

**TOP 10**

**RISKS FOR  
EURASIA  
2021**



**ASTANA  
CLUB**



# INTERNATIONAL RATING

## «TOP-10 RISKS FOR EURASIA IN 2021»

### Contents

Foreword	04	
Introduction	06	
<b>RISK 1</b>	<b>The Pandemic 2.0</b>	<b>12</b>
<b>RISK 2</b>	<b>Recovery under threat</b>	<b>20</b>
<b>RISK 3</b>	<b>US-China Cold War</b>	<b>28</b>
<b>RISK 4</b>	<b>Crisis around Iran</b>	<b>34</b>
<b>RISK 5</b>	<b>Decoupling</b>	<b>42</b>
<b>RISK 6</b>	<b>Dissolution of the nuclear non-proliferation regime</b>	<b>50</b>
<b>RISK 7</b>	<b>Exploding social protests</b>	<b>56</b>
<b>RISK 8</b>	<b>Global cyber crisis</b>	<b>62</b>
<b>RISK 9</b>	<b>Digital totalitarianism</b>	<b>70</b>
<b>RISK 10</b>	<b>Failure of decarbonisation</b>	<b>76</b>
Conclusion	82	
List of contributors and authors	84	
Methodology and copyright	86	
Contact information	87	

## FOREWORD

The main problem in predicting future crises is that people tend to ignore any risks and threats before they directly arise. A planning horizon, as a rule, is quite limited as we prefer to focus on shorter-term tasks that are meaningful in the here and now.

It is not surprising that expert warnings about growing epidemiological threats have been left almost unnoticed. One of the most recent warnings came from 'A World at Risk' report published with the support of the World Bank and the World Health Organization in September 2019. The authors of the document alerted readers to the amplifying threats of a global pandemic, which was predicted to possibly cause colossal negative consequences for the entire world.

However, the international community had been preoccupied with what it regarded as pressing issues, including debates about Brexit, the US-China trade war, and numerous internal political conflicts and scandals. The above-mentioned report on a possible pandemic, like many other warnings from scientists and experts, remained without any serious attention and study.

What happened next has already become history. A local outbreak of an unknown virus in the city of Wuhan paralyzed the Chinese economy in a matter of weeks, before rapidly spreading around the world. The subsequent global lockdown provoked a recession in the world economy unprecedented in the last century as well as a colossal social and humanitarian crisis that has already claimed more than 2 million lives.

Current assessments by most analysts lead to the point that the world will never be the same again. The international system that took shape following the end of the Cold War in the 1990s is coming to an end. The signs of the destruction of the existing world order have already been observed in recent years, but the pandemic has become a powerful catalyst that has sharply accelerated its irrevocable collapse.

As a result, we are witnessing a sharp shift of the world center of power to Asia. China, which is the first country to emerge from the pandemic with the fewest losses, feels more confident on the world stage than ever before. This causes undisguised concern on the part of other major global players, primarily the US.

The relationship between China and the collective West appears to be entering a new, highly dangerous and unstable, stage, which increasingly resembles the beginning of a new Cold War.

Against the backdrop of the COVID-19 pandemic, ideas such as 'resource self-sufficiency', 'technological' and 'digital sovereignty' are rapidly gaining popularity. Apparently, unlimited globalization is giving way to the 'national agenda' for a long time, and the existence of hard borders between states is regaining its former significance.

In fact, the world is experiencing the deepest corrosion of the international liberal order and all of its basic principles. The pandemic has once again returned the sovereign nation-state to the center of people's daily lives, and the role of global governance institutions is becoming increasingly blurred and conditional.

The example of China and a number of other Asian countries in the fight against coronavirus has revived discussions that the state should not only play the role of a 'night watchman'. Rigid and vertically integrated systems of governance have proven to be much more effective in the face of an emergency.

Another global trend is the expanding digital control of the population, which has played a key role in the fight against the pandemic in several countries. However, this success is twofold. The unprecedented level of concentration of personal data flows in the hands of technology companies threatens the very foundations of democracy. The prerequisites for the establishment of the so-called digital totalitarianism by a few of the largest corporations and the states behind them are emerging.

As a result, today we are witnessing an unprecedented aggravation of global competition in the field of control over digital data streams and their transmission infrastructure. The information that people generate is becoming the "new oil" of the 21st century.

The technology competition between the US and China in areas such as 5G communication networks and big data processing is increasingly being joined by other countries that do not want to fall into a one-sided digital dependence on either of the two global leaders.

Consequently, the world system is becoming more conflict-prone and fragmented right before our eyes. Rifts and points of tension, capable of provoking an uncontrolled spiral of destabilization at any time, are arising across all dimensions, from geopolitics and trade to social networks and new technologies.

Therefore, 2021 is not going to be a mild year. Quite the contrary, the burden of accumulated problems and contradictions threatens to explode with new, even larger-scale crises that will not leave aside any of the countries of Eurasia. However, as the famous idiom states: Praemonitus, praemunitus – Forewarned is forearmed.

We present the latest edition of Top 10 Risks for Eurasia. By outlining a number of urgent issues for the largest mega-region in the world in 2021, this edition contributes to increasing strategic awareness, and, therefore, readiness to face possible future problems.

## INTRODUCTION

In the third edition of the Rating, Astana Club experts have identified the TOP-10 most likely risks that the countries of the Eurasia macro-region may face in 2021.

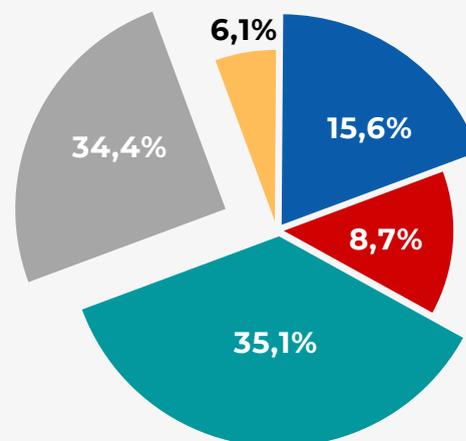
### TOP 10 RISKS FOR EURASIA IN 2021

1	PANDEMIC 2.0
2	RECOVERY UNDER THREAT
3	US-CHINA COLD WAR
4	CRISIS AROUND IRAN
5	DECOUPLING
6	DISSOLUTION OF THE NUCLEAR NON-PROLIFERATION REGIME
7	EXPLODING SOCIAL PROTESTS
8	GLOBAL CYBER CRISIS
9	DIGITAL TOTALITARIANISM
10	FAILURE OF DECARBONISATION

Over 1200 professional respondents took part in the survey "TOP-10 Risks for Eurasia 2021", including representatives of government agencies, business, international organizations, research institutes and NGOs.

The geographic coverage of the survey has increased by 19% compared to last year. In total, respondents from 75 countries in Europe and Asia took part in the survey.

### FIELD OF ACTIVITY OF THE RESPONDENTS



In addition, detailed answers to questions on all ten risks of the rating were given by over 40 contributors from among authoritative politicians, diplomats, eminent scientists and experts with a worldwide reputation.

In general, as the analysis of opinions and assessments of the rating experts has shown, most development scenarios in 2021 will depend on the processes caused by the COVID-19 pandemic in 2020. The pandemic has played the role of a global trigger, launching a whole range of new risks, challenges and threats.

Experts are most concerned about the economic consequences of the COVID-19 pandemic, which have a negative impact on the global economy and geopolitics, changing the established patterns of international interaction.

Thus, about 67% of the respondents believe that the world community may face another full-scale economic crisis. At the same time, most experts believe that the crisis will be heterogeneous and that it is the less developed economies that will find themselves in the zone of the highest risks.

These processes, in turn, will negatively affect the global business activity and the implementation of the largest transregional economic projects. For example, about 50% of those surveyed believe that the pandemic will negatively affect the implementation of the Belt and Road Initiative, hitting the economic plans of China and other participants in the initiative.

According to more than half of the experts surveyed, the world will face the next wave of the pandemic in 2021. At the same time, over 65% of respondents are confident that this year the international community will be better prepared to reflect the next wave of the pandemic.

### Will the world face another wave of COVID-19 pandemic in 2021?

65,06%

34,94%

- **Most likely, yes.** Many countries and international organizations will take the necessary precautions to confront the new wave of pandemic.
- **Most likely, no.** Due to the growing fragmentation of the international community, countries will not be able to prepare for the new wave of the pandemic on time.

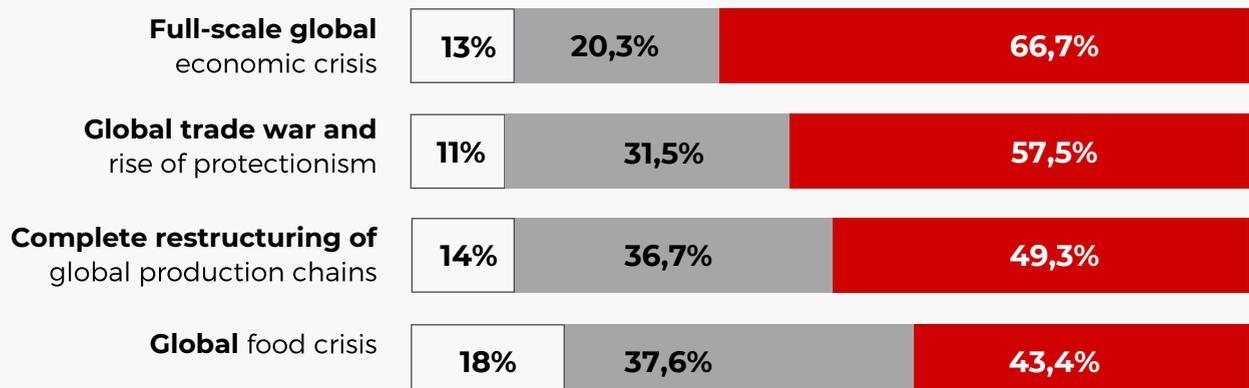
At the same time, most experts believe that it is very premature to talk about an early victory over the pandemic. Widespread availability of vaccines and their effectiveness will be the key factor. However, fierce competition among countries around the world for earlier provision of vaccination could intensify international opposition and only exacerbate the situation.

### ASSESS THE PROBABILITY OF ECONOMIC CHALLENGES LISTED BELOW IN 2021

Low

Medium

High



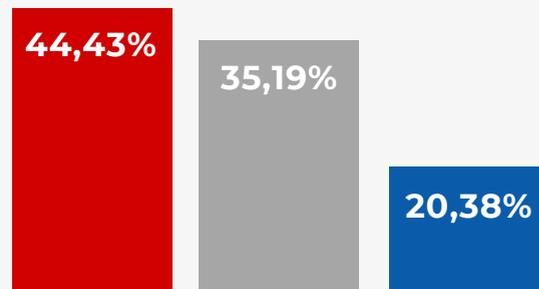
The survey results also show a high level of geopolitical risks. Concerns about the decline in international cooperation are reflected in the assessment of the likelihood of a crisis in global institutions and the system of trade relations.

According to the experts interviewed, the key points of geopolitical tension could be the US's relations with China and Iran. Thus, more than 85% of respondents assess the likelihood of the start of the Cold War between the United States and China as very high. Also, more than 44% believe that Washington will increase economic pressure on Tehran.

In general, respondents are pessimistic about the prospects for restoring the level of trust in the world arena and believe that the crisis of international cooperation will continue to deepen in 2021.

Another problem threatening the security architecture of Eurasia is the growing level of threats in cyberspace. More than half of the survey participants consider the probability of a full-scale cyber crisis and the emergence of a new computer virus capable of destabilizing the entire global Internet network to be high.

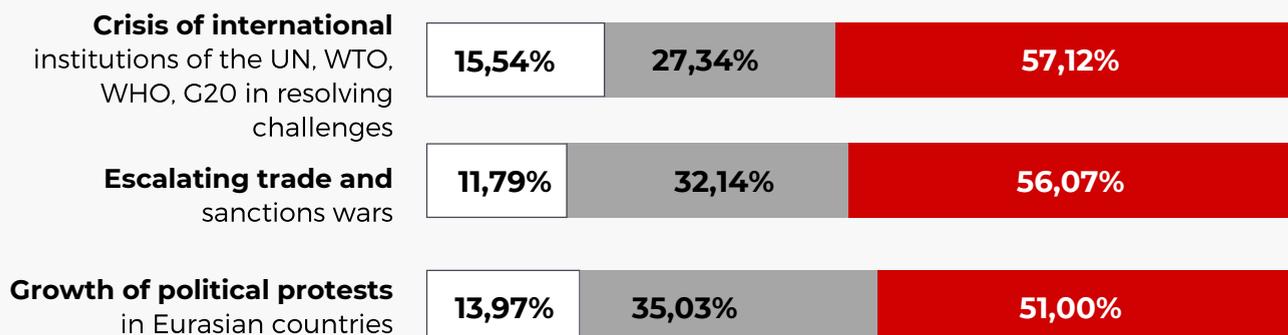
### EVALUATE THE LIKELIHOOD OF THE US WAGING A WAR AGAINST IRAN IN 2021



- **Most likely, the US will increase** the pressure through imposing economic sanctions and conducting sabotage operations
- **No. The conflict will remain** frozen without significant escalation
- **Yes, there is a major threat of** a full-scale military operation emerging against Iran, initiated by the US and its allies in 2021

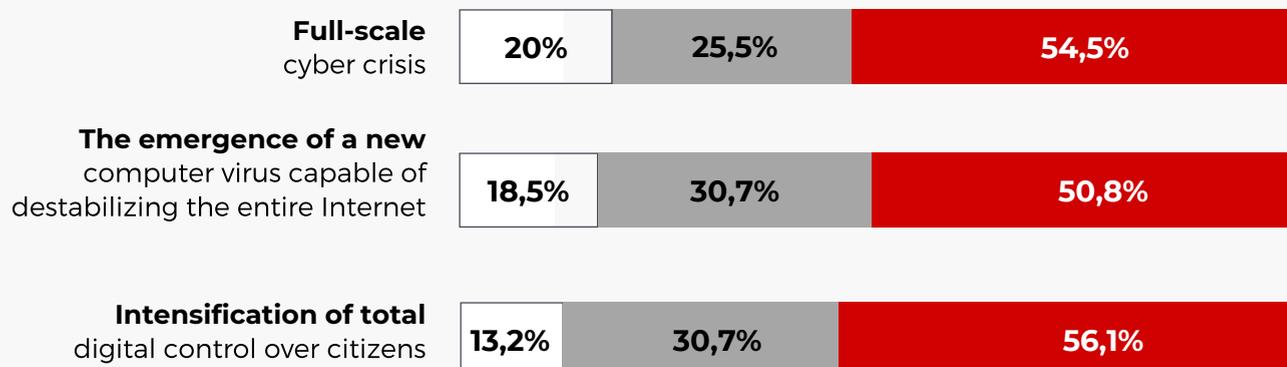
### ESTIMATE THE LIKELIHOOD OF THE NEXT GEOPOLITICAL CHALLENGES IN 2021 FOR EURASIA

□ Low      ■ Medium      ■ High



**PLEASE RATE THE LIKELIHOOD OF THE FOLLOWING TECHNOLOGICAL RISKS IN 2021**

Low
  Medium
  High



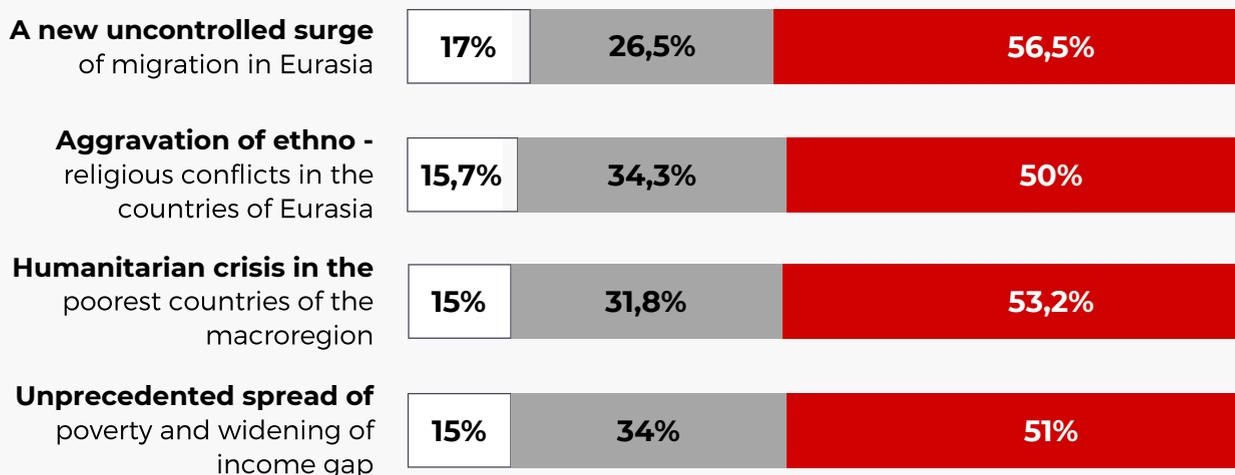
In addition, large-scale digitalization processes against the backdrop of the pandemic raise serious concerns among the overwhelming majority of experts about the trends of uncontrolled tightening of digital control over people.

Highlighted key risks that threaten the stability of Eurasia in 2021 include such factors as the aggravation of migration, ethnic and medical crises, as well as an unprecedented increase in poverty and the level of inequality of property ownership.

Rising inequality and poverty, exacerbated by the pandemic, will inevitably trigger an increase in social and political protests in virtually all parts of Eurasia.

**PLEASE RATE THE LIKELIHOOD OF THE FOLLOWING SOCIAL RISKS IN 2021**

Low
  Medium
  High



Finally, experts estimate the likelihood of a major setback in decarbonization and green development processes to be high in 2021. Prioritizing an accelerated economic recovery from the effects of the pandemic will force many governments, especially of developing countries, to rely on cheaper energy sources such as coal.

In addition, about 60% expect that the economic consequences of the pandemic will adversely affect the financing of international climate agreements and initiatives.

#### WILL THERE BE A SIGNIFICANT DROP IN FINANCING FOR GLOBAL ECOLOGICAL INITIATIVES IN 2021?

57,2%

42,8%

- **Yes**, the pandemic and the global economic crisis it provoked will push the questions of climate financing to the wayside
- **No**, climate financing will not stop, and leading governments of the world will be able to establish effective partnership mechanisms to fight against ecological challenges

In general, as the results of the Astana Club survey show, the main challenges in 2021 will be the fight against the consequences of the pandemic and the economic recovery. As a result, geopolitics in 2021 will be dominated by narrow national interests; all of which will deepen mutual mistrust in the international arena and may exacerbate the level of confrontation between key powers to a dangerous level. Thus, according to the results of the survey, the situation in Eurasia in 2021 will remain extremely explosive, with high risks of uncertainty in a number of areas. It goes without saying that it was impossible to cover the entire spectrum of potential risks that Eurasian countries may face in one report.

The latest revision of the TOP 10 risks for Eurasia only claims to reflect the key storylines that may be of decisive importance for the security and development of the world's largest continent in 2021.



Source: Shutterstock  
Author: Bank Artist

# RISK 1

## THE PANDEMIC 2.0



Source: Shutterstock  
Author: Lightspring

One of the key global risks of 2021 will be the scaling up of the pandemic. Given the inability of national governments to stop this process and the absence of effective international mechanisms to collectively combat the spread of infection, the pandemic may be protracted, and stretch over the whole of 2021 or even longer.

In addition, it is necessary to take into account the risks of a serious mutation of the coronavirus, already recorded in several countries, as well as the threat of the emergence of a new dangerous viral strain. There have been similar examples in the past and there is a high risk of their recurrence.

### DISEASE HISTORY

The coronavirus pandemic, which at the time of compiling this chapter had already infected almost 90 million people and killed almost 2 million, became one of the ten most deadly epidemics in human history.

In terms of the scale, COVID-19 is often compared to «Spanish flu» that raged between 1918 and 1920.

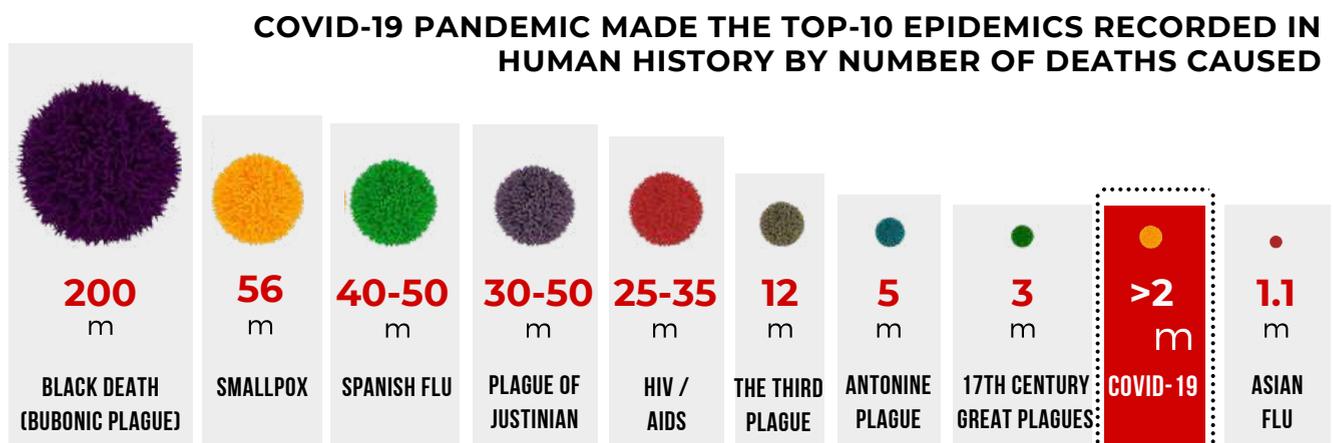
The first local outbreak of infection occurred in China at the end of 2019, and by March 2020 the WHO had recognized the disease as a pandemic.

Most states have introduced lockdowns and quarantine measures of varying severity to curb the situation. These measures have hindered business activity, and a number of developed countries have suffered serious losses.

The period from April to June 2020 was the most difficult in US history since the Great Depression: GDP fell by 31.4%. In the second quarter of 2020, the EU economy declined by 11.8%. According to the IMF estimations (January 2021), in 2020, the global economy decreased by 3.5 %.

The pandemic has caused a crisis which exacerbated many social challenges. In developed countries, special shocks were avoided thanks to massive financial assistance to the population.

At the same time, the pandemic has aggravated long-standing military conflicts (the Karabakh conflict) and internal political crises (Belarus, Kyrgyzstan, etc.) in some regions of Eurasia.



Source: open-source data, WHO



**Andrei Kortunov,**  
Director General of  
the Russian  
International Affairs  
Council (RIAC)

*In the case of a large-scale «second wave», the global economic recession will be prolonged, certain sectors of the world economy (transport, tourism, retail) will recover much more slowly, the processes of deglobalization will accelerate.*

### RISK FACTORS

The fundamental difference in the COVID-19 pandemic is the lack of stable immunity to the virus and its mutations in those who have been infected. In autumn of 2020 there had been cases of re-infection recorded in the world. This makes humanity dependent on a vaccine, which is now being developed in dozens of countries.

As of January 2021, about 200 different coronavirus vaccines were being developed in the world. At the same time, 5 vaccines are already being actively purchased and used in different countries.

The first vaccine officially approved by WHO was a drug from the German company BioNTech and the American pharmaceutical concern Pfizer.

Then other Western vaccines, which received approval for use, began to actively enter the market. These are vaccines from AstraZeneca and Moderna.

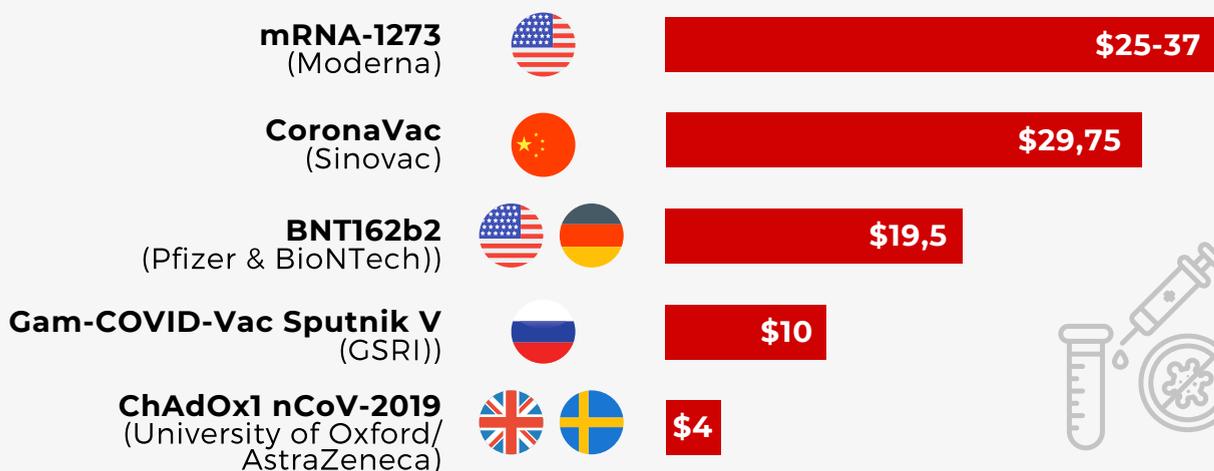
AstraZeneca vaccine developers intend to produce about 3 billion doses in 2021, and according to Moderna's projections, it is planned to produce a total of 1 billion doses of the vaccine this year.

