

The
Economist

The world this year

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High levels of public debt among countries in the **euro zone** turned into a full-blown crisis for the currency block. As markets

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the European Union and the IMF eventually resolved to bail out **Greece** and, later, **Ireland**. Investors also fretted over Spain and Portugal. Measures to tackle **budget deficits** were met with protests, especially in Greece, which endured strikes and riots. In **France** 1m people demonstrated against pension reforms in a single day.



As Europe tightened its fiscal belt, America passed more stimulus measures. Barack Obama also signed into law the most sweeping changes to America's **financial-regulatory system** since the 1930s and a **health-care reform act** that was hailed by many as America's most significant piece of social legislation since the 1960s. Conservatives challenged the act in the courts.

Unease about deficits and the "jobless recovery" were factors behind the increasing clout of **tea-partiers** in America. With their support the Republicans scored a sensational win in a special election for Ted Kennedy's former Senate seat in **Massachusetts**. November's **mid-term elections** saw the Democrats swept from power in the House by the biggest swing to the Republicans in decades. Congress ended the year on its lowest-ever Gallup approval rating —13%.

In **China** the main worry was of an overheating economy. The central bank unexpectedly raised interest rates for the first time in three years amid concerns about inflation. Official trade statistics showed China had overtaken Germany as the world's **biggest exporter**. Tensions over **currency policy** were at the forefront during summits of the G20 and IMF.

Google had a spat with China over censorship and a cyber-attack on its website there, causing it to redirect its Chinese internet searches through Hong Kong. Separately, Google, Facebook and others promised to do more to protect **privacy** after an outcry about their handling of users' personal data.

The year of living dangerously

An earthquake in **Haiti** was a humanitarian disaster, killing at least 230,000 people and leaving 1m homeless. The quake devastated Port-au-Prince and left swathes of the country's fragile infrastructure in ruins. A deadly outbreak of cholera later in the year and political unrest compounded the misery.

Drifting ash clouds emanating from a **volcano** in Iceland led to the closure of European air space for several days, causing the biggest disruption to worldwide air travel since September 11th 2001.

American combat operations ended in **Iraq**, seven years after the start of the war. Around 50,000 troops remain in a support role until the end of 2011. Iraq continued to be troubled by violence and suicide-bombs after the Americans departed. An election was held in March, though a new government didn't begin to emerge until November.

The war in **Afghanistan** rumbled on. Coalition troops mounted their biggest offensive against the Taliban since 2001. The deaths of civilians in targeted missile attacks aimed at the Taliban and al-Qaeda caused rows. **General Stanley McChrystal** was sacked as commander of coalition forces after a magazine published an interview in which he disparaged the handling of the war by America's civilian leadership. General David Petraeus took charge.

Pakistan endured another year of severe terrorist attacks, starting on January 1st when a suicide-bomber killed 100 people at a volleyball match. In July, the Pakistani Taliban claimed responsibility for huge blasts at a Sufi shrine in Lahore and at a market in the Federally Administered Tribal Areas. Rioting in Karachi after the assassination of a politician killed scores. Relentless flooding from exceptionally heavy monsoon rains affected 20m people, adding to the country's woes.



Among the year's other deadliest terror attacks were co-ordinated bombings at two crowded bars in Kampala, the **Ugandan** capital. The Shabab, a **Somali** Islamist militia, claimed responsibility.

The heat is on

A spate of terrorist assaults in **Russia**, including a suicide-bombing on the Moscow metro, killed scores of people. Chechen separatists were blamed. The hottest summer in Russian history resulted in hundreds of **wildfires**, causing a public-health crisis in Moscow when smoke enveloped the city.

A spoof broadcast in **Georgia** claiming that Russia had invaded the country caused panic. The bulletin, using imagery from the 2008 Russia-Georgia war, prompted people to flee Tbilisi, the capital.

After months of cajoling, **Israel** and the **Palestinians** sat around the table for direct talks, though the negotiations soon broke down over the building of Jewish settlements on the West Bank. The American-Israeli relationship became somewhat strained.

Israeli intelligence was said to be behind the assassination of a senior **Hamas** military leader, who was killed at a hotel in Dubai. A diplomatic row ensued when it emerged that the assassins had travelled under the stolen identities of European and Australian citizens. There was another international ruckus when Israeli commandos shot dead nine people on a **Turkish ship** with humanitarian supplies bound for Gaza.

The world cheered when all 33 men trapped underground for 69 days at a mine in Chile were brought safely to the surface. But **mining** accidents in China, Russia, West Virginia, New Zealand and Turkey each killed dozens of workers.



