Fundación MAPFRE

RISK ENVIRONMENT 2024–2026: CLASSIFICATION AND ANALYSIS

MAPFRE Economics

Risk Environment 2024–2026: Classification and Analysis

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Presentation

The process of preparing plausible economic forecasts and scenarios depends on both the application of economic logic under normal conditions and an understanding of risk elements with the potential to transform a central view into an alternative view that is less likely and entails higher socioeconomic costs. Risk conceptualization is an abstract exercise linked to secular dynamics of a social, economic, and political nature, which in turn are conditioned by the context in which they arise and at the mercy of catalysts of change.

As part of the preparation of its forecast reports, MAPFRE Economics periodically analyzes and evaluates the status of risks that could transform that central view into an alternative view. With this report, MAPFRE Economics aims to establish a general conceptual framework that explores shared views of these determining factors for conceptualizing and considering the risk environment to which economic and social dynamics are exposed.

The main conclusion of this risk-universe analysis is that MAPFRE Economics' perspective, which is periodically summarized in its *Economic and Industry Outlook* report, is clearly consistent with the consensus view of global trends and risks. Furthermore, an analysis of this consensus confirms that public opinion attaches the greatest importance to socioeconomic, geopolitical, and governance risks, while risks related to the environment and technology are given much less weight. In light of the above, this report provides an analysis of the socioeconomic risks that are most likely to affect the central economic scenario while exploring the geopolitical risks facing the world and how the world is responding to them.

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1. Introduction

The need for a conceptual framework

Designing economic forecasts and scenarios depends on both the application of economic logic under normal conditions and an understanding of the risk elements that could transform a *central view* into an *alternative view* that is less probable and surely more socioeconomically costly. Thus, discerning the elements of global geo-economic risk requires an understanding of the following four dimensions: First, *long-term dynamics and trends* that, in the course and evolution of the economic paradigms, generate potential change events (known as *risks*). Second, the *context in which such dynamics occur*, conditioned by the existence of idiosyncratic vulnerabilities in countries[1]. Third, the *catalysts that accelerate the materialization of these tacit risks* in combination with the previous points[2]. And, finally, the risks (in their own right) and their dimensions, understanding that they are events that could possibly materialize, considering: (i) validity and proximity in time of their possible materialization; (ii) likelihood of occurrence; (iii) severity or expected cost if they do materialize; and (iv) centrality or capacity to interact with other risks.

Thus, conceptualizing *risks* is an abstract exercise without a fixed form, subject to the momentum and uncertainty of a generative and transformative process based on secular social, economic, and political dynamics. The latter in turn are conditioned by the context in which they arise and are at the mercy of potential catalysts of change. Furthermore, conceptualizing risks also requires *value judgments* regarding the term of occurrence, their viability, direct cost, and, through their interconnection with other risks, their total expected cost.

This function therefore contains an enormous degree of subjectivity, and there is not always a consensus in their definition, measurement, and analysis. That is why, with the analysis presented in this report, we aim to establish a conceptual framework that explores common views of the elements described above, especially in relation to trends and risks, understanding that the former generate the latter.

An exercise in time, trends, and emerging risks

As part of the process of preparing its reports, MAPFRE Economics periodically conducts[3] an exercise to analyze and monitor risks with the potential to transform its *central view* into an *alternative view* (tail or otherwise) that involves a relevant socioeconomic cost and foreseeable implications for economic and social performance in the long term. Within this framework, the view of risks (i.e., their validity, viability, ramifications, and costs of various kinds) is considered to be one piece of a much larger universe of risks. For the purposes of the analysis in this report, this universe is well represented by the World Economic Forum (WEF) in its *Global Risk Report*, which extracts the significance of such risks from a sample of 31,000 relevant entities through a survey that is updated over time[4].

However, this general risk environment can also be seen as changing in time, form, cost, and viability, and these changes are governed by the secular trends and starting conditions that together define the *current moment* (the "zeitgeist"[5]). Therefore, the analysis is based on a review of five sample documents[6] that highlight the connection between risk perception and the intrinsic generating mechanism of the aforementioned secular dynamics.

Based on the analysis carried out, MAPFRE Economics' interpretation of the current *signs of the times* is compatible with the main trends identified in the cited documents. Furthermore, the risks generated by these trends seem consistent with the risk segments systematically reported in our *Economic and Industry Outlook* report. In other words, the universe of risks considered in these periodic reports is based on a consensus interpretation of the *current moment* and the *trends that govern it*. Consequently, it assumes that the risks considered (like those described by the WEF) have an equivalent origin in terms of trends and context, as well as intrinsic characteristics (validity, probability, centrality, and cost) that are equally applicable.

We considered it appropriate to use the WEF's compilation and interpretation of risks when assessing the relevance of the risks chosen as factors with the potential to change our economic and social outlook. Thus, risks are analyzed based on the metrics summarized in the economic literature published by the WEF and all other reports considered in the preparation of this report. These metrics are those stated above: validity, probability, centrality, and expected cost or severity.

2. Moment, trends, and risks: a consensus view

2.1 View of the current moment: signs of the times and trends

Global economic growth is slowing down as a result of the structural phenomenon of population aging, declining labor participation, and shrinking productivity levels. Meanwhile, trending inflation has returned as a result of global transformations in production, demographics, and strategies, as well as certain legacies from the past[7].

In general, population groups with higher income levels are getting older, while those with lower incomes are getting younger. Within 25 years, six of 10 children under the age of 15 will reside on the shores of the Indian Ocean, while eight of 10 over the age of 65 will reside on the shores of the Atlantic and the North Pacific. High and opposing youth and old-age dependency ratios between rich and poor in the northern and southern hemispheres will have effects on fiscal sustainability, savings, and global production. The upper middle classes (of the more advanced countries) have been disappearing for two decades, while the middle classes of lower-middle-income countries are at risk of losing the progress obtained during this period. Wage income growth has been much lower than capital income growth. The owners of capital (0.01% of the world's population) are infinitely richer than they were 20 years ago, generating an increase in the social divide.

Technology is accelerating the change, especially general-purpose technology like artificial intelligence (AI). This will result in increased productivity in some regions, but losses in others. What is most relevant, however, is the unavoidable technological gap in addition to the economic and social gap. As a result, a large part of the population has seen their expectations frustrated with respect to technology's potential to bring income and wealth redistribution. At the same time, unknowingly, they have become completely dependent on it. Suffice to say that around 97% of today's online information arises from the exchange of services for data.

Identitarianism[8] has been strengthened as a result of the aforementioned problems and partisan animosity instigated by social technology. As a result, exclusionary policies are regaining momentum in response to social discontent, as well as income seeking and the struggle for increasingly scarce resources. The world seems angry, and these ideas are simply an expression of this sentiment (Pankaj Mishra, 2017[9]). At both the national and global level, governing is increasingly difficult. This is a consequence of populist solutions to generational discomfort. The post-war consensus has been lost, and the current status quo depends more on *Trade Expectations Theory* (Copeland, 1996) than on international relations, although countries getting along should not be based on commerce alone (see the case of the U.S.-China trade war). Meanwhile, the southern hemisphere feels underrepresented. The United States has lost its dominance in the international context, and the institutions that emerged after the Second World War have ceased to operate effectively due to the growing dissent of countries that invoke their nation-statehood and systematically exercise their veto power (Brzezinski, 2012[10]).

Meanwhile, whether due to human actions or not, the biosphere is suffering transformations that accelerate many processes, including climate change. Its perception as a long-term process is a cognitive bias that we cannot seem to overcome. The fact that global warming in excess of 1.5 degrees was accepted as inevitable at the last COP28 is proof of this.

Thus, and considering the general context outlined above, MAPFRE Economics' outlook reflects the spirit of the times, coherently represented by the secular trends repeatedly mentioned in the economic literature, especially in documents published by the most important future foresight offices. These trends are recognized as generators of risks that could change the foreseeable future in different scenarios. Some of the most relevant ones are addressed in the next sections of this chapter.

2.2 Consensus view of the long-term dynamics dominating the current context

Global governance

In the complex landscape of global governance, there are challenges looming that pose significant threats at the national and global levels. The report *The Paradox of Progress* highlights the imminent risk derived from the growing difficulties faced by governments as they deal with diverse actors and manage technology-related changes. This problem, with a high probability of materializing in the short and long term, threatens to trigger political instability, obstacles to policy implementation, and a gap in citizens' expectations. Additionally, *Trends for the Next 50 Years* warns about the danger of long-term systemic collapse, with consequences including global destabilization, conflicts, and problems with international governance. The report also mentions the United States' loss of hegemony and the growing empowerment of China.

According to the same report, the struggle of international institutions to adapt to complex global problems is another focal point. It is anticipated, and highly probable in the medium and long term, that these institutions will struggle to address questions like climate change, humanitarian crises, and geopolitical conflicts, creating a worrisome gap in the global response capacity. Risks associated with tensions, turbulence, and transformations in state structures are moderate to high, depending on the region and political context. Thus, changes are predicted in forms of governance, as well as possible conflicts and challenges for international stability.

Meanwhile, focusing on the area of international dynamics, the report *Global Trends 2040* emphasizes the risk of an increase in competition among powers, configuring a world ripe for a greater number of conflicts. With a moderate-to-high probability in the medium and long term, greater uncertainty is expected with respect to the risk of conflicts and challenges for international cooperation and global governance. In this complex scenario, there is an urgent need to address these challenges collaboratively and effectively to preserve stability and prosperity at a global level.

Belligerence in the new millennium

In the context of belligerence in the new millennium, the report *The Paradox of Progress* identifies a series of risks that threaten global stability and security. In the first place, the risk of conflicts and diffuse, diverse, and disruptive violence is emphasized, with a projected increase in the medium to long term. This scenario, involving clashes between great powers and terrorist threats, suggests the possibility of more complex wars and high human and economic costs.

The report also points to the persistence of terrorism and violent extremism, including religiously motivated extremism, as a high-probability risk in the short, medium, and long term. The ramifications of this threat include regional instability, threats to national and international security, as well as humanitarian challenges. It further emphasizes changes in the nature of warfare and military competition, with advances in warfare technologies and strategies, such as cyber-attacks and warfare in space; events that present moderate to high risks in the medium to long term, according to the same report. Additionally, the possibility of escalated conflicts and challenges to global stability are predicted, highlighting the importance of effectively addressing these new challenges in the scope of security and international institutions.

Social dynamics

Social dynamics also emerge as a critical factor. In the reports cited above, it is noted that social dynamics, such as disinformation and polarization, constitute a high-probability risk over time. The ramifications of these phenomena include the erosion of confidence in institutions, as well as challenges for social cohesion and governance. The convergence in the assessment of these reports underscores the interconnectedness of challenges, from international conflicts and violence to social tensions and the erosion of confidence. Therefore, it is urgent that these problems be addressed comprehensively in order to preserve stability and prosperity in the global scenario of the 21st century.

Challenges to fundamental rights and freedoms

In the complex context of global challenges, the reports examined converge in indicating threats ranging from the loss of fundamental rights and freedoms to economic dynamics and pandemics, underscoring the interconnection of risks worldwide. These reports also address belligerence in the new millennium and identify risks to human rights and freedoms, with a moderate to high probability over time. This involves challenges to privacy, freedom of expression, and equity; fundamental aspects that influence social cohesion and global governance.

