

Geostrategic Analysis

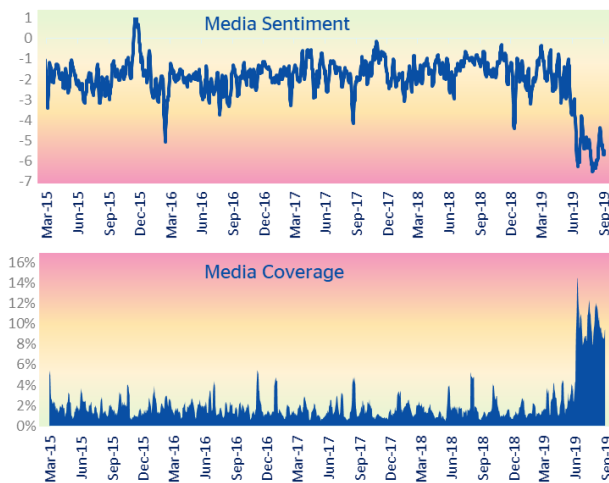
Geo-World: Conflict & Protest August

Fernando Bolívar / Tatiana Dávila / Yigit Engin / Álvaro Ortiz / Tomasa Rodrigo
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Protests in Hong Kong escalated further in August. The U.S. announced that it was concerned by Chinese military movements along the border. Possible Chinese attempts to interfere in the political crisis in Hong Kong could trigger more risks. Meanwhile, China and the United States retaliated against each other with new tariffs signaling that the trade rift will continue for a while. The British Prime Minister is seeking ways to contain U.K. lawmakers' alternative plans in the Brexit process. Parliament has been suspended to limit the room for maneuver for the lawmakers. India revoking the situation of the autonomous Jammu and Kashmir contested area introduced new uncertainties on the geopolitical balance. Turkey – U.S. agreement on a safe zone in northeastern Syria is a positive sign.

Asia became the hottest spot with escalated protests and trade rift.

Figure 1. **BBVA RESEARCH HONG KONG PROTESTS INTENSITY AND SENTIMENT INDEX 2015-2019***



Source: BBVA Research & www.gdelt.org. *Coverage= n° of protests /n° events. Sentiment goes from -10 (extremely negative) to 10 (extremely positive). (7 days moving average)

Hong Kong protests escalated, increasing unrest and uncertainty.

Chinese possible move against the protests could increase risks.

U.S. – China trade rift continues with new tariffs

Both countries retaliated each other with additional tariffs.

U.K. Parliament has been suspended until October 14.

As Brexit deadline nears, political discussions in the U.K. escalated.

India's decision on the contested area triggered an additional dispute with Pakistan.

The Indian government has revoked the situation of Kashmir and Jammu triggering Pakistan's opposition

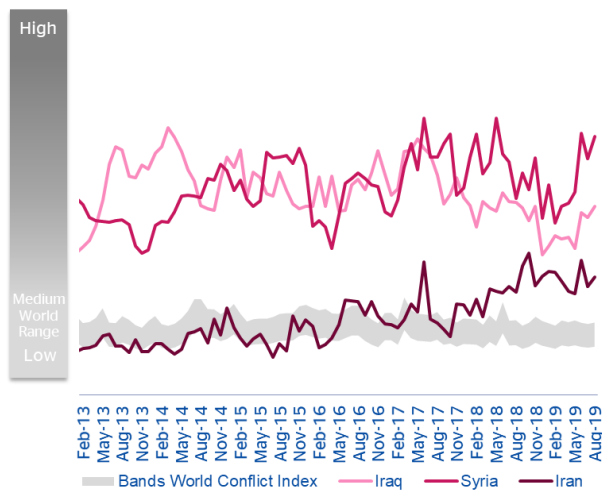
The BBVA Research World Conflict Intensity Index decreased during August. The main developments during the month were:

- **Protests in Hong Kong continue as of August.** In mid-August, the protests have forced the airport to suspend check-ins. After clashes between the protestors and the police the suspension ended on August 13. **Demonstrations on August 18 protests were the second largest protest since June.** Reports indicated that 1.7 million Hong Kongers might have participated. Meanwhile, the United States announced that it was deeply concerned by reports of Chinese reinforcements along its border with Hong Kong. On August 20, it was reported that the Chinese government gave Hong Kong officials until early September to resolve the crisis.
- **U.S. – China trade dispute continues.** On August 23, U.S. President Trump said “American companies are hereby ordered to immediately start looking for an alternative to China. He later said that the White House has the power to enforce U.S. companies to divest from China. On August 24, President Trump tweeted that “starting on October 1st, the 250 billion dollars-worth of goods and products from China, currently being taxed at 25%, will be taxed at 30%. Additionally, the remaining 300 billion dollars-worth of goods and products from China that was being taxed from September 1st, at 10%, will now be taxed at 15%.” This announcement came after China announced tariffs on the 75 billion dollars-worth of U.S. goods and an additional 25% tariff on U.S. auto imports on December 15. Nonetheless, China announced that it would not immediately retaliate against the latest U.S. tariff increase. Uncertain situation continues on trade rift. In addition, the U.S. government notified Congress of its proposal to sell 66 F-16 warplanes to Taiwan. China threatened to sanction American companies that participate the deal.
- Brexit discussions heated up in August as the deadline nears. **U.K. Prime Minister Boris Johnson asked Queen Elizabeth to suspend Parliament in September to prevent U.K. lawmakers seeking an alternative path towards the October 31 Brexit deadline.** The Queen approved. Parliament will not sit until October 14. This gives less room to U.K. lawmakers to follow their own path to prevent a no-deal Brexit. Meanwhile, the European Council President Donald Tusk rejected Prime Minister Johnson's request to eliminate the Irish backstop from the UK's withdrawal agreement with the EU.

On another note, Italy's center-left Democratic Party and the anti-establishment Five Star Movement reached an agreement to form a cabinet. Both parties agreed to keep Giuseppe Conte as Italy's Prime Minister.

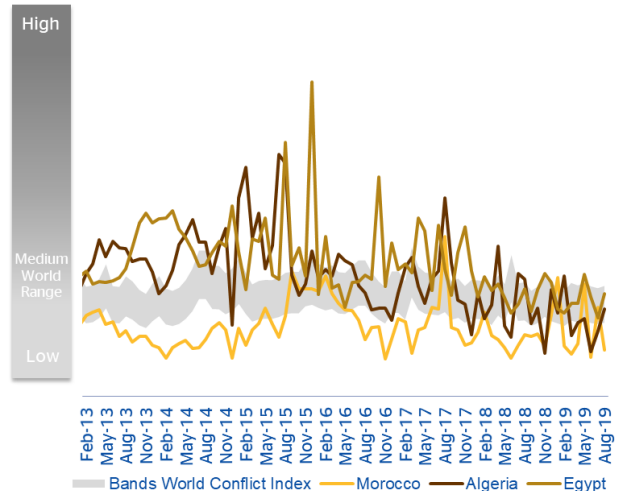
- **On August 5, India revoked the special autonomous status for Jammu and Kashmir and said it would divide it into two territories. Pakistan said it would defend the people in the contested area.** Many countries including China, the U.S., the U.K., the EU and Turkey asked to reduce the tension. At least 500 incidents of protests have been observed in Kashmir since the decision has been made. Japan and the United States have agreed on a framework for a trade agreement that would leave U.S. tariffs on Japanese automotive imports in place whilst Tokyo would lower its duties on beef and pork imports from the U.S. Meanwhile, the United States and France reached a compromise on French digital tax. Accordingly, France will repeal its tax as soon as the OECD agrees on establishing an international levy. The United States and the Taliban are nearing an agreement to put an end to ongoing war in Afghanistan. President Trump said Washington would keep 8,600 troops in the country after the deal. **In the meantime, the situation in Syria's Idlib province is still tense.** Syrian Regime forces launched a new round of attacks to cleanse the area of rebel units. However, the Syrian forces also encircled one of the Turkish observation posts in the province and attacked a Turkish convoy. Turkish President Erdogan recently met with Russian President Putin to discuss the situation. Turkey and the U.S. agreed on a safe-zone plan along the Turkish border and began joint patrols.

