

Annual Review 2010–11
Navigating the new geopolitics

New power dynamics
Emerging security challenges
Financial shifts
Governing resources
Tipping points



CHATHAM HOUSE

Chatham House has been the home of the Royal Institute of International Affairs for ninety years. Our mission is to be a world-leading source of independent analysis, informed debate and influential ideas on how to build a prosperous and secure world for all.

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What we do at Chatham House

Origins

Chatham House has been the home of the Royal Institute of International Affairs for ninety years. In 1919 British and American delegates to the Paris Peace Conference, frustrated by the waste of human life caused by the First World War, conceived the idea of an Anglo-American institute of foreign affairs to study international problems.

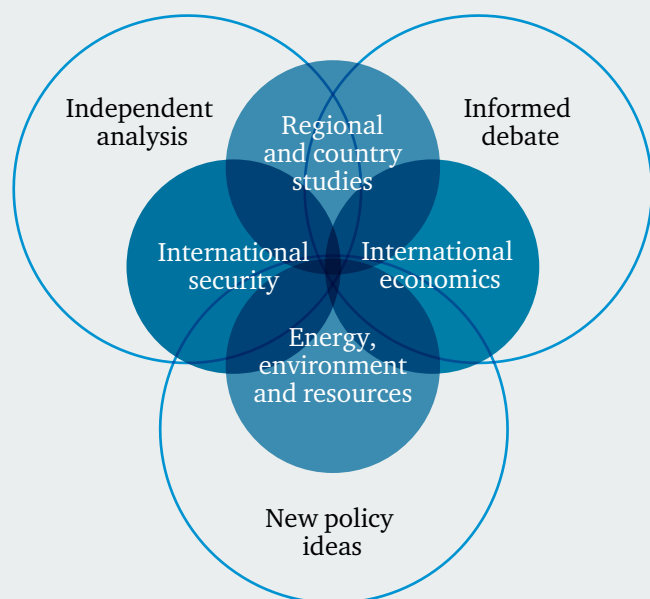
In the event, the British Institute of International Affairs was founded in London in July 1920 and the American delegates established the Council on Foreign Relations separately in New York. The institute received its Royal Charter in 1926 and became the Royal Institute of International Affairs. Since 1923 the institute has been based at Chatham House and is now more commonly known by this name. Chatham House, the home of three former British Prime Ministers, is located in historic St James's Square close to key government departments in the heart of London.

Mission

Our mission is to be a world-leading source of independent analysis, informed debate and influential ideas on how to build a prosperous and secure world for all. Chatham House pursues this mission:

- by drawing on our membership to promote open as well as confidential debates about significant developments in international affairs and about the context and content of policy responses;
- by producing independent and rigorous analysis of critical global, regional and country-specific challenges;
- by offering new ideas to decision-makers and decision-shapers on how these challenges could best be tackled from the near to long term.

What we do



Independent analysis

- Our Briefing Papers, Programme Papers, books and other research output provide independent and in-depth analysis across a comprehensive range of international issues.
- Chatham House's journal, *International Affairs*, published six times a year, occupies a unique space for scholarly analysis on important policy issues.
- The institute's magazine, *The World Today*, offers a range of international commentaries on current developments.
- The Chatham House website provides access to the institute's reports, papers and event transcripts, audio and video, receiving over 950,000 individual visits in the last year, a 20% increase on the previous 12 months.
- The institute received over 2,000 citations in major international media outlets during 2010–11, reflecting the extensive use that broadcast, print and online media make of Chatham House expertise.



Far left: UK Prime Minister David Cameron MP speaking at Chatham House.

Left: Dr Robin Niblett and Christine Lagarde, now Managing Director of the International Monetary Fund, at a conference hosted by Chatham House in New York in April 2010.



From left to right: Luiz Inácio Lula da Silva, President of Brazil (2003–10) and 2009 Chatham House Prize winner.

Ellen Johnson-Sirleaf, President of Liberia, speaking at Chatham House.

UK Deputy Prime Minister Nick Clegg MP outlining the Liberal Democrats' approach to foreign policy at Chatham House in 2010.

Members

Ever since our founding in 1920, Chatham House has relied on its members to support its mission, especially its role as a platform for informed debate on the most pressing issues in international affairs. Members are drawn from the worlds of business, diplomacy, academia, politics, the media and civil society. They play an essential role in questioning and challenging world leaders and other speakers when they visit Chatham House.

While the majority are UK-based, overseas members (based in 75 countries) form an increasingly significant proportion of the total. The financial support

from members, through their annual subscriptions and donations to the Annual Fund and other initiatives, is a vital source of discretionary revenue for the institute that is central to sustaining its independence. The Chatham House Council is composed of members of the institute, elected annually for a three-year term. The Council may co-opt a small number of additional members each year.

‘Chatham House provides independent thinking and practical options to help governments and other decision-makers adapt their policies to the new environment’

Dr Robin Niblett, Director

Informed debate

- Each year Chatham House hosts close to 100 public meetings for its members and about 20 major one- or two-day conferences which enable world leaders and experts to share their views and engage in discussion.
- Research programmes host a further 200 workshops, seminars and briefings each year, many under the Chatham House Rule, to allow for frank discussion among policy stakeholders.
- Chatham House experts are frequently requested to give evidence to legislators in London, Brussels, Washington and other capitals.
- Chatham House hosts regular briefings for corporate partners and members, enabling them to interact with invited speakers under the Chatham House Rule.

New policy ideas

- Many Chatham House research projects culminate in the publication of Chatham House Reports which make recommendations to tackle a range of key policy challenges.
- These recommendations are frequently developed iteratively through workshops with leading policy-makers, giving them a stake in the ownership of the ideas.
- Chatham House experts provide briefings with their ideas to government officials and legislators in relevant capitals around the world.
- Chatham House has been ranked the top non-US think-tank for the third year in a row in 2011 in a comprehensive international survey carried out by the University of Pennsylvania.



William Hague MP pictured with Ed Davey MP (left) and David Miliband MP (right) in a moderated discussion ahead of the 2010 UK General Election.



Above: President Shimon Peres at a Chatham House conference on British-Israeli relations in 2011.

Right: Each year Chatham House hosts around 100 public events for members, 20 one- or two-day conferences and numerous private workshops and roundtable discussions.



Below: The Chatham House Prize is an annual award presented to the statesperson deemed by members of the Royal Institute of International Affairs at Chatham House to have made the most significant contribution to the improvement of international relations in the previous year. President Gül of Turkey, the 2010 winner, was presented with the award at a ceremony attended by the Patron of the institute, HM The Queen.

‘The Chatham House “family” of Council, advisers, staff and members forms a remarkable constellation of expertise and commitment to the work of the institute. This is what makes Chatham House such a powerful and unique forum for the analysis and debate of international affairs’

Dr DeAnne Julius CBE, Chairman



2010–11 Review



Chairman's Statement

I am very pleased to report another year of growth and achievement for Chatham House. For the third consecutive year we were voted the number one non-US think-tank in a major international survey of our peers; we achieved an overall net surplus for the year of £344,000; and our staff grew to 105 people, the highest level since our founding in 1920.

Our continued success rests on two pillars: the quality of our research and the support of our members, both individual and corporate. This document highlights a mix of the research projects, publications, conferences and members events that shape and spread our research and engage our diverse and well-informed membership. Individual membership exceeds 2,600, the fastest-growing category being the Under 35s (now nearly 600). Our corporate membership has grown to 326 including 73 Major Corporates and Corporate Partners. On behalf of Council, I would like to thank all of you for your vital support.

We try to continually improve the benefits we offer to members. Over the past year we have made significant investment in our library and in the renovation of the common areas of the building. We are using the Annual Fund donations to extend our multimedia outreach both for an international audience and for members who cannot always attend key meetings in person.

It is with some sadness that I would like to acknowledge and thank Lord Robertson, who steps down as a Chatham House President, and Council members Tony Baldry MP, Stuart Popham and Denis MacShane MP, all of whom are completing their second terms. Their wisdom and support have been invaluable in shaping the institute's recent success. And I would like to pay special tribute to the Director, Robin Niblett, for the inspirational leadership and commitment he has shown in guiding and expanding the work of the institute. He and the staff deserve full marks for making this such a successful year.

Yet there is a need for much more innovative research, substantive analysis and informed discussion to help solve the world's many difficult problems. As we approach our centenary, I look forward with confidence to the expanded role that Chatham House can play in that vital task.



Dr DeAnne Julius CBE

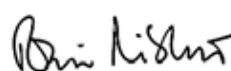
Director's Statement

This year's Annual Review is published in a new format. It offers an overview of our work over the last financial year as well as a snapshot of our recent activities and achievements. It does not include details of every project and event; rather it broadly reflects the range and depth of our research, convening role and external support. Through subsequent reviews in the coming years, we intend to build up a comprehensive picture and record of our work and people during this exciting period of global change.

In this review we describe Chatham House's contributions to thinking about the new geopolitics of our times. We have sought to evaluate and offer policy ideas to deal with the shifts in the worldwide economic and political order (New power dynamics); the changing threats to national and international security (Emerging security challenges); the new global financial and economic conditions (Financial shifts); the struggle for access to natural resources (Governing resources); and the political and social transformation in the Middle East and North Africa (Tipping points).