Demographic and human development challenges

Based on the aforementioned literature, global demographic challenges with a high probability in the medium and long term should also be added to the global outlook. In general, the consequences include pressure on healthcare systems, changes in labor markets, and various economic challenges. It also emphasizes the risk associated with human displacement and migration, considered a high risk in the medium and long term. In particular, this phenomenon may create social and political tensions, as well as integration challenges and possible interregional conflicts.

Climate change

According to *Trends for the Next 50 Years*, there is a high probability of a climate change crisis in the medium to long term. The implications are vast, including significant impacts on food security, global health, economic stability, and migration. In addition, the increase in carbon dioxide (CO_2) emissions and extreme weather events are presented as high-probability risks, anticipating natural disasters, impacts on food security, and mass migration.

Technological advancement and the development of artificial intelligence

In the area of technological advancement and the development of artificial intelligence (AI), the risks associated with improper use of the latter, cybersecurity, and ethical challenges are emphasized. With a high probability in the medium and long term, challenges are expected in the areas of privacy, security, and employment, along with an impact on decision-making and ethics. In addition, the ongoing progress in AI and advanced biotechnology are perceived as high-probability risks, anticipating transformations in labor markets, ethical questions, and privacy, as well as security challenges. Furthermore, the ongoing probability of gaps in skills and adaptation to new educational needs persists, with ramifications on employability, innovation, and economic development.

Economic dynamics

Economic dynamics are also protagonists in this scenario, with changes in the distribution of global economic power, especially in Asia, identified as high-probability risks in the medium and long term. This may result in both a reconfiguration of global trade and the birth of new centers of economic power, as well as challenges related to international cooperation.

Pandemics

Finally, the literature reviewed discusses pandemics and classifies them with a moderate-to-high probability, with an indefinite horizon of occurrence. The ramifications of this type of phenomenon impact global health, the economy, and social structures, underscoring the need for ongoing preparation to deal with them.

2.3 Consensus view of the risks caused by long-term dynamics

As initially stated, the reports published by MAPFRE Economics, in both macroeconomic and industry analysis, offer a view of the current moment and its main trends compatible with the consensus view. They also identify important links between the trends described above and the emerging risks and dynamics detailed by the World Economic Forum (WEF) editorial office in its *Global Risk Report*. A review of a sample of the last six reports confirms that they systematically address risks that are considered to originate from long-term trends, qualitatively analyzing the general public's perception of the existence, term, probability, and interrelation of such risks.

The *Global Risk Report* identifies, groups and analyzes a variety of risks in the categories of *economic*, *environmental*, *geopolitical*, *social policy and governance*, and *technological risks*, underscoring the need for their integrated and anticipated management. Such risks also have a direct correspondence with the aforementioned trends, and therefore, with the interpretation of the signs of the times made at the beginning of this report. As follows, we explore the key trends and connections among the risk types identified, focusing on the complexity and interdependency of these global challenges.

Economic risks

From the presence of asset bubbles to the possibility of fiscal crises, economic risks persist throughout the reports. The interconnection between them is evident, for example, when fiscal crises in key economies can be linked to the failure of important financial mechanisms. In addition, illegal trade can be both a cause and an effect of high levels of structural unemployment or underemployment, creating an intricate web of economic challenges that require comprehensive responses.

Environmental risks

The complexity of environmental risks must be emphasized, from extreme weather events to man-made disasters. The relationship between the loss of biodiversity and ecosystem collapse illustrates how one risk can amplify another. For example, climate change not only affects the frequency of extreme weather events, but also contributes to loss of biodiversity, creating a direct connection between these two risks.

Geopolitical and governance risks

Geopolitical risks, like the failure of national governance or interstate conflicts, present challenges that could have lasting repercussions. The connection between governance and regional conflicts shows how one risk can trigger or intensify others. Thus, weaknesses in governance could create conditions conducive to interstate conflicts, demonstrating the need to address these risks in a coordinated fashion (see Box 2.3).

Public and human health risks

The relationship between deficient urban planning, food crises, and involuntary migration underscores the complexity of social risks. The rapid spread of infectious diseases could exacerbate food crises and increase involuntary migration, creating a chain of events that requires holistic solutions. For example, the COVID-19 pandemic has introduced new elements into the analysis of global risks. Inequality in vaccination and imbalanced economic recovery have increased geopolitical tensions, illustrating how a crisis can intensify existing risks and create new challenges.

Box 2.3
Geopolitical focus

The interrelationship of geopolitical events reflects their complexity and the importance of addressing risks from an integrated perspective. The consensus (40 think tanks listed in Appendix C of this report) is that the most relevant generic topics worldwide are as follow:

- *Tensions between the United States and China*. The rivalry and strategic competition runs from trade to technology and regional influence.
- *Ukraine Conflict*. The global implications of the conflict between Russia and Ukraine, including the economic sanctions derived from it, energy security, and the posture of the North Atlantic Treaty Organization (NATO).
- *Climate change and its geopolitical impact*. The way in which climate change affects national security, migration, and conflicts over natural resources.
- *Technological advancements and cybersecurity*. The global technology race and cybersecurity threats that affect national security and the global economy.
- *Tensions in the Middle East*. From the Israel-Palestinian conflict to Iran's influence in the region.
- *The political and humanitarian crisis in Venezuela*. From the perspective of how it affects the Latin American region and the international response.
- *Competition for supremacy in the Indo-Pacific*. This element includes the influence of China, alliances with the United States, and tensions in the South China Sea.
- *Energy transition and security*. The dependence on oil and gas, as well as the transition to renewable energies.
- *Populist and authoritarian movements around the world*. The way these affect democracy and international relations.
- *Geopolitical impact of the COVID-19 pandemic*. From the post-pandemic economic recovery to tensions over the origin of the virus and vaccine distribution.

Many of these topics will be impacted by new turns of events in 2024, the biggest election year in history (United States, European Union, India, Brazil, Turkey, Mexico, etc.). In the European Union, elections for the European Parliament will define its strategic position internationally, making the following especially relevant:

1. *Economic policy strategies and emerging trade.* In this regard, it is notable that emerging countries have largely replaced Russia's lost trade with advanced economies, despite the sanctions imposed due to the Ukraine conflict. This phenomenon suggests a reconfiguration of global trade alliances and Russia's resistance to the economic sanctions. In addition, China's dominance and its role in the OBOR (One Belt, One Road) project has unleashed a race toward closer and more diversified trade bonds with other countries (within its *de-risking* strategy, for example, the Global Gateway).
2. *The Capital Markets Union in Europe* There is discussion as to whether the Capital Markets Union in Europe has met its goals. Despite the mixed results to date, it is suggested that it be given one last chance, with a focus on supervisory integration. The Capital Markets Union and the Fiscal Union are two fundamental pieces of full integration of the European Union, especially in reference to financing its industrial and military policy.
3. *The European industrial defense strategy*. The importance of Europe's industrial defense strategy is emphasized, but significant shortcomings are pointed out, raising questions about its implementation and effectiveness.

Box 2.3 (continued)
Geopolitical focus

Consequences of geopolitical risk

There are innumerable ramifications and derivatives of geopolitical risk, but two dimensions seem to be decisive in light of global management and governance for triggering a national/regional policy response:

Economic impact

Geopolitical risks may lead to economic fragmentation, reducing the growth of demand, investment, and GDP. Access to markets may become difficult, impacting risk diversification and increasing financial costs. Instability and conflict may affect investment portfolios, leading to greater volatility and liquidity stress. Meanwhile, deglobalization could drive inflation, affecting future costs and therefore consumer and investment decisions, as well as the adequacy of the financial system's reserves.

Political risk

Growing tensions increase risks such as currency problems, confiscation, and political violence. The "militarization" of trade, including sanctions and changes in international trade associations, as well as the value chain, highlight the need for clear definition of common industrial and trade policies.

These two main reasons have prompted global players to redefine their security and defense policies in the context of relaunching their defense and industrial policies as part of the rethinking of their global strategic vision (Brzezinski).

However, in terms of *industrial policy*, the three major regions (the United States, China, and Europe) have adopted a new roadmap marked by strategic autonomy. In the United States, the Inflation Reduction Act is the flagship of industrial policy. Under the pretext of reducing emissions by 31-44% compared to 2005 levels, it has activated a whole system of subsidies and incentives for investment and production in that country, associated with its free trade zone in three areas: (i) subsidies for the purchase of electric vehicles over 7,500 dollars, in which the final assembly is carried out in the United States or third countries that have signed a free trade agreement with that country, thus encouraging domestic production or that of countries with democratic regimes; (ii) subsidies to clean energy producers to generate renewable energy, electric vehicle batteries, energy storage, and (iii) 200 billion dollars in funds allocated for the production, use, and storage of clean energies, mainly gas and hydrogen.

This economic policy has triggered a response from the European Union called the Green Deal Industrial Plan, which consists of four pillars:

- Regulatory simplification.
- Faster access to funding.
- Mejora de las habilidades.
- Open trade for resilient supply chains.

In addition, the Net Zero Industry Act has been activated, aimed at promoting clean energy production (with a goal of 40% clean energy production in Europe by 2030). All of this takes place through the coordination of private financing, public grants, and public contracting.

The moves by the United States and the European Union have prompted a reaction from China with the Made In China 2025 (MIC2025) program, which seeks to boost digital innovation, artificial intelligence, and other exponential technologies in that nation. This initiative aims to rapidly develop ten crucial technology industries, such as electric vehicles, IT, advanced robotics, artificial intelligence, aerospace engineering, and agricultural technology. One of the goals is to reduce China's dependence on foreign technology and enhance its own. However, this policy is surrounded by a questionable regulatory framework, such as mandatory transfer of intellectual property, as well as accounting irregularities with respect to the World Trade Organization (WTO). In addition, China has encouraged domestic companies to invest in foreign companies and acquire foreign technology and know-how.

Box 2.3 (continued)
Geopolitical focus

This demonstrates that the industrial policy of the three powers is aimed at accelerating strategic autonomy and technological dominance through different channels and in different ways. It is difficult to anticipate which model will be the winner, since all have advantages in some area, but there are also vulnerabilities (the EU's regulatory approach versus Chinese and US discretion, the problems of intangible capital in China and Europe in different areas, etc.). However, where the industrial policy differences are most palpable (especially because of the European lag) is in the generation of a European defense industry.

The European Defense Industry Strategy (EDIS), introduced in December 2023 and subsequently detailed in 2024, represents a significant change in the European Union's focus on defense and security, in order to improve defensive preparation in the region, technological innovation, and industrial capacity in the defense sector.

Key aspects of the EDIS

The key aspects and challenges outlined in the EDIS, as well as their alignment with the broader defense and security objectives of the European Union, can be summarized as follows:

Strengthening the European Defense Technological and Industrial Base (EDTIB)

The EDIS emphasizes the importance of a robust EDTIB to achieve the European Union's defense preparedness. It uses the European Defense Fund (EDF) and the European Defense Industry Program (EDIP) to support the industrial pillar of defense preparedness in the region, focusing on innovation, competition, and cooperative procurement to improve the European Union's strategic autonomy.

Response to contemporaneous security challenges

The strategy is a reaction to the changing security landscape (notably Russian aggression in Ukraine), emphasizing the need for the European Union to strengthen its military capabilities and defense industrial base. This includes ensuring the rapid development and production of military equipment and improving Member States' investment in defense.

