AEGIS Advisory

2012 STRATEGIC RISK OUTLOOK

A review of major emerging and frontier market geopolitical themes from the months to come

Introduction

In this report, the heads of our regional analytical desks and our senior strategists focus on the main geopolitical trends that threaten to affect the world economy in 2012. We have aimed to identify the catalysts that will determine risk for the year ahead and, in doing so, give our clients a quick reference to the threats they face when political and social developments undermine or overwhelm the best-made business plan.

As always, if any of the trends emerging on the horizon look likely to have a significant impact on your organisation, we are here to help you assess and adjust your exposure. Please let us know what you require.

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Watch this space

The global strategic risk outlook for 2012 is shaped to a great extent by the likely turns in the political and economic crises in the Eurozone, as well as by the effects of the legislative gridlock ahead of US elections. There is, however, no shortage of insightful analysis of those trends. For this reason, we focus in this year's edition of our review on what we see as major strategic risk trends in the emerging and frontier market hemisphere which we believe deserve more attention. Here are the stories we are following:

16 December 2012 www.aegisworld.com/advisory

Strategic risk levels in 2011

Aegis Advisory and Integro Insurance publish the *Strategic risk index*. The index quantifies the level of risk faced by businesses operating in, or considering entering, the world's leading emerging and frontier markets.

Index values are compiled from scores from the unique Aegis Strategic Risk Assessment (ASTRA) model, a risk profiling service that quantifies risk levels by examining a broad range of factors. The resulting scores are compared with developed, 'benchmark' markets, as well as with the global average. Index values are standardised on a scale of 1 to 10, with 1 as the safest and 10 as the riskiest. Both the index and ASTRA are explained in more detail on page 19 of this report.

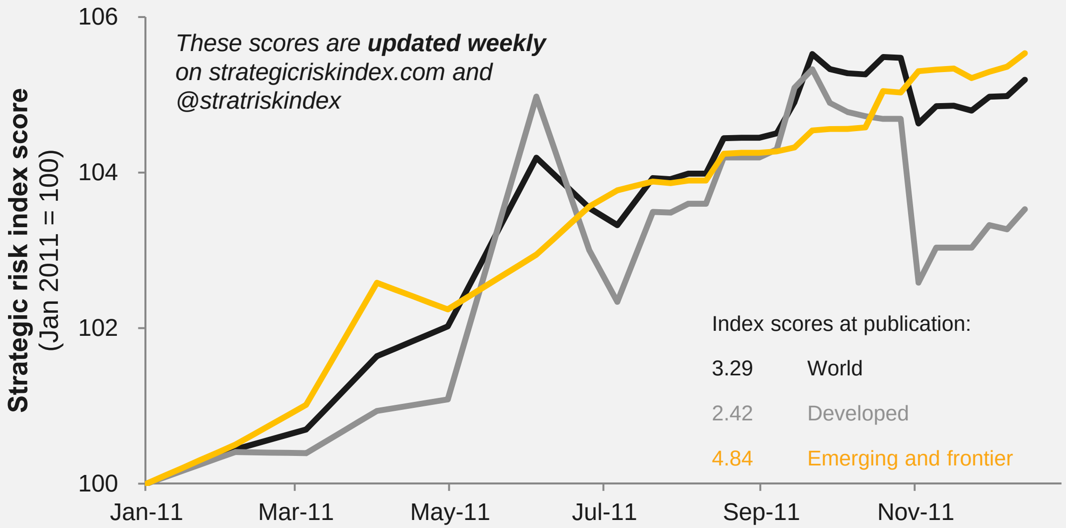
The chart on the right shows the evolution of the scores for world, developed markets, and emerging and frontier markets, alongside their respective scores at the time of this report's publication. All three groups are ending the year with a higher strategic risk score than they had at the start of 2011. The world score is up 5.2%, developed markets' score increased 3.4%, while the emerging and frontier markets group is 5.5% riskier than a year ago.

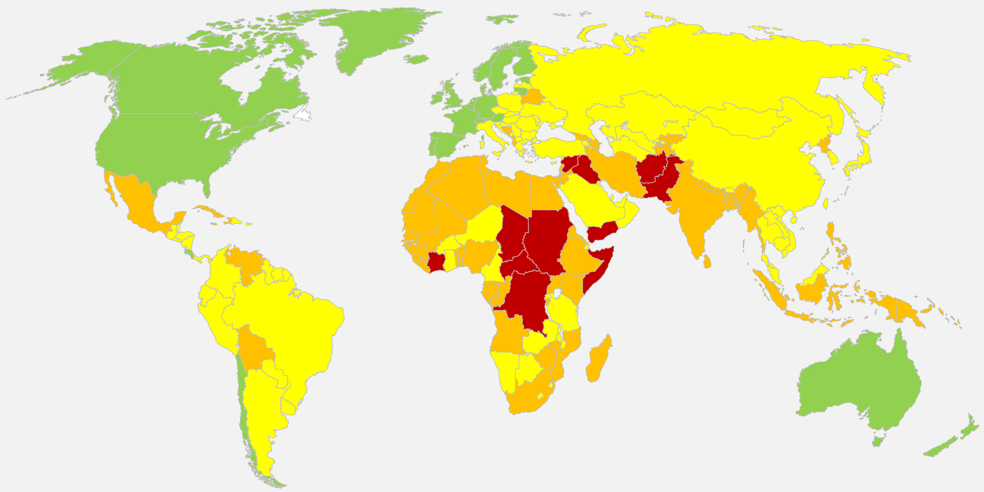
The map on the right shows the risk category of every territory in the world according to the ASTRA score legend shown below. At the time of publication, North America, Oceania and much of northern and western Europe were considered low-risk. Eastern Europe, Eurasia and east Asia were in the moderately-risky category, as were the main South American countries. The countries considered extremely risky clustered in central Africa, the Middle East and South Asia.

Unsurprisingly, the territory with the highest risk rating was Somalia. Some perhaps more surprising results were the low-risk rating of Chile and the high-risk rating of South Africa.

Risk category legend

Low	Moderate	High	Extreme
0–3	3–5	5–7	7–10





The essays

Echoes of the Arab Awakening: the implications for the non-Arab Middle East

The past year has seen endless column inches expended on the consequences for the Arab world of the 'Arab Awakening' – the term now most commonly used to describe the uprisings that have shaken the old order of the Middle East. Yet that order has been shaken at least as much in the non-Arab countries of the region – particularly Turkey, Israel and Iran. Until these revolutions erupted, all three countries had lived for decades with near-somnolent Arab neighbours. Egypt was a lukewarm but vital ally to Israel; Bahrain lived under tight control to keep its Iran-sympathising majority subdued; Syria and Turkey enjoyed close relations. The uprisings have created a kaleidoscope of new threats and opportunities for all three states. As part of our assessment of the year ahead, Aegis examines the varying ways in which these three countries have been affected by, and win or lose from, the changing landscape created by the noisy and uncompleted awakening of their Arab neighbours.

Why Turkey, Israel and Iran?