To explore these changes, we are making special efforts to take our ideas to global audiences, not just through our electronic and media outreach, but through our project work in a number of countries. In 2010–11, we also launched a series of Chatham House International Roundtables, the first two being held in Istanbul and New York. At the same time, Chatham House continues to attract and host world leaders, providing an important platform to hear and debate their views, not least thanks to questions and comments offered by our members. I was delighted that in our 90th anniversary year HM Queen Elizabeth II, the institute's Patron, joined us to present the 2010 Chatham House Prize to Turkey's President Abdullah Gül.

I am extremely grateful for the ongoing support of our Council and advisers, the hard work and dedication of our staff and Associate Fellows, and the loyalty of our members. We look forward to making 2011–12 another successful year.



Dr Robin Niblett

New power dynamics



Chatham House is undertaking a number of projects that evaluate new shifts in the prevailing worldwide economic and political order. This section describes how several Chatham House teams are assessing the impact of these shifts on particular countries and regions.

American responses to global changes

One of the countries most affected by the changing global order is the United States. Chatham House has made it a priority to examine how US foreign policy is adapting to fast-moving events and responding to President Obama's pledge that the country would renew its position of leadership. In pursuit of this aim, Chatham House is running a project on **Rethinking America's International Role**.

It is vital that a non-US institution contributes to the debate over how the United States exercises its power and influence in the world. Chatham House is the only such institution looking at the totality of US affairs outside the US-European context. The project, combined with the publication in May 2010 of *America and a Changed World: A Question of Leadership*, a book edited by Chatham House Director Dr Robin Niblett, put forward challenging notions for US policy-makers.

American power has been especially constrained in recent years by three factors: the world financial crisis, reactions to the war in Iraq and the rise to prominence of other nations. One of the main findings of the project is that, as a consequence, the United States needs to offer a new style of leadership that seeks to enable change rather than view the United States as its principal instigator.

Right: President Barack Obama and Brazilian President Dilma Vana Rousseff participate in an arrival ceremony at Palacio do Alvorada in Brasilia, in March 2011.

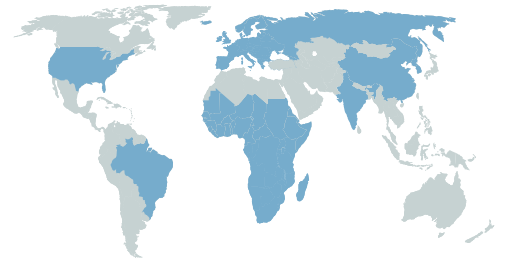
Far right: The G20 Nations' Agriculture Ministers before the G20 Agriculture Summit, Paris, in June 2011. Food security is a growing theme in Chatham House's work on resources.





Far left: Anne-Marie Slaughter, Director of Policy Planning at the US State Department (2009–11), spoke at Chatham House about the inaugural Quadrennial Diplomacy and Development Review in January 2011.

Left: Fu Ying spoke at Chatham House during her tenure as Chinese Ambassador to the UK (2006–09) before taking up her current role as Vice Minister for Foreign Affairs in Beijing.



Adapting UK and European foreign and security policy

Chatham House is undertaking a project on ‘Rethinking the UK’s International Ambitions and Choices’ to assess how the country’s economic, development, energy and defence policies need to adapt to the new international power dynamics. A series of papers in 2010 concluded that the UK still has many strengths to play to on the international stage, but it will continue to depend on its US and European allies in order to leverage its economic and security interests.

Dr Robin Niblett and Dr Paul Cornish, International Security Programme (ISP) Head, were involved in external consultations leading up to the publication of the National Security Strategy and the Strategic Defence and Security Review in October 2010. In the same month, Chatham House published a report by Dr Cornish, *Strategy in Austerity: The Security and Defence of the United Kingdom*, which looked at key elements of national strategy and offered a framework for assessing the durability of the 2010 UK strategy review. Dr Cornish and Associate Fellow Dr Andrew Dorman also published a series of journal articles in *International Affairs* which assessed the planning process and the aftermath of the strategy review.

ISP is leading a project on ‘European Security and Defence’, which encourages young academics from the UK and elsewhere in Europe to reflect and write on changes in international and regional security. In addition, two papers, by Julian Lindley-French and Benoît Gomis, assess the potential for effective implementation of the November 2010 UK-France Declaration on Security and Defence Cooperation as well as challenges and opportunities for greater cooperation between Britain and France.

In January 2011, ISP launched a major two-year research project on ‘Cultural Dialogue in International Security’. Supported by the British Council, the Goethe Institute and the Norwegian Ministry of Foreign Affairs, the project’s first phase explores the different conceptual and problem-solving approaches that US and European decision-makers bring to the new international security environment. The next phase will engage thinkers and decision-makers from each of the world’s main rising powers in a cross-cultural dialogue on security.





Africa: trade takes over from aid

The shifts in Africa are hard to define, although changing balances in international power have clearly left their mark. In June 2010 Chatham House published a report, *Our Common Strategic Interests: Africa's Role in a Post-G8 World*, by Tom Cargill, which argues that African countries are now playing a far greater role in international affairs. Countries which do not take account of this shift and remain locked in an approach dominated by humanitarian aid will risk losing their status as privileged partners in sub-Saharan Africa to emerging countries, especially from Asia and Latin America. China, South Korea, India, Brazil and Turkey, among others, are all seeking new trading and investment opportunities in the region.

Africa contains countries at differing stages of development, and referring to the continent as a whole can obscure these disparities. Nevertheless, the report concluded that there is a strong case to be made that global interests would be best served by offering the African Union a place at the G20. In return African nations should continue to develop a more strategic approach to regional leadership.

Brazil's ambitions and choices

Brazil is emerging as a global and not just a regional power, and Chatham House has been examining how the country uses its enhanced status to interact with the world. In Rio de Janeiro in April 2011, Chatham House co-convened a conference on 'Brazil and the World: Opportunities, Ambitions and Choices' with the Centro Brasileiro de Relações Internacionais (CEBRI). Looking at Brazil's ambitions over the next ten years, this event examined the role of Brazil as a bridge between North and South in international economic negotiations; management of Brazil's natural resources; its contribution to international development; and the Brazilian reform vision for multilateral institutions.





Far left: Ambassador Johnnie Carson, US Assistant Secretary of State for African Affairs, speaking at Chatham House in 2011 about US policy goals in Sudan and the transition to Southern independence. At the start of his speech he referenced the 'vital role' Chatham House plays in 'shaping foreign policy decision-making not only in London, but in Washington and other capitals around the world'.

Left: Chatham House held the inaugural Istanbul Roundtable in June 2010. This was the first in a series of Chatham House International Roundtables hosted outside the UK. A second roundtable was held in New York in April 2011.

Turkey: A bridge between East and West

Like Brazil, Turkey is showing new regional and global ambitions, from the Caucasus and Central Asia to the Middle East and sub-Saharan Africa. In 2010 Turkish Foreign Minister HE Ahmet Davutoğlu described at Chatham House the reasons for Turkey's new international activism.

In June 2010 Chatham House organized its first Istanbul Roundtable looking at Turkey's position in the modern world, and how it fits into the changing international system. Turkey has emerged unscathed from the recent global financial crisis, partly owing to measures taken after its own severe economic problems in 2001–02. Turkey is also looking towards Africa to underpin its global ambitions. A Chatham House workshop in Istanbul in April 2011 in collaboration with the Istanbul Policy Center (Sabanci University) and the Confederation of Businessmen and Industrialists of Turkey (TUSKON) explored the growing political, economic and cultural ties between Turkey and Africa.

Russia's soft power

There is a view that Russia does not exert soft power – the skein of business relationships, energy links, state-corporate affairs, and cultural and linguistic ties – but this ignores the different interpretations of the concept by Russia and the West. In particular, the Western powers tend to forge soft-power links for the future through the power of attraction. Russia's soft power operates rather on the basis of the past, appealing especially to other countries from the former Soviet Union. Russia also seeks to mix its powers of coercion with those of attraction.

To evaluate the issue, Chatham House has set up a project looking into several aspects of Russia's soft power. In March 2011, a seminar entitled 'Soft Power? The Means and Ends of Russian Influence Abroad' examined the spectrum of Russia's interests and the ways that these are interwoven with its foreign policy objectives, albeit not always successfully. Russia wants help from the West to modernize (technologically and financially, not politically), as well as involvement in international decisions, while seeking no enlargement of NATO or the EU, and promotion of its top-level business interests.

Two papers, *Russia's Business Diplomacy*, by Andrew Wood, and *Russia's Energy Diplomacy*, by John Lough, were published in May 2011. Further studies of Russian attitudes towards Ukraine, the Baltic states, the South Caucasus and Central Asian states, and NATO and the EU are in preparation, as is an overarching monograph on Russian soft power.



From left to right: South African Foreign Minister Maite Nkoana-Mashabane (right) talks to her British counterpart William Hague (back to camera), during the opening session of the ninth UK-South Africa Bilateral Forum at Lancaster House in London, June 2011.

Manmohan Singh, Prime Minister of India, holds a bilateral meeting with Hu Jintao, China's President, in Sanya, Hainan Province, China.

Turkish Prime Minister Recep Tayyip Erdoğan waves to the crowd after a speech in Istanbul, June 2011. He spoke earlier at Chatham House on Turkey's response to the global economic crisis.