Russia and China were among the first to present the vaccine. Applications for the acquisition of the Russian invention named "Sputnik V" were received from more than 50 countries.

CoronaVac, a Chinese vaccine by Sinovac Biotech, is also actively purchased around the world. By the end of 2021, it is planned to release 1 billion doses of this vaccine.

However, it is clear that even with the availability of vaccines on the mass market, the coronavirus threat will not disappear.

### THE COST PER DOSE OF COVID-19 VACCINES\*



Source: open-source data

\*As of December 31, 2020

First, complete protection from infection is impossible in principle, and part of the population will not be protected by vaccination. In addition, COVID-19, like any virus, will mutate over time.

For instance, at the end of December 2020, the UK announced the localization of a new strain of coronavirus (VUI-202012/01), in which 17 stable changes were found. As a result of the active spread of the new strain, the Johnson government was forced to introduce the third lockdown in the country in early January 2021.

A new strain from the UK was also soon discovered in Denmark, the Netherlands, Italy and Australia. In addition, new mutations of the coronavirus have been reported in South Africa, Brazil and Japan.

Secondly, despite the high efficiency rates claimed by the vaccine developers, their actual effectiveness may be much lower.

For example, recent news about the Chinese vaccine Sinovac sparked concern. In particular, the authorities in Brazil and Indonesia reported a much more modest level of effectiveness of the Sinovac vaccine (50.4% and 65.3%, respectively), in contrast to the manufacturer's declared rates (78%).

Third, there are difficulties with active vaccination of the population: it is necessary to provide sufficient volumes of vaccine for a huge number of citizens and a large vaccination coverage.

At the global level, a situation may arise when vaccinations will take place in developed countries, while developing economies and low-income countries will experience the next waves of the coronavirus pandemic. In addition, the provision of priority access to vaccines on

the part of developed countries does not guarantee prompt vaccination of the population.

We can take Germany as an example, where government was harshly criticized for the slow pace of vaccination of the population with the necessary vaccine stock (the first batch was about 1.3 million doses).

Goldman Sachs estimates that more than 70% of the population in developed countries will have received the vaccine by the fall of 2021. Analysts also believe that in Japan and Australia, the authorities will be able to vaccinate half of the population by May 2021.

However, these dates are only realistic in the case of a positive scenario with vaccination, because if vaccines prove to be less efficient, the demand will fall, and the rate of vaccination will be much slower.

In turn, a lack of funding and low adaptability of health systems in developing countries to these challenges will increase deaths from COVID-19. Mortality from coronavirus during the second wave in developed countries is already decreasing, while in developing countries, indicators remain at a high level.

#### **NOT ONLY THE CORONAVIRUS**

Besides COVID-19, Eurasia will remain vulnerable to new outbreaks of zoonotic infections in 2021. In July 2020, outbreaks of bubonic plague were recorded in Mongolia and China. Later in September-October 2020, bird flu breakouts were recorded in Russian Siberia.

At the same time, new pathogens are likely to develop from the animal world in 2021. Many rodents, predators and birds carry a large number of viruses that can be transmitted to humans.



**Lamberto Zannier,**  
OSCE High  
Commissioner for  
National Minorities,  
former OSCE Secretary  
General (2011-2017)

*The suspicion that the virus may be mutating might flag up the risk of it not disappearing in the short- and perhaps even medium-term. Implications of this, particularly for industry and agriculture, where the human presence remains essential, need to be further analyzed and corrective measures introduced to avoid major economic disruptions.*

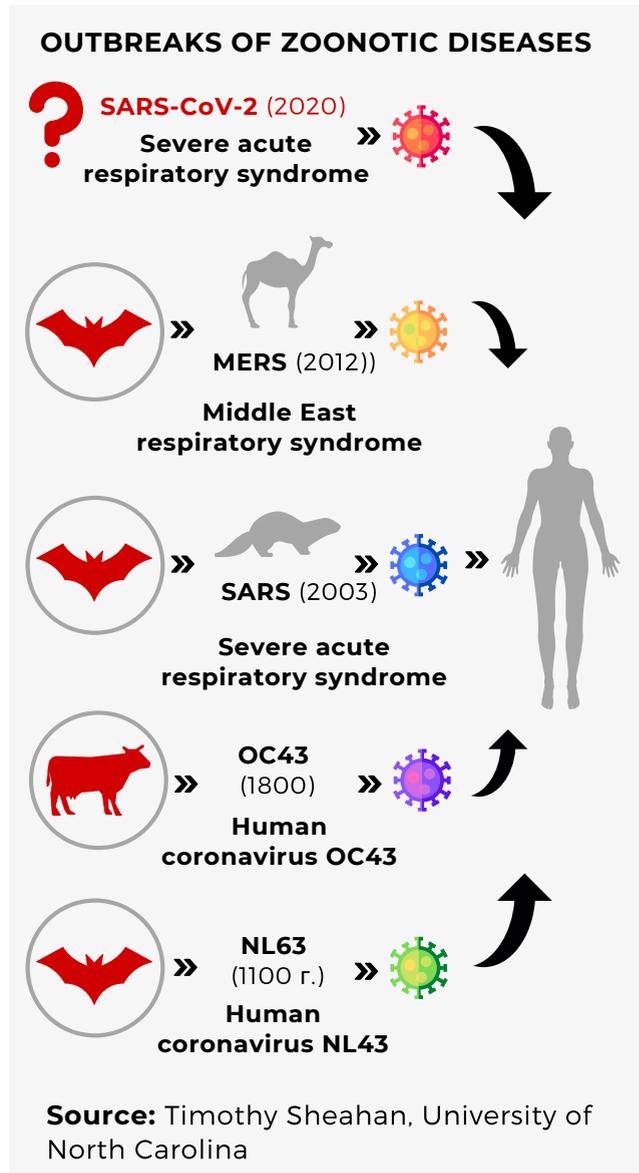
This is not just about the less developed parts of the world. So, at the beginning of November 2020 in Denmark, cases of transmission of a mutated coronavirus from mink to humans were recorded.

Later, according to the WHO, similar cases were detected in five more countries: the Netherlands, Italy, Spain, Sweden and the United States. After that, the Danish authorities decided to destroy about 15 million minks kept on farms throughout the country.

In the context of the current outbreak of coronavirus, it should be noted that scientists to this day have not come to an unambiguous conclusion about which animal was the source of the dangerous infection. It is believed that perhaps there was another link between the bat, which was originally thought to be the carrier of the virus, and humans - pangolin.

At the same time, scientists have not yet been able to finally establish the entire bundle of transmission of the virus from animals to humans.

Especially, industrial livestock production represents a high risk.



Huge livestock complexes have long turned into a kind of laboratory, where viruses are becoming more dangerous and aggressive.

On industrial farms, animals are kept at a high density, which lets infections spread quickly and mix with each other. As a result, more new strains of the virus, infectious to people, appear.

According to scientific estimates, over 34% of zoonotic infections originate from domestic animals. According to OECD calculations, by 2028, global consumption of meat products will grow to 40 million tons.

The intensification of meat production on farms will increase the threat of new forms of zoonotic infections.

In turn, the current state of veterinary virology and the lack of effective coordination of global efforts will severely limit the ability of states to combat the new pandemic.

Finally, outbreaks of zoonotic infections can have a hugely negative impact on the food security of entire countries. For example, to fight avian influenza the entire livestock of poultry factories in the infected zones have to be destroyed. In the context of strict restrictions on the movement of goods, the result of an outbreak of zoonotic infection may be the disappearance of entire groups of goods in local markets.

### DEVASTATING CONSEQUENCES

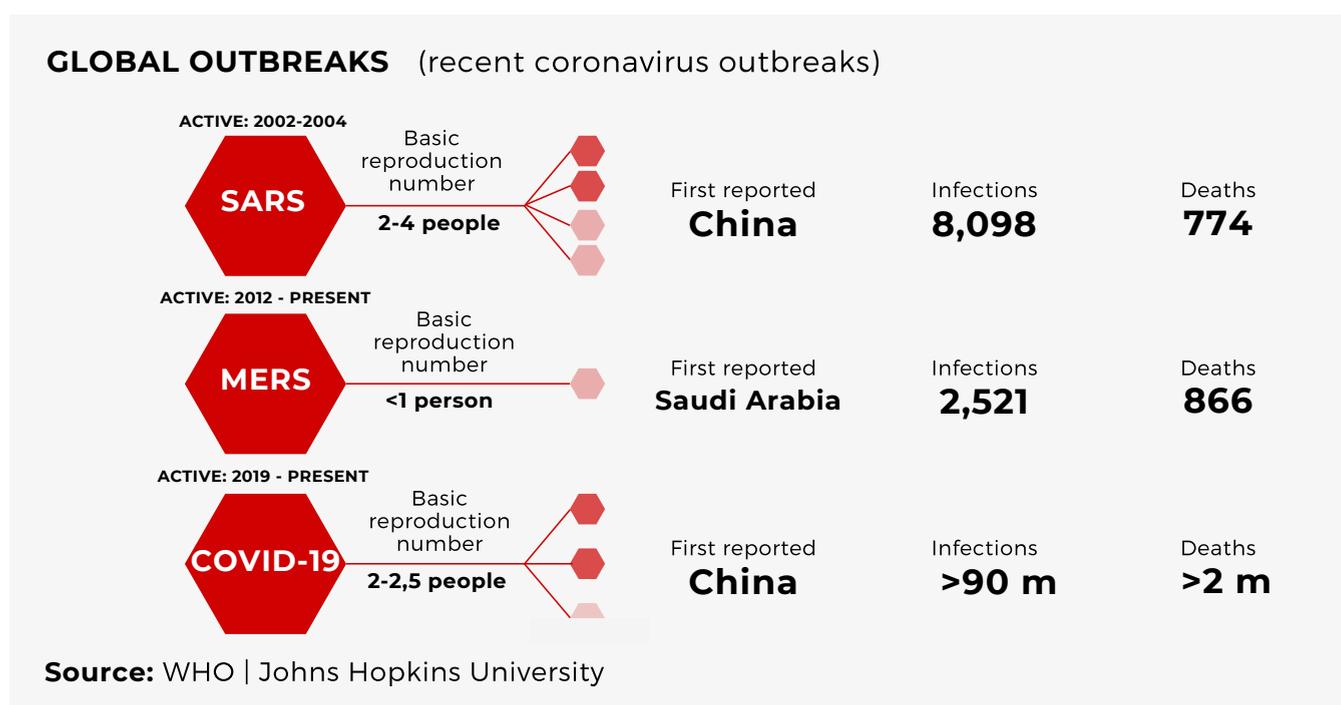
Another risk stems from the fact that tough lockdowns are disrupting international supply chains and also driving up unemployment. According to the World Bank, for the first time in 20 years, poverty, and more specifically,

extreme poverty will grow to a record high. It is estimated that from 88 to 115 million people will join this group in 2020, and by 2021 the increase will be of 150 million people in total.

Brookings experts made similar estimates: another 120 million people would be dragged into poverty in 2020. Moreover, the negative consequences will last for a long time: even in 2030, the number of poor in the world will be above the pre-crisis level.

The densely populated countries of Africa and South Asia will be hit hardest. For example, in India, about 400 million people employed outside the agriculture sector are at risk of ending up in poverty. Amidst lockdowns, mortality from chronic diseases is likely to be aggravated, as problems with diagnosis and supportive care will inevitably arise.

Finally, the negative psychological environment and the growing fears of people in lockdown conditions contribute to the exacerbation of mental illness. For example, in the UK, the number of people requiring psychiatric treatment has grown by 20% in 2020.



In April 2020, a study in the United States with a sample of 2,000 people showed signs of mental illness in 28% of participants, compared with only 3% two years earlier.



**Giorgi Kvirikashvili,**  
Prime Minister of  
Georgia (2015-2018)

*The consequences of the new wave of COVID 19 depends on the scale and on the decision of governments how to manage the pandemic. We need to carefully assess existing experience in different countries, which have chosen different approaches to controlling epidemics in their countries (starting from a strict lockdown policy to extremely liberal approach, such as it was chosen by Sweden). Accordingly, governments should make decisions on controlling the pandemic in a way that is least harmful for the economy.*

## SCENARIOS

### ➔ BASELINE SCENARIO

To a large extent, the situation with the pandemic will depend on the promptness of the development and production of a vaccine and the efficiency of its distribution.

The baseline scenario involves the start of vaccination from the beginning of 2021. Then within six months the vaccine will be available to a significant part of the world's population. Thus, according to McKinsey's estimates, COVID-19 in the United States can be defeated by the 3rd or 4th quarter of 2021. Most countries in the world will follow this trajectory with a lag of one quarter.

The first countries to complete the vaccination process will be the United States, China, Korea, Great Britain, Germany and Russia. After a radical decrease in the number of cases, quarantine restrictions will gradually be lifted in these countries. However, no country will completely eliminate its restrictions in 2021. In anticipation of the waves of coronavirus and other infections, governments will continue investing highly in the health care system, increasing additional capacity.

The COVID-19 pandemic will lead to a rapid development of the pharmaceutical and medical services market. Developing countries will face an outflow of healthcare workers amid rapid market globalization.

### ⬇️ PESSIMISTIC SCENARIO

The pessimistic scenario is based on a negative forecast for mass vaccinations. The vaccine can be ineffective, take longer to produce, and have limited coverage. As a result, the pandemic will last until 2022, and its consequences will be much more devastating.

The key risk leading to a pessimistic scenario playing out is the indecisiveness of governments and citizens to use the vaccine due to a lack of confidence that it is safe. This can slow down the process of mass vaccination with the subsequent onset of the 3rd and 4th large-scale waves of infection.

Lockdowns will become a new normal for most economies. They will be followed by an explosion of social protests in developing countries. In addition, most developing states in Eurasia will see a surge in poverty.



# RISK 2

## RECOVERY UNDER THREAT



Source: abc.net.au  
Author: iwishart

The coronavirus pandemic has taken a heavy toll on the global economy. In 2020, according to UNCTAD, the decline in global GDP was 4.3%, which is the worst indicator since World War II.

The IMF estimates that due to the coronavirus crisis the global economy will lose \$28 trillion in the next five years. Millions of people have already lost their income and jobs.

Meanwhile, many people are already expecting the start of the global economic recovery. With the availability of a range of vaccines against the virus, governments and investors are looking forward to the normalization of the situation.

However, the intensification of the pandemic in early 2021 and new waves of the virus already threaten the previously hoped for recovery scenarios. The already sluggish revitalization of the global economy may be replaced by a new recession. This is one of the key risks for Eurasia in 2021.

### UNCERTAINTIES AROUND VACCINE

Obviously, the economic recovery will largely depend on successful and rapid vaccination to help curb the virus. However, the speed of vaccination remains extremely slow at the moment.

The US was the world leader in terms of vaccination in December 2020: more than 2 million people in the country had been vaccinated as of December 28, 2020. These figures indicate a slow and difficult process of vaccination even in such a developed country given that it had planned to vaccinate at least 20 million American people in December,

In this context, it is difficult to count on the rapid distribution of vaccines in developed and, especially, developing countries at least until mid-2021.

It is unlikely that anyone who wants to be vaccinated will be able to receive one soon due to the fact that developed countries are buying up huge batches of vaccines for Covid-19. As a result, developing countries may simply end up with no vaccines. For example, according to Oxfam/Airfinity, wealthy countries, representing only 13% of the world's population, have purchased 51% of all doses of promising vaccines as of November 2020. Because of this, 67 countries are now at risk of facing acute deficits.

The escalating pandemic is of particular concern when it comes to economic recovery. In mid-January, China, which had previously announced its victory over COVID-19, faced a second wave of coronavirus with its epicenter in Hebei province.

The tightening of quarantine measures has also been observed in Europe. A number of EU member-states have extended a lockdown until February, and some until March. All this suggests the global economic recovery runs the risk of taking significantly longer than predicted.

### UNEQUAL CONDITIONS OF RECOVERY

Regardless of how fast the global economy recovers, it is now obvious that, firstly, it will not be sustainable, and secondly, it will be far from homogeneous.

Many experts note that we have not yet seen all the consequences of the coronavirus crisis. On the one hand, it is clear that such an unprecedentedly long

period of lockdowns and quarantine restrictions, which has caused the sharp collapse of business activities throughout the world, cannot continue without having serious negative effects on both economies and human well-being.

On the other hand, many forecasts and estimates remain at the level of assumptions, since the necessary statistical data for analysis become available with a significant time lag, and those that are available are not sufficient for exhaustive conclusions.

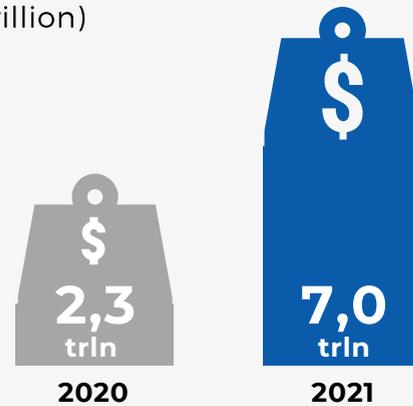
For example, it is not yet clear how many technological chains the pandemic has destroyed, and how much damage has been done to human capital. One way or another, the long-term consequences of the pandemic will only become clear over time.

Moreover, countries and regions experiencing stronger outbreaks will find it much more difficult to return to their previous growth conditions. Of particular note are developing countries, which are at risk of new outbreaks of the disease and also have difficulties with obtaining and distributing vaccines.

While continuing to fight the virus, developing economies may face a debt crisis in 2021. According to the Institute of International Finance (IIF), developing countries will have payments in the amount of \$7 trillion in 2021, which is three times higher than in 2020.

Increasing inequality can become another equally serious problem for developing economies. The World Bank estimates that by 2021 nearly 150 million people worldwide will be in extreme poverty as a result of the pandemic.

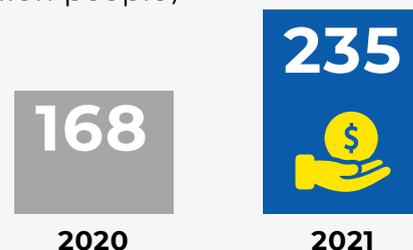
**NATIONAL DEBTS OF DEVELOPING COUNTRIES**  
(\$ trillion)



**Source:** Institute of International Finance

Also, the UN expects that 235 million people worldwide may need humanitarian assistance in 2021, which is 40% higher compared to 2020. In turn, inequality and poverty are likely to trigger socio-political protests across the Eurasian continent, leading to increased uncertainty and a slowdown in economic recovery.

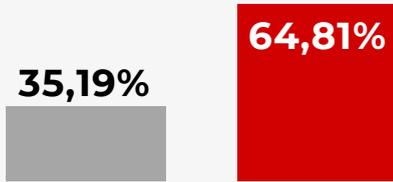
**NEED IN HUMANITARIAN ASSISTANCE**  
(million people)



**Source:** UN

In general, according to Astana Club experts, it is the developing economies that will be hit the most severely in 2021.

### WHICH COUNTRIES WILL BE AFFECTED THE MOST BY THE GLOBAL ECONOMIC CRISIS IN 2021?



- **The crisis** will hit both developed and developing markets equally
- **The least developed** and developing countries with low levels of economic diversification, technological and medical development will be affected the most

**Source:** Astana Club survey

### SUPPLY CHAINS WILL REMAIN DISRUPTED

In 2021, the global supply chains will not be rebuilt in any significant way. Most countries will remain partially closed, and this, in turn, will negatively affect the processes in the fields of logistics and trade relations.

The disruption of supply chains has prompted calls for rethinking existing economic models. Overdependence on overseas manufacturing has sparked serious debate in the West on the importance of strategic autonomy from China.

The US, Japan and a number of European countries are even considering transferring the strategic production from China to internal markets. This process will further distort the existing global supply chain patterns.

However, a rapid reform of the production supply system is unlikely to happen during the pandemic. This is primarily due to the fact that the transfer of production to both domestic markets and markets of China's competitors is an expensive and time-consuming process.

Amidst such a crisis, a surge in prices of goods will further discourage consumption. Thus, it is most likely that supply chains will diversify insignificantly in 2021. As a result, the global supply chain and global trade will remain as vulnerable as in 2020.

### OIL PRICE WILL NOT GROW

The slowdown of growth rates caused by COVID-19 led to a sharp drop in energy demand, followed by a price storm in the oil market. The oil price fell from \$72 per barrel in early January 2020 to \$25 in March 2020. To adapt to the new reality, key players had to cut oil production by almost a third, or by 19 million barrels per day. The hope was to restore the production once business activities in the world returned to normal.

However, the stagnation in the global oil market seems to be continuing over into 2021, as the second wave of the pandemic, which began at the end of 2020, will continue to restrain demand for fuel. In these circumstances, the use of aviation and other modes of transport will also be rather low and unsustainable.

Given the risks of new lockdowns and uncertain prospects for ubiquitous vaccination, oil consumption could stagnate for a long time. It appears global oil producers will have to postpone their plans to increase production.

At the same time, the resumption of shale projects should be expected at current prices (\$52-55 per barrel). According to OPEC's January report, the market will already feel the return of shale oil producers in the second half of 2021.

All these factors will keep oil prices in a lower corridor. According to estimates by the World Bank, oil prices will be fixed at an average of \$44 per barrel in 2021.

### BRENT PRICE FORECAST (\$)



Source: U.S. EIA

At the same time, more optimistic forecasts predict \$52 per barrel on average.

### FROZEN INVESTMENTS

A slow recovery of the global economy in 2021 could further undermine investment confidence. The UNCTAD forecasts that the amount of global FDI will fall by 40%, or from \$1.5 trillion to \$1trillion, in 2021.

This downward trend will be exacerbated by the growing geopolitical and economic confrontation between the US and China, the consequences of which will be felt throughout Eurasia.

President Biden's administration plans to intensify Washington's cooperation with the Asia-Pacific countries and, thereby, restore its leadership in the

region. One of the steps in this direction may be Washington's return to negotiations on the Trans-Pacific Partnership (TPP).

Washington's attempts to seize the initiative in regional trade integration will surely provoke China's response. In this regard, we will see the continuation of trade tensions between the superpowers. According to some estimates, losses from the growth of protectionism and trade confrontations could cost the world about \$10 trillion.

At the same time, Asia's growth as a new center of the global economy will further continue and strengthen, despite trade wars and containment attempts.



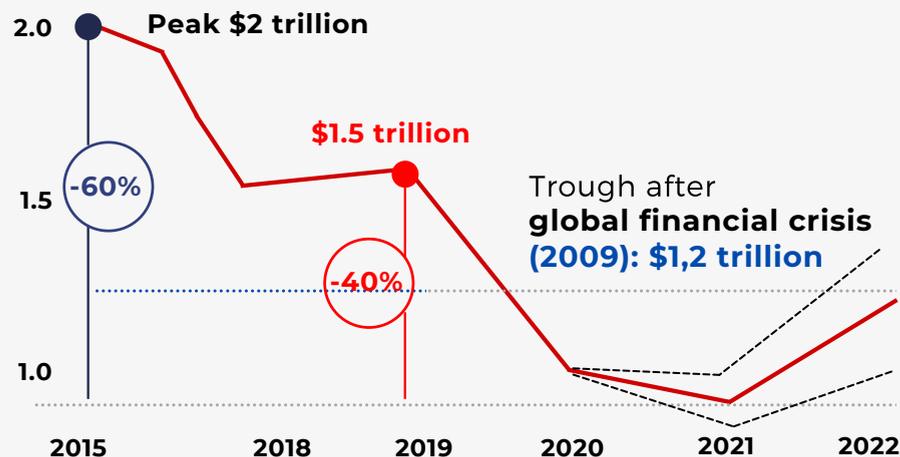
**Sergey Glazyev,**  
Minister in charge  
of Integration and  
Macroeconomics  
of the Eurasian  
Economic  
Commission

*The process of economic power shift from North America and Europe to Southeast Asia will accelerate. China, India and the countries of Indochina will emerge from the crisis with an even more competitive economy.*

### GLOBAL FDI INFLOWS (2015-2019 AND 2020-2022 FORECAST)

FDI levels fell in 2020

- -40% compared to 2019,
- -60% compared to 2015



Source: UNCTAD

## WORLD TOURISM WILL REMAIN IN DECLINE

It will be impossible to revive global tourism in 2021. Due to global isolation, the tourism industry is estimated to have lost at least \$1.2 trillion. Moreover, almost 174 million people are expected to lose their jobs in this sector.

