, being a policy designed to stave off further invasion and attack from outside. All of this would suggest that for the coming years, as, in effect, has been the case since the revolution of 1979, the dominant axis of conflict in the Middle East, and one that stretches from Pakistan and Afghanistan on the borders with China, to Lebanon, Syria and Palestine on the Mediterranean is that which pitches the Iranian revolution and its allies against the USA, and those states, notably Egypt, Israel and Saudi Arabia, most closely aligned with it.

Israel and Lebanon: the Lessons of the 'Summer War'

Alongside the continuing war in Iraq, and the shock waves it sent across the region, the other most important event in the Middle East during 2006 was the war that broke out in late July between Israel and Hizbullah in Lebanon. The situation in Lebanon, and along the Israeli-Lebanese frontier, had been tense ever since the Israeli withdrawal in July 2000: Israel had sought to avoid further involvement in Lebanon, where it had, over two decades, failed to destroy its enemies or install a friendly, pro-western, regime in Beirut. While Syrian forces had, under international pressure, withdrawn in 2005, few doubted that Syria still maintained strong influence in Lebanon, via Hizbullah, via certain sections of the Maronite community, led by President Lahad, and via the intelligence networks it maintained and which it periodically used to assassinate Lebanese politicians and writers who opposed its role in that country. With Syrian help, and, via Syria, that of Iran, Hizbullah had come to play an even more important role than hitherto in the politics of Lebanon, with over twenty deputies in parliament and two ministries, while, at the same time, maintaining and building up its covert military presence in southern Lebanon, up to the Israeli frontier.

Few could have doubted, therefore, that at some point in the future another conflict would break out between Israel and Hizbullah, not least because both sides were openly, and consistently, committed to the destruction of the other. Israel regarded Hizbullah as a 'terrorist' organisation, despite its large political and social presence in Lebanon, and Hizbullah remained committed to the elimination of the Jewish state. With a rhetoric of extreme hostility to Jews, Hizbullah claimed that, after it had taken them twenty-two years to drive Israel out of Lebanon, they were now preparing to drive the Israelis out of Palestine as well, even if it took decades.

The war that actually broke out in July 2006 was almost certainly, however, premature, in that it was the result of miscalculations on both sides about the reaction of the others: the spark was the escalation of tension in Gaza, following the kidnapping of an Israeli soldier by Islamist militants, and the strong Israeli response to this. In solidarity, and, it would seem, in the mistaken belief that Israel would, after some time, repeat its policy of a prisoner release deal, under which Hizbullah personnel long held in Israel would be freed, Hizbullah mounted an operation to capture two Israeli soldiers along the frontier. The result was, however, that Israel, unable and unwilling to reoccupy Gaza, instead launched a military offensive against Hizbullah in Lebanon. Starting with days of air attack, this was followed by a land invasion. In response, Hizbullah dug into its positions in southern Lebanon and, at the same time, launched around 4,000 missiles against targets in northern Israel. Overall Israeli casualties were low, but the evacuation of several hundred thousand people from towns and cities in the north of the country, including Haifa, and the inability of the Israeli armed forces either to recover their kidnapped soldiers or to destroy Hizbullah, were seen within the country as a failure. A small, but indicative, index of this unwelcome outcome was the inability of Israeli commentators and politicians to find an agree name for this war, in contrast to such earlier, and confident, names such as 'The Six Day War', of June 1967, or the 'Yom Kippur War' of October 1973.

On the other side, while Israel imposed a heavy price on Lebanon as a whole, destroying bridges, public buildings and parts of Beirut where Hizbullah was based, the ability of Hizbullah to hold out for several weeks and, in the end, to force the Israelis to leave without the latter having attained their goals, was presented as a victory, and widely seen as such in the Arab world. Within Lebanon, a significant minority of opinion disagreed with this verdict, seeing Hizbullah as the tool of foreign states, namely Syria and Iran, and criticising the Shi'ite party for its recklessness, miscalculation and failure to foresee the cost Israel would impose on the country. Any Israeli, and US or European, hope that this war would, finally, force the Lebanese to build a stronger state, and, in particular, deploy effective armed forces in the south of the country, thereby displacing and ultimately disarming Hizbullah, as UN resolutions stated must occur, was, however, proven unfounded. Lebanon remained divided between pro- and anti-Syrian forces, the Lebanese army remained weak, not least because many of its ordinary soldiers were themselves Shi'ites from the south of the country, and the only security was provided by a new UN force deployed in the former combat areas. It was safe to assume that, while both Israel on one side, and Iran and Syria on the other, had decided to limit the extent, and duration, of this war, both sides were envisaging another outbreak of conflict, with possibly wider implications, at some point in the future.