Russian President Dmitry Medvedev seen during his meeting with Deputy Prime Minister Dmitry Kozak in the Gorki residence outside Moscow, July 2011.



India begins to engage

Chatham House has been tracking India's overtures to African nations as it seeks to expand its trade. In May 2011, the second India–Africa summit explored how relationships were developing from all perspectives. At the same time, the summit signposted that political scrutiny was necessary for Indian investments to be sustainable.

Chatham House has examined how India is coming out of its non-interventionist shell. A report published in May 2011, *For the Global Good: India's Developing International Role*, by Senior Research Fellow Dr Gareth Price, shows how, despite India's traditional concentration on domestic issues, its desire to play a more prominent part in world affairs meshes with the wishes of other countries for enhanced mutual engagement.

China on the world stage

China's entry onto the global economic stage is the most significant phenomenon of recent times. Research by Chatham House has concentrated particularly on the non-state sector, whose expansion is one of the chief sources of growth in the Chinese economy. Chatham House's work on China is interdisciplinary, including analysis of the international monetary system and the renminbi's place within it; the role of Hong Kong, Shanghai and Taipei as international financial centres; and international engagement with China on environmental policy and energy security.

Our researchers also follow domestic Chinese politics closely, monitor China's growing part in international affairs and assess how its leaders are responding to a world in flux. In particular, their regular analysis of how its people view the West, especially countries within Europe, will now feed into Chatham House's involvement in the ECRAN project (see box below).



The ECRAN project

The **Europe China Research and Advice Network (ECRAN)** project has been awarded to a consortium involving Chatham House, the University of Nottingham and Galway Development Services International and led by Steinbeis GmbH & Co. KG für Technologietransfer. Dr Kerry Brown, Head of the Asia Programme at Chatham House, has been appointed as the team leader for ECRAN. The network, launched formally in May 2011, is designed to increase the capacity of European policy-makers to measure current developments in China on the political, economic and social levels. The project, funded by the European Union with a budget of €2.5 million for three years, will focus in particular on the likely impact of these developments on the EU and on EU–China relations.



Left: Chinese President Hu Jintao, right, and his Premier Wen Jiabao arrive at the celebration of the Communist Party's 90th anniversary at the Great Hall of the People in Beijing, in July 2011.

People

New power dynamics



Kerry Brown

Dr Kerry Brown is Head of the Asia Programme at Chatham House. In early 2011, he was also made Team Leader for ECRAN (see box opposite). Kerry Brown is an Associate at the University of Nottingham, the London School of Economics and the School of Oriental and African Studies. He serves on the board of the Great Britain China Centre. Previously he worked for the Foreign & Commonwealth Office, where he was First Secretary, Beijing from 2000 to 2003 and Head of the Indonesia-East Timor section from 2003 to 2005.

In 2010, Kerry Brown wrote a paper on Taiwan's place in the global economy, and his articles on 'China, Iran and the United States: Best Friends with Beijing' and 'China's Leadership: Fractures Finally Showing' were published in *The World Today*. He is author of *Struggling Giant: China in the 21st Century* and *Friends and Enemies: The Past, Present and Future of the Communist Party in China*, both published by Anthem Press. He has completed a book on village democracy in China, *Ballot Box China* (Zed) and *China 2020* (Chandos). His political biography of Hu Jintao will appear in early 2012.



Philip Hanson

Professor Philip Hanson OBE has been an Associate Fellow of the Russia and Eurasian Programme at Chatham House since 2003. He was awarded an OBE in the 2011 Queen's Birthday Honours list for services to Soviet and Russian studies. Professor Hanson is a pre-eminent specialist on the Russian economy, comparative economic systems and the economics of transition. He is Emeritus Professor of the Political Economy of Russia and Eastern Europe at the University of Birmingham.

Previous roles include Senior Economic Affairs Officer, UN Economic Commission for Europe, and Senior Fellow at the Harvard Russian Research Center and Distinguished Visiting Scholar at the Radio Free Europe/Radio Liberty Research Institute in Munich. His books include *The Rise and Fall of the Soviet Economy*, *Western Economic Statecraft* (published by Chatham House) and *From Stagnation to Catastroika*. His latest publication for Chatham House, in 2011, is a briefing paper entitled *On Europe's Fringes: Russia, Turkey and the EU*.



Alex Vines

Alex Vines OBE has been Research Director, Regional and Security Studies at Chatham House since 2008 and Head of the Africa Programme since 2002. He has served on UN Panels of Experts on the Ivory Coast and Liberia. From 1993 to 2002 he was a Researcher for Human Rights Watch, and he continued to act as a part-time Senior Researcher there until 2010. He is also a part-time Lecturer at the Department of International Studies and Social Science and an Associate of the Africa Studies Centre at Coventry University.

In 2010, Alex Vines wrote an article on 'Rhetoric from Brussels and Reality on the Ground: The EU and Security in Africa', published in *International Affairs*, and a paper on *India's Africa Engagement: Prospects for the 2011 India-Africa Forum*.

Currently, he is concentrating on the impact of Asian countries in Africa, politics in sub-Saharan countries, especially Angola, and the development of oil and gas projects throughout Africa.

Far left: A man stands outside a shopping mall in Mumbai.

Left: A worker walks past Hapag-Lloyd containers at the deep-sea port of Shanghai, in June 2011.



Further reading:

- *America and a Changed World: A Question of Leadership*, Edited by Robin Niblett.
- *For the Global Good: India's Developing International Role*, Gareth Price.
- *Our Common Strategic Interests: Africa's Role in the Post-G8 World*, Tom Cargill.
- *Russia's Business Diplomacy*, Andrew Wood

Emerging security challenges

In an interdependent world, there are constant and ever-increasing threats to national and international security. Some of these come from cyberspace or pandemic diseases, whereas others stem from disruptions to energy supplies or changes in the climate. All need to be assessed and addressed swiftly yet thoroughly.

Cyber security

Society's increasing dependence on cyberspace has created vulnerabilities and opportunities to be exploited by unscrupulous actors. Whether through malicious hacking, financial fraud, espionage or cyber warfare, the dangers posed by cyber attacks are increasing the risks to international and national security. However, cyber security is not just the concern of governments and commercial enterprises. It is an issue that concerns all of society, particularly as we become ever more dependent on the global information and communications infrastructure. With this in mind, the International Security Programme at Chatham House is undertaking a range of work which seeks to analyse key challenges in the cyber domain, identify policy responses and establish a knowledge base for policy-makers, government, industry and wider society.

In November 2010, Chatham House published a report, *On Cyber Warfare*, by Paul Cornish, David Livingstone, Dave Clemente and Claire Yorke, which looked at cyberspace as a conflict domain alongside land, sea, air and space. It argued that cyber warfare should be constrained and validated by politics, ethics, norms and values; otherwise the debate can be unbalanced in favour of military and technological responses to emerging threats. The International Security Programme is working with NATO to analyse the evolving role of cyber security within the Alliance. The Programme is also continuing its work with the Virtual Task Force (a financial-sector initiative of the UK Police Central e-crime Unit) and is helping the Foreign & Commonwealth Office with the organization of the November 2011 London International Cyber Conference.

From left to right: A technician of AhnLab Inc. works against cyber attacks at the company's Security Operation Center in Seoul, South Korea, in March 2011.

Mass culling of chickens at a state-run poultry farm following reports of the avian flu virus near Agartala in northeast India. One research theme of the Centre on Global Health Security is the tensions between human and animal health.

People placing flowers by photos of victims of the March earthquake and tsunami displayed during a joint funeral in Iwaki, Fukushima Prefecture in Japan. Chatham House experts provided a wide range of commentary in the aftermath of the consequent nuclear disaster in northeastern Japan.





Andrew Lansley, UK Health Secretary, and Dr Margaret Chan, Director-General of the World Health Organization (WHO), outlined the implications of global health for international development in a June 2011 event chaired by Dr David L Heymann (centre), Head of the Chatham House Centre on Global Health Security.

Disease threats

Health risks such as pandemics pose another growing challenge to international security. Addressing these problems demands a sophisticated and coordinated response from national and international health bodies acting in concert with organizations responsible for international affairs.

Health security can be threatened by chance, by sub-optimal management or by design. For instance, pathogenic microbes are dangerous to global health whether they appear as naturally occurring diseases, as organisms resistant to antimicrobial drugs or in acts of biological terrorism.

There is an urgent need to plan and coordinate an effective response to such threats. Within Chatham House, the Centre on Global Health Security, headed by Professor David L Heymann, was established in 2009 to advise policy-makers on how to reach this objective. One of its key early projects has addressed disease threats and determinants that transcend borders, exploring policies to reduce collective vulnerability to outbreaks.

The trade and economic fallout from Severe Acute Respiratory Syndrome (SARS) and H5N1 avian influenza shows that these health problems have a wide-ranging impact, and conversely that non-health-related decisions can affect health matters. Non-communicable diseases are also on the rise and demand a similar, coherent international response.



Climate security

Climate change is bringing new and hard-to-manage instabilities to the international order in an already turbulent world. In the past year, Chatham House experts have published many papers on climate-related threats and the anticipated bottlenecks these may cause (whether in access to energy, water or other critical natural resources and infrastructure). The papers discussed how climate risks – such as extreme weather events, water shortages, changing sea levels or melting glaciers – will pose serious threats to critical infrastructure as well as global production and delivery systems.