Among the main barriers to the revival of tourism in 2021 will be travel restrictions, lack of coordinated measures to contain the pandemic crisis, and consumer distrust. Even with the most optimistic scenario, service providers will not be able to instill their customers with absolute confidence in travel safety.

Thus, the World Tourism Organization forecasts that pre-crisis levels of tourism will not be achieved until 2024 are fully justified.



**Johannes Linn,**  
Senior Fellow of the  
Global Economy and  
Development Program  
at the Brookings  
Institution and former  
Vice-President of the  
World Bank

*The COVID-19 pandemic has dramatically affected the economies of all countries in the world. It has turned sustained growth during the 2010s into a sustained downturn in 2020. For the countries of the Former Soviet Union the recent developments are reminiscent of the experience of 1990-1996 when their economies shrank between 40-60%.*

This will be an unstable process, interrupted by new waves of exacerbation, which implies an equally unstable and uncertain recovery of the global economy to the pre-crisis level.

At the same time, the factor of 'black swans' cannot be ruled out. Thus, the world economy may face new unforeseen circumstances during 2021 such as a new dangerous mutation of the virus, which will reduce the effectiveness of quarantine measures and greatly complicate the vaccination process.

An unexpected aggravation of the geopolitical struggle between the powers, as well as a risk of large-scale military conflicts in the Middle East, South Asia, and the South China Sea region should also be included in the category of 'black swans'.

Even in the case of recovery of global GDP, unemployment in the world will remain at a high level. In general, the issues of poverty and unemployment will remain a long-term 'headache' for all countries without exception.

Globally, the economic landscape will remain heterogeneous: high-income countries will have early access to the vaccine, which will lead to faster recovery than in emerging markets.



**Alexei Kudrin,**  
Chairman of the  
Accounts Chamber,  
Minister of Finance of  
Russia (2000-2011)

*In 2021, with the widespread vaccination of the population and the elimination of restrictions, global growth will accelerate, given the low base of 2020. In 2022-2023, the global economic growth rates will return to the average indicators of 2010-2019, which is about 3.5% per year.*

## SCENARIOS

### ➔ BASELINE

The massive spread of the COVID-19 virus will not end until at least mid-2021.

 **POSITIVE**

As the majority of the population develops immunity and governments become able to speed up the vaccination process, global economic growth could reach 5%.

A recovering labor market, as well as the growth driven by the private sector rather than governments' stimulus, will play a key role in this process. If the global growth of infections is successfully contained in the first half of 2021, a V-shaped recovery in Eurasian countries will be a possibility.

The main conditions for such a scenario will be the early and widespread availability of an effective vaccine, a relatively weak economic depression, stimulation of programs to offset the deflationary impact of supply and demand shocks, and inactive trade and investment wars between the major powers.

The prerequisites for an optimistic scenario also include open borders for trade, investment, tourism, labor flows, and coordinated actions by global financial institutions to prevent the debt crisis.

 **NEGATIVE**

This scenario assumes a further increase in the number of infections and delays in the introduction of a vaccine. Due to this, economic growth in the world will be severely limited to about 1.6% (World Bank) in 2021.

Many countries will be forced to re-introduce isolation measures that will undermine fragile economic recovery and the resumption of production chains and tourist flows. Consequently, the global economy will continue to remain in deep depression throughout 2021.



**Agathe Demarais,**  
Global Forecasting  
Director, The  
Economist  
Intelligence Unit

***Overall, global output will recover to pre-coronavirus levels only by late 2021. The road to recovery for emerging countries will be even longer. Most BRICS countries will recover only in 2024-25, fueling a rise in poverty and possibly stoking social tensions across the globe.***



Source: Shutterstock  
Author: Nico Garstman Photography

# RISK **3**

## US-CHINA COLD WAR



# US-CHINA COLD WAR

**3**  
RISK

The aggravation of the geopolitical confrontation between the US and China is one of the key risks in 2021. The transition of the presidential administration in the US could become a prologue of possible changes and soften the American approach to the PRC. However, given the depth and scale of accumulated strategic contradictions, the prospects for détente look highly uncertain. Ultimately, the question is which of the two superpowers will be the global leader in the 21st century. It is obvious that neither the US nor China is willing to play a secondary role in the future world hierarchy. Thus, in 2021, Eurasia and the world will face another stage on the path to the Cold War between the US and China.

## THE PANDEMIC AS A POINT OF NO RETURN

The beginning of 2020 promised positive prospects for bilateral relations. On January 15, Washington and Beijing signed the 'phase one' trade deal, which gave hope for some normalization between the two parties.

However, the crisis caused by the coronavirus pandemic not only disrupted the implementation of the deal,

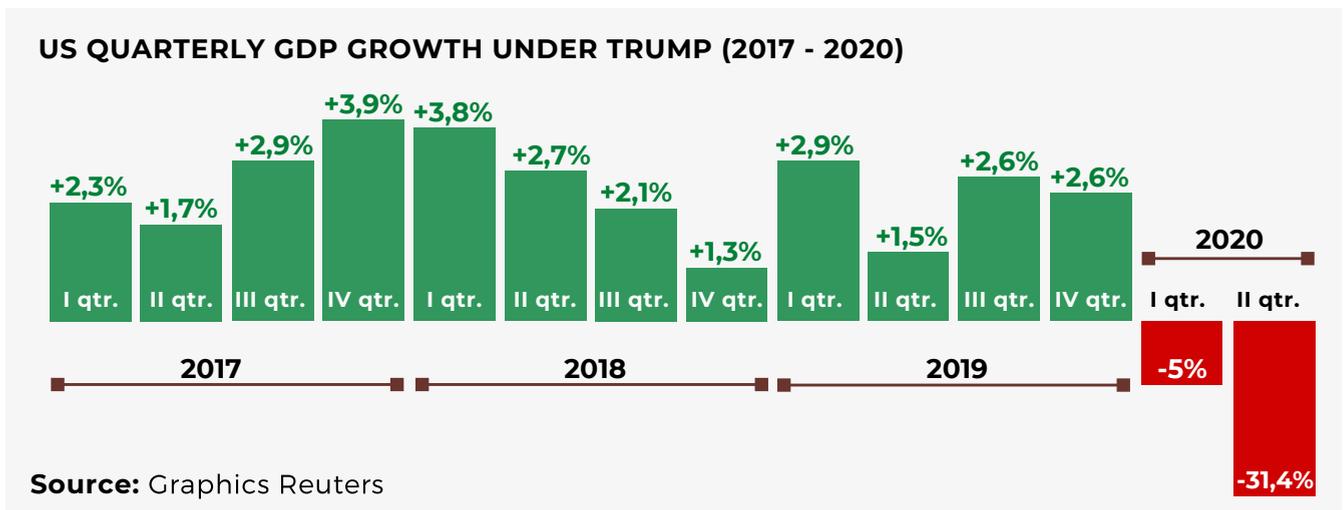
but also undermined all the previous economic achievements of the Trump administration at home.

With the looming presidential election, Trump's team was left with no choice but to raise the stakes again, blaming China for the consequences of the crisis. The new escalation of the conflict quickly spilled over into almost all areas of cooperation: from decoupling in the economy to limiting the flow of Chinese students.

Since May 2020, the Trump administration has introduced several political documents with regard to the PRC, the crux of which boils down to the thesis that Washington is moving away from the strategy of "interaction" towards a tough "containment" of the PCR.

However, Donald Trump lost the 2020 election, and now a new administration led by Joe Biden will try to rebuild relations with China. As part of his campaign platform, Biden tried to avoid overly aggressive rhetoric against Beijing.

Biden's "legislative résumé" also shows that he has always been a supporter of a flexible approach in relations with the PRC. Likewise, Joe Biden, throughout his political career, has taken an active part in virtually all of Washington's crucial



decisions on China: from the resumption of diplomatic ties in 1979 to China's admission to the WTO in 2001.

At the same time, Biden's presidency is unlikely to lead to a radical reset of US-China relations. The US President is seriously limited by the system of checks and balances and will be forced to take into account the positions of other branches of government, as well as of the military and intelligence services.

### ROOT CAUSES OF CONFLICT

In general, the steps of the new Biden administration towards China will be dictated by a number of fundamental factors that have caused the existing conflict. At the systemic level, a rapid decline in the difference of aggregate economic power between the US and the PRC has been observed in recent years. This trend reached a critical point in 2017, when the PRC overtook the US in terms of GDP on a purchasing power parity basis.

In this context, Washington is particularly concerned about the uneven recovery speed of the US and Chinese economies. Due to the consequences of the coronavirus crisis, the American economy will only be able to fully recover by 2022, whereas the Chinese economy maintained positive growth dynamics even during the crisis year of 2020.



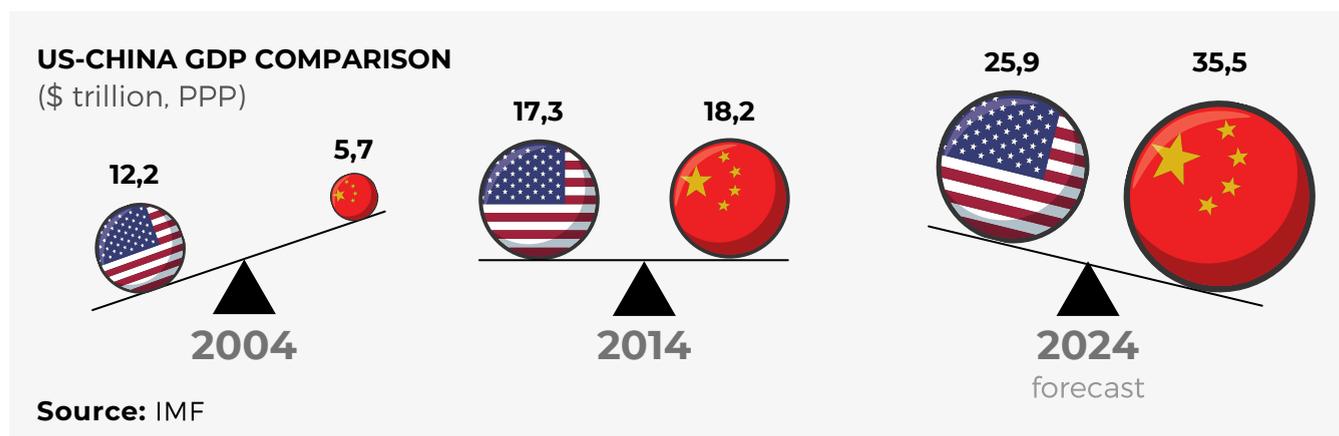
**Matthew Rojansky,**  
the Director of the  
Wilson Center's  
Kennan Institute

*The terms of competition between Washington and Beijing in the 21st-century have shifted gradually from principally economic and technological to increasingly military and political. To a large degree, this has to do with the abandonment by official Washington of a previously much vaunted hope to attract China into a "rules based international order", which had already been shaped largely prior to China's rise.*

According to the latest IMF estimates, China's economy will grow by 1.9% in 2020 and, more sharply, by 8.2% in 2021. In contrast, the American GDP will shrink by 4.3% in 2020, and a moderate 3.1% recovery is expected in 2021.

At the structural level, a number of fundamental changes have also emerged related to Beijing's desire to strengthen China's position in global technological processes and become the main beneficiary of a new stage in the development of the world economy.

This has led to the fact that economic relations between the parties have transformed from "complementary" (the US designs, the PRC assembles) into "competitive".



Finally, changes in mass public sentiment should not be neglected either. Today, the question of attitudes towards China remains one of the few topics on which a relative consensus is emerging in American society. For instance, the unfavorable perception of China in the US reached a record 73% in 2020, according to the Pew Research Center.

This shift in public attitudes strengthens the position of foreign policy “hawks” in Washington, who have been advocating in favor of a tougher stance toward Beijing for many years.

### KEY AREAS OF CONFRONTATION

In 2021, the US-China confrontation will be concentrated in the following areas.

**Technology.** In 2021, while the PRC succeeds in areas such as 5G networks, artificial intelligence and big data, the United States will continue its efforts to increase the competitiveness of the American technology sector.

This, in particular, is evidenced by Joe Biden's initiative “Made in all of America”, which occupied a central place in his election platform. The initiative aims to invest \$400 billion in strategic technology development to reduce dependence on China.

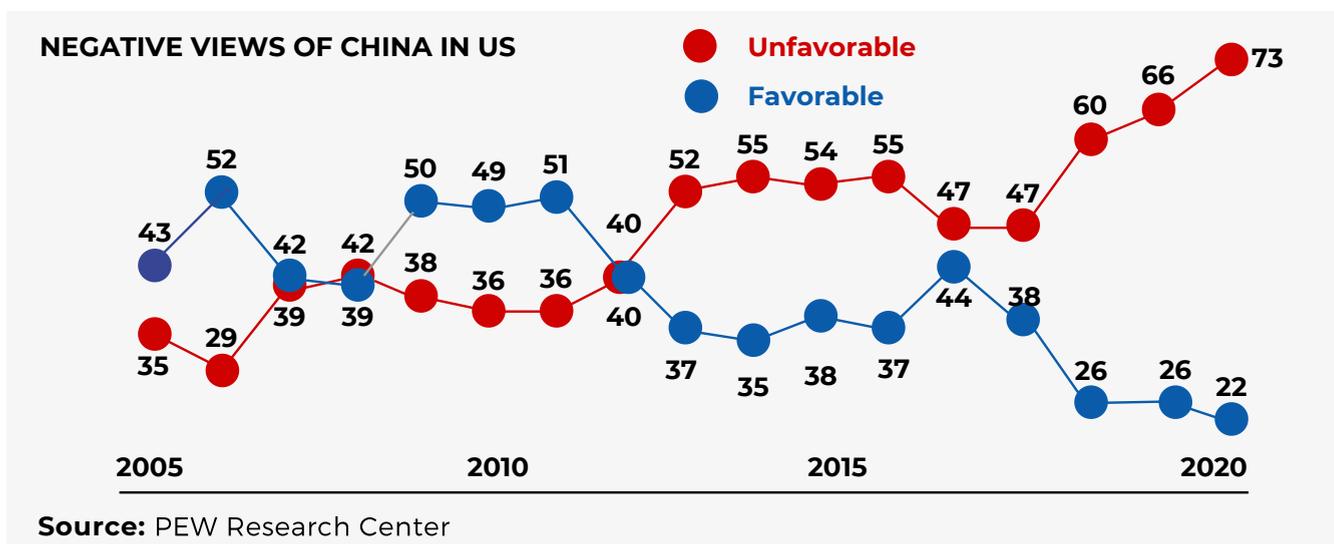
In this regard, new restrictions on China's access to the American market and technologies, especially in the field of semiconductor production, can be expected. In addition, the US will continue with its attempts to limit the PRC's access to the technologies and markets of its allies around the world.



**Bilahari Kausikan,**  
Chairman of the Middle East Institute, National University of Singapore, former Singapore Permanent Representative to the UN

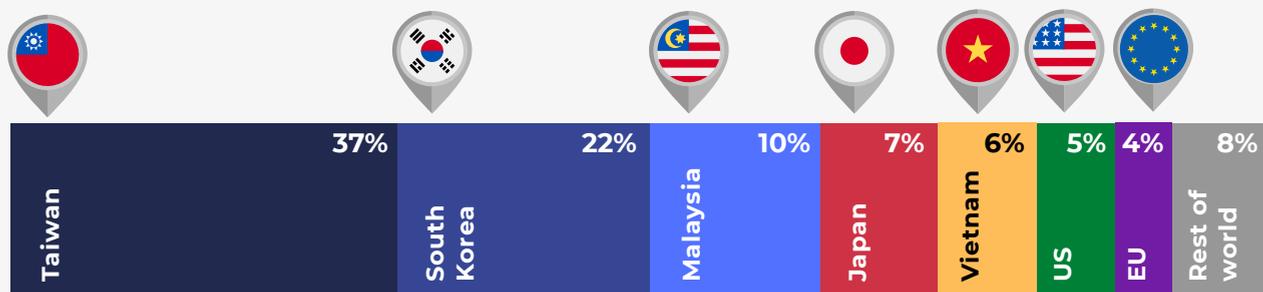
*Interdependence enhances strategic mistrust as it highlights vulnerabilities. Supply-chains that cross and crisscross national boundaries are fragmenting and reorienting as the US seeks to press its advantages and China struggles to escape or mitigate vulnerabilities. This creates global systemic risks.*

**Military-Strategic Confrontation.** Trust between the US and China in the military-strategic sphere, especially in the Asia-Pacific region, remains critically low.



## TAIWAN AND SOUTH KOREA ARE CHINA'S TOP FOREIGN SUPPLIERS OF SEMICONDUCTORS

China's Import of Semiconductors, by country (august, 2020)



Source: PIIIE

Territorial disputes in the South China Sea and the problem of Taiwan will push the parties to a show of force, as well as a build up of a military presence in the region.

In June 2020, Michèle Flournoy, one of Biden's top advisers, suggested in her article in Foreign Affairs that in order to deter China from aggressive actions, the US should be able "to sink all of China's military vessels, submarines, and merchant ships in the South China Sea within 72 hours".

**Trade and Integration.** Against the background of the deteriorating economic situation in the world, trade negotiations between the parties will acquire a tougher and more uncompromising character.

China's market is emerging from the pandemic with minimum losses, and it will obviously try to actively use this competitive advantage, negotiating from a position of strength.

An additional argument in favor of Beijing was the signing of the agreement on the creation of the Regional Comprehensive Economic Partnership (RCEP) on November 15, 2020, which is the largest trading bloc in the world and already accounts for 30% of global GDP.

As a response, the Biden administration is likely to facilitate negotiations to launch a competing free trade area. India's refusal to sign the RCEP is a clear signal that many large economies of the Indo-Pacific region will be open to consider alternative proposals from the US. Besides, Washington is unlikely to abandon the idea of economic decoupling from China, in which a lot of political and economic resources have already been invested.

**Human Rights and Democracy.** Given the composition of the new Biden administration, the issues of violation of the rights of Muslims and ethnic minorities in Xinjiang, as well as the situation in Tibet and around Hong Kong, could trigger further escalation at any moment. For instance, Vice President Kamala Harris is a hardliner on human rights issues in the PRC. She co-authored the bills to sanction Chinese politicians involved in the oppression of Muslims in Xinjiang.

Moreover, it needs to be remembered that 2021 will be of great symbolic significance for China as it celebrates the 100th anniversary of the Chinese Communist Party. In addition, 2021 is the last year on the eve of the 20th Congress of the CPC in 2022, when the leadership of the party will be renewed.

In these conditions, the entire party hierarchy in China will be in a state of increased mobilization, demonstrating to Chinese society the adherence to its principles and readiness for tough retaliatory steps.

Thus, looking into 2021, it can be assumed that the trend toward a further strengthening of the confrontation between the US and China has all the necessary prerequisites.

## SCENARIOS

### A COURSE TOWARD STABILIZATION

Biden will not be able to change the prevailing anti-Chinese consensus in Washington, but he will most likely try to offer a more flexible containment strategy. In particular, we are talking about the revival of cooperation in the framework of the Trans-Pacific Partnership (TPP), and a more active coordination of the efforts of American allies in relation to China.

The report “Meeting the China Challenge: A New American Strategy for Technology Competition”, prepared by a group of experts including former officials close to the Biden camp, evidences possible changes in US strategy. The report calls for US federal funding for Research and Development (R&D) to be raised, and new “technology alliances” with other technologically advanced countries to be established.

On the other hand, Biden will be interested in resuming dialogue with Beijing to solve many global problems such as climate change, the tackling of the pandemic consequences, the nuclear problem of the DPRK and Iran, etc. All these factors can create conditions, if not for a full reset of relations, then at least for their partial recalibration.



**Andrew Sheng,**  
former Chairman of  
the Securities and  
Futures Commission  
of Hong Kong

***Biden Administration will rely more on diplomacy and allies to try and contain China at the multilateral level. In the medium term of one-two years, more possibility of truce and buying time on both sides to recover their economies and regroup resources and competitive positions.***

### A SPIRAL OF CONFRONTATION

In the existing circumstances, it will be extremely difficult for Biden to soften the current course of action towards China, something that Beijing expects from the new administration.

The enthusiasm of Biden’s team members on issues such as protecting human rights in China could also fuel a conflict between the two countries.

Finally, the potential risks emanating from China’s growing confidence in the international arena should also be acknowledged. There is an opinion regarding the consensus in Beijing that relations between the two countries have already passed the “point of no return”; therefore, China should, under no circumstances, demonstrate a weakness. As a result, Beijing will continue actively pressuring the US and its allies in the region.

Thus, the spiral of confrontation between the US and China in the economic, technological, and military spheres will increasingly intensify in 2021, which will leave no chance for normalization and resetting of relations, making the prospect of a new Cold War inevitable.

# RISK 4

## CRISIS AROUND IRAN

# CRISIS AROUND IRAN

## 4 RISK

The situation concerning Iran is among the key risks that will be critical for the security of Eurasia in 2021.

An escalation of the confrontation between Iran and the US and its allies in 2021 has been predicted by 52% of respondents of the Astana Club's annual survey. On the one hand, the new presidential administration's assumption of power in Washington gives rise to certain positive hopes. On the other hand, an aggravation of contradictions between the parties can occur along any fault line ranging from the Iranian nuclear program to the blocking the movement of oil tankers in the Strait of Hormuz.

Obviously, a potential hotbed of tension around Iran in 2021 is capable of destabilizing not only the Middle East, but the entire Eurasian space.

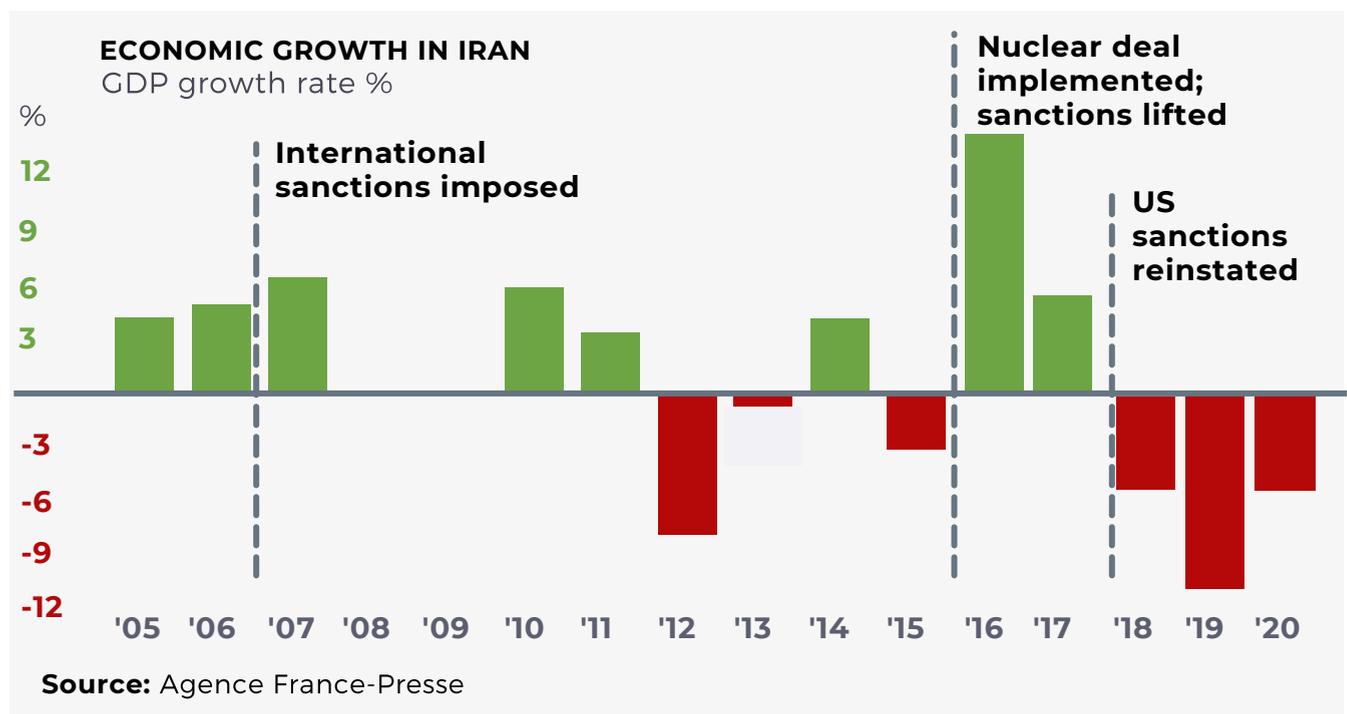
### THE CHANGE OF 'HELMSMAN'

The dynamics of relations between Tehran and Washington will be largely determined by changes in the domestic policies of both countries.

Joe Biden's victory in the presidential election in November 2020 created a window of opportunity for the normalization of bilateral relations. However, the new US leader has already announced that the work of his administration will not be 'Barack Obama's third term'.

In this regard, it is unlikely that the US will soon return to the Joint Comprehensive Plan of Action (JCPOA) and tangibly soften the current policy of sanctions against Iran. Such a turn would not correspond to the existing anti-Iranian consensus in the US Congress.

