

**TOP
10**

**EURASIA
RISKS
2020**



**ASTANA
CLUB**

INTERNATIONAL RATING «TOP-10 RISKS FOR EURASIA IN 2020»

Contents

Foreword	04
Introduction	06
RISK #1 Aftershocks of the 2020 US Presidential Election	10
RISK #2 Global economic recession	18
RISK #3 Escalation of the US-China confrontation	26
RISK #4 A new stage of the nuclear missile race	34
RISK #5 Exacerbation of the battle for technological dominance	42
RISK #6 Military escalation of the conflict around Iran	50
RISK #7 Nuclear crisis on the Korean Peninsula	58
RISK #8 A new wave of terrorism	64
RISK #9 Aggressive nationalism and populism	72
RISK #10 Large-scale climate change problems	80
Conclusion	88
List of contributors and authors	90
Methodology and copyright	92
Contact information	93



Foreword

The history of mankind has always evolved in the dualism of time. There is calendar time – a formal system of dates and numbers, and there is historical time that captures the course of global processes and separates eras.

The upcoming year of 2020 marks an important milestone associated with the end of a 20-year period, which in many respects carried the inertia of the 20th century. The conclusion of the century-long cycle has impacted all aspects of the life of modern communities: from geopolitics and ideology to culture and technology.

This transition is most visibly manifested through the crisis of global institutions formed in the mid-twentieth century. These institutions have critically failed to address emerging challenges and threats.

Generational change is another powerful agent of transformation that literally pushes humanity into the new reality of the 21st century. The generation of millennials, whose political preferences and ideas about the world are fundamentally different from those of their predecessors, is at the forefront of history is now.

As a result, the dynamics of global changes are far ahead of our ability to comprehend their consequences. There is not a single nation that has complete confidence in the future; in fact, all anticipate the nearing inevitability of changes in the historic setting.

To find the answer to what awaits us in the coming years and decades, we have to assess the current state of the world.

First of all, despite naive expectations, the course of events in the past thirty years has clearly demonstrated that history not only has not entered the final phase of its development but has made a new start.

The main condition of the «post-historic world» – the establishment of a single liberal world order with the collective West as its center – has failed. Instead, the world is becoming increasingly multipolar. Within this system, global influence is being redistributed between new centers, often non-liberal.

Today China is emerging as a new potential superpower. The growing economic strength of the PRC, expressed through the «Belt and Road» mega-initiative, redraws the balance of power in Eurasia and the world. China actively challenges

its competitors in the battle for global leadership. Russia has finally recovered from the chaos and devastation of the 1990s and, despite sanctions and restrictions, is vigorously enhancing its influence far beyond the post-Soviet borders.

Regional leaders, such as India, Japan, Turkey, Iran, and Saudi Arabia, have started to acknowledge their subjectivity, showing bold intentions to influence international order. No geopolitical game can now be played out without the participation of these new players.

At the same time, multipolarity did not bring sustainability and stability to the system of international relations. Conflicts and wars still persist. Despite the increased connectivity and economic interdependence, the world remains extremely politically fragmented and torn by many cultural, religious and other contradictions. In these circumstances, Eurasia – the largest continent, an arena for the world's most crucial processes and a source of main global trends – is becoming a place of fierce competition.

The geopolitical rivalry, in turn, has led to the disruption of global security institutions and agreements. The collapse of the INF Treaty and the uncertain future of the Strategic Arms Reduction Treaty clearly indicate the threat of complete resetting of the «rules of the game» in the nuclear sphere.

Moreover, competition extends to new niches and dimensions. The struggle for leadership is unfolding in the field of big data, artificial intelligence, and cyber technologies.

The winner of this race will be able to secure a decisive advantage over other players.

The global economy is experiencing a profound crisis. Instead of integration and merging of markets, trade wars and protectionism are coming to the fore. The conflict between the two largest economies – the United States and China – has extended far beyond bilateral contradictions and is leading to a global economic and trade slowdown.

Finally, disputes over trade simply fade away compared to the danger of irreversible climate change. Environmental deterioration is becoming a trigger for the unprecedented migration of people around the world.

Therefore, we are stepping on the threshold of a new historical cycle with a baggage of complex and toxic problems. Their settlement will require novel approaches and a completely different level in the coordination of the international efforts.

Particular responsibility for identification of the emerging threats and the search for solutions to them lies on the shoulders of political leaders and intellectuals of our time.

The Astana Club presents the rating of risks for 2020, which provides the bigger picture of the most important and pressing problems of the modern world, with the aim of contributing to the formation of a new strategic agenda on security and cooperation in Greater Eurasia.

INTRODUCTION

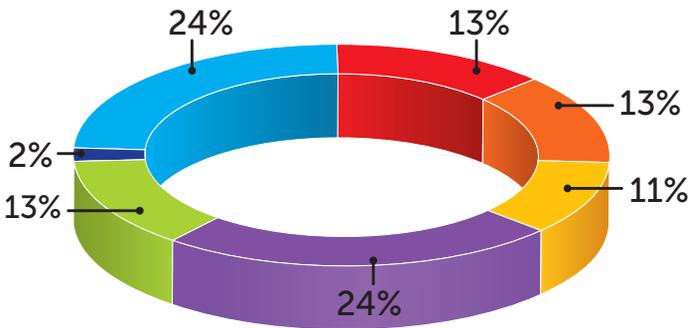
In the second issue of the Rating, Astana Club experts present the list of TOP 10 risks that the Eurasian megacontinent is likely to face in the upcoming year.

The survey for the 2020 risks involved 1,100 professional respondents, including representatives from commercial and government agencies, international organizations and development banks, research centers and non-governmental organizations.

Geographically, the survey covered respondents from 70 countries. The biggest group of respondents (40%) occupy leading and administrative positions, 35% is represented by experts and 25% by researchers.

The experts are most concerned about the geopolitical and economic challenges. The

Field of expertise



- Business
- Government
- International organization
- International development bank
- Research institute
- NGO
- Other

TOP-10 RISKS:

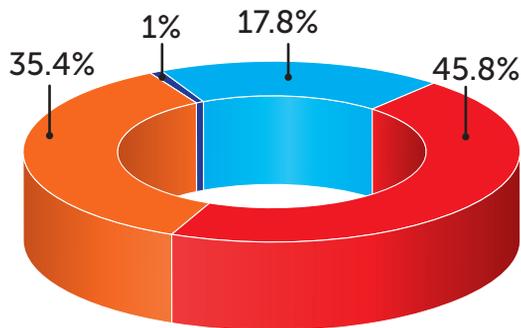
- 1** Aftershocks of the US presidential campaign
- 2** Global economic recession
- 3** Escalation of the US-China confrontation
- 4** A new stage of the nuclear missile race
- 5** Exacerbation of the battle for technological dominance
- 6** Military escalation of the conflict around Iran
- 7** Nuclear crisis on the Korean Peninsula
- 8** A new wave of terrorism
- 9** Aggressive nationalism and populism
- 10** Large-scale climate change problems

presidential elections in the US may become a trigger for major global changes. Its leading position in the rating reflects the growing concerns about unilateral actions in American foreign policy, which bring series of new uncertainties in global politics.

As predicted in the Rating of Risks for Eurasia 2019, the consequences of the US-China trade war had a significant impact on the global economy. Moreover, the ripple effects of the trade conflict are increasing the risk of a global economic recession.

However, according to the 2020 survey, respondents' opinions are divided on the further development of the trade war. 45.8% of interviewees believe that mutual restrictions will remain at the same level in 2020, while 35.4% are convinced that the situation will worsen. Only 17.8% believe in a "peaceful" resolution of the trade war.

In contrast to the last year's rating, the global arms race is expected to exacerbate in 2020 as a result of the collapse of a number of international nuclear disarmament agreements.



- The parties will be able to reach a compromise and gradually reduce trade restrictions
- There will be «bad peace», whereas mutual restrictions will not increase and remain at the same level
- There will be a full-scale trade war between the US and China, and new countries will be drawn into the conflict
- Other

The Middle East still dominates the map of potential threats due to the intensifying escalation of tensions around Iran and the Persian Gulf. Conflicts and crises are highly likely to erupt in this part of Eurasia.

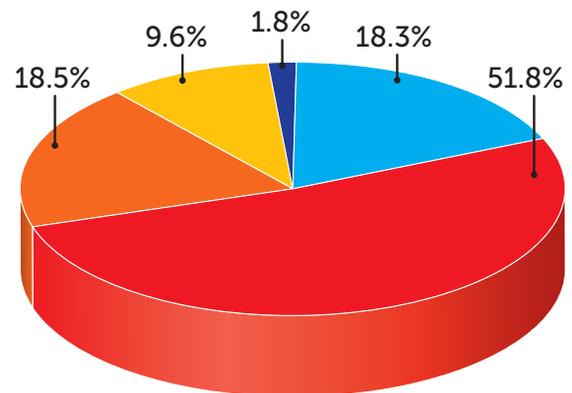
In general, about 80% of survey participants believe that the situation around Iran will escalate one way or another in 2020, and that maintaining the status quo will be impossible.

RATING OF CONFLICTS AND CRISES IN EURASIA IN 2020

(by likelihood of escalation from the most likely to the least likely)

- 1 Iran's confrontation with the US and its allies
- 2 Syrian crisis
- 3 Indo-Pakistani conflict
- 4 Arab-Israeli conflict
- 5 Territorial disputes in the South China Sea
- 6 North Korean problem
- 7 Conflict in Eastern Ukraine
- 8 Nagorno-Karabakh conflict

Which possible scenarios can derive from the Iran Deal in 2020?



- Status quo will be maintained: conflict will be frozen and will not transition to the «hot» stage
- There will be an expansion of US sanctions and pressure mechanisms against Iran
- The Iranian nuclear program will resume and European countries will subsequently withdraw from the deal
- Military operation against Iran, initiated by the United States and its allies, will be activated
- Other

At the same time, the prevailing opinion (52%) is that the United States will increase its pressure and expand sanctions against Iran.

According to the survey, most experts (42.6%) assume the countries of Eurasia will be more exposed to the negative effect of global risks in 2020.

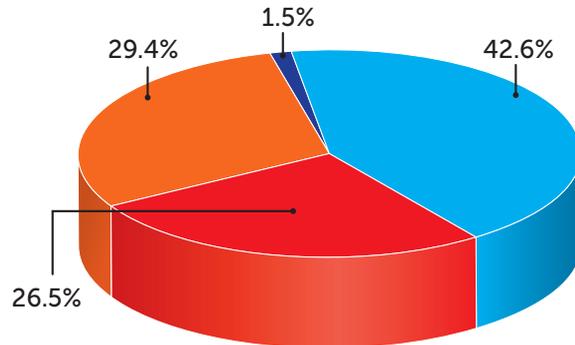
The problem of reforming international organizations will become a more pressing challenge in 2020. According to participants, the crisis of international institutions such as the UN, WTO and G20 is becoming more evident. Also, experts expect that the risks of abnormal climate disasters and large-scale cyber threats are to increase.

The escalation of geopolitical competition and crises in Eurasia and a new wave of the arms race increase the significance of the global nuclear disarmament and non-proliferation regimes. Only a quarter of the respondents

Threats in 2020, by probability (on scale from 1 to 10)

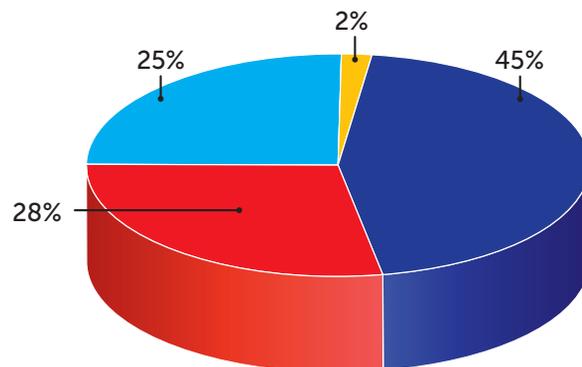


Will Eurasia become more vulnerable to the global risks in 2020?



- Yes, the negative impact of global risks will increase
- No, the impact and intensity of risks will tend to decrease
- The situation will remain at the current level, neither improvement nor deterioration is expected
- Other

What awaits the global nuclear disarmament and non-proliferation regime in 2020?



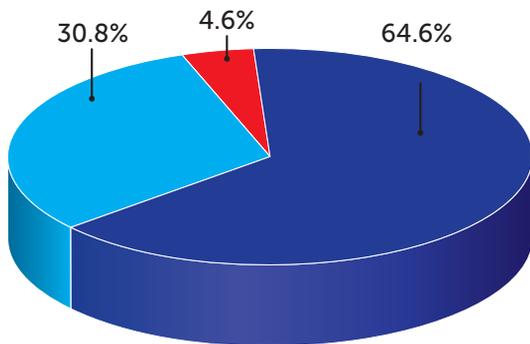
- The situation will develop inertly, no drastic changes are expected
- Nuclear powers will be able to build an effective strategic dialogue
- The irreversible destruction of the world's architecture of nuclear agreements will start
- Other

(25.1%) believe in the collapse of the system of nuclear agreements; the remaining respondents are more optimistic: 45% of them do not expect critical changes, while 28.1% assume there is a possibility of building effective negotiations to strengthen existing treaties.

About 70% of survey participants also highlight the importance of creating a new system of security and cooperation in Eurasia by unifying the European and Asian platforms, the Organization for Security and Cooperation in Europe (OSCE) and the Conference on Interaction and Confidence Building Measures in Asia (CICA).

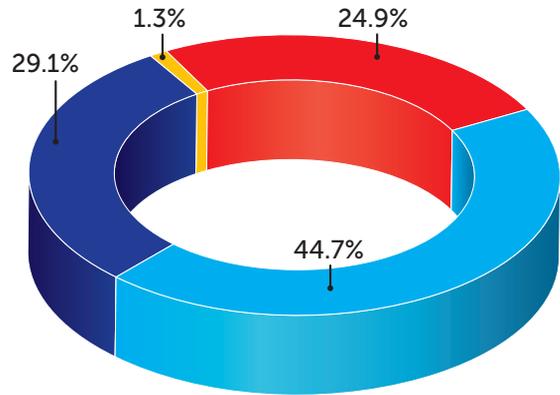
An alarming indicator is that about 75% of respondents believe that the world is moving away from the globalization process, and that protectionist tendencies will continue to strengthen. Nevertheless, 25% are sure they will be restored soon.

Is it possible to build a new architecture of security and cooperation in Eurasia based on the CICA and OSCE platforms?



- Yes, the integration of the European and Asian platforms of CICA and the OSCE will create conditions for effectively confronting the security challenges in Eurasia
- No, modern challenges in Eurasia do not require a new security and cooperation platform
- Other

What will the processes of globalization look like in 2020?



- The world will remain committed to globalization. The trend toward protectionism and isolationism is a temporary phenomenon
- An increasing number of countries will be committed to protectionism and will be more driven by narrow national interests
- Globalization will be replaced by a new model, where states strive to unite into competing regional blocs
- Other

In general, accurate identification and prioritization of threats is crucial for effective risk management strategy and prevention of their adverse impact.

Therefore, the assessment of major risks for Eurasia is on the agenda of the Astana Club this year.

We are pleased to present you the Rating of Top-10 risks for Eurasia in 2020.





RISK #1

**AFTERSHOCKS OF THE US
PRESIDENTIAL CAMPAIGN**

RISK #1

AFTERSHOCKS OF THE US PRESIDENTIAL CAMPAIGN

The United States presidential election will be one of the most pivotal events in 2020 that will have major global implications. The leading world superpower will enter its main election campaign in a state of deep political division and conflict.

This creates a set of challenges in predicting Washington’s policy during the pre-election period and poses significant risks (from economic to military) to the world.

Trump’s trump cards

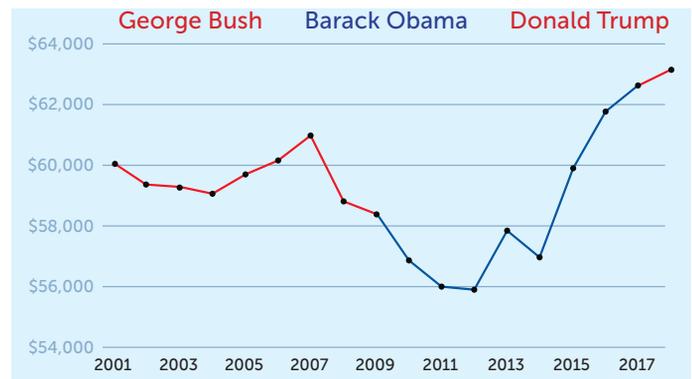
Shortly after the grueling investigation by Special Counsel Mueller, Trump faces a new crisis. With Ukrainegate, the US president is accused of abusing presidential power for personal gain by pressuring Kyiv to incriminate Democrat Joe Biden, his main opponent in the upcoming election.

Compared to previous allegations against Trump, Ukrainegate carries a real threat of impeachment. Congress has already started the legal process of removing the president from power.

An important milestone in the case was the vote in the House of Representatives held on October 31st this year which endorsed the impeachment inquiry. It formalized impeachment procedures and made the hearings public.

However, given the Republican majority in the Senate, the impeachment scenario still seems unlikely. The political machine of the Republican Party is generally on Trump’s side. Even the Republicans who had initially been against him are now actively raising funds for

Real median household income, US

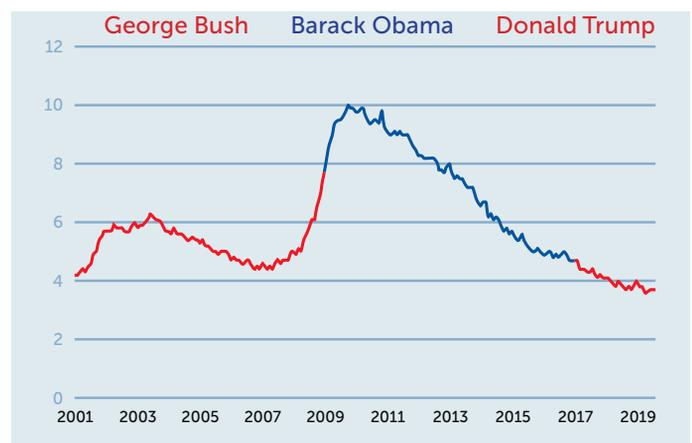


Source: US Census Bureau

his re-election. Unlike in 2016, Trump will be entering the race not as an outsider but as the fully-fledged leader of the ruling party.

The incumbent president has another trump card up his sleeve – the recent successes of the US economy, which he mainly attributes to the result of his policies.

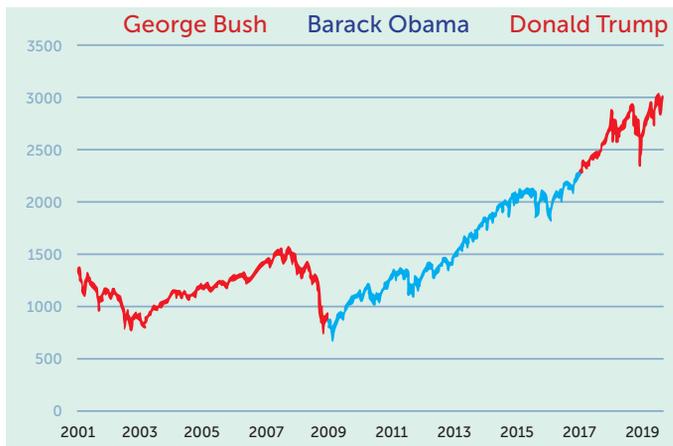
The unemployment rate, US (%)



Source: US Bureau of Labor Statistics

In fact reduced income taxes paired with higher government spending have provided excellent growth incentives. The US economy is also feeling quite healthy in terms of average household income, unemployment rate, and stock market development.

Stock market trends, US



Source: Yahoo Finance, S&P 500

The average American voter is not bothered that the incentives of Trumponomics will lead to a \$1.5 trillion US budget deficit in the future. In the context of elections, the concern is about the current state of the economy, and quick gains may prove sufficient to re-elect a man who wants to «make America great again».

A second chance for Democrats

Despite Trump's decent chances of re-election, the ground under his feet is rather unstable. Obviously, the Democrats will strike at all the potentially vulnerable spots before the 2020 elections.

The democrats will spin off Ukrainegate, pulling new «skeletons» out of the president's closet to undermine his legitimacy.

The principal point here is that the impeachment hearings will be held public and Congress must publish all results of relevant investigations.

Additional evidence on Trump's unlawful

actions may strengthen the split within the Republicans, some already losing confidence in their party leader.

No one can predict the final outcome of the investigation, especially considering there is a chance that trickster might come up in the game. Unexpected statements from Kyiv or former and current State Department employees involved in Ukrainian matters could further complicate problems for Donald Trump.

Particularly, if new documented evidence of Trump's alleged pressure on Kyiv to dig up information on Biden were to appear, this could tip the scales in favor of Democrats. Moreover, besides Ukrainegate, currently, Trump is involved in at least 15 legal investigations related to his previous business activities.

Under increasing pressure, the 45th US president, known for his impulsiveness, may make a critical miscalculation, allowing the Democrats to strike a heavy blow against the Republicans in the pre-election period.

These battles threaten to significantly weaken Trump's popularity, which, according to polls, already lags behind the leading candidates from the Democratic Party (Biden and Sanders).

As previous elections have shown, even a substantial lead in polls does not guarantee victory. In getting their revenge, Democrats will have to overcome another obstacle. To win, the party needs a popular and undisputed leader, which is currently lacking.

Aftershocks of the election

Both Donald Trump and his rivals from the Democratic Party find themselves in a situation of half success and half failure. By the November elections, the two sides will have had to substantially raise the stakes, acting according to the logic of constant conflict exacerbation.

In that case, the initiative belongs to President Trump, who may be willing to undertake risky steps to mobilize the electorate in his favor. This will pose serious risks for Washington's partners and opponents around the world.

The probability of impulsive, unpremeditated decisions has increased with the resignation of such experienced politicians and bureaucrats as Defense Minister James Mattis and Chief of Staff John Kelly. The White House currently lacks authoritative balancers who could keep the policy of the presidential administration away from risky foreign policy adventures.

Along with attempts to resolve crises using force, we may witness unexpected deals on Donald Trump's part.

The departure from the White House of John Bolton, a national security, and longtime Republican hawk, suggests that the US president is switching to negotiating mode prior to elections. The window of opportunity for major unforeseen deals, rather favored by the president, is also expanding.

One way or another, the coming year will bring even more radical manifestations of the unilateral approach to foreign policy with erratic negative consequences.



ANDREY KORTUNOV

general director of the
Russian Council on Foreign
Affairs (RIAC)

As for the Democrats, the most dangerous factor for them in the 2020 campaign may be a split between the political center (J. Biden and the party apparatus) or the left-wing (B. Sanders and his supporters). If the split is not overcome, the chances of revenge will be zero.

Another obvious weakness of the Democrats is their lack of a clear alternative economic strategy (the main focus today is not on the sustainable growth of the American economy, but the options for redistribution of the national product).

Risk trajectories

In the upcoming election campaign, Donald Trump's team may play the foreign policy card. Any of the game's iterations will involve the Eurasian deck, where each region will be assigned a certain value and rank, whilst some regions will represent «jokers».