Innovation and collaboration

The goal of the EDIS is to promote a more receptive and innovative EDTIB, supporting R+D, particularly among small and medium enterprises (SMEs), through initiatives like the EU Defense Innovation Scheme (EUDIS). It also underscores the importance of collaborative defense procurement among Member States and greater cooperation with NATO.

Challenges

Optimism vs. reality in production capacities

The optimist perspective of the EDTIB's capacity to satisfy the EU's defense needs merits caution. The strategy, also focused on increasing domestic production capacity, must consider the global nature of defense supply chains. Building a resilient supply chain requires balancing domestic production with diversified supply to mitigate risks and ensure the security of supply.

Technological innovation and participation of SMEs

While the strategy rightly focuses on innovation and supports SMEs through initiatives such as the EUDIS, the real challenge lies in seamlessly integrating these smaller entities into the broader defense acquisition and production processes. SMEs often drive innovation, but face obstacles in scaling their solutions and navigating complex regulatory and funding landscapes.

Funding mechanisms and financial sustainability

The strategy's call for increased investment, including a proposed budget of 1.5 billion euros for EDIP, underscores the need for robust funding. However, leveraging both public and private funding sources more effectively

Box 2.3 (continued)
Geopolitical focus

remains a critical challenge. The defense sector, especially its smaller players, requires more accessible funding options to foster innovation and growth.

Alignment with the Strategic Compass and European Defense Policy

The EDIS is closely aligned with the Strategic Compass, which outlines the European Union's broader security and defense objectives. This alignment is crucial for several reasons:

Complementarity with NATO

Both documents emphasize the role of the European Union as a complementary force to NATO, stressing the importance of a strong transatlantic alliance. Strengthening the EDTIB not only enhances the region's defense capabilities, but also contributes to collective security efforts.

Investment in future technologies

The focus on innovation and support from the European Defense Fund (EDF) and the European Defense Industry Program (EDIP) resonates with the Strategic Compass' call for investment in state-of-the-art technologies and capabilities. This includes the development of critical technologies, such as cyber defense and space capabilities, essential for maintaining strategic autonomy and ensuring the European Union's ability to act independently in its security and defense.

Strengthening cooperation with NATO

Both strategies emphasize the importance of a strong and collaborative relationship between the EU and NATO. The Defense Industry Strategy recognizes that an EU stronger on security and defense complements NATO's role as the basis of the collective defense of its members, positively contributing to transatlantic and global security. This approach is in line with the Strategic Compass, which seeks to strengthen cooperation with NATO without duplicating efforts, focusing on areas where the European Union can provide added value.

Promotion of collaborative defense procurement

The Strategic Compass and the Defense Industry Strategy call for greater cooperation between EU Member States in defense procurement. By encouraging collaborative investment in defense capabilities, the strategies aim to achieve economies of scale, reduce duplication, and improve interoperability among EU forces. This is crucial for building a more integrated European defense market and strengthening the EDTIB.

Geopolitical implications and the way forward

The implementation of the EDIS has significant geopolitical implications. Strengthening the EU's defense industrial base is not just about upgrading. While the EDIS presents a visionary roadmap for improving the region's defense preparedness, its success will depend on addressing these practical challenges, aligning strategic objectives with operational realities, and fostering a collaborative and innovative defense ecosystem. Achieving these goals is essential to ensure the long-term security interests of the European Union and reinforce its position as a key player in global security.

Technological risks

Technological advancements, while beneficial, also present significant risks. For example, large-scale cyber-attacks can lead to the breakdown of critical information infrastructures and networks. This interconnection between technological advancements and cyber risks emphasizes the need for proactive risk management in the field of technology. In addition, the degree to which digital dependence has increased underlines the importance of effectively addressing technological risks.

2.4 Evolution and representation of the perception of risk

As confirmed by the results of the World Economic Forum (WEF) global risk report, the perception of risks has changed over time, which is to be expected if we assume that risks arise from secular trends and dynamics in a context marked by milestones, such as the appearance of COVID-19 or the official recording of the increase in the earth's average temperature[11]. In this regard, the evolving global perception of the main risks in the WEF analyses is reviewed below (see the matrix of evolving global risks in Appendix B of this report).

In 2018, the WEF report highlighted economic risks such as asset bubbles, deflation, and the collapse of financial institutions. It also emphasized environmental risks related to extreme weather events and deficiencies in climate change mitigation. Geopolitical risks included governance problems and interstate conflicts, while social risks included deficient urban planning and the spread of infectious diseases. In addition, technological risks were focused on the adverse consequences of technological advances and cyber-attacks.

In 2019, in general, significant similarities were observed with the previous year, but with the addition of uncontrolled inflation as a further economic risk. Environmental, geopolitical, social, and technological risks remain largely consistent with 2018. Meanwhile, in 2020, the global risks persisted, and the report continued to classify them in the stated categories. The COVID-19 pandemic, which had already impacted the world at that point, did not significantly change the risk structure. However, 2021 saw a significant change due to the human and economic impact of COVID-19 throughout that year and the previous one. Geopolitical tensions, digital divides, and market changes were also noted. In addition, the importance of addressing environmental risks such as climate action and technological risks, including cybersecurity, were emphasized. In 2022, unequal economic recovery and socio-environmental risk gained prominence. Economic wars and multi-domain conflicts joined geopolitical risks, and technological challenges such as digital dependency and cyber threats were also noted.

In the 2023 report, the war in Ukraine disrupted the post-COVID-19 recovery, generating food and energy crises and exacerbating technological inequalities and stagnation in climate goals. Moving forward to 2024, the WEF report identifies disinformation, powered by artificial intelligence, as the most significant immediate risk, especially in the context of major elections in key economies. In the long term, climate risks prevail, with extreme events topping the list of threats and irreversible planetary changes forecast for the early 2030s. Four structural forces (climate change, demographic shifts, technological acceleration, and geostrategic changes) dominate future risk management, while social polarization and the cost-of-living crisis emerge as central concerns. The global economy faces the challenge of inflation and recession in the short term, highlighting the need for a collaborative and multifaceted approach to risk management, including localized strategies and collective action.

This evolving risk outlook underscores the complex connections among the different global challenges while emphasizing the importance of international cooperation and proactive leadership to effectively mitigate emerging and long-term risks. To summarize, during this period (2018–2024), the world has seen global risks evolve rapidly. From the initial economic and environmental concerns to the appearance of more complex technological and social challenges, the WEF reports provide a comprehensive view of the threats we face as a society.

Looking beyond the period being analyzed, the list of global risks the WEF has identified to date presents risks with short- and long-term impacts, whose interconnection has varied over the years with the emergence or relative validity of other risks. The following is a list of these risks, compiled in the *Global Risk Reports* during 2018–2024:

Economic risks:

- *Asset bubbles in key economies.*
- *Prolonged economic crisis.*
- *Deflation in key economies.*
- *Failure of financial mechanisms or institutions.*
- *Failure or deficit of critical infrastructure, value chain, or critical industry.*
- *Fiscal crisis in key economies and debt crisis.*
- *High structural unemployment or underemployment.*
- *Illegal trade.*
- *Severe energy price shocks.*
- *Uncontrolled inflation.*
- *Economic war.*

Environmental risks:

- *Climate change and the development of extreme weather events.*
- *Failure to mitigate and adapt to climate change.*
- *Significant loss of biodiversity and ecosystem collapse.*
- *Major natural disasters.*
- *Environmental damage and man-made disasters.*
- *Climate crisis.*
- *Food security crisis.*
- *Climate change.*

Geopolitical risks:

- *National, regional, or global governance failures.*
- *Large-scale terrorist attacks.*
- *Use of weapons of mass destruction.*
- *Collapse or crisis of a state.*
- *Space militarization.*
- *Geopolitical tensions and confrontations.*
- *Economic war.*
- *Multi-domain conflicts.*
- *Asymmetrical war.*

Public health and governance risks:

- *Failed urban and public infrastructure planning.*
- *Food crisis and cost of living.*
- *Infectious disease crises.*
- *Humanitarian crises and large-scale involuntary migration.*
- *Disinformation and partisan animosity.*
- *Profound social polarization and instability.*
- *Rapid and massive spread of infectious diseases.*
- *Water crisis.*
- *Inequality in economic recovery.*
- *Digital inequality.*

- *Erosion of human development.*

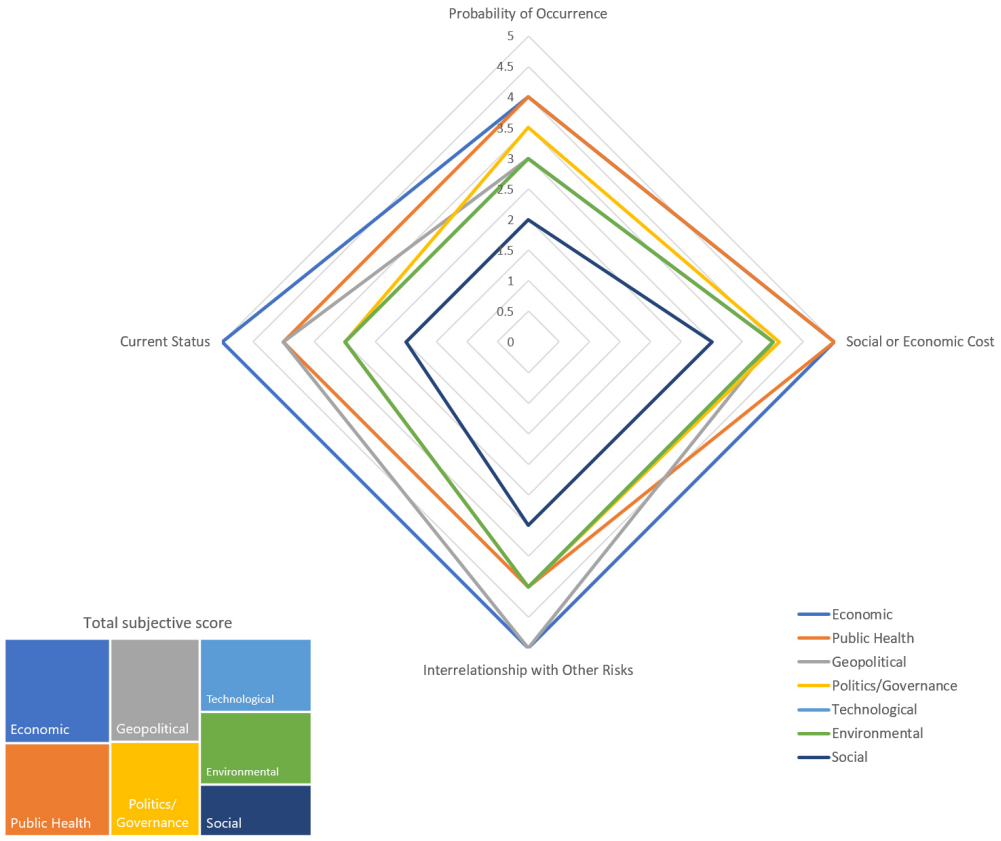
Technological risks:

- *Adverse consequences of technological advancements.*
- *Breakdown of critical information infrastructures and networks.*
- *Large-scale cyber-attacks.*
- *Mass fraud or data theft incident.*
- *Ransomware.*
- *Digital inequality.*
- *Concentration of technological and digital power.*
- *Technological inequality.*
- *Cyber threats.*