Furthermore, change of leadership is expected in Iran in June 2021. Traditionally, the Iranian public votes for a presidential candidate who personifies the demand for political changes and economic reforms.



The US withdrawal from the JCPOA in 2018 struck a heavy blow to the Iranian economy. The collapse of oil prices in March 2020 and the massive spread of COVID-19 further accelerated the crisis in the country. According to the estimates of Iranian authorities, the damage to the Iranian economy caused by US sanctions amounted to about \$150 billion in the period from 2018 to 2020.

By the end of 2020, the inflation rate in Iran amounted to 30.5%, which significantly exceeded the forecasts of the Iranian Central Bank for the current financial year (which ends on March 20, 2021), and the unemployment rate in the country increased to almost 10%.

Hassan Rouhani, the incumbent Iranian President, has critically little time left to develop a plan for the country's revival from the economic recession and begin its implementation before the elections in June 2021. In such circumstances, Tehran has a very limited set of options. Practically each one of them carries the risks of a serious aggravation of the situation in the Middle East.

### THE PRICE DIVE

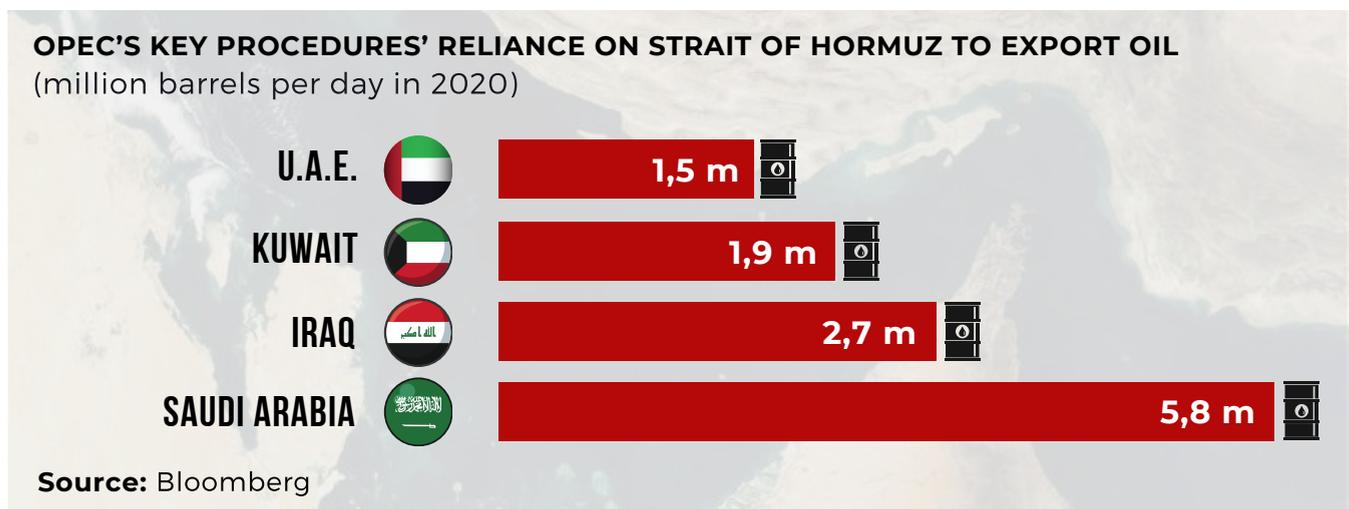
According to the Iranian authorities, in 2020 Iran was able to export an average of only 600,000 to 700,000 barrels of oil per day due to the oil embargo.

To eliminate the permanent budget deficit in the 2021-2022 fiscal year, the Iranian leadership is planning to dramatically increase revenues from the sale of hydrocarbons and export from 1.5 million to 2.3 million barrels of oil per day. In fact, more than 40% of the Iranian government's expenses will depend on the expected jump in oil exports, according to the draft budget for 2021-2022. This indicates the readiness of the Iranian leadership to take risks, which, however, may come to nothing.

Although Iran is exempted from its obligations under the OPEC+ deal, a doubling of Iranian oil production could provoke serious contradictions within the OPEC bloc.

It is also obvious that a sharp increase in Iran's oil exports will inevitably cause discontent in Washington. The US will resume its tactics of pressure on its trading partners, calling for a refusal to purchase Iranian hydrocarbons.

Given the sensitivity of the world oil market to political factors, the price of oil futures may dive again. As a result, another drop in the Brent crude price to \$40 per barrel and below will jeopardize all the achievements that OPEC+ reached last year.



At the same time, it is important to note that Iran's military capabilities to block the movement of oil tankers through the Strait of Hormuz have not been weakened at all despite the difficult economic situation. Therefore, attempts to interfere with the export of Iranian oil may be met with a proportionate response from Tehran. Moreover, the Iranian Navy already has experience in intercepting foreign tankers.

**DANGEROUS REGIONAL DYNAMICS**

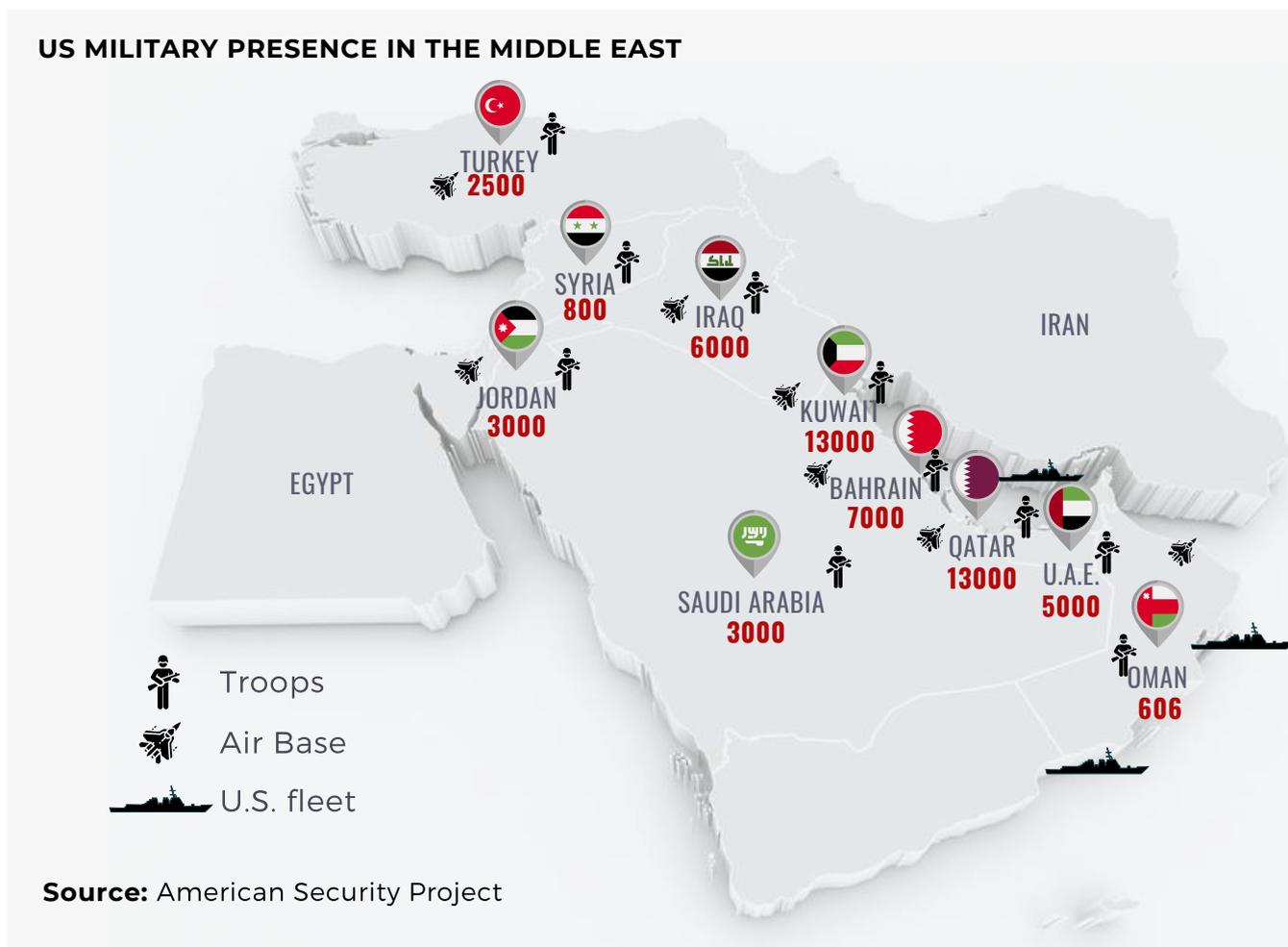
Iran's rivals such as Saudi Arabia and Israel will also add fuel to the fire of a potential crisis in the Persian Gulf as they regard the strengthening of Tehran as a challenge and a threat. In this regard, Iran's regional competitors will strengthen the course of tough containment of Iran in 2021.

The ongoing special operations to eliminate Iranian scientists and military leaders clearly indicate the preservation of the tactics of hybrid warfare.



**Shlomo Ben-Ami**, former Israeli Foreign Minister, Vice President of the Toledo International Center for Peace

*We no longer live in an era where wars are officially declared. The US drone strike that killed Qassem Suleimani, the commander of Iran's Quds Force, is but one landmark event in a multi-year, multi-front war between the US and its allies and Iran and its many proxies in the region. The parties have used tactics ranging from targeted killings and cyber-attacks to economic sanctions.*



At the same time, as practice shows, Iran will not leave unanswered any sabotage carried out against it, and may well raise the stakes. The main danger is that the mutual exchange of hybrid strikes can lead to an uncontrolled escalation of the spiral of confrontation. This risk will be further aggravated by the fact that its opponents will try to provoke Tehran to a large-scale use of its armed forces, which could cause a direct forceful response from the US.

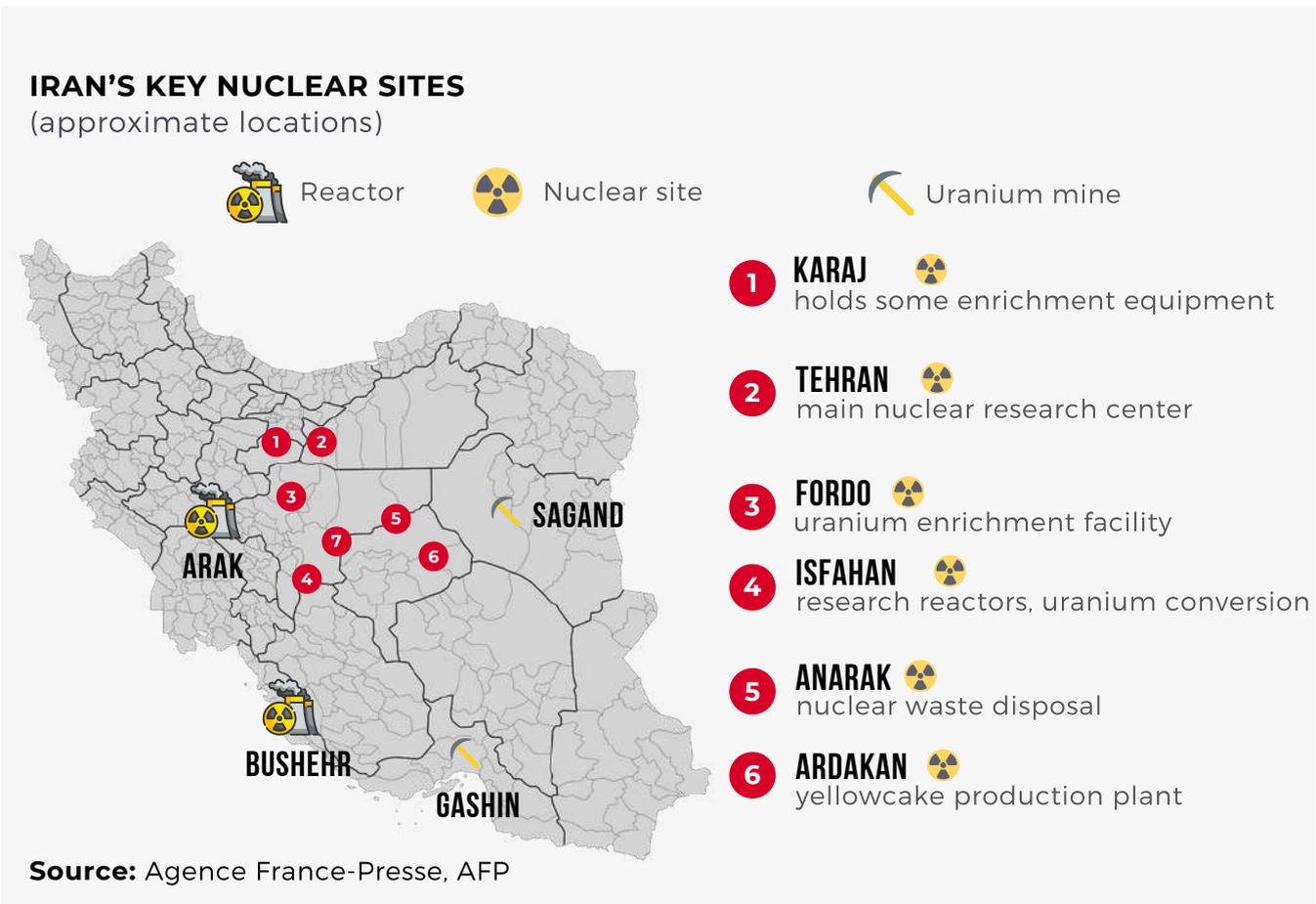
Given the high concentration of American military facilities in the Middle East, a full-scale clash can be triggered by any incident in the existing hot spots such as Syria, Iraq, Yemen, etc.

**‘NUCLEAR BARGAINING’**

The beginning of 2021 was marked by Iran’s statement that the country had completed the process of a gradual suspension of its obligations under the JCPOA.

The permissible amount of stored enriched uranium and heavy water was increased, along with the newest and more efficient centrifuges being introduced into the testing stage and involved in production. The declared resumption of uranium enrichment to 20% at the Fordow nuclear site was yet another departure from the nuclear deal.

By announcing such a decision on the eve of the Biden Administration’s assumption of power, Tehran began to systematically raise the stakes in negotiations around its nuclear program. A series of ultimatums, the latest of which was the threat to close nuclear facilities for international inspections, pursue an obvious goal – to achieve the lifting of sanctions and restore the ability to freely trade its oil.



A policy of open pressure is, in fact, an extreme attempt to influence Western countries. Acting in this vein, Tehran expects to force opponents to return to the negotiating table without new preconditions on their part. However, the question of whether such measures are effective remains open.

The year 2021 may become a watershed in the fate of the JCPOA. It is likely that London, Paris, and Berlin, having exhausted diplomatic resources for negotiating with Tehran, will side with Washington. If Moscow's and Beijing's support for Tehran is maintained, it will not be possible to introduce a new package of international sanctions through the UN Security Council. However, this does not mean that the Western participants of the JCPOA and their regional allies cannot unilaterally impose additional sanctions and strengthen their pressure on Iran.



**Luke Coffey**, Director of the Allison Center for Foreign Policy Studies at The Heritage Foundation

*The domestic situation in Iran due to the terrible economic circumstances and the consequences of the COVID-19 global pandemic will mean that the leaders will have no choice but to return to the negotiating table.*

## SCENARIOS

In 2021, rising tensions around Iran will keep the entire Middle East at risk of military escalation. Several scenarios can be identified to project the possible directions of the development of the situation.

### **BASELINE**

The current reformatory leadership in Tehran, led by Hassan Rouhani, will try to create conditions for the lifting of sanctions within the remaining time before the Iranian presidential election in June 2021, which is likely to lead to a victory for the Conservatives.

The intensification of Iran's nuclear program, including the production of 20% enriched uranium, creates the necessary informational background to draw attention to the problem of restoring the nuclear deal.

The de facto denunciation of the JCPOA triggers a series of P5+1 negotiations, but no clear progress will be made. The P5 countries will prefer to wait for the presidential elections in Iran in order to clearly understand the prospects for further dialogue.

Meanwhile, the intensity of proxy wars in the Middle East will continue to grow. A number of attacks on oil infrastructure, as well as dangerous provocations related to the movement of tankers in the Persian Gulf, will increase. At the same time, neither regional players nor the US are likely to engage in a direct military clash with Iran, given all the possible risks of a full-scale war.

### **NEGATIVE**

In the context of growing tensions and the absence of negotiations on the JCPOA, any military provocation will trigger a large-scale military confrontation with the participation of Iran and its regional opponents.

As part of a fierce proxy war, Iran will activate allied groups in Iraq, Lebanon, Syria and Yemen. Israel will also be drawn into the conflict through clashes with Hezbollah, followed by an invasion of Syria and Lebanon. At the same time, Saudi Arabia and Israel will try to involve the Americans in the conflict. As a result, Iran will block the Strait of Hormuz, through which about 30% of all oil traffic in the world passes.

This will shake the global economy. Escalating military tensions will disrupt oil supplies, which could push oil prices up to \$150 per barrel. The world's largest oil importers like China and India, as well as other Asian economies dependent on the purchase of Middle Eastern oil, will be under pressure.

As a result, the fragile prospects for global economic recovery will be seriously threatened. The world will once again begin to slide towards the brink of a massive global recession.

#### POSITIVE

Joe Biden's administration will start intensive consultations with its European partners to re-start the JCPOA. As a gesture of goodwill, Tehran will maintain its cooperation with the IAEA in the same format, and will expect reciprocal steps from the P5 countries.

The US will guarantee the suspension of new sanctions. A temporary lifting of the oil embargo on the purchase of Iranian oil for a limited number of states in a limited volume is also possible. In return, Iran will freeze the law on the intensification of nuclear activities and partially return to the terms of the JCPOA.

The de-escalation of the situation around the Iranian nuclear program and the easing of sanctions will prevent sharp unilateral steps on the part of Iran in the oil market, and another global collapse of oil prices will not take place.

As a result of the resumption of the diplomatic process and the relative stabilization of the situation, the risk of a direct military clash between the US and its allies with Iran will be neutralized, and the prospects for a sustainable recovery of the world economy will receive a serious new impetus.



# RISK 5

## DECOUPLING



Source: Shutterstock  
Author: Mopic

Although the US and China managed to avoid a full-scale trade war in 2020, the degree of confrontation between these powers is unlikely to decrease in the foreseeable future.

The economic interdependence between them, which has served as a deterrent for many years, is currently viewed as one of the challenges to national security, both in Washington and Beijing. Thus, the question is not whether the policy of economic decoupling (disengagement) will continue in 2021, but what form and scale it will take under the new administration in Washington.

### THE CORONAVIRUS SHOCK

The coronavirus pandemic has forced the world to take a 'fresh look' at the problem of dependence on many categories of goods imported from China.

The lockdown in China at the beginning of 2020 and the subsequent decline in Chinese production and exports demonstrated to many countries, primarily the US, how critical their level of dependence on supplies, including basic necessities, from the PRC is.

For instance, America's dependence on Chinese medicines has become a national security issue: according to some estimates, more than 90% of antibiotics, vitamin C, ibuprofen, and cortisol supplied to the US is provided by China. Interruptions in the supply of protective equipment and ventilators from the PRC, which fell during the active period of fight against the virus in China in early 2020, also caused serious problems.

All these were a serious trigger for the US to think about reducing the dependence of the American market on imports from China, especially in terms of necessities of critical importance such as medicines.

A slippage in Beijing's compliance with the Phase one trade deal, concluded in early 2020, also exacerbated the situation. In eight months, the plan for the supply of US agricultural goods to the PRC was fulfilled only by 29%, manufacturing products by 40%, and energy products by 18%.

As a result, the argument about the need for industrial independence from China has acquired a dominant resonance in the internal political discussion in the US. President Trump declared his readiness to 'completely break economic ties with China'. The US Congress began discussing the possibility of creating a fund in the amount of \$25 billion, which would be used to cover the financial costs of American companies wishing to return production to the US.

Other Western countries followed the US example. So, in September 2020, the European Commission published the Strategic Foresight Report, which notes that the COVID-19 pandemic has demonstrated the Union's vulnerability to external supplies, primarily from the PRC, in areas such as medicines.

The Japanese government has announced the creation of a \$2 billion fund for companies that have decided to move their manufacturing facilities from China to Japan or Southeast Asia. The authorities of countries such as India, South Korea and Australia have also announced similar plans to diversify imports and create necessary industries on their own territories.

The example of Australia, whose previously successful economic ties with China have sharply deteriorated amid political disagreements, has become a powerful argument for those, who support the idea of reducing overly close economic cooperation with Beijing.

**LIMITS OF DISENGAGEMENT**

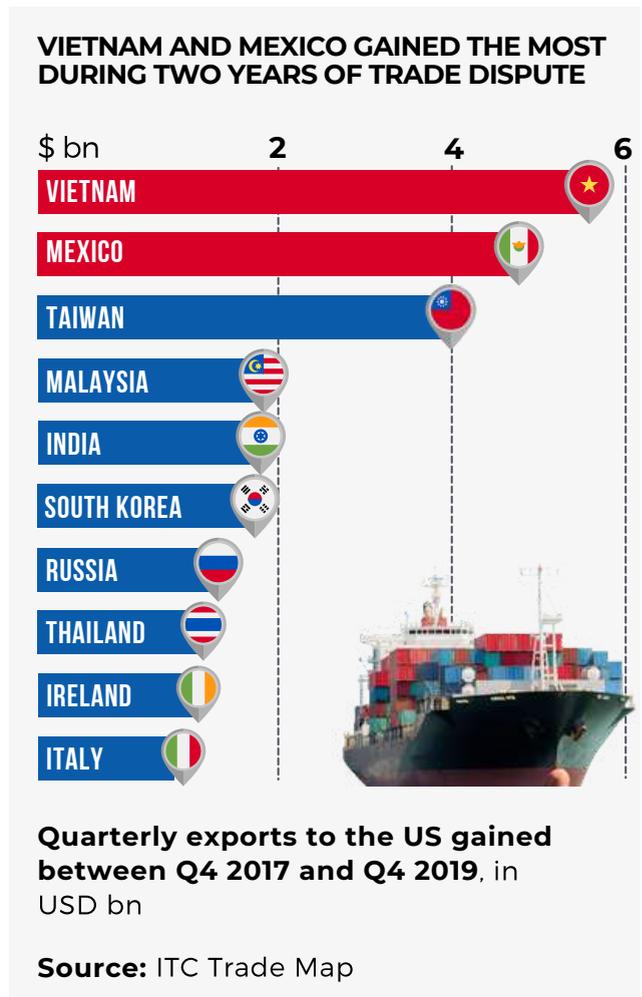
Despite the desire of many Western countries, primarily the US, to disengage from economic ties with the PRC, the scale of this process is seriously limited given a number of factors.

Firstly, the breaking of trade and economic ties with the PRC will not solve the problems of reducing trade deficit and returning production facilities to the US.

The experience of the trade war has shown that a restriction of imports from China leads to the fact that the released niche is occupied not by local American manufacturers, but by exporters from other countries. For example, such countries as Mexico, Vietnam, Malaysia, and Taiwan significantly increased their exports to the US during the active phase of the trade war from 2017 to 2019.

Secondly, it will be extremely difficult to replace China with other suppliers in the foreseeable future.

Countries such as India or Vietnam are often cited as alternatives. However, it turns out that China is too large and tightly integrated into the world economy to be quickly and painlessly replaced. For example, the total industrial workforce in Vietnam is only 7% of PRC industrial workers. China accounts for more than 28% of global industrial production, while Vietnam accounts for only 0.27%.



Thirdly, the geopolitical motives and interests of the US government do not necessarily correspond in all aspects to the interests of large American business.

Over the years of close economic interaction with China, US corporations have accumulated significant assets in the Chinese economy, which are estimated at \$700 billion and generate about \$500 billion in revenue annually. According to the American Chamber of Commerce in China, only 9% of survey respondents reported the beginning of the transfer of production facilities from China despite the calls from Washington.

Fourthly, the effectiveness of the US policy of unilateral pressure is declining amid the growing importance of alternative markets for Chinese exports.

Today, China is not just the world's largest factory, but the economic center of the Asia-Pacific region, the countries of which have to increasingly orient themselves towards Beijing in their development. For example, the ASEAN became China's largest trading partner displacing the EU and the United States, based on eight months' results in 2020. It is obvious that the role of China for the countries of East Asia and the Asia-Pacific will continue to grow in the light of the creation of the Regional Comprehensive Economic Partnership (RCEP).

Thus, the immediate rupture of economic ties between the US and China seems unlikely. Obviously, resolving the issue of decoupling with China will require more complex and systemic steps on the part of Washington. This is evidenced by the rhetoric of members of President Biden's team, who advocate 'selective decoupling' in areas that pose the greatest threat to US national security.



