The BBVA Research Geo World Report
A Visual Guide to Geopolitical Affairs
Cross Country Emerging Markets Unit
- The World is changing and the balance of power with it
- The traditional post Cold-war unipolar US dominance is being increasingly tested
- The world’s balance of power is slowly adapting to the economic balance
- Social, political and economic systems are becoming increasingly interconnected
- New actors will arise and will start to make new demands
- With the new technologies facilitating the spread of social dynamics

The Global Economy’s shifting centre of gravity
Source: Danny Quah 2011
Geo-strategic analysis will play a crucial role in understanding the field in which international economies operate and the interconnection of global risks. It is becoming an additional and key element in the policy making process.

**Why geostrategic Analysis**

This report includes new **tools to monitor and quantify geopolitical trends and their interconnections in the global economy** by using an innovative “big data” set.

- It **monitors the geopolitical situation to better understand** the behaviour and forces of global-scale social systems.

- The report will complement our geostrategic analysis in aiming to understand the social, political and geostrategic trends in parallel with the dynamics of the global economy.

**Geopolitical risks are highly interconnected**

Source: The Global Risk Report, WEO 2014
The global economy’s centre of gravity is moving to the East
(%GDP in world economy in the next ten years)
Source: BBVA Research and Quah 2011

The Balance of Economic Power

Geo World Report
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Index: A set of problems to deal with

The global awakening
The global awakening will challenge global leaders. In emerging but also in richer Countries.

The Russia Ukraine crisis
Putin’s expansionism takes advantage of Maidan. A fragile ceasefire keeps neighbour’s fears.

ISIS advance in the Middle East
ISIS surprises the US’ pivot to Asia. The Coalition still on tactics (“airstrikes”) more than strategy.

HK unrest & southeast asian sea tensions
China on alert about Hong Kong fears. Competing territorial claims in the South-east asian sea.
BBVA World Conflict Heatmap (2H 2014)
(Number of conflicts / Total events)*
Source: www.gdelt.org & BBVA Research

Social Unrest
Social Unrest hotspots.

Ukraine-Russia
Ceasefire in place but still fragile.

ISIS advances in M. East
The Coalition stopped the advance so far. More concerted needed to fight ISIS.

South-East Asia
Democratic demands in Hong Kong. Nationalistic claims on the sea.

* See the annex for more details about the methodology.
The social unrest is not a new phenomena but it is increasing after a long period of calm.

The trend in conflict is more worrying and it is being increasing since the beginning of this century.

* See the annex for more details about the methodology. Time series are provided in the web and can be downloaded.
In Western Europe mild social pressures have revived in France which could challenge the implementation of reform programmes. Protests on the EU periphery have mildly revived.

Some of Eastern European countries still show tense situations despite the improvement. Social tensions have increased in Bulgaria, Hungary and Romania while in Turkey social tensions relaxed after the Presidential Elections. Ukraine’s tensions increased during the autumn, when the crisis with Russia escalated again.

The social climate continues to be tense in N. Africa & Middle Eastern countries. The situation in Algeria, Israel and Egypt continues under pressure. In the Middle East, the tensions in Bahrein remain high.

The Latam social unrest climate remains mixed. Protests diminished in Chile while they have emerged in Mexico. The situation in Venezuela is still complicated.

In Asia, tense situations in India and Pakistan remain fragile while the social unrest came to a halt in Thailand after the military took political control. Increasing demands of democracy in Hong Kong.
Protest intensity does not lead to conflicts in **Developed Countries** and the conflict intensity in these countries is rather low ...

**Emerging Europe and CIS countries’** conflicts have reduced during the last decade, but new worrying signals have recently appeared in **Ukraine** and **Russia** and also in some former republics. The conflict intensity is also increasing in **Turkey** as a result of the ISIS and Kurdish related problems.

The conflict activity in **North Africa & the Middle East** continues to be intense, with critical situation in North Africa but also in **Syria** and **Iraq**. The conflict intensity in the Gulf Countries remains contained.