2.5 Subjective valuation of the dimensions of risks by category

In order to catalog the elements of risk considered in the literature and create a map of the risk system, with the help of a natural language assistant, each of the risk dimensions (*validity*, *probability*, *cost, and interrelationship*) for each *risk category* considered by the World Economic Forum (WEF) in its last six reports was given a score from 1 to 5. The public health and geopolitical categories were reorganized to be able to isolate social, political, geopolitical, and governance risks. In this way, the relevance of the cited dimensions are considered and evaluated in seven risk groups/categories that have an equivalent in the risk table in the *Economic and Industry Outlook* reports published by MAPFRE Eco-

Chart 2.5-a
World Economic Forum's subjective assessment of risks by group

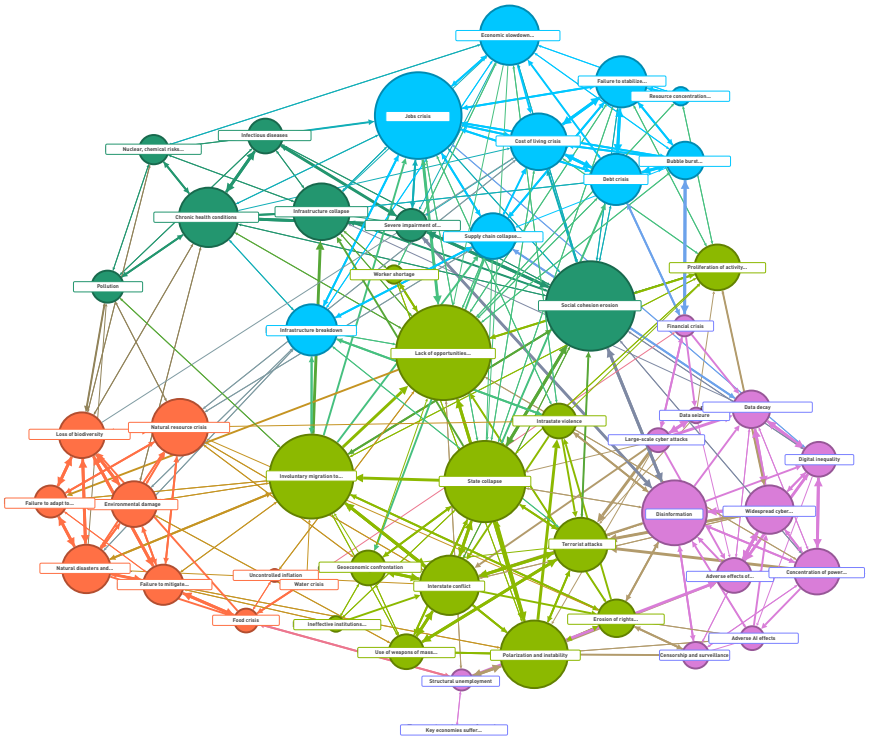


Source: MAPFRE Economics (with information from the WEF-Risk Reports, 2018–2024)

nomics since 2017. In this regard, Chart 2.5-a shows the score assigned to each dimension of each risk group, as well as the total score of these risk dimensions in each category.

As this information reveals, the WEF assigns the highest general score to *economic and health/public health risks*, because all of their dimensions have high (4) or very high (5) scores in terms of validity or the period of time in which they will occur, probability of their occurrence during that time, interrelationship with the other risks, and therefore expected cost or total severity. This group of risks is followed by a third group dealing with *geopolitical/socio-political and global governance* issues. Its dimensions score in the moderate (3) to high (4) range, but if this triad is considered "as a whole," the weight of these three together would exceed that of the aforementioned main risk groupings (economy and health). Finally, in third place, based on subjective relevance, are *technological and environmental risks*, which, despite being existential, are strongly influenced in terms of score by the cognitive bias that places them in the distant future.

Chart 2.5-b
Global: risk interconnection map compiled from the World Economic Forum reports (2018–2024)



- Climate and environmental risks
- Socioeconomic risks
- Geopolitical and governance risks
- Public health risks
- Sociotechnological risks

The size of the nodes is based on the subjective score collected from the WEF, evaluating the following: idiosyncratic risk; proximity in time (current status); likelihood of occurrence, and expected cost attributable to the risk category (larger size means greater relevance of the risk). The size and direction of the arrows indicates the direction of intensity in the relationships between risks. The clusters were generated using the ForceAtlas2 algorithm included in the Gephi.org software. The centrality of each node and cluster was obtained using the Closeness Centrality metric.

Source: MAPFRE Economics

To validate the overall results by dimension and risk category obtained in the preceding exercise, and for a more robust analysis, a systematic confirmation was conducted with the aid of a mathematical topology or networks tool. The 48 aforementioned risks are used as inputs, together with a reduced version of their dimensions that considers the isolated and expected cost in the short term[12] and interrelationships between risks. This analysis aims to create a risk map that: (i) details the size (isolated expected cost) of each risk; (ii) presents the explicit relationships among the 48 risks from the previous list; (iii) identifies the centrality or importance of specific risks or risk clusters on the general map; and (iv) offers an objective categorization that helps to label the risk groups based on their nexus (unsupervised), without imposing restrictions, but only examining the composition of the clusters that comprise it. Thus, the results of running the ForceAtlas2 algorithm from the Gephi tool (gephi.org) are shown in the network on Chart 2.5-b.

As this analysis shows, Gephi identified a network consisting of five risk groups/categories: dark green for *public health risks*, light green for *geopolitical and governance risks*, blue for purely *socio-economic risks*, red for *climate and environmental risks*, and magenta for *socio-technological risks*. It should be noted that these groups arise from the intensity with which they formed risk clusters based on their interconnectivity, which was not imposed.

Gephi represented the nodes by size in order of expected cost, which was independently observed/valued. It also plotted the links with thickness relative to the intensity of the bidirectional relationship. This is particularly relevant since, as we have seen, risks never systematically emerge independently, but do so together with others with which they are closely connected. So, for example, socio-economic risks have social and political consequences (and vice versa), climate and environmental risks give rise to public health crises, and the latter two together create geopolitical and governance problems.

The arrangement of nodes in the network is the result of their individual relevance and interconnection; therefore the most central risks have higher levels of interconnectivity, making them more "systemic." The outermost risks, while having relevant individual importance (size), are less structural risks on the risk map. Therefore, the definition of a risk topology based on their relevance and relationship will not only help us to discern the risks as a whole, but also to understand their grouping by themes or combinations.

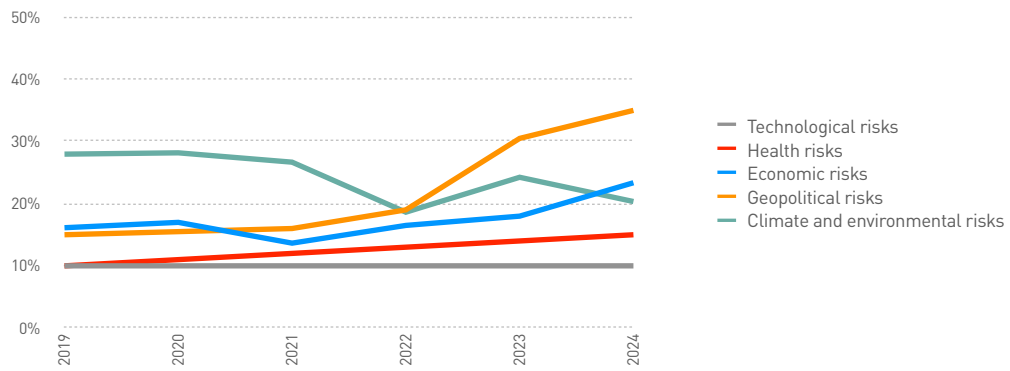
Looking at some risks, *"lack of opportunities," "erosion of social cohesion," "collapse of a state," "employment crisis,"* and *"migration"* are seen as the most central risks and therefore perceived as relevant at the system level. On the other hand, there are other risks that, despite being very relevant, appear on the periphery of the structure (*"economic slowdown"* and *"polarization of society,"* among others). However, in any case it is confirmed that economic, social, and geopolitical risks are structurally relevant, while environmental and technological risks are not perceived as such.

To provide a clearer picture of that global perception and allow for a granular, risk-by-risk view, a *hierarchy table* was created. This table displays the relationship of risks in the network (illustrated in Chart 2.5-c), internalizing the centrality of each risk. The foregoing is done to demonstrate the total implicit cost (severity) of each risk, which includes direct and indirect costs through their effect on third parties. This is done by weighting the value of each node (which represents the direct severity of each risk) with a centrality metric (*centrality by own values*). Thus, the larger "boxes" imply a

Chart 2.5-c
Global: risk hierarchy compiled
from the World Economic Forum reports (2018–2024)

Source: MAPFRE Economics (with information from the WEF-Risk Reports, 2018–2024)

Chart 2.5-d
Global: total perceived severity by risk group



Source: MAPFRE Economics (with information from the WEF-Risk Reports, 2018–2024)

higher "total severity" for each of the risks listed in the WEF *Global Risk Report* survey during 2018–2024.

This exercise confirms that the *subjective attribution of total costs or severity* of each of the risks is *asymmetric and with elevated concentration levels*, indicating that the generally accepted order of importance is socio-economic and geopolitical risks, public health risks, environmental risks, and technological risks. We observe, firstly, that two-thirds of the subjective attribution of the total severity of all risks considered are concentrated in one-third of those risks. This can be seen because more than the left third of Chart 2.5-b, which represents 66% of the severity distribution, is represented by 17 of the 48 risks recognized by the WEF. Secondly, one-third of these risks are sociopolitical and geostrategic, another third economic, and the final third is represented in similar proportions by health and technological risks. The over-representation of the possible total costs associated with socio-economic and geopolitical risks confirms the aforementioned concentration, while it is notable that no risk is related to the environment. Thirdly, and in contrast, the remaining risks listed, which represent nearly two-thirds of the total (34 of 48), account for the final third of this allocation of severity or total perceived associated costs. Finally, among these risks, 11 are climate risks and 12 are technological (while the remainder are equally distributed among health, social, and economic risks), which demonstrates that these risks are nearly all perceived as minor and less central to the existing global risk ecosystem in the collective psyche. This is probably due to lack of information (in the case of technological risks) and "cognitive term bias" (in the case of environmental risks).

This overweighting of economic, social and geopolitical risks, and underweighting of climate risks, has been partly maintained over time. It has also become markedly more patent over time, especially in relation to geopolitical risks. It is striking that environmental concerns have been gradually replaced with economic concerns as of 2021 (see Chart 2.5-d). As this view is shared in other types of surveys, it does not suggest a sample selection bias. One example is the survey conducted by the Munich Security Conference, whose conclusions are reflected in the 2024 MSI (Munich Security Index)[13].

In conclusion, the global perception of risks extracted from the WEF reports gives much greater significance to economic, governance, and geopolitical risks, and relatively little to environmental and technological

risks. Furthermore, this perception has been accentuated over time, even giving rise to the replacement of the perception of climate risks with other geo-economic risks. When examining the risks in their categories, we observe that the social-economics-governance triad is *central*, while the rest are more adjacent (perhaps due to a perception bias). On the other hand, the hierarchy of these risks reveals that the concentration of the total cost attributed to each risk is much higher in these *central* risks, which further contributes to the argument that they are perceived as systemic risks, unlike the rest (which, in the case of environmental risks, is striking).