**Bruno Macaes,**  
Senior Advisor at Flint  
Global, Minister of  
European Affairs,  
Portugal (2013-2015)

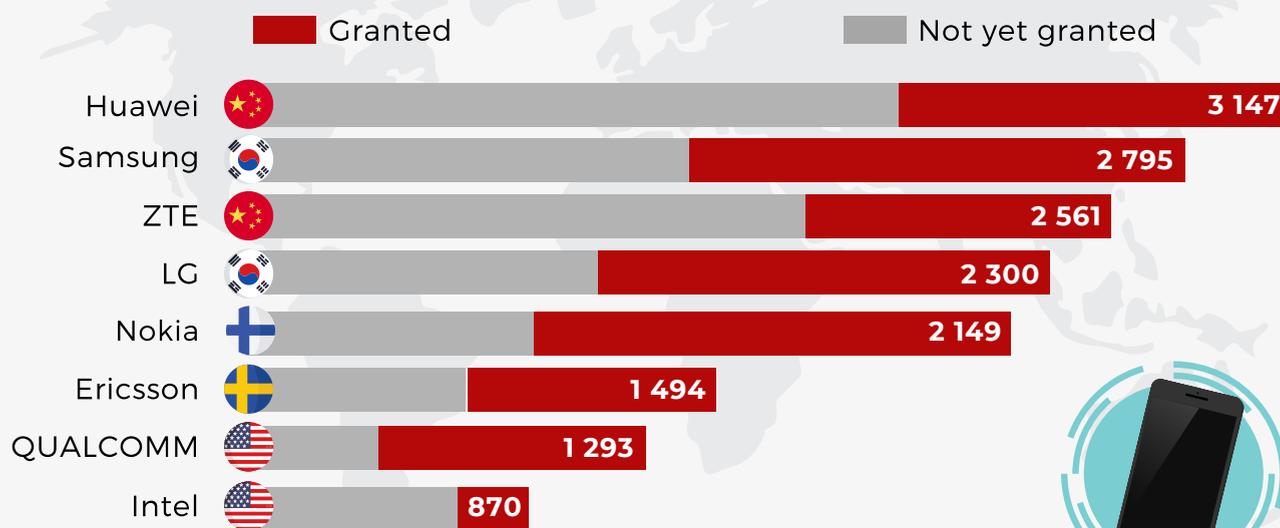
*No doubt, many economic sectors will see a level of decoupling, but that has always been the case. China in particular has always regarded certain areas as strategic and strived to protect its position. The United States is now adopting a similar approach. A general decoupling in all areas seems to be impossible to achieve or even pursue.*

### THE TECHNOLOGY RACE

In 2021, the decoupling process between the US and China will most strongly affect the sphere of technological rivalry. First of all, we are talking about the race for world dominance in the creation of 5G data transmission networks and the global supply of the corresponding equipment.

### WHO IS LEADING THE 5G PATENT RACE?

Companies which have filed the most patents for 5G technology



Source: IPlytics



Both players are well aware that superiority in the latest technologies, which will become decisive for global leadership in the long run, will secure critical advantages.

In this regard, Washington's policy of breaking technological ties with Chinese companies will continue. In particular, the Americans will go on to further reduce investments in the Chinese innovation market. Barriers to cooperation between the research communities of the two countries will also multiply.

At the same time, under President Biden, unilateral pressure on Chinese technology corporations will be complemented by the coordination of efforts of allied countries. The Biden administration will try to exploit the existing concerns about China's growing dominance in order to involve the greatest possible number of countries in Europe and the Asia-Pacific region into a technological alliance under the auspices of the United States.

In this regard, policy coordination with key countries, including Germany, Japan, Sweden, South Korea, and Taiwan, will be of particular importance in the development and production of high-tech equipment and components.



**Erik Brattberg,**  
Director of the Europe  
Program and a Fellow  
at the Carnegie  
Endowment for  
International Peace

*As seen in the Huawei-5G debate, European governments are also having growing hesitations about potential security risks posed by Chinese-made technologies. From a European perspective, these efforts are seen as an integral part of bolstering the EU's own "sovereignty" in an increasingly multipolar world.*

## THE GAME BETWEEN TRADE BLOCS

Competition in the creation of new trading blocs, which set the standards and rules of the game in international trade, may become another line of tension.

Beijing has taken full advantage of the Trump administration's chaotic trade policies, including an unexpected rejection of the Trans-Pacific Partnership. As a result, China made significant headway with the signing of the Regional Comprehensive Economic Partnership (RCEP), the world's largest trading bloc, in November 2020.

The RCEP participants account for over 30% of global GDP and over 27% of global trade. For Beijing, the creation of the RCEP is important not only in terms of forming a profitable trade bloc around itself, but also for reducing the importance of the West in the structure of China's foreign trade.

It is obvious that the response from the Biden administration will be the activation of the multilateral agenda in US foreign policy, realizing that it will be impossible to confront China alone.

In mid-November 2020, President Biden had already pledged to make efforts to revise global trading rules. In his opinion, this will require the US to mobilize support from other democratic countries. President Biden's team will attempt to re-launch the interrupted process of creating the Trans-Pacific Partnership (TPP) in 2021, which accounts for 37.5% of global GDP and almost 26% of global trade. Washington will try to seize the initiative in creating a powerful alternative center of economic gravity from Beijing in the vast Indo-Pacific region by actively involving countries such as India, Japan, and Australia that simultaneously participate in both RCEP and TPP.

## TTP-11 VS RCEP

Regional Comprehensive Economic Partnership (RCEP)

Both

Trans-Pacific Partnership (TPP-11)



\*India exited negotiations in 2019

\*\*USA exited negotiations in 2017



Source: Brookings

### RESTORING ORDER AT HOME

From President Biden's point of view, a more reasonable strategy for confronting the PRC should begin with strengthening the internal economic potential of the US. As part of his election campaign, Joe Biden proposed the 'Building Back Better', an economic plan for reviving American industry, for which he promised to spend about \$700 billion. He also set the goal of allocating more than \$400 billion for the purchase of American industrial goods and services over the next four years.

Another important step should be a plan to allocate a massive investment of \$300 billion to develop new technologies ranging from electric vehicles and innovative lightweight materials to 5G networks and artificial intelligence.

All this is necessary not only in terms of reducing dependence on the PRC in strategically important sectors, but also for maintaining the long-term leadership of the US in the field of high technologies.

Beijing will also continue to take measures to ensure the self-sufficiency of the Chinese economy and develop its own independent technologies. This is evidenced, in particular, by the decisions made at the fifth plenary session of the 19th Central Committee of the CPC, which consolidated the trend towards strengthening the role of the domestic market within the framework of 'dual circulation' strategy, as well as making clear the priority to strengthen China's technological sovereignty.

As a result, the topic of decoupling from the PRC by the US and its allies will continue to evolve in 2021, especially in the technological field. A change in the presidential administration in Washington will introduce certain tactical alterations; however, the general orientation towards reducing economic interdependence will remain a key strategic scenario for all parties.

## SCENARIOS AND PROGNOSIS

### **BASELINE PROGNOSIS**

The baseline development of the situation assumes moderate US pressure on China through the Phase one trade deal. At the same time, President Biden will probably not impose additional tariffs on Chinese goods.

Both Washington and Beijing are interested in temporarily stabilizing trade and economic relations to quickly overcome the economic consequences of the pandemic. Beijing is likely to expand access to Chinese financial markets for American companies, as well as increase purchases of American goods (especially agricultural goods and energy). In response, the US will gradually reduce duties on Chinese imports.

In general, President Biden's team will primarily focus on solving the accumulated internal problems within the US. In turn, the Chinese authorities will try not to provoke destabilization in the external environment on the eve of important internal political processes, including the upcoming 20th National Congress of the CPC in 2022.

At the same time, the stand-off in the technological field will continue to grow. The toughest competition will be in 5G wireless communications.

The construction of 5G networks will continue to expand in developed countries, which will present regulators and telecom market participants with a choice between Chinese or Western equipment.

### **PESSIMISTIC PROGNOSIS**

The process of gradual normalization of trade and economic relations may face geopolitical challenges that are difficult to control.

Ignoring the human rights situation in the PRC will be impossible for the democratic administration in Washington. This may trigger a new deterioration in relations at any moment. In this regard, the upcoming legislative elections in Hong Kong in autumn 2021 will be another significant test.

On the other hand, Beijing, which emerged with the least losses from the pandemic, may refuse to make further compromises with Washington, including the conclusion of a new trade deal. As a condition for mutual concessions, China may demand the lifting of restrictions imposed on Chinese tech corporations during the Trump administration. However, the new administration in Washington is unlikely to agree to such a step, continuing to accelerate the process of technological decoupling.

At the same time, President Biden's team will act more decisively towards forming trade, investment, and technology alliances as an alternative to China, and seek to involve the maximum number of countries in their orbit.

As a result, the risk of an accelerated fragmentation of the world economy into two opposing trade and technological blocs will assume quite real outlines.



# RISK 6

## DISSOLUTION OF THE NUCLEAR NON-ROLIFERATION REGIME

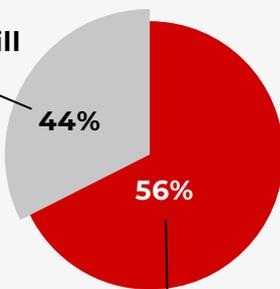


The world is again on the verge of a new nuclear arms race 30 years after the end of the Cold War. In the context of increasing conflicts in international relations, as well as a growth in the number of nuclear players and unresolved crises (Iran, North Korea, etc.), a new nuclear race threatens to be much more dangerous and unpredictable compared to the previous Cold War.

The analysis and assessments of the Astana Club experts illustrate that 2021 risks becoming the most serious test for the entire architecture of global nuclear safety.

**What is the future of nuclear disarmament and non-proliferation regime in 2021?**

**Nuclear powers will be able to build an effective strategic dialogue**



**There will be full dismantling of the nuclear non-proliferation regime**

**THE US AND RUSSIA: A COLLAPSE OF THE TREATY BASIS**

The main source of instability in 2021 continues to be the tensions between the United States and Russia, the two largest nuclear powers, which account for 90% of the world's nuclear arsenal.

The collapse of the Intermediate-Range Nuclear Forces Treaty (INF Treaty) in August 2019 triggered a “domino effect” that has undermined the entire nuclear arms control system.

In this regard, Washington's decision to withdraw from the Open Skies Treaty in May 2020, which allowed aviation inspections to provide the parties with objective information about their opponent's nuclear potential, was one of the latest blows. In response, in mid-January 2021, Russia also announced its withdrawal from the open skies treaty.



**Evgeny Buzhinskiy,**  
Chairman of the  
Executive Board,  
PIR Center

*The lack of reliable information about the strength of a potential adversary will force Moscow and Washington to focus on pessimistic scenarios. This will create the prerequisites for building up a nuclear arsenal and for a strategic nuclear arms race.*

Another issue on the agenda has been the prolongation of the New START Treaty, which would expire in early February 2021. The fate of the treaty, which is an important guarantee to prevent the sides from sliding into another nuclear race, has become hostage to the geopolitical contradictions between Moscow and Washington.

Although the parties managed to agree on the extension of the treaty for the next 5 years, the prolongation will not be able to solve the huge tangle of accumulated problems in the field of strategic arms.

In addition, judging by the statements of the members of Joe Biden's team in the media, from the perspective of the US, prolongation of the New START Treaty should become only the basis for negotiations on a new agreement, in which China should be involved.

In addition, the new agreement must spell out restrictions on new types of weapons (including hypersonic ones).

Obviously, all these conditions will not find reciprocal support from Moscow, which has its own long list of counter demands and claims to Washington, including questions on the deployment of elements of the American missile defense system in Europe.

### FROM BILATERAL AGENDA TO MULTILATERAL

The negotiations crisis between Russia and the US is conditioned not only by problems of bilateral relations but also by deeper factors related to the transformation of the military-strategic balance of forces in the world. In fact, the former nuclear arms control mechanisms, which were largely based on bilateral agreements between Moscow and Washington, no longer correspond to modern realities.

Firstly, China is emerging as a major global player in the field of nuclear missiles.

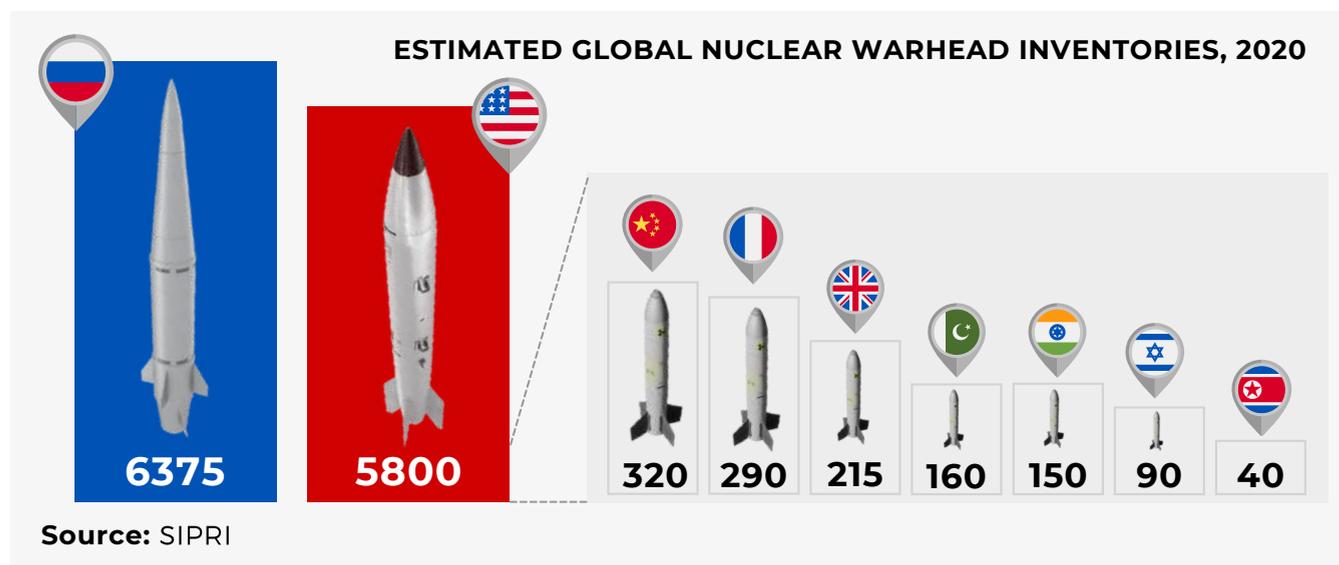
As a result, the idea to transform the existing bilateral negotiation format between Moscow and Washington to a multilateral platform is gaining more and more significance.

Obviously, both the US and Russia are interested in involving China and other major nuclear powers in the system of nuclear arsenal restrictions, but the question is whether other members of the nuclear club are ready for such a step. The actions and statements of the parties signal that there is still a long way to go. China is refusing to participate in negotiations to limit its nuclear arsenal. Indeed, the voices in favor of an active build-up of China's nuclear potential, matching the Middle Kingdom's increased power and new world status, are becoming louder and louder in the PRC.

The European nuclear powers are also reluctant to accept restrictions. For instance, speaking in February 2020, French President Emmanuel Macron noted the inappropriateness of comparing the nuclear arsenals of Russia and the US with other members of the nuclear club.

Secondly, there are qualitatively new risks associated with the advanced development of military technologies.

The recent technological leap has almost blurred the line between nuclear and non-nuclear weapons, which greatly increases the risks and threats associated



## HYPERSONIC WEAPONS

Hypersonic speed ranges from 5 to 10 Mach, or from 6,174 to 12,348 km/h



**3M22 Zircon**



**6 500 km/h**



**Boeing X-51**



**6 200 km/h**



**BrahMos-2**



**7 434 km/h**



**AS-19 Koala**



**5 310 km/h**



**DF-ZF (Wu-14)**



**12 359 km/h**



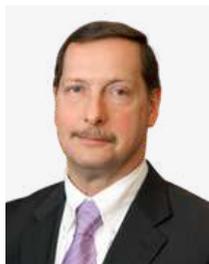
**Shaurya**



**7 434 km/h**

Source: Valdai Club

with an unintended provocation of a thermonuclear conflict. Besides, the modern arms race is increasingly shifting from quantitative to qualitative indicators. In this situation, the current format of agreements, which focuses on the quantitative parameters of restrictions, no longer corresponds to the new reality.



**Alexey Arbatov**, Head of the Center for International Security, Institute of World Economy and International Relations of the Russian Academy of Sciences (IEMO)

***In contrast to the previous Cold War, this race will be complemented by rivalry over non-nuclear long-range offensive and defensive weapons (including hypersonic ones), as well as the development of space weapons, cyber warfare, and autonomous systems with artificial intelligence.***

The World needs fundamentally new approaches that will fully reflect the advancing rates of asymmetric capabilities of new military technologies. It requires the development of effective

rules and restrictions in areas such as cyber weapons, hypersonic missiles, and artificial intelligence systems.

Without this, the world will face a constantly growing risk of escalation in conventional military conflicts to the level of thermonuclear war.

### AWAITING THE 10TH NPT REVIEW CONFERENCE

The problems mentioned above created an extremely negative context on the eve of the 10th Review Conference of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), which remains the cornerstone in maintaining strategic nuclear stability in the world.

In May 2019, the Preparatory Committee for the Review Conference finished its third and last session, which reflected the entire complexity of accumulated contradictions. As a result, the parties failed to work out a document for the final NPT conference.

The main criticism comes from non-nuclear countries. They are dissatisfied with the lack of progress on the part of the nuclear states in the implementation

of one of the main points of the NPT: that is a systematic move towards complete nuclear disarmament. Against this background, the idea that the NPT regime needs to be reformed up to and including replacing it with a new treaty with more effective instruments such as the Treaty on the Prohibition of Nuclear Weapons, is gaining popularity.

In addition, there are many other pitfalls that could block progress on nuclear non-proliferation and disarmament. For instance, the issue of creating a nuclear-free zone in the Middle East remains unresolved. Obviously, in the context of problems around Iran's nuclear program and Israel's de facto nuclear status, it will be extremely problematic to achieve tangible progress on this question.

Finally, the future of the Comprehensive Nuclear Test Ban Treaty (CTBT) is in limbo. A number of key countries not only have not ratified the CTBT but are also probably considering the possibility of resuming nuclear testing.

As a result, the NPT Review Conference risks ending in failure again, allowing the

world to enter the deepest crisis of the nuclear disarmament and non-proliferation regime in 2021.



**Mohammed ElBaradei,**  
Nobel Peace Laureate,  
former Director-General  
of IAEA

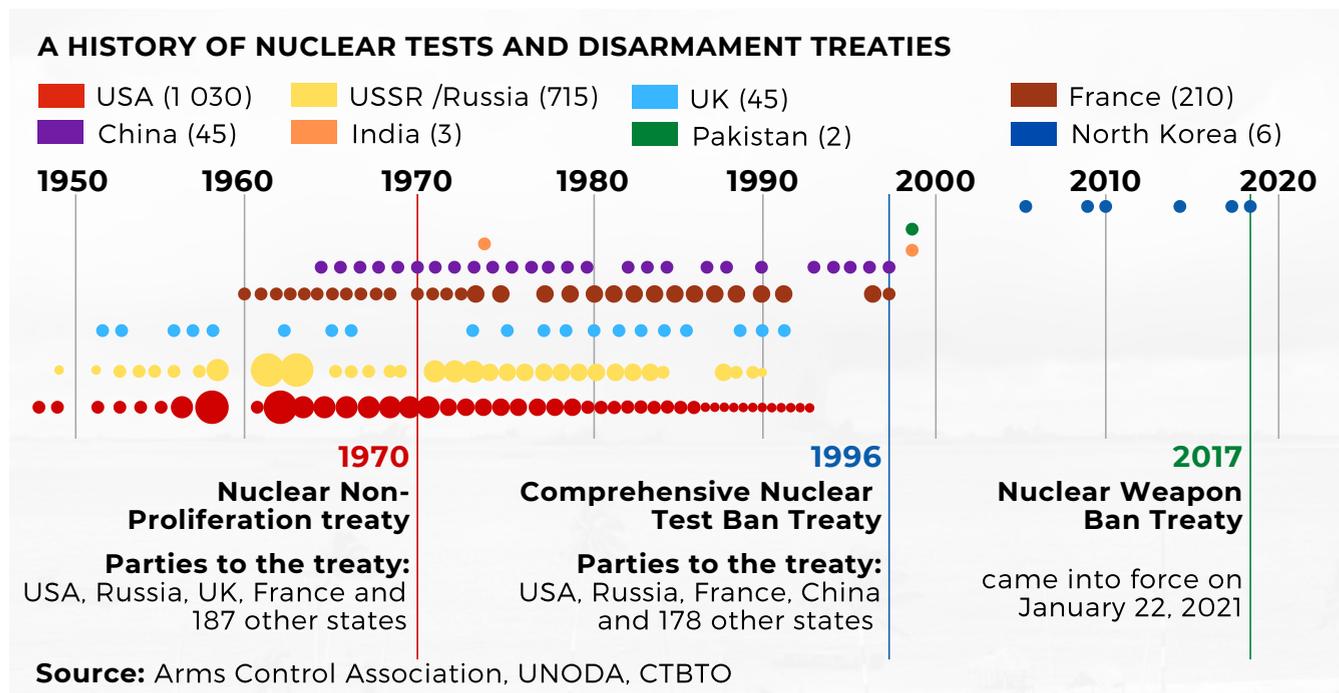
*I don't believe we need a new legal regime. What we need is a good faith implementation by the weapon states of their existing obligations. With the US and Russia possessing more than 90% of the existing nuclear warheads the ball is clearly in their court to take the first steps.*

## SCENARIOS

Based on the dynamics observed in the nuclear sphere today, several main scenarios for the development of the situation can be distinguished.

### ↑ POSITIVE

Commitment of the US to extend New START Treaty with Russia for another



five years without additional conditions opens a "window of opportunity" for gradual negotiations and the conclusion of a new treaty on the limitation of strategic arms in the longer term.

Moreover, the position of President Biden on a number of other important issues could be one of the important factors in the stabilization of US-Russian relations. For example, as part of the electoral campaign, the President noted that he was not going to speed up the development of new types of weapons and was in favor of reducing the nuclear arsenal.

In this context, it is quite permissible that the parties will reach some agreements on important issues, such as a moratorium on the deployment of intermediate- and shorter-range missiles and elements of the American missile defense system in Europe, containment of the militarization of outer space, etc.

In this context, it is quite permissible that the parties will reach some agreements on important issues, such as a moratorium on the deployment of intermediate- and shorter-range missiles and elements of the American missile defense system in Europe, containment of the militarization of outer space, etc.

At the same time, President Biden spoke about the need for the US to return to the JCPOA with Iran. Positive shifts along the Iranian track may have a beneficial effect not only on the situation in the Middle East but also on the negotiation process with the DPRK, which may again return to a constructive path.

 **NEGATIVE**

The rise of Joe Biden's team to power in the US will not solve the existing problems that have been accumulating during the previous presidential

administrations, starting with that of George Bush Jr. The president is unlikely to be able to lift US-Russian nuclear cooperation out of the current crisis, given the Democrats' lack of a majority in the US Senate.

Furthermore, it needs to be acknowledged that there are many supporters of a tougher course towards Moscow even among the Democrats, including the new president's inner circle. These people, obviously, will not soften their positions on matters of strategic containment of Russia, especially in Europe. As a result, the issue of deploying American missile defense systems and intermediate- and shorter-range missiles in NATO countries bordering with Russia will, once again, become the focus of the bilateral agenda.

The successful development of new interceptor missile systems by the Americans is an additional factor for escalation. On November 16, 2020, the US conducted successful tests of the SM-3 interceptor missile, which shot down a target simulating an intercontinental missile. The tests caused concern in both Moscow and Beijing, even though the exercises were officially directed against the DPRK.

Such actions by the Americans will push Russia and China to even closer cooperation in the defense sphere. In fact, in October 2019, Vladimir Putin had already announced that Russia was 'helping' China to create a missile attack warning system, which came as a complete surprise to many observers.

This scenario, in fact, will leave no chance for a new strategic detente or the search for effective compromises between the world's leading nuclear powers. As a result, an uncontrolled global nuclear missile arms race may become practically inevitable.

# RISK **7**

## EXPLODING SOCIAL PROTESTS

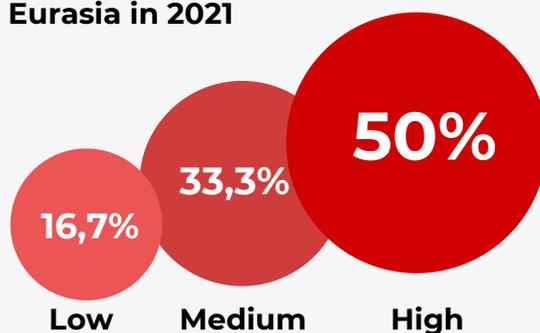


Source: Shutterstock  
Author: Hayk\_Shalunts

In 2020, the COVID-19 pandemic was one of the triggers for political destabilization around the world. Political systems in many countries will come under unprecedented pressure as the economic and social impact of the coronavirus crisis mounts.