PAUL STRONSKI

senior fellow, Russia
and Eurasia Program,
Carnegie Endowment for
International Peace

Trump recognizes the American people are tired of war, do not want to be overstretched militarily and are tired of playing (and paying to be) the world's policeman. There is a lot of inconsistency in his foreign policy with differences between his rhetoric of using American power and his reticence to actually use that power effectively. If Trump fumbles into a deep trade war or an actual military conflict, it certainly could impact the election.

Middle East

In 2020, the White House will continue the policy of reducing its presence in the region, which could make the Middle East even less stable and secure.

Iran. Bolton's resignation from the administration will not change the perception of Iran as America's key enemy in the region. The basic scenario is that President Trump will increase sanctions pressure on Tehran. On the other hand, the likelihood of US-Iran military conflict, which rose dramatically in the summer of 2019, will decline. Before the elections, President Trump is unlikely to initiate a protracted military campaign with uncontrollable consequences.

Washington will try to outsource the role of

detering Iran to its regional allies, Israel and Saudi Arabia. It is still possible that Crown Prince Mohammed bin Salman and President Benjamin Netanyahu will convince Trump's circle to launch a military strike against Iran.

The likelihood of this negative scenario remains high: as the region's conflicts multiply, the probability of an unintentional US-Iran clash in one of the theaters of war also grows. This may provoke an accelerated escalation of the conflict.

The Palestine problem. The Trump administration has been preparing the «deal of the century» – a plan to resolve the Israeli-Palestinian conflict. To gain the support of the Pro-Israel Lobby and strengthen Trump's image as a peacemaker before the elections, the White House may force the deal.

As evidenced by the Administration's previous steps, this could lead Israel to undertake unilateral actions in East Jerusalem and on the West Bank.

This may negate all the previous achievements of the negotiating process which were made possible with enormous human sacrifice and diplomatic efforts over the past decades.

China

In 2020, the nature of relations between Washington and Beijing will remain confrontational, increasingly drifting towards hostility. The growing rivalry of the powers will create strong turbulence in the world economy.

To avoid serious financial losses before the elections, Donald Trump may conclude a temporary peace treaty with Beijing. The truce will include agreements to increase exports of agricultural products and cars from the United States to China. Notably, the White House's tone has started to shift toward a certain degree of softening.

In the baseline scenario, the incompatible vision of the parties will not allow complete resolution of the trade war. There is consensus in the American establishment on the necessity to contain China, and the offensive line will persist even in the case of Trump's defeat and the election of a Democrat president.

North Korea

Trump's ambition to settle a «triumphant» agreement with Kim Jong-Un before the election, on the one hand, and Pyongyang's unwillingness to commit to denuclearization, on the other, will seriously alter the negotiation process. In fact, the process has already exhausted its potential for achieving any quick gains. The failure of the first US-North Korea nuclear talks in Stockholm in October 2019 eloquently testifies to this.

Russia

Special Counsel Mueller's report did not close the «Russian dossier». The issue of countering Russian interference in American domestic affairs will remain an important topic in the US election race. The US Department of State has already expressed concern about Russia in the context of the 2020 elections.



NIKOLAS GVOSDEV

professor of national security affairs at the US Naval War College, editor of The National Interest

Because of its role in the 2016 election, Russia will remain as the main «enemy» in US discourse. Short of a revolutionary change in the Kremlin itself, there is no constituency in the US for improving relations with Moscow as long as Vladimir Putin remains president. No matter who wins in 2020, legislation passed by Congress by overwhelming majorities over the past two years locks US-Russian relations in a confrontational position that even a different President cannot change.

Trump's opponents will not miss an opportunity to further undermine his reputation, accusing the incumbent president of being too

soft on the Kremlin. To counter his opponents' argument, the White House could support Congress in imposing new sanctions against Russia.

If Trump is defeated, and the Democrats come to power in Washington, it is expected that economic and military pressure on Russia will rise.

The positive scenario is linked to prospects for partial normalization of US-Russia relations. Inviting Trump's Russian colleague to the 2020 G7 Summit held in the US could be an indicator of potential improvement.

However, the likelihood of feasible progress in the relationship between the US and Russia is somewhat limited.

Ukraine

In the light of the ongoing scandal around Ukraine, the relations between the current White House administration and Kyiv will be closely examined by Trump's opponents.

Under the new circumstances, it will be harder for Trump not to let the US bear the main burden of providing financial and military-technical support to Ukraine. This aid will almost certainly be allocated.

However, if Trump were to win the election, Ukraine would fall out of the list of his priorities for the new term, depriving Kyiv of the status of an important link in US-Russia relations. This could create new opportunities for normalizing the relations between Washington and Moscow after 2020.

This easing could have an impact on the resolution of the Donbas issue. The Crimea is likely to be left out of the political negotiations, which is acceptable to both Moscow and Washington, who are mostly interested in restoring the pragmatic dialogue.

Turkey

Trump and Erdogan will not manage to build a stable partnership in 2020. The White House head is tightly connected to Congress' position on Syrian Kurds; this was clearly

demonstrated during the last crisis in October 2019. Despite Trump's unwillingness to bind in regional conflicts, domestic political pressure will weaken his ability to engage in dialogue with Ankara. In this context, military cooperation within NATO will be key in insuring against further deterioration of the parties' relations.

We will periodically witness stress-tests here as well. By March 2020, Turkey will be completely excluded from the production of F-35 fighter-bombers due to the purchase of Russian S-400 air defense systems. Ankara will insist on the injustice of such a decision. In their negotiations with Washington, the Turkish side can use the issue of the Incirlik airbase where the American Air Force and part of the nuclear arsenal are deployed.

In 2020, the Turkish-American dialogue will continue with its negative agenda. Against the background of its worsening relations with the US, Turkey will drift towards «alternative» partners – Russia and China.

Afghanistan

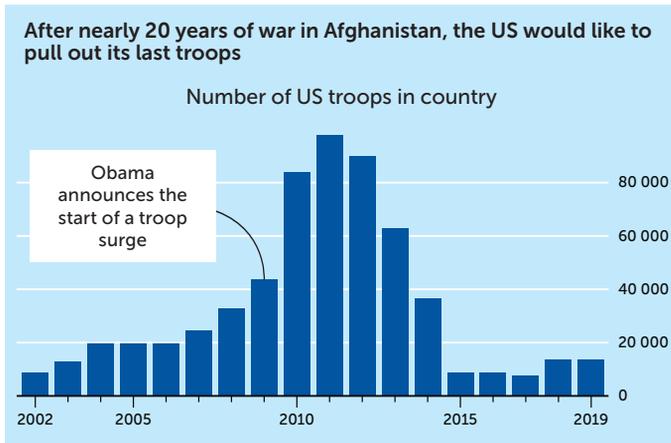
Another measure that Trump's team can undertake before the elections is related to Afghanistan. The limiting the size of the US contingent in this country was one of the central pre-election promises of the 45th President.

The military operation is worth \$45 billion per annum and has lasted for 18 years, taking the lives of 2,400 American soldiers. This causes a growing sense of fatigue and frustration among US citizens.

According to the September Gallup polls, 46% of US residents believe that the Afghan war made America less vulnerable to terrorism. The Pew Research Center reported as of July 2019 that 59% of US citizens think that the war in Afghanistan was not worth the effort expended on it.

In these circumstances, the White House, which has already started negotiations with the Taliban, may go for a significant, if not a complete, withdrawal of troops. This matter may concern the reduction of the American military presence

US troops in Afghanistan



Source: Pentagon

by 40% (withdrawal of 5,400 servicemen out of the 14,000 currently deployed).

Withdrawal of troops and reduction of US funding, combined with the weakness of the current Afghan government, could spur an intra-Afghan conflict, eventually leading to the eventual return of the Taliban to power.

Overall, the US policy in the run-up to the 2020 presidential elections could become one of the unpredictable challenges to global stability. This is particularly true in Eurasia, where key areas of global conflict and controversy take place.





RISK #2

GLOBAL ECONOMIC RECESSION

RISK #2

GLOBAL ECONOMIC RECESSION

After the financial crisis hit the world almost a decade ago, the global economy is on the verge of another sharp recession. Continuing US-China trade war, which has the potential of dragging Europe and the entire developing world into stagnation, is the new source of global concerns. In the context of a ten-year decline of international trade growth, all these create a “perfect storm” situation. The risk of a global economic recession has been ranked 2nd among Top 10 Risks Eurasia might face in 2020.

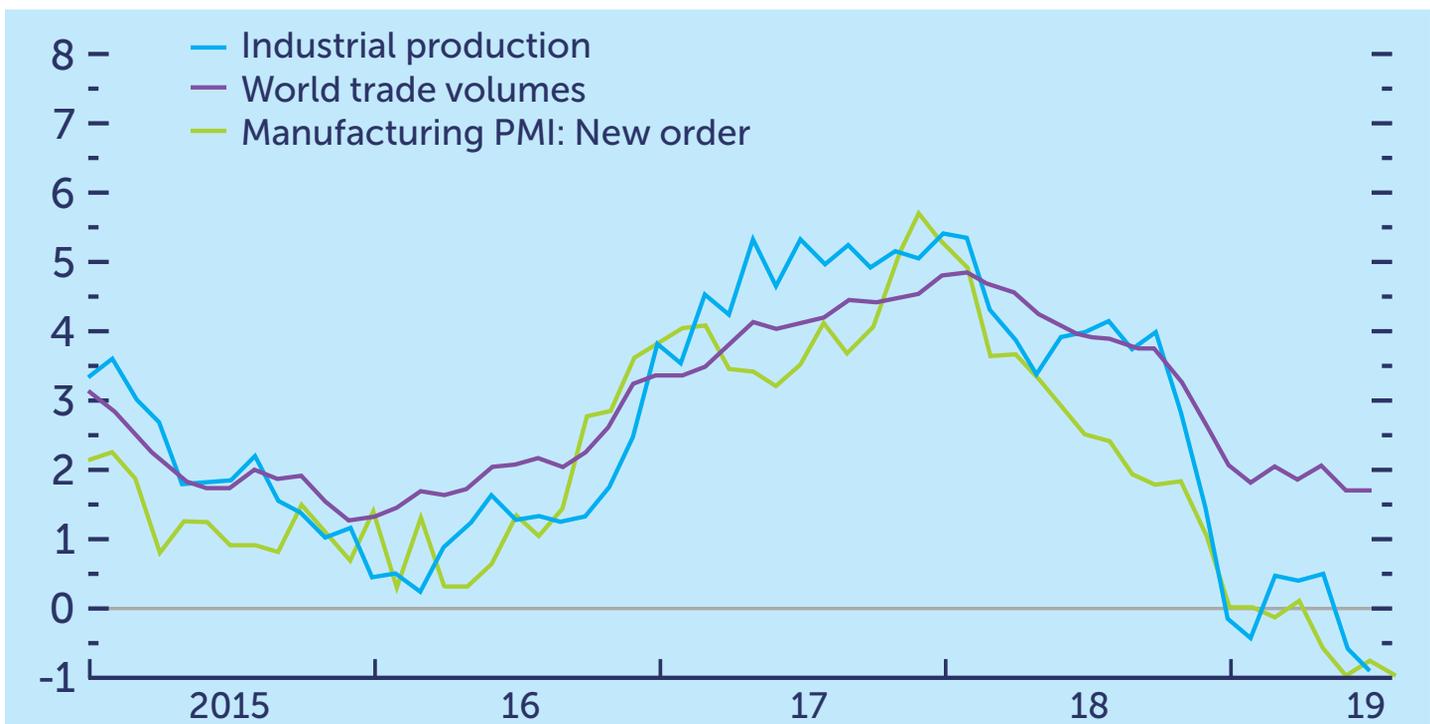
Raging trade between archrivals

Trade conflict and economic recession both in the United States and China, which account for one-third of the global GDP, will inevitably echo throughout the rest of the world.

By the end of 2019, the IMF forecasts a record slowdown of the world economy since the last global financial crisis. The growth is expected to be lower than 3%.

Main development indicators are also expected to remain at low levels in 2020.

The world trade and international production levels



Source: World Economic Outlook 2019



BANDID NIJATHAWORN

chairman of the Foundation for Public Policy and Good Governance, Former Deputy Governor of the Bank of Thailand

A further escalation of trade protectionism, both in the broadening of tariffs to cover more products and in the number of countries involved, will further damage business confidence and put greater downward pressure on trade and growth, thereby raising the risk of recession going forward.

According to IMF estimates, global growth will fluctuate around 3.4%. However, if the negative impacts of a trade war will persist in the near future, global growth may fall even lower. The cumulative effect of trade wars could be catastrophic, costing the world economy \$700 billion, or about 0.8% of GDP in 2020.

Mutual trade barriers have already reduced China's GDP growth to 6.1% in the third quarter of 2019, which is 0.5% less than 2018 indicators. The ripple effect of the trade war will cause a further slide of GDP growth to 5.8% in 2020 and to even lower levels in 2021. In sharp contrast to almost 30 years double-digit growth until 2010, Chinese economy is slowing down as challenges mount.

On the other hand, US GDP growth is also declining. After peaking to 3.1% in 2018, the world's largest economy slowed down to 2.4% in the third quarter of this year. In 2020, growth is projected to be around 2.1%.

Industrial activity in both countries is declining under the pressure of the trade war. The Business Activity Index of the Chinese manufacturing sector has been constantly shrinking over the past five months. In September manufacturing activity in the US dropped to its lowest level in 10 years.

Brexit accelerates the global crisis

Uncertainties in the European markets have significantly exacerbated the risks of global economic stagnation. The possible consequences of Brexit, along with the current economic slowdown in Europe, are another reason for growing global concerns.

The total EU trade turnover with the United States and China exceeds 8% of its GDP, making the European market extremely sensitive to the effects of the trade war. Countries exporting both to the US and China will be hurt the most.

Germany, the largest industrial economy of the EU, should be considered first. Currently the German economy is suffering the most with a projected decline of GDP growth by 1% in 2020. Given these circumstances, Berlin finds itself in limbo, eagerly expecting EU deal with UK and US-China trade agreement to be worked out as soon as possible.

Furthermore, the EU economic landscape is clouded by the negative prospects of the Italian economy, which is experiencing stagnation for the fifth quarter in a row. Some forecasts suggest the Italian GDP will only add up 0.4%, others even predict that Italy might follow Greece's path. Unsettled issues of Britain's exit from the EU and uncertainties about concrete conditions under which both sides «divorce» may further complicate the current situation. In light of the recent negotiations in Brussels, there are two possible scenarios. If the UK Parliament supports Boris Johnson's revised deal with EU and Brexit proceeds in an «orderly» fashion with a subsequent transition period, the UK economy could grow by 1.5%.

However, if the parties fail to reach an agreement, the British economy will face the threat of recession. According to the Bank of England, a «hard» Brexit may drop the UK's GDP by 5.5%, raise the unemployment rate to almost 7%, and increase inflation up to 5.5%, driving the country into serious economic downturn. UK economic problems will have a domino effect on other European economies.

In the case of hard Brexit, the European auto industry will be hit hardest among other industry sectors. Restoring customs barriers will result in huge losses for German car manufacturers. Slowing industrial activity will in turn negatively impact the EU economic growth, which is expected to grow only by 1.4% in 2020.

Sluggish growth rates in China, the US and Europe, unresolved Brexit and continuing trade war may cause synchronous global economic slowdown and dramatically increase recession risks in 2020. Many signs of this scenario can already be seen.



MARC UZAN
founder and executive
director, Reinventing
Bretton Woods
Committee

Trade wars, geopolitical tensions and the potential of hard Brexit with the current slowdown of the Chinese economy are all a recipe for a major synchronized global slowdown.

The spread of disaster across global markets

The risk of a global economic recession in 2020 is also fueled by the poor growth rates in Asian economies. Singapore's economic development indicators, often treated as a yardstick of possible global crisis, are raising concerns amid the recession in trade and production. The country is on the verge of default, the economic growth expected to reach only 0.3% by the end of the year.

Asia-Pacific countries are also facing gloomy prospects. Thailand's GDP is expected to decline by 1.1%, and Philippines' GDP – by 0.6%. Even

one of the fastest-growing economies in the world, India, is likely to reach only 6% growth by the end of this year, which is much lower than the World Bank's April forecasts of 7.5%.

Decreasing FDI dynamics further complicate the situation. According to UNCTAD, the worldwide FDI flows are shrinking for the third year in a row. Reduced FDI, coupled with negative global trends, will increase pressure on developing markets.

Thus, the global economy is gradually slipping into recession. Growth reduction is projected for 75% of national economies. Moreover, in case of serious recession at the international level, corporate debt associated with the high risk of default will rise to \$19 trillion, which exceeds the 2008 financial crisis levels.

JP Morgan and other major banks anticipate crisis in 2020. According to Bloomberg Economists, there is an almost 30% chance the US economy will enter recession in 2020. The lack of recovery mechanism makes global concerns stronger.

Crisis with no recovery measures

The previous edition of Global Risks for Eurasia emphasized the importance of WTO



**AUGUSTO
LOPEZ-CLAROS**
senior advisor, World
Bank, director, World
Bank Global Indicators
Group (2011-2017)

The greatest risk factor to global economic growth in 2020 and beyond will be the sharply narrower «fiscal space» which has reduced the ability of governments to intervene to provide stimulus during the next crisis.

transformation to «effectively address growing protectionist trend».

However, in the current situation, the WTO is completely unable to settle the trade dispute between China and the United States and help developing countries overcome the effects of global instabilities.

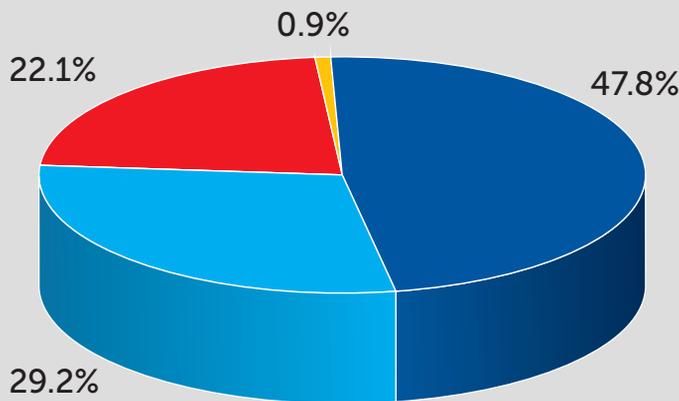
International organizations besides WTO also lack the capacity to contain negative consequences emanating from the trade war and growing protectionism, which places national interests above international rules and agreements.

Moreover, this time the room for an effective policy response is more limited compared to the 2008 global financial crisis, given the already low level of interest rates and record-high debt levels in major economies (notably the US and Japan).

In the US, the macroeconomic effects of «Trumponomics» will diminish soon and there is no monetary stimulus to adjust to a new economic recession. Facing real prospects of significant economic slowdown and being pressured by the White House the Federal Reserve has lowered the interest rate to 1.5 – 1.75%. At the same time, the European Central Bank has maintained negative interest rate for several years. But these measures have failed to stimulate economic growth so far.

Under the risk of a potential global economic crisis, many developed and developing countries have already exhausted their fiscal and monetary mechanisms for adapting to changing conditions. Amid such circumstances, traditional easing measures are expected only to have a short-term effect, and implementation of these measures as a permanent response will only increase inflation.

Almost 77% of respondents believe the global economy will experience a regional or global crisis in 2020. Among them 47.8% suggest the crisis will have a global nature.



- Yes, the world economy under the influence of trade wars and geopolitical processes will enter a period of recession, which will have powerful negative consequences
- A crisis can happen, but it will not be global, affecting only specific countries and regional markets
- No, the probability of a global crisis in 2020 will remain low
- Other

Scenarios

1 Baseline

The baseline scenario contends that the long-term global economic downturn will become a «new normal» in global development. Factors like trade war, technological race, and bitter geopolitical confrontation will continue to destabilize the global capital and energy markets.

At the same time a decline in global consumption will damage world trade and cause oil price fluctuations, resulting in huge losses for oil exporters. The developing states' dependence on foreign capital will only increase in the context of the global economic downturn.

The EU and UK will eventually sort out their trade disputes, which may bring some financial stability to the region; however, the European economies will take a long time to recover from Brexit.

The main economic indicators in Eurasia, as well as in other parts of the world will continue deteriorating, forcing states to adjust to the slowdown.



**YEVGENY
VINOKUROV**

director of the Center
for Integration Studies
of the Eurasian
Development Bank

If the economic growth rates in the 2010s have been lower as opposed to 2000s' indicators, the «new normal» of the 2020s will imply an even greater decrease of global economic growth - to a very, very uncomfortably low permanent level.

2 Optimistic

Frozen trade war

Since US-China trade confrontation determines the degree of volatility of the global economy, the potential conclusion of agreements will give a major push for recovery.

The PRC and US may be compelled to sign a trade deal that will be a good start for the restoration of their relations. China is «slowing» at a dangerous rate due to its dependency on the American market, so the United States will most likely dictate the deal terms.

On the other hand, on the eve of 2020 elections, President Trump will be interested in a «trade peace», especially given the fact that the US economy needs new major stimuli.

Nevertheless, since the issues of geopolitical confrontation and technological race will remain high on the agenda, the long-awaited compromise might eventually give a way to economic, trade, technological and currency war between the two powers.

Under the conditions that fragile trade peace will be eventually reached, and Brexit deal is in place, Germany will recover, pulling up other EU economies. On a global scale, these dynamics will result in increasing demand and greater business confidence in the markets.

3 Pessimistic

The new financial crisis

Intensifying trade confrontation, technological conflict, and a delayed EU – UK «divorce» may undermine the slightest chances for economic growth.

The rising challenges in the global economy may trigger a synchronous recession, since

**TURALAY KENÇ**

professor, member of the Board of Directors, Cambridge Foundation for World Finance Research, chief researcher at the Center for International Innovation Management, deputy chairman of the Bank of Turkey

The current high stock of debt, coupled with low or mostly negative interest rates, makes the financial system extremely sensitive to any adverse movement.

under current uncertain situations any regional or even local conflict may provoke instability and panic on global markets.

The lack of fiscal and monetary easing mechanisms will exacerbate knock-on effects and the global economy will be set on the irreversible path to the next crisis.

Moreover, due to the continuing disputes between the major economies and the fragmentation of collective leadership, in 2020 the prospects of forming collective actions to tackle the crisis might be even weaker compared to the situation in 2008.





RISK #3

**ESCALATION OF THE US-CHINA
CONFRONTATION**

RISK #3

ESCALATION OF THE US - CHINA CONFRONTATION

Global rivalry between the US and China remains one of the most pressing issues in the international relations. The problems between the two great powers dominated the Rating of Risks 2019, and the past year has only confirmed the fears of experts.

The intensification of the rivalry, along with its global implications and growing embedment into the political discourse of both countries, is becoming more apparent. The next year may be decisive in the consolidation of the trend for long-term comprehensive rivalry between the United States and China over the right to shape the future of the world.

How Washington and Beijing became fierce rivals

It needs to be acknowledged that the prerequisites for the strategic rivalry between Washington and Beijing were rooted on a fundamental level, and it was only a matter of time before it would enter into an active phase. Very diverse political and economic systems were woven into a single structure that forms the basis for the modern world economy.

