Eurasia Group Publishes Top Risks for 2016

#1 is “The Hollow Alliance” – The trans-Atlantic partnership is at its weakest point in decades – with global impact on political risk.

New York, NY (PRWEB) January 04, 2016 -- Eurasia Group President Ian Bremmer and Chairman Cliff Kupchan are pleased to announce this year’s Top Risks report, which identifies the most challenging political and geopolitical trends and stress points for global investors and market participants in 2016, as well as a few red herrings—issues that, despite media attention, are unlikely to pose a significant threat or instability in the coming year.

“The global risk environment is becoming increasingly volatile, moving markets and impacting business in more and more unexpected ways,” said Bremmer. “This ranking reflects our forecast on which political risks are most likely to play out over the next 12 months, which will have the biggest impact, and where we can expect surprises.”

At the top of the list in 2016 is the hollow trans-Atlantic alliance. “Divisions have been developing under the radar for some time,” according to Bremmer and Kupchan. “This year, the United States will turn inward during the highly contentious presidential race, while European leaders are focused mainly on their own political future. This has implications for conflicts globally, and geopolitical tensions emerging over the past year will escalate.”

Following is a summary of all ten Top Risks for 2016. For the full report, please click here.

Bremmer and Kupchan will host an on-the-record conference call at 11:00 EST/16:00 GMT to discuss the risks and take questions. Dial-in information is below.

1 – The Hollow Alliance: The trans-Atlantic partnership has been the world’s most important alliance for nearly seventy years, but it’s now weaker, and less relevant, than at any point in decades. It no longer plays a decisive role in addressing any of Europe’s top priorities. Russia’s intervention in Ukraine and the conflict in Syria will expose US-European divisions. As US and European paths diverge, there will be no more international fireman—and conflicts particularly in the Middle East will be left to rage.

2 – Closed Europe: In 2016, divisions in Europe will reach a critical point as a core conflict emerges between Open Europe and Closed Europe—and a combination of inequality, refugees, terrorism, and grassroots political pressures pose an unprecedented challenge to the principles on which the new Europe was founded. Europe’s open borders will face particular pressure. The risk of Brexit is underestimated. Europe’s economics will hold together in 2016, but its broader meaning and its social fabric will not.

3 – The China Footprint: Never has a country at China’s modest level of economic and political development produced such a powerful global footprint. China is the only country of scale today with a global economic strategy. The recognition in 2016 that China is both the most important and most uncertain driver of a series of global outcomes will increasingly unnerve other international players who aren’t ready for it, don’t understand or agree with Chinese priorities, and won’t know how to respond to it.

4 – ISIS and “Friends”: ISIS is the world’s most powerful terrorist organization, it has attracted followers and

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imitators from Nigeria to the Philippines, and the international response to its rise is inadequate, misdirected, and at cross purposes. For 2016, this problem will prove unfixable, and ISIS (and other terrorist organizations) will take advantage of that. The most vulnerable states will remain those with explicit reasons for ISIS to target them (France, Russia, Turkey, Saudi Arabia, and the United States), and those with the largest numbers of unintegrated Sunni Muslims (Iraq, Lebanon, Jordan, Egypt, and across Europe).

5 – Saudi Arabia: The Saudi Kingdom faces a growing risk of destabilizing discord within the royal family this year, and its increasingly isolated status will lead it to act more aggressively across the Middle East this year. The threat of intra-royal family strife is on the rise, and a scenario of open conflict, unimaginable prior to King Salman’s January 2015 ascension, has now become entirely realistic. The key source of external Saudi anxiety is Iran, soon to be free of sanctions.

6 – The rise of technologists: A variety of highly influential non-state actors from the world of technology are entering the realm of politics with unprecedented assertiveness. These newly politically ambitious technologists are numerous and diverse, with profiles ranging from Silicon Valley corporations to hacker groups and retired tech philanthropists. The political rise of these actors will generate pushback from governments and citizens, generating both policy and market volatility.

7 – Unpredictable leaders: An unusually wide constellation of leaders known for their erratic behavior will make international politics exceptionally volatile this year. Russia’s Vladimir Putin and Turkey’s Recep Tayyip Erdogan are leaders of an unruly pack that includes Saudi Arabia’s Deputy Crown Prince Mohammed bin Salman and – to a lesser but important extent – Ukraine’s Petro Poroshenko. These unpredictable leaders make our list for 2016 because their interventions overlap and conflict. One powerful, erratic leader spells trouble; four spell volatility with major international implications.

8 – Brazil: President Dilma Rousseff is fighting for her political survival, and the country’s political and economic crisis is set to worsen in 2016. Contrary to hopes among pundits and many market players, the battle over Rousseff’s impeachment is unlikely to end the current political stalemate. Should the president survive, her government won’t gain the political boost necessary to move on the economic reforms needed to tackle the country’s growing fiscal deficit. If Rousseff is ousted, an administration led by Vice President Michel Temer won’t fare much better.

9 – Not enough elections: Emerging markets underwent a historic cycle of national elections in 2014-2015, but this year there are relatively few opportunities for EM voters to make themselves heard at the ballot box. As slower growth and stagnating living standards stoke popular discontent, governance and stability will suffer. Historically, markets have been less volatile in non-election years, but this time will be different. By raising popular expectations, the massive income growth that most EMs enjoyed over the past 10 years has created conditions for a rude awakening.

10 – Turkey: After a decisive victory for his AK party in late-2015, President Erdogan will now push to replace the country’s parliamentary system with a presidential one. He’s unlikely to reach his goal in 2016, but his aggressive electioneering will further damage an already battered Turkish business and investment climate. On the security front, there is little prospect of an imminent end to PKK violence, and unrelenting US pressure on Ankara to clamp down on the Islamic State will produce only modest results while making Turkey more vulnerable to new attacks by ISIS.

As for the Red Herrings, Bremmer and Kupchan expect that US voters won’t elect a president who will close
the country to Muslims. China’s economy isn’t headed for a hard landing, and its politics will remain stable. Continued strong leadership from Japan's Shinzo Abe, India's Narendra Modi, and especially China's Xi Jinping will keep Asia's three most important players focused on economic reform and longer-term strategy, reducing the risk of conflict in Asia’s geopolitics.

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Top Risks Conference Call Dial-in (11:00 EST/16:00 GMT)  
+1 (866) 814-1914 (US, Canada)  
+1 (703) 639-1358 (International)  
Conference ID: 1667454

A replay of the call will be available on January 4th after 14:00 EST/19:00 GMT.  
+1 888-266-2081 (US, Canada)  
+1 703-925-2533 (International)  
Access code: 1667454

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