

Summer geopolitics

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Over the last year, at BBVA we have been publishing a monthly report on the global geopolitical situation. In this report we have used a high-frequency event database scaled for Big Data to measure the intensity of the most significant conflicts and protests around the world. Analyzing this data allows us to compare the various geopolitical hot spots and put them into perspective with respect to other events and history.

These events are spread out across the globe, but we can classify them by intensity or tone. The most intense conflicts are taking place in the Middle East, particularly in Syria and Iraq. In both cases we talking about extreme intensity when compared to the global average and the bad news is that the intensity of the Iraqi conflict is surpassing that of Syria this year. The fact that ISIS is losing control in Syria is eclipsed by the deterioration of the situation in Iraq.

The conflict intensity of some countries in North Africa is also above the global average. Apart from Libya, the conflict in Tunisia rages on, albeit to a lesser degree than in Egypt, and tension is rising in Algeria. Beyond the fragile domestic situation in these countries, ISIS will try to destabilize a region where conflict and social unrest is persistent. Furthermore, given the high degree of contagion we saw during the Arab spring, we must pay close attention to the Mediterranean and the Persian Gulf.

The conflicts surrounding Europe has spread to Eastern Europe and the Caucasus. Although the situation in the Ukraine has improved considerably since the start of 2015, the conflict in the Caucasus has flared up. Historical conflicts play a role in this region, such as the Nagorno Karabakh war between Armenia and Azerbaijan, the destabilizing potential of the jihadists and the possibility that Russia will retaliate because of the decisions taken by NATO a few days ago.

The chronic conflict in North Korea and the tensions in the South China Sea are the main hot spots in Southeast Asia. Leaving aside the former, the court in La Hague ruled in favor of the Philippines. Both parties have said they want to reach an agreement, while China has debuted as a geopolitical power announcing that the “law is the same for everyone but more so for some than others.” In other words, we foresee rising tensions before negotiations take place, while bearing in mind that this conflict, although less intense, is the authentic black swan. Just count all the global tankers that cross the Strait of Malacca and the possibility of an unintended accident between China and the U.S.

In Europe as usual, everything happens in slow motion. The conflict levels are way below the global average, with the exception of the acts of terrorism we have all witnessed in Central Europe and Turkey. Nevertheless, there is no room for complacency, not even in the summer. Europe is the most complex region and distinguishing between noise and signal is increasingly more difficult.

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