**Latam**’s conflict rose in **Mexico** given the spread of violent protests. However, conflict activity has eased in Colombia.

**Asia** remains calm, with most of the conflict activity related to Central Asia (**Afganistan**, **Pakistan**). Violent demonstrations have carried through to higher conflict intensity in **Honk Kong**.
The fragile ceasefire between the separatists and the government is still in place. The worsening economic activity and the result of elections could increase pressure again.

The new round of Western sanctions have been imposed. While sanctions are still not affecting Putin’s strategy and popularity (87% in the Levada polls), they are proving effective in economic terms. The economy will stagnate this year instead of pre-crisis forecasts of 3% growth.

The situation in countries with large Russian populations remains tense (Moldova, Belarus, Georgia and, to a lesser extent, the Baltic States).
The economic situation is becoming critical in Ukraine, with fears of default despite official assistance.

Deterioration is also evident in Russia. 2015 will continue to test Putin’s support with a strong decline in growth beyond the official forecast.
Some countries, financial centres and tax havens will be affected by financial sanctions imposed on Russia.

### Russian economic sanctions network

Source: [www.gdelt.org](http://www.gdelt.org) & BBVA Research

**Central asian trade**

Technology exchange restrictions will affect Russia’s medium/long term capacity to extract new energy, which could affect Central Asian relationships.

**Central & Eastern european trade**

The trade effects of commercial sanctions imposed on Russia will spread to other countries, particularly traditional trade partners in the East.

External demand of some European countries (France, Germany, Italy) will also be affected.

**Financial circle**

Russian investments in some regions are huge (i.e. the Balkan states).
The Russian crisis and potential spillovers
(From lower -1- to higher -3- risk)
Source: BBVA Research

1. Russia favours East Ukraine independence (Crimea, East Ukraine)
2. Tensions spread in neighbouring countries (Moldova, Belarus and Georgia)
3. Destabilising the Baltics and exploiting “fears” in Central Asia (Kazhastan, Uzbekistan...)

Geo World Report
A Visual Guide to Geopolitical Affairs
Russian expansionism scenarios
The rapid advance of ISIS finally led the coalition to extend the airstrikes to northern Syria. The airstrikes successfully stopped the ISIS advance into Kurdistan.

The assault on the Kurdish city of Kobane is complicating the outlook, as it is in the border with Turkey.

ISIS is advancing rapidly through Anbar province, with an increasing likelihood of a final and successful attack on Baghdad.

A strategy for the future (Iraq and Syria) still not announced (but is possibly being negotiated bilaterally by the US). Iran maintains a wait-and-see attitude while Saudi Arabia has joined the Coalition.
International Coalition members
Source: BBVA Research and BBC

- **International Coalition is playing a key role** in stopping the ISIS advance.

- Countries have joined the Coalition at **different levels of collaboration. Military collaboration remains limited.**

- Deployment of ground troops has not been considered so far.
**IC “air-Strikes” stop ISIS advance**

**Geographical concentration of air-strikes in Iraq & Syria**
Source: US Central Command and BBC

Air Strikes concentrated in northern Syria and Iraq

**First four months of air-strikes in Iraq & Syria**
Source: US Central Command and BBC

With increasing focus in Kobane area to support Kurd fighters
Refugees into neighbouring countries from Syria & Iraq
(Cumulative number of refugees from Syria and Iraq)
Source: www.gdelt.org & BBVA Research

• The ISIS conflict in Iraq & Syria has already increased the large number of refugees in Turkey (slightly above 1.1 million from Syria alone) due to the Civil War in Syria.

• The situation in Jordan and Lebanon is even worse, and will deteriorate further if ISIS takes the central part of Iraq.

• The effects on macroeconomics are already present but still difficult to quantify (demand for food, lower wages,...).
Sentiment about the P5+1 deal had been increasing before the deadline, but it plunged on 24 November when no agreement was reached.

Iran and P5+1 countries again failed to sign an agreement. However, they have decided a second extension to 1 March 2015 of negotiations over Tehran’s nuclear programme, with a deadline for final agreement on 1 July.