The past five years have seen a steady uptake of climate threats in national security assessments. The US 2010 Quadrennial Defense Review suggests that climate change may accelerate instability and conflict and will change its operating environment. Similar exercises have been undertaken in Spain, Italy, Sweden and the United Kingdom. Even though no major actors see environmental change as the sole trigger for future conflicts, ‘climate change as a threat multiplier’ is a recognized driver of risk today.

Chatham House also hosted a major climate change conference in September 2010 on ‘The way forward in a post-Copenhagen world’. The conference brought together senior decision-makers from government and business with other interested parties to identify practical steps available in the possible absence of an international deal on climate.





Energy security

Closely linked to climate change, energy supply is becoming a cause of great concern for businesses as well as governments. In conjunction with Lloyd's, Chatham House published a 360° Risk Insight White Paper in June 2010 entitled *Sustainable Energy Security: Strategic Risks and Opportunities for Business*. Its authors Antony Froggatt and Glada Lahn set out the new realities of energy supply to which businesses need to adapt if they are to prosper.

The fundamental problem is that environmental factors and swelling markets are making it impossible for businesses to rely on traditional low-cost energy sources. The world is on the verge of an oil supply crisis which will inevitably lead to a steady rise in prices. Just-in-time management and extended supply chains are under strain from energy-related risks.

Fossil fuel consumption must be reduced in order to manage rising energy costs and carbon exposure. Investment in intelligent infrastructure and renewable energy is on the rise and the report argues these will provide great opportunities for forward-thinking companies.

In addition, the whole energy infrastructure is becoming increasingly vulnerable as the environments for operational activity become tougher owing to the effects of climate change. Continuing lack of agreement on how to tackle climate change is heightening uncertainty for business and damaging much-needed increases in investment in energy infrastructure.



The Horn of Africa

The Horn of Africa is one of the world's most turbulent regions. Chatham House has been running a three-year project investigating the economic dimensions of conflict there. Published in June 2011, a paper by Harry Verhoeven, *Black Gold for Blue Gold? Sudan's Oil, Ethiopia's Water and Regional Integration*, looks at the challenges of poverty, population growth, climate change and food supply in these countries. There is mistrust and lack of regional integration around oil, water and hydropower. Conflict may result, and there are many obstacles to overcome, but the paper suggests a path towards cooperation, based on an exchange of resources, trading the Sudanese countries' oil for Ethiopia's water and hydropower.



Left: Dr Paul Cornish, Head of the International Security Programme, pictured with Afghan National Army officers at the Kabul Military Training Centre on a visit to Afghanistan.

People

Emerging security challenges

Left: China Sunergy secured a 7 MW solar module supply contract with CEEG (Nanjing) Solar Energy Research Institute in 2011 for the Nanjing South Railway Station solar-roof project. This is believed to be the world's largest standalone building integrated photovoltaic (BIPV) project for a single structure, and will be one of the most energy-efficient public buildings in China.



David L Heymann

Professor David L Heymann CBE has been Head and Senior Fellow of the Centre on Global Health Security at Chatham House since 2009, the year he was also appointed Chair of the UK's Health Protection Agency. In 2010, he became Professor at the London School of Hygiene & Tropical Medicine. For many years he worked for the World Health Organization, from 2003 to 2009 as Assistant Director-General for Health Security, Environment, and as World Representative of the Director-General for Polio Eradication, World Health Organization (WHO).

In 2010 he wrote two articles for *The World Today* – on 'Haiti: Aftershocks' and (with Heike Baumüller) on 'Health Security and Animal Disease: From Hooves to Humans'. He was co-author of an article on 'Making new vaccines affordable' in the *Lancet* in June 2011.

The Centre on Global Health Security examines global health issues from an international affairs perspective, focusing on their politically and economically sensitive determinants and implications. David L Heymann has guided the project on *Counterfeit Medicines and their Impact on Health*.



David Livingstone

David Livingstone MBE, DSC is an Associate Fellow in the International Security Programme at Chatham House. He has also been the Managing Director of Napier Meridian Ltd, a specialist strategy consultancy, since 2005. Earlier he served with the UK armed forces, spending a number of years in the MOD developing national security policy, and he is a former staff officer in COBR, the UK government's national crisis management centre.

David Livingstone works on the cyber security project and other International Security Programme work related to national security, resilience and organized crime.

In 2010, he was a co-author of the Chatham House Report *On Cyber Warfare*, and the previous year of *Cyberspace and the National Security of the United Kingdom*. He is also co-author of a forthcoming report on the management of cyber security within critical national infrastructure. Through David Livingstone, Chatham House has been assisting the UK Police Service develop strategic concepts aimed at mitigating the emerging phenomenon of cyber-related crime.



Farzana Shaikh

Dr Farzana Shaikh has been an Associate Fellow of the Asia Programme at Chatham House since 2005. Her specialisms are South Asian Islam, Afghanistan, Bangladesh and Pakistan, with a particular focus on the regional security challenges posed by Pakistan's relations with Afghanistan and India.

A former Research Fellow of Clare Hall Cambridge and Associate Member of the Centre of South Asian Studies, University of Cambridge, she was most recently a Visitor at the Institute for Advanced Study at Princeton and Visiting Professor at the University of Pennsylvania. In 2012 she will take up a Fellowship at the Institut des Etudes Avancées in Paris to begin work on the politics of Sufism in Pakistan.

She is the author of *Making Sense of Pakistan* (2009), which explores the political and geo-strategic implications of Pakistan's uncertain relationship to Islam, and is currently preparing a new Indian edition of her first book, *Community and Consensus in Islam* (1989).

Left: UN troops during a standoff between Northern and Southern Sudanese troops in the disputed border region of Abyei, in May 2011.



Further reading:

- *Combating Counterfeit, Falsified and Substandard Medicines: Defining the Way Forward?*, Charles Clift.
- *On Cyber Warfare*, Paul Cornish, David Livingstone, Dave Clemente and Claire Yorke, November 2010.
- *Sustainable Energy Security: Strategic Risks and Opportunities for Business*, Antony Froggatt and Glada Lahn.

Financial shifts

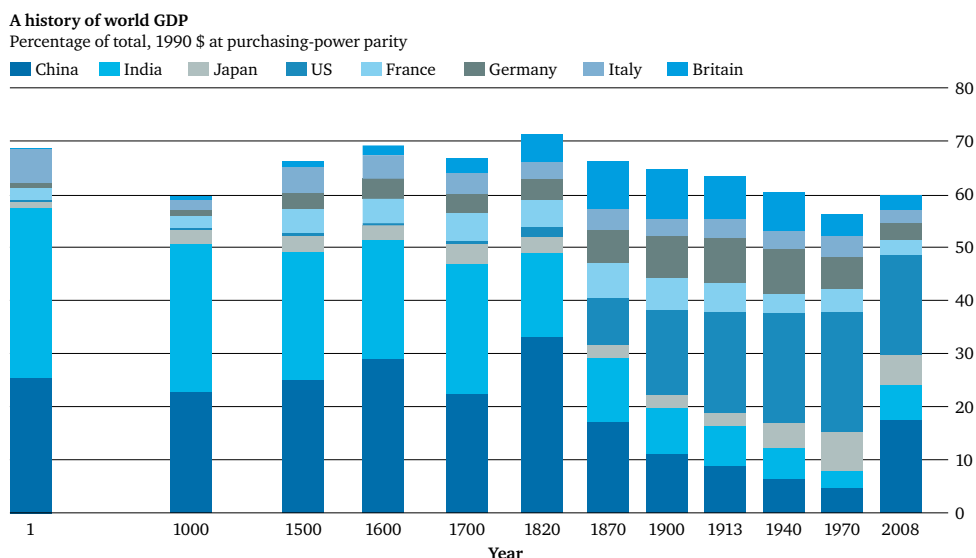


The global financial and economic conditions were changing fast even before the recent crisis. In the past, similar periods of crisis have often brought about significant shifts in financial and economic patterns. Will such a major shift occur again and, if so, which countries will benefit?

A changing world economy and the G20 framework

In the wake of the recent financial crisis, the G20 has played an important role in facilitating international economic policy cooperation. It has yet to be seen, however, whether the group can move beyond its roots as a crisis committee and play a more institutionalized role in confronting the challenges facing the global economy today.

The recent work of the International Economics team at Chatham House has focused on the future of the G20, setting out an ambitious schedule for cooperation on economic policy (see the Chatham House Report, *Preventing Crises and Promoting Economic Growth: A Framework for International Policy Cooperation*, in conjunction with the Centre for International Governance Innovation (CIGI) in Canada). The team was awarded support from the Bank of England Research Donations Committee to complete a special issue of the *Oxford Review of Economic Policy (OxREP)* (*Managing Complexity: Global Economic Interdependencies and International Policy Coordination*), co-edited by Dr Paola Subacchi (Research Director, International Economics at Chatham House) and Professor David Vines and Dr Christopher Adam (University of Oxford). This publication will be the culmination of a project supported by the Economic & Social Research Council (ESRC).



Sources: Angus Maddison, University of Groningen; *The Economist*

Left: Luxembourg's Finance Minister Jean-Claude Juncker (right) speaks with European Central Bank President Jean-Claude Trichet (left), who has spoken on a number of occasions at Chatham House.

Reform of the international monetary system

The international monetary system is in flux – no longer meeting the needs of an increasingly unbalanced global economy, but not yet ready to move beyond the dollar as the world's reserve currency. Current research at Chatham House is critically examining a range of proposed systemic reforms.