Geopolitical contradictions with the US increase as China boosts its power and draws the boundaries of its strategic influence. By the second decade of the 21st century, this process has led to the emergence of essentially different integration projects like the Trans-Pacific Partnership and the Belt and Road Initiative.

China has entered the operational space of Eurasia, forming the environment of countries tightly connected with Beijing in terms of trade and investments. At the same time, China has begun to build a safety belt in the nearby

seas. As the PRC further expands its sphere of influence and starts to undermine American global leadership, the US has become more concerned about Chinese development.

The growth of geopolitical antagonism has aggravated mutual grievances and concerns, generating a steady domestic political discourse to counter the «Chinese threat» in the United States.

Trade war: point of no return

The slippage of US-China rivalry into the current level of confrontation could have been prevented before it spilled over into the most important aspect of bilateral relations – economic ties. Since Donald Trump took over the Oval Office, the course of interaction has changed dramatically.

After a short thawing period and the «big deal» expectations, the US leadership has realized the depth of contradictions that cannot be easily resolved. The proposed settlement conditions turned out to be mutually unacceptable, which was the reason for the failed negotiations during 2018 - 2019.

Temporary trade truce, which was the result of Donald Trump and Xi Jinping's personal meeting at the G20 summit in June 2019, only confirmed that there were fundamental contradictions between the United States and China.

The lack of clarity on when the moratorium on new tariffs will end combined with the uncertainty surrounding the situation with Huawei obscures the prospects of a trade deal.

Meanwhile, the conflict has already negatively affected bilateral trade and several segments



MASSIMO DEANDREIS
 general manager, S.R.M. Economic Research Center, Chairman, GEI Italian Council of Business Economists

The Trump Administration seems to have an interest to maintain pressure on China imposing new custom duties on Chinese imports; this is not only for trade issues (rebalancing the US deficit) but also for strategic and geo-political reasons (trying to limit China’s growing role as global power).

of the global economy. In the eight months of 2019, trade turnover between the United States and China dropped to \$355.6 billion, which is almost 14% lower compared in the same period in 2018.

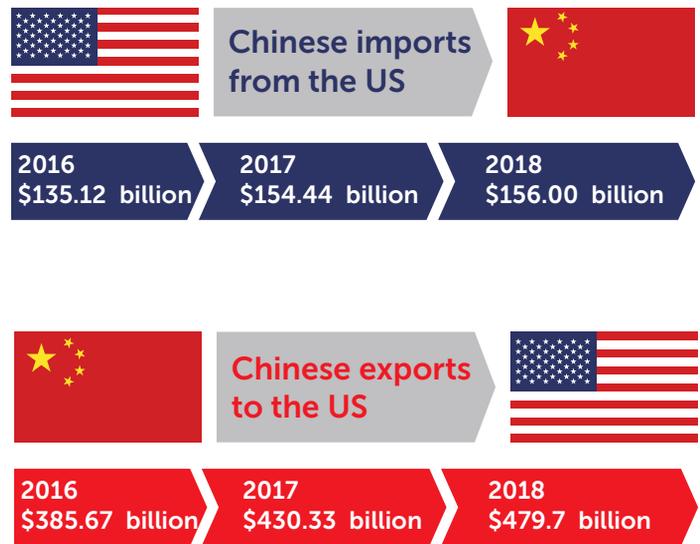
After the active phase of the trade war and recent events in Hong Kong, the anti-American agenda is already becoming one of the most important ideological elements in China’s domestic policy.

Gradually, both in Washington and in Beijing, the concept of mutual rivalry is turning into a significant part of the national strategic discourse in the domains of foreign policy and security. All these issues are reinforcing a trend towards a deepening conflict between the two leading powers of the modern world.

Pax Americana vs Beijing Consensus

This year the issue of cutting-edge technology has been at the epicenter of the Sino-American conflict. The United States is no longer the undisputed global leader. Chinese tech giants such as Huawei, Lenovo, ZTE offer own technological solutions that can compete with

US - China trade



Source: ITC Trademap

American technology, thereby undermining US leadership in this area.

Washington had to catch up in the development and implementation of 5G technologies, which led to unprecedented policies towards Chinese tech companies.

Beijing is intensifying the formation of a China-centered world order, which differs from the model backed by Washington. China is creating own global financial institutions and initiating various integration projects. The idea of globalization and trade liberalization have turned to serve Beijing’s interests.

Relying on its projects and initiatives, China is promoting own agenda in the name of protecting the open market. Increasing numbers of countries «sympathizing» with China in its fight against US trade protectionism facilitates this process, complicating the conflict and integrating new interested participants.

The confrontation of global players is reinforced by Beijing’s changed approach to global politics. The confidence that China is ready for tougher opposition towards the US and should not make any concessions is growing among the Chinese elite.

Globalization of conflict

The conflict between Washington and Beijing, which initially began in the form of a trade dispute, turned into a full-fledged strategic confrontation in 2019. Apparently, the process of constructing a new global geopolitical architecture with two dominant power centers in Washington and Beijing will accelerate in 2020.

The conflict between the United States and China is gradually expanding beyond bilateral relations. It is becoming a significant feature of crises in various parts of the world. For instance, China's interest in the Middle East is growing. Iran is pressured by the United States again, and China will use this to strengthen its position.

Also, China is likely to participate in Syrian economic recovery and provide military-technical assistance to the Damascus regime.

Thus, China is actively engaging in the affairs and conflict in the Middle East, where the United States and its allies have their own long-term interests.

The rivalry with the US makes North Korea one of China's important foreign policy partners. The Chinese leadership is likely to provide large-scale economic and other types of support to the DPRK, to strengthen the North Korean regime in confronting external pressure. Xi Jinping's visit to the DPRK in June 2019 confirms Beijing's desire to use the «North Korea» card in the confrontation with Washington.

Finally, as it was indicated by Putin in his October speech at Valdai Club, military-strategic alignment between Beijing and Moscow is of particular importance. The fact that Russia, as it turns out, is helping China to create an early warning system for a missile attack, indicates a huge shift in relations between the two nuclear powers, that could completely change the landscape for strategic forces in Eurasia.



PHILIPPE LE CORRE

affiliate, Project on Europe and the Transatlantic Relationship, senior fellow at Harvard Kennedy School's Mossavar-Rahmani Center on Business and Government at the Harvard Kennedy School

Both Trump and Xi have nationalist constituencies with a need for an apparent short-term political «victory». The US presidential election of November 2020, in particular, will most probably reveal the essence of the American debate on China's rise. More than ever, Republicans and Democrats will agree on making China their main rival (as stated repeatedly by the White House, the Pentagon, the Department of State and key-members of the US Congress on both sides of the political spectrum).



BRUNO MACAES

senior adviser at Flint Global, senior fellow at the Hudson Institute, Minister for Europe, Portugal (2013-2015)

The geopolitical confrontation between the US and China is a new reality and we should expect it to continue developing in 2020 - but most likely without a significant escalation. Both sides have started to delimitate areas of influence and they are actively competing to attract other countries to their orbit or to prevent them from joining the rival.

Scenarios

1 Pessimistic

In 2020, the confrontation between Washington and Beijing will be far from ending. However, the most likely scenario is a further escalation of the US-China rivalry. In 2020, the competition between the Chinese Belt and Road initiative and the concept of the Indo-Pacific region, which the United States is actively promoting, will become increasingly prominent.

The threat of «debt risks» associated with involvement in the Beijing initiative, especially for Asian countries, plays in favor of US attempts to form alternative blocs and alliances. Therefore, in 2020, Washington is likely to focus on forming the Indo-Pacific Sea Ring.

Another lever of pressure on China will be the issue of minorities' rights in XUAR and Beijing's actions in Hong Kong.

The greatest tension between China and the US allies will remain in the Asia-Pacific region. Slamming the PRC as a «revisionist power» the US will likely continue to «freedom of navigation» operations (FONOP) in the South China Sea, playing on territorial disputes between China and its neighbors. China, in turn, will not back down in its activities on the disputed and artificial islands.

This will intensify the split in the regional multilateral structures, primarily within the Association of Southeast Asian Nations (ASEAN). Here, the polarizing views of the US and China on the future world order find their supporters.

Another dangerous element may be the strengthening nationalism in China. Growing confidence and aggression in Chinese foreign policy will raise the stakes in the confrontation with the United States. In this regard, possible negative outcomes of the 2020 Taiwanese elections (from Beijing's perspective) may



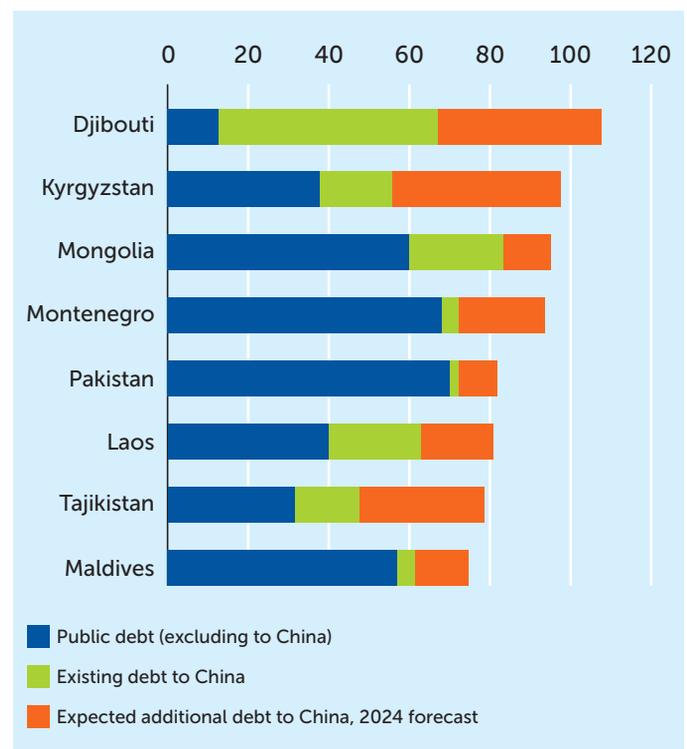
JOHANNES LINN

nonresident senior fellow, the Brookings Institution, Former Vice President of the World Bank for Europe and Central Asia

China and Russia have become closer in their common opposition to US global policy over the last two years and will likely continue to do so. There are, however, limits to this rapprochement, since Russia's elite and population are leery of potential long-term domination of Russia's East by China. The benefits to Russia of a close relationship with China are mostly that it offers coverage to Russia's geopolitical adventures (in Ukraine, Syria and possibly beyond).

Dangerously indebted Belt-and-road countries

Debt as % of GDP, 2018 estimates

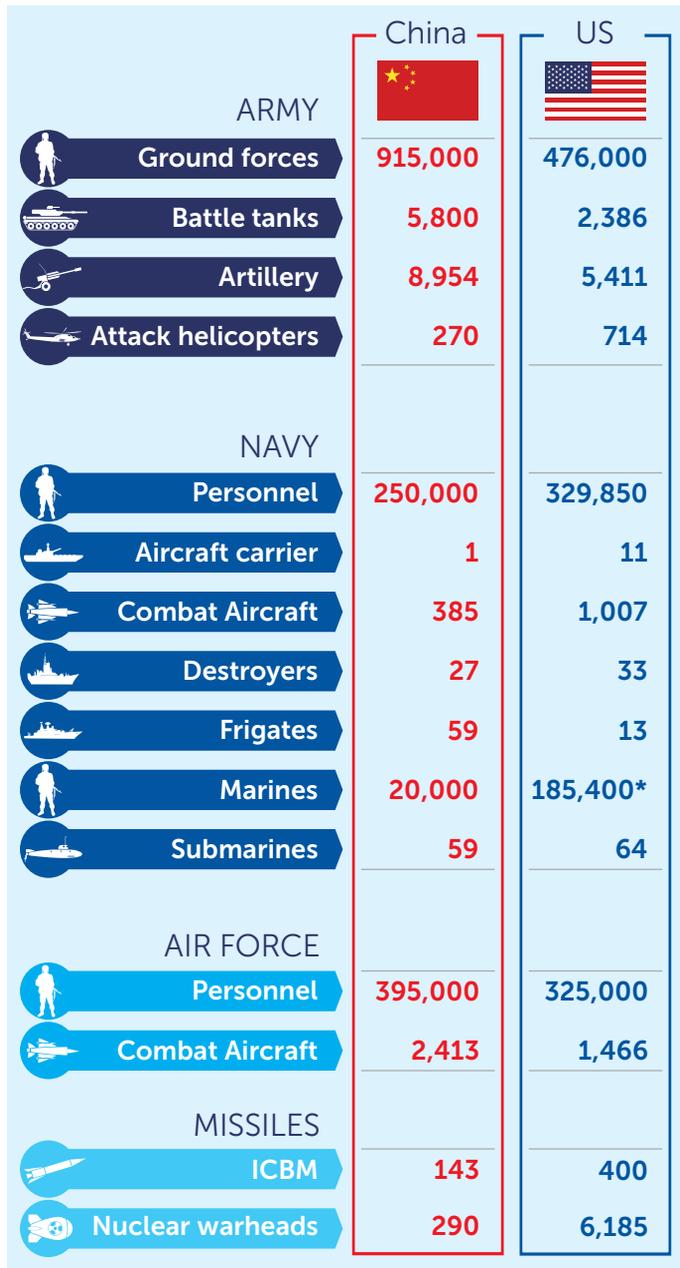


Sources: Centre for Global Development, World Bank, IMF, Economist Intelligence Unit

also trigger the further sharpening of bilateral contradictions.

In these circumstances, the prospects for concluding trade agreement will be reduced to zero and both countries will continue to increase mutual barriers, exacerbating strategic confrontation in various parts of the world.

China and US military strength



Source: IISS Military Balance 2019

2 Optimistic

Relations between the US and China will be extremely difficult to restore. Their positions have become much tougher and problems have only increased since November 2018. However, there is a slight chance that further confrontation can be avoided.

Some Chinese elite members believe there is hope for a deal that will halt the trade war, enabling the conditions for restructuring and modernizing the Chinese economy.

As part of the deal, China may expand its purchases of US agricultural products, as well as partially open access to US investment in the financial sector. However, Beijing will expect corresponding concessions from the Americans to save face.

Certain hopes in this regard are associated with the US presidential elections in 2020. If Trump is not reelected, US-China relations may get the chance for improvement.

On the other hand, Trump himself could dramatically change his position on the trade war with China in the run-up to elections. Trump needs favorable economic indicators, as well as «victories» on the foreign policy front, which may be achieved by settling even an «imperfect» trade deal with China.

In general, the outcome of large-scale pressure on China is still unclear and will largely depend on the position of US allies. Everything is complicated in the pro-American camp. The largest US allies in the Asia-Pacific and South Asia – Japan, Australia, and India – are supporting Washington’s course for the moment. At the same time, India is making independent attempts to improve relations with Beijing.

The main US ally – the EU – also does not have a unanimous position on US-China confrontation, and many European countries maintain friendly relations with Beijing. This may force the United States to adjust its policy, especially given the growing multipolarity in the modern architecture of international relations.

3 The Intermediate option

«Warm in the economy, cold in geopolitics»

The third possible scenario is partial thawing of the trade conflict while maintaining a certain degree of tension in geopolitics.

In this regard, the majority of Astana Club experts (46%) believe the United States and China will settle for «bad peace», where mutual restrictions remain at the same level.

Faced with the negative consequences of a trade war, as well as with a growing demand for stabilizing the international markets, both rivals may be forced to find a possible compromise.

In this situation, the most likely outcome will be about «partial results» for both sides: the US will not be granted full access to strategic areas of the Chinese economy, while China

will be forced to agree on current restrictions in the American high-tech market. The parties will make mutual concessions, considering the factors outlined in the second scenario.

At the same time, the trade deal and the partial stabilization of economic ties is only «the lull before the storm»: geopolitical competition between the countries will continue to grow.

Washington will finally abandon attempts to integrate China into the current world order, focusing on containing the PRC within the Indo-Pacific region.

This will push Beijing to continue its further penetration into Eurasia, by expanding cooperation with countries under US pressure, primarily with Russia, Iran, Pakistan, and Turkey



Source: Shutterstock
Author: Artpage



RISK #4.

**A NEW STAGE OF THE NUCLEAR
MISSILE RACE**

RISK #4

A NEW STAGE OF THE NUCLEAR MISSILE RACE

The collapse of the international nuclear arms control system should be particularly noted among the ten key risks for the security of Eurasia and the entire world. In 2020, the world will come dangerously close to a total resetting of the «rules of the game» in this area.

Harbingers of collapse

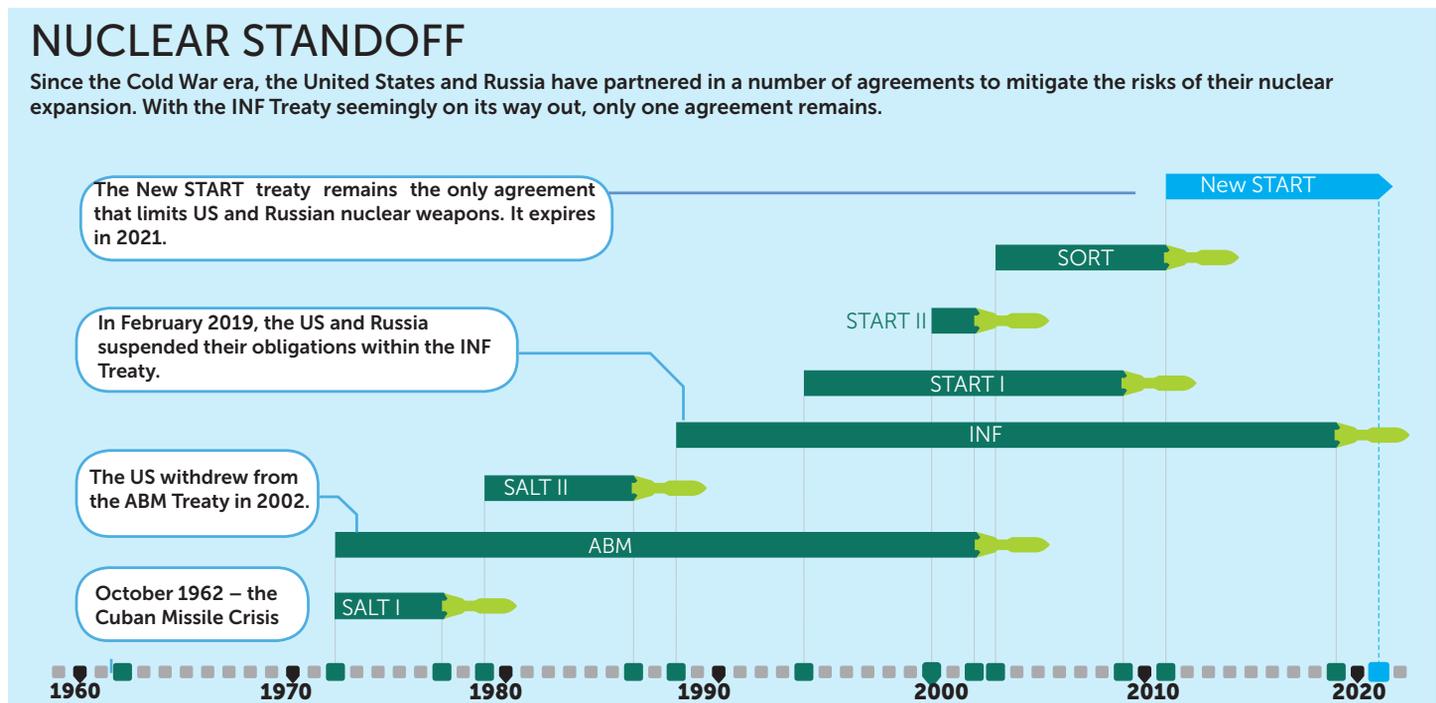
Tectonic divides in the architecture of global security are deepening towards the beginning of the third decade of the XXI century. The collapse of the fundamental nuclear arms control agreements has dramatically reduced the predictability of the big powers' geopolitical rivalry.

Given the scale and depth of the contradictions in relations between Russia and the United States, the dismantling of the Intermediate-Range Nuclear Forces (INF) Treaty has become irreversible. The first ever historic document, which effectively ended the arms race by eliminating an entire group of missiles, was turned into an «archival relic».

Besides mutual violations of the terms of the agreement by both the US and Russia, such a fate of the INF Treaty is determined by objective reasons.

An advancement of new generation weaponry that has blurred the distinction between nuclear and non-nuclear systems, a rapid development of striking systems with

US – Russia/USSR arms control agreements





EDWARD LUTTWAK
 president of ENL
 Associates

The INF Treaty could not be «one of the cornerstones of the global security system» because nuclear weapons as a whole have been marginalized in our post-nuclear age (notice China’s refusal to spend any money to catch up with US and Russian ballistic missile numbers), and the intermediate-range weapons, in particular, have become entirely valueless, because they imply a European war that has escalated to the nuclear level.

the use of artificial intelligence, and other revolutionary military solutions have largely turned the 1987 agreement obsolete.

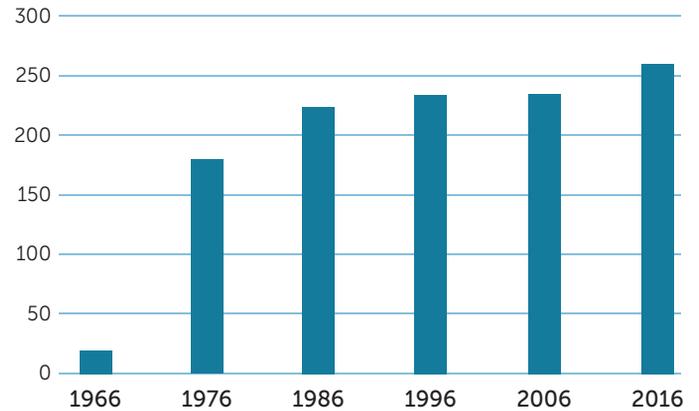
Ready new player

From the first emergence of nuclear weapons until the end of the XX century, only two actors, the US and the USSR, de-facto exercised the control over nuclear arms. Controlling 98% of the world’s nuclear arsenal, Moscow and Washington, with varying degree of success, had been building a dialogue and the necessary contractual basis.

Now, the global politics is no longer operating in the same bipolar paradigm. The multipolar order has dramatically changed the nuclear status quo. New array of the players that do not attach much importance to global disarmament initiatives have emerged.

China, which is one of the new leaders, is continuing to modernize and expand its nuclear forces. The US Department of Defense estimates that the number of Chinese nuclear warheads capable of reaching the US has tripled from 20

Chinese nuclear forces build-up



Source: Hans M. Kristensen and Robert S. Norris, «Chinese nuclear forces, 2018; Nuclear Notebook,» Bulletin of the Atomic Scientists, 2018, VOL. 74, NO. 4, 289–295

in the 2000s to about 70 - 100 warheads today. These numbers continue to grow.

After leaving the INF Treaty, the American side suggested creating a new global arms control regime that would include China.

However, China is unlikely to agree on these terms since it has fallen far behind the US and Russia on a nuclear potential.

Dangerous consequences

The denunciation of the INF Treaty has triggered a chain of dangerous consequences.