First, why look at these three states? All three share defining characteristics that set them apart from their Arab neighbours. They are:

- **Non-Arab powers** in a region where Arab states, of admittedly varying sizes and national wealth, dominate by numbers. There are 22 member states of the Arab League (AL), including the currently suspended Syria. Brazil, India, Venezuela and Eritrea have observer status, unlike Turkey and Iran. Israel remains the subject of an AL boycott;
- Perceived as having a shared **imperial or colonising past or present** that puts them at odds with the Arabs who were or are their subjects;
- **Militarily more powerful than their neighbours**. Turkey and Israel have a conventional capability that would enable either country to beat a combination of Arab states ranged against them, even if Israel did stumble against Hezbollah in the Lebanon war of 2006. Iran's conventional forces are substantial, but less powerful than those of Israel or Turkey; however, the Islamic Republic does enjoy the advantage of **power projection into the Arab world** through Hezbollah, which has a reach into some of the Gulf States and into eastern Saudi Arabia. Iran is perceived as a threat in much of the Arab world;
- (Varyingly imperfect) **democracies**; even Iran. The only Arab countries that could lay claim to that title before the Tunisian elections of 23 October 2011 were Lebanon and Iraq;
- Separated from their Arab neighbours by **religion**. Turkey – Sunni, like its neighbours – is set apart by the often militant secularism of the state; Shi'a Iran is at odds with the largely Sunni Arab world, though with significant pressure points available to it in Iraq, Lebanon, Bahrain and Saudi Arabia, all of which have sizeable, in some cases majority, Shi'a communities; while Judaism makes Israel an outsider;
- Above all, **lode-stars for the rest of the region**. Before the Arab Awakening Iran's Islamic Revolution provided a model of how to integrate religion into politics that has inspired even Sunni underground movements, and frightened their rulers. Turkey seemed to provide a model of how a Muslim majority state could accommodate democracy, development and religion, and integrate much more closely with the West. And Israel's economy – the most developed in the region – was both the engine for its neighbours' growth, and a model for modernisation, particularly in agri-business.

Turkey

At first glance, Turkey looks well placed to gain from the turmoil in the Arab world. Before the Arab uprisings, the ruling AK Party had already begun a reorientation of Turkish foreign policy away from traditional allies and aspirations, namely NATO and membership of the EU. Most visible and decisive was the rupture with Israel, a close military partner for decades, a process that visibly began with Turkish objection to the Israeli Operation 'Cast Lead' into Gaza in late 2008 and took specific form after Israel's refusal to apologise for the death of 8 Turkish citizens in the assault on the MV MAVI MARMARA, one of the Gaza-bound humanitarian aid convoy intercepted by the Israeli Defence Force in May 2009.

These Gaza related events may have been a useful pretext for a policy that was already intended to distance Turkey from Israel and to allow for greater rapprochement with the Arab world. Under the slogan ‘zero problems with the neighbours’, Turkey invested considerable effort in developing links to the Arab world and Iran, in particular to Syria and its leader, President Assad. Trade, aid and high level visits were all exploited. Having established a strong domestic power base since first winning power in 2002, especially by deftly subordinating the Turkish military to the rule of the democratically elected government, the moderate Islamist ruling AK Party embarked on a quest to re-establish historic ties to the Middle East that had been dormant for decades. It was noteworthy that neither Greece nor Cyprus, neighbours with whom it could certainly not be claimed there were ‘zero problems’, benefited from the new Turkish initiative.

The popular regional uprisings that began in December 2010 put an end to the Turkish policy in its original form. Close friendly relationships with unelected leaders rejected by their subjects no longer worked. Turkey took an early lead in calling for the departure of President Mubarak in Egypt but hesitated longer over policy towards Libya, where Turkish firms had lucrative contracts and where there were apparently warm personal ties between Muammar Gaddafi and the Turkish Prime Minister, Recep Tayib Erdogan. As the international tide turned, however, Turkey moved from outright opposition to military intervention by NATO, to contributing naval forces to the allied effort. That the AL had called for action no doubt served to help Turkey decide to join the campaign.

Where Turkey followed the crowd with Libya, it has led in the effort to restrain and condemn the armed repression of protestors in Syria. Turkey is now calling for the departure of Assad, is giving humanitarian assistance to some 10,000 refugees who have fled over the border and denies, implausibly, that it is assisting the embryonic military forces of the opposition Free Syrian Army. It is now playing for very high stakes in Syria given the proximity of the country, the dangerous mixture of elements unleashed by the conflict there and the danger that collapse in Syria could bring Israel into the picture.

The Arab Awakening also prompted a sharp drop in the temperature of relations between Turkey and Iran when Ankara perceived, rightly or not, that Iran was behind the eruption of protest among the majority Shi’a population of Bahrain. As the main backer of the regime in Damascus, Iran is also confronting Turkey by proxy in Syria.

The tide seems to be sweeping Turkey’s way. But there are reasons to be cautious. Prime Minister Erdogan’s policies seem to be improvised, reactive and erratic much of the time, and are also highly confrontational. Turkey is now challenging Cyprus and Israel over drilling rights for offshore gas in what most observers accept are Cypriot waters, and has warned Israel to expect retaliation if it continues to intercept relief convoys bound for Gaza. It appears to have bestowed upon itself the role of leader of the Sunni world – a role never quite made explicit but plain to see. This has pitched Ankara into potentially greater confrontation with Shi’a Iran, especially following Turkey’s decision to accept US missile defence radars intended to defend Europe against Iran.

In the long run, Turkey’s claimed leadership of the Sunnis of the Middle East will fail because Turkey is not Arab and the Arab world will resist any attempt, no matter how disguised, for Turkey to reassert an ‘Ottoman’ leadership role. (Most of those outside the Middle East forget that the Ottoman empire’s right to rule was based on the dynasty’s religious, not political, status.) Individual countries may gratefully accept Turkish assistance in throwing off their tyrants but they are unlikely to want to fall into a subordinated status once free. The increasing domestic authoritarianism of the Erdogan government may also sit uncomfortably alongside the demands for freedom now being heard in the Arab world, even if these fail to be realised in many countries. At home, too, Turkey has to confront and sort out the demands of another non-Arab, in this case non-state, player in the region; the Kurdish people. The majority of Kurds live in Turkey. Their cousins in Iraq already enjoy a high degree of autonomy thanks to the US-led intervention that overthrew Saddam Hussein. Should Assad fall, the Kurds of Syria will seek similar freedoms in the new order, adding to the pressure on Ankara to improve the status of its own Kurdish citizens.

Iran

Until events began to threaten the survival of the Assad regime in Syria, Iran appeared to be the major beneficiary of the Arab Awakening. The overthrow of Saddam Hussein in Iraq, a process soon to be formally completed with the withdrawal of American combat troops by end 2011, had already created the first ever Shi’a-ruled Arab state. Though Iran does not dominate Iraq through the al-Maliki government, it undoubtedly enjoys hugely enhanced access and the ability to project its influence further afield in the Arab world thanks to the liberation of the Shi’a population.

The government of Bahrain was explicit in claiming that Iranian agents were behind the protests that broke out among its majority Shi'a population early in 2011. That view was shared by most of the Sunni world and was upheld as recently as November 2011 by the winner of the Tunisian elections, the Sunni Islamist Ennahda party, which asserted that the Bahrain disturbances were nothing to do with the Arab Awakening. This view was refuted by the Bahrain Independent Commission of Inquiry (BICI), established to report on the excesses committed during the suppression of the demonstrations in March 2011. BICI found no evidence of direct Iranian involvement in inciting the demonstrators, though the Bahrain government did point to what it called 'round the clock Iranian propaganda' as a factor in inciting the population. Whether it did or not, the perception that Iran was taking advantage of a most unwelcome manifestation of the spread of the revolutionary spirit was enough to prompt the Saudi and GCC intervention that shut down the protests. In the short term, Saudi Arabia has been seen to act to limit Iranian influence, a victory of sorts but won at the price of fierce international criticism for its brutality. In the longer term, the continued dilemmas faced by the minority Sunni rulers of Bahrain in accommodating the aspirations of the Shi'a without upsetting the Saudis will give Iran the chance to make mischief.