Recent work has explored the prospects for a multi-currency reserve system (*Beyond The Dollar: Rethinking the International Monetary System*) and investigated China's ambitions for the renminbi as an international reserve currency (*'One Currency, Two Systems': China's Renminbi Strategy*).

Currently, a Chatham House task force is leading a review of the often hotly debated role of gold (see box on page 19) in the international monetary system, analysing the issue from different perspectives and through innovative approaches to the question of reform.

Growth of financial centres

As the epicentre of global economic growth continues to shift towards emerging markets, Chatham House researchers have embarked on a series of studies into the specific challenges and opportunities facing financial centres in emerging economies.

Past work has assessed the strengths and weaknesses of the Gulf as a global financial centre (*The Gulf Region: A New Hub of Global Financial Power?*) and the future of the Japanese financial sector (*The Outlook for Tokyo: New Opportunities or Long-Term Decline for Japan's Financial Sector?*).

Current research is exploring the prospects for financial centres in mainland China and in the Greater China region, including Hong Kong and Taipei, as well as the likely impact of shifting global financial influence on Singapore's role as an established Asian financial centre.

Girls hold onto their personal items as their shanty at Pasig city, east of Manila, Philippines, is demolished, purportedly to hasten economic development in the area.



UK Trade Minister Stephen Green speaking at Chatham House in autumn 2010 as outgoing Chairman of HSBC on 'Rethinking business for a changing world'.



International competitiveness and growth

The past quarter-century has seen massive changes in the world economy. Trade integration and the globalization of value chains have created both new challenges and new opportunities. A number of projects are under way to examine the outlook for key global industries over the next decade and which sectors will lead future growth. These include a series of research study groups on the changing industrial landscape and industry case studies identifying emerging 'global champions'.

The research team is also partnering with the University of Warwick's Centre for Competitive Advantage in the Global Economy (CAGE) to explore how markets, institutions and public policy interact to create and sustain competitive advantage in response to these global changes.

Far left: A Chinese clerk counts renminbi yuan bills at a rural credit cooperative in Tancheng county, Linyi city, Shandong Province.

Left: Brazilian President Dilma Rousseff (right) attends the inauguration of Petrobras' P-56 platform, at the shipyard in Angra dos Reis, in June 2011. President Rousseff attended the 2009 Chatham House Prize ceremony to recognize the award to her predecessor President Luiz Lula da Silva.

The role of gold

80 years after the UK came off the gold standard, 40 years after the United States decoupled the dollar from gold, removing the linchpin of the 1944 Bretton Woods agreement, and as the price of gold hit record notional highs, Chatham House launched a project to examine whether gold might once again have any part to play in the reconstruction of the international monetary system. A small task force has been engaged since March 2011 in consultations with financiers, economists, policy-makers and academics in key financial centres around the world. The underlying aim of the project is to inject greater stability into the prevailing fiat currency monetary system.

People Financial shifts



Donald Hepburn

Donald Hepburn is an Associate Fellow in International Economics at Chatham House. He was an Independent Consultant for Unilever from 2005 to 2010, after serving for twenty years as the company's Chief Economist. Earlier, he was Economic Adviser to the Department of Transport in the UK, and Transport Adviser to the Ministry of Finance and Planning in Sri Lanka.

His recently published Chatham House briefing paper on *The World's Industrial Transformation*, which sets out the broad parameters of change, introduces five case studies in a major Chatham House project predicting likely industrial scenarios to 2020.

He is a specialist in both business and international economics. He has worked on corporate strategy, scenario planning and corporate social responsibility.



Paola Subacchi

Paola Subacchi is Research Director, International Economics, at Chatham House. An economic historian by training, her main research interest is in the functioning and governance of the international financial and monetary system, with a particular focus on post-crisis policy and institutional change. She is a contributor to peer-reviewed journals and current affairs publications. She is a regular media commentator with the BBC, CNN, Bloomberg, CNBC, Newsweek, the *Financial Times*, the *Wall Street Journal*, the *International Herald Tribune* and the *European Voice*. An Italian national, she studied at Bocconi University in Milan and at the University of Oxford.

She is the author (with Paul Jenkins) of a recent Chatham House report published in conjunction with CIGI, *Preventing Crises and Promoting Economic Growth: A Framework for International Policy Cooperation*. She is currently working on a special issue of the *Oxford Review of Economic Policy* (together with David Vines and Christopher Adam) on International Policy Coordination (July 2012).

Paola Subacchi's recent publications include *Squeezed in Retirement: the Future of Middle Britain*, March 2011; *'One Currency, Two Systems': China's Renminbi Strategy*, October 2010; *Who Controls the International Monetary System?*, May 2010; and *Beyond the Dollar: Rethinking the International Monetary System*, March 2010.



Further reading:

- *Beyond the Dollar: Rethinking the International Monetary System*, Edited by Paola Subacchi and John Driffill.
- *Preventing Crises and Promoting Economic Growth: A Framework for International Policy Cooperation*, Paola Subacchi and Paul Jenkins.

Governing resources

Environmental threats are increasing the pressure on international relations in an already turbulent world. The struggles for access to energy, food, water, raw materials and other critical natural resources are unleashing new physical, political, economic and social challenges.

Managing resources

Future constraints on resources are likely to affect the world's economy ever more starkly, and will call into question whether existing and new international agreements on the distribution of these resources will be able to cope.

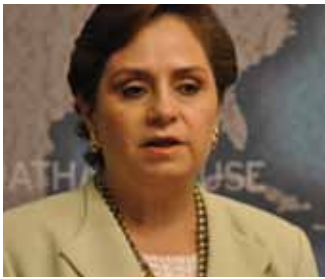
In order to safeguard against such an unstable future, Chatham House is undertaking a major project, headed by Research Director Bernice Lee, to assist policy-makers, international businesses and those in charge of development to steer a course away from resources shortfalls and climate-related disasters.

The **Managing Resources Futures** project concentrates on four main areas. It will explore the most important trends affecting the production of and trade in resources vital for human development, such as energy, food, water and minerals. It will also examine how these trends interact with emerging environmental or ecological flashpoints.

The project will include monitoring of potential new problems arising from these trends, such as significant rises in world food prices and the buying of land in poor producer countries by rich consumer states. It will also cover the growing resource-related tensions among neighbouring countries, such as between India and Pakistan over shared water resources.

Each year there will be a focus on two or three crucial resource challenges, such as from minerals scarcity, the effects of climate change, melting icecaps in the Arctic, maritime chokepoints, biodiversity loss or food price instability. Recommendations will be made on the key implications of all these trends for development policy, business strategy, security and conflict prevention.





Mexican Foreign Minister Patricia Espinosa who chaired the December 2010 UN Climate Change Conference in Cancún discussed the prospects and conditions for successful multilateral engagement in climate change negotiations at Chatham House in June 2011.



Above: Illegally harvested teak, Npaba, Burma (Myanmar), June 2005. ©Global Witness

Illegal logging

In the case of timber, while resource scarcity is not likely to be a problem, ensuring the sustainability and legality of supplies remains a crucial issue. Chatham House continues to lead the way in research into the international trade in illegally logged timber, a major problem for many countries, especially in the developing world.

Chatham House experts have developed a set of indicators to measure the extent and effectiveness of counter-measures to illegal logging across a range of producer, consumer and processing countries. These cover awareness of the issue, government and private-sector policy development and implementation, and information about the extent of illegal logging and associated trade. The project is aimed at assisting policy-makers and other stakeholders to develop the most effective responses to this problem.

A major Chatham House report, *Illegal Logging and Related Trade: Indicators of the Global Response*, by Sam Lawson and Larry MacFaul, was published in July 2010. It highlighted a 22% reduction in illegal logging in eight years, with up to 17 million hectares of forest estimated to have been saved from degradation in the producer countries studied and at least 1.2 billion tonnes of carbon dioxide emissions avoided over the last decade.



From left to right: Government efforts in Peru to halt illegal mining have mostly been futile. The state of Madre de Dios prides itself on its biodiversity and attracts eco-tourists for its monkeys, macaws and anacondas. But an estimated 35 metric tons of mercury is released annually by miners in this state alone.

China's central government has ordered the expansion of vegetable production, with increased funding and rail links, in a move to stop an 'increasingly serious' food supply situation in some major cities.

A Chinese child in a water shortage tryout at a kindergarten one day before the World Water Day in Chuzhou city, in east China's Anhui Province.



From left to right: People watch water gushing out from the Xiaolangdi Dam during a silt-washing operation to clear up the sediment-laden Yellow River at the section of the Xiaolangdi Reservoir in Jiyuan city in central north China's Henan Province, in June 2011. The water runs to the sea again, thanks to the unique way of managing the river on such a large scale, by using a digital centralized control.

China is expected to consume approximately 4 billion metric tons of coal in 2015, 700 million metric tons more than in 2010, according to Chen Qi, director of the regulating division at the China National Coal Association (CNCA).

The marine resources exploration vessel *Hakurei* is launched in Shimonoseki, Yamaguchi Prefecture, Japan, in March 2011. The vessel will explore for rare metal and other mineral resources in the seabed.

This picture of Iceland's Eyjafjallajökull volcano shows lava fountains, lava flows, a volcanic plume and steam from vaporized snow.