As a result, the likelihood of an explosion of social protests as the population reacts to the accumulated burden of problems becomes one of the key risks for Eurasia in 2021, according to the majority of the Astana Club survey respondents.

**Please estimate the likelihood of increase in political protests in Eurasia in 2021**



Source: Astana Club Survey

### A WAVE OF INSTABILITY

Contemporary social and political protests are a reflection of the high public demand for change, as well as increased levels of social division and inequality, further exacerbated by the pandemic.

According to a study by a group of experts from the Center for Strategic and International Studies, the number of mass protests in the world grew by an average of 11.5% between 2009 and 2019. The leaders were regions such as the Middle East and North Africa.

Obviously, the observed wave of instability was a consequence of deep processes that surfaced as a result of the global financial crisis of 2008-2009. According to many estimates, the consequences of the COVID-19 pandemic will be much larger and deeper than the previous crisis, creating more serious and acute challenges to political stability in the future.

In early 2020, many countries managed to successfully stabilize the situation in the first weeks of the lockdown thanks to the introduction of severe social isolation measures. However, with the evolution of the epidemiological crisis, the growth of economic costs, and people's overall tiredness of the situation, the further extension of quarantine measures began to provoke protest moods. For instance, since late March 2020, 30 mass protests against strict quarantine measures have broken out in 26 countries of the world, covering both developed countries in Europe and poorer states in Asia and Africa.

At the same time, the culture and nature of social protests have been gradually changing and shifting towards the 'revolution of social networks'. In the context of people being locked in quarantine, the existence of various popular online platforms has given access to a massive audience for mobilization.

### DESTABILIZATION FACTORS

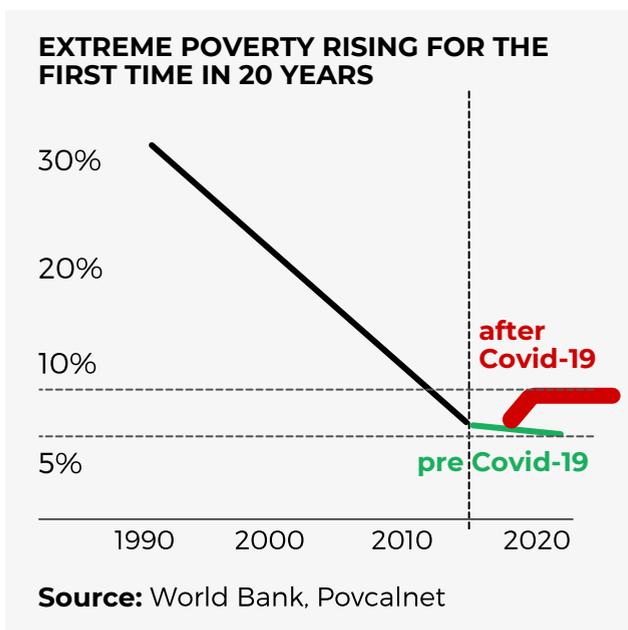
In 2021, protest waves will abruptly and unexpectedly break out throughout Eurasia influenced by a number of objective factors.

### DETERIORATION OF THE SOCIO-ECONOMIC SITUATION

The consequences of the pandemic will lead to an uncontrolled drop in income

levels and growth in economic inequality, which will be the main reason for the increase of the protest movement.

In 2021, an increase in absolute poverty in the world is expected for the first time in 20 years. 150 million people may find themselves beyond the poverty line. The global poverty rate, contrary to early forecasts, will not fall to 7.9% but will rise to 9.2%. Already vulnerable populations of low-income countries will be the hardest affected.

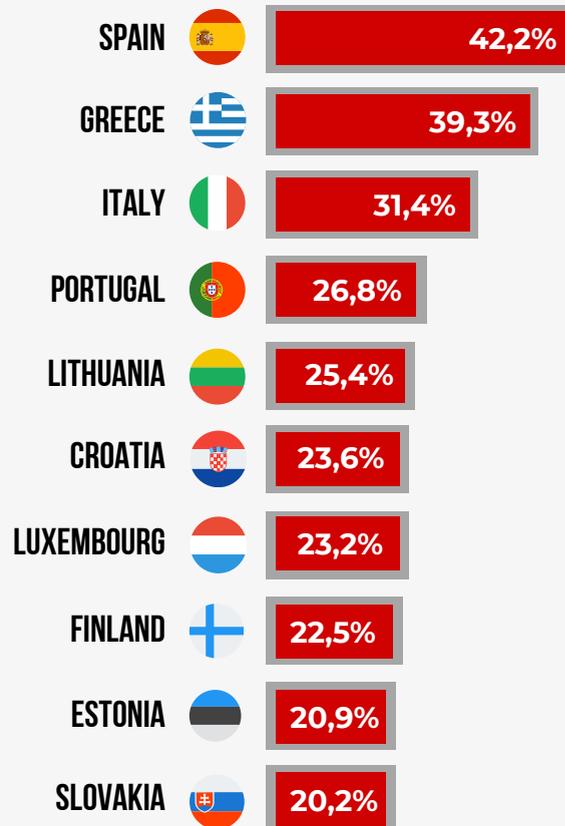


Growing poverty will be accompanied by record unemployment rates. It is estimated that the global labor market did shrink by 245 million jobs in 2020 alone, and the unemployment rate in OECD countries may have reached 8.9%.

A particular risk is the rise in youth unemployment, which is under disproportionate pressure during a period of declining demand in the labor market. For example, the level of youth unemployment in EU countries has reached a dangerous 17.7%, which is more than twice as high as the level of general unemployment (7.5%).

### TOP-10 EU COUNTRIES BY YOUTH UNEMPLOYMENT RATE

(% of total labor force, ages 15-24)



Source: Bruegel

As the events of the Arab Spring illustrated, the high level of youth unemployment, which reached an average of 23% in the region, was the main cause of the political explosion in the Middle East.

### UNEQUAL ACCESS TO VACCINE

Unequal access to vaccines may become one of the key triggers of social protests in 2021.

Obviously, the coronavirus vaccine, currently being developed by international corporations, will not be free of cost. Given the dire economic situation in the majority of the least developed countries, it will not be possible for them to purchase a vaccine

in the quantities necessary to vaccinate the entire population. For example, the WHO has reported that more than 20 million children from poor countries were unable to access vaccines against such dangerous diseases as measles, diphtheria, etc, in 2019.

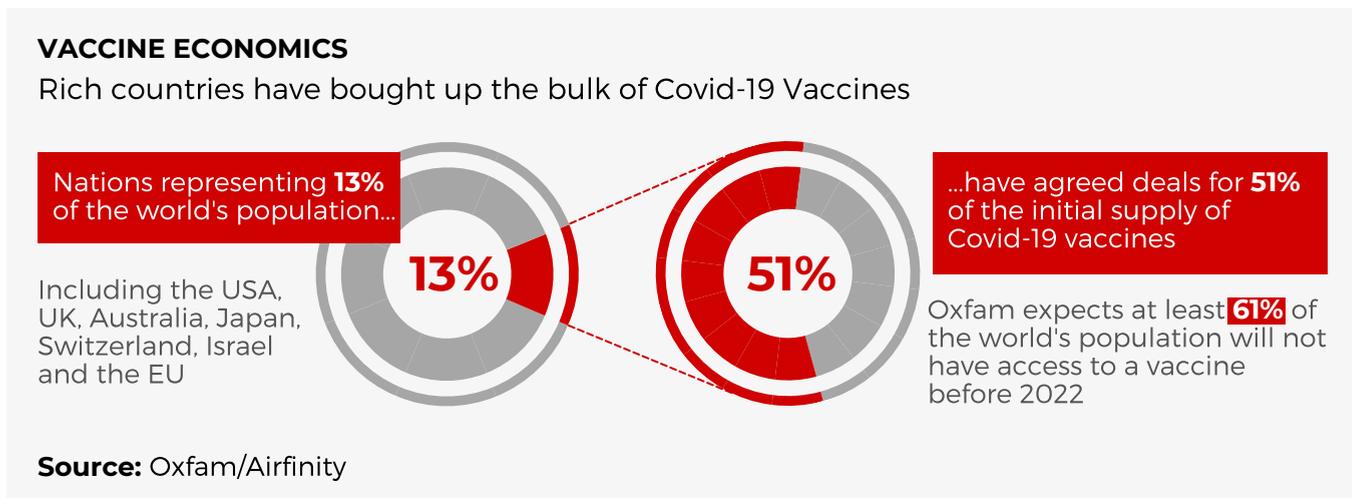
According to experts from Duke University, even though clinical trials for a number of vaccines have not yet been officially completed, an order for the purchase of 6.4 billion doses has already been placed, while negotiations for an additional purchase of 3.2 billion doses are underway. For instance, countries representing only 13% of the world population have reserved over 51% of vaccines for COVID-19. As a result, over 60% of the world population is expected to have no access to vaccines until 2022.



**Ariel Cohen,**  
member of the  
Council of Foreign  
Relations

*If ruling elites expect to maintain order, they will need to be forward-thinking and proactive in their responses to their countries' COVID-stricken economies. Providing public safety nets and demonstrating commitment to evidence-based health policy will assuage a panicked citizenry.*

However, given the obvious tiredness of the population with the quarantine regime, such measures from governments will be perceived extremely negatively by ordinary people.



The situation is further exacerbated by political interference in the selection of a particular vaccine. Rapid and effective global vaccination is being hampered by a clandestine struggle between key vaccine-producing countries, which are using access to vaccines to expand their influence.

With such an unequal distribution of the vaccine, some countries may possibly be forced to maintain quarantine measures throughout 2021.

Accordingly, lockdowns will become the reason why protests will spill out onto the streets of many cities.

**POLITICAL TRIGGERS**

The pandemic has put many governments at risk, exacerbating the crisis of trust in key political institutions observed in recent years. For example, only 45% of residents in OECD countries expressed trust in their governments before the onset of the coronavirus crisis in 2019.

As a response to an unprecedented epidemiological crisis, governments in many countries had to take unpopular measures, causing public criticism. For instance, in early 2021, a series of protests against the introduction of a second lockdown took place in a number of European countries, including France, the Netherlands, and the Czech Republic.

If the epidemiological situation is not stabilized in the near future, the crisis of trust in political institutions will further worsen, and protests will erupt again with full fury.

Despite the fact that the positions of populist parties and politicians have begun to weaken in many countries, the deterioration of the socio-economic situation against the backdrop of the next wave of the pandemic may again bring radical populist elements to the fore.

## EURASIA'S KEY RISK AREAS

### | THE MIDDLE EAST

Even though the decline of political activities is observed in the region, the economic consequences of the quarantine could dramatically increase tensions between the population and the authorities. The region is already caught up in an uncontrolled growth of poverty and unemployment, which will fuel increasing discontent and radicalization processes throughout 2021.

Young people, who make up almost 30% of the region's population, pose a greater risk. The coronavirus crisis has significantly worsened the socio-economic situation of this demographic group. In 2020, according to the World Bank, youth unemployment rate in Arab countries was 27%, nearly double the global average of 15.5%.

The situation in Iran deserves special attention, where a deterioration of the socio-economic situation has previously caused a growth in the protest activity. According to CSIS, more than 72% of about 4,200 protests, recorded between 2018 and 2019, were driven by economic factors. The results of the upcoming presidential elections in June 2021 may become a direct trigger for a new, large-scale wave of protests in Iran.

Another risk zone is Iraq, whose government faced a serious liquidity crisis amid the coronavirus crisis, and was forced to devalue the national currency by 22%. Economic difficulties in the context of the pandemic have worsened the already difficult situation of official Baghdad, which faced another wave of mass protests in October 2020. The parliamentary elections scheduled for Fall 2021 pose the risk of a dramatic explosion in the accumulated discontent of the Iraqi population.

### | POST-SOVIET STATES

In 2021, the deterioration of the socio-economic situation caused by the coronavirus crisis may lead to another wave of destabilization in a number of post-Soviet countries too.

In Kyrgyzstan, the economic stagnation caused by a sharp decline in remittances from Kyrgyz migrants in Russia provoked a revolutionary change of power in October 2020.

The unstable epidemiological situation in Russia is unlikely to let the authorities open the Russian labor market to migrants from the CIS countries in 2021. This will put serious pressure on the Kyrgyz economy, provoking a new political crisis.

Belarus, according to the World Bank, will become the only country in the region with negative GDP growth (- 2.7%) in 2021. Against the background of the stagnation of the Belarusian economy, the mass protest may acquire new dynamics. Moreover, as the events of 2020 demonstrated, Belarusian society has already transformed dramatically and will continue to demand a change in political power.

The situation in Armenia is also balancing on the brink of another revolution. The war with Azerbaijan and the pandemic have destroyed the national economy, which declined by a record 8.5% in 2020. As a result, the worsening socio-economic situation opens up a real chance for the radical opposition to attempt to overthrow the current government.

Finally, parliamentary elections will be held in Russia in Fall 2021. The election campaign will be extremely difficult for the ruling United Russia party. Mass dissatisfaction and irritation from the consequences of quarantine restrictions and a deterioration in the socio-economic well-being of the population can lead to a sharp increase in political protests. The events of January 2021 have already indicated the presence of a serious latent potential for possible destabilization.

## **| SOUTH AND SOUTHEAST ASIA**

In 2021, protests in Thailand could flare up with renewed intensity if the government does not respond to the demands of demonstrators and continues to obstruct protests under the guise of a pandemic. The central demand of protests is the reform of the monarchy, and the driving force is students, mobilized by the oppositional Future Forward Party.

Although ideas about the need for reform appeared long before the events, it was the response to COVID-19 that became the main trigger of demonstrations.

Hong Kong may again become another hot spot, where massive protests against the Beijing government may resume in the context of the stabilization of the epidemiological situation and the lifting of quarantine restrictions.

Finally, one needs to consider the growing protest potential in India, the world's second most populous country. According to IMF forecasts, India's economy would have declined by a record of 10.3% in 2020, setting preconditions for massive protests against the Modi government, which has proven unable to effectively respond to the coronavirus crisis.

As a result, Eurasia is entering a difficult and dangerous period of uncertainty in 2021, very similar to what happened after the global financial crisis of 2008-2009. The negative consequences of the pandemic are superimposed on a long-lasting complex of socio-economic problems. These factors, mutually reinforcing each other, can lead to an unprecedented social explosion.



**Danilo Türk**, former President of Slovenia (2007-2012), President of World Leadership Alliance-Club de Madrid

***The COVID 19 pandemic [has] added a special set of circumstances. The existing social and political divisions are deepening and many people fear for their livelihood. Restrictions of movement are creating a “pressure cooker effect”. It is impossible to predict [the] future events with any measure of precision. However, it is likely that social protests, political violence and armed conflicts will be part of the post-COVID 19 new normal.***

# RISK 8

## GLOBAL CYBER CRISIS



Source: Shutterstock  
Author: Serg001

The COVID-19 pandemic has given an unprecedented impetus to the global digitalization process. During the periods of total lockdown, digital space made it possible to preserve the functionality of the global economy, but at the same time, it significantly increased its dependence on processes in the virtual sphere.

As is known, addiction breeds vulnerability. During the pandemic, the massive digital transition led to a parallel increase in cyber threats. This dangerous trend is superimposed on the problem of the absence of any generally accepted rules of conduct between states in global cyberspace.

As a result, in 2021 the world may for the first time face a global cyber crisis.

### THE BEGINNING OF A CYBER PANDEMIC?

The incident with the Sunburst virus hacker attack, which became known in mid-December 2020, showed the potential scale of modern cybersecurity threats.

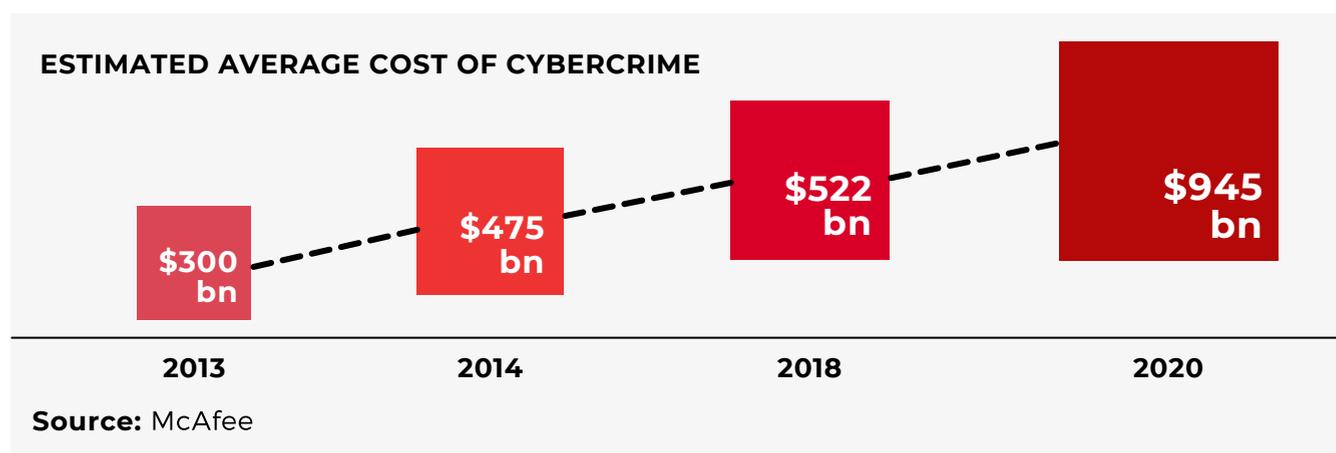
As a result of the hacker attack, which has already been referred to as "the largest in the history of the United States," more than 40 key government

agencies in America were affected, including the Department of Commerce and Energy, the US Department of State, and a number of important research centers.

The hackers did not act directly by attacking US government facilities, but through the so-called "supply chain" of software provided by SolarWinds. As a result of the hacker attack, about 18,000 of the company's customers were affected, 80% of which are located in the United States.

In general, the active transition to the online sphere during the pandemic has spurred an unprecedented increase in cyber incidents around the world. For example, in April 2020, the US FBI reported a 400% increase in cyberattacks compared to the pre-pandemic period and the increase in the number of cyberattacks in the United States already, amounted to 800% in May. Similarly alarming statistics were provided by Interpol, which identified more than 200,000 incidents in 80 countries in May 2020.

In recent years, there has been a steady upward trend in financial damage from cyberattacks on a global scale. The pandemic has exacerbated this trend significantly. Thus, according to the report "The Hidden Costs of Cybercrime"



by the Center for Strategic and International Studies (USA, CSIS), global losses from cybercrimes this year may well reach about \$ 1 trillion. The growth in comparison with 2018 is 50%.

Against this backdrop, governments and businesses around the world are forced to devote increasing resources to combat threats in the digital space. According to the consulting company Gartner, Inc., by 2022 the global information security market will have reached a record \$ 170.4 billion.

### **TECHNOLOGICAL DRIVERS OF CYBER THREATS**

Technological advances, especially in the field of new digital technologies, will seriously exacerbate the situation with cyber threats in 2021. In general, the following main group of technologies can be distinguished which will scale risks in cyberspace in the near future.

#### **5G TECHNOLOGY**

The next generation of 5G networks will not only allow faster transmission of huge amounts of digital data, but will also increase the risk of losing this data in cyber attacks. Experts identify the following risks associated with the expansion of 5G networks:

- Moving away from a centralized hardware-based system towards a more fragmented software-based network that is relatively easy to invade.
- Significant expansion of the coverage of potential users of high-speed Internet due to the technological capabilities of networks. A particular risk is posed by the Internet of Things (IoT), which involves the interaction of machines with each other without human intervention.

- Finally, expanding network bandwidth will also create additional opportunities for potential attacks.

#### **ARTIFICIAL INTELLIGENCE (AI)**

The expansion of the use of automated control systems in various fields, including in the military, carries significant security risks. AI technologies can be used by hackers to "autonomously hack" systems.

AI computational algorithms that operate autonomously and with minimal human intervention make it nearly impossible to identify the hackers who initiate an attack. AI will also significantly increase the speed and scale of hacker attacks, thanks to the ability to automatically process a huge amount of data.

#### **QUANTUM COMPUTERS**

Quantum computers, which are significantly superior in computing power to traditional ones, in the opinion of many experts, can become a factor that radically changes the rules of the game.

Quantum computing technologies make it possible to process colossal amounts of data in the shortest possible time, which significantly increases the risks in cyberspace. So, in the future, quantum computers can be used in cryptography for guaranteed breaking of even the most encrypted data.

Despite the fact that today developments in this area are of an experimental nature, experts do not rule out a significant breakthrough in technology within the next 3-5 years.



**Steve Durbin,**  
managing Director of  
the Information  
Security Forum

*The first nation state to develop technologies such as AI, 5G, robotics and quantum computing will gain unparalleled economic, social and military advantage over rivals. It almost goes without saying that, organizations involved in the development of these technologies will become highly enticing targets for nation state-backed espionage.*

**KEY RISK AREAS**

In 2021, the following sectors will become the most challenging in terms of cyber security.

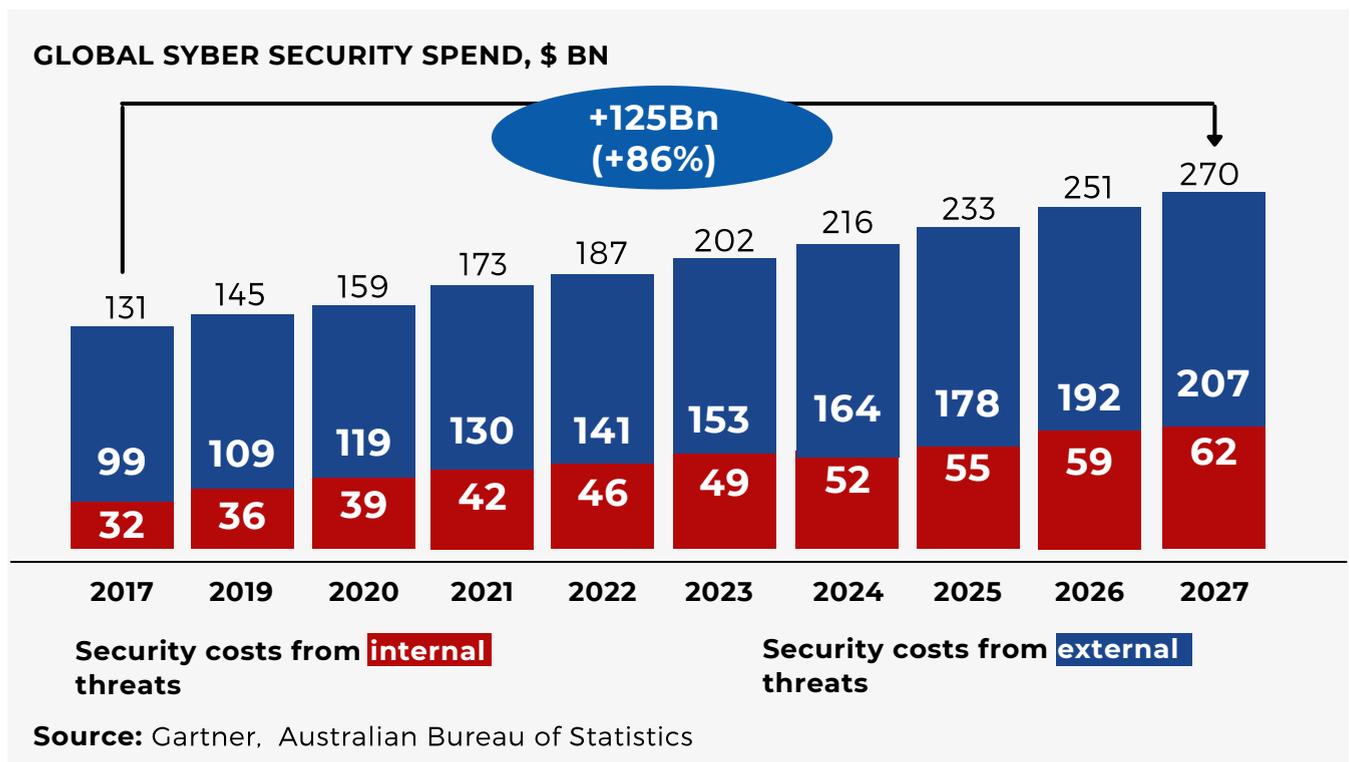
**GOVERNMENT SECTOR**

One of the main objects of hacker attacks could be information systems of state institutions, which contain huge amounts of strategic information.

According to some reports, in 2020, government spending on the IT sector reached \$ 438 billion. Thus, particular attention will be paid to the security of strategically important infrastructure such as power grids and transportation systems. A survey of 700 infrastructure professionals in six countries (USA, UK, Germany, Australia, Mexico and Japan) by the Ponemon Institute found that 90% of them have suffered from at least one successful cyberattack in the past two years. For example, the US Cybersecurity and Infrastructure Security Agency (CISA) has identified 16 critical sectors, including the chemical sector, communications sector, dams, nuclear infrastructure, etc. to be at risk.