The nuclear issue will remain a key geopolitical focal point next year. The economic situation in Iran continues to move in tandem with the negotiations (i.e. relaxation of sanctions).
Despite the Middle Eastern turmoil, oil prices have continued to decline.

This will have positive consequences in strategic terms, as it will undermine both Russian and ISIS finances.

However, it poses some risks in terms of economic and security situation in some Middle East countries.

Beyond economic deterioration, revenues to contain ‘social pressures’ will be reduced.
**Geopolitics of the Middle East and potential spillovers**

(From lower -1- to higher -3- risk)

Source: BBVA Research

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**Middle East potential scenarios**

1. **Sectarian clashes continue**
   - ISIS and government enter a muddle-through scenario
   - (Iraq, Syria and the Kurds)

2. **Neighbour problems**
   - Problems spread to regional neighbours
   - (Jordan, Lebanon, Turkey)

3. **Full-blown crisis**
   - Crisis spreads to big players (Iran and Saudi Arabia) with sectarian clashes and fights extending into Middle East and North Africa
   - (Iran, S.Arabia, North Africa)
Demands for democratic reforms have been increasing in Hong Kong, although they are facing Chinese government opposition...
China will closely monitor HK woes

Social climate in China: Social Unrest Index
(Number of protests)
Source: www.gdelt.org & BBVA Research

- Chinese authorities will try to maintain “order and harmony”.
- However, the emerging middle classes in the coastal areas could extend their material demands to non-material (social and political) ones.
- Social media will continue to be closely monitored by authorities.
- The Chinese authorities will take any measures to prevent economic deterioration and/or social unrest.
Competing territorial claims between China and south asian islands are increasing tensions in the region...
A challenge for the US foreign policy

Obama Administration’s sentiment on foreign affairs
(Average tone of US foreign affairs with respect to different focal points. Confidence bands: average tone of US foreign affairs)*
Source: www.gdelt.org & BBVA Research

Advances in Russia-Ukraine crisis management have recently stopped

The Middle East sentiment continues to be lower than the rest. Airstrikes improved it somewhat, but recently reversed after Hagel’s resignation

The feeling for the Asian Pivot is more stable and positive. Recent APEC meetings improved sentiment

* See the annex for more details about the methodology.
World conflicts: direct income and population
(% of PPP GDP and population)
Source: BBVA Research, IMF

- **Russian Expansionism**: 22% GDP, 700 mill population
- **36% GDP**: 2,125 mill population
- **16% GDP**: 320 mill population
- **7% GDP**: 370 mill population

USA

**Geo-Strategic Scenarios Impact**
The Top World Think Tank Tracker

Key articles by leading Think Tanks...

West and Russia Now in Permanent Crisis

Profiling The Islamic State

The U.S. Can’t Count on Regional Support in the Fight Against ISIS

CSIS: 2015 Global Security Forecasts

Iran’s Nuclear Politics and Missed Opportunities

Russian ‘deniable intervention’ in Ukraine: how and why Russia broke the rules

Strategic Survey 2014 Press Statement

Putin’s Valdai Speech

It’s time for a New Deal for Europe

Reports and Multimedia...

IISS Global Strategic Review 2014

The International System and The Ukraine Crisis

IISS Global Strategic Review 2014

The Transformation of the Geopolitical and Geo-Economic Order in the Middle East

Global Strategic Review 2014 Conference

A discussion with Dr. Henry Kissinger highlighting his latest book, World Order.

Formulating a New Foreign Policy Approach toward Russia, By Zibnieg Brzezinsky
We have developed a tracking of protest and conflict indexes for every country in the world since 1 January 1979 through present day with daily, monthly, quarterly and annual frequencies. To construct this, we use a rich ‘big database’ of international events (GDELT at www.gdelt.org) which monitors the world’s events covered by the news media from nearly every corner of the world in print, broadcast, and web formats, in over 100 languages, every moment of every day updated every 15 minutes.