Figure 2. **BBVA RESEARCH MIDDLE EAST CONFLICT INTENSITY INDEX 2008-AUGUST19** (number of conflicts / total events)



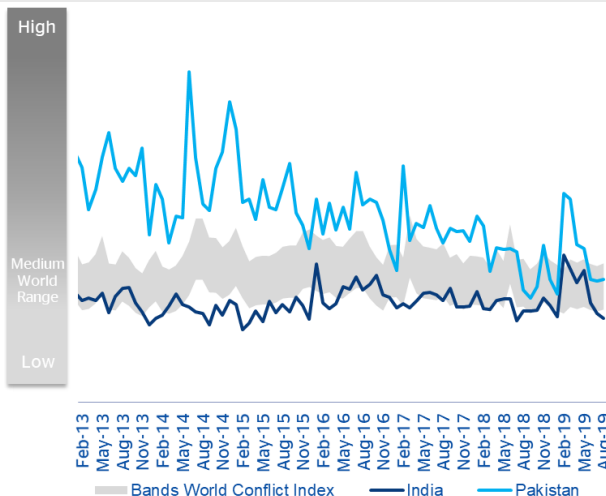
Source: www.dgelt.org & BBVA Research

Figure 3. **BBVA RESEARCH NORTH AFRICA CONFLICT INTENSITY INDEX 2008- AUGUST19** (number of conflicts / total events)



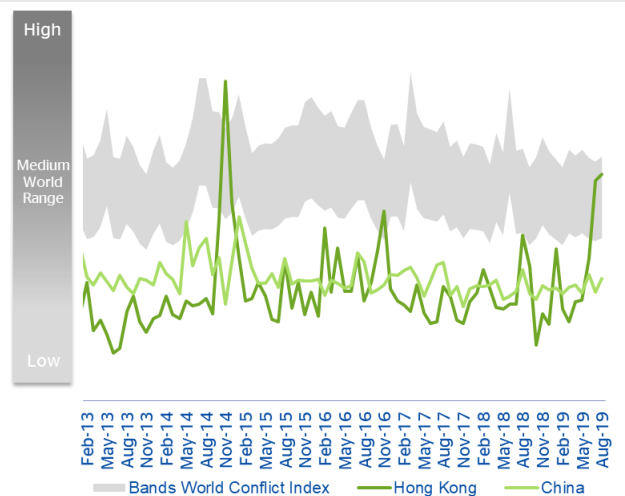
Source: www.dgelt.org & BBVA Research

Figure 4. **BBVA RESEARCH INDIA-PAKISTAN CONFLICT INTENSITY INDEX 2008-AUGUST19** (number of conflicts / total events)



Source: www.dgelt.org & BBVA Research

Figure 5. **BBVA RESEARCH ASIA CONFLICT INTENSITY INDEX 2008- AUGUST 19** (number of conflicts / total events)