In a development that is perhaps more significant for the grumbling confrontation between Iran and Saudi Arabia, the spirit of the Arab Awakening has now also visibly influenced the Shi'a population in Eastern Province of the Kingdom. This is more easily penetrated than Bahrain, as is Kuwait, whose Shi'a minority may also be woken by the recent political upheavals in the Emirate. And, while the Shi'a Houthi rebels of northern Yemen, who have risen many times in revolt against the government in Sana'a, cannot be described as in any way inspired by the Arab Awakening, the violence and chaos that have accompanied the protracted departure of President Saleh, which are a manifestation of it, certainly do provide Iran with the opportunity to supply weapons, shipments of which have sometimes been intercepted in the Persian Gulf.

The slackening of the bonds of the Egypt/Israel relationship since the fall of Mubarak has also allowed Iran to direct a greater flow of military support to Hamas in the Gaza Strip than was hitherto possible. Egypt's interim military rulers appear, however, to have seen the danger and to have re-imposed tighter controls on the Gaza border. Though the Sunni Muslim Brotherhood is not an obvious partner for Iran, its support base showed unexpected solidarity with Hezbollah during the 2006 war with Israel. It has strong links to Hamas in Gaza.

Iran, increasingly hampered by a tightening sanctions regime, has numerous pressure points in the Arab world, many of them created or made more sensitive as a result of the Arab Awakening. But that same flow in its favour has also brought the threat of a serious reverse. Should Assad fall, Iran will lose its most important strategic asset in the Arab world, Syria. More than that, the fall of Syria would almost certainly cut the ground from under Iran's key ally in Lebanon, Hezbollah. The Shi'a militia is already on the defensive in Lebanon as it seeks to evade the findings of the UN Special Tribunal commissioned to investigate the murder of former Prime Minister, Rafiq Hariri, for which it is said to be responsible. The loss of the supply lines and support that connect it to Iran through Syria would be severe.

Lurking in the background of any calculations that policy makers in Tehran may have about the relative benefits of exploiting the openings available to it in the Arab world is, also, the awareness that, in the Green movement, their country had an uprising a year and a half before the first outbreak of revolution in the Arab world, when popular protest erupted in major cities, and was sustained for several months, against the perceived rigging of the 2009 presidential election result. With the President and the Supreme Leader now openly at odds, and with the economy feeling the pain of the increasingly tight sanctions imposed to curb the nuclear programme, Iran may not feel that the encouragement of revolution in neighbouring states is necessarily wise, given the propensity of its own population to communicate through social media and circumvent official controls.

Israel

The Arab Awakening has threatened the pillars of Israel's regional geopolitical security. This is based on the peace treaties that followed the Camp David accords with Egypt, which turned Egypt and Jordan into partners and most of the rest of the Arab world into states which were at worst neutral towards the Jewish state. But whether full democracy emerges in the states most affected by the Awakening or not, it is probable that they will pursue a foreign policy that more closely reflects popular perceptions of Israel – and these are not favourable. This is a paradox. The state of Israel claims to be the only fully functioning democracy in the Middle East; the arrival of Arab states governed by similar assumptions to those that guided the founding fathers of the State of Israel, ought in theory to be positive. But thus far, the prospect of what democracy might throw up in the form of new assumptions and attitudes to Israel has not been appealing.

The most immediate threat has been from Egypt, where the Supreme Council for the Armed Forces (SCAF) installed as the interim government since the fall of Mubarak, has been less committed to maintenance of the provisions of the Camp David agreement that, effectively, help guarantee the Sinai and Gaza borders for Israel. Early in the year, it was clear that the relaxations of the security regime enforced in the area by Mubarak were permitting an increase in the smuggling of weapons into Gaza. Iran, Hezbollah and Hamas, all enemies as far as the Egyptian military are concerned, appeared to be the major beneficiary of the relaxation. The gas pipelines that supply Israel and Jordan from Egypt were also subject to frequent attack. Though SCAF has now redefined Egypt's interest and implemented measures to improve security in Sinai, which has always been difficult territory for Cairo to control, there is no guarantee that a successor government that emerges from the political changes that the electoral process will bring will be as willing to maintain Israel's interests.

Closer to home, neither Hamas nor Fatah, nor indeed the Palestinian population as a whole, has been much influenced by the Arab Awakening – unsurprising, given that they have not needed it to motivate them in their pre-existing struggle. And while King Abdullah of Jordan has faced popular protest and demands for change, he has handled them deftly to date. Jordan's survival in its current form seems secure at present but is a major worry for Israel, one that it can do little or nothing to influence; its loss as an ally would represent a major security threat.

Across Israel's northern borders, the situation in Syria and Lebanon offers both threat and opportunity. The outcome of the popular struggle against Assad remains uncertain. As the leader of the least tractable of the states bordering Israel, Assad is seen as an obstacle to peace in Washington and Tel Aviv. This unfairly ignores his apparently sincere engagement in proximity talks brokered by Turkey when Ankara and Damascus were still friends; and of course also ignores the intransigence shown to the Peace Process by Israel. His removal by a popular revolt could, accordingly, brighten an otherwise dark horizon. No-one can predict, however, what constellation of forces might emerge in his place, or how much more hostile its policy towards Israel might be – particularly given that perhaps the Assad regime's most popular policy has been its refusal to sign a peace treaty with Israel. At the very least, were Turkey to replace Iran as the external power with the greatest influence in Damascus, Israel would be comforted, notwithstanding the severe tension in the relationship between Ankara and Tel Aviv. Nevertheless, the future course of events in Syria is fraught with potential for greater insecurity from an Israeli perspective.

The fall of Assad could provoke the fall of Hezbollah in Lebanon or, more probably, reignite the tensions in Lebanon that led to its long running civil war. Instability on the Lebanon/Israel border would probably give rise to more cross border attacks as the parties in Lebanon, primarily Hezbollah in this scenario, fought to assert themselves and used attacks on Israel as a way of advancing their position. Israel enjoyed considerable freedom of action in Lebanon during the last civil war. The Israeli public would not relish the prospect of renewed instability across the border; cynics could argue that the government of Benjamin Netanyahu would enthusiastically embrace the opportunity that such instability gave to refuse to make any concessions to the Palestinians.

Conclusion

The Arab Awakening is a process that has only just begun. None of the Arabs' regional neighbours is unaffected by the maelstrom of developments in the past 12 months. Only Turkey, and even that is far from certain, can view developments in the region that it has newly embraced as almost wholly positive to its interests. Like Israel and Iran, it has much at stake in the fate of Syria. What happens to Egypt matters enormously to Israel, dependent as it is on the increasingly unsustainable maintenance of a blockade against Gaza, something that the Muslim Brotherhood – likely to emerge as the principal victor from Egypt's ongoing parliamentary elections – is unlikely to countenance. Iran, surrounded by enemies as it sees itself, and riven by internal disagreements, may hope to raise distractions by exploiting the new enthusiasm for freedom of the Shi'a populations of the Gulf. By doing so, it raises the stakes for confrontation with Saudi Arabia and, perhaps, the United States.

