

Geopolitical risk

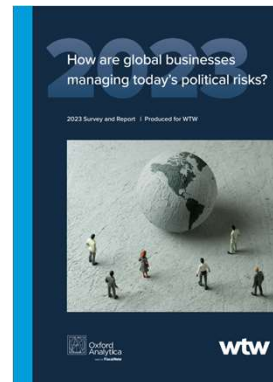
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House rule

No quotes please

China, the panda in the room

Other things you can worry about



“Business and politics have lived in two different realities. The events of the past year have now aligned realities.” – European executive

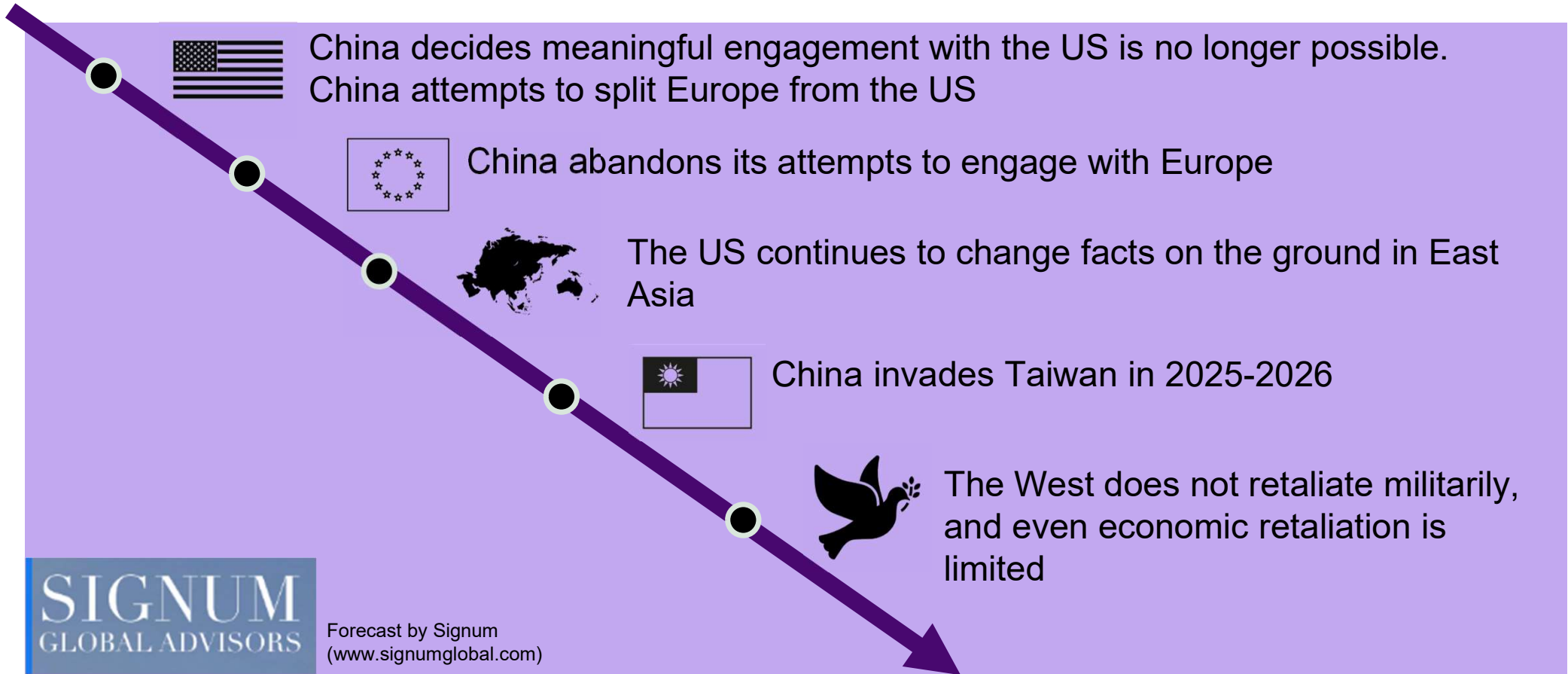
“Every day is China strategy day” – US executive

China: a baseline forecast



Forecast by Signum
(www.signumglobal.com)

China: a baseline forecast



Many experts believe that if China acted regarding Taiwan, it would be in the ‘gray zone’ in order to make a coordinated Western response more difficult