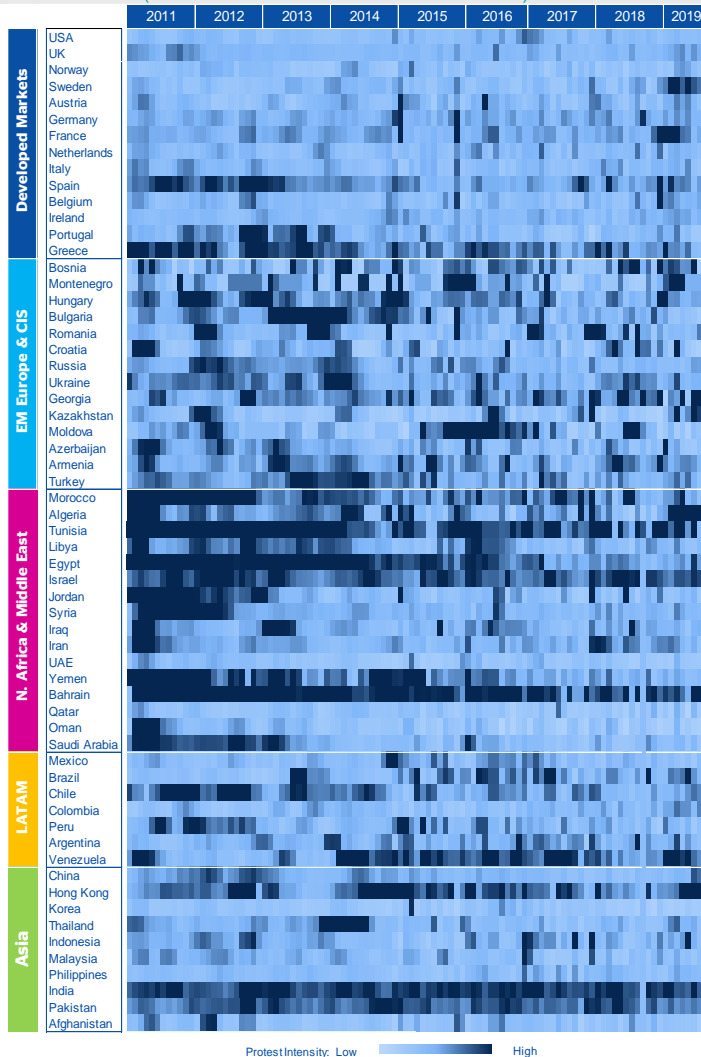


Source: www.dgelt.org & BBVA Research

Global social unrest worsened, especially in North Africa and the Middle East.

The World Protest Index increased in August (as shown by our BBVA Research World Protest Intensity Index¹). According to the BBVA Research World Protest Intensity Map, the key facts were:

Figure 6. **BBVA RESEARCH WORLD PROTEST INTENSITY MAP JAN 2011 – AUGUST 2019** (NUMBER OF PROTESTS / TOTAL EVENTS)



Source: www.dgelt.org & BBVA Research

- In regional terms, social turmoil rose in North Africa, the main global hotspot together with the Middle East and Asia. Instability increases in some Eastern European and Latin American countries, while it remained at similar levels in some European:
- Europe, in Sweden, Iranian Resistance supporters rallied to express disapproval of the Iranian Foreign Minister Mohammad Javad Zarif's visit. In the UK, Boris Johnson's decision to suspend Parliament has triggered demonstrations claiming respect for democracy.
- In Emerging Europe, in Romania, one year ago the first anti-corruption protest against the government took place, this month thousands of people rallied again demanding democratic government and justice. In Russia, students conducted a new wave of protests, the generational gap between Putin and Russian youth is carrying problems to the Russian government.
- In North Africa and the Middle East, In Algeria, Tuareg discontent will remain confined to smaller struggles for political and economic influence. Israel reduced tensions with the Palestinian authority through a fuel exemption agreement with reactive effect. Iran kept uncertainty over the supertanker fate due to the sudden change of course in the eastern Mediterranean Sea.
- In Latin America, Brazil is in the spotlight on the environmental debate due to the number of forest fires in the Amazon. In Argentina, the economic and political turmoil increased social unrest. In Peru, uncertainty grew over the proposal for a referendum to bring forward the general elections from 2021 to next year.
- In Asia, Hong Kong remains in the spotlight; protests at the airport caused one of the biggest economic disruption so far. In Indonesia, a number of riots in the Papua region has revived the separatist insurgency.