As we advance toward the future, the complexity of global risks will continue to increase. The interaction among economic, social, technological, and environmental factors configures an ever more intricate geopolitical risk outlook. Effective management of these risks will require a multidisciplinary and collaborative focus at the international level. The narrative outlined by the reports analyzed underscores the importance of being prepared and proactively addressing the challenges that will shape the world in the years to come.

3. Risk environment

3.1 Analysis of long-term trends and their relevance in the economic literature

MAPFRE Economics' most recent economic analysis report[14] presents an overview of global economic and geopolitical risks based on worldwide dynamics and the literature. In this regard, this report echoes the main risks, timelines, probabilities, and ramifications of possible risks derived from the trends mentioned in the initial part of this report. Specifically, the aforementioned report discusses the following topics, in line with the literature:

Global economic slowdown. Although a decrease in inflation and an increase in economic resilience thanks to private consumption and fiscal support have been observed, a slowdown in the near future (2024) seems unavoidable, although, for the time being, it will not lead to an inflationary recession in our central scenario[15].

Inflation. Inflation is declining, influenced by the normalization of supply chains and energy prices. However, it has not yet reached the targets desired by central banks, and there is concern about further supply shocks, especially related to the conflict in the Middle East. There is consensus that, although interest rates will be lower than in 2022, the trend will be higher than the historical average and volatility will be higher.

Economic policy (monetary and fiscal). There is uncertainty about the peak of the monetary tightening cycle. It is expected that fiscal policy will start to be withdrawn in 2024, which could influence markets and long-term interest rates. After an initial period characterized by some divergence, both the Federal Reserve and the European Central Bank (ECB) are now trying to maintain their margins of credibility under a data-dependent approach.

China and the global market. China's economic support appears limited in the short term, which could affect global economic dynamics. The country's domestic challenges and weak international trade relations are risk factors to consider.

Credit cycles. The latest bank lending surveys by major central banks indicate a tightening of financial conditions, suggesting that monetary tightening is likely to continue.

However, comparing the view expressed in the aforementioned *Economic and Industry Outlook* with other literature on the subject, it is apparent that the narrative is based on secular trends explored in every version of this report, which are inextricably linked (now and in the past) to a specific universe of risks. Thus, by comparing the risks identified in the most recent MAPFRE Economics report with the issues addressed in *The Paradox of Progress*, *Trends for the Next 50 Years,* and *Global Trends 2040*, significant relationships can be established in certain key areas:

Global economic slowdown and economic dynamics. MAPFRE Economics points to a global economic slowdown and structural factors putting downward pressure on inflation, with more disorderly and fragmented geopolitics feeding the inflationary hypothesis. *Global Trends 2040*, meanwhile, discusses changes in the distribution of global economic power, with an emphasis on Asia, which could be related to the economic trends reported by MAPFRE Economics.

Inflation and climate crisis. MAPFRE Economics mentions the presence of moderate yet persistent inflation, influenced not only by factors such as energy prices, but also by the effect of disorderly and fragmented geopolitics. *Trends for the Next 50 Years* highlights the climate crisis, which may directly affect energy prices and thus inflation.

Monetary and fiscal policy, global and domestic governance challenges. MAPFRE Economics notes the persistent presence of uncertainty in monetary and fiscal policy, while *The Paradox of Progress* discusses challenges to global and national governance, which may reflect difficulties in implementing effective economic policies.

Conflict in the Middle East and international dynamics. MAPFRE Economics mentions the risk of escalating conflict in the Middle East, affecting the global economy. *Global Trends 2040*, meanwhile, speaks of competition among the major powers and a more conflict-prone world, which could include tensions in the Middle East.

Disruptive technologies and technological advances. The reports *Trends for the Next 50 Years* and *Global Trends 2040* address the impact of disruptive technologies and technological advances, which may influence financial markets and the global economy; these topics are of equal interest in MAPFRE Economics' economic analysis.

In summary, the main trends and risks identified include the global economic slowdown, uncertainty in monetary and fiscal policy, moderate yet persistent inflation, and the influence of geopolitics and international markets on the global economy. The probability and impact of these risks vary, but they all present significant challenges for the global economy in the coming years.

3.2 Risk analysis 2024–2026

MAPFRE Economics' *Economic and Industry Outlook* report establishes a risk framework for the short term (two years out), presenting a detailed view of socioeconomic, health, technological, geopolitical, and governance risks at the global level, which match the types of dimensions and classification presented in this report. The main risks identified focus on the global economic slowdown, uncertainty in monetary and fiscal policy, moderate yet persistent inflation, and the influence of geopolitics and international markets on the global

Chart 3.2-a
Short-term risk balance: vulnerabilities and global risks

Source: MAPFRE Economics (2024), 2024 Economic and Industry Outlook, Madrid, Fundación MAPFRE.

economy. The probability and impact of these risks vary, but they all present significant challenges for the global economy in the coming years (see Chart 3.2-a).

These risks, present since 2018, have evolved and demonstrated their interconnection over time, underscoring the need to address economic and geopolitical challenges in a holistic manner. The historical analysis provides a contextualized view that highlights the changing dynamics of the global environment and the importance of effective risk management for global economic stability.

Energy markets

Several risks within this category stand out for their influence on the economic environment. Oil and gas prices, war tensions in the Middle East, the war in Ukraine, OPEC production cuts, etc. In this way, supply shock and inflation have been intertwined since 2018 (economic risks), 2019 (geopolitical risks), and into 2020 (inflation). These elements make up a complex network of challenges that directly affect the dynamics of energy markets and therefore the global economy. Consequently, these economic risks currently have a high subjective prevalence and are fully aligned with MAPFRE Economics' risk balance (geo-economic risk with social and political implications).

In the baseline scenario of MAPFRE Economics' most recent analyses, a certain stability in energy costs is proposed, despite existing regional tensions. Specifically, the price of TTF is projected to remain below 40 EUR/MWh throughout 2024-2025 (from values below 30 EUR/MWh today), while oil is expected to be in the 85-90 USD/b range over the same time horizon. However, energy cost volatility is hugely contingent on geopolitical tensions, and a more stressed scenario is likely if: (i) the conflict in Ukraine escalates or becomes entrenched in a context of less cooperation from the West (in the event of a change of government in the United States), while liquefied natural gas (LNG) contracts are limited to maintain the stability of winter stocks, and (ii) if the conflict in the Middle East takes on regional dimensions with the participation of dominant powers in the area (as was the case 50 years ago with the energy crisis resulting from the Yom Kippur War). This has not happened (given Saudi Arabia's caution, Iran's strategic positioning, and OPEC's equidistance), but it cannot be ruled out.

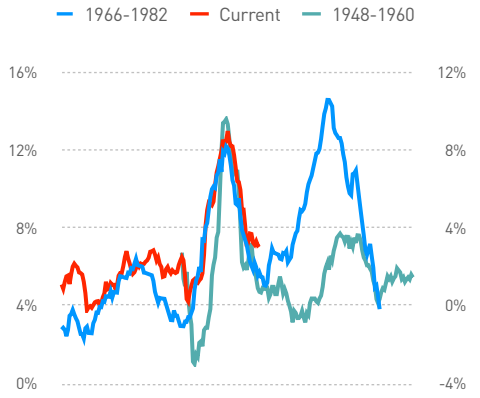
The impact of energy risks materializing would result in increased volatility and rising energy costs, disruptions in the value chain and maritime transit, increases in risk prices (CDS, spreads, etc.), and a return to risk aversion in the markets with effects on hard currencies, the valuation of certain assets, and capital flows.

Inflation

Inflation, considered and mentioned since 2020, is linked to past monetary policy, the spike in energy prices, and wage renegotiations. It emerges as a persistent risk rooted in factors identified as early as 2018 (such as the trade war initiated by the Trump Administration, among others) and has contributed to the complexity of the global economic scenario, influencing monetary policy decisions and financial stability. As with the foregoing, it is a risk with maximum validity, probability, and cost in the short-term. The overall subjective assessment is very high (economic risk with social and political implications).

Currently, the baseline scenario is that inflation will remain contained, with core inflation continuing to ease globally and subject to relatively muted energy shocks, despite the current situation, thanks to contingency plans made in the past (winter gas inventories, replacement by renewables, lifting of moratoriums on nuclear reactors, and liquefied gas imports) and pressure from the United States to guarantee crude oil supply despite OPEC's actions. Moreover, there are no signs of second-round

Chart 3.2-b
United States: historical inflation cycles



Source: MAPFRE Economics (based on Bloomberg data)

effects or de-anchoring of inflation expectations at the moment. However, increasingly difficult governance yielding to populist demands for price controls, intensifying wage negotiations in Central Europe, tightening labor markets in the United States, and the rapid rise in the cost of certain basket items on the residential side could easily put renewed pressure on inflation at a time of heightened vulnerability due to the aforementioned conflicts (see Chart 3.2-b).

The materialization of inflation risk would have implications for economic activity, as it would reduce real income and consumption, distort the price of certain assets, affect economic policy management (lags in the reduction of interest rates, increase in supplementary transfers for vulnerable incomes, etc.), and have socio-political effects (the inflation argument and its confiscatory nature are decisive in elections).

Financial risks and global debt

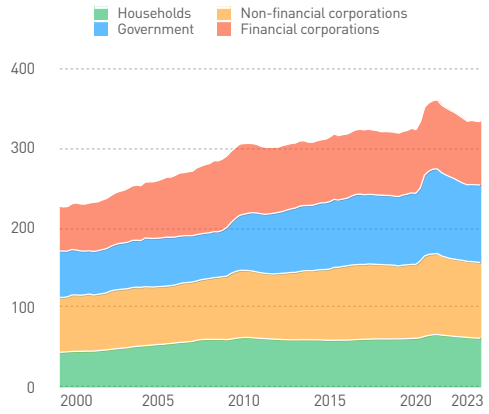
Global debt, rising interest rates, balance sheet reduction policies, and geopolitical conflicts form a set of risks that has been in place since 2018 and 2019. These intricately interrelated elements have shaped the trajectory of global financial markets and pose challenges to global economic stability. Its validity and prevalence are high (economic risk with social and political implications).

There are four areas in which this risk is considered to operate, all of them leading to financial stress due to liquidity and/or solvency issues: (i) public and private indebtedness (sovereign and credit risk); (ii) liquidity in the system; (iii) solvency of certain segments in households and companies; and (iv) "exuberance" in the valuation of certain assets.

Firstly, *total global debt* currently (Q2 2024) amounts to approximately 335% of global GDP, and this is occurring in a strongly asymmetric situation, with mature markets with high public debt that, despite having moderately long maturities, is highly exposed to duration risk. Emerging markets have lower sovereign debt, albeit exposed to exchange-rate risk. Generally speaking, there are also many segments in the private sector where leverage is highly visible, and in a context of financial stress, they would be very vulnerable; for example, consumer credit debt in the United States, developer debt in the commercial segment in the United States and Europe, and student loan debt in the United States as well. We are witnessing moderately strong increases in delinquency and non-performing loans, which, while not worrisome in the financial system's solvency situation, could be further stressed by higher funding costs, wider credit spreads, and higher collateral. In general, the incessant increase in real interest rates, already historically high, is cause for concern.