Yet if the specifics of how Turkey, Israel and Iran will be affected by the Awakening's effects on individual countries will vary, there is one area in which all three states will lose – as sources of emulation. In theory Turkey in particular should offer a model of how a Muslim majority state can accommodate democracy, development and religion, and integrate much more closely with the West. Yet the next year will see the Arab world throw up its own competing sources of emulation, with Egypt, Tunisia and probably Libya all ending up with Islamists forming a plurality in parliament and government, all trying to find their own way of accommodating competing internal pressures – and Syria probably providing an example of how not to go about it. These states will be the yardsticks for regional change.

The Middle East regional threat-opportunity matrix

For which non-Arab regional pivotal power (on the right) does the upheaval in each Arab country (below) present a threat and/or an opportunity?	**Turkey**	**Iran**	**Israel**
Syria	Threat and opportunity	Threat	Threat
Egypt	Opportunity	Threat and opportunity	Threat
Libya	Opportunity	No significant impact	No significant impact
Tunisia	Opportunity	No significant impact	No significant impact
Bahrain	No significant impact	Opportunity	No significant impact
Jordan	No significant impact	No significant impact	Threat
Yemen	No significant impact	Opportunity	No significant impact

China's naked princelings: the Fifth Generation leadership and social stability

China has boomed in the last decade. Its economy has grown from the same size as Italy's in 2001 to surpass that of Japan, at over $5.4 trillion, in 2010. Growth rates have averaged over 9% a year, in large part thanks to China's export boom from 2001 until the 2008 financial crisis, when the biggest monetary expansion in history kept the juggernaut moving.

China's gilded decade may be coming to a close, though. The country faces a sharply weaker world economy, curtailing earnings from export industries, while money growth has created a raft of problems. Inflation has run at over 6% for most of 2011, pinching consumers and forcing the government to slow the investment boom. Property prices are starting to fall. A tumble of more than 15% would have severe implications: for municipal governments, which earn revenues on land sales; for savers, who have shunned low bank returns and favoured property speculation; and for the banks, since land is the main form of collateral for loans. Indeed, a debt crisis may now render the banking system technically insolvent, as in the late 1990s and again in 2004. Domestic consumption cannot yet provide growth; it still amounts to only 47% of GDP, owing to the weakness of the social security net. The next generation will also struggle to provide for their parents as the demographic pyramid inverts. The Chinese economy, then, requires widespread reform to maintain growth, and, more importantly, to forestall social unrest.

Enter the princelings

But reform is not on the agenda. The Chinese Communist Party (CCP) is entering a tricky leadership transition, lessening appetite for change. At the 18th CCP Congress in October 2012 Hu Jintao and Wen Jiabao will hand over control to the so-called Fifth Generation leadership. The shape of the new Politburo Standing Committee (PBSC), the nine member board which rules China, is emerging. Xi Jinping, current Deputy General Secretary of the CCP Central Committee, will probably succeed Hu Jintao. The premiership will probably fall to Li Keqiang, or (less likely) to his rival Wang Qishan. Other prominent candidates for the PBSC include Bo Xilai, the current party chief of Chongqing Municipality, known for stamping out mafia and singing Maoist songs (da hei chang hong), and Wang Yang, who runs Guangdong Province.

The CCP has two main factions: the Taizi Dang or Princelings Party, which comprises the children of senior CCP officials and focuses on social control; and the Tuan Pai or China Youth League (CYL) group, which has a more populist approach to economics. The Princelings will likely dominate the new PBSC. Of particular note in this context is that the transition will be the first which is open to uncontrolled voting in the 200 strong CCP Central Committee (Deng Xiaoping chose both Jiang Xemin and Hu Jintao as successors). Accordingly, the Fifth Generation leadership will be the weakest since 1949, and the most subject to influence by vested interests, such as the patronage networks of CCP cadres and their families. These networks are large; current security chief Zhou Yongkang runs the oil industry as his own fief. And they are lucrative; Bo Xilai simultaneously quotes Mao and pays fees to educate his offspring at Harrow and Oxford. The problem is also not confined to the upper echelons of the CCP. In October 2010 a drunken youth ran over and killed a passer-by in Baoding in Hebei. When arrested, he invoked his father, head of the local Public Security Bureau, and his words, 'My father is Li Gang', have become a synonym for abuse of privilege.

The transition to the Fifth Generation is also complicated by another social factor, the implications of which remain unclear but which deserve attention. The 'Princelings' of the PBSC factional world are not alone. They represent the tip of a generational iceberg that is unique in human history. The young adults maturing today and entering political and economic life in China are products of the 'one child' policy introduced in 1979 as a means of controlling population growth. The policy has been widely criticised for skewing the demographic mix of China in favour of males. It also threatens to inflict on China three decades hence the problems of an aging population already seen in Japan and looming in Europe. More immediately, and of direct concern in the context of the shift to the Fifth Generation against a background of slowing growth and increased disparity between regions and classes, the policy is suspected of having bred a generation of socially dysfunctional young adults. It is no surprise that the aspirant PBSC faction should be known as Princelings. In wider society, the only children who are the products of the 'one child' policy are collectively described as 'Little Emperors'. Can these young men – they are mainly young men – interact with each other and with wider society or have they been so spoiled as to make their future responses to crisis unpredictable?

The guide to the Fifth Generation

Name	Home province	Current role	Faction		
			Princeling	CYL	Shanghai Clique
Xi Jinping	Jiangsu	Deputy General Secretary of CCP			
Li Keqiang	Anhui	Vice-Premier for Economic Affairs			
Wang Qishan	Shandong	Vice-Premier for Economic Affairs			
Bo Xilai	Shanxi	Party chief of Chongqing			
Wang Yang	Anhui	Party chief of Guangdong			
Liu Yandong	Jiangsu	State councillor			
Li Yuanchao	Jiangsu	Head of CCP Organisation Department			
Meng Jianzhu	Jiangsu	Minister for Public Security			
Hu Chunhua	Hubei	Party Chief of Inner Mongolia			
Sun Zhengcai	Shandong	Minister for Agriculture			

Demography and division – the baseline for unrest

Ordinary people watch this red aristocracy abuse the system with growing ire. 40% of Chinese polled recently are unhappy with their lives, while 70% of farmers expressed dissatisfaction and 60% of China's wealthiest people want to emigrate. Of course, the motives for discontent vary, with farmers angry at land seizures and wealthy people concerned to protect their assets, but the sense of discontent is real. Worth noting in this context are both the sheer scale of China's itinerant workforce and the dislocating consequences of China's single child policy. China has at least 140 million itinerant workers, who thanks to the iniquities of the hukou system (see below) and the cyclical nature of much urban employment present a huge potential for local instability – thousands of these men and women can be seen outside most major urban railway stations, corralled by the Public Security Bureau ahead of either being hired as jobbing labour or forced onto trains back to rural counties. The single child policy has exacerbated this threat. Owing to parents' sexual preference, China currently has an excess of 32 million men to women in the under-20 age group. An excess of angry, young men, known in Chinese as fenqing, is a historic source of disorder in China, and indeed, unrest is becoming frequent, often violent and widespread. Official sources state that 127,000 so-called 'mass incidents' took place in 2010, an average of 340 a day. Incidents which became public in 2011 included:

- Riots in Inner Mongolia in June after a Han Chinese lorry driver ran down a Mongolian herder seeking to prevent damage to local pasture;
- In Zengchang in Guangdong in June riots broke out in response to the beating of a pregnant woman by the security services;
- In June, riots in Wengan in Guizhou erupted over the questionable death of a teenage girl at the hands of security services;
- Unrest in mid-July in Xinjiang saw Uighur attacks with knives and bombs on Han Chinese, with more than 14 killed;
- In August in Dalian in Liaoning, a peaceful protest by more than 12,000 citizens led to the closure of a polluting chemical factory;
- And 11 self-immolations over the year, in protest at government policy, in China's Tibetan regions, with most taking place in Aba Prefecture in Sichuan.

