



## Forecasting geopolitical risks: Oceans as source of instability



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### A B S T R A C T

The publication of reports on geo-political risks in the world sponsored by intelligence agencies, university institutes and think tanks are valuable instruments in societies that are being increasingly exposed to the effects of globalisation. Although all express mention of geo-political risks of a maritime nature is absent from these documents, it is an interesting exercise to determine: i) Which geo-political risks or threats have a maritime dimension or imply derivations whose occurrence may be linked to maritime space? ii) Which processes or tendencies in the use, occupation and governance of maritime space can fall into the category of geo-political risk? The basic aim is to address the forms that instability and geo-political risks take in the ocean world. If the risks stated in the chosen literature are examined from the maritime perspective, it is possible to perceive 'secondary' risks whose size and reach can become major contingencies for international stability. They therefore should not be ignored in the prognosis and evaluation of geo-political risks. In as much as societies' political organisation continues to rest on the nation-State, the dominance of the maritime component in the territorial basis is a permanent source of tensions and conflicts. In parallel with this, the displacement of economic expectations and the supply of traditional and new resources to the marine environment broadens the spectrum of risks and threats.

### 1. Introduction

In recent times, there has been a proliferation of analyses of the world's political, economic and social situation, of the way it has evolved and of trends<sup>1</sup> They are valuable tools in societies being progressively exposed to the effects of globalisation, where crises can barely be contained within their original areas. International organisations (governmental and non-governmental), large corporations, academic institutions and think tanks compete with their production while at the same time they need their diagnoses and forecasts in order to make decisions on short-, medium- and long-term actions.

It is common for this type of document to identify and list the so-called 'geopolitical risks'.<sup>2</sup> Their existence is considered to be akin to a return to the political atmosphere that prevailed during the Cold War

[1–3], with the relative stability in the world ushered in by the collapse of the Soviet Union disrupted by the invasion of Crimea and the resurgence of political tensions triggered by changes to borders and territorial expansionism (South China Sea).

'Geopolitical risks' is one of the five categories identified in the World Economic Forum's<sup>3</sup> (WEF) Global Risks Report. The others are economic,<sup>4</sup> environmental, social and technological risks. 'Geopolitical risks' heads the five categories in the WEF report<sup>5</sup> and are currently a focus of attention not only in the area of social sciences and geo-strategy, but especially in the analytical forecasts sought by financial corporations and the insurance sector,<sup>6</sup> which are extremely alert to vulnerability and exposure to different types of risk in the world. In the sense that the term is used in this type of literature, geopolitical event alludes to episodes of instability and uncertainty which, despite the

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<sup>1</sup> The selection made for this study includes 14 institutions and 19 reports (Table 1).

<sup>2</sup> The expression 'geopolitical risks' is commonly used in the jargon of the finance and insurance sectors with which some of these reports are linked; Section 2 of the article includes more detailed information on sources.

<sup>3</sup> The latest is the 11th Global Risks Report (2016) and, like its predecessors, it is based on the annual Global Risks Perception Survey [4].

<sup>4</sup> There are numerous examples of types of 'geo-economic' tensions that can produce global risks and instability: currency wars, *shadow banking* (banking activity not subject to the checks and balances of formal banking institutions), economic slowdown, internal and external socioeconomic polarisation, fluctuating raw materials prices, etc. [5]. Moises Naim alludes to similar issues in his latest work [6].

<sup>5</sup> In 2015, geopolitical risks were ranked first in terms of likelihood; in 2016, two of these risks – inter-State conflict and failure of national governance – are among the top ten risks in terms of likelihood, with weapons of mass destruction in second place due to the size of their impact [4,7].

<sup>6</sup> The Global Risks Report receives wide dissemination as it is linked to the World Economic Forum (also known as the Davos Forum) and its strategic partners are the Marsh & McLennan Companies and the Zurich Insurance Group, world leaders in insurance.

wide variety of types, duration and scale are clearly linked to and identified with a territory, and, particularly, with the political institution that exercises sovereignty: the State.<sup>7</sup> It is, therefore, the institution of the State and its territorial component which is this article's object of interest, as it is essentially a geopolitical entity.

The chosen sets of reports have widespread repercussions in the political, financial and academic spheres due to their source or authorship. However, there is a noticeable lack of maritime topics in them, particularly as regards references to the seas and oceans, bearing in mind that geopolitics by definition implies the existence of a spatial imperative which, in the case of the oceans-and as is well-known-, comprises over 70% of our planet. There is a broad range of reasons why this is so and, although these reasons are not the object of this paper, mention should at least be made of the questions surrounding the territoriality of maritime spaces [11], especially the fact that the domain of the State's territorial basis is linked to emerged spaces, and the low occupation and exploitation rates of marine basins compared to emerged land. Maritime territory has nonetheless progressively acquired greater importance in global politics since the second half of the 20th century, and more especially since the new codification of the Law of the Sea, the effects of which are still causing changes to the make-up of national maritime spaces and, in the final analysis, to the so-called marine areas located outside national jurisdiction [12]. Although there is no express mention of geopolitical risks (or geopolitical threats<sup>8</sup>) of a maritime nature in these documents, it is an interesting exercise to determine: i) what geopolitical risks or threats have a maritime dimension or derivations that may occur in maritime space? and ii) what processes or tendencies in ocean use, occupation or governance can fall into the category of geopolitical risk? The focus developed herein seeks to demonstrate the relevance of the territorial changes that have occurred in the maritime area over recent decades for political entities and their conflicts – brand new components that emerge in the reports previously alluded to – and that in this way acquire a broader significance through the generation of 'secondary (maritime) risks' that derive from those already identified in said documents. Episodes that are either objects of attention due to their implications for maritime security and threats to States, and activities of a strategic nature that do not correspond to geographical or political phenomena, therefore fall outside the scope of this focus.