Extractive sectors

Renewed concerns over resource scarcities, driven not least by growing population and consumption, are bringing fresh challenges for the extractive industries in ever more complex operating environments.

There are enormous challenges surrounding how mineral wealth should be shared and how competing claims of operating companies, national governments and those of local communities are assessed. This lack of clarity has fuelled past and existing disputes. Companies may also face further controversies and suffer reputational risks when operating in disputed territories.

At this critical juncture it has become imperative for all stakeholders to examine afresh and in detail the changing and competitive landscape of resource extraction. Chatham House is undertaking an in-depth study of the potential for **Conflict or Coexistence in the Extractive Industries**. Different perceptions around the scarcity of the resources, as well as local and national responses, may alter the balance between company, government and local community relations.



Far left: Abdalla Salem El Badri, Secretary General of the Organization of the Petroleum Exporting Countries (OPEC), spoke at Chatham House at a conference on Middle East and North African energy in 2011.

Left: UK International Development Secretary Andrew Mitchell MP speaking at Chatham House on emerging powers and the international development agenda in early 2011.

Energy risks after Fukushima

Risk assessments are supposed to lead to decisions that provide more security. However, after a series of failures such as the meltdown at the Fukushima nuclear plant, the blowout on BP's Deepwater Horizon rig and the destruction of New Orleans following Hurricane Katrina, it is becoming increasingly clear that there are serious problems with our ability, or willingness, to evaluate and mitigate risk accurately. The question is, why? And what can be done about it?

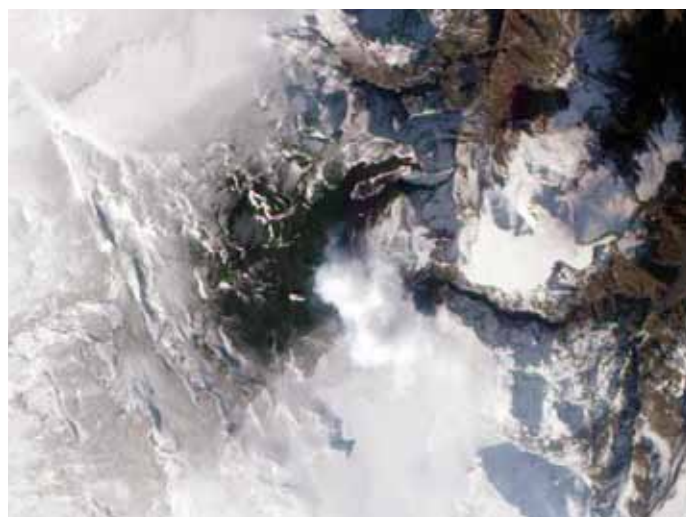
In response to Fukushima, engineers are busy reassessing nuclear safety globally, from the EU to China, Russia and India. These technical reviews are vital but insufficient – not least because environmental risks cannot be assessed in isolation. After 9/11, expert teams were sent around US nuclear installations to assess their vulnerability to terrorist threats. Environmental threats were not included.

Governments, businesses and other stakeholders should use this opportunity to conduct broader assessments of the relative trade-offs between energy needs and energy-related risks, and to create a joint vision for a sustainable and secure electricity and energy future. For example, Chatham House will explore the extent to which regulatory responses to nuclear risks may render the technology less financially and politically attractive.

Responding to 'black swans'

A series of 'low-probability, high-impact' events this decade – hurricanes, earthquakes, tsunamis and nuclear incidents – have shown that governments and companies are often under-prepared for worst-case scenarios, underestimating either the potential for a major shock or the long term consequences. The number and magnitude of these events look set to increase as a result of climate change, pressure on natural resources and the effects of globalization. Chatham House is conducting a study that examines the readiness of governments and businesses to respond, using the Icelandic ash cloud as a case study.

The Eyjafjallajökull eruption in April 2010 showed how the knock-on consequences of an event can spread quickly across borders and throughout the economy. Developing credible policies proved highly challenging in the presence of scientific uncertainties and competing stakeholder interests. The study also shows that effective messaging and communications are critical in the management of any national or global emergency. Policy-makers must act quickly and decisively to gain understanding and trust, or risk being sidelined in the public debate.





Food security

The second global food price spike in four years has returned issues of agricultural development and food security to the top of political and policy agendas. Meeting future demand for food, while simultaneously reducing the carbon footprint of agriculture, building resilience to climate change and alleviating rural poverty, requires a radical transformation of farming. A planned stream of Chatham House research will seek to help policy-makers prioritize interventions and investigate whether current R&D is being directed towards the most promising technologies. A second stream plans to examine the role of land governance in achieving this transformation.

Food price volatility is likely to remain a policy issue in the medium term at least, owing to unavoidable climate change and growing linkages between agricultural and energy markets. However, governments, international institutions and global supply chains appear poorly prepared for a major shock. Chatham House research to generate worst-case scenarios and to stress-test institutions, trade patterns and policy responses will help to identify appropriate governance reforms and policy instruments to better manage these new risks.



The 'shale gas revolution'

The so-called shale gas revolution has caused a huge leap in unconventional gas production in the United States in the last few years. However, there has been considerable concern over whether the US conditions that promoted this 'revolution' can be replicated elsewhere. In a Chatham House Report, *The 'Shale Gas Revolution': Hype and Reality*, published in September 2010, Professor Paul Stevens raised questions about the potential impact of these uncertainties on confidence in future investments in gas, and the consequent restricting effects on future supply. If the 'shale gas revolution' falters, higher prices for consumers are likely because of long lead times for investment alongside rising demand. Proper investment in low carbon technologies may also be under threat.

Left: The Director General of the International Atomic Energy Agency (IAEA), Yukiya Amano, speaks to the media during a press conference at the OECD headquarters in Paris on Japan's nuclear crisis.

People Governing resources

Far left: China may not be able to meet the sharply rising demand for food from its domestic resources, a senior Chinese agriculture official said, indicating room for further growth in imports.

Left: Despite concerns over potential hazards to the environment, Poland is hoping its shale gas reserves will help it break away from dependence on Russian imports for energy.

Below left: Members of local unions protest against Marcellus Shale gas driller Range Resources, at their Southpointe headquarters, where they attempted to deliver a 'tax bill' to the corporation for money they feel is owed to the Commonwealth of Pennsylvania.



Bernice Lee

Bernice Lee OBE has been Research Director, Energy, Environment and Resource Governance since 2008, having joined Chatham House in 2007 as Team Leader of the 'Interdependencies on Energy and Climate Security for China and Europe' project. She had previously worked at the International Centre for Trade and Sustainable Development in Geneva, the International Institute for Strategic Studies in London, the UN Secretary-General's Office and the Rockefeller Foundation in New York.

Her recent publications include 'Managing the Challenges of Interlocking Resources', in Najam and Selin (eds), *Beyond Rio+20: Governance for a Green Economy*; 'Climate Change After Copenhagen: Beyond Doom and Gloom', *The World Today* and 'Water and Energy Security: A Double-edged Sword', with L. Ellinas, in *Tackling the World Water Crisis: Reshaping the Future of Foreign Policy*.

She is currently working on a range of related issues including resource security and disruptive change, trade and climate security, and low carbon growth for emerging economies. In early 2011, she was awarded the OBE for services to UK-China climate change cooperation (pictured above with HRH Prince Charles).



Cleo Paskal

Cleo Paskal is an Associate Fellow with the Energy, Environment and Resource Governance research team at Chatham House. She has also been Adjunct Professor in Global Change at the School of Communication and Management Studies in Kochi, India since 2008, Visiting Faculty at the Department of Geopolitics in Manipal University, India since 2007 and a columnist for the *Huffington Post* since 2010.

Her book *Global Warring: How Environmental, Economic, and Political Crises Will Redraw the World Map*, published by Palgrave Macmillan, won Special Merit in the 2010 Grantham Prize awards and has just been translated into Mandarin. Among many other publications in 2010, she contributed extensively to *Shifting Bases*, *Shifting Perils: A Scoping Study on Security Implications of Climate Change in the OSCE Region and Beyond*, published by Adelphi Research in cooperation with Chatham House and Cimera. She also worked with the Government of the Kingdom of Tonga in the development of the innovative Tonga Energy Road Map, an IRENA-endorsed initiative to reduce the country's fossil fuel imports by 50% by 2013.

She is currently focusing on new challenges to energy security and the wide-scale geopolitical, economic, strategic and security implications of environmental change.



Paul Stevens

Professor Paul Stevens is Senior Research Fellow with the Energy, Environment and Resource Governance research team at Chatham House. He was previously Professor of Petroleum Policy and Economics at the Centre for Energy, Petroleum, Law and Policy at the University of Dundee (1993-2007).

His 2010 Chatham House Report *The 'Shale Gas Revolution': Hype and Reality* examined the problems and potential of this method of extraction, and especially its likely impact on medium-term investment.

An expert in development in oil-producing countries, national oil companies, transit pipelines and oil price fluctuations, he was awarded the 2009 OPEC award in recognition of his outstanding impartial work in oil and energy research.



Further reading:

- *Illegal Logging and Related Trade: Indicators of the Global Response*, Sam Lawson and Larry MacFaul.
- *The 'Shale Gas Revolution': Hype and Reality*, Paul Stevens.
- *Who Owns Our Low Carbon Future? Intellectual Property and Energy Technologies*, Bernice Lee, Ilian Iliev and Felix Preston.