Most protests focus on local issues, but organisation at a wider scale is improving thanks to social media and mobile telephony. Government policy has amounted, thus far, to appeasing non-political demands, while cracking down on those which undermine party authority, such as Liu Xiaobo's Charter 08. However, these efforts do nothing to reduce the three major fault lines which divide Chinese society.

The first such division is between city and countryside. China regulates movement from urban to rural regions on the basis of the hukou, or household registration, system. The hukou differentiates between urban holders with rights to social security services, and those from rural areas, where social provision is much weaker; it thus formalises inequity. The lack of rights of migrant workers is a major concern in manufacturing regions, such as Guangdong. In general, the government has sought to appease workers with wage rises, but options for real reform are limited. Permitting free trade unions raises threats to party control, as Solidarity showed in 1980s Poland, while wage rises stoke inflation and erode China's competitive advantage.

The second division is between the middle class and the ruling elite. The middle classes, which may reach 700 million people in 2015, live precarious lives but still save. Middle class anger plays out in environmental protests, in support for dissident Ai Weiwei, in ire at the Wenzhou rail crash or in horror at the appalling treatment of Wang Yueyue, a little girl run over and left to die by 18 passers-by. Indeed, Little Yueyue's death underlined the lack of a value system in contemporary China comparable to historic Daoism, Buddhism and Confucianism. Perhaps of greater concern for the government, though, the middle class is liable to lose much in any property crash, so sharpening fury at corruption, while a desire for clear property rights conflicts with the CCP's above-the-law status.

Finally, China has significant ethnic and regional divisions, such as those inherent in the uprisings in Tibet in 2008 and in Xinjiang in 2009. Of comparable, if underplayed, importance, though, are differences amongst Han Chinese provinces, with local dialects (fangyan) being often unintelligible to mainstream Mandarin speakers and a source of local pride; up to 20,000 people protested in June 2010 in Guangzhou over cuts to Cantonese TV programming. Furthermore, China is a heavily decentralised country, with powers such as the collection of taxation or the issuance of land licences devolved to local authorities. Provincial governments routinely run protectionist policies; a common sight at provincial boundaries is goods being transferred to vehicles from other counties so as to avoid taxes. Accordingly, any move towards a consumption-led system, which would require the establishment of a social security net, would provoke a showdown with local authorities over tax revenues.

Conclusion

Overcoming these challenges requires real reform, but that may be impossible. The strength of vested interests is growing. In certain municipalities, such as in Liaoning province, mafia takeover of government functions has occurred; the state is becoming predatory. Central government control mechanisms are also increasingly weak. Statistical analysis of the CCP's Central Discipline Inspection Commission suggests it is investigating ever fewer corruption cases and that officials caught receive ever shorter sentences. Of course, China's current wealth makes a collapse akin to that in Soviet Union unlikely, but social unrest is starting to undermine what has hitherto been its greatest asset: its stability. It is hard to predict when those in the know – the security services – might abandon the regime, thus hollowing out the system at a stroke. It is becoming an increasing risk, though.

China's people are well aware of tian ming, the Mandate of Heaven. This rule of history dictates that a dynasty starts strong, often harsh, but in time the palace becomes a gilded cage, the eunuchs take over, advance their favourites, and pilfer the treasury. Then, the dynasty falls. Increasingly, China's people are asking whether the eunuchs have come to rule.

Somali piracy and the price of oil: the unforeseen consequences of banning ransoms

On December 16th 2008 the United Nations Security Council passed Security Council Resolution 1851, a document that ushered in a concerted multi-dimensional, multilateral effort to address the threat to shipping posed by pirates based on Somalia's eastern seaboard. This effort has coordinated navies, built prisons, created security sector training programmes and development projects, and brought into the process different actors – ranging from the maritime industry to poor states in the sub-region – who would otherwise have been marginalized in the international response. Yet three years on, Somalia's pirates – operating from the same bases as in 2008 – are more lethal, more numerous, and more wealthy than in December 2008; an average of two vessels a month is still being hijacked and returned to Somali sanctuaries, despite the sterling efforts of navies from across the globe; the threat area has expanded to reach the Strait of Hormuz and the edge of Indian territorial waters; and the average ransom needed to release a vessel and its crew has nearly trebled.

Hammers and screws – why counter-piracy policy has not worked

While it would be tempting to blame this failure to turn the tide on a lack of effort, or a failure to understand the phenomenon, or – that easiest of whipping-boys – 'the UN', in reality the nature of the Somali pirate phenomenon, and the tools the international community has at its disposal, could have produced no other outcome. For the pirate gangs are a sub-state actor par excellence, operating from a territory where state actors fear to tread. A criminal start-up – not the aggrieved fishermen of legend – drawn from a range of Somalia's clans and sub-clans, pirate gangs deliberately based themselves in marginal areas where the authority of the semi-autonomous Puntland administration or the Transitional Federal Government (TFG) in Mogadishu were weak. They developed a business model that still serves them well, based on hijacking a vessel and its crew, sticking close to the latter during transit to preclude naval interdiction, and keeping both in littoral sanctuaries for months on end while ransom negotiations are conducted. Ransoms are paid in cash and laundered through informal or opaque mechanisms such as hawala or regional private banks, making them difficult to trace.

The pirates have long shown an exceptional ability to limit their activities and links in such a way as to minimise the chances of the international community deciding to destroy them and their sanctuaries – for instance by not routinely executing their hostages, and by keeping Al-Shabaab, the Al-Qa'ida-linked militia that dominates much of the south of Somalia, at arm's length. They have conducted a fairly sophisticated information operations campaign – 'pirate stock markets', 'networks of agents', Somali Robin Hoods who would return to other jobs if foreigners stopped raping their seas – aimed at making them appear both more legitimate and more deep-rooted than they are. And they are operating in an area where specific sub-clan links diffuse attempts to impose authority over them.

Against this the international community has been forced to employ mechanisms that, due to circumstances, can have only limited effects. Navies can use force only in very limited circumstances, must often release most of the pirates they detain, and are confronted with an operating area that expands as their resources contract. Aid donors, unable to deploy personnel or obtain the information needed to satisfy internal auditors, find it difficult to identify implementing partners and establish and monitor projects. Foreign ministries are finding that policy slows to a walking pace when each effort requires engagement with a completely different set of states; flag states (who regulate the shipping industry) are rarely large naval contributors, aid donor states are often neither, and sub-regional states – those most economically affected by piracy – overlap with no other category at all. Factor in governments with much greater priorities than piracy, a maritime industry that is complex and impossible to herd, a shore-based threat that precludes protracted engagement, and Somali political structures long on titles but short on leverage, and it is remarkable that any progress is made at all.

And the situation may well get worse. It is distinctly possible that states will have fewer resources to address the pirate threat over the next few years; given that much of the world is facing economic stagnation and defence retrenchment, it would be surprising if states with other concerns were not dispirited by the apparent intractability of the Somali piracy issue and shifted resources elsewhere. If the current effort has at best managed to contain the pirate threat, it is easy to see how a reduced multilateral effort would leave the Somali gangs – more numerous, powerful and lethal than they have ever been – able to intensify their activities and increase their effect.