Legitimization of new missile systems development and test. The United States plans to spend \$494 billion on maintaining and modernizing its strategic nuclear triad – missiles, bombers and submarines by 2028. About half of it, or \$234 billion, will be spent on improving intercontinental ballistic missile delivery systems.

Russia, despite its public statements that it won’t become involved in another costly arms race, in reality is following the same trap. In response to the American new missile defense program, the President of Russia, in his national address on March 1, 2018, declared that Russia is developing six strategic weapons.

The most important are the Sarmat intercontinental ballistic missile and the

Avangard hypersonic glide vehicle, which, Moscow says, is capable of getting through both the existing and planned US missile defense systems.

New missile defense systems. The United States is deploying most of its new missile defense system in Europe, a move, which is likely to prompt symmetric measures from Russia.

The Asian security system will also become vulnerable. After leaving the INF Treaty, the US consulted with several Asia-Pacific allies on deploying medium-range missiles in the region.

This will unavoidably provoke a Chinese response. The intensifying trade and technological confrontation with the US will only strengthen the voices in Beijing that want to deploy more serious striking potential in the region.

In the face of the threat of American intermediate- range missile deployment, China is also likely to strengthen its defense capabilities by deepening military ties with Russia. Moscow is already helping Beijing to create a missile approach warning system (MAWS).

When the two sign a new military-technical agreement that includes missile defense – a move expected soon – they will be a step closer to becoming full-fledged military allies and formalize their arrangements on MAWS.

The end of the last remaining arms control agreement. Other key agreements are also under the risk after the denunciation of the INF Treaty. First of all, it is the Strategic Arms Reduction Treaty (START-3), the last shard of the nuclear arms control system, which expires in 2021.

Risk trajectories

The scrapping of the INF Treaty is just one sign – albeit an important one – of the global nuclear disarmament regime collapse.

The next Review Conference on the Non-Proliferation Treaty will be held in 2020. Its participants should not only address current



RIAZ KHOKHAR

ambassador, former secretary of state for foreign affairs of Pakistan

The three major powers, the US, Russia, and China are already engaged in an intense arms race. All are busy in enhancing the quality of their nuclear arsenal, and in upgrading the delivery systems. Russia has announced that it will develop a «nuclear-powered missile» which will have unlimited range. The US too has stated that it will spend over a trillion dollars to modernize its nuclear weapons and delivery systems. China will take countermeasures to meet the growing threat from the US deployment of missiles in the Indo-Pacific region. The Arms race among the three major powers has graduated into space and all are engaged in the development of super cyber technology for military purposes and for cyber warfare.

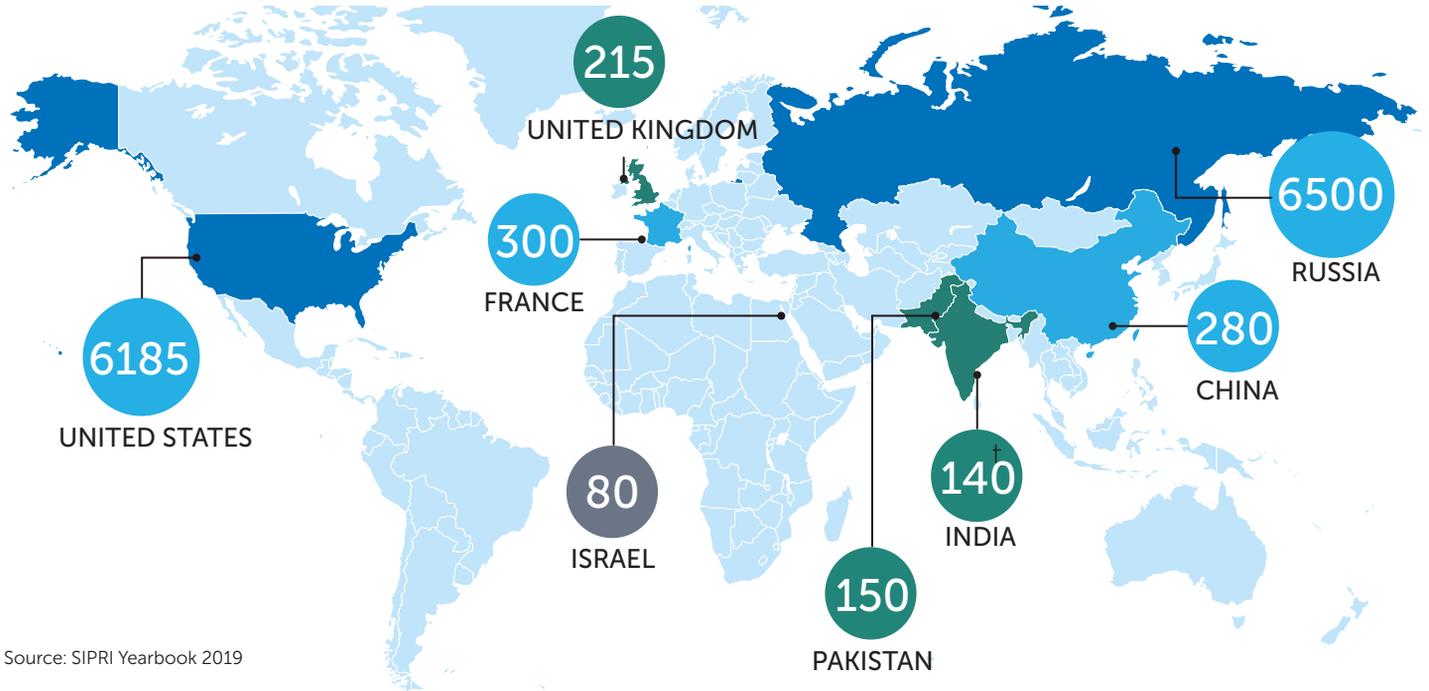
non-proliferation challenges but also answer the question of what needs to be done to prevent their complete disappearance.

The main issue is that other nuclear powers have no incentive to limit their stockpiles when the United States and Russia, that control the lion's share of the world's nuclear arsenal, have abandoned their disarmament obligations and begun developing and testing new types of delivery systems.

Amid the growing distrust between the United States and Russia, many nuclear powers are worried that the 1996 Comprehensive Test Ban Treaty will vanish in the same manner.

In general, taking into consideration the ongoing processes and events, there are several scenarios for the future.

COUNTRIES WITH NUCLEAR WEAPONS



Source: SIPRI Yearbook 2019



ASLE TOJE
Member of the
Nobel Peace Prize
committee

We are amidst a global arms race. A report published by the Stockholm International Peace Research Institute (SIPRI), in April found that global military spending in 2018 rose to \$1.8 trillion, despite falling spending in Africa, the Middle East and Russia. And yet, global defense expenditures are the highest level in real terms for at least 30 years. As to the question, there is only one scenario. Continued arms build-up across the globe but with a twin prong in China and the United States. This arms race is – predominantly – a naval arms race. Arms themselves do not lead to war, but wars are more likely to take place if preparations for such an event are in place.

Development Scenarios

1 Baseline

The nuclear security architecture will remain in a state of protracted crisis, which will last until a real threat of large-scale nuclear conflict will take the shape. Up to this point, nuclear players’ demand for building a dialogue on strategic weapons will be limited. Instead, each of them will try to modernize their arsenals.

In times of crisis, new striking systems will be deployed in Eurasia. In particular, the US is likely to deploy medium-range ground-based missiles in the ATP region to contain China. The main candidates will be Japan, South Korea or Australia.

In response, China will accelerate the modernization of its nuclear forces, refusing to join any negotiations. At the same time, China will use economic and other means to put pressure on the states that agree to accommodate the new US strike systems on their soil.

Europe will not escape the arms race, despite Brussels' efforts to avoid such a trap. Some of EU member-states, namely those, who share the border with Russia, will be ready to host additional US missile systems.

Russia will respond symmetrically by increasing its military presence along its European border. It will also try to strengthen its military facilities in Belarus.

2 Pessimistic

With the INF treaty gone, the nuclear arms control system will collapse. The 2020 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) will fail to achieve any progress. The United States and Russia will refuse to extend the Strategic Arms Reduction Treaty (START-3), which expires in 2021.

The disintegrating nuclear arms control system will shatter the foundation of the non-proliferation regime. The existing legal framework to curb the proliferation of nuclear weapons is already poorly performing its tasks.

All these developments will undermine the Comprehensive Nuclear-Test-Ban Treaty of 1996, leading to the resumption of nuclear tests. The risk of nuclear technology spread across the world will rise, including the threat that it will land up in terrorists' hands.



3 Optimistic

The international arms control system will survive. Political will will allow the nuclear powers to agree on an updated system of control over nuclear arsenals.

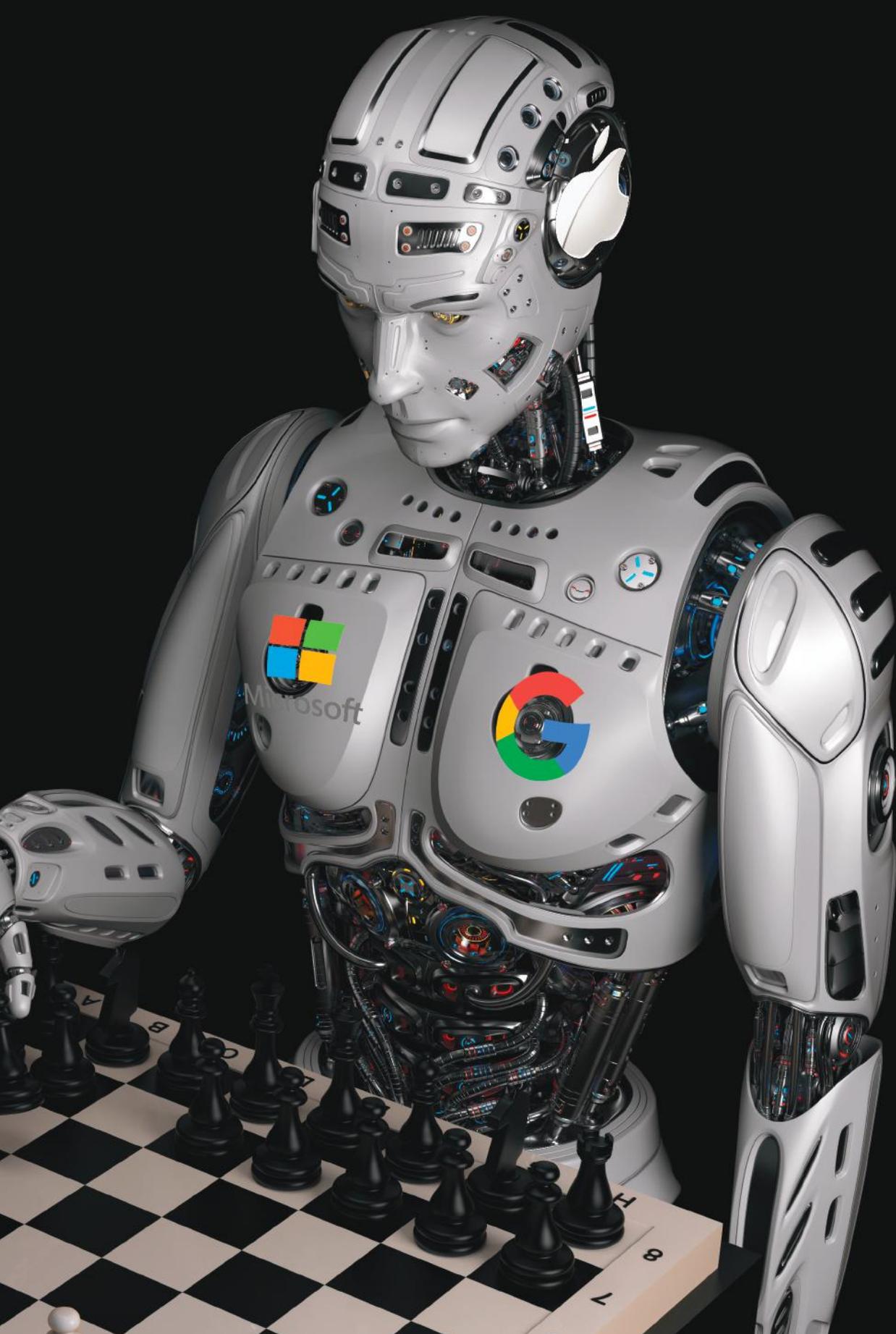
The two sides will make concessions that will lead to a partial nuclear arms reduction, strengthening global security. The INF Treaty will be renegotiated, with more participants entering into the talks. The United States and Russia will extend the START-3.

As these confidence-building measures take hold, the nuclear superpowers will reach a comprehensive weapons-reduction agreement. The accord will resolve their differences in developing new-generation strike systems, using artificial intelligence in nuclear arms, and other pressing issues.





Source: Shutterstock
Author: Mykola Holyutyak



RISK #5

**EXACERBATION OF THE BATTLE
FOR TECHNOLOGICAL DOMINANCE**

RISK #5

EXACERBATION OF THE BATTLE FOR TECHNOLOGICAL DOMINANCE

An intensifying battle for technological dominance is among the top risks for Eurasia in 2020. The Astana Club survey respondents believe that the US and China will increase mutual restrictions and protectionist measures in the contest for technological leadership trying to undermine each other's competitive edges.

The remaining players will not just observe from the distance. Countries' desire to ensure their cybersecurity will trigger a cyber-weapons race. This will inevitably lead to development of the new tools that can be used against adversaries.

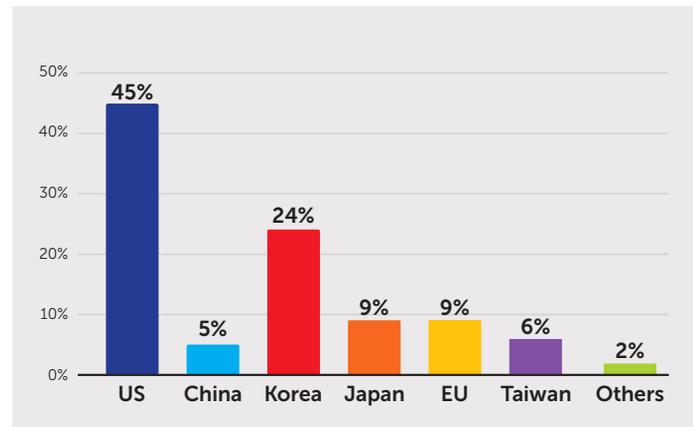
United States vs China

The US-China battle for leadership over new-generation technologies is steadily growing in scope, opening new frontiers for their global rivalry. The White House considers Beijing's Made in China 2025 strategy not only as a major element of competition in high-tech markets but also as a strategic challenge to US global leadership.

In this context, the US trade war against China goes far beyond the parties' market-access controversy. Washington is also trying to limit its main competitor's technological potential by imposing import barriers upon Chinese producers. In 2020, the US will increasingly encourage its European allies to follow the same path.

However, this will not jeopardize China's aspiration to become a leader in exporting cutting-edge technology that is not inferior to Western technology and has an obvious price advantage. The battle over using 5G technology to gain access to telecom markets of third countries has demonstrated the potential of

Global semiconductors market by share, %



Source: Semiconductor Industry Association, CSIS

Chinese tech giants like ZTE and Huawei.

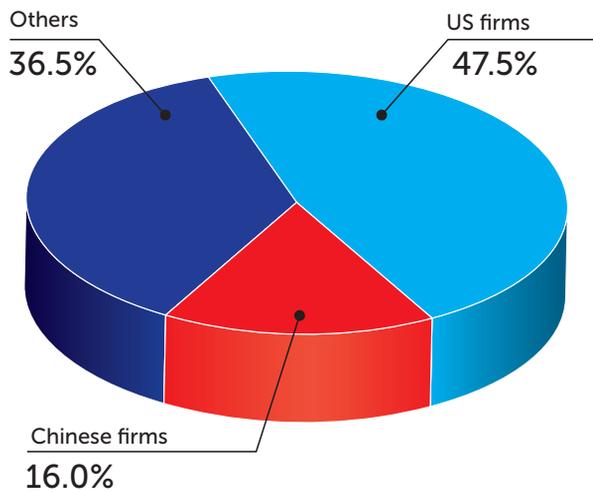
Most developing countries that plan to launch 5G networks are using Chinese equipment. Some developed nations like Australia and the UK. Besides, Chinese developers have a competitive advantage in artificial intelligence and biotechnology.

According to various estimates, US companies have earned more than \$125 billion from 4G technologies. The potential profit from 5G networks will be even higher. China is already ahead of its main competitors in developing a new generation of mobile communication technology. By the end of 2019, at least 150,000 5G base stations will be installed in China, compared to only 10,000 in the United States.

Washington is convinced that China illegally collects data on US advanced technologies, and more importantly, on key industrial sectors, using cyber espionage and technology transfer requirements.

Although US actions are perceived negatively in China, Beijing cannot respond symmetrically. Due to its dependence on imports of semiconductor chips and other electronic components from the US and developed countries, China cannot close its market to Western technologies.

US firms' share in Chinese market of semiconductors, %



Source: Semiconductor Industry Association, CSIS

The implications of the US–China tech race for the rest of the world

The intensifying battle over technological dominance will have mixed effects on other states that depend on foreign technologies. At the same time, there is a low probability that two completely independent systems in the global technology market will emerge.

It would require the reconfiguration of the global supply chain system, which seems impossible in the context of the growing volatility of financial markets, slowing global economic growth, tense trade relations, and high level of external debt in many countries.

Countries which have banned or are considering to ban Huawei products



- Ban in effect
- Limited ban, tighter regulations
- On the fence
- Support Huawei

Source: Statista, Bloomberg



STEVE DURBIN
managing director
of the Information
Security Forum (ISF)

Technological advances are not restricted to America and China. They are a global phenomenon both in terms of design and manufacture and, most importantly, in terms of consumption.

The US ban on Huawei products showed that many countries are unwilling to sacrifice their economic relations to accommodate interests of military-political allies. While New Zealand, Australia, Japan and France have followed the US lead in banning Huawei from working on critical national infrastructure, Germany, Canada, and the UK have refused to initiate a total ban. The Czech government has just voiced some

concerns, simply warning its citizens that they could face potential security risks when using Huawei equipment.

Consumer products and internet-of-things devices are widespread today, and many of them already contain components that are partially made in China. Obviously, not all countries that launched joint investment projects with the Chinese side in the field of telecom infrastructure will be ready to abandon Chinese solutions or individual components.

In the context of growing struggle for technological dominance, most countries will refuse to make a clear choice in favor of one side. This means that the technological split of the global market is unlikely to happen soon. However, rivals' areas of influence can be seen already by now.

The Chinese Belt and Road Initiative, which also includes Digital Silk Road, presupposes that the majority of countries situated along the BRI, including the countries of Asia, the Middle

East, Africa, and even some European states, will become more oriented to use Chinese technologies.

Meanwhile, Western Europe, Canada, Australia and Asian countries such as Japan, that want a continued US military and economic presence in the Pacific to counterbalance China's growing influence, will continue embracing American technology.

However, this emerging split line is not final. Many recipients of Chinese development aid want to see more US and Western technology come to their country so avoid total dependence on China.

Nevertheless, China's major advantage is that it can offer new technology to developing countries at affordable prices. Thus, most countries will not take any side. They are more likely to continue using both countries' technological equipment until circumstances force them to make a clear choice.

«Belt and Road» Initiative

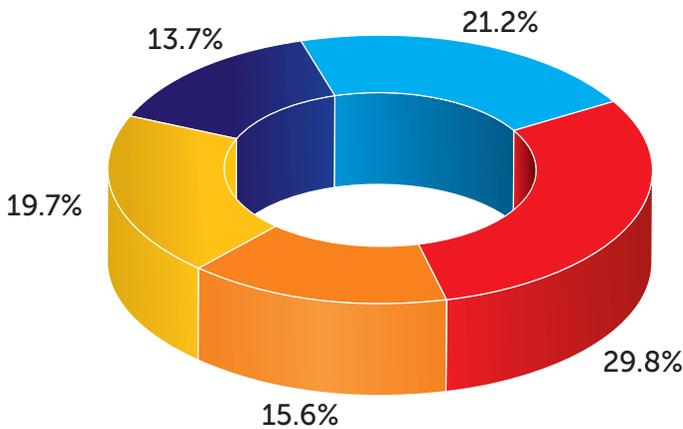


Source: Herbert Smith Freehills

Scenarios

The European Union and the UK’s position offer a demonstrative example: while expressing concerns over Chinese technology, they have not fully satisfied the American demands. The Old World’s choices will play a significant role in defining Eurasia’s and the world’s digital future. It is clear that Europe believes there is a possibility

How do you assess the prospects of technological confrontation between China and the US?



- It will evolve into a large-scale technological war that will split the world into two camps. New mutual prohibitive measures will followt
- The process will be sluggish. The US will postpone indefinitely restrictions on the use of Chinese technology
- The parties will be able to find a compromise, and each country will continue to develop its own technologies
- China will make significant concessions to the US, but will retain the opportunity to promote its technologies in the global market
- Chinese companies will be able to create alternative IT products and in the medium term will pose a real threat to the US global technological leadership

to find a middle ground.

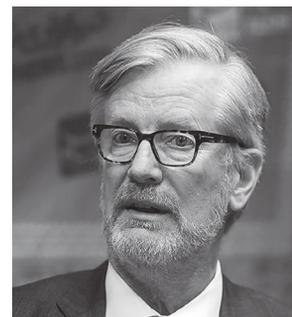
Two-thirds of Astana Club experts believe that US-China technological confrontation will continue. 21% think that the world will be split into two technological camps 16% of experts believe that the parties will reach a compromise. And other 19,7% assume that China will have to make concessions to the US.

1 Baseline

Tech-battle for peace

The current technological confrontation is the onset of a long-term global geopolitical game between the United States, China and other powers that will come to the fore.

The US sees Beijing’s international ambitions as a serious strategic threat that justifies its trade



DAN SMITH
 director of the Stockholm
 Peace Research Institute
 (SIPRI)

Efforts to achieve and maintain a technological advantage over potential adversaries have become a core part of geopolitics.

war against China, the economic consequences of which are echoed across the world. The significance of innovations makes the US-China battle for technological dominance a major part of of a long-term strategic confrontation between them.

The complex and ever-changing nature of information technology will continue

to challenge the international order. New regulations and international agreements will not be able to fully address the issues posed by exponential advances in technology, including their impact on society.

All actors will have difficulty in coping with fragmented regulations that will limit the global trade in technology. As a result, international economic activity will fall, countries will be unable to reap the full benefits from global technology flows.

A stark division of the world into a two competing technological camp is unlikely. Countries close to one superpower will tend to lean toward it, but many countries will remain neutral because of growing dependence on both American and Chinese technologies.

This struggle will have ripple effects across the global economy, forcing many nations to make uncomfortable technology and trade partnership choices.



SAMIR SARAN

president of Observer
Research Foundation

In an age of strong men, strong states and strong companies, the prognosis for technology cooperation in 2020 certainly does not look bright.

2 Pessimistic

Cyber-arms Race

The technological confrontation will lead to a global race aimed at securing digital borders, where no winners will be identified. The



HUAWEI



advancement of technologies will bring serious consequences to security system of every country.

Since innovations positively affect the growth of military capability, a technological race is likely to transform into the race of cyber weapons.