An examination of documents prepared by financial institutions, insurance agencies and strategic studies institutes provides an initial glimpse of the perception of the elements with which instability is identified and which, in the final instance, are used to label the so-called geopolitical risks, and how these might be expressed in the marine domain.

## 2. Forecasting world geopolitics

Finances and geo-strategy combine through different types of institutions (intelligence agencies, university institutes and think tanks, or through a combination of these) in supplying abundant forecasts or simply prescriptive material on the political, economic and social situation, and for this they define various categories with the aim of objectifying a diagnosis. The 'geopolitical risk' category is one that is commonly used and is growing in relative importance. For the purpose of this article, documents have been selected that are available on the Internet and that are regularly drawn up by reputed international institutions in the field of international relations and economics. The goal is not, therefore, to undertake a comprehensive analysis or

<sup>7</sup> Three of the five types of geopolitical risk in the mentioned WEF report are related to State action (governance, inter-State conflicts, failure of the State itself). There are more detailed lists [8, p.11] that identify the action, place or crisis, geopolitical trends or processes, perceived as threats [9,10]

<sup>8</sup> Three global revolutions are identified as challenges for Europe in the cited ESPAS report [9], one of which is the global geopolitical revolution.

**Table 1**  
Selected institutions and reports.  
Source: Author

Institution	Document/Yearly Report/Publication
Bank of New York (BNY) Mellon Corporation	● <i>Managing Geopolitical Risk in Investment Decision-Making</i>
Centre for International Development and Conflict Management (CIDCM) – Univ. of Maryland	● <i>Peace and Conflict</i> (various years: 2008–2014)
Centre for Strategic and International Studies (CSIS)	● <i>Asia Maritime Transparency Initiative</i>
Chartered Insurance Institute (CII)	● <i>Global Political Risks in 2015 and beyond</i>
Council on Foreign Relations (CFR)	● <i>Foreign Affairs</i> journal ● <i>Preventive Priorities Survey: 2016</i> (drawn up by the Centre for Preventive Action)
Eurasia Group	● <i>Top Risks 2015</i>
European Strategy and Policy Analysis System (ESPAS)	● <i>Global Trends to 2030: Can the EU meet the challenges ahead?</i>
German Marshall Fund (GMF)	● <i>Transatlantic Trends. Key findings 2014</i>
Institute for Economics and Peace	● <i>Global Peace Index 2015. Measuring peace, its causes and its economic value</i>
International Institute for Strategic Studies (IISS)	● <i>Strategic Survey 2015. The Annual Review of World Affairs</i>
QinetiQ/Lloyd's Register Group Ltd./Univ. of Strathclyde	● <i>Global Marine Trends 2030</i>
Stratfor Global Intelligence	● <i>Annual Forecast 2016</i>
US National Intelligence Council (NIC)	● <i>Global Governance 2025: At a Critical Juncture</i> (drawn up in conjunction with the EU Institute for Security Studies) ● <i>Global Trends 2025: A Transformed World</i> ● <i>Global Trends 2030: Alternative Worlds</i> ● <i>Mapping the Global Future. Report of the NIC's 2020 Project</i>
World Economic Forum	● <i>Outlook on the Global Agenda 2015</i> ● <i>The Global Risks Report 2016, 11<sup>th</sup> Edition</i> (also 2014 and 2015)

inventory of this type of literature, but to gain a conceptual overview based on a type of document in which the term 'geopolitical risk' is commonly found.

Periodic reports drawn up by institutions such as the Council on Foreign Relations (CFR), Eurasia Group, International Institute for Strategic Studies (IISS), Stratfor Global Intelligence, the US National Intelligence Council (NIC) and the World Economic Forum (Table 1) are specifically of special interest for this analysis.

One of the key reports is the *The Global Risks Report* published annually by the World Economic Forum (WEF). The most recent reports for 2015 and 2016 list a number of global risks<sup>9</sup> and classify them in different categories: economic, environmental, social, technological and geopolitical [4,7]. The WEF stated in 2015 that some of the greatest risks in terms of likelihood were environment-related (extreme weather events), another that was economic (high structural unemployment or underemployment) and three geopolitical (inter-State conflict with regional consequences; failure of national governance<sup>10</sup>; state collapse or crisis<sup>11</sup>), whilst it gave some geopolitical risks as those with the greatest impact, including the proliferation of weapons of mass destruction and, once again, inter-State conflicts with regional implications [7] (along with water crises, the rapid and massive spread of infectious diseases and the failure of climate-change mitigation and adaptation). The report for the current year (2016) gives a greater

<sup>9</sup> The latest WEF report defines a global risk as 'an uncertain event or condition that, if it occurs, can cause significant negative impact for several countries or industries within the next 10 years' [4].

<sup>10</sup> This refers to the failure of Rule of Law, corruption and political deadlock, for example.

<sup>11</sup> Such a crisis includes aspects such as civil conflict, military coups, failed States, etc.

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