The *ban the ransoms* shortcut…

How will governments try to prevent reduced commitments leading to a boom in pirate activity? It is probable that they will look for short-cuts that will require no extra military assets and cost little to impose. The most tempting of these short-cuts is the banning of ransom payments to Somali pirate gangs – something that elements of the US government in particular have long argued is vital. But the unforeseen consequences of this move could be huge.

Paying ransoms is undoubtedly wrong; it rewards the criminal, and encourages his imitators. Governments seem to acknowledge, however, that in this case it is a necessary evil, if only because it is the only guarantee that a vessel and its crew will be returned. It is internationally accepted that payment of ransoms to Al-Shabaab or other groups listed as terrorist is illegal in many jurisdictions (particularly, crucially, the US). At the moment, the most that one can say is that some ransom revenues may go to Al-Shabaab-affiliated local groupings as a gesture of respect and mutual obligation – although the recent kidnappings of expatriates from Kenyan territory have made some policymakers argue that the links are much stronger. Many in government hope a connection between ransoms and Al-Shabaab will emerge, if only because they believe that if ransoms are banned, the pirates do not have a business and the problem goes away; the link would thus justify action that might otherwise be difficult to take.

Yet if governments want to limit the impact of Somali piracy over the next few years, then they must resist the temptation to ban ransoms. In part this is because it will not stop all ransoms being paid – owners will feel morally bound to secure the crew, and financially bound to secure the vessel, and will simply try to pay in a deniable fashion. It is probable that there will be enough of these owners to ensure the gangs' business model can survive. But it is also because it could have a significant economic impact. This is because much of the traffic to and from the threat area – particularly the Persian Gulf – would refuse to sail at all.

… and why it will lead to disaster

The logic works like this. For ship-owners there is no guarantee that a vessel sailing through the threat area will not be hijacked. (While so far no vessel with an armed security team on board has been boarded, let alone hijacked, even most of the companies providing the service insist it provides no guarantee. Other supposedly fail-safe measures have also not prevented hijacks; citadels – secure rooms within a vessel to which crews retreat, to wait for rescue by naval forces – have been broken into, and vessels sailing in convoys escorted by naval vessels have been seized.) Once hijacked, ransoms are the only guarantee of a vessel's return. This means that owners whose vessels are sailing through the threat area – and oil and gas traffic going to or from the Persian Gulf has no choice, now that the pirates threaten the Gulf of Oman – need ransoms as a backstop.

Once ransoms are made illegal, smaller shipping firms, or those with a limited corporate exposure in likely sanctions states – particularly the US – might feel they could manage to keep any payment deniable. For instance, the owner of a firm could decide to do everything through his own contacts, keeping internal company structures in the dark. Other small firms might not bother to try to keep things deniable; they might be willing to face trial to assert the principle that they should be able to pay to regain their asset and their crew.

Larger, higher-profile, Western-linked firms, on the other hand, will almost certainly decide otherwise. Internally, they will find it harder to authorise the use of deniable means, and will feel exposed in the event of success – how *did* that supertanker get released without a ransom being paid? Whether for reputational, shareholder, or political reasons, they will probably find themselves having to adopt a policy of no ransom payments. This in turn will cause their crews – who if hijacked will face years in captivity without the prospect of swift release – to refuse to sail. In-house counsel will argue that sending mariners into the threat area without the ransom guarantee would violate the firm's duty of care. Board members will refuse to risk an asset worth tens of millions of dollars, finding it preferable to temporarily lay up the vessel or put it on other routes, and accepting the financial cost this will involve. Faced with this situation, only a firm ready to risk either a bruising confrontation with sanctions state prosecutors, or the possibility of suffering a massive, uninsurable loss, would send its vessels into the threat area. It is probable that most Western-linked firms would take the costly decision not to sail at all.

This is not pie-in-the-sky. When US Presidential Executive Order 13536, proscribing payments to certain Somalis, was issued in April 2010, its wording was so imprecise, the identification of the individuals so nebulous, and statements about the culpability of industry if even indirectly linked to a transaction so severe, that there was a real concern that wider maritime industry – owners, insurers, shippers – with assets held in US currency could see those assets frozen by the US Office of Foreign Assets Control (OFAC). Industry as a whole made representations to the US State Department and obtained some reassurances; however, it was only when OFAC confirmed that it would adopt a commercial approach that concerns about an obstruction to trade were lifted. In this case the US government did not intend to penalise industry, so was amenable to reason; but if the intention was to ban ransoms outright, it is unlikely that a deal could be done.

Governments might be able to provide some incentives to keep the traffic flowing; for instance, government-backed pool reinsurance, such as was provided during the Tanker War in the Persian Gulf in the 1980s, might limit a firm’s potential exposure. Nevertheless, it is hard to believe that most large fleets, particularly oil and gas tanker fleets, would not refuse to sail many, if not most, of the vessels bound for the threat area. This could have huge consequences. Most Gulf oil and gas cargoes cannot reach their markets other than through the Strait of Hormuz; somewhere between 30% and 40% of the oil traded by sea, and nearly 20% of oil traded worldwide, flows through the Strait. It is hard to believe that any major interruption would not cause – at a minimum – a significant spike in oil prices.

Conclusion

It is probable that the next year will see pressure to ban ransom payments grow. This will be assisted by a basic tendency in government (particularly in navies) to hold the shipping world responsible for its own misfortune. The next year will see increased competition for limited resources – exactly the kind of environment in which stakeholders start playing the blame game, and in which quick fix policy decisions get made.

Banning payments would not be a permanent problem; governments would find work-arounds (such as reinsurance, or a naval vessel escorting each supertanker through the threat area) that would permit the flow to resume in weeks or months. But in the immediate term there would be a real, substantial impact on ship movements in the threat area; and the potential effect of that impact on global commodity prices, particularly oil and gas, would be huge.

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Outlook for other key emerging markets

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South Africa: Zuma fights for survival as underlying problems remain unresolved

Next year will be a critical year for South African President Jacob Zuma. He must re-establish his authority over African National Congress (ANC) ahead of the party's conference, where its leadership will be determined. It is likely that Zuma will be re-elected. However, the tri-partite alliance of the ANC, COSATU and the South African Communist Party (SACP) is deeply divided and his victory is by no means certain.

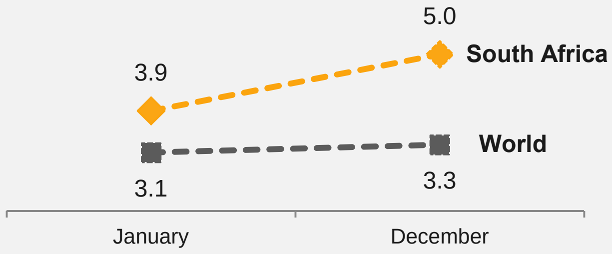
Zuma has been widely criticised for weak leadership and a failure to create jobs. Neither the tri-partite alliance, the internal factions within it, or the official opposition, Democratic Alliance (DA), is seen as effectively addressing the issue of job creation or youth unemployment and its underlying causes – possibly because there are no ready solutions. Julius Malema, the influential leader of the ANC Youth League (YL) has been suspended from the party for five years but retains – pending the outcome of his appeal – his position of head of the YL. Malema is the most high-profile figure whose populist rhetoric is seen by the urban poor as reflecting their disquiet at the failure of government to address this problem and persistent inequalities along racial lines. Malema's support base is, however, limited and, polls indicate, subject to increasing erosion.