The main fault line will run between the United States and countries such as Russia, China, Iran, and the DPRK.

The US presidential election in 2020 will pave the way for an escalation of the US-Russian cyber confrontation, which increasingly targets civilian infrastructure.

Mutual cyberattacks will erupt as a result of the global technological race between the United States and China. In particular, PRC's latest cybersecurity report found that 63% of foreign IP addresses that attacked Chinese websites were registered on US territory.

Amid growing tensions with Washington, the DPRK and Iran will also intensify cyber-attacks on critical US infrastructure, especially, on American financial institutions.

In turn, the ongoing discussions in the US also suggest using cyber-attacks on Iran's and North Korea's strategic targets are viewed as means of "silent warfare" against regimes in Tehran and Pyongyang.

As countries' concerns in technological, geopolitical and national-security domains continue to grow, triggers for potential conflicts will increase exponentially.

As a result, any political decision to use strategic advantage in the technology, sector will threaten stability in Eurasia and the world.

While this scenario is very unlikely in the ordinary course of events, one shouldn't rule out the risk of black swan events: a cyber Pearl Harbour or digital Hiroshima.

3 Optimistic

Optimistic scenario, though very unlikely to happen, suggests partial détente in the US-China technological confrontation.

The main reason might come from business community pressure their losses may provoke de-escalation between the two tech giants.

In the context of growing strategic contradictions between Washington and Beijing, American and Chinese corporations are suffering major financial losses. According to estimates, out of the \$70 billion that Huawei spent on purchasing various components in 2018 globally, \$11 billion were spent in the United States.

In these circumstances, the United States and China may reach a compromise and remove the existing restrictions in the technological area.

However, an interim agreement will not be able to overcome the reasons that have led to the conflict in the first place.

In the long run, the parties and the global community would have to decide on common standards and rules in the field of advanced technologies, where the progress is often outpacing the global governance system.

Who and how will write these rules is still an open question, extremely hard one to answer.





RISK #6

**MILITARY ESCALATION OF THE
CONFLICT AROUND IRAN**

RISK #6

MILITARY ESCALATION OF THE CONFLICT AROUND IRAN

According to Astana club experts, tensions around Iran will increase in 2020 and can reach a critical level. IWEF survey respondents put the military confrontation in the Persian Gulf first in the list of conflicts that may escalate into a large-scale crisis in Eurasia.

The logic of current developments suggests that Tehran's regional opponents and rivals will strengthen measures to contain Iran in the military and economic spheres in the upcoming year.

For its part, Tehran, under the pressure of superior external forces, will seek opportunities for an effective asymmetric response. As a result, Iran will continue to actively increase its support for allied forces throughout the Middle East.

Such a development will keep the region at the constant risk of sliding into a large-scale conflict with extremely severe and poorly controlled consequences.

JCPOA: a final step to collapse

In 2020, the main direction of risks related to Iran will involve a threat of the complete collapse of the nuclear agreement. After the unilateral withdrawal from the JCPOA in May 2018, Trump's administration is doing everything in its power to ensure that other participants also leave the deal.

According to Astana club experts, tensions around Iran will increase in 2020 and can reach a critical level. IWEF survey respondents put the military confrontation in the Persian Gulf first in the list of conflicts that may escalate into a large-scale crisis in Eurasia.

The logic of current developments suggests that Tehran's regional opponents and rivals will strengthen measures to contain Iran in the military and economic spheres in the upcoming year.

US key demands from Iran to lift the sanctions

- 1 To end its proliferation of ballistic missiles and halt further launching or development of nuclear-capable missile systems.
- 2 To stop support for Middle Eastern «terrorist» groups, including Hezbollah, Hamas, and Islamic Jihad.
- 3 To end its military support for the Houthi militia and work towards a peaceful, political settlement in Yemen.
- 4 To withdraw all forces under Iran's command from Syria.
- 5 To end a threatening behavior against its neighbors, many of whom are US allies, including the threats to destroy Israel and strike at Saudi Arabia and the United Arab Emirates. Also, to stop posing a threat to international shipping and launching destructive cyberattacks.

On the other hand, the US will try to force other parties, primarily European countries, to withdraw from the JCPOA. President Trump has repeatedly warned that European states will end up facing severe sanctions if they try to circumvent US restrictions against Iran.

Nevertheless, the EU is trying to compensate for Iran's losses from sanctions despite the US pressure; although so far, all European efforts have been futile.

The EU has initiated a special financial mechanism INSTEX SAS to allow companies to bypass US sanctions in trade with Iran. However, it has not met the expectations and failed to become a safe channel for financial interaction with Tehran. As a result, European companies are not willing to take the risk and continue doing business in Iran.

Against this backdrop, it is clear that wishes

Timeline of Iran's JCPOA violations

- ▼ On 8 May 2019, Tehran announced the first phase of the reduction of JCPOA commitments. It included the removal of limits on enriched uranium and heavy water reserves. As a result, by early July Tehran had exceeded the limit of 300 kg of low-enriched uranium envisaged by the JCPOA.
- ▼ On 7 July 2019, Iran began the second phase of its reduction of JCPOA commitments. It began enriching uranium above the 3.67% designated in the JCPOA.
- ▼ On 7 September 2019, Iran moved to the third phase of the reduction of JCPOA obligations. It means the total abolition of the restrictions on nuclear research activities by Iran. In addition, Iran launched new 40 centrifuges and has declared its readiness to raise the uranium enrichment level to 20% or more.
- ▼ On 21 October 2019, Tehran announced that it was preparing for the fourth phase of the JCPOA commitment reduction. The exact substance of the fourth step has not yet been determined.

alone will not be sufficient to keep the JCPOA afloat in 2020. Iran is already signaling that it is tired of constant promises from the EU and is more inclined to withdraw from the JCPOA.

If the US continues with its policy of pressure and European countries remain unable to properly compensate Iran for the loss, Tehran will have no choice but to halt the JCPOA.

In this case, European countries will have to retaliate and de facto join the United States. This will be the beginning of a new dangerous stage in escalation around Iran.

To be or not to be a war?

Despite the deterioration of the geopolitical situation, Washington and its allies are unlikely



SEYED MOUSAVI

assistant minister and
director general for West
Asia in Iran's Foreign
Ministry

The war between Iran and the US is against the strategic interests of Russia, China, and the EU. If we look at the geostrategic map of Iran, we can find these facts easily: Iran is the southern gate for Russia and the western gate for China. Both of these major powers are not ready to lose such an important gate to the south and west of their countries. The stability of Iran is strategically important for the EU as well. Iran is one of the main pillars of stability in West Asia, where chaos and unrest have a direct impact on the stability of EU countries. So far, EU countries haven't been able to control the impact of the instability due to the Arab Spring and the civil war in Libya and Syria, which resulted in a flood of immigrants. Any military scenario against Iran by the US will create a tsunami of immigrants from all Middle Eastern countries.

to set out a direct military conflict with Tehran in 2020.

The military incident with oil tankers in the Strait of Hormuz in June 2019, as well as the situation where Iran downed the American drone, have shown that the Trump administration will think twice before proceeding with a military strike.

This is not about the US fearing the possible civilian casualties in Iran. The reasons are vastly different from humanitarian grounds.

First, in military terms, Iran is a «tough nut». According to the Global Firepower ranking, Tehran has been rated 14th in terms of military strength among 137 countries in 2019. This means any military conflict with Iran will be protracted and associated with severe losses for the attacking party.

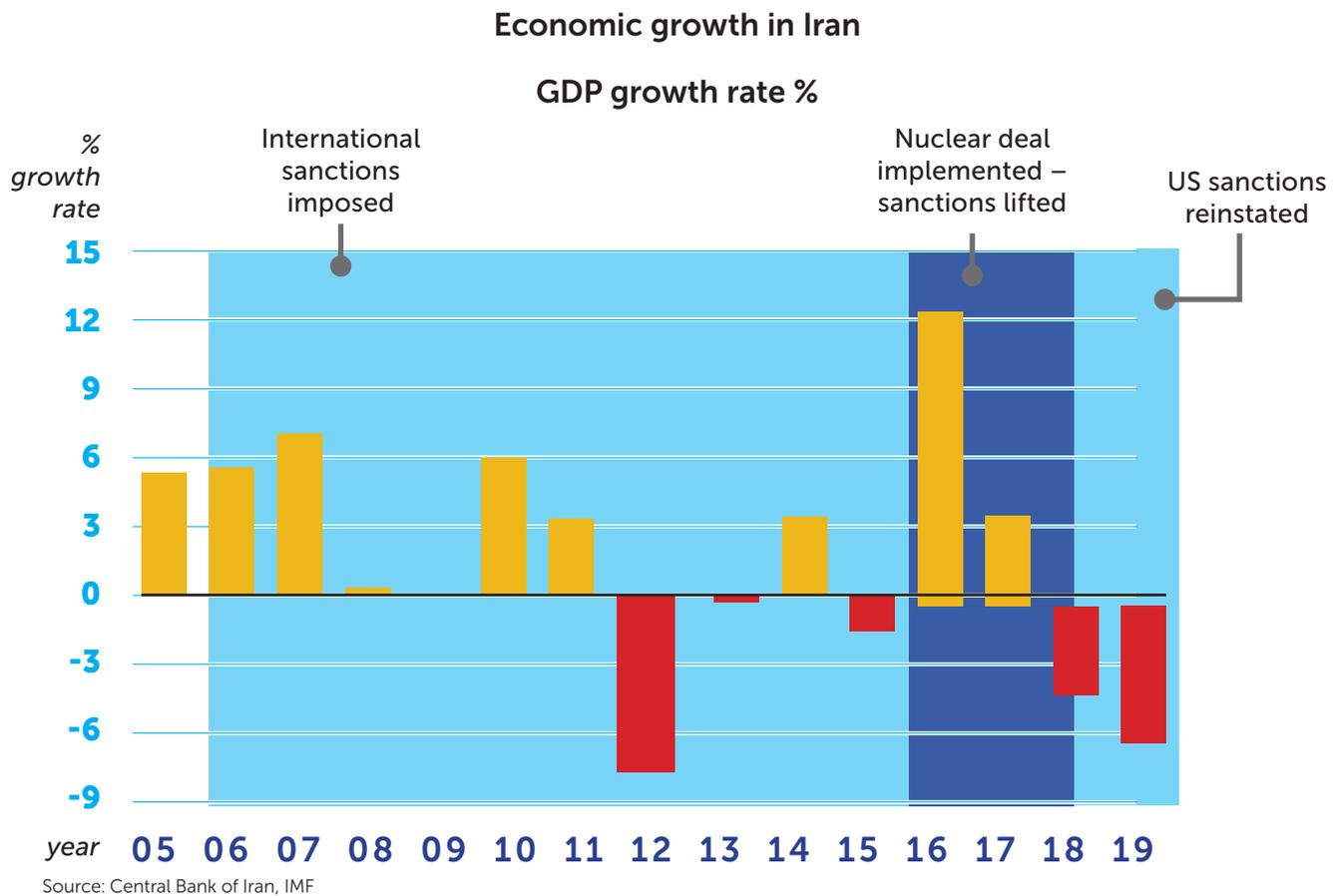
Secondly, the US has no large international support for military pressure on Tehran. Even if Iran withdraws from the JCPOA, key European countries, as well as Russia and China, will strongly oppose any military scenario.

Thirdly, a risky military venture with unknown consequences could become a «political suicide» for Trump. Therefore, the US President will think seriously before embarking on a military conflict before the elections.

Instead, in the US is more likely to continue increasing economic and political pressure on Iran in 2020. Thus, economic sanctions may go far beyond the oil industry and spread to other areas. Moreover, Tehran’s financial assets abroad could be frozen.

More Iranian political and military leaders will become a target of individual restrictions. It is worth recalling that significant financial and diplomatic sanctions that have already been imposed on many representatives of the Iranian political elite. This list could easily be expanded in 2020.

In addition, the US will try to attack Iran in cyberspace. At the end of June 2019, world media reported that upon the personal approval of President Trump the American Cyber Command attacked Iranian computer systems responsible



for missile launch control and disrupted their work. In the future, such incidents may become the main US tactical weapon against Iran.

Pressure from within

The grueling confrontation with the US and its allies undoubtedly hurts the internal situation in Iran and tests the safety margin of the country.

The latest figures show a serious deterioration of socio-economic conditions in Iran as a result of the economic sanctions:

- according to IMF estimates, the Iranian GDP fell by 3.9% in 2018. A 6% decrease is expected in 2019;

- after almost 4 years of stability, the Iranian currency has dropped by 60% against the US dollar since sanctions were imposed in 2018;

- inflation was at the level of 9% in 2017, it increased to 31% in 2018. The IMF predicts that the inflation level may reach 37% by the end of 2019.

As a result, the living standards of Iranians are declining, which triggers rising discontent among the population. 2020 may see massive protests due to socio-economic problems.

In turn, growing external pressure will intensify the struggle between the «hardliners» and the «moderates» within the Iranian political elite. Amid US sanctions, the latter is already losing ground. The confrontation between these groups will further worsen in 2020 due to parliamentary and presidential elections in 2021.

Finally, given the economic difficulties, the Iranian government will have to limit its activities in the region consisting of support to various political and military opposition groups. However, this does not imply easing tensions in regional flashpoints.

There are no exact figures on how much resources Iran spends for the support of armed groups in the Middle East. Brian Hook, a US special envoy, claimed that Iran allocated up to \$700 million a year to Hezbollah, its main proxy ally, which made up about 70% of the organization's budget.



MOHAMED ELBARADEI

director general of the International Atomic Energy Agency (IAEA) (1997-2009), Nobel Peace Prize winner 2005

The current US policy will probably lead to increasing support for the hardliners in Iran. That does not mean, however, that the hardliners will not be ready to enter into negotiations with the US. All factions in Iran are interested in a long-term normalization of relations with the US that could lead to US recognition of Iran's role and influence as a regional power. The US is ultimately interested in a degree of policy coordination with Iran, at least with respect to its vital interests in the region.

However, media, with a reference to Hezbollah representatives, reports that Iran has already significantly reduced the assistance. As a result, the number of insurgent groups, as well as their activities in Syria and other regional countries, is decreasing.

At the same time, the second half of 2019 has seen a tendency towards the growing military activities of pro-Iranian forces in the region, as is evident from the Houthi attack on the oil refineries in Saudi Arabia. In this regard, it should not be neglected that various forces may try to engage Iran in the conflict in order to preserve and expand Iran's assistance to these groups.

Development scenarios

1 Baseline

The most likely storyline implies that sanctions against Iran will strengthen, including Washington's new financial measures against its oil industry. Furthermore, in order to bolster the pressure, the US will expand the scale and intensity of cyberattacks on Iran's critical infrastructure.

Alongside this, Tehran will suffer from Israeli and Saudi Arabian severe military pressure, including new stages of the campaign against the Houthi in Yemen, and Israeli airstrikes on the Iranian forces and its allies in Syria.

Iran, in its turn, will increase support for pro-Iranian forces in Lebanon and Yemen. Assistance will be provided in the form of missiles and

drones that will be aimed various targets in Israel and Saudi Arabia. This will provoke strong reactions from the side of the latter states.

The EU's attempts to offset the costs of US sanctions will not bring tangible results. Along with growing internal opposition to the JCPOA, this will lead to Iran's further reduction of nuclear commitments.

Dangerous tanker attack provocations will continue. To a large extent, Tehran's European partners will be pushed to support US sanctions, since «tanker wars» will pose a threat to global oil supply chains. As a result, Iran's patience with the JCPOA may run out, which will lead to the resumption of its nuclear program.

2 Negative

A negative scenario implies a rapid deterioration of the regional situation including the outbreak of active hostilities. In the context of growing tensions and lack of negotiations, another tanker incident will trigger a large-scale military confrontation involving Iran and the Arab monarchies.

Moreover, the US and Iran are unlikely to collide directly. Tehran acknowledges that a full-scale war with the US will be disastrous. In turn, Washington is also not interested in another long-term conflict in the Middle East.

However, the willingness of the two to avoid face-to-face confrontation may not prevent a regional military conflict. The mutual provocations between Riyadh and Tehran will evolve into real military operations. At the same time, Saudi Arabia will try to involve the Americans in the conflict as much as possible.



FARKHAD MAMMEDOV
political analyst at
1news.az news agency
and senior advisor at
Successful Strategies

The level of harshness of US actions regarding Iran is correlated with progress or setbacks in negotiations with the DPRK. Positive expectations from negotiations with the DPRK will decrease the degree of harshness towards Iran, while the setback will increase it.

It can be safely assumed that the trend toward isolation and the economic collapse of Iran will continue in 2020.

In the conditions of total distrust, the opponents will make miscalculations, and Iran will perceive limited attacks as the beginning of a large-scale war. As a result, Tehran will block the Strait of Hormuz, which accounts for 30% of the world's seaborne oil traffic. This will shock the global economy.

In addition, a fierce proxy war will begin. Iran will activate its ally armed groups in Afghanistan, Iraq, Lebanon, Syria, and Yemen to attack the US and its partners. Israel will be involved in the conflict through clashes with Hezbollah and the subsequent war in Lebanon. As a result, a major humanitarian crisis with millions of new refugees and migrants will erupt.

The positions of China, Russia, and the European powers, who oppose a massive war in the Middle East, will be an important deterrent.

In general, this scenario is unlikely to evolve; however, given the logic of escalation and the lack of a stable dialogue between the conflicting parties, one cannot completely exclude its possibility.

3 Positive

A positive scenario is also unlikely, but not completely impossible. Under this scenario, the US and Iran will return to the JCPOA and will be able to conclude a new nuclear deal, which will resolve a number of contradictions between Washington and Tehran. Loosening of the US sanctions regime could be an important prerequisite for the renegotiation of the agreement, which will enable a dialogue.

A settlement of geopolitical disputes will have a positive effect on regional conflicts. Together, all these developments will be a prologue to a serious political dialogue involving regional and global players to create a more stable, predictable and secure regional order in the Persian Gulf and throughout the Middle East.



Source: Reuters
Author: KCNA



RISK #7

**NUCLEAR CRISIS ON THE
KOREAN PENINSULA**

RISK #7

NUCLEAR CRISIS ON THE KOREAN PENINSULA

Quick successes are usually short-lived and often result in an equally dynamic setback. This can be attributed to the situation around the North Korean nuclear issue. The sensational talks between the leaders of the US and the DPRK, which have been the subject of great hopes for a peaceful settlement of the crisis, have now been frozen at a low point. In 2020, the established dialogue is at risk of experiencing «near-death experience».

A brief story of success

The beginning of Donald Trump's presidency marked a new policy course toward DPRK, in which Washington chose the tactics of pressure.

These measures, along with Beijing's support for US rhetoric, have brought Pyongyang to the negotiation table. This resulted in the first historic meeting of the US and DPRK leaders on June 12, 2018.

Negotiations moved forward as the US came to understand that the regime change cannot be forced in DPRK, while the latter, already possessing nuclear weapons, was set to defuse tensions.

Even having reached a historic milestone, when starting direct negotiations on stabilization, the parties couldn't advance beyond statements of peaceful intentions. Moreover, the negotiation process has already regressed in 2019 with Trump and Kim's second summit in Vietnam, ending with a zero outcome.

Trump and Kim met again in June 2019 in the demilitarized zone on the Korean Peninsula and agreed to resume negotiations. However, it is clear that the negotiation process will be tough and may end as unexpectedly as it has started. This is evident from the recent meeting between

US and North Korean diplomats in Sweden in October 2019, which did not yield any positive results.

The apple of nuclear discord

The fundamental differences between the parties' views on future agreement terms complicate the negotiations. The DPRK expects

US – DPRK negotiations, 2018-2019



Source: IWEP

Trump and his administration to make some concessions in the light of the upcoming presidential election.

At the same time, Pyongyang's «goodwill gestures» such as suspension of tests and partial closure of nuclear sites, are nothing more than tactical tricks. The North Korean leadership is not ready to even partially reduce its arsenal, not to mention the prospect of complete denuclearization.

Pyongyang proposes unfavorable conditions for negotiation, including the dismantling of the main nuclear site in Yongbyon, while preserving all other nuclear facilities, which basically allows the DPRK to continue developing nuclear

weapons. In response, the US is expected to completely lift economic sanctions.

However, the White House would not agree on such terms, since consent to partial disarmament would mean the recognition of DPRK’s nuclear status. The latter may be viewed as if the US is neglecting its national interests. Apparently, Trump’s administration will not embark on such a disastrous path for the sake of the image

On the contrary, in order to demonstrate to voters his determination, the American president is quite capable of raising the stakes to the max, which will again lead to another round of escalation of tensions around the DPRK.

Thus, within the existing negotiation paradigm, drafting an agreement that would suit both parties seems to be a very difficult task.

«Black swans»

Meanwhile, there are other factors that diminish optimism about the future of negotiations. North Korea continues with its traditional methods of psychological pressure. The resumption of missile tests in mid-2019 is a clear indication that DPRK is likely to continue to flex its muscles in 2020.



TONG ZHAO
senior fellow
Carnegie-Tsinghua
Center for Global
Policy

Trump needs to recognize that summit diplomacy has serious shortcomings and needs to be supplemented by substantive working-level negotiations.

The position of China can be the source of possible changes in the situation around the DPRK. To this day, Beijing’s policy towards Pyongyang has been determined by the need to ease the tensions, which has prompted China to assist the United States in applying pressure to Pyongyang’s regime.

At the same time, Beijing is disturbed by the prospect of agreements between Pyongyang and Washington behind its back; therefore, in these negotiations, China seems to support North Korea as demonstrated by the Chinese leader’s first visit to Pyongyang in the last 14 years.

Chinese support for the DPRK will continue, as China’s regional policy will gain momentum, as the trade war with the United States expands. For his part, Kim Jong-Un will not fail to take advantage of the contradictions between the two global powers to advance his negotiation positions.



VLADIMIR YAKUNIN
chairman of the
Supervisory Board of the
Dialogue of Civilizations
Research Institute

Beijing controls more than 85% of the DPRK’s foreign trade, and therefore it has the power to exacerbate American sanctions’ effect on the Juche regime. At the same time, it has the power to help the DPRK bypass them. In other words, Beijing has a tight grip on the North Korean economy. The DPRK is aware of that and its political elite has no illusions about China as an ally and partner.

Scenarios

1 Frozen conflict

The White House may dwell on an interim option that will allow it to show diplomatic successes to voters, and de facto postpone the main deal with the DPRK for Trump's second term.

On the eve of the election, the Trump administration will focus on demonstrating the already achieved outcomes, while maintaining same levels of sanction pressure on Pyongyang.

The dismissal of J. Bolton, a supporter of tough measures against the DPRK, will reduce the aggressive rhetoric of the White House, preserving the confrontation between the US and the DPRK at the current level.

As a result, the situation on the Korean Peninsula will enter a frozen period, and no major changes will occur.



PAVEL BAEV

nonresident senior fellow - Foreign Policy, Center on the United States and Europe, Brookings Institution

The Kim-Trump tango is destined for a disappointing finale, because the smaller partner counts not on the missteps of the bigger one but on the mid-term aggravation of the contest between USA and China so that the latter would become much less helpful for the former in managing the Korean crisis.