Tipping points

The world is going through many simultaneous transformations, but nowhere more rapidly than in the Arab countries of North Africa and the Middle East. The spotlight which Chatham House shines upon this region pre-dates the Arab Spring but has been intensified by it.

MENA Programme

Chatham House has had a long-standing focus on the Middle East, as a region that attracts strategic interest disproportionate to its size. Research undertaken by the Middle East and North Africa Programme sheds light on the interrelatedness of the region's changing dynamics, through individual country studies as well as thematic approaches reflecting developments that require policy attention.

Currently the major themes are: Economic Transformations and Young Entrepreneurs; Governance, Society and Security; Rethinking Western Engagement with the MENA; and Arab Futures.

From left to right: A man burns a picture of ousted Egyptian president Hosni Mubarak during a rally after Friday prayers in Tahrir Square, Cairo.

Around 60 mainly Tunisian migrants and a group of French and Italian activists demonstrate on the tracks of the train station of the Italian border town of Ventimiglia.

US Secretary of State Hillary Clinton arrives for a meeting with UK Foreign Secretary William Hague MP in May 2011 ahead of President Obama's arrival in the UK on a State Visit during which discussions included developments in the Middle East and North Africa.





Mahmoud Jibril, the head of the executive committee of Libya's rebel group, the Transitional National Council.



Arab Spring and Western Engagement

Ever since the events in Tunisia helped to trigger a series of uprisings in what has come to be known as the Arab Spring, Chatham House has been looking at the similarities and divergences between these separate movements.

Uprisings across the region have created difficult questions for Western governments as they consider how best to frame their response. Chatham House specialists have been advising on possible courses of action and monitoring whether those chosen have been carried out effectively. The MENA Programme has established a working group to examine the ongoing conflict in Libya and the role of external forces.

A wide range of discussions have also been held focusing on topics including Bahrain and the Gulf; the UN's response; Syria's political future; Moroccan foreign policy; and the outlook for Saudi Arabia and Tunisia respectively.

Egypt in transition

During the Arab Spring, the most populous country to rise up has been Egypt, where the 32-year rule of President Mubarak was ended by massive demonstrations. Chatham House has held workshops in Cairo in spring 2011 with local stakeholders to discuss how Egypt should set about its post-Mubarak future.

Key topics included the challenges of moving from military to civilian rule; increasing grassroots awareness about political organization and democracy; discussing the role of political Islam; and formulating responses to economic policy challenges. Workshop participants felt that Western governments had forfeited trust by supporting the old regime, and were adamant the uprising should lead to real change and not just a changing of the guard.





The November 2010 issue of Chatham House's journal *International Affairs* considered the politics of 'Post-American Iraq'.



Left: Yemeni anti-government protesters throw a youth in the air as they gather in Sanaa in June 2011 to celebrate what they said was the fall of Yemen's regime after embattled President Ali Abdullah Saleh, wounded in a blast, left the country for medical treatment in Saudi Arabia.

Below: Protestors loyal to Somalia's then Prime Minister Mohamed Abdullahi Mohamed demonstrate in Mogadishu, Somalia, in June 2011.

Yemen Forum

Yemen, a state where new democratic urges are intertwined with old political power struggles, has long been teetering on the edge of crisis. The Yemen Forum, led by Ginny Hill, was established in January 2010 to bring together specialists from around the globe to discuss policy solutions for the country. The collective knowledge of Yemen Forum members raises awareness, shares expertise and supports governments in forming policies that directly address the causes of conflict, poverty and poor governance in Yemen. The Forum also examines questions of particular importance for Yemen's

relationships with nearby states, including two with very differing backgrounds – Somalia and Saudi Arabia.

Facing each other across the Gulf of Aden, Yemen and Somalia have similar social, economic and political problems. Research by the Yemen Forum has shown that multi-million-dollar shadow business networks spanning the Gulf are hindering conventional counter-terrorism and counter-piracy strategies.

Yemen's relationship with Saudi Arabia is complex. A briefing paper published in May 2011, *Yemen, Saudi Arabia and the Gulf States: Elite Politics, Street Protests and Regional Diplomacy*, by Ginny Hill and Gerd Nonneman,





Ginny Hill and Gerd Nonneman of the Yemen Forum on a research visit to Saudi Arabia in 2011.



Left: A boy shouts slogans during a rally to demand the reignation of Yemen's President Ali Abdullah Saleh in Sanaa, in May 2011.

Below: Saudis in Riyadh gesture as they carry the national flag during street celebrations in support of King Abdullah, in March 2011.

looked in part at how Saudi Arabia is striving to contain its turbulent neighbour. Yemen's structures are clearly creaking, and political change could lead to violent upheaval and a humanitarian crisis. The Gulf Cooperation Council (GCC) states, which have a security partnership with Western countries on Yemen, responded when international support for President Saleh began to wane.





Initiatives on Israel and Palestine

Amid all these strivings for greater democracy in the Arab world there remains the problem of relations between the Arab world and Israel, and what the UK and EU can do to foster improved dialogue between them. Our long-established research into the challenges of **Palestinian refugees** continues facilitating dialogue between the key stakeholders and raising awareness of key issues relating to refugees in the peace process. A conference in March 2011 entitled '60 Years of British–Israeli Diplomatic Relations' gave UK Foreign Secretary William Hague the opportunity to argue that the peace process must not become a casualty of uncertainty in the region. He called on 'Israelis and Palestinians to recommit themselves urgently to negotiations on the basis of clear principles supported by the international community'.

Iran: Crisis of Authority

In September 2010, Chatham House published a book by Professor Ali Ansari, *Crisis of Authority: Iran's 2009 Presidential Elections*. In this detailed examination of the campaign and resulting protests, Ansari argued that the crisis stemmed from long-standing problems within the Iranian body politic rather than just from electoral fraud. The MENA Programme has also been examining ways of easing the nuclear deadlock between the West and Iran, preventing the escalation of misunderstandings and moving towards a period of greater harmony. Considerable research has been dedicated to looking at the social, economic and historical background to Iran's current state.

Iranian President Mahmoud Ahmadinejad delivers a speech under a portrait of the founder of Iran's Islamic Republic, Ayatollah Ruhollah Khomeini, on the eve of the 22nd anniversary of Khomeini's death in June 2011.



Left: US President Barack Obama (right) meets with Benjamin Netanyahu, prime minister of Israel, in the Oval Office of the White House in Washington, DC, in May 2011.

People Tipping points



Ali Ansari

Professor Ali Ansari is an Associate Fellow of the Middle East and North Africa Programme at Chatham House. He has been Professor of Iranian History at the University of St Andrews since 2007, having joined the faculty in 2004, and is also Director of the University's Institute of Iranian Studies, a post he has held since 2006.

His Chatham House book on the fallout from the disputed Iran elections, *Crisis of Authority: Iran's 2009 Presidential Election*, was published in 2010. It aims to explain the historical, social and political background to the crisis and argues that long-term solutions require a deeper understanding of its causes.

He is currently completing a book on the politics of nationalism in modern Iran for Cambridge University Press.



Maha Azzam

Dr Maha Azzam has been an Associate Fellow with the Middle East and North Africa Programme at Chatham House since 2002, and is a specialist in Middle East politics. She was previously Head of the Programme on Security and Development in Muslim States at the Royal United Services Institute for Defence Studies.

Her fields of expertise are Islamist groups in the Middle East (with particular reference to Egypt), political Islam, Islam and globalization, and the ideology of al-Qaeda. She has been closely involved in the MENA Programme's ongoing Egypt project with a focus on the roles of the Muslim Brotherhood and the military in the transition process.



Claire Spencer

Dr Claire Spencer is Head of the Middle East and North Africa Programme at Chatham House. She received her PhD from the School of Oriental and African Studies at the University of London after studying Politics at Bristol University.

In 2010, her publications for Chatham House included 'The Middle East in Transition: Costly Muddle' in *The World Today* and a chapter on 'The Middle East: Changing From External Arbitrer to Regional Player' in *America and a Changed World*. She also wrote an article in *Europe's World* entitled 'More autonomy for private enterprise is the key to solving the Maghreb's economic problems'.

She is currently involved in several projects connected with the Arab Spring uprisings and has written opinion pieces about developments for the *Financial Times* and the *Telegraph*.



Further reading:

- *North Africa: The Hidden Risks to Regional Stability*, Claire Spencer.
- *The Kurdish Policy Imperative*, Edited by Robert Lowe and Gareth Stansfield.
- *Yemen, Saudi Arabia and the Gulf States: Elite Politics, Street Protests and Regional Diplomacy*, Ginny Hill and Gerd Nonneman.



Chatham House had another very successful year in 2010–11. The overall net surplus for the year was £344,000, comprising a surplus on incoming resources of £217,000 and investment gains of £127,000. Although this was lower than the previous year, the results this year did not include any exceptional items, which last year amounted to a credit of £164,000. Total funds increased by 4% to £9,392,000, which represents a 25% increase over the past three years.

Membership subscriptions of £1,848,000 were 6% ahead of last year's. However, the previous year's figures were flattered by the inclusion of significant backdated VAT and Gift Aid claims. Excluding these, the increase was nearer 11%. Conferences enjoyed a very strong year, resulting in a surplus of £388,000 compared with £219,000 last year. Income from publications was broadly flat, reflecting a small increase in *International Affairs* but a reduction in income from *The World Today*, mainly due to lower advertising revenues.