Foreign investors can take some comfort in that the ANC mainstream have traditionally not allowed its tri-partite partners, who are committed to nationalisation, to dictate economic policy. Kgalema Motlanthe, Zuma's deputy and a former caretaker president, whilst he is Malema's choice of candidate should Zuma fall, is unlikely to buck this trend. Whilst wholesale nationalisation is not on the cards, a more interventionist approach towards the economy remains the most likely outcome whether Zuma gains a second term or not. Continuing failure to address South Africa's underlying economic problems, rooted in labour market rigidities as well as deficiencies of skills, capacity, and energy and rail infrastructure, will eventually threaten the viability and sustainability of the post-apartheid political settlement.

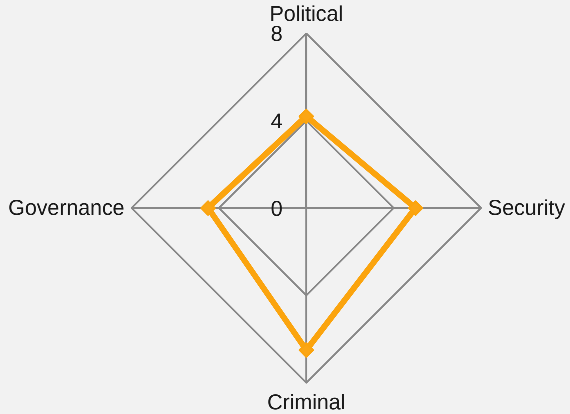
Look out for: Signs that Malema, YL, COSATU and SACP are able, despite moves to contain them, to mobilise popular discontent to the point of threatening Zuma's re-election and breaking the ANC mainstream's traditional hold over economic policy.

ASTRA strategic risk scores

The Aegis Strategic Risk Assessment (ASTRA) model quantifies the level of strategic risk in a country on scale of 1 to 10, with 1 as the safest and 10 as the riskiest. During 2011, South Africa's score increased by 28%, which is significantly more than the 6% increase for the overall global score.



South Africa's current weighted ASTRA score of 5.0 is driven by criminal and security risks.



Russia: is there an alternative to Putin?

The size of the protests against alleged vote-rigging in the parliamentary elections of December 2011 has undoubtedly emboldened Russia's fragmentary opposition and attracted many who have not protested before. Demonstrations are likely to continue in the short term at least. The next protest, planned for 24 December, will be key in ascertaining whether or not the opposition movement has any momentum. Meanwhile, the global economic crisis has stalled the near decade-long rise in Russian living standards – one of the foundation stones of Putin's popularity. An Arab Awakening style uprising by disaffected youth is unlikely, however, given the country's ageing population, most of whom fear a return to the anarchy of the pre-Putin 1990s.

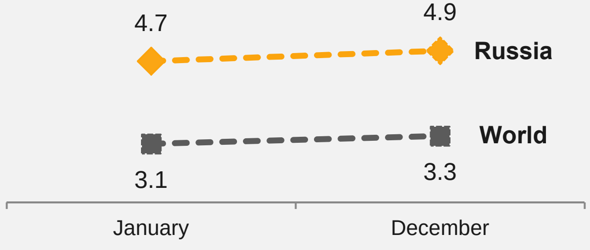
While the opposition remains fragmented, Putin continues to be the most popular politician in Russia by a considerable margin, and is still the most likely winner of the March 2012 presidential election. As ever, without a successor, the biggest risk to continuing stability would be the sudden death or incapacity of Putin himself. Still, the indications that Mikhail Prokhorov will run for the presidency may push those elections into the second round. Nevertheless, one should not underestimate the Russian government's ability to shape the political climate through proxy candidates, security incidents, policy shifts or indeed constituency-pleasing successes such EU visa liberalisation or WTO entry.

If he does become president once more, Putin's third term is unlikely see any dramatic changes to Russia's social, regulatory or economic landscape. To do so would require Putin to lessen his grip upon Russian society and business, a move which not only runs counter to his authoritarian style of leadership, but which would undermine the hierarchy of vested interests upon which his very rule rests. Those same interests have little interest in diversifying the economy away from commodities or challenging corruption, whatever the pressures of falling prices on the economy.

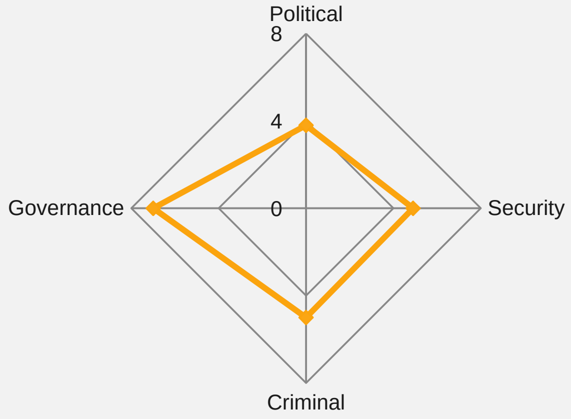
Date to watch: 4 March 2012, when the presidential election takes place.

ASTRA strategic risk scores

The Aegis Strategic Risk Assessment (ASTRA) model quantifies the level of strategic risk in a country on scale of 1 to 10, with 1 as the safest and 10 as the riskiest. During 2011, Russia's score increased by 4%, which is less than the 6% increase for the overall global score.



Russia's current weighted ASTRA score of 4.9 is driven by governance risks.



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Brazil: are the boom years over?

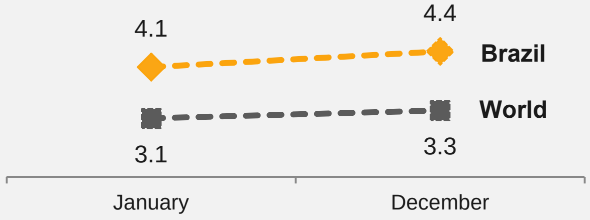
During her first year in office, Brazilian President Dilma Rousseff has benefited from a continued economic boom and has so far managed to prevent severe inflation. However, concerns remain over her ability to balance monetary and fiscal policy and the extent to which she would be capable of dealing with a significant economic downturn. Despite its image as the poster child for the Latin American decade, Brazil's estimated GDP growth of 3.5% in 2012 will be less than a number of other countries in the region, notably Panama (6.6%), Peru (5%) and Colombia (4.4%). Furthermore, the fast-growing low to middle-income consumer class has seen a substantial increase in household debt which would become a concern were economic growth to falter.

A significant portion of Rousseffs' first year has been spent dealing with corruption charges against key ministers; since she took office her chief of staff and the ministers of agriculture, transport, tourism and sport have left their positions as a result of corruption allegations; the labour minister, Carlos Lupi, was the seventh to resign. He went on 5 December in response to media claims that he had drawn salaries from both the national and state legislatures.

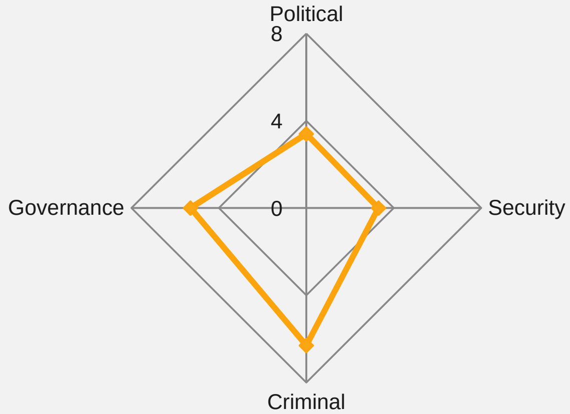
To her credit, Rousseff has so far managed to avoid being swept up in the scandals and has taken an anti-corruption stance that has proved popular. However, the departure of so many experienced ministers, although necessary, will make it more difficult to manage an ideologically diverse multi-party alliance. Despite her high-profile anti-corruption stance, corruption remains pervasive and is in part linked to Brazil's burdensome bureaucracy and inefficient political infrastructure: without reform of these areas no significant improvement is expected.