At the same time, the DPRK may episodically attempt to draw attention mainly through tests of short- and medium-range missiles, which will be ignored by Trump's administration.

In addition, Seoul's desire to maintain strategic communications with Pyongyang will also play in favor of maintaining a positive atmosphere on the Korean Peninsula, limiting the risks of a full-scale conflict.

2 Further escalation

There is a risk that the «election factor» may confuse the negotiation progress with the DPRK. Contrary to the logic of the aforementioned scenario, Trump will try to pressure the DPRK, demanding concessions from Pyongyang on the denuclearization issue. Trump will likely need a quick victory ahead of the elections.

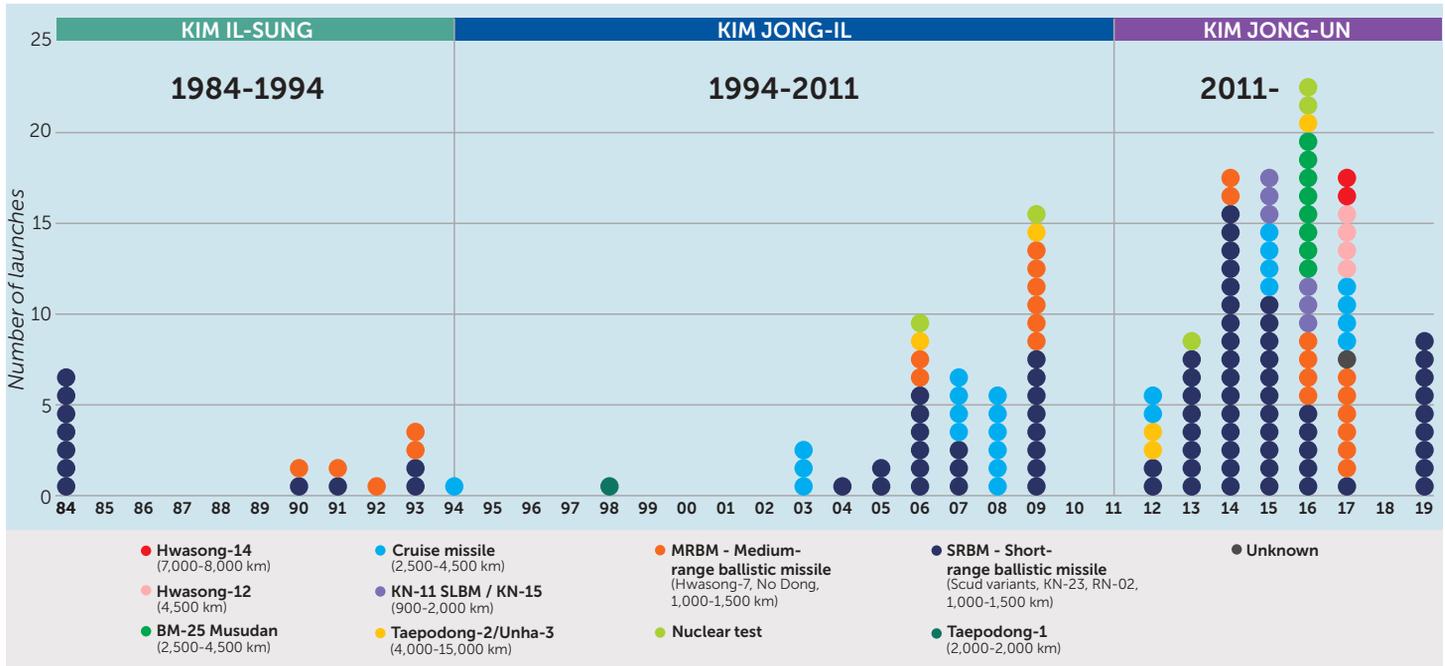
Another possible reason is Trump's reluctance to start conflicts with hawks in the Pentagon and other law enforcement agencies, who think the pressure on the DPRK should be maintained. As a result, the US may increase the scale and frequency of military exercises near North Korean territory, as well as introduce new economic sanctions against Pyongyang.

Being pressured by Washington, Pyongyang will respond sharply, resuming the tests of intercontinental ballistic missiles, which pose a serious threat to US military bases on Guam.

At the same time, the DPRK will increase pressure on Seoul, freezing the bilateral negotiation process and intensifying tests of short- and medium-range missiles.

As a result, the dynamics on the Korean Peninsula will again return to its lowest point, with the risk of sliding into a full-scale armed conflict.

History of DPRK nuclear tests



Source: CSIS, Missile Defense Project

3 Partial Progress

The third possible scenario suggests partial progress in the negotiations on the denuclearization of the Korean Peninsula.

After possible reelection, Trump may focus on his legacy as the 45th president of the United States, and the settlement of the DPRK nuclear issue can be one of his significant achievements.

On the other hand, if the Democrats take the office, the current maximalist position of the White House may also change, kicking off a dialogue with mutual concessions on both sides.

Washington, as a gesture of goodwill, could ease economic sanctions if Pyongyang returns to negotiations and freezes future provocative actions.

Further progress in denuclearization and Pyongyang’s complete and clear refusal to develop an intercontinental ballistic missile will depend on the prospects for real security guarantees from Washington.

However, after the collapse of the Iranian nuclear deal and the negative precedents in Iraq and Libya, reaching an agreement with Pyongyang may prove a difficult task.

Within the optimistic scenario, the parties may come to interim agreements that retain hopes for a peaceful resolution of North Korea’s nuclear issue in the long run.

Y.A.M.
S WITH PERSONALITY
**ATTACK ON
OCRACY**
TERRORIST DIES
FTER BEING SHOT
Y POLICE OUTSIDE
PARLIAMENT
PRIM
VOWS
OUR
DOOM

THE Sun
WE ARE NOT AFRAID
3 KILLED, 20 INJURED..
TERRORIST SHOT DEAD
..BUT UK IS DEFIANT

Thursday 23 March 2017
The Daily Telegraph
**'We will never allow
evil to drive us apart'**
◆ May's message of defiance
to the nation after terrorist
kills four at Parliament
◆ Westminister Bridge
carnage as attacker ploughs
through crowds in 4x4
◆ MP praised for dashing
to help as stabbed
policeman lay dying

4 dead, 20
Pedestrian
down on
the
Terror in

**MANIAC WHO KNIFED
BRITAIN IN THE HEART**
ATTACK ON PARLIAMENT: 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13

Mail
NEWSPAPER OF THE YEAR
65p
DRAMATIC
REPORTS
AND PICTURES
**ATTACK ON
DEMOCRACY**
KILLER
MAY
MINISTER

DAILY Mirror
UNITE AGAINST TERROR
Thursday, March 23, 2017
22/13
BOMED WITH BOMBS
Policemen shot dead
**ATTACK ON
DEMOCRACY**
MANIAC KILLS 3 IN PARLIAMENT BARRAGE
DEFIANT PM SAYS: TERRORISTS WILL NOT WIN

PHOTOGRAPH BY GUY LAWRENCE FOR THE DAILY TELEGRAPH
A photograph showing a man being stretchered away from the scene of the Westminster Bridge attack. The man is lying on a stretcher, and several people are assisting him. The background shows the bridge and other people.

PHOTOGRAPH BY GUY LAWRENCE FOR THE DAILY TELEGRAPH
A photograph showing a man being stretchered away from the scene of the Westminster Bridge attack. The man is lying on a stretcher, and several people are assisting him. The background shows the bridge and other people.

PHOTOGRAPH BY GUY LAWRENCE FOR THE DAILY TELEGRAPH
A photograph showing a man being stretchered away from the scene of the Westminster Bridge attack. The man is lying on a stretcher, and several people are assisting him. The background shows the bridge and other people.

THE
A W
Islamist

CROSS bridge

DEATH

HURLED
INTO TH

WE ARE NOT AFRAID

guardian
Westminster

Policeman killed
Officer stabbed
by assailant
Security agencies
say he acted alone

Attacker shot dead
Security agencies
say he acted alone

Bravery and simple hub
in the face of a horrific
Jonathan Freedland

DAILY EXPRESS
THE WORLD'S GREATEST NEWSPAPER

10p

**TERROR RAMPAGE
AT WESTMINSTER**

At least 4
dead and 20
are seriously
injured

Brave MP
fights in vain
to save his
policeman

Woman
survives
jump
from
bridge

Dramatic moment an armed policeman stabs
knife and trains his gun on maniac who
carnage in an attack on Parliament

FULL REPORT STARTS PAGE 2

METRO

FREE

**TERROR AT THE
HEAR**

Five dead, including a
and terrorist, in Westm

TIMES

March 22 2017

Assault on
Westminster

mows down pedestrians and kills policeman

DAILY STAR

WE ARE NOT AFRAID

LOCKDOWN
of the British
is over

March 23 2017
DAILYSTAR.CO.UK
JUST 30p

**TERROR IN
LONDON**

Policeman and two
tourists die in horro
attack at Westm

20 critically inj

Middle aged m
attacker shot d

**London
Evening
Standard**

Friday 23 March 2017

FREE

Sadiq Khan
'Londoners
will never be
cowed by
terrorism'
Page 14

WEST END FINAL

**VICTIMS OF THE
BRIT TERRORIST**

MOTHER OF TWO KILLED AS SHE
PICKED UP CHILDREN FROM SCHOOL
AND THE HEROIC PC WHO TRIED
TO STOP WESTMINSTER KNIFEMAN
ATTACKER WAS BRITISH-BORN AND
HAD BEEN INVESTIGATED BY

RISK #8

A NEW WAVE OF TERRORISM

RISK #8

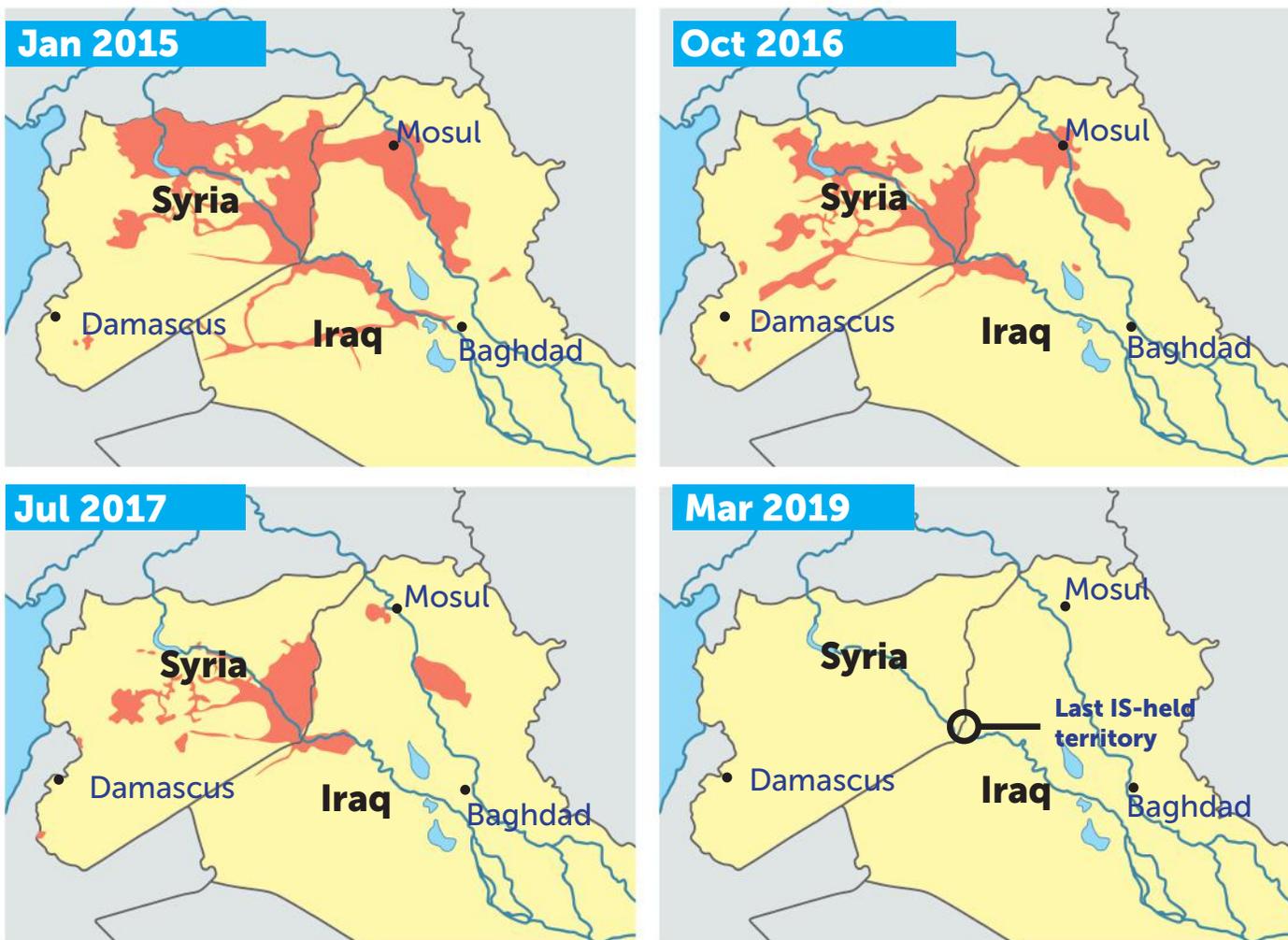
A NEW WAVE OF TERRORISM

A new surge of terrorism is one of the key challenges that the Eurasian community will face in 2020. This risk was ranked 8th by the respondents of the Astana Club survey. Despite growing pressure, extremists show persistence, rethink their fighting experiences and quickly adapt to new conditions. The chimeric products of this dangerous evolution are the lone wolves, who cannot be identified with traditional methods, leaving the intelligence services unable to efficiently respond to their attacks.

Daesh revival

The history of the so-called Islamic State (Daesh), which emerged in the deserts of Syria and Iraq in June 2014, has ended ingloriously. Under the pressure of the international coalition forces, the terrorist quasi-state has lost its entire territory. The last settlement controlled by Daesh was liberated by joint Kurdish and US military forces in February this year.

Daesh - controlled territories, comparison between 2015 and 2019



Source: Conflict Monitor by IHS Markit

A large-scale anti-terrorist campaign resulted in Daesh's loss of stable sources of financial support, substantial casualties in manpower, depletion of equipment and weapon supplies, all of which has critically undermined the group's capacity. Triumphant reports announcing final victory over the terrorists have already been circulating.

In reality, the picture is more complex. Despite its defeat in Syria and Iraq, the Daesh activity has taken on new dangerous forms.

Even after the assassination of the Daesh leader Abu Bakr al-Baghdadi, the group's leadership and ideological backbone have not been fully destroyed.

Following the death of their «caliph», the remaining supporters are readying to retaliate. The loss of their leader is interpreted as a temporary challenge on the path to their sacred goal.

At the same time, Daesh leaders wish to be no longer attached to their traditional geography. After losing support centers in Syria and Iraq, the group intends to transfer its activity to foreign bases known as «vilayats». Such diversification is an attempt to compensate for the lack of resources and to find a more favorable environment.

In several «vilayats», Daesh has been building prerequisites for new terrorist activities. The group is strengthening its structural units in Nigeria and Afghanistan, gradually turning them into new command centers. Thus, according to various estimates, the number of insurgents in Khorasan vilayat (Afghanistan and Pakistan) currently ranges from 5 thousand to 14 thousand people.

The Daesh are gaining strength in Afghanistan in a fierce rivalry from the Taliban. This rivalry is expected to restrain the influence of Daesh. However, some Taliban, dissatisfied with the prospects of concluding an agreement with the US, have left the movement and joined Daesh.

Thus, in terms of terrorist threats, the defeat of Daesh in Syria and Iraq is not the final victory yet; and as the group strengthens its positions in



RAFFAELLO PANTUCCI

director of International Security Studies at the Royal United Services Institute (RUSI)

A degree of unpredictability has been injected into the broader terrorist threat. From being a threat which was broadly predictable – certain conflict zones which have been persistent sources of threat within their borders and their near-neighborhoods alongside obvious external targets like the United States, Israel or their close allies – we have now evolved into a situation where potential targets can be found around the world, the methodologies employed by groups are ever more random and low tech, and the level of targeting has become ever more indiscriminate.

peripheral «vilayats» in 2020, Eurasian countries will face new outbreaks of terrorist activity.

«Lone-wolves» phenomenon

Another important transformation in Daesh's strategy is that the organization is attempting to activate its « sleeper cells », comprising of returnee militants and radicals sympathizing with their extremist ideology, in various Eurasian states.

In the framework of this new approach, Daesh supporters plan to focus on « lone-wolf » tactics, i.e. striking individual attacks in places of their residence rather than participating in hostilities abroad.

Notably, the « lone wolves » pose a serious security threat. Methods that the intelligence services have developed against terrorists over

the past decade, such as undercover work or infiltration in extremist organizations, are not relevant in the case of single terrorists.

Generally, they operate without direct instructions from the terrorist group leadership and make decisions about the time, place and strategy of the attack independently, which makes it extremely difficult to take any preventive measures.

To recruit new followers and encourage perpetrators of terrorist attacks, Daesh intends to use Internet propaganda. The group has already demonstrated its ability to create high-quality video content. In a deeply fragmented global digital space, social networks and various Internet resources will become Daesh's main tool in the dissemination of extremist ideas on a global scale.

Daesh bets on «lone-wolves» because, even with limited resources, spontaneous autonomous attacks provide the maximum propaganda effect, aimed at deepening inter-civilization conflicts. This will provoke hostility towards Muslims, their social marginalization, ultimately, pushing them toward the radical camp.

In this context, the dissatisfied immigrant youth in Western countries and social groups who are feeling rejected and discriminated against will become the main targets of the Daesh propaganda.

As a result, the threat will increase dramatically for ordinary citizens, who risk becoming the main victims of lone-wolf attacks, because terrorist strikes are easier with improvised cold weapons (knives and axes) and heavy trucks in public places than through making a bomb or sabotaging military facilities.

Far-right terrorist threat

In 2020, the strengthening of far right-wing radicals will be grist to the mill of terrorism. In particular, the further spread of anti-immigrant and Islamophobic sentiments in Western



IFTEKHAR CHOWDHURY

foreign minister of Bangladesh (2007-2009), principal research fellow, Institute of South Asian Studies (ISAS) at the National University of Singapore

There are different newer sources of terrorist threats emerging. It would perhaps be inappropriate to label terrorism as 'Islamic' (which is why the term used for Taliban and Daesh is 'Islamicist', which refers to the desire to forcefully impose a version of Islam). However, even though much of Northern Europe may have entered a 'post-Christian' era (Christianity survives in those parts only as a 'value'), some adherents of the faith also embrace other identities and values, such as 'white supremacism', 'populism', 'nativism' and 'radical-nationalism', which often become a deadly mix.

countries and Asia may provoke increased manifestations of extremism and violence against Muslim minorities.

In recent years, global political discourse has become more aggressively populist, which is a breeding ground for intolerance and xenophobia. This trend is especially relevant for the countries of Europe, the US, and Australia, societies experiencing large-scale migration.

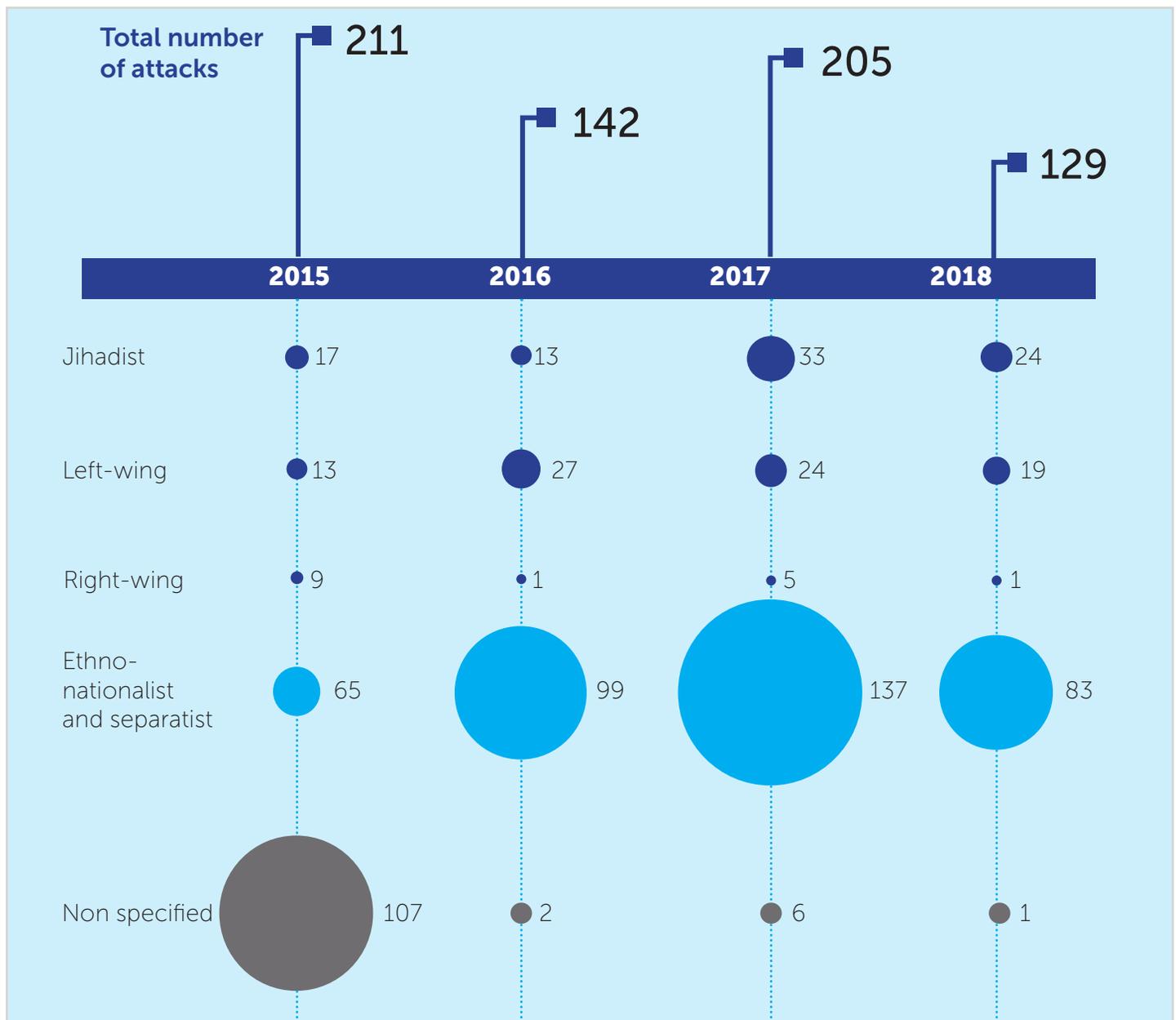
In 2020, the issue of migrants will continue to cause anxious sentiments in Western societies until open aggression against Muslims and other minorities erupts. Therefore, the problem lies not only in stopping migration flows but also in combatting the growth of ultra-right extremists, who utilize real social problems and phobias to disseminate their views and recruit new supporters.

The desire of populist politicians to address these complex questions with simple answers will exacerbate the split in Western societies, contributing to the radicalization of the entire political spectrum. In these circumstances, immigrants, who are perceived as «other» and «strangers», will be viewed as a threat and a

legitimate excuse for political mobilization and violence.