**HEALTHCARE SECTOR**

Amid the coronavirus pandemic and the growing pressure on the healthcare sector, the scale of hacker attacks in this segment has significantly increased. For example, back in April 2020, WHO representatives reported that hackers had hacked into more than 450 active



e-mail boxes of the structure in order to send false information, as well as to gain access to donations to fight the pandemic.

As the coronavirus crisis develops further, huge funds will be poured into the health sector, which will stimulate the interest of hackers. For example, the 2017 NotPetya virus attack cost the pharmaceutical giant Merck over \$1.3 billion.

### FINANCIAL SERVICES SECTOR

Despite growing cyber risks, many financial institutions continue to show low readiness for potential hacker attacks. For example, according to Deloitte, financial institutions on average spend only 10% of their IT budget on cybersecurity measures. In early 2020, the Federal Reserve Bank of New York conducted a study on the threat potential of cyberattacks for the US payment systems.



**Tim Maurer**, director of the Cyber Policy Initiative and a senior fellow at the Carnegie Endowment for International Peace

***More must be done to better protect the financial system as the linchpin for the post-pandemic economic recovery against cyber threats. Over the past few years, the G20, the G7, the IMF, and others have launched important initiatives that can serve as a starting point for a more coherent international approach to tackle this collective problem. Yet, the current efforts remain highly fragmented and siloed across government agencies, central banks, and industry without a clear organizing principle or clear division of roles and responsibilities.***

Simulations have shown that a successful cyberattack on only one of the five largest US banks can bring to a halt up to 40% of the country's payment system.

As demand for online financial services continues in 2021, the risks of cyberattacks in the financial sector should be expected to increase globally.

### THE GEOPOLITICAL DIMENSION OF THE CYBER CRISIS

The rapid development of cyberattack technologies is being pushed by the growing geopolitical competition between key world powers, primarily the United States and China. Against this background, the absence of uniform rules and standards in the system of global cyber governance creates many serious risks and threats.

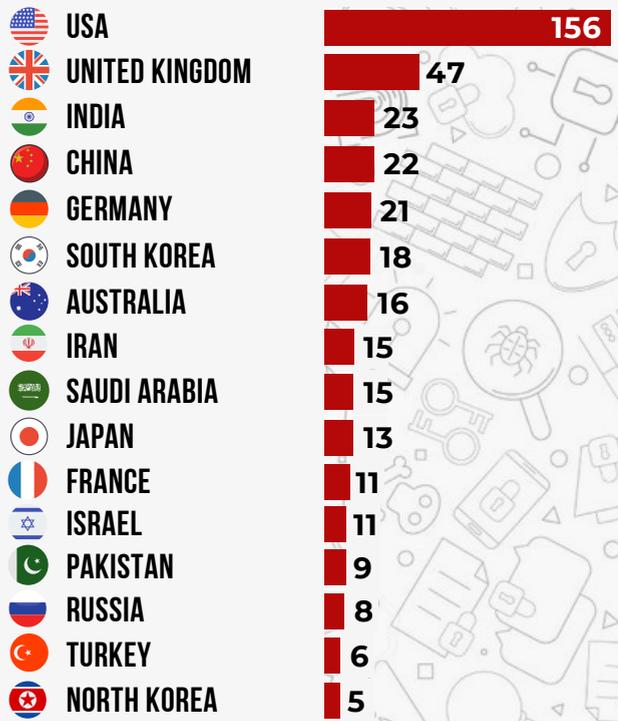
The potential scale of cyberattacks was clearly demonstrated back in 2009, when the computer system of Iran's nuclear program was infected with the Stuxnet virus, the development of which is attributed to the Israeli and US intelligence services. This was the first time a cyberattack caused physical damage to a strategic nuclear infrastructure.

Against the background of increasing geopolitical tensions, the risks of cyber aggression at the state level are significantly increasing, which could at any time transform into a full-fledged military conflict.

The key risk is that cyber warfare is a relatively new phenomenon, and there are a number of difficulties in responding adequately to it:

Firstly, it is often extremely difficult to track down the initiator of an attack and, accordingly, prove that a state is involved in cyber aggression.

**The countries which have experienced "Significant" cyber attacks the most (2006-2020)**



**"Significant" cyber attacks:** on a countries government agencies, defense and high companies equating to a loss of **more than \$1 mln**

Source: Global Security Mag

Secondly, the criteria for classifying cyberattacks as an armed attack have not been developed, and universal principles for investigating cyber incidents have not been formed.

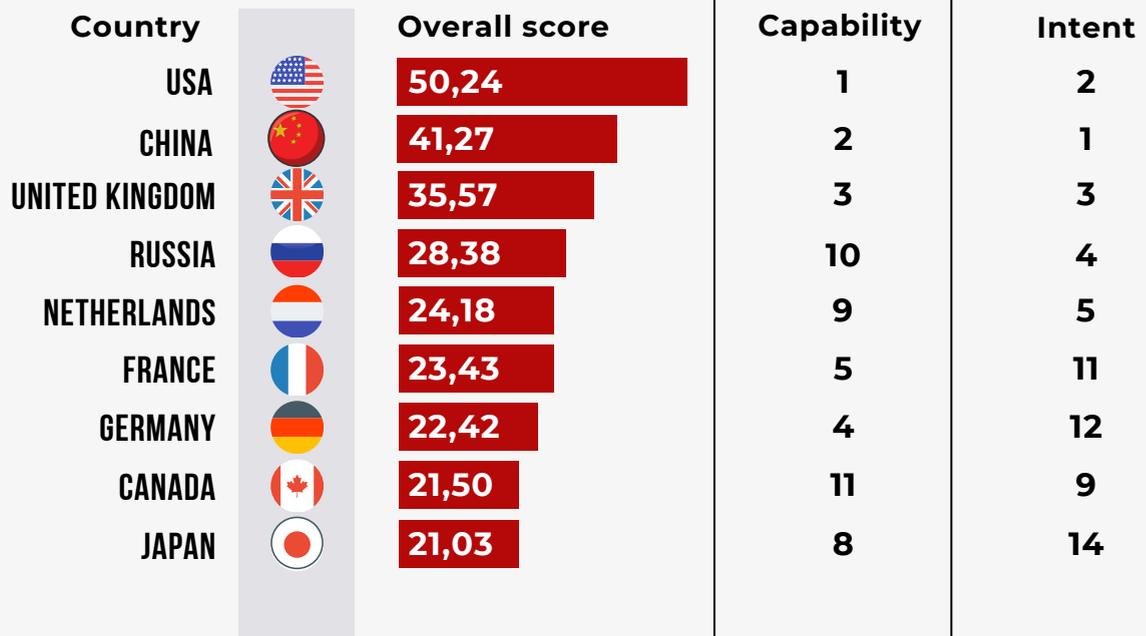
Thirdly, cyberattacks are the most effective "asymmetric" option of deterrence, which does not require significant financial costs in comparison with traditional types of weapons.

Thus, the lack of basic rules of conduct in cyber warfare and the low threshold for unleashing it pose significant risks to global security.

At the same time, the cyber capabilities of states for carrying out attacks in the digital sphere are beginning to play the same significant role as traditional military power tools.

As the latest Sunburst incident showed, cybersecurity issues will play an increasingly critical role in the development of relations between Russia and the United States.

**NATIONAL CYBER POWER INDEX 2020**



Source: Harvard, Belfer Center

The Americans will certainly not leave unanswered what they consider to be a cyberattack from Russia. A retaliatory cyberattack by the Americans could lead to a spiral of confrontation that would have extremely dangerous and poorly predictable consequences.

Another area of growing cyber risks is the Middle East, where large-scale cyber operations can be directed against Iran. Moreover, it cannot be ruled out that Tehran itself initiates cyberattacks against the United States and its allies in the region.

Thus, in 2021, we may well see new cases of the use of cyberweapons on an even larger scale than before, which can provoke a full-fledged military conflict.

## SCENARIOS

### **BASELINE**

The world should expect a further increase in cyberattacks capable of temporarily disrupting the activities of key infrastructure facilities in health care, financial, industrial, defense and energy systems. However, the damage will be limited, which will not allow the situation to get out of control and lead to violent retaliatory actions in the physical rather than virtual dimension.

At the same time, the rise in cyber threats will stimulate appropriate coordinated responses, including broader investment in cybersecurity. However, the interstate cooperation in the field of cyber threats will continue to remain hostage to geopolitical competition, which will not allow the development of common rules and reduce the level of risks.

### **NEGATIVE**

The main condition for the pessimistic scenario to come true is a sharp increase in geopolitical tension between rival powers, which may lead to the start of large-scale cyberattacks at the state level.

Situations around the Iranian and North Korean nuclear programs can become potential lines of conflict. However, a more serious challenge to global stability will be a possible cyber crisis involving several major global centers of power, including the United States, China and Russia. In this case, it will be extremely difficult to predict the trajectory of the crisis development, as well as its potential consequences for the global security system.

In a full-scale cyber war between global powers, the world community may face an unprecedented crisis that can not only paralyze a significant part of the world economy, but also put the world on the brink of a real military conflict.

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RISK 9

# DIGITAL TOTALITARIANISM



Source: Shutterstock  
Author: Mopic

### "BRAVE NEW WORLD"

The pandemic has demonstrated convincingly the fact that technologies designed to facilitate communication are actively used to massively and uncontrollably collect personal information from the population.

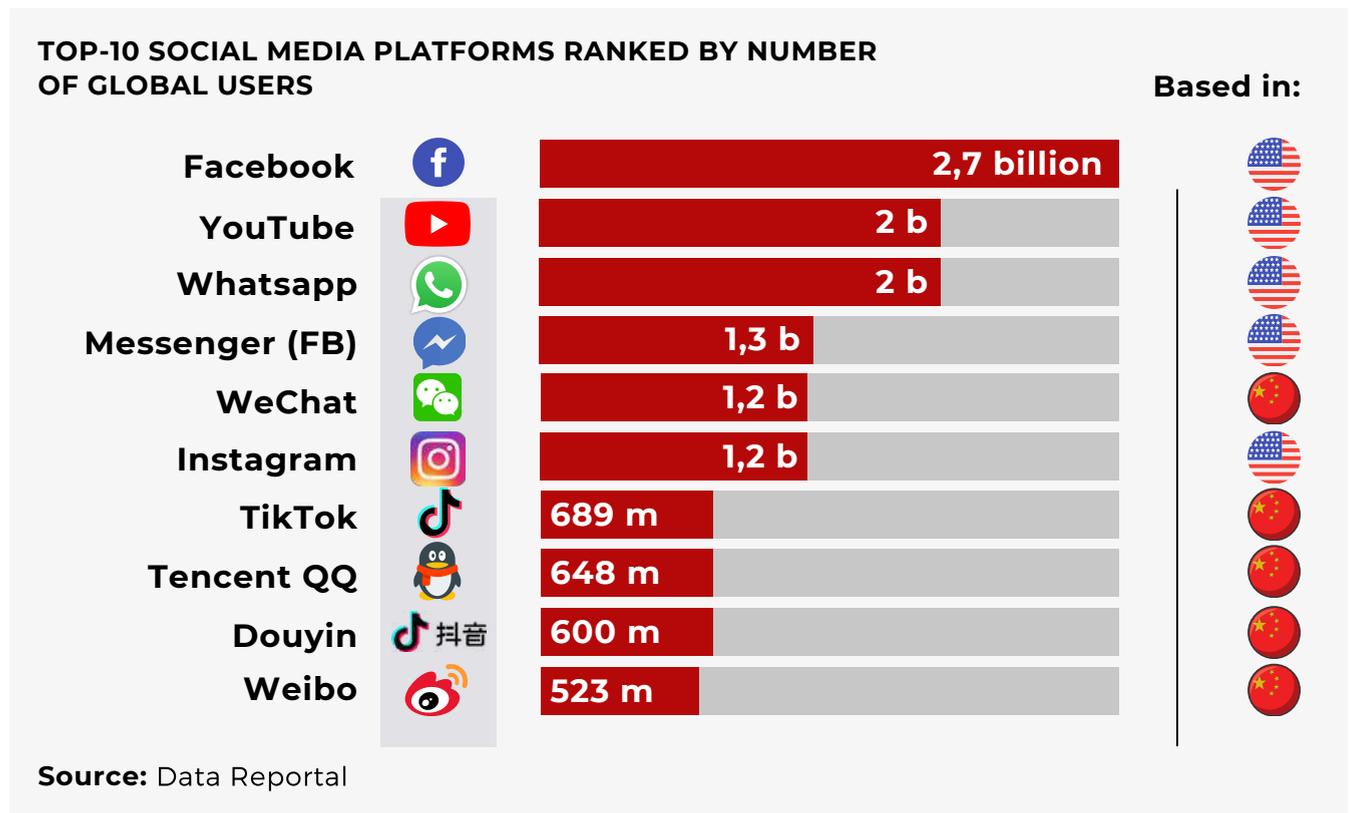
As a result of the colossal concentration of personal data in the hands of global players in the information technology market, "digital control" over the lives of citizens becomes total, actively invading the jurisdictions of nation states around the world.

In 2021, the countries of Eurasia will face a difficult choice of format and model for their further digital transformation from complete market freedom in the digital sphere to a more rigid and unambiguous definition of the boundaries of digital sovereignty.

The pandemic was the starting point for the finalization of the Data Economy and Data Society. At the center of the new format of the economic structure and business models is the digitized personality.

Personal data is becoming the main economic category: the "oil of the XXI century." In the new digital society, the main task is to establish control over information by analogy with managing the flows of world finance and natural resources.

The largest players in the digital information market, such as Facebook, Apple, Google, Tencent and others, accumulate colossal streams of metadata on their platforms, simultaneously exerting a large-scale impact on social, cultural and even political processes in societies around the world.



A fivefold increase in the volume of data generated by government services, companies and citizens by 2025 will allow the owners of information "banks" of data to obtain an unprecedented level of access to a person's private life in history.

The monopoly control of IT corporations over the activities of leading social networks already allows them, at their own discretion, to determine permissible content, block unwanted information and shape public opinion. Respect for the right to free speech in the Internet age is no longer guaranteed. Examples of blocking accounts and deleting posts for political reasons, even by heads of state, make ordinary users dependent on the ideological attitudes and preferences of commercial companies. If states do not find tools to influence IT giants, the prospect of maintaining "digital sovereignty" for each individual country will tend to zero.

### **PERSONALITY TRANSFORMATION**

The global process of human digitization has successfully passed the stage of creating a "digital avatar" and moved on to the stage of filling the "digital profile".

In addition to the primary data on the place of birth and residence, marital status and property, the profile is "overgrown" with information from the credit dossier, police databases and video surveillance systems, information about the nature of relationships with relatives and neighbors, participation in charity and other events.

In fact, citizens are no longer required to consent to the collection of information, which is non-stop using Wi-Fi networks, video cameras with face recognition technologies, biometric scanners, QR codes, etc.



**Steve Durbin,**  
Managing Director  
of the Information  
Security Forum

*Highly connected ecosystems of digital devices will enable the harvest, repurpose and sale of sensitive behavioural data about individuals without their consent. There are also a growing number of sectors that will see an increased dependency on behavioural analytics, including finance, healthcare and education.*

With the introduction of 5G technologies and the expansion of the range of Artificial Intelligence (AI) applications, the profile of any person will be integrated with data from the Internet of Things, report cards in an educational institution, a medical record, etc.

"Splicing" a person with digital gadgets leads to the fact that now computer algorithms make decisions for the user themselves. At the same time, the recommendatory nature of the proposals can easily be replaced by a mandatory one.

The mechanisms of "compulsory medicine" are already being worked out as part of the fight against the spread of COVID-19. China's Health Code app, European Gateway, and Apple's and Google's apps that track coronavirus transmission highlight the potential for digital surveillance for medical purposes. As a result, the ever-increasing access to personal information on the part of IT giants and individual states allows them to launch large-scale behavioral programming processes.

The example of China, which has created a social rating system for its population, clearly demonstrates the possibilities of new digital technologies

This social experiment on behavioral programming of more than a billion inhabitants of the world's largest country by population is unprecedented in scale and nature.



**Vladimir Yakunin,**  
Head of the  
Department of State  
Policy, Faculty of  
Political Science,  
Lomonosov Moscow  
State University

*Signs of total digital control are already present in most countries where the Internet and social networks are widespread. The key issue is to regulate these technologies, to ensure their safety. Traditionally, this has been the responsibility of the state.*

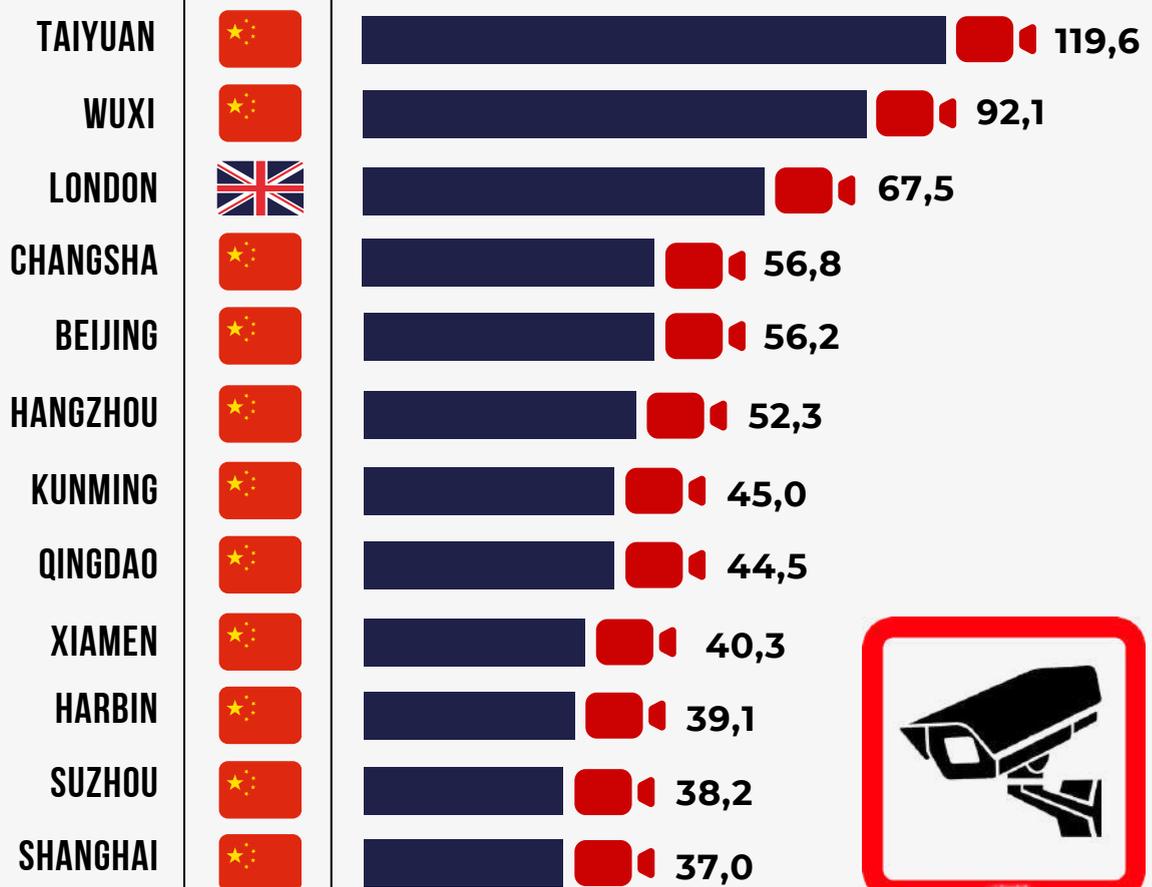
The formation of an "improved" citizen who accepts the new rules of the game in exchange for comfort and various preferences in social life establishes a person's total information transparency in front of corporations that control information flows.

### BIG BROTHER IS WATCHING

The situation with the COVID-19 pandemic has rapidly increased the pace of adoption of digital behavioral monitoring technologies around the world. The introduction of 5G technology and the emergence of super-speeds for data transfer are giving an unprecedented boost to video analytics.

### CCTV: THE MOST SURVEILLED CITIES IN THE WORLD

Cities with the most surveillance cameras per 1000 inhabitants in 2020



Source: Comparitech

Thus, the global video surveillance market will have increased by \$36 billion by 2024 with an average annual growth of about 12%.

In Europe and North America alone, camera numbers are projected to grow by 18% annually, resulting in 420 million camera installations by 2024. Already today, about 200 million cameras have been installed in totally digitalized China, which makes it possible to make massive use of face recognition technology. Today, 18 of the 20 most "watched" cities in the world are located in the PRC.

Modern smartphones also offer unprecedented opportunities for collecting information about their users and the social environment around them. According to statistics provided by Exodus Privacy, almost every Android application contains at least one tracker, which is responsible for advertising, authorization and analytics.

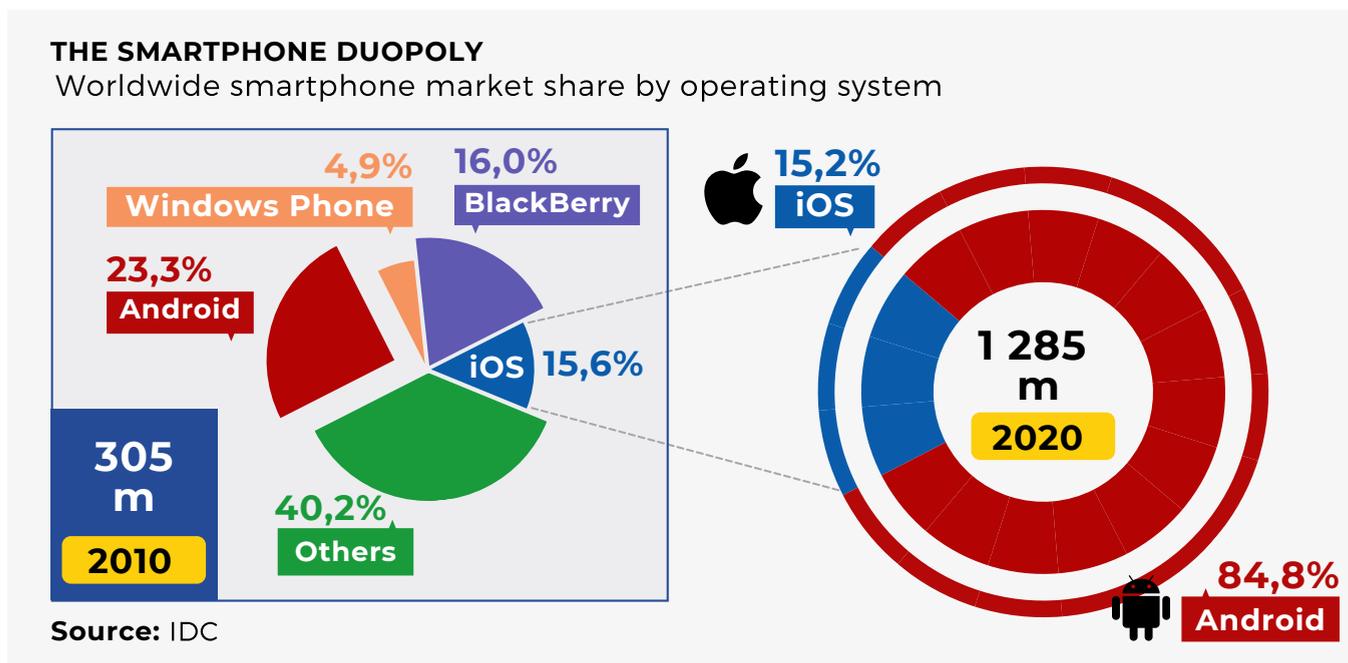
At the same time, the technical "stuffing" of the digital platforms used allows data to be transferred to servers and cloud

storage services outside state borders, which raises serious questions about ensuring national information security. In fact, we are talking about the fact that the ownership of digital technologies guarantees control over those who use these technologies. As a result, the rapidly emerging global digital space presupposes the integration of states into the system of the new business model of IT giants, and not vice versa.

## FORECASTS

The pace of global digital transformation in 2021 and the coming years will accelerate exponentially across the entire world. The pandemic has only become a catalyst for a long-standing process of creating a digital system for monitoring human behavior on a global scale.