The broader implications of this war were considerable. First of all, it was the first time since 1948-1949, i.e. in all of the six Arab-Israeli wars, that Arab forces had been able to inflict serious damage on Israeli territory and its inhabitants. A sense of powerlessness, and anger with the politicians in Tel Aviv and Jerusalem, was widespread in the country. One immediate consequence of this was the government of Ehud Olmert, which had been planning to make a unilateral withdrawal from parts of the West Bank, following that from Gaza in 2005, abandoned any such plans. Secondly, this was the first time that an Arab force had in effect successfully held off, and resisted, the Israeli army and over several weeks. Most important all was the regional character of this war: while it was seen at the time as another Arab-Israeli war, the sixth, it was also, more ominously, the first Israeli-Iranian conflict. Few who knew Hizbullah doubted that, while Iranian forces

remained out of sight and away from the front line itself, the political and military strategy of that organisation was at least co-ordinated and supported by Iran, if not directed by them. Now that Iran had an emplacement in Lebanon, and, increasingly among the Palestinians, and as the new Iranian President Masud Ahmadinejad was openly calling for the destruction of Israel, the long run implications of this for the area, and for the security of Israel, were serious. .

New Bids for Power: Russia, China, Latin America

The significance of 2006 was not, however, confined to the Middle East. Indeed, in many respects, and excluding the importance of Gulf oil for the world economy, what happened in this unstable and authoritarian region mattered little to the rest of the world, In other regions, be this eastern Europe, east Asia or Latin America, distinct and largely autonomous trends were observable, whereby the states of the region sought more and more to assert their own political wishes and lessen the control of the USA. Insofar as Iraq distracted US political attention from the broader maintenance of its hegemony worldwide, these regional initiatives were augmented by the war in the Middle East. But more important was the fact that over time, and particularly since the major changes in the international system attendant upon the collapse of communism, and the simultaneous wave of democratisation in Latin America, the politics and preferences of these regions had come to greater maturity and their leaders were more able to articulate them.

In eastern Europe, and to some degree also in Transcaucasia and Central Asia, Russia under Vladimir Putin was now more able than ever to assert its power, in some combination of political and diplomatic influence, economic pressure via oil and gas supply and direct military presence. This reflected, however, a strengthening of the Russian state over the years since Putin came to office in January 2000 and the fact that with higher oil and gas revenues the Russian economy had acquired greater dynamism. If Russia had ever appeared to accept a world order in which the USA was the dominant and indeed sole global power, these days were now over, and,

particularly in Eastern Europe and Ukraine, Russia came to assert a part of its previous authority, albeit without recourse to military force. For China, 2006 provided the occasion for increased diplomatic activity, as it took an active role in diplomatic initiatives towards North Korea, while, at the same time, making a major, strategic and economic, bid for a greater presence in Africa. The intentions of the Chinese leadership with regard to domestic political change remained unclear, even as the economy and society moved rapidly beneath them, but in international relations, especially with regard to Japan and the USA, it was evident that China was not seeking a rapid confrontation. More surprising, perhaps, was the continued loss of influence by the USA in Latin America. The Bush administration had, despite initial promises, shown little interest in this continent, and had, apart from a misguided security policy in Colombia, played a marginal role in Latin America's affairs. Resigned to allowing Cuban domestic change to take its course, Washington was both alarmed, and seemingly ineffective, in the face of the defiance enunciated by President Chavez of Venezuela, himself re-elected with a more radical programme in 2006. Dealing with Latin America was, however, all the more difficult because of the rise there of a new populist nationalism, one that affected many states and to which, without any of the global implications that would have been associated with a radical wave during the Cold War, the USA was unable to respond.