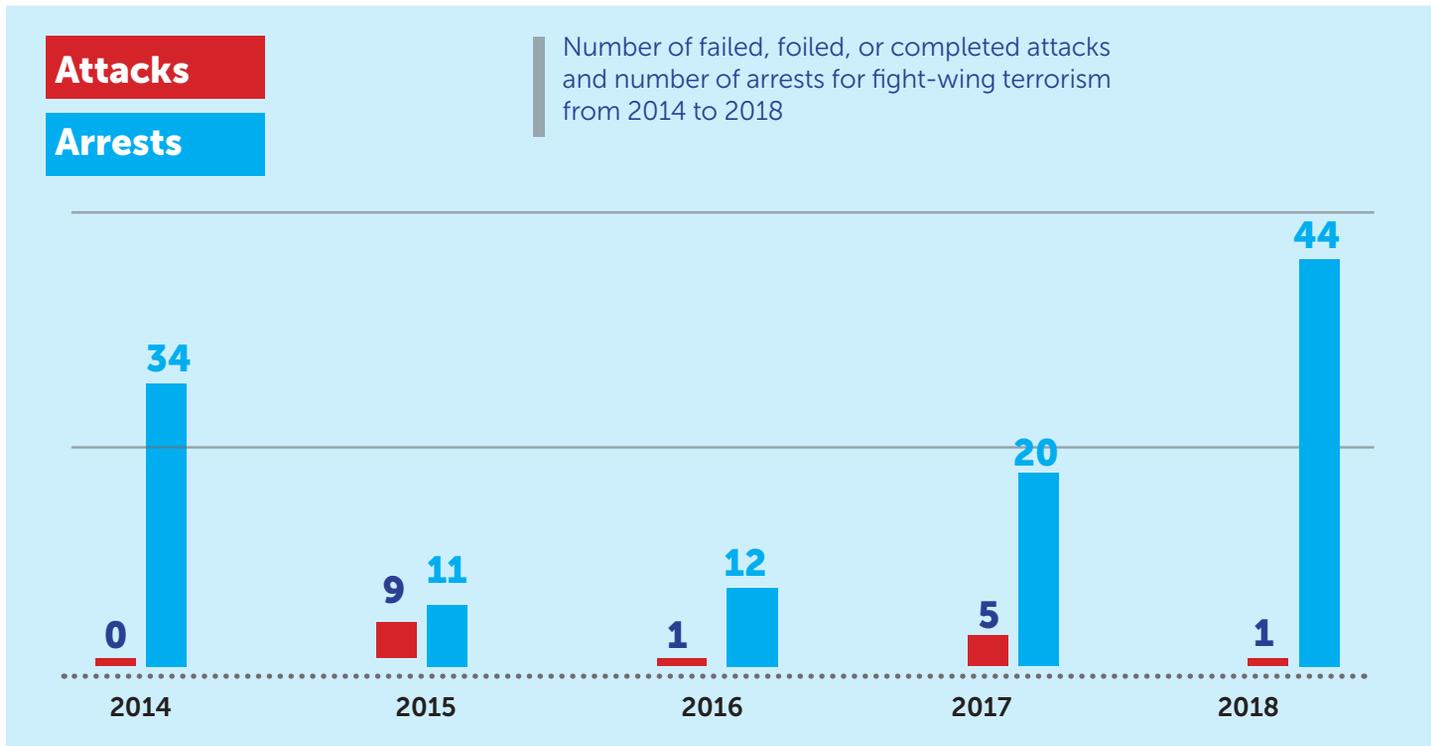
Amid increasing hostility towards Islam, there is a heightened risk that modern «crusader-terrorists» will emerge, seeking to continue Breivik and Tarrant’s mission in «protecting the white race».

Terrorist attacks in EU by affiliation, 2015-2018



Source: European Union Terrorism Situation and Trend Report 2019

Number of right-wing terrorist attacks in the EU



Source: European Union Terrorism Situation and Trend Report 2019

Scenarios

1 Baseline

In general, the threat of terrorism will remain high in 2020. Eurasian communities will face numerous outbreaks of ideologically divergent terrorist attacks.

Daesh will be able to enhance its position in countries and regions torn by internal conflicts and poverty (Afghanistan, West Africa, and the Sinai Peninsula). These places will become the epicenters of terrorism export.

Dangers associated with terrorist attacks in developed countries of Eurasia will increase along with the number of individual terrorist acts targeting civilians.

Social networks and messengers will be used to recruit «lone-wolves». Other terrorist groups will try to adopt the Daesh experience.

In these conditions, the Eurasian states will strengthen the cooperation in a fight against terrorism; however, due to political differences, the scope of the partnership will be very limited. As a result, radical groups will continue to use loopholes to restore their positions.

2 Pessimistic

The efficiency of the fight against terrorism as well as the efforts towards consolidation at the international level will decrease due to

an intensifying geopolitical struggle between various actors in Eurasia. The Eurasian communities will fail to establish any significant cooperation, which will lay a fertile ground for boosting terrorist activities.

Increased fragmentation of the global Internet space will enable active Daesh, al-Qaida and far-right group propaganda. This, in turn, will awaken many extremist «sleeper cells» and lone terrorists throughout Eurasia.

As a result, the number of terrorist attacks and their victims will sharply increase. Terrorist acts using chemical poisons will be of a particular risk.

Consequently, the atmosphere of fear and panic will escalate, which will exacerbate the problem of social polarization and xenophobia. Right-wing extremism will have a new powerful impetus in Eurasia.

3 Optimistic

Eurasian countries will be able to join efforts to counter threats of terrorism. After another major terrorist act, states will focus on collective measures against terrorism and extremism. They will be able to systemize cooperation in areas such as the exchange of sensitive information and the suppression of terrorist financing.

The joint fight will be coordinated at the UN Security Council level. A significant step will be taken towards the dissemination of international standards to counter extremism and terrorism. As a result, another global wave of terrorism will be prevented.





RISK #9

**AGGRESSIVE NATIONALISM
AND POPULISM**

RISK #9

AGGRESSIVE NATIONALISM AND POPULISM

The spread of aggressive populism and nationalism is one of the key risks in Eurasia. 38% of Astana Club experts believe that Eurasian countries will see growing support for radical political groups in 2020.

Populism and Nationalism in Eurasia: outcomes of 2019

In 2019, populist and nationalist political forces continued to strengthen their positions throughout Eurasia.

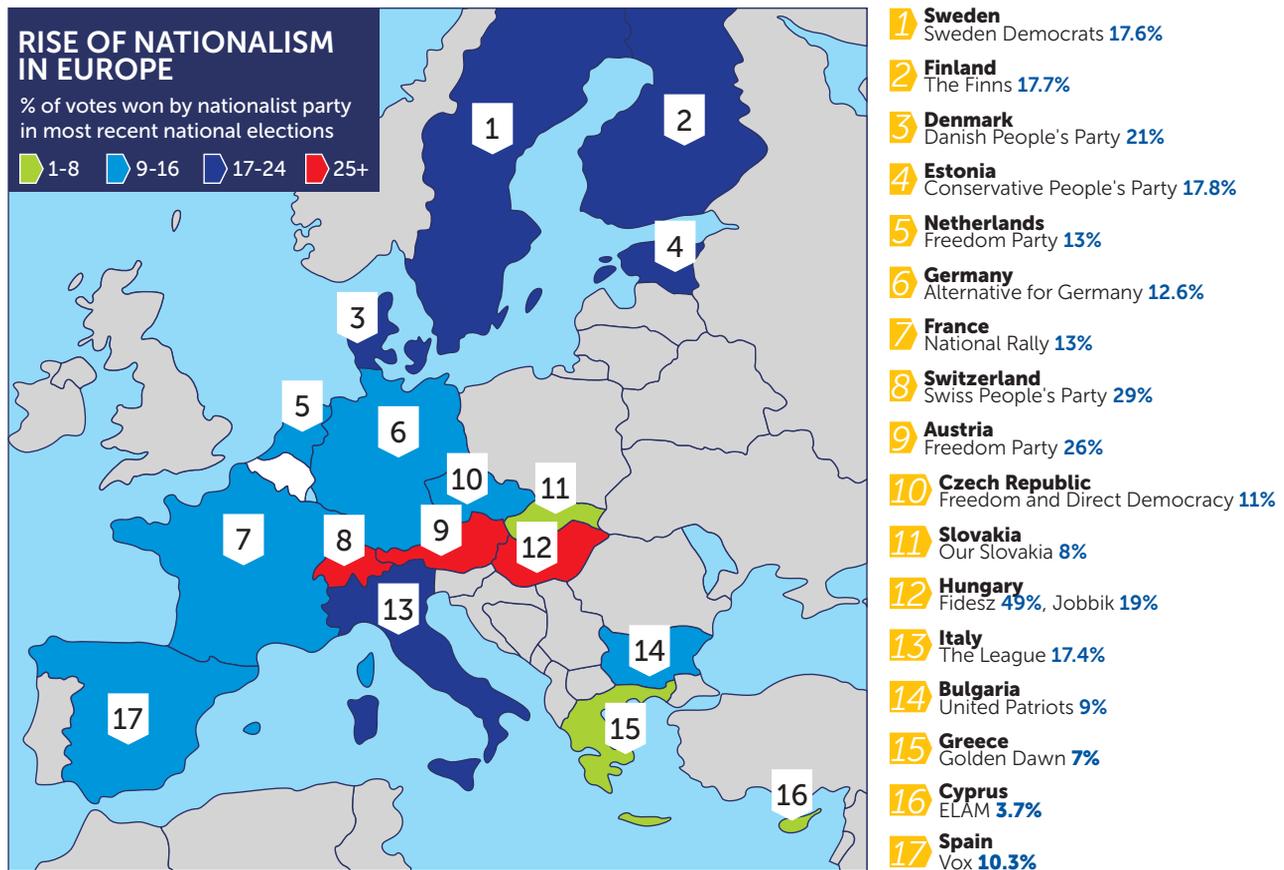
Similar to the early 1930s, under a deep

socio-economic crisis, populists today offer «simple» solutions to complex problems that resonate with the electorate.

In several European countries, such as Italy, Germany, and France, populists were able to gain a strong foothold. In Hungary, Switzerland, and Austria, populists have become a crucial political force in governments. The unexpected success of 24 deputies (10% of the vote) from the far-right Vox party in the Spanish elections, clearly demonstrates the level of support for populist ideas in some European countries.

The results of the European Parliament elections on May 23-26, 2019 confirmed the

Populists in Europe at nation-state level



Source: BBC

popularity of populists and Eurosceptics. Even though pro-European parties still make up the majority in the EU parliament, Eurosceptics are consolidating their positions, forming into the European Alliance of Peoples and Nations.

The wave of populism has embraced the regions far beyond the «West» Eurasia. A Nationalistic and populist rhetoric finds broad and powerful support in a number of large Asian societies.

In India, despite record-high unemployment rates in the last 45 years, Narendra Modi's religious-nationalist party has won the parliamentary elections, securing a comfortable majority.

The year 2019 has also been successful for the controversial President of the Philippines, Rodrigo Duterte, whose People's Power party won the majority of seats in the lower and upper houses of the national parliament.

Nationalist rhetoric has significantly strengthened in Japan, China, Turkey and several other Asian countries, which has directly influenced their foreign policy.

We believe that the rising dynamic of nationalist and populist discourse will continue in 2020 since the determinants that ensure the rise of populists in various parts of Eurasia remain relevant.

Key triggers of rising populism and nationalism

Economic forces. There are mixed prospects for global economic development in 2020. According to the UN, global growth rates are expected to fall to 2.3% by the end of 2019, contrasting with 3% last year, which is the worst indicator in the last decade. Moreover, due to the persisting risks of aggravating trade wars and increasing debts, the global economy may slip into recession.

Slowing economic growth in many Eurasian countries will exacerbate the accumulated social issues, paving the way for the advancement of advocates offering «simple solutions». The main

trigger is the growing difference in population incomes, both in developed and developing countries.

Another risk to political stability comes from the shrinking middle class — the backbone of traditional political parties in many developed countries. For example, an OECD report found that 68% of baby boomers, born from 1943 to 1964, belonged to the middle class, whereas among the «millennials» born from 1983 to 2002, this indicator fell to 60%.

Migration. Due to persistent military conflicts, environmental crises and social degradation in various regions of the world, we expect another major wave of refugees and migrants.

This year, a number of migrants reached 272 million people around the world, increasing by 51 million people compared to 2010. The largest share of migrants is concentrated in Europe.

According to UN estimates, the needs for refugees' resettlement in 2020 will grow by 20% as opposed to 2018, reaching 1.440 million people. At the same time, 2020 will see 660 thousand displaced refugees in Africa, who will flee to the EU, triggering a new wave of tension in European countries.

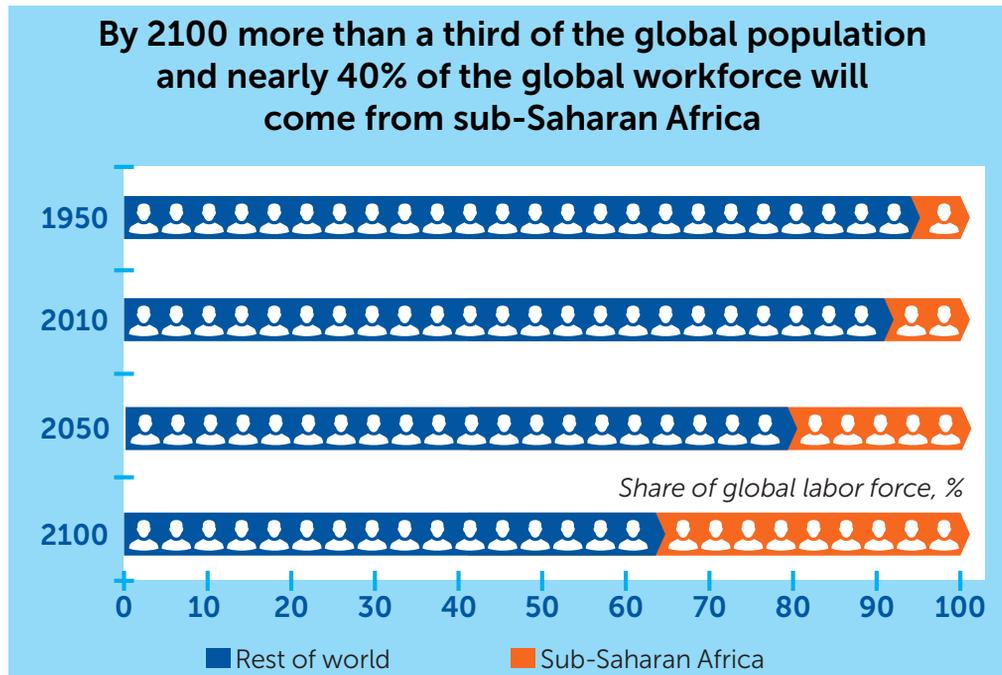
As long-term demographic projections show, given the current fertility rate (an average



YVES LETERME
prime minister of Belgium
(2009-2011)

Important parts of the citizenry are increasingly convinced that institutions engineered in the 19th century and political parties and ideologies that flourished in the 20th century are not sufficiently delivering solutions any more in the 21st century.

Demography. Sub-Saharan Africa



Sources: IMF, Regional Economic Outlook: Sub-Saharan Africa, April 2015; United Nations, World Population Prospects, 2012.

of 5 children per woman), by 2050 sub-Saharan Africa will account for more than 20% of the global population. This means that the observed level of migration pressure on the EU is just a tip of the iceberg, more dramatic wave is on its way.

The ongoing migration and refugee flows will become a powerful driver of populist discourse in Eurasia, primarily in Europe. The problem of migration has already led to an unprecedented transformation of the party and political system in favor of populist and nationalist rhetoric.



DANILO TURK
 President of Slovenia (2007-2012), assistant for Political Affairs to the UN Secretary General (2000-2005)

In essence, the of UK politics has not helped the nationalists in European countries. While they could take advantage of Brexit - had Brexit been executed in a serious and dignified way - the actual process of Brexit inspired very few people «on the Continent».

Decreasing Confidence in Traditional Institutions. Trust in traditional institutions of power is declining in many developed countries of Eurasia, which coincides with the increasing politicization of society. Voters' changing political attitudes have brought non-systemic players to the fore.

The latest elections to the European Parliament have seen a record-high voter turnout of 50.6% since 1994. The main driving force of the process were young voters under the age of 25 and in the age range from 25 to 39.

These are the voter groups that often become the supporters of non-systemic players who skillfully use the anti-government rhetoric for electoral mobilization.

Modi and social media



Source: Sorav Jain

Digitalization of politics. The dominance of digital technologies in electoral processes in many countries will favor populists who have been able to effectively adapt to new realities.

For example, a study by Alto, a data analysis company, showed that prior to the Euro Parliament elections, the Alternative for Germany accounted for more than 32% of social media activity in Germany (in comparison to the CDU's 23%). Similarly, in Spain the far-right party Vox accounted for 42% of the online activity.

Another example is Narendra Modi's success in India, determined by his active presence on social networks.

In the age of the Internet and social networks, emotional rhetoric and vivid visual images will be in increasing demand among potential voters, guaranteeing new victories of populists.

Populism and Nationalism in Eurasia: Three Development Scenarios

1 The «New Rise» of Populists

The negative forecasts for global economic growth create favorable conditions for promoting the populist agenda. Right and left radicals will continue to use the painful socio-economic issues to take away votes from traditional parties.

Trump's victory in the 2020 presidential election could also revive the various populist forces in Eurasia. Another source of «inspiration» could be the victory of the ultra-right forces, led by Marine Le Pen, in the French 2020 municipal elections.

One of the long-term determinants of populist movements is the ongoing flow of refugees and migrants. An uncontrollably changing cultural and demographic landscape will inevitably lead to a further increase in xenophobic sentiments, shifting the balance of powers towards the far right.

Head of the European Commission, Ursula von der Leyen's proposal to appoint a commissioner for «protecting the European way of life», also responsible for the EU migration policy, marks these ongoing cultural and political transformations.

In general, strengthening nationalist and xenophobic sentiments will undermine the cooperative foundations in Eurasia, opening doors for new conflicts and lines of separation.

2 Decline in the wave of populism

The situation may evolve in the opposite direction.

The elimination of trade wars and stabilized monetary and financial situation will generate significant growth incentives for the global economy. In this case, populist groups may partially lose their leverage of using the deteriorating socio-economic well-being of the population.

The positions of populists can be undermined by the failures of their political parties. Government crises in Spain and Italy, caused by populists in power, as well as the negative consequences of Brexit, can significantly change current voter preferences.

As a result, if populists in power fail to fulfill their promises, their popularity may decline.

This factor will be of particular importance in the light of European countries entering the new electoral cycle after 2020.

Thus, populism may turn out to be a temporary phenomenon that will lose grounds in the medium term.

3 Maintaining the status quo

The third possible scenario is the stabilization of the current political situation in many Eurasian states. This forecast is based on the assumption that populist sentiments have already reached their growth peak. The recent elections to the European Parliament have shown that there is a certain limit to the influence of populists in Europe.

There is a possibility that both ultra-right and



left-wing populists promoting radical ideas, who occupy certain electoral niches, will not be able to expand their audience.

If the economic crisis in 2020 is avoided, the situation could be conserved at the current level. In this regard, most of the Astana Club experts (47%) believe the populists will only have episodic victories in Eurasia. Nevertheless, the growing trend of populism is generally steady and sharp decline is unlikely.







RISK #10

**LARGE - SCALE CLIMATE
CHANGE PROBLEMS**

RISK #10

LARGE-SCALE CLIMATE CHANGE PROBLEMS

The sweeping challenges of climate change are one of the biggest risks that Eurasia and the world will face in 2020. The bottom line is that the disastrous effects of human activity on the environment have made climate change an ultimate threat to the planet’s survival.

More than 75% of the experts who responded to the “Risks for Eurasia in 2020” survey think that the international community will not be able to consolidate their efforts to mitigate climate change.

The world in the face of climate threats

The consequences of climate change can no longer be ignored. World Meteorological Organization estimates that the period between 2015 - 2019 was the hottest in history since 1850. The global temperature rose by 1.1°C compared to pre-industrial indicators, and by 0.2°C compared to 2011-2015.

The process resulted in large-scale environmental disasters sweeping various parts of Eurasia.

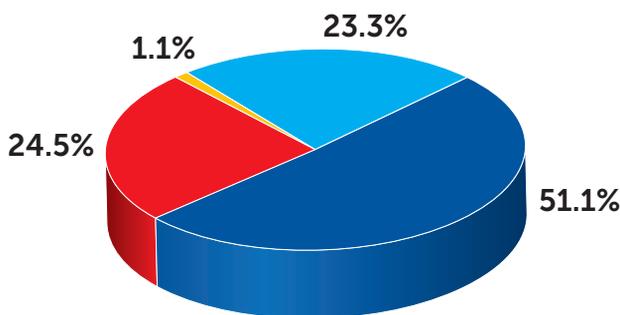
According to Greenpeace, in the current year alone Siberian forests have been caught in substantial wildfires, covering 4.3 million hectares.

The records were also broken in Europe, where about 1,600 forest fires were recorded in 2019 - three times the average for the past decade. These figures, however, dwarfed in comparison to 35,000 forest fires recorded as of early October 2019 in Indonesia.

The problem of water scarcity is also growing dramatically. According to the World Resources Institute, about 1.8 billion people from 17 countries will face water shortages within several years. The vast majority of these countries are located in the arid regions of Eurasia: the Middle East and Central Asia.

The potential risk zone is concentrated in the basins of transboundary rivers. According to the Transboundary Water Assessment Program, 3 out of the 4 transboundary basins that risk becoming the center of «hydro-political conflict» by 2050 are located in Eurasia (Central Asia, the Ganges-Brahmaputra-Meghna river basin, as well as the Middle East region).

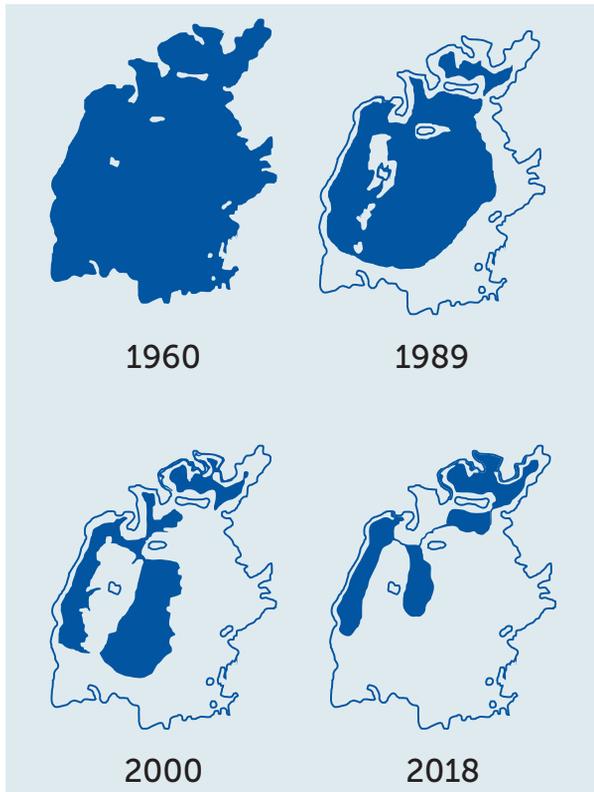
How effective will international cooperation be in addressing global environmental threats in 2020?