Liquidity in the financial system, which was very high at the height of the COVID-19 crisis, given the monetary expansion/balance sheet of central banks, has yet to decline. It remains high and has been slow to normalize, as the liquidity facility previously amassed on the Federal Reserve's balance sheet in the form of *Money Market Funds* (MMFs), through the Reverse Repo Pur-

Chart 3.2-c
Global: debt by sector
(% of global GDP)

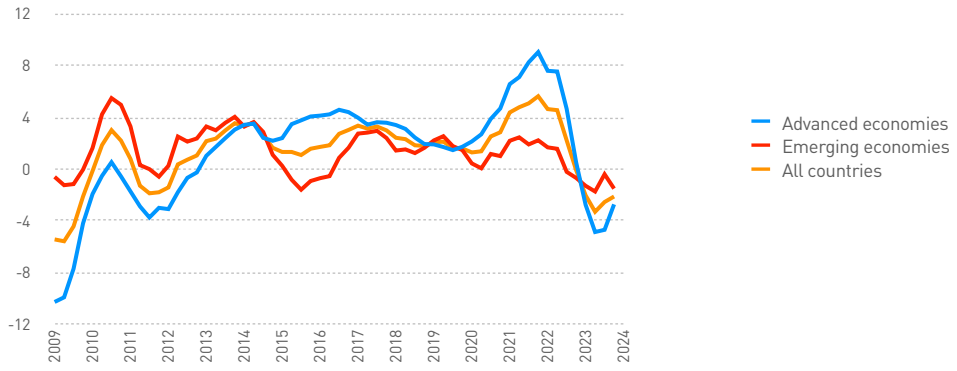


Source: MAPFRE Economics (with IIF data)

chases (RRP) program, is offsetting the Fed's *quantitative tightening* (QT) process. Just one measure for reference: of the 1.4 trillion dollars that QT has withdrawn from the system since its inception in 2023, only 0.7 trillion dollars have been transferred to the financial system in the form of lower reserves, as the other half has been provided through MMFs shedding their RRP contracts with the Fed. Thus, the still-ample liquidity of the system and expectations of lower interest rates are facilitating a visible easing of global financial conditions, as well as credit conditions, and this is maintaining the liquidity and solvency situation for the time being. However, once the process of monetary normalization begins (counter-intuitively), this will change, as it will take place at a time of cyclical slowdown that will lead to corrections in asset prices, higher credit spreads, and collateral calls, as well as the appreciation of dominant currencies. All this could lead to punitive financial conditions for a highly leveraged system, in which the solvency of the financial system could be quite eroded.

On the *asset* side, we are witnessing a rally in the market valuation of certain financial assets (equities in particular), in a context of declining bond prices and the obliteration of liquid instruments. This overvaluation is found in both the financial sector in the equities of global champions (tech) and in high-risk financial assets (resulting from excess liquidity). The residential market has also experienced strong asset inflation processes in the past, probably as a safe haven or search for additional profitability. In a liquidity stress event, we could see a very sharp adjustment in asset valuations, which, together with solvency problems on the liability and liquidity side, could lead to solvency crises in certain economic segments.

Chart 3.2-d
Global: aggregate evolution of residential real estate prices
(%, YoY)



Source: MAPFRE Economics (with BIS data)

Real estate market

Risks related to rising interest rates, construction and real estate development (especially in new construction-commercial) are significant and have been so since 2018 (economic risks). These elements highlight the sensitivity of real estate markets to economic and financial factors, contributing to global risk dynamics. This is a current and very likely economic risk with high severity, although less than that experienced in the 2008 crisis, thanks to the reorganization of the financial system and household balance sheets (see Chart 3.2-d). It is therefore calculated at an average level lower than what our reference taxonomy would indicate (economic risk with social and political implications).

Economic policy

On the economic policy front, the combination of tight monetary policy, government stimulus policies, access to credit, and real estate risks has been present since 2018 (economic risks) and 2019 (geopolitical risks). These variables have defined governments' response to economic challenges and have impacted risk management at a global level. Again, global economic and geopolitical risks with maximum prevalence in the global psyche (economic risk with social and political implications).

Currently, economic policy seems to be succeeding in "manufacturing a soft landing." Inflation is close to the monetary policy target in general, while the output gap is slightly below the ideal, but not alarming. In a context of awaiting confirmation data, in which the Federal Reserve and the European Central Bank postpone rate cuts until after Q2 2024, despite knowing the financial system is weakening (see sovereign-financial risks), the debate around price stability and financial stability is now being weighed.

Meanwhile, there has been a historic electoral cycle that will condition fiscal policy for a few more months, which will remain moderately expansionary and continue to be a conditioning element of monetary policy. It is also noteworthy that efforts made now will not be possible when their counter-cyclical effects are needed. Thus, it is foreseeable that economic policy risk will come from the monetary side, resulting either from delaying interest rate normalization too long, causing a financial accident, or from an incorrect transmission of expectations to the market, leading to a new cycle of volatility like the one experienced a few years ago.

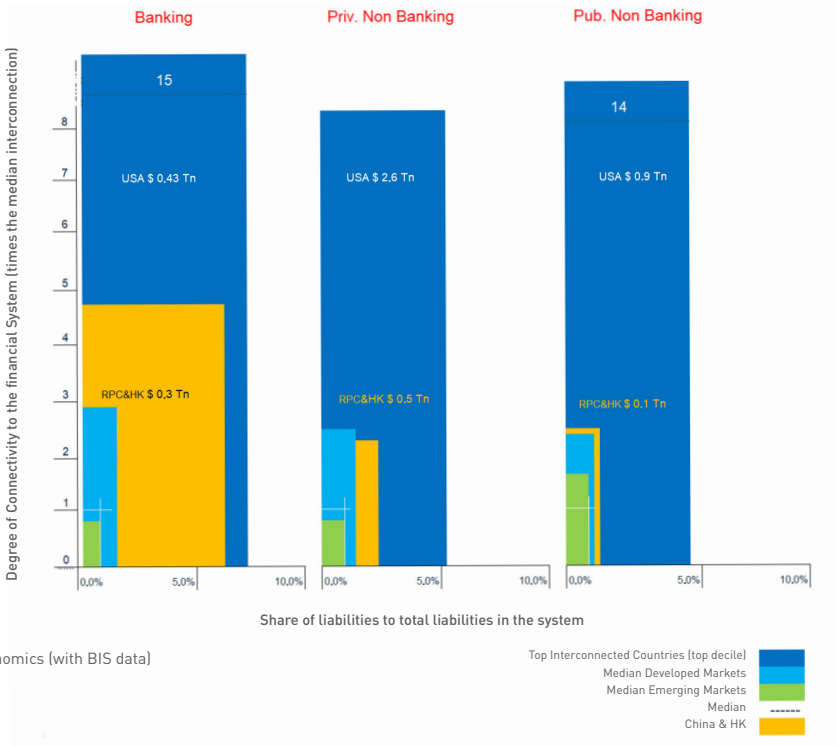
Financial and real estate tension in China

Financial and real estate tension in China, linked to economic growth, monetary policy, and real estate risks, has been a persistent concern since 2018 (economic risks) and 2019 (geopolitical risks). This phenomenon highlights the importance of the Chinese economy on the global stage and its influence on financial stability (see Chart 3.2-e). This is a highly relevant and probable risk with a considerable real cost, but its centrality is not as high as one might expect, since the Chinese economy is relatively isolated (financially speaking) from the world, so the risk refers more to its impact on activity and credit flows to emerging countries (economic risk with social, political, and governance implications).

Climate change

The risk associated with climate change, manifested in extreme weather events, energy transition, and impact on competitiveness, has been present since 2019 (environmental risks). This risk highlights the need to address environmental vulnerabilities and their connection to global economic activity. Despite having an enormous implicit cost and already being an established fact, the global psyche regards it as a distant and, therefore, relatively minor risk (climate risk with geostrategic, economic, social, health, and technological implications).

Chart 3.2-e
China: analysis of the centrality of the financial system (including Hong Kong)



Source: MAPFRE Economics (with BIS data)

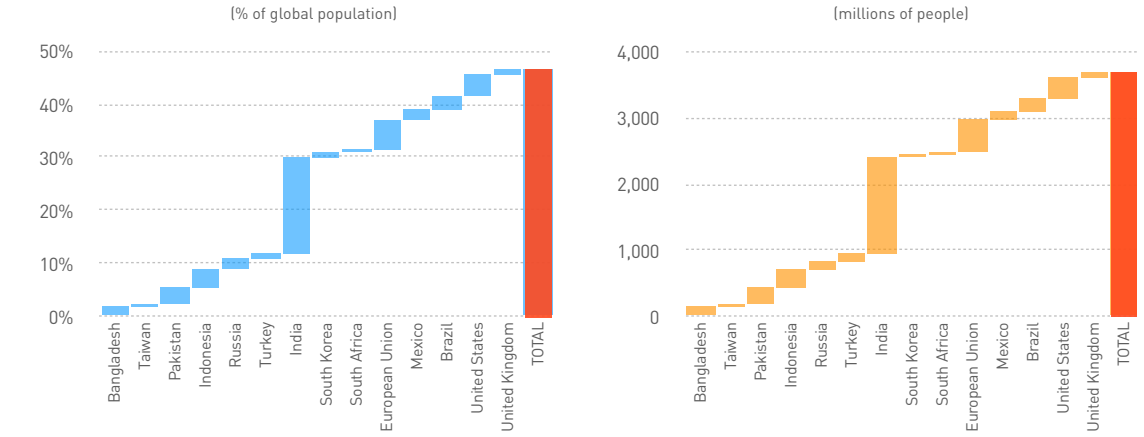
Global governance and geopolitical environment

Despite not being first in *systemic* terms, according to the above analysis, the ramifications of geopolitical conflicts are innumerable and act through various channels, both on the economic level (price of risk, investment uncertainty, market volatility, and volatility of nominal variables such as inflation, exchange rate, and financial costs, etc.), on the political, social, and governance level (disinformation, partisanship, armed conflict, etc.), and even health level (see Chart 3.2-f). As compiled by the WEF, the relevance of these risks has grown well above all others since 2019, the year in which the North-South rhetoric hardened. Geopolitical risk entails not only short-term transitory costs, but also permanent ones. Thus, the transformation of value chains, technological dominance, military superiority, and coercive power are long-term expressions of these risks and are intertwined with the secular trends described above.

Europe, although not the most relevant actor in the context of this type of risk, is undoubtedly one of the most affected. This is reflected, for example, by China's strategic shift and the world's reaction; by value chains and global technology; by the relationship with NATO and/or Russia; by the conflicts on its borders in the East (CIS countries) and the South (Sahel, where it is no longer present), etc.; by the impact of energy cost shocks, disruptions in trade and global value chains with profound effects on the production structure; by the impact of extreme migratory flows and terrorism, as well as dissent, coercion, and manipulation of its governance by external agents and interests.