An election in **Britain** saw Labour booted out of power after 13

years. The Conservatives emerged as the biggest party but without an overall majority. After a few tense days of talks, the Conservatives formed a coalition (the first in Britain since the 1940s) with the Liberal Democrats, who came third at the polls. The new government, led by David Cameron, embarked on a radical programme of spending cuts.

Joyful and triumphant

In other big elections, Dilma Rousseff won the presidency in **Brazil**, the first woman to do so. Julia Gillard became **Australia's** first female prime minister after ousting Kevin Rudd; she kept the job after a subsequent election. For the first time in 50 years **Chile** elected a conservative president, Sebastián Piñera. Mahinda Rajapaksa was re-elected as **Sri Lanka's** president; his opponent was arrested soon after. Benigno Aquino won a presidential election in the **Philippines**; he is the son of a late president, Corazon "Cory" Aquino. And Viktor Yanukovich was elected president of **Ukraine**, though Yulia Tymoshenko, his opponent, mounted a brief challenge to the result in court.

Poland's president, Lech Kaczynski, was killed in a plane crash near Smolensk, Russia, along with the head of Poland's central bank, senior diplomats and military leaders. The ensuing presidential election was won by Bronislaw Komorowski, who defeated Mr Kaczynski's twin brother, Jaroslaw.

An explosion at a BP well in the Gulf of Mexico in April killed 11 men and caused the world's biggest civilian **oil spill** to date, before the wellhead on the sea floor was finally sealed in September. The catastrophe forced a halt to commercial fishing in the area and a moratorium on drilling. The Obama administration faced sustained criticism of its handling of the crisis. BP's share price slumped, wiping out almost half its stockmarket value. In December America launched a lawsuit against BP and other companies potentially liable for the spill for billions of dollars in damages.



North Korea's increasingly bellicose attitude towards **South Korea** rattled the world. The sinking of a South Korean navy ship with the loss of 46 sailors was blamed on a torpedo attack by the North. Later in the year the North launched an artillery barrage against a tiny South Korean island. Kim Jong Un, the youngest son of Kim Jong Il, North Korea's ailing Dear Leader, moved up the ranks as heir apparent.

Naoto Kan became **Japan's** third prime minister within two years when Yukio Hatoyama resigned after reneging on a promise to remove the American marine base near Okinawa.

A recall of **Toyota** vehicles in America amid reports of sticking accelerator pedals proved to be a public-relations disaster for the carmaker, compelling its boss to apologise at a congressional hearing.

There was more turmoil in **Thailand** when red-shirted opposition protesters set up an encampment in central Bangkok. After a two-month stand-off the army moved in to clear the streets; 50 people were killed in the resulting clashes.

Aung San Suu Kyi was released from house arrest by **Myanmar's** ruling military junta. She had spent much of the past 20 years in detention and was freed after Myanmar's first national election since 1990. The ballot was rigged to favour the junta's candidates.

Goodluck Jonathan became president of **Nigeria** when the ailing and absent Umaru Yar'Adua was deemed too ill to continue in office (he died in May). There was further bloody conflict along ethnic lines between Christians and Muslims near the city of Jos.

Ethnic rioting in **Kyrgyzstan** between Kyrgyz and Uzbeks in the south of the country displaced hundreds of thousands and threatened to turn into a civil war.

The "hot potato" effect

Stockmarkets around the world had a bumpy year, none more so than the Dow Jones Industrial Average, which plunged dramatically within a matter of minutes on May 6th, only to recover the losses some 20 minutes later. An investigation found that a poorly executed algorithmic trade was at the root of the "flash crash".

Kraft Foods bought **Cadbury** in a \$19 billion takeover, one of the biggest of the year, though the sale was contentious. After stepping down as Cadbury's chairman, Roger Carr said that Britain had become "the most open goal of almost any country..in terms of foreign takeovers". Mr Carr becomes head of the Confederation of British Industry in June.

All I want for Christmas...

Apple started selling the **iPad**, a computer tablet that looked set to revolutionise digital publishing. Apple overtook Microsoft as the world's biggest technology company.

Among the year's **sporting events**, the winter Olympics were hosted by Vancouver, the World Cup was held in South Africa (and won for the first time by Spain) and the Commonwealth games took place in Delhi, though some competitors threatened to pull out because of poor hygienic conditions at the athletes' village. An annual event in England where challengers chase a wheel of cheese down a hill was officially cancelled on health-and-safety grounds.

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