The Limits of State Power

For the USA the most important lesson of 2006 was certainly that of its inability to prevail in the conflict in Iraq, despite three years of occupation, a political elite in Washington determined to prevail, and a defence budget that, at well over 400,000 million dollars, dwarfed that of the next five countries. In retrospect, it became evident just how little Washington had planned for the post-Saddam epoch, either in terms of political and economic arrangements within Iraq, or in terms of what was involved in long-term military occupation, or in terms of the need to involve regional powers, and most importantly of all Iran, in the process of building a new regime inside that country. Although some critics, even from within the armed forces, had in the course of 2005 been speaking out about the

catastrophic military situation inside Iraq, and as the press, and Congress, released stories of gross inefficiency and corruption within the administration of the country, the Bush administration itself, and till very late much of US public opinion and of the political elite continued to believe that they could win in Iraq and defeat the opposition coalition.

Nor was the USA the only state to encounter the limits of its power. In the Middle East the two most contrasted states, Israel and Iran, both, in differing ways, came up against the limits of their influence, the former in the confrontation with Hizbullah in Lebanon, the latter in the spiralling communal and factional violence in Iraq in which Sunni and Shia were pitted against each other, and various factions were conflicting within each group, in a process that Iran no longer controlled. At the same time Turkey, accustomed in the era of Saddam Hussein to exercising a limiting control on events in the Kurdish zone of northern Iraq saw its influence there curtailed, by the presence of the USA, while Saudi Arabia under the new King Abdullah, although committed to increasing its diplomatic profile on the Middle East and to promoting some social and political change at home, found itself unable to deliver even on the modest commitments it had made.

This limitation of state power was compounded, in Europe and at the global level, by other, separate but reinforcing, processes. Of these three merit particular attention. One was the impasse in the European Union were, following the rejection of the European Constitution by France and the Netherlands in 2005, the process of institutional reform came to a halt, and the major states, not least France, consigned the issue to the margins. This paralysis in reforming the EU was compounded by the near collapse of the EU's major international initiatives, the dialogue with Turkey, the Barcelona Process, and engagement with the Arab-Israeli conflict, and by a series of failed policies with regard to individual Middle Eastern countries: the Israelis built their 'Separation Wall', the Palestinians elected HAMAS, the Iranians pursued their nuclear programme, the Sudanese government and opposition groups undermined the Darfur peace negotiations, the Egyptians

and Saudis refused to reform their political processes, and the Turks refused to yield on Cyprus – all despite EU pressure on these matters. Within the EU the departure of Silvio Berlusconi must have come as a welcome relief to the political elite in Brussels, but this gain was more than offset by the emergence in the largest of the members, Poland, of an aggressive and disruptive anti-European government.

The second such process was the crisis of the United Nations, a major component of, and itself an influential factor in, the more general entropy of international institutions, international law and, indeed, much of what is termed 'internationalism' in the modern, liberal, inter-state system. The role of the USA in this critical development should not be underestimated, be it the disdain for international law and moral common sense shown in the conduct of the campaign against terrorism, the refusal to pull its weight in addressing the issue of climate change, or, more directly, in the obstructive and arrogant behaviour of US diplomatic personnel, headed by Ambassador John Bolton, within the UN itself. The manner in which the USA prepared for, and then carried out, the invasion of Iraq in 2003 was one of wilful manipulation and discarding of the UN, a treatment compounded by the failure of the US, the occupying power, to protect the UN Special Envoy Sergio di Mello and his colleagues when their hotel was blown up in Baghdad in August 2003. However, the crisis of the UN goes much further than the role, and input, of Washington and relates to the whole array of bureaucratic, inter-state and regional arrangements by which the UN has come to be run over the past sixty years and more. If, in the mid-1990s, there was some optimism about the ability of the UN to act in concern and with effect in regard to major crises in the world, this reflecting the success of the 1991 operation in Kuwait, such optimism was dissipated by the delays and failures of Somalia, Bosnia and Rwanda, and was wholly discarded by the launching of the war against Iraq. Against this background, the attempt of outgoing Secretary-General Kofi Annan to introduce a set of major reforms, and of other aspiring states to alter the composition of the Security Council, came to nothing. Virtually none of the reforms, in themselves limited, proposed by Annan were realised, and even the reform of the Human Rights Committee, this supported by the USA, proved to be

ineffective. His successor, the hitherto low profile Korean diplomat Ban Ki-moon, inherited a role greatly reduced from that of the international leadership associated in earlier times with the post of Secretary-General.

