

Summary - Eurasia Group Top Risks 2021 Report

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Background

In their *Top Risks for 2021* Bremmer and Kupchan (Eurasia) explore the key geopolitical and economic challenges facing us this year, a year which they believe is to be characterised by the economic responses to the pandemic and by the key factors hindering the prospected recovery, namely: a lack of global leadership on political models, trade standards, and international architecture to follow.

The political situation

The US would traditionally have been central to restoring predictability in times of crisis, but are instead burdened with structural and legitimacy challenges, widespread division, a hefty portfolio of domestic issues to address and the need to find alignment between Republicans and Democrats on the objectives of US foreign policy, of which the credibility will be strongly tested this year.

Whilst **vaccines** are providing hope to the international community, they are not the remedy to all our current woes. Indeed, *“countries will struggle to meet vaccination timelines, and the pandemic will leave a legacy of high public debt, displaced workers, and lost trust”*. For both developed and emerging markets alike a K-shaped recovery is predicted, by which some groups will thrive, and others conversely will suffer.

Europe’s recovery fund will only provide meaningful support from late 2021. Should the economic situation deteriorate sharply, calls for accelerated spending from the recovery fund and more generous relief for weaker EU member states can be expected, although this is likely to be met with opposition from countries such as Austria, Denmark, the Netherlands, and Sweden. Moreover, with Merkel set to leave the political arena, Macron - who is already preoccupied with domestic affairs - will be less capable of leading the EU.

Recovery is likely to vary significantly from country to country, although a general trend is expected whereby Latin America, the Middle East and Southeast Asia will be hit harder than eastern and southern Europe and Northeast Asia.

Regarding how other nations will fare this year, it is predicted that:

- **Turkey** will remain dependent on predominantly Western financing despite efforts to find alternative funding sources, and will continue to pursue a reset of US-Turkey relations.
- In a year to be marked by Legislative elections in **Argentina** and **Mexico**, and Presidential elections in **Ecuador**, **Peru** and **Chile**, **Latin America** will experience the consequences of the increased spending required to offset the pandemic’s economic impact, namely rising poverty, inequality and unemployment.
- **The Middle East** and **North Africa’s** energy-producing countries, already hard hit by the pandemic and resulting collapse in global energy demand will see energy prices remain low and instability, unemployment and protests rise.
- In a similar vein the **UK’s** recent adoption of a green agenda will likely win favour with the Biden administration.
- **Brazil** conversely will come under US fire regarding climate issues but may find common ground

concerning **China** and **Venezuela**.

Policy issues

According to Eurasia, “**climate commitments will matter in 2021 like never before**”. 2020 saw a spate of global firms, financial institutions, and countries notably; the EU, the UK, China, Japan, South Korea and Canada, set ambitious climate targets. Now Biden has delivered on his commitment to re-join the Paris Agreement marking a U-turn on US climate policy and a step towards an “era of global cooperation, the triumph of net zero over G-Zero”. We should subsequently expect numerous US climate pledges in the run-up to COP-26. Competition and lack of coordination though will hinder progress.

Whilst India, Australia and Brazil will strive to protect carbon intensive assets, Europeans, the biggest climate investors at home and abroad, will likely impose taxes on imports from high-carbon countries. Meanwhile the US will actively try to catch up with China in a ‘global clean energy arms race’ in which both climate and the energy transition become matters of industrial and national security policy. This context will create opportunities for private capital but could deepen existing rifts between global players.

Conversations around **data sovereignty** are also on the cards for 2021. In response to advances in 5G and AI, data protectionism is on the rise as governments increasingly question who is accessing their citizens’ data and how. They also fear that innovation is getting ahead of current regulation thus threatening their monopoly over financial sector data. This approach could ultimately result in a costly slow-down or even halt to the flow of sensitive data across borders with possible far-reaching consequences on areas from drug research to the global capacity to respond to matters such as climate change. It is expected that the US will try to forge alliances with G7 or G10 countries to prevent barriers to the flow of data. However, data privacy is only one tech-related issue amongst many others which will need addressing.

The matter of **cybersecurity** for example is of growing concern. With the proliferation of new IoT and other low-cost commodity devices, the so-called “surface area” of vulnerability continues to expand creating unprecedented technological and geopolitical risk from cyber conflict. This is compounded by an absence of broadly accepted industry standard for ensuring the protection of devices against hacking. To date both governments and the private sector have failed to develop global rules for state behaviour in cyberspace, relying instead on economic sanctions and “naming and shaming”. Similarly, the absence of substantial penalties against the actors of cyber-attacks will result in further malicious activity occurring this year and possible US sanctions in response. 2021 will also be the year when many governments acknowledge the tangible risks posed to their cyber defences by the development of quantum computing.

For more information and further reading, find the complete report in PDF format [here](#).