- Leading nations of the world will be able to overcome their differences and establish effective partnership mechanisms to combat environmental challenges.
- The international community will not be able to consolidate efforts in addressing global and regional environmental problems. The situation will continue to deteriorate steadily.
- A situation of «involuntary cooperation» will arise, when a sharp exacerbation of environmental challenges will force the international community to join efforts.
- Other

As a result of the stable global temperature rise, food shortages also become a pressing issues. UNICEF estimates that about 820 million people in the world are suffering from hunger nowadays. 500 million live in the Asian part of Eurasia.

The shrinking of the Aral Sea



Source: Environmental Science and Pollution Research

At the same time, direct economic damage from global natural disasters continues to grow. According to Swiss Re, the world's leading reinsurance company, the global economic losses from natural disasters such as Cyclone Fani in India amounted to more than \$44 billion in the first half of 2019 alone.

These phenomena will provoke an unprecedented flow of climate refugees and change global migration patterns dramatically.

According to the Center for Monitoring Internal Displacement, 17.2 million people have been forced to leave their homes as a result of various natural disasters. If the current negative dynamics continue, the number of «climate

migrants» will reach \$ 143 million by 2050.

The approaching ecological crisis and the realization of its significance have resulted in a growing movement of green activists. The Global Climate Strike, timed to coincide with the UN summit, managed to mobilize almost 6 million people in 150 countries.

However, the ability of a huge army of eco-activists to push states to choose sustainable development, even at the cost of short term economic growth, remains questionable.

The dilemma of growth and sustainable development

Despite the global nature of this threat, the international community is unable to work out a consensus on the green economy due to the development gap between countries.

A sign of this dichotomy came at the UN's Climate Change Summit on September 23-24, where the agenda revolved around implementing the Paris Agreement. Most countries failed to offer specific plans to achieve the treaty's goals.



RAJENDRA PACHAURI

president of the World Forum on Sustainable Development, chairman of the Intergovernmental Panel on Climate Change (2002-2015), and winner of the Nobel Peace Prize in 2007

Evidence indicates that, where governance is unable to rise to the challenge of climate change, both sudden shock and slow onset change can generate instability, reduce the capacity to manage conflict, and thus result in insecurity and violence. The consequences of unchecked climate change add up to an unmanageable and uncontrolled security agenda in the 2030s or 2040s if not sooner.

About 70 countries said they would draft plans by the 2020 summit. Two of the world's biggest polluters -- China and India -- didn't present any plans.

The second group of countries, mostly European Union members, offered plans for achieving carbon neutrality by 2050. Denmark announced a 70% reduction of its CO₂ emissions by 2030. Its government will also establish a Committee on Climate Change that all ministries will be accountable to.

Another challenge comes from right-wing governments in a growing number of countries. They are refusing to abide by climate agreements, as they prioritize economic growth over the well-being of the environment.

If another global recession strikes, as many pundits predict, the divide over whether to pursue economic growth or sustainable development will widen.

With this in mind, it's safe to say that in 2020, despite increasing grassroots demands to address climate change and their growing severity, the dilemma between economic growth and sustainable development will not be resolved.

Collaboration with no obligations

Existing climate agreements - in particular the Paris Treaty - lack clear-cut implementation and accountability mechanisms.

The Paris Agreement attracts more states through nationally determined contributions - as evidenced by its recent ratification by Russia, as well as by key pollutants such as China and India. However, treaty does not impose specific obligations on the signatories.

«Shallow» commitments allowed the United States to unrestrictedly pull out from the Paris Agreement, putting it at risk of collapse.

The world is currently caught in a vacuum of international climate-change leadership. The most likely driving force behind the global transition to green economic development may

become EU countries.

For instance, the European Union is considering a creation of European Climate Bank to take lead in financing green-economy projects. A similar initiative was the main point of a new UNCTAD report, which highlights the necessity to reorganize international trade and monetary policies in favor of green investments in developing countries.

Amid this leadership vacuum, China pushes own agenda. At the latest 19th National Congress of the Communist Party, Xi Jinping proclaimed the «Beautiful China» as one of the main priorities for the country's development.

For instance, «Made in China 2025» Strategy envisions a reduction in the level of carbon emissions from industrial production by 40% as opposed to the 2015 rate.



MATTIA ROMANI

managing director of Economics, Policy and Governance at the European Bank for Reconstruction and Development

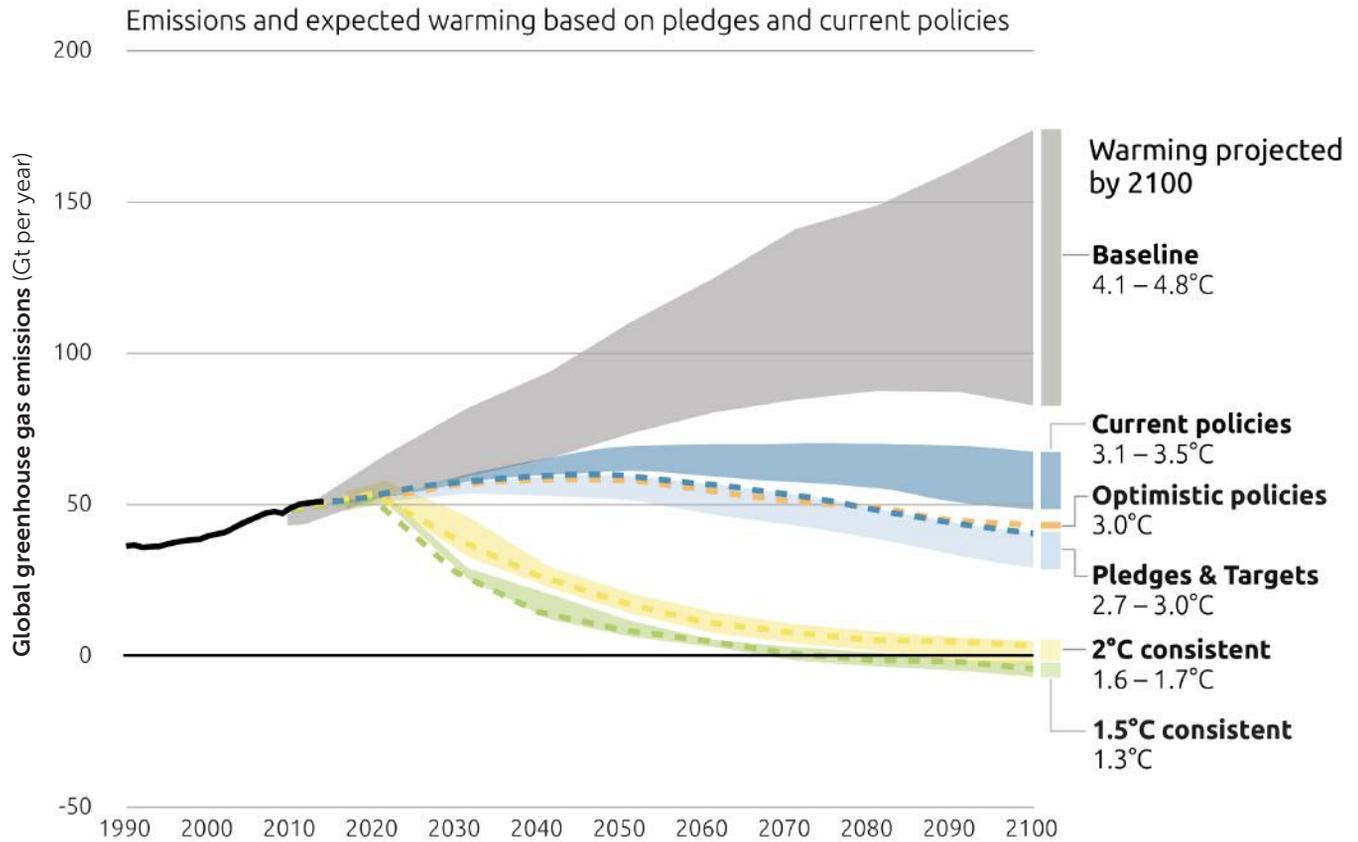
Time is running out. Under the nationally determined contributions (toward climate change) we are on track towards warming of 3-4° Celsius by 2100.



As long as the world has different levels of economic development, the transition to a green economy will be uneven. As a result, in 2020 many countries will continue introducing new calls for introducing new mechanisms.

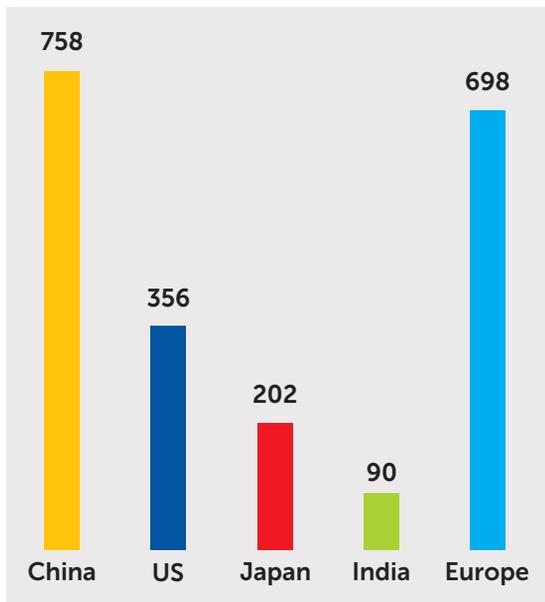
No country or even a group of countries can tackle climate change alone. The whole world must be involved.

2100 Warming Projections



Source: Climate Action Tracker

Investments in green economy between 2010 and first half of 2019, \$ billion



Source: Climate Action Tracker

The failure to tackle climate issues in a timely and efficient manner can be attributed to the fact that the long-term nature of environmental challenges does not coincide with politicians' thinking framed mainly by electoral cycles. This determines the lack of political will on the international level.

In this context, the following scenarios may emerge.

Scenarios

1 Baseline

In 2020, both developed and developing countries are likely to be preoccupied with the global economic downturn. As a result, climate-change-combatting efforts will not be prioritized on the global agenda.

Moreover, cooperation in this area may decline because of differences in countries' views of, and responses to, the threat.

In particular, countries with right-wing populists in power that deny the very problem of global warming are likely to influence this.

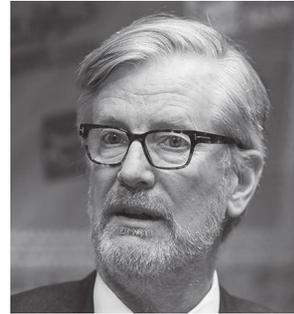
Given the forecasts that predict increased number of climate crises in 2020, the most likely scenario in 2020 is that the planet will come closer to the point of no return.

2 Positive

The positive scenario suggests that leading green-economy states will emerge, stimulating the transition in the rest of the world. Successful transformation experiences of «green leaders» will increase, increase the demand for renewable energy.

The economic efficacy of this transition is already proven. The global market of green technology, which according to the World Bank is expected to reach \$6.4 trillion by 2023, may prompt global economic growth and improve the situation around actions on global climate change.

In this regard, expanding the green market in China, as well as Chinese green investments abroad can be one of the drivers of positive change in this area. For instance, China has



DAN SMITH

director of the Stockholm
Peace Research Institute
(SIPRI)

Evidence indicates that, where governance is unable to rise to the challenge of climate change, both sudden shock and slow onset change can generate instability, reduce the capacity to manage conflict, and thus result in insecurity and violence. The consequences of unchecked climate change add up to an unmanageable and uncontrolled security agenda in the 2030s or 2040s if not sooner.

issued green bonds worth \$22 billion with an annual increase exceeding 60% in the first half of 2019 alone.

3 Negative

In the pessimistic scenario, there will be an even bigger gap between countries that have begun transitioning to green economies and those putting it off for the sake of economic development.

Ignoring climate risks will only increase the frequency and scope of climate crises, hindering the economic stability of countries and living standards around the world.

The IPCC predicts that by 2050, nearly 680 million people living in coastal areas will experience annual flooding that previously

occurred only once a century.

The ongoing trade war and economic sanctions between two major powers may adversely affect the global green technology market. In this context, China's renewable energy market already suffers from the negative impacts of the trade war, in particular, it has already slowed down the production of solar panels in the country.

As a result, the international cooperation on global climate change will not be improved, remaining frozen for many years to come.

CONCLUSION

It needs to be acknowledged that today pessimistic viewpoints dominate in the assessment of the future prospects of the world. Discussions about the impending «perfect storm» in the international system have been ongoing for quite a long time. In this regard, our report is no exception.

People often tend to think in pessimistic ways, as it is part of our human nature. This way of thinking, perhaps, is the most reliable and safe option in contemporary conditions, when historical time is constantly accelerating and the world system is increasingly exposed to shocks. Especially this is true when it comes to short-terms prognoses.

However, we do not intend to dramatize and darken the picture of the future. We are clearly aware that predicting the actual course of events with high level of accuracy is an impossible task: we simply never know what will happen next, even for the time span of one year. Thus, the primary value of this project is not the accuracy of its forecasts, but rather its input in terms of providing an adequate understanding of the inevitable challenges and risks that await us in 2020.

By laying out possible crisis scenarios that are most likely to erupt in 2020, we seek to sketch a «reference system», that gives a clear picture of the danger zones in which international

cooperation should be given extra impetus. With that in mind we have tried to outline a «crisis management plan» for Eurasia, which would prepare the officials and leaders for potential threats, that are increasing both in scope and scale.

Moreover, the diagnosis of the danger zones long-term challenges and drivers of potential conflicts will allow global community to think about safer alternative scenarios for future development, and in turn, lay a solid foundation for a new paradigm of cooperation in Eurasia.

In general, it is safe to say that the current security and cooperation system on the Eurasian continent requires a large-scale reboot. The need for such a reboot is important not only from the point of view of an adequate response to current challenges and changes, but also for the design of the conceptually new geopolitical reality that is emerging in front of our very eyes – the «Greater Eurasia».

We believe that potential breakthrough solutions to global problems can be generated on this supercontinent, which has been and will remain a major scene of key global processes.

Astana Club will continue to contribute to this as an independent dialogue platform, where the conceptual vision of «Greater Eurasia» – a continent that defines the future of the whole world – is born.

List of international experts who contributed to the «TOP-10 Risks for Eurasia in 2020»

We would like to express our highest gratitude and appreciation to the experts, who contributed significantly to the preparation of the Global Risks for Eurasia 2020:

- 1. Pavel Baev**, nonresident senior fellow - Foreign Policy, Center on the United States and Europe, Brookings Institution
- 2. Matthew Burrows**, director, Atlantic Council Strategic Forecast Initiative, USA
- 3. Evgeny Buzhinsky**, chairman of the Board, PIR Center
- 4. Iftekhar Chowdhury**, Foreign Minister of Bangladesh (2007-2009), Principal research fellow, Institute of South Asian Studies (ISAS) at the National University of Singapore
- 5. Massimo Deandreis**, general manager, S.R.M. Economic Research Center, Chairman, GEI Italian Council of Business Economists
- 6. Steven Durbin**, managing director of the Information Security Forum (ISF)
- 7. Mohamed ElBaradei**, director General of the International Atomic Energy Agency (IAEA) (1997-2009), Nobel Peace Prize winner 2005
- 8. Evan Feigenbaum**, vice President of the Carnegie Endowment for International Peace, Former Deputy Assistant Secretary of State, USA
- 9. Benita Ferrero-Waldner**, minister of Foreign Affairs of Austria (2000-2004), European Commissioner for External Relations and European Neighbourhood (2004-2009)
- 10. Franco Frattini**, minister of foreign affairs of Italy (2002-2004, 2008-2011)
- 11. Nikolas Gvosdev**, professor of national security studies at the U.S. Naval War College, Editor of The National Interest
- 12. Vladislav Inozemsev**, director, Center for Post-Industrial Studies
- 13. Johannes Linn**, nonresident Senior Fellow, the Brookings Institution, Former Vice President of the World Bank for Europe and Central Asia
- 14. Turalay Kenç**, professor, member of the Board of Directors, Cambridge Foundation for World Finance Research, chief researcher at the Center for International Innovation Management, deputy chairman of the Bank of Turkey (2011-2016)
- 15. Riaz Khokhar**, ambassador, former secretary of state for foreign affairs of Pakistan
- 16. Andrei Kortunov**, director general of the Russian International Affairs Council (RIAC)
- 17. Andrew Kuchins**, senior fellow, Center for Eurasian, Russian and Eastern European Studies, Georgetown University
- 18. Philippe Le Corre**, affiliate, Project on Europe and the Transatlantic Relationship, senior fellow at Harvard Kennedy School's Mossavar-Rahmani Center on Business and Government at the Harvard Kennedy School
- 19. Yves Leterme**, prime minister of Belgium (2009-2011)
- 20. Augusto Lopez-Claros**, senior advisor, World Bank, director, World Bank Global Indicators Group (2011-2017)
- 21. Edward Luttwak**, president of ENL Associates
- 22. Bruno Macaes**, senior Advisor at Flint Global, senior fellow at the Hudson Institute, Minister for Europe, Portugal (2013-2015)
- 23. Farkhad Mammedov**, political analyst at 1news.az news agency and senior advisor at Successful strategies
- 24. Seyed Mousavi**, assistant Minister and Director General for West Asia in Iran's Foreign Ministry
- 25. Aleksey Naumov**, journalist, head of the International Department Lenta.ru, author, Carnegie Moscow Center

26. Bandid Nijathaworn, chairman of the Foundation for Public Policy and Good Governance, Former Deputy Governor of the Bank of Thailand

27. José Antonio Ocampo, member of the Board of the Central Bank, former minister of finance of Colombia, former deputy secretary general of the United Nations for economic and social affairs

28. Rajendra Pachauri, president of the World Forum on Sustainable Development, chairman of the Intergovernmental Panel on Climate Change (2002-2015), winner of the Nobel Peace Prize 2007

29. Raffaello Pantucci, director of International Security Studies at the Royal United Services Institute (RUSI)

30. Matthew Rojansky, director of the Wilson Center's Kennan Institute

31. Mattia Romani, managing director of Economics, Policy and Governance, EBRD

32. Samir Saran, president of «Observer Research Foundation»

33. Dan Smith, director of the Stockholm Peace Research Institute (SIPRI)

34. Paul Stronski, senior research fellow, Carnegie Endowment for International Peace, Russia and Eurasia Program

35. Asle Toje, Member of the Nobel Peace Prize committee

36. Danilo Turk, president of Slovenia (2007-2012), assistant to Political Affairs of the UN Secretary General (2000-2005)

37. Marc Uzan, founder and executive director, Reinventing Bretton Woods Committee

38. Yevgeny Vinokurov, deputy executive director - chief economist of the Eurasian Fund for Stabilization and Development

39. Vladimir Yakunin, chairman of the Supervisory Board of the Dialogue of Civilizations Research Institute

40. Tong Zhao, senior fellow Carnegie-Tsinghua Center for Global Policy

The report is based on extensive work performed by two teams: The Institute of World Economics and Politics under the Foundation of the First President of the Republic of Kazakhstan – Elbasy and ISPG | International Strategy Partners Group.

We are grateful to the following team members of the Institute of World Economics and Politics under the Foundation of the First President of the Republic of Kazakhstan – Elbasy:

1. Yerzhan Saltybayev, director of the Institute of World Economics and Politics

2. Zhumabek Sarabekov, head of the Russia and Eurasia program

3. Yerlan Madiyev, chief expert of Chinese and Asian Studies program

4. Anton Bugayenko, senior expert of the Chinese and Asian studies program

5. Zhanar Makhambetova, head of the International Cooperation Program

We are grateful to the following team members of ISPG | International Strategy Partners Group: **Maxat Kurbenov**, managing director, **Batikhon Kalibekov**, project manager, **Zhadyra Altynbayeva**, international projects coordinator.

We express our gratitude to the Foundation of the First President of the Republic of Kazakhstan – Elbasy for the financial support in publishing this report.

Methodology for ranking the Top-10 Risks for Eurasia in 2020

The «TOP-10 Risks for Eurasia in 2020» rating was compiled by the Institute of World Economics and Politics under the Foundation of the First President of the Republic of Kazakhstan – Elbasy with the assistance of ISPG | International Strategy Partners Group based on:

- a survey of more than 1100 respondents from 70 countries around the world on global risks for Eurasia in 2020.

- opinions of 40 reputable international experts in politics, economics, and international relations.

- data from reports of international financial centers and development institutes, including the World Bank, UN, UNCTAD, IMF, OECD, JPMorgan, Saxo bank and others.

- The «TOP-10 Risks for Eurasia in 2020» rating is not tied to individual countries, and according to the authors reflects future geopolitical trends for Eurasia as a whole.

- The research is based on a comprehensive analysis of current processes in the areas of geopolitics and geoeconomics of Eurasia.

Rights and information regarding the use of the rating

- The rights to use the «TOP-10 Risks for Eurasia in 2020» rating belong to the Institute of World Economics and Politics under the Foundation of the First President of the Republic of Kazakhstan – Elbasy.

- This publication is intended for informative use only. The presented analysis and opinions expressed here are based on numerous assumptions. All information contained in this publication has been compiled and obtained from sources that are believed to be reliable and trustworthy.

- Some opinions in this publication are forward looking and indicate future events and trends. At the same time, it should be acknowledged that the actual situation is influenced by many known and unknown factors. Therefore, we recognize that the events that will occur in 2020 may differ from scenarios and forecasts provided on this report.

- This publication can not be reproduced in full or in part without prior written permission of the Institute of World Economics and Politics under the Foundation of the First President of the Republic of Kazakhstan – Elbasy.



THE FOUNDATION OF THE FIRST PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN – ELBASY is a presidential foundation in Kazakhstan. It is the largest non-profit foundation in the country, whose activity is based on the principles of professional management principles and a systematic approach to all projects.

The foundation was established in 2000 by the personal initiative of President Nursultan Nazarbayev. Today the foundation is engaged in implementing the ideas of the First President of Kazakhstan through projects aimed at improving the competitiveness of human capital and the creation of a new generation of Kazakhstanis.

The main area of foundation's work covers the support of talented young people, the promotion of social projects and civil initiatives, and the development of a highly competitive think-tank.

Contacts

+7 (7172) 70 83 04

Astana_fond@fpp.kz



THE INSTITUTE OF WORLD ECONOMICS AND POLITICS (IWEP) under the Foundation of the First President of the Republic of Kazakhstan – Elbasy was established in 2003. IWEP conducts research on the global economy, international relations, geopolitics and security issues, promotion of international cooperation, global peace and stability. The other major area of research is the historical legacy of Nursultan Nazarbayev and his contributions to the state-building process in Kazakhstan. IWEP takes an active part in public discussions and transformation processes in Kazakhstan while preserving the independence of research. Institute is actively involved in formulating and advancing the national interests of Kazakhstan.

Contacts

+7 (7172) 70 83 26

office@iwep.kz

WWW.ASTANA CLUB.KZ