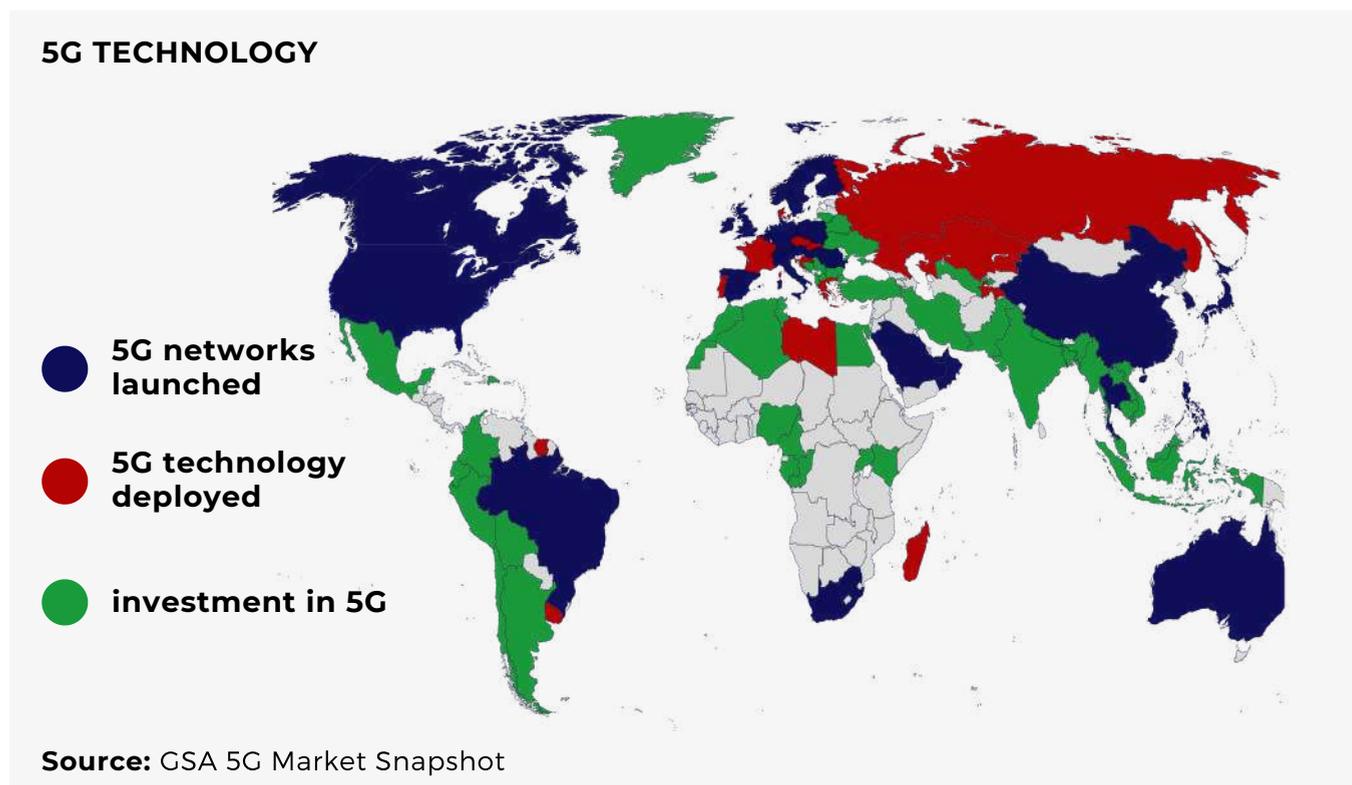
The race for biometric and other personal data will intensify the widespread intervention of the world's leading players in the digital industry.



Further use of the accumulated volume of personal data turns into a powerful tool for behavioral engineering of the population by the leading global IT monopolists. In these conditions, the process of merging the interests of technological giants with the interests and needs of states of their main jurisdiction will continue, including in solving foreign policy problems, economic and ideological expansion. Already today, there are active attempts to use popular social networks and instant messengers to influence social, cultural and political processes in a number of countries around the world.

However, against this background, the response to the strengthening of national "digital sovereignty" within state borders will continue to be reinforced. The examples of Turkey and other countries that are legally trying to introduce rules and restrictions for global social networks on their territory speak of the formation of a new sustainable trend in the Eurasian space - digital sovereignty.

The success of different states' attempts to ensure the "nationalization" and protection of the personal data of their population will directly depend on whether a particular country has the ability to create its own technological solutions and standards in the digital sphere. In fact, access to modern technological developments in the field of Big Data, artificial intelligence and 5G is becoming the most important guarantee of survival in the increasingly aggressive space of digital geopolitical competition. Players who are lagging behind in the digital race will eventually be deprived of the opportunity to fully ensure their own sovereignty, turning into "digital colonies" of the leaders of the global technological race.



RISK 10

# FAILURE OF DECARBONISATION

Source: Shutterstock  
Author: L.F

# FAILURE OF DECARBONISATION

**10**  
**RISK**

The dramatic slowdown in global economic activity following the COVID-19 pandemic has resulted in a historic decline in emissions of pollutants and greenhouse gases in 2020.

## COVID-19 COULD CAUSE HISTORIC DROP IN CARBON EMISSIONS

Biggest drops in global carbon emissions in recorded history (in million tons)



**Source:** The Guardian, Global Carbon Report

However, the consequences of the coronavirus crisis on global CO2 emissions will be short-term. With the welfare of billions of people dependent on the pace of economic recovery, an increase in CO2 emissions is inevitable. Under these conditions, governments and businesses can turn a blind eye to environmental standards and halt the transition to a lower-carbon economy.

For the global climate agenda, this means:

- a forced pause in international cooperation on climate change;
- interruptions in funding for global climate initiatives;
- lowering the priority of the Sustainable Development Goals.

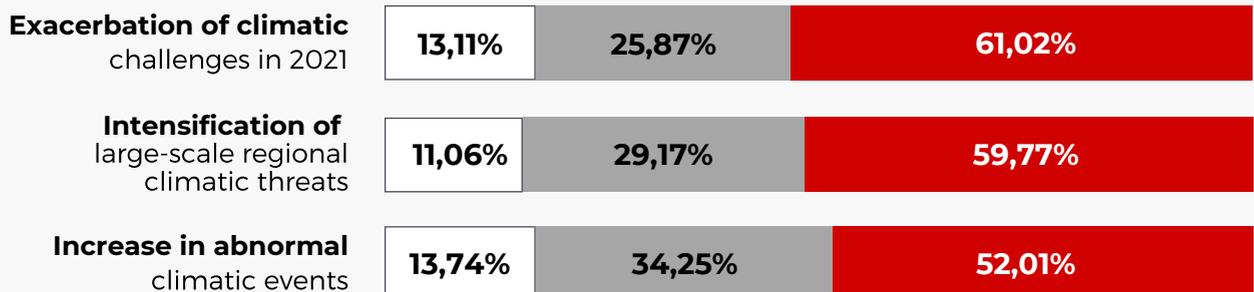
As a result, according to the Astana club survey, experts have highly assessed the likelihood that in 2021 the global climate agenda will be frozen, which will affect the growth of environmental challenges.

### FREEZE IN INTERNATIONAL COOPERATION

2020 was originally supposed to be an important milestone in the global fight against climate change. However, the pandemic forced a number of key international meetings to be postponed.

## EVALUATE THE LIKELIHOOD OF THE FOLLOWING CLIMATIC CHALLENGES FOR 2021

Low
  Medium
  High



**Source:** Astana Club survey

The postponement of the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow to November 2021 clearly showed that the countries of the world are not yet ready to take on additional commitments to combat the effects of climate change. This decision will negatively affect the implementation of commitments under the Paris Agreement on Climate Change and plans to reduce CO2 emissions into the atmosphere.

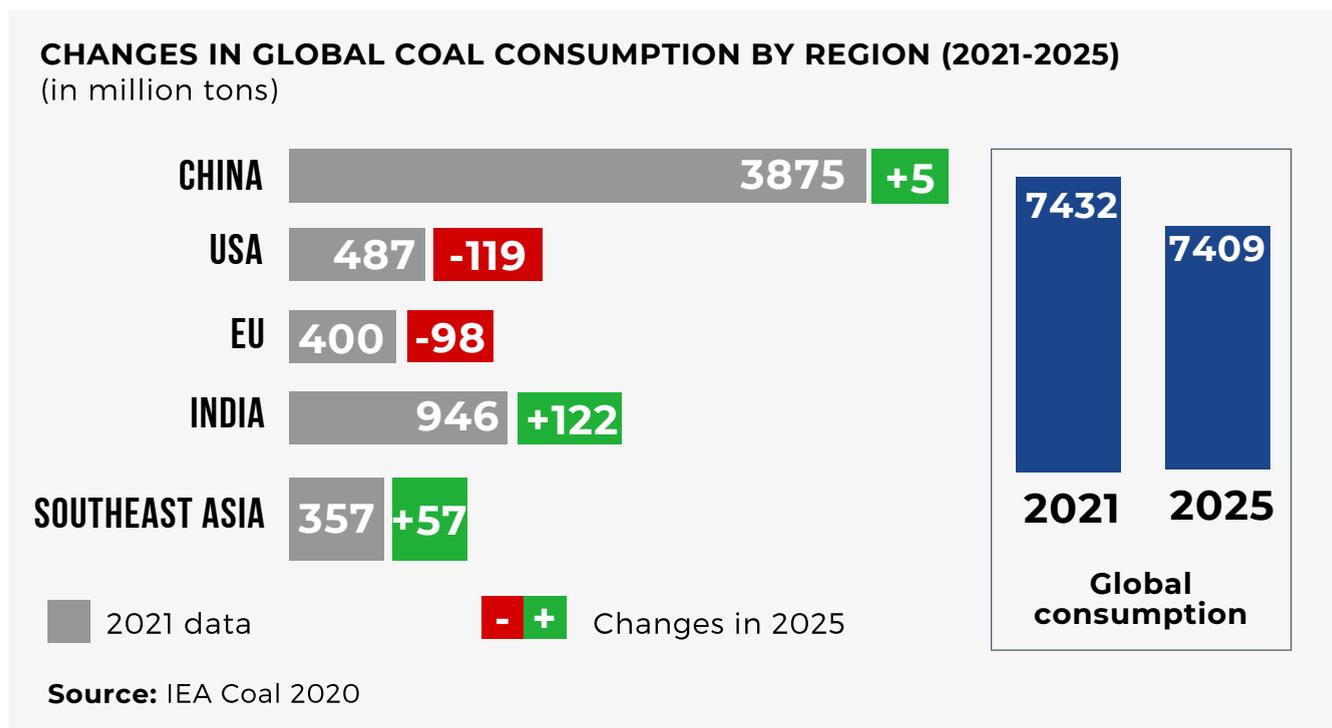
Taking into account that the IUCN World Conservation Congress, the Convention on Biological Diversity, the UN Ocean Conference, the Meeting on the Finalization of the High Seas Treaty, etc, were also postponed, it can be concluded that attention is paid to environmental issues on a residual basis. The declining intensity in negotiations to expand climate commitments undermines the already achieved successes of the world community in this direction.

In view of the largest economic crisis caused by COVID-19, some countries may alter their priorities in order to restore economic growth and limit budgetary funding for steps to increase resilience to climate change.

In the medium term, the emerging trend will not change the decision made by the newly-elected US President Joe Biden to return the United States to the Paris Agreement. However, when choosing between cooperating to combat climate challenges and economic recovery, most governments will choose economics.

**PRICE DOES MATTER**

Given that renewables remain relatively expensive, it is likely that the cheapest energy will be needed for a faster global economic recovery. It is likely that during the economic recovery period, oil and coal consumption will increase, and



governments will neglect many environmental initiatives in favor of GDP growth and social tranquility by ensuring maximum employment for the population. This trend can be seen most clearly in the consumption of coal, which is considered the "dirtiest" type of fossil fuel.

According to the forecasts of the International Energy Agency, as a result of the recovery of economic activity and industrial production, and hence the growth of demand for electricity, in 2021 the consumption of coal in the world will grow by 2.6% reaching 7,432 million tons. Despite the "green" initiatives of the EU countries and the United States to reduce the level of coal consumption, by 2025 the demand for this type of fuel on a global scale will remain significant, having decreased by only 0.3% to 7409 million tons. Almost the entire decline in coal consumption in developed Western countries will be offset by growing demand in China, India and the countries of Southeast Asia.

Such development of the fuel market will inevitably affect the level of CO2 emissions. According to Bloomberg's forecast, the reduction in greenhouse gas emissions in the atmosphere by the end of 2020, despite the pandemic, will be only 8%. At the same time, this indicator will continue to grow in subsequent years, and only by 2027 can we expect to see a repeated decline of 0.7% on an annualized basis.

In fact, the coronavirus crisis can significantly slow down the decline in the share of traditional fuel sources in the global energy balance, which will shift the timeline for the transition to a "green" economy to a more distant future.



**Alexey Kudrin,**  
Chairman of the  
Accounts Chamber;  
Minister of Finance of  
the Russian Federation  
(2000-2011)

*In general, fossil fuels - oil, gas and coal - together account for 72.5% of the world's energy balance. Despite a huge drop in 2020, global demand for primary energy will continue to grow in the medium to long term. From 2019 to 2045, "other renewable energy sources" - combining mainly solar, wind and geothermal energy - will grow by an average of 6.6% per year.*

#### **UNDERFUNDING OF CLIMATE INITIATIVES**

According to a survey by Astana club experts, about 60% of respondents expect that the economic consequences of the COVID-19 pandemic will adversely affect the financing of international climate agreements and initiatives.

More than 10 years ago, at the UN climate talks, the world's largest economies agreed to allocate \$100 billion annually to developing countries by 2020 to combat climate change. According to the published data of Oxfam International, in 2018 only \$62.2 billion was allocated within the framework of climate assistance to developing economies. When analyzing the structure of these receipts, it is noted that almost 80% of climate assistance was implemented in the form of loans, not grants.

In fact, countries with weak economies find themselves in the position of climate debtors, which contradicts the original conceptual idea. At the same time, it is the developing countries that are vulnerable to climate change that most need financing to adapt to climate challenges.

### Will there be a drop in financing for global ecological initiatives in 2021?

57,15%

42,85%

- **Yes.** The pandemic and the global economic crisis it provoked will push the questions of climate financing to the wayside
- **No,** climate financing will not stop, and leading governments of the world will be able to establish effective partnership mechanisms in the fight against ecological challenges

**Source:** Astana Club survey

There is a real danger that developing countries will find themselves in an even more difficult position in 2021, as funding opportunities for environmental projects will be limited due to the lack of free resources from donor countries.

Ultimately, given the scale of the pandemic's devastating impact, the transition to sustainable development could be delayed for many years. At the same time, for most emerging markets, the opportunities to reorganize on the rails of "green" development will be extremely limited.

#### **GREEN RECOVERY GIVEN A RED LIGHT**

By developing government programs for economic recovery from the coronavirus crisis, many governments plan to support the development of a green economy. However, the imbalance between investment in traditional energy sources and green finance remains significant.

Based on data provided by the BloombergNEF, investments in renewable energy in 2020 amounted to \$303.5 billion, showing an increase of 1.7% compared to 2019. The race to decarbonize the global economy, which began in 2021, will continue.

However, even with record investments in electrified transport and energy storage, the reduction in greenhouse gas emissions may not be enough to prevent the average temperature on Earth undergoing a 3.30°C rise by 2100. According to BP forecasts, in order to implement the Net Zero scenario and achieve a 95% reduction in greenhouse gas emissions by 2050, it will be necessary to provide investments in the development of renewable energy at the level of \$500 billion to \$750 billion annually. That means, the current level of financing for renewable sources should be at least doubled.



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***Limited fiscal space and budget deficits caused by the pandemic's economic consequences may tempt governments to approve projects and adopt policies with potential negative impacts on the environment because they attract much-needed investments and generate more tax revenues.***

It is important to understand that without proper motivation, "green" technologies will develop according to the Business-as-usual scenario and by 2050 the emissions will be only 10% below the level of 2018.

Thus, we can conclude that without a sharp increase in funding for development in the field of RES, achieving sustainable development goals becomes an almost impossible task.

## SCENARIOS

The coronavirus shock pushed environmental issues into the background. In 2021, climate change issues will drop in the ranking of top-priority national threats to lower priority positions.

Further development of the situation with regard to environmental risk management can proceed according to the following scenarios:

### BASIC

In 2021, countries in the international community will attempt to restart cooperation on climate change. However, due to a new wave of lockdowns and restrictions, environmental agreements reached before the pandemic will be revised. The most serious steps towards achieving the goals of global sustainable development and reducing CO<sub>2</sub> emissions will again be postponed to a later date.

The situation will be complicated by the fact that the infrastructure of most Asian countries is still set for the use of fossil fuels. Based on this, the efforts of developed countries to decarbonize their economies will be offset by the growth of "dirty" industries in Asia.

At the same time, the EU has stated that they have yet to develop a detailed "roadmap" for investing in the "greening" of the economy.

This process will be completed by mid-2021, and the implementation phase will begin even later.

The new democratic administration of the US president, committed to the principles of sustainable development, will also have to wait for more favorable conditions for the implementation of environmental initiatives to combat climate change.

As a result, in 2021, it will be possible to observe a deep desynchronization of policies to combat climate change at the international level.

### NEGATIVE

The cancellation or another postponement of the most important environmental summits to 2022 due to the unstable epidemiological situation will consolidate the trend towards degradation of the system of international treaties on environmental protection.

Developing economies will be forced to significantly reduce investment in renewable energy sources, redirecting resources to the production of electricity from fossil fuels, which will lead to a sharp increase in CO<sub>2</sub> emissions. The examples of Mexico, India and Indonesia, which focus on supporting coal-fired enterprises in their economic recovery plans, are very telling. This is also evidenced by the projected growth in coal consumption in China, the largest source of CO<sub>2</sub> emissions in the world.

As a result, the level of environmental pollution will continue to grow rapidly, as will the scale of regional disparities in Eurasia in terms of the level of implementation of green technologies.

## CONCLUSION

The year 2020 will go down in human history as the beginning of radical transformations. Before our eyes, a new global reality was being formed, which brought into life many elements of uncertainty, both new challenges and still undiscovered opportunities.

At the same time, the pandemic has accelerated the existing trends in the world system more than introduced a fundamentally new content. Nevertheless, it is already clear that the consequences of the current coronavirus crisis will be fundamental.

The analysis of the top risks for Eurasia shows that one of the key markers of the post-pandemic reality will be a further deviation from the established system of rules in world politics and economics. The burden of unfulfilled expectations from globalization, as well as the COVID-related shocks that each country has had to fight alone, has convinced many that self-sufficiency is the main criterion for survival.

Openness and integration into global chains are no longer perceived as an advantage. On the contrary, they are seen as a factor of vulnerability. These sentiments among the world's national elites will only spur the growth of economic egoism and protectionism. Certainly, part of the global production and supply chains will be restored, but preference will be given to internal or intraregional chains within individual trade and economic blocs of politically close states. As a result, the process of de-globalization, which began with the global financial crisis of 2008-2009 and was accelerated by populists coming to power, will receive a new impetus.

The problem is that a new shift away from globalization will come at a time when joint actions are needed more than ever. The absence of a unifying agenda will only weaken the ground for a global economic recovery. Furthermore, governments' desire to protect domestic markets will dramatically complicate the functioning of global cooperation institutions such as the WTO.

In addition to the economy, the coronavirus crisis is laying landmines in the social sphere. The growth of extreme poverty, widespread unemployment, and rising debt will all exacerbate inequality. The widening gap between rich and poor will be a major source of political instability. Consequently, preconditions are being created for the emergence of large-scale political crises, even in economically developed and relatively prosperous countries.

Another important point relates to digitalization, which has rapidly developed during the pandemic. Our review shows that states have yet to face the challenges of cybersecurity, and many related risks are not yet fully understood.

The escalation of technological rivalry between the great powers threatens to split the world into parallel cyberspaces. The growth of hostility and mutual competition will spur the development of hacker attacks. In the near future, we will witness new cases of large-scale use of cyber weapons. Given the unpredictable consequences of cyberattacks, they may, at some point, provoke a real war.

Finally, the economic impact of the pandemic will have a detrimental effect on the climate agenda.

In the face of the crisis, countries will have to limit funding for combat against climate change. For the sake of rebuilding their economies, many governments will temporarily turn a blind eye to environmental standards.

This is how key parameters of the new post-crisis global development look in general. Yet, this is only a small part of possible transformational shifts. We have yet to fully understand the structural changes and aftershocks of the pandemic.

One thing is clear: regardless of its location or size, no single state in Eurasia will be able to stay away from the processes that will take place in the near future. Any serious crisis, wherever it occurs, will certainly affect the well-being of all Eurasian societies.

That is why an honest and constructive dialogue between all participants in the international community is important in the current conditions of growing fragmentation and geopolitical competition. Maintaining such a dialogue is critically necessary to avoid fatal mistakes and misunderstandings in assessing the actions and intentions of respective partners and rivals.

In this regard, the purpose of our report is not only to provide leading politicians, diplomats, and experts with an opportunity to present their assessments of future risks and development trends but also to lay the foundation for a discussion on the formation of a common vision of the present and the future.

We clearly acknowledge that finding compromises and achieving common interests takes a good deal of time and effort, but that movement should start today.

Astana Club sees its mission in creating an atmosphere of open dialogue regarding the future of Greater Eurasia.

## LIST OF INTERNATIONAL EXPERTS WHO CONTRIBUTED TO THE GLOBAL RISKS FOR EURASIA IN 2021

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 2021:

- 1. Alexei Arbatov**, Head of the Center for International Security at the Primakov National Research Institute of World Economy and International Relations
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- 3. Erik Brattberg**, Director of the Europe Program, Fellow at the Carnegie Endowment for International Peace
- 4. Evgeny Buzhinskiy**, Chairman of the Board, PIR Center
- 5. Luke Coffey**, Director for Foreign Policy Studies, Heritage Foundation
- 6. Ariel Cohen**, Member of the Council on Foreign Relations
- 7. Agathe Demarais**, Global Forecasting Director, The Economist Intelligence Unit
- 8. Stéphane Duguin**, CEO of the CyberPeace Institute
- 9. Steve Durbin**, Managing Director, Information Security Forum (ISF)
- 10. Mohamed ElBaradei**, Director General of the International Atomic Energy Agency (IAEA) (1997-2009), 2005 Nobel Peace Prize winner, Vice-President of Egypt (2013)
- 11. Franco Frattini**, Minister of Foreign Affairs of Italy (2002-2004, 2008-2011)
- 12. Sergei Glazyev**, Member of the Board – Minister in charge of Integration and Macroeconomics of the Eurasian Economic Commission
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- 15. Riaz Khokhar**, Ambassador, former Secretary of State for Foreign Affairs of Pakistan
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- 30. Ana Palacio**, former Minister of Foreign Affairs of Spain, former Vice President and General Counsel of the World Bank Group, visiting lecturer at Georgetown University
- 31. Evgeny Pitolin**, Managing Director, Kaspersky Central Asia, CIS & Baltics
- 32. Matthew Rojansky**, Director of the Wilson Center's Kennan Institute
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- 34. Dan Smith**, Director of the Stockholm Peace Research Institute (SIPRI)
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- 37. Yevgeny Vinokurov**, Director of the Center for Integration Studies of the Eurasian Development Bank
- 38. Huiyao Wang**, Founder and President, Center for China and Globalization (CCG)
- 39. Vladimir Yakunin**, Head of Department of Lomonosov Moscow State University, Chairman of the Supervisory Board of the Dialogue of Civilizations Research Institute
- 40. Lamberto Zannier**, former OSCE High Commissioner on National Minorities, OSCE Secretary General (2011-2017)
- 41. Lassina Zerbo**, Executive Secretary of the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO)
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We are grateful to the following team members of the Institute of World Economics and Politics under the Nursultan Nazarbayev Foundation:

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## Methodology for ranking the Top-10 Risks for Eurasia in 2021

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

- a survey of more than 1200 respondents from 75 countries around the world on major global risks for Eurasia in 2021.
- opinions of 40 reputable international experts in geopolitics, economics, technology, and security (see the list above).
- data from reports of international financial centers and development institutes, including the World Bank, UN, IMF, OECD and others.

The «TOP-10 Risks for Eurasia in 2021» 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 and trends in various spheres in Eurasia.

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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 2021 may differ from scenarios and forecasts provided on this report.

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#### **THE NURSULTAN NAZARBAYEV FOUNDATION**

is the largest non-profit foundation in Kazakhstan established in 2000 by the personal initiative of the First President of the Republic of Kazakhstan Nursultan Nazarbayev.

One of the most important components of the Foundation's mission is the formation of dialogue platforms on issues of politics, economy, international relations and security.

The Foundation implements projects aimed at improving the competitiveness of human capital, supporting talented young people and the creation of a new generation of Kazakhstanis.

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

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#### **THE INSTITUTE OF WORLD ECONOMICS AND POLITICS (IWEP) UNDER THE NURSULTAN NAZARBAYEV FOUNDATION**

was established in 2003. The activities of the IWEP are aimed at the scientific research of the problems of the world economy, international relations, geopolitics and security, as well as studies of the activity of the First President of the Republic of Kazakhstan, and his contribution to the creation and strengthening of Kazakhstan as an independent state, the development of international cooperation and the promotion of peace and stability.

In its activities IWEP combines the independent nature of research with active participation in international expert projects.

Together with the Nursultan Nazarbayev Foundation, IWEP is the organizer of the annual meeting of the Astana Club, Central Asia's largest international discussion forum.

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