These difficulties attendant upon the construction of inter-state, or 'intergovernmental', organisations such as the EU and the UN were, moreover, compounded by a global situation in which the ability of states to address major issues in a concerted, effective and purposive manner was thrown into question. One obvious example of this was the stalling, and possible collapse, of the Doha Round of international trade talks in July. This had been the flagship of global governance reform, and of the liberal internationalist project, embodied in the recently established World Trade Organisation, to manage and facilitate global economic development. Equally striking was the failure of effective global governance, indeed of even minimal producer-consumer co-operation, in energy markets: while a cartel of oil producers, accounting in 2006 for a little over a third of world production, was able to push oil prices up to \$70 a barrel, there was little that the oil consuming states, or those who, in general, were responsible for managing the world economy, could do to counter this.

Even more serious was the failure of states adequately to address let alone in any meaningful sense regulate some of the other trends that were characteristic of contemporary globalisation: environmental degradation and global warming. Here, despite decades of warnings and of sensible and practicable proposals from experts and relevant international bodies, the world remains as chaotic, cruel and arbitrary as it was three or four decades ago. That the oil producers have in recent years shown themselves disdainful and obstructive of attempts to regulate global carbon emissions and reduce pollution is another major, if less publicised, area of discord.

Related to these failures of governance and regulation is the vast, and only episodically registered, world of illicit economic activity: this includes illegal migration, and the conjoined scourges of drugs trafficking, money laundering and corruption. Intermittently addressed by politicians, and reported spasmodically in the remoter sections of the press, the vast, and by all indications growing, domain of illegal movement of people, drugs,

money across frontiers was driven as much by the demand of developed societies (for designer drugs, for cheap labour, for speculative investment) as it was by the much more publicised supply of such goods from developing and poorer countries. While much of the attention of states, and of analysts, has been focussed on the *regulatory* and *visible* side of globalisation, the indications, spasmodic as they are, would suggest that there is an equally large and growing part of the world economy, and of transnational activity, which is *unregulated* and *invisible*. It is as if all attention was paid to the bright, visible, side of the moon, and almost none to its, equally large, dark, and invisible, counterpart.

Conclusion: Self-correction or Catastrophe

In a number of countries, 2006 marked significant and, by implication, longer-term change: the election of Angela Merkel in Germany, with a similar shift to the right anticipated in France in 2007, and with the prospect of a post-Blair Labour collapse in Britain, represented an important alteration of the political climate in the major states of Europe, even if it was offset by the election of the, rather shaky, centre-left government of Romano Prodi in Italy. If Abe is able to deliver on his bid to rid Japan of the constraints on military activity, and to make his country a 'normal' state in security terms, this could have major implications in East Asia. By contrast, in Latin America, the re-election of *Lula*, the election of Michelle Bachelet in Chile, not to mention the emergence of Daniel Ortega in Nicaragua, reflected a radicalisation of that continent, offset only the triumph of the rightwing candidate in Mexico, Felipe Calderón. The Democratic Party's electoral triumph in the US Congressional elections certainly signalled the end of the neo-conservative wave in the USA, but the patriotic embroilment of the Democrats in the Iraq war in 2003, the internal divisions within that party and, most important of all, the fact that America as a whole had moved dramatically to the right since the Clinton years and 9/11, meant that there would, even if a Democrat won in 2008, be no return to the liberal internationalism of the 1990s.

Of greater concern, and linked to the erosion across the world of the power of states and of the authority of politicians, was the inability of the international community collectively, and in a purposive and planned manner, to address the many trans-national problems that they confronted, be this illegal financial activity and drugs provision, the degradation of the environment, or migration. On many of the larger issues no answer was forthcoming, be this the sustainability of Chinese economic growth, the limits of Russia's new statism, the entropy of the European federal process, or the incidence of Islamist terrorism in the Middle East and elsewhere. Of as yet opaque, but potentially momentous, consequence was the longer-term impact of America's apparent failure in Iraq. As rich as it was in important and in some cases dramatic events, 2006 postponed and redefined, as much as it resolved, the major issues of our age.