• **BBVA Protest Intensity Index:** We collect every registered protest in the world for a particular time which are separately collated under the various headings of the CAMEO taxonomy as: demonstrate or rally, demonstrate for leadership change, demonstrate for policy change, demonstrate for rights, demonstrate for change in institutions and regime, conduct hunger strike for leadership change, conduct hunger strike for policy change, conduct hunger strike for rights, conduct hunger strike for change in institutions and regime, conduct hunger strike not specified before, conduct strike or boycott for leadership change, conduct strike or boycott for policy change, conduct strike or boycott for rights, conduct strike or boycott for change in institutions and regime, conduct strike or boycott not specified before, obstruct passage or block, obstruct passage to demand leadership change, obstruct passage to demand policy change, obstruct passage to demand rights, obstruct passage to demand change in institutions and regime, protest violently or riot, engage in violent protest for leadership change, engage in violent protest for policy change, engage in violent protest for rights, engage in violent protest for change in institutions and regime, engage in political dissent not specified before.

• **BBVA Conflict Intensity Index:** In the same way, we collect every registered conflict in the world for a particular time considering a wide variety of conflicts under the CAMEO taxonomy headings as: impose restrictions on political freedoms, ban political parties or politicians, impose curfew, impose state of emergency or martial law, conduct suicide, carry out suicide bombing, carry out car bombing, carry out roadside bombing, car or other non-military bombing not specified below, use as human shield, use conventional military force not specified before, impose blockade, restrict movement, occupy territory, fight with artillery and tanks, employ aerial weapons, violate ceasefire, engage in mass expulsion, engage in mass killings, engage in ethnic cleansing, use unconventional mass violence not specified before, use chemical, biological, or radiological weapons, detonate nuclear weapons, use weapons of mass destruction not specified before.

Using this information, we construct an intensity index for both events. The number of protests and conflicts each day/month/quarter/year are divided by the total number of all events recorded by GDELT for that day/month/quarter/year to create a protest and conflict intensity score that tracks just how prevalent protest and conflict activity has been over the last quarter-century, correcting thus for the exponential rise in media coverage over the last 30 years and the imperfect nature of computer processing of the news.
The GDELT database offers several mechanisms for assessing the “importance” or “impact” of a particular event. The most common measures are:

- **Goldstein Scale.** This is a widely used scale in geopolitics that maps WEIS event codes onto a number representing level of conflict or cooperation. Each CAMEO event code is assigned a numeric score from -10 to +10, capturing the theoretical potential impact that type of event will have on the stability of a country. This is known as the Goldstein Scale. This field specifies the Goldstein score for each event type. NOTE: this score is based on the type of event, not the specifics of the actual event record being recorded. Thus two riots, one with 10 people and one with 10,000, will both receive the same Goldstein score. This can be aggregated to various levels of time resolution to yield an approximation of the stability of a location over time.

- **Average Tone.** This is the average “tone” of all documents containing one or more mentions of this event. The score ranges from -100 (extremely negative) to +100 (extremely positive). Common values range between -10 and +10, with 0 indicating neutral. This can be used as a method of filtering the “context” of events as a subtle measure of the importance of an event and as a proxy for the “impact” of that event. For example, a riot event with a slightly negative average tone is likely to have been a minor occurrence, whereas if it had an extremely negative average tone, it suggests a far more serious occurrence. A riot with a positive score probably suggests a very minor occurrence described in the context of a more positive narrative (such as a report of an attack occurring in a discussion of improving conditions on the ground in a country and how the number of attacks per day has been greatly reduced). To measure the emotional connotation in which the event appears, GDELT uses the tonal dictionary from Shook et al (2012). This scale goes beyond CAMEO event codes and is the measure that we use in the report.

To extract all this information from the text, the data are coded using the open-source Petrich system for events and additional software for location and tone. This coding engine identifies all named entities through noun phrases: all nouns, verbs, adjectives, adverbs... in the text. Unidentified cases can be separately processed with named-entity-resolution software. The speed of the algorithm is achieved through the use of shallow parsing algorithms and parallel processing.
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