Following the decision last year to diversify into non-cash investments such as bonds, investment income at £169,000 represented an increase of 29% over the previous year. Cash and short-term deposits, however, only earned an average of 1.7% during the year, reflecting the historically low interest rates.

Fundraising and donations increased due to the successful Annual Fund appeal and full-year revenues from the William Pitt Group. Other income, including from the successful Chatham House Prize event held in November 2010, was broadly similar to the previous year, excluding any exceptional items.

Expenditure on membership, meetings, the library, communications and publications increased by 14% to £1,613,000. This was due to increases in staffing in membership and fundraising, some restructuring costs and also increases in communication and outreach costs. Support costs totalled £1,520,000, net of recharges to the research programmes. This was a 6% increase over last year as a result of the additional depreciation on the substantial capital expenditure in recent years, higher costs of building maintenance as well as increased support costs for the Director.

Total research income of £3,940,000 was similar to the previous year but overall research expenditure increased by 12% to £4,042,000. This reflects investment in and the expansion of the research programmes, in particular Middle East and North Africa, Asia, International Security and Global Health Security. All the research programmes were in surplus at the end of the financial year. The funds available for future research fell only slightly during the year and totalled £2,087,000 at 31 March 2011 as against £2,100,000 last year.

Total net assets as at 31 March 2011, excluding the value of Chatham House itself, are now £9,392,000 compared with £9,048,000 as at 31 March 2010. The overall value of fixed assets increased by 8%, as the level of capital expenditure, principally the refurbishment of the exterior of the building, was in excess of the depreciation charged in the year.

At the year end, Chatham House held stock market investments with a market value of £5,200,000, mainly reflecting the diversification into non-cash investments but also the continued recovery in the markets. Although cash, mainly in short-term deposits, of £3,909,000 reduced during the year due to diversification, the strong operating performance and good working capital management led to a positive inflow of £424,000 even after allowing for the relatively high capital expenditure.

Given this strong financial performance in 2010–11, an amount of £100,000 has been allocated by Council to the New Initiatives Fund for the Director to invest in key areas to further the long-term success of Chatham House.

Although market conditions remain challenging, the institute is financially much stronger than a few years ago and so should be able to invest to take advantage of the significant opportunities that lie ahead. However, as before, careful management of the institute's financial resources will continue.

A handwritten signature in black ink, which appears to read 'Ed Smith'. The signature is written in a cursive style with a horizontal line underneath.

Ed Smith

Financial Headlines

year to 31 March 2011

	2011 (£'000s)	2010 (£'000s)	
Total net assets at year end*			
Investments	5,200	3,319	
Cash and short-term deposits	3,909	5,239	
Other assets (net)	283	490	
	9,392	9,048	
Income			
Research	3,940	3,912	1%
Conferences	1,103	940	17%
Membership subscriptions	1,848	1,742	6%
Investment return	169	131	29%
Publications	486	492	-1%
Fundraising and donations	284	181	57%
Other**	277	435	-36%
	8,107	7,833	
Expenditure			
Research	4,042	3,602	12%
Conferences	715	721	-1%
Membership, meetings, library, communications and publications	1,613	1,409	14%
Support costs net of recharges to research	1,520	1,428	6%
	7,890	7,160	
Operational net income	217	673	
Net investment gains	127	770	
Net surplus for the year	344	1,443	
Net cash inflow for the year***	424	1,204	

*The Institute owns the freehold of Chatham House at 10 St James's Square, the full value of which is not included in these figures

**Includes a backdated VAT claim of £164,000 in 2010

***Before purchase and sale of non-cash investments

The Financial Headlines are extracted from the full unqualified audited group accounts, a copy of which is available to members on the website at www.chathamhouse.org. Alternatively copies may be obtained from Rhona Moir, Executive Assistant to the Finance Director, on telephone number +44 (0)20 7957 5700 or email rmoir@chathamhouse.org. Copies will also be available at the Annual General Meeting.

Patron, Presidents and Council

at 30 June 2011

Right: HM The Queen awards the 2010 Chatham House Prize to President Abdullah Gül of Turkey.

Far right: Chatham House Co-President Lord Ashdown.



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Her Majesty The Queen

Presidents

Rt Hon Lord Ashdown of Norton-Sub-Hamdon

Rt Hon Sir John Major KG, CH

Rt Hon Lord Robertson of Port Ellen

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Director, Roche and Jones Lang LaSalle; former member of the Monetary Policy Committee of the Bank of England

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Member of the Iraq Inquiry Committee; a Governor, Ditchley Foundation; Chairman of the Governors of Kingston University; and a nonexecutive director of Petropavlovsk plc.

Ed Smith

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Lawyer; Member of Parliament for Banbury

Andrew Fraser CMG

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Managing Director and Executive Vice President, The Economist Group North America

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Chairman, UN Association in the UK; Chairman, Gatehouse Advisory Partners Ltd; UK Ambassador to the UN (1998–2003)

Sir Richard Lambert

Chancellor, University of Warwick; Director-General, CBI (2006–11)

Dr John Llewellyn

Investment Committee

Partner, Llewellyn Consulting; former Senior Economic Policy Adviser, Lehman Brothers

The Rt Hon Dr Denis MacShane MP

Member of Parliament for Rotherham

Bronwen Maddox

Editor and Chief Executive, *Prospect* magazine; Chief Foreign Commentator, *The Times* (2006–10)

Peter Montagnon

Senior Investment Adviser, Financial Reporting Council

Alastair Newton

Senior Political Analyst, Nomura International plc

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Divya Seshamani

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Finance Committee

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Xan Smiley

Middle East and North Africa editor, *The Economist*

Seth Thomas

Finance Committee

Head of Public Sector Content, Citi Global Banking; Member, Welsh Government Advisory Panel on Financial & Professional Services

Andrew Walter

Executive Committee

Reader in International Political Economy, London School of Economics

Caroline Wyatt

BBC Defence Correspondent

Council meetings are customarily also attended by the Director and the Secretary to Council.

Secretary to Council: Paul Curtin

Panel of Senior Advisers and William Pitt Group at 30 June 2011

Right: Chatham House Co-President Lord Robertson.

Far right: Chairman of the Panel of Senior Advisers Lord Hurd (left) and Co-President and host of the 2010 Chatham House Prize Sir John Major (right) at the award ceremony.



Panel of Senior Advisers

The Panel of Senior Advisers was founded in 2008 to provide Chatham House with an experienced sounding board for its research and policy conclusions and help communicate its ideas at the highest levels nationally and internationally.

Chairman: Rt Hon Lord Hurd of Westwell
UK Foreign Secretary (1989–95)

Lord Browne of Madingley
President, Royal Academy of Engineering; and Chief Executive, BP (1995–2007)

R Nicholas Burns
Professor of the Practice of Diplomacy and International Politics, John F Kennedy School of Government, Harvard University; Under Secretary of State for Political Affairs, US Department of State (2005–08); US Ambassador to NATO (2001–05)

Victor Chu
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Senior Adviser to G3 and Fleming Family & Partners

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Chairman and Executive Board Member, Akbank

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Non-Executive Director, Centrica, Arriva and St Modwen; Director, Bank of England (2001–07)

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Chairman, Bland Group Ltd

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Sir Paul Judge
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Permanent Under-Secretary, Foreign Office (1997–2002); Vice-Chairman, Royal Dutch Shell

Nemir Kirdar
Founder, Executive Chairman and CEO, Investcorp

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Vice Chairman, Deutsche Bank Group; Deputy Finance Minister for Germany (1999–2005)

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President, Marc E Leland and Associates, USA; Co-Chairman, German Marshall Fund of the United States

Rachel Lomax
Deputy Governor, Monetary Policy, the Bank of England (2003–08)

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British Ambassador to the United States (2003–07); foreign affairs and defence adviser to Prime Minister Tony Blair (2001–03)

Lord Marshall of Knightsbridge
Chairman, Nomura International plc and Pirelli UK; Chairman, Chatham House (1999–2003)

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Chairman of the Independent Schools Council and the New West End Company

Sir Michael Rake
Chairman, BT and EasyJet

Rt Hon Lord Robertson of Port Ellen
President, Chatham House; Secretary General, NATO (1999–2003); UK Defence Secretary (1997–99)

Andrés Rosental
Former Mexican diplomat; founding president of the Mexican Council on Foreign Relations; chairman of ArcelorMittal Mexico; non-resident senior fellow at the Brookings Institution

John C Whitehead
Founding Chairman, Lower Manhattan Development Corporation, USA; former Co-Chairman of Goldman Sachs

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The 2010–11 Annual Fund appeal, ‘Taking Chatham House to the World’, raised money to strengthen our multimedia content and online technology to find new and innovative ways to communicate with members and supporters. A Multimedia Producer has now been appointed and thanks to the generous support of our members and donors, online initiatives are now being implemented. For further information please watch our short film on the website.

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Left: Staff photo in the Joseph Gaggero Hall to mark Chatham House's 90th Anniversary year.

Right: A programme of investment in the Chatham House Library is under way following a series of recommendations detailed in a Library Review completed in mid-2010.



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Cover image: People play in the sea against the backdrop of merchant ship MV Wisdom which ran aground at Chowpatty Beach in Mumbai, in June 2011.

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