However, these types of risks are in turn transforming, since they have revealed the shortcomings of the European Union and the need to have consolidated regional mechanisms such as the Capital Union, regional financial instruments, the Fiscal Union, a Common Foreign Strategy, and, especially, an

Chart 3.2-f
Global: elections (voting population)



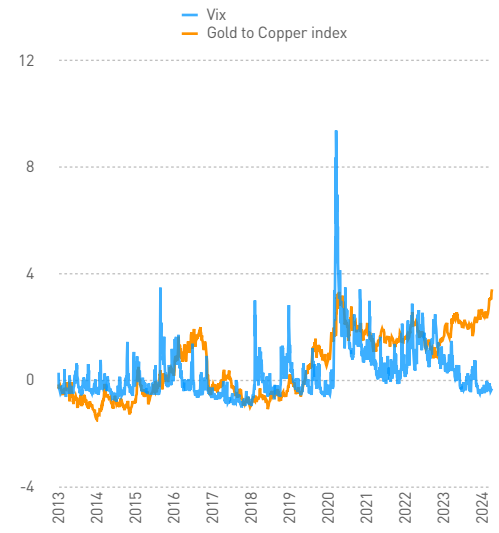
Source: MAPFRE Economics (based on Bloomberg data)

industrial policy that competes with those of the other major powers, along with a consolidated defense strategy that guarantees its strategic autonomy in the long term (see Chart 3.2-g).

3.3 Definition of scenarios

As stated above, the current central scenario involves a soft landing for the global economy. In it, monetary policy is considered to be succeeding in easing inflation toward long-term levels consistent with central banks' objectives, while economic activity slows moderately to growth at levels slightly below potential. Meanwhile, employment remains resilient, with jobs at high levels, but giving way to a phase of lower and, in general, more balanced momentum.

Chart 3.2-g
Global: risk indicators



Source: MAPFRE Economics (based on Bloomberg data)

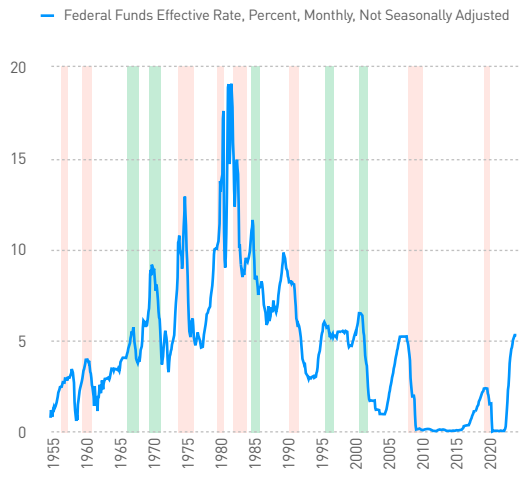
This landing is manufactured by the current monetary policy, especially in the United States, but is supported by the still-expansive fiscal policy, some leftover excess savings (especially among the highest income deciles), credit that remains accessible despite monetary tightening, and ample liquidity. The latter exists despite the normalization of central banks' balance sheets thanks to the anticipation of interest rate cuts (which the market is channeling under looser financial conditions), excess liquidity not yet drained from the system despite tightening (thanks to liquidity reserves set aside in the Fed's Reverse Repo Purchases program), and the wealth effect of the high valuations of certain assets (technology, crypto-assets, and ETFs, which are at record highs). In MAPFRE Economics' view, the subjective probability of this scenario is 75%.

The less optimistic scenario may, however, transition to one that, despite a somewhat harder landing, is still orderly. In this case, the monetary authorities postpone the easing process, prioritizing a wait-and-see position regarding more persistent inflation and delaying the return of interest rates to the natural rate beyond the original horizon (late 2025). In addition to the later and more gradual cuts, caution is maintained regarding the neutral rate, which remains uncertain, given the change in the global inflation and productivity system (and, therefore, in natural long-term interest rates). This monetary change only leads to a larger and longer negative output gap, which is not an inflationary recession, but a spread of those pockets of weakness that already exist in key economies such as Europe and China to other regions, including the United States. This scenario ("*higher for longer*" interest rates) has a subjective probability of 20% in our risk composition, and would subtract approximately 230 basis points (bps) of global cumulative growth from the baseline scenario, without triggering a technical recession. In addition, there is a 5% chance we could find ourselves in a cyclical situation that could be classified as a severe risk scenario. This situation would lead to some specific risk, or else the confluence of geopolitical-energy-inflationary risks, and above all, in a more likely scenario, an undesired financial event in which liquidity and solvency operate as explained above.

Meanwhile, geopolitical risk could also generate an extreme scenario if it were to cause widespread disruptions in supply chains, resulting in slow growth coupled with new inflationary pressures and widespread financial volatility that would increase the likelihood of the aforementioned financial accident. In such a situation, moreover, the inversion of the current yield curve would be accentuated, creating greater difficulties with respect to financial conditions, which, with growth moderation, would impact corporate financial profitability, the widening of credit spreads, and an adjustment in the valuation of all types of assets. This scenario (of "*severe macro-financial stress*") would subtract approximately 340 bps of growth from our cumulative global view between 2024 and 2025, generating a technical recession in a context of still-persistent prices in the short term that would unravel as the recession consolidated.

In this scenario, there would be a strong impact in terms of global output gaps, consistent with the definition of global recession, and it would involve both developed and emerging countries across the board. In addition, we would expect to see credit spreads, real interest rates, and the slope of the curve play against the cyclical momentum, prioritizing the search for safe havens and leading to a reversal of capital flows and significant portfolio corrections, which would put many segments of the global financial system in a situation of acute liquidity stress and (probably) solvency stress. These valuations, however, defy history to some extent, with hard landings and recessions being far more common than soft maneuvers (see Chart 3.3).

Chart 3.3
United States: interest rates



Source: MAPFRE Economics (with Haver data)

4. Impact of geopolitical risk on the insurance industry

From an industry perspective, geopolitical risks also have a relevant impact. In fact, it could be said that they are reshaping the landscape of insurable risks. As follows, we briefly discuss some of the main ways geopolitical risks could affect the insurance industry.

Economic impact

Fragmentation of the global economy due to geopolitical tensions, such as trade conflicts and the disruption of global supply chains, is expected to result in weaker growth in economic activity. This would negatively impact the growth of insurance premiums, which are strongly interconnected with GDP growth levels. In addition, access to certain markets may become more difficult, affecting insurers' ability to diversify risks and increasing the cost of claims. Furthermore, the trend towards deglobalization also drives inflation, which may have adverse implications for future claims costs and the adequacy of loss reserves.

Political risks

Escalating geopolitical tensions increase risks and opportunities for insurers, particularly affecting underwriting due to political violence. For example, insurers have withdrawn from markets such as Ukraine and reduced coverage in regions experiencing increased tensions, such as Israel and Taiwan. Conversely, demand for insurance has increased in other parts of the world, indicating that geopolitical changes present both challenges and growth opportunities for insurance companies.

Legal and regulatory fragmentation

As economies diverge, driven by national security-related changes, insurance companies face greater uncertainty as they seek to improve the quality of their products and services. This legal and regulatory fragmentation may limit underwriting and investment possibilities for insurance companies, expose them to compliance and reputational risks, and complicate or challenge their internationalization strategies.

Restructuring of supply chains

Geopolitical tensions have led to a significant restructuring of global supply chains, impacting the insurance industry as well. While some countries may benefit from reshoring and nearshoring, and with it their insurance industries (leading to higher commercial insurance premiums), replicating entire supply chains can be prohibitively expensive and put a strain on companies and governments.

Impact on global cooperation

Geopolitical tensions may hinder global collaborative efforts that are essential to address critical threats, such as climate change, energy security, health, and cyber risks. This may risk impeding the green transition and potentially escalate into a "green cold war," where like-minded blocs of countries align on different approaches and aspirations towards green energy and technology, impacting the role of insurance companies in supporting transition projects despite strained geopolitical relations.

Overall, these geopolitical risk impacts on the insurance industry highlight the importance of adapting to an increasingly fragmented and uncertain global landscape, requiring insurance companies to innovate and re-evaluate their strategies in response to these emerging challenges.

5. Conclusion

A comprehensive analysis of global risks reveals a complex web of challenges that evolve over time. The interrelationship between risk types and their potential impact on various aspects of society underscores the need for a multidisciplinary and collaborative approach to address these challenges. Furthermore, effective risk management at the global level requires not only the identification and understanding of individual risks, but also the ability to anticipate and adapt to the complex interactions between them.

This report identifies the risks MAPFRE Economics identifies as most enduring in the global consensus as well. Thus, risks such as the global economic slowdown, uncertainty in monetary and fiscal policy, inflation, and the influence of geopolitics and international markets are the main risks to the global economic environment. The *energy markets* include elements such as oil and gas prices, the war in Ukraine, war tensions in the Middle East, OPEC production cuts, among others, which directly affect the dynamics of the global economy and are therefore currently considered highly prevalent subjective economic risks.

In the baseline scenario MAPFRE Economics presents in its analytical reports, a certain stability in energy costs is forecast for the time being, despite existing regional tensions. However, situations such as the conflict in Ukraine, which could escalate, also limiting liquefied natural gas (LNG) contracts to maintain the stability of winter stocks, and the problems in the Middle East, which could take on regional dimensions with the participation of dominant powers in the area, would lead to a stressed scenario with increased volatility, rising energy costs, disruptions in the value chain and maritime transit, and a return to risk aversion in the markets, affecting hard currencies, the valuation of certain assets, and capital flows.

Meanwhile, *inflation* is considered a risk with maximum validity, probability, and short-term cost, rooted in factors identified as early as 2018 (such as the trade war initiated by the Trump Administration) and has contributed to the complexity of the global economic scenario, influencing monetary policy decisions and financial stability.

In addition, there are *financial risks and global debt*. Elements such as rising interest rates, global debt levels, as well as central bank balance sheet reduction policies and geopolitical conflicts, are risks that have been present since 2018 and 2019. These, as a whole, influence the path of the world's financial markets and pose challenges to global economic stability, so their validity and prevalence is high (economic risk with social and political implications).

Risks related to rising interest rates and real estate construction and development highlight the sensitivity of *real estate markets* to economic and financial factors, contributing to global risk dynamics. This type of risk, whose severity is high, although lower than during the 2008 crisis, thanks to the restructuring of the financial system and household balance sheets, is considered to be at a medium level, below what the reference taxonomy would indicate (economic risk with social and political implications).

Current *economic policy* appears to be relatively successful in that it is "manufacturing a soft landing" after a combination of tight monetary policy, government stimulus

policies, access to credit, and real estate risks, present since 2018 (economic risks) and 2019 (geopolitical risks). Again, in this case there are global economic and geopolitical risks with maximum prevalence in the global psyche (economic risk with social and political implications).

Finally, risks such as *financial-real estate stress in China*, which has been a concern since 2018 (economic risks) and 2019 (geopolitical risks), as it is linked to economic growth, monetary policy, and real estate risks, highlight the importance of the Chinese economy in the global arena, directly influencing financial stability and representing a high-validity and high-probability risk with a considerable real cost. However, its centrality is not as high, since the Chinese economy is relatively isolated (financially speaking) from the world, so the risk it entails refers more to its impact on activity and credit flows to emerging countries (economic risk with social, political, and governance implications).

Meanwhile, *climate change*, although considered a distant and therefore relatively minor risk (climate risk with geostrategic, economic, social, health, and technological implications), is a risk that highlights the need to address environmental vulnerabilities and their connection to global economic activity. Likewise, the *global governance and geopolitical environment*, where the ramifications of geopolitical conflicts are widespread, acts through various channels, whether at the economic, political, social, governance, or even health level.