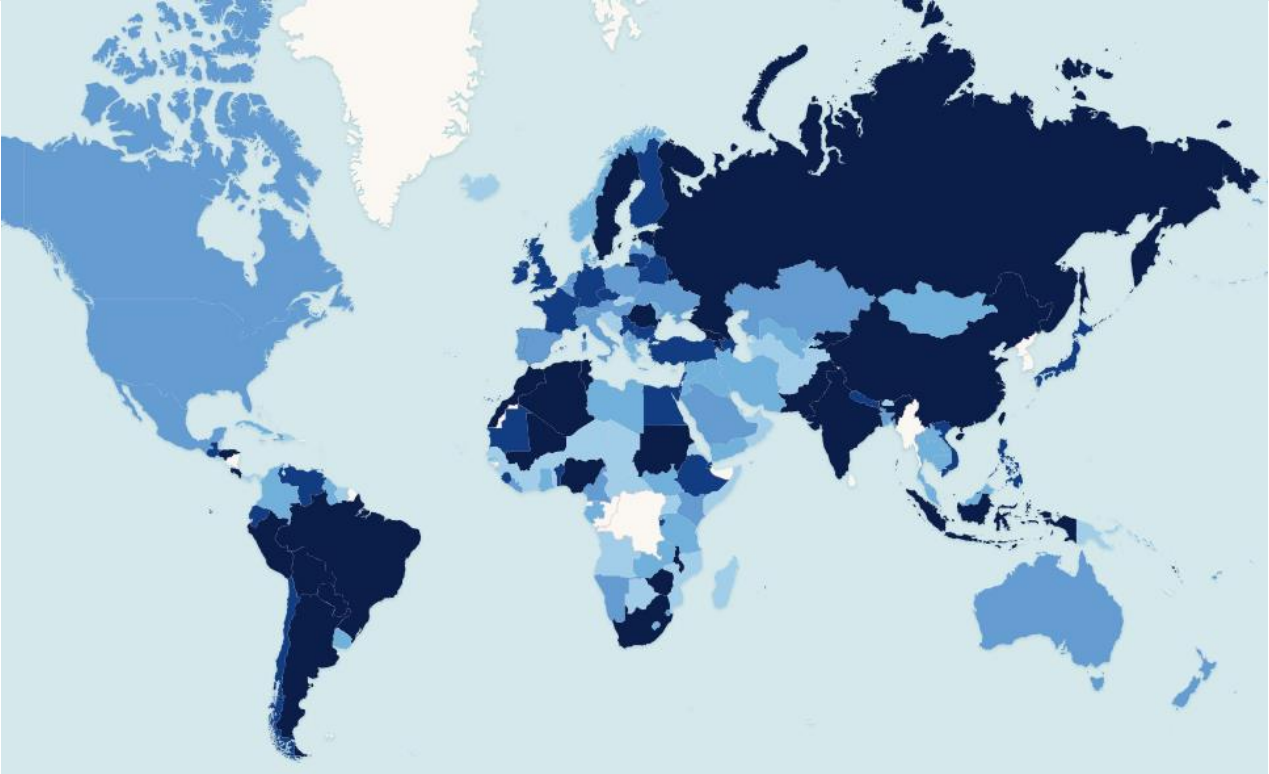
Summary

The political crisis in Hong Kong and the protests still continue and this could trigger more uncertainties. The U.S. and China fuelled the trade dispute by imposing new import taxes. Possible U.S. fighter jet sale to Taiwan could also increase the heat. As the Brexit deadline – October 31 – nears, political discussion in the U.K. increases. Next month will be critical, as the British Parliament has been suspended until October 14. Other geopolitical developments including India's decision to revoke the situation of autonomous Jammu and Kashmir, Italy forming a new government, the U.S. nearing a deal to end the war in Afghanistan are worth monitoring in the coming month. Meanwhile, Turkey and the United States have reached a deal to establish a safe zone in Syria. However, the situation in Idlib increases risks. On September 16, Russian, Turkish and Iranian leaders will meet to discuss Syria.