ASTRA strategic risk scores

The Aegis Strategic Risk Assessment (ASTRA) model quantifies the level of strategic risk in a country on scale of 1 to 10, with 1 as the safest and 10 as the riskiest. During 2011, Brazil's score increased by 7%, which is marginally more than the 6% increase for the overall global score.



Brazil's current weighted ASTRA score of 4.4 is driven by criminal risks.



India: getting back to business?

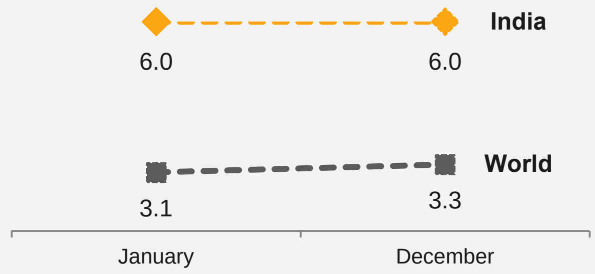
After a year in which public anger over corruption scandals reached critical mass and the economic growth began to slow, India's leadership has much to do in 2012. Whether they will be able to get a grip is, however, highly questionable given how moribund the Congress-led government is beginning to look. The party has failed to push through vital political and economic reforms during 2011, despite a desperate push to regain the initiative during the last session of parliament which saw them forced into a humiliating climb-down on opening up the retail sector to foreign investment. Given that further bills on issues such as land reform are likely to be even more controversial, and with a series of state elections likely to absorb much of the political focus next year, it is entirely possible that the government will still be in a shambles in the run up to the general election in 2014.

This lack of action would be less concerning if there were not so many pressing issues facing the country. Economic growth forecasts have been slashed repeatedly, investment in infrastructure is woeful, and the perennial problem of high inflation remains, despite repeated interest rate hikes by the central bank. Terrorism, in the form of attacks by Pakistan-based and, increasingly ,domestic Islamist militants remains a severe threat, whilst the Maoist rebels known as Naxalites continue to underline how India's extreme poverty can undermine security. Strategically, India has to contend with a deeply unpredictable neighbour in Pakistan and a growing rivalry with China in virtually every sphere, a competition which will only become more overt in 2012.

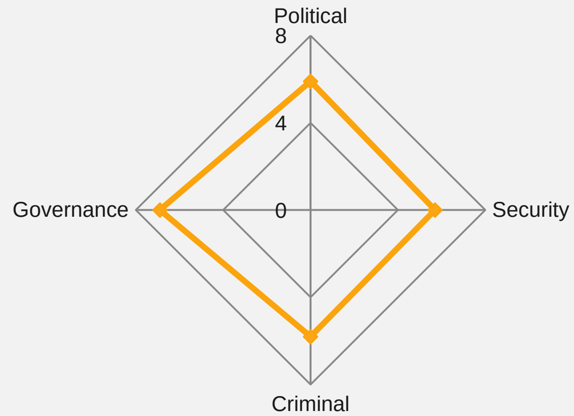
Given these issues, Indians can ill-afford another year wasted by their government.

ASTRA strategic risk scores

The Aegis Strategic Risk Assessment (ASTRA) model quantifies the level of strategic risk in a country on scale of 1 to 10, with 1 as the safest and 10 as the riskiest. At the end of 2011, India's score returned to its starting position in January, which compares favourably with the 6% increase for the overall global score.



India's current weighted ASTRA score of 6.0 is driven by governance and political risks.



About Aegis Advisory

Aegis Advisory is a specialist consultancy that supports businesses in assessing and adjusting their exposure to risk by providing privileged insights and timely intelligence. We offer the following services:

Enhanced due diligence
In-depth intelligence from human sources on the companies, organisations and individuals that matter

Strategic risk analysis
The Aegis Strategic Risk Assessment tool delivers a customisable framework for assessing country risk

Operational risk analysis
Helping clients to understand day-to-day aspects of risk in unfamiliar places and to navigate new markets

Maritime intelligence services
Mapping and analysing maritime risk worldwide to help clients assess threats and plan accordingly

Aegis Advisory in Iraq
Helping clients enter and operate in Iraq through advisory services from detailed market research to due diligence

Market entry consulting
Advising clients on strategies, tactics and opportunities as they look to enter new markets

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About ASTRA

Aegis Advisory's strategic risk analysis is central to the efforts of many global companies as they seek to minimise downside risks and maximise returns on their investments. At the core of this service is our Aegis Strategic Risk Assessment (ASTRA) tool.

ASTRA is a risk profiling service that quantifies risk levels for a wide range of risk factors and countries relevant to our clients. This helps them understand the implications of strategic trends for their operations. ASTRA is regularly updated by our analysts based in London and in locations around the world, with regular input from Aegis' wide range of senior sources on the ground.

ASTRA at a glance:

- covers over 130 countries and 99% of world GDP;
- is numerical and textual, quantitative and qualitative;
- over 30 risk factors;
- comprises political, security, criminal and governance categories; and
- offers standardised risk factor, category and country scores.

ASTRA is fully customisable:

- Scope: clients select which countries and risk factors they want covered, and how those individual scores are weighted;
- Timing: updates can be sent whenever ASTRA is updated, or at agreed intervals;
- Format: risk scores can be presented as reports (such as in PDF), electronic data feeds (in Excel or XML), or they can be accessed on our interactive website
- Cost: access to our intelligence costs as little as £50 per annum per country.

ASTRA is a risk profiling service that monitors underlying strategic risk trends in a market rather than simply echoing events there.

www.aegisworld.com/advisory/strategicrisk

About the *Strategic risk index*

The *Strategic risk index* has been developed by Aegis Advisory and Integro Insurance to quantify the level of strategic risk in the 40 large emerging and frontier markets, and compare it to the riskiness of developed economies and the world average. Index values are compiled from scores from the unique Aegis Strategic Risk Assessment (ASTRA) model, a risk profiling service that is described on the left.

The composite indices shown on page 2 comprise the following countries' scores weighted by their share of GDP at market exchange rates:

- **Emerging and frontier:** Algeria, Angola, Argentina, Bangladesh, Brazil, Chile, China, Colombia, Czech Republic, Ecuador, Egypt, Hungary, India, Indonesia, Iran, Iraq, Kazakhstan, Kuwait, Libya, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, Slovakia, Sudan, Syria, Thailand, Turkey, UAE, Ukraine, Venezuela and Vietnam
- **Developed:** Australia, Canada, Japan, Switzerland, US and the EU15 member states prior to the 2004 enlargement
- **World:** all the material economies, together comprising over 99% of world GDP

Index data are updated weekly on our dedicated website at **strategicriskindex.com**. On the website we also publish regular strategic risk alerts that look beyond the numbers and analyse the events driving the risk scores. Finally, we also publish insurance thought leadership reports that explore the latest trends for organisations looking to transfer the risks to which they are exposed.

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