In this context, in the central scenario we see a soft landing of the global economy, where monetary policy is succeeding in cooling inflation toward long-term levels consistent with central banks' objectives, while economic activity slows moderately to growth at levels slightly below potential. In MAPFRE Economics' view, the subjective probability of this scenario is 75%. On the other hand, the less optimistic scenario considers a harder, albeit orderly landing, where the monetary authorities postpone the easing process, prioritizing a wait-and-see position regarding more persistent inflation and delaying the return of interest rates to the natural rate beyond the original horizon. This alternative scenario assigns a subjective probability of 20% in our risk composition, and would subtract approximately 230 basis points of global cumulative growth from the baseline scenario, without triggering a technical recession.

In terms of the *insurance industry*, geopolitical risks have a significant impact. Lower growth in economic activity, as a consequence of the fragmentation of the global economy due to geopolitical tensions, would negatively affect insurance premium growth, which is strongly interconnected with GDP growth levels, and could impact insurance companies' ability to diversify risks and increase the cost of claims. Thus, as economies diverge, fueled by national security-driven changes, insurance companies face greater political uncertainty due to more disparate legal systems, potentially limiting their underwriting and investment possibilities, exposing them to compliance and reputational risks, and complicating or challenging their internationalization strategies.

In summary, geopolitical tensions lead to a significant restructuring of global supply chains, exerting a major impact on the insurance industry, as replicating supply chains may come at too high a cost, stressing companies and governments while complicating global collaborative efforts, which are essential to address critical threats such as climate change, energy security, and health, among others. This situation could escalate into a "green cold war," impacting the role of insurance companies in supporting transition projects.

References

1/ As in the case of low investment, high financial volatility, etc.

2/ For example, sudden interest rate hikes, default events, early elections, etc.

3/ Through its *Economic and Industry Outlook* report.

4/ See: World Economic Forum. (2023). *The Global Risks Report 2023*, 18th Edition. January 2023.

5/ The *zeitgeist* of G. W. F. Hegel (1770–1831).

6/ Documents 1 to 5 in the bibliography provided in this report.

7/ Such as the implicit seigniorage of debt during the last two decades, and consequently the emergence of inflation.

8/ Movement based on extreme right ethnic nationalism.

9/ Pankaj Mishra, in his work *Age of Anger: A History of the Present,* examines the roots of resentment, frustration, and hate that are manifesting in the contemporary world. Mishra traces a parallel between the current anger and social and political tensions of the 19th century, arguing that the current crisis reflects long-term ideological and economic conflicts. The work explores how unequal global development and the propagation of nationalism and xenophobia are feeding anger and violence in various societies. Mishra also reflects on the impact of modernization and globalization on identity and social relations, suggesting that the history of the present is profoundly rooted in discontent and alienation.

10/ The work *Strategic Vision: America and the Crisis of Global Power* by Zbigniew Brzezinski addresses the change in the distribution of global power, focusing on the decline of the West and the rise of Asia. Brzezinski examines the diminished global appeal of the United States, its residual strength, and the need for geopolitical reorientation to revitalize its role in the world. He predicts that, by 2025, the world will not be Chinese, but rather chaotic, noting the importance of effective US leadership in a changing global environment. The book offers a strategic view beyond 2025, with a focus on balancing relations between the West, Asia, and other emerging global actors.

11/ The cited reports indicate long-term trends, such as the aging of the population, climate change, and growing cyber-dependence, and mentions how they could accelerate, amplify, or alter relationships between risks. For example, climate change could aggravate extreme weather events, thus intensifying environmental and economic risks.

12/ The dimensions have been reduced to a short-term expected cost metric (uniting validity or term, probability of occurrence, and isolated cost in case of occurrence) and relationship with other risks metric, which arises from a bimodal valuation of risks.

13/ The MSI 2024 examines global risks through surveys conducted in G7 and BRICS countries over time. The social and geopolitical aspects stand out as the most relevant for the countries surveyed. In the latest report, however, the decline in the perception of risk associated with Russia (although still very significant) and the increase in concern about mass migration, Islamic terrorism, and organized crime are striking. In contrast, we observe a reduction in concern about economic and health risks, such as inflation and future pandemics. Among the other risks, cyber-attacks are considered the main technological threat for countries such as China and the United States.

14/ MAPFRE Economics (2024), *2024 Economic and Industry Outlook*, Madrid, Fundación MAPFRE.

15/ In reference to the industrial and services sector. Meanwhile, manufacturing remains structurally depressed in some European countries, with stabilization far off, while services show a loss of momentum. This suggests an impact on the ability to pass on cost increases to the end consumer.

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Appendix A:
A diagnosis of the current global context in the Mishra (2017) and Brzezinski (2012) debate

The works *Strategic Vision: America and the Crisis of Global Power* by Zbigniew Brzezinski and *Age of Anger: A History of the Present* by Pankaj Mishra, while addressing different subjects, have various points in common. First, they share a similar view of the change in the global power dynamic. In this regard, Brzezinski focuses on the change in the distribution of global power, especially on the decline of the West and the rise of Asia. Mishra, in turn, examines how modern social and political tensions are linked to global transformations. Both books recognize a world in transition and the challenges associated with these changes.

Second, both Brzezinski and Mishra address the *impact of globalization*. While Brzezinski examines how globalization has affected the global balance of power and the role of the United States, Mishra focuses on how globalization has influenced social identity and fueled frustration and xenophobia.

Third, regarding the *challenges of contemporary leadership and politics*, Brzezinski discusses the need for a geopolitical reorientation of the United States to maintain its global leadership, while Mishra analyzes how the current crises reflect protracted ideological and economic conflicts, also hinting at the need for effective leadership in this context.

Fourth, with regard to *history and socio-political context*, both authors take a historical approach to understand contemporary issues. Brzezinski looks to the future from the current situation, while Mishra draws parallels between 19th century tensions and those of today, suggesting that contemporary problems are rooted in historical conflicts.

Finally, regarding the *focus on instability and conflict*, Brzezinski predicts a chaotic world by 2025 if effective leadership is not achieved, and Mishra explores how resentment and hatred are creating an era of anger and violence. In this sense, both works recognize a period of global instability and conflict.

These commonalities highlight how both authors, from their perspectives and themes, address the challenges of the modern world and the need to understand and manage global changes and their implications for society and politics.

Appendix B: Matrix of evolving risks identified by the World Economic Forum in its 2018–2024 risk reports

Table B-1
Matrix of evolving risks identified by the World Economic Forum in its 2018–2024 risk reports

Year	Economic	Environmental	Geopolitical	Social	Technological
2018	Asset bubbles, deflation, failure of financial institutions, fiscal crises, unemployment, illegal trade, energy price shocks.	Extreme weather events, failure to mitigate climate change, loss of biodiversity, natural disasters, environmental damage.	Failure of governance, interstate conflicts, terrorism, weapons of mass destruction.	Deficient urban planning, food crises, mass migration, social instability, infectious diseases.	Adverse technological progress, impairment of the data infrastructure, cyber attacks, fraud and data theft.
2019	Similar to 2018, plus uncontrolled inflation.	Similar to 2018.	Similar to 2018, plus collapse or crisis of a State.	Similar to 2018, plus water crisis.	Similar to 2018.
2020	Similar to 2019.	Similar to 2019.	Similar to 2019.	Similar to 2019.	Similar to 2019.
2021	Economic impact of COVID-19, digital division, market changes.	Failure of climate action, environmental damage caused by humans.	Geopolitical tensions, political fragmentation.	Social inequality, social interruption, instability.	Technological advances, cybernetic dependency, cybersecurity.
2022	Inequality in economic recovery, low global investment, deglobalization.	Socio-environmental risks, climate change.	Economic wars, multi-domain wars.	Cost of living crisis, political instability.	Digital dependence, cybernetic threats.
2023	Cost of living crisis, inflation, trade wars, unsustainable debt.	Lack of progress on climate goals, loss of biodiversity.	Geopolitical fragmentation, economic war, asymmetrical conflicts.	Social vulnerabilities, erosion of human development.	Expanding inequality through technology, cybersecurity.
2024	Persistent concern about the rising cost of living and inflation, impact of geopolitical conflicts and pandemics, rising global debt and risk of economic recession.	Urgency of climate change, extreme weather events, loss of biodiversity, need for effective climate actions and adaptation.	Geopolitical tensions, focus on regional conflicts, fragmentation of international cooperation, impact of multipolarity on global instability.	Societal polarization, vulnerabilities in human development, migration management, public health crisis.	Risks of artificial intelligence and cybersecurity, proliferation of disinformation, cyber attacks.

Source: MAPFRE Economics (with information from the WEF-Risk Reports, 2018–2023)

Appendix C:
Main global think tanks

1. Adam Smith Institute (https://www.adamsmith.org/)
2. Atlantic Council (https://www.atlanticcouncil.org/)
3. BBVA Research (https://www.bbvaresearch.com/en/)
4. Belfer Center (https://www.belfercenter.org/)
5. Brookings Institution (https://www.brookings.edu/)
6. Bruegel (https://www.bruegel.org/)
7. Brunswick Group (https://www.brunswickgroup.com/home/)
8. Carnegie Endowment for International Peace (https://carnegieendowment.org/)
9. Center for Strategic and International Studies (CSIS) (https://www.csis.org/)
10. Centre for Economic Policy Research (CEPR) (https://cepr.org/)
11. Centre for European Policy Studies (CEPS) (https://www.ceps.eu/)
12. Chatham House (https://www.chathamhouse.org/)
13. Council on Foreign Relations (CFR) (https://www.cfr.org/)
14. Economic Policy Institute (EPI) (https://www.epi.org/)
15. Egmont Institute (https://www.egmontinstitute.be/)
16. Elcano Royal Institute (http://www.realinstitutoelcano.org/wps/portal/rielcano_en)
17. Eurointelligence (https://www.eurointelligence.com/)
18. European Council on Foreign Relations (ECFR) (https://www.ecfr.eu/)
19. EU Institute for Security Studies (EUISS) (https://www.iss.europa.eu/)
20. Foreign Affairs (https://www.foreignaffairs.com/)
21. Foreign Policy (https://foreignpolicy.com/)
22. French Institute of International Relations (IFRI) (https://www.ifri.org/en)
23. German Institute for International and Security Affairs (SWP) (https://www.swp-berlin.org/en/)
24. Institute for the Study of War (ISW) (http://www.understandingwar.org/)
25. Istituto Affari Internazionali (IAI) (https://www.iai.it/en)
26. Institute of International Finance (IIF) (https://www.iif.com/)
27. International Crisis Group (https://www.crisisgroup.org/)
28. International Institute for Strategic Studies (IISS) (https://www.iiss.org/)
29. Institute for Public Policy Research (IPPR) (https://www.ippr.org/)
30. Mercator Institute for China Studies (MERICS) (https://merics.org/en)
31. Mises Institute (https://mises.org/)
32. Munich Security Conference (https://securityconference.org/)
33. National Bureau of Economic Research (NBER) (https://www.nber.org/)
34. Nueva Economia Forum (http://www.nuevaeconomiaforum.org/)
35. Oxford Economics (https://www.oxfordeconomics.com/)
36. RAND Corporation (https://www.rand.org/)
37. Stratfor Worldview (https://worldview.stratfor.com/)
38. VoxEU (https://voxeu.org/)
39. Center on Global Energy Policy at Columbia SIPA (https://www.energypolicy.columbia.edu)
40. Geopol21 (https://geopol21.com/)

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