¹ Details about methodology can be found in the following link: [Methodology, tracking protests and conflicts](#)

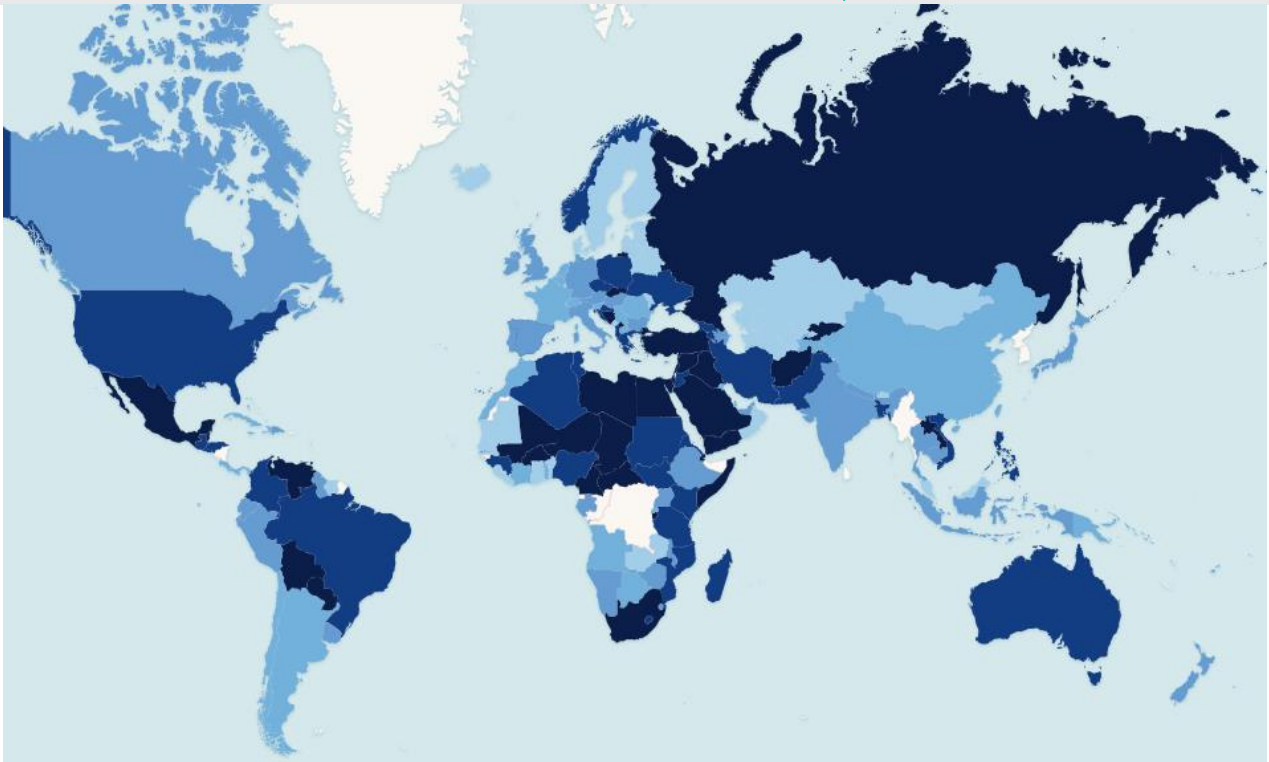
Annex

Figure 7. **BBVA RESEARCH WORLD PROTEST MAP AUGUST 2019** (NUMBER OF PROTEST EVENTS / TOTAL EVENTS BY COUNTRY. DARKER COLORS INDICATE HIGHER VALUES OF THE INDEX)



Source: BBVA Research and www.gdelt.org

Figure 8. **BBVA RESEARCH WORLD CONFLICT MAP AUGUST 2019** (NUMBER OF CONFLICT EVENTS/ TOTAL EVENTS BY COUNTRY. DARKER COLORS INDICATE HIGHER VALUES OF THE INDEX)



Source: BBVA Research and www.gdelt.org

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