A series of bombings occur Hong Kong. Beijing claims the attacks were planned and funded by Hong Kong dissidents who fled to Taiwan in the wake of the 2019 unrest. **Beijing provides a list of ‘terrorists’ based in Taiwan and demands their extradition. Taiwan refuses**



Beijing claims to have uncovered plans for biological or nuclear attacks by ‘Taiwan-based terrorists,’ and demands **ships docking in Taiwan submit shipping manifests for prior Chinese approval**



In practice, all manifests are speedily approved by China, and most shipping companies begin to submit manifests as a matter of course. **The US pushes back by indicating it will negotiate an FTA with Taiwan**



Six months later, Chinese vessels begin to intercept and delay ships bound for Taiwan. Many ships are diverted to Chinese ports for ‘inspection’. A ‘warning shot’ from a Chinese vessel does minor damage to a Japanese cargo ship



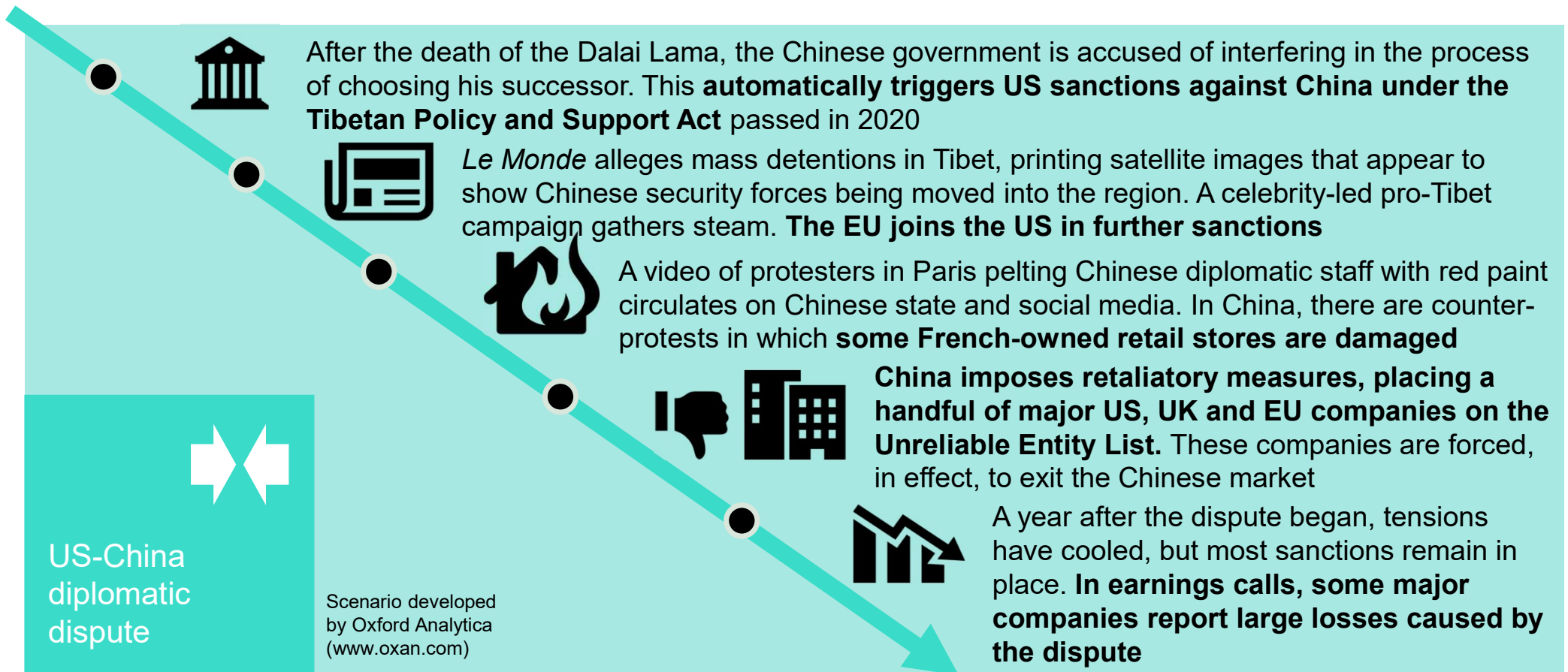
Shipping to Taiwan slows to a trickle, despite Western protests. **After a few months of *de facto* blockade on shipping, China releases all detained vessels and declares the threat averted**

Taiwan
blockade



Scenario developed
by Oxford Analytica
(www.oxan.com)

Diplomatic disputes between China and the West may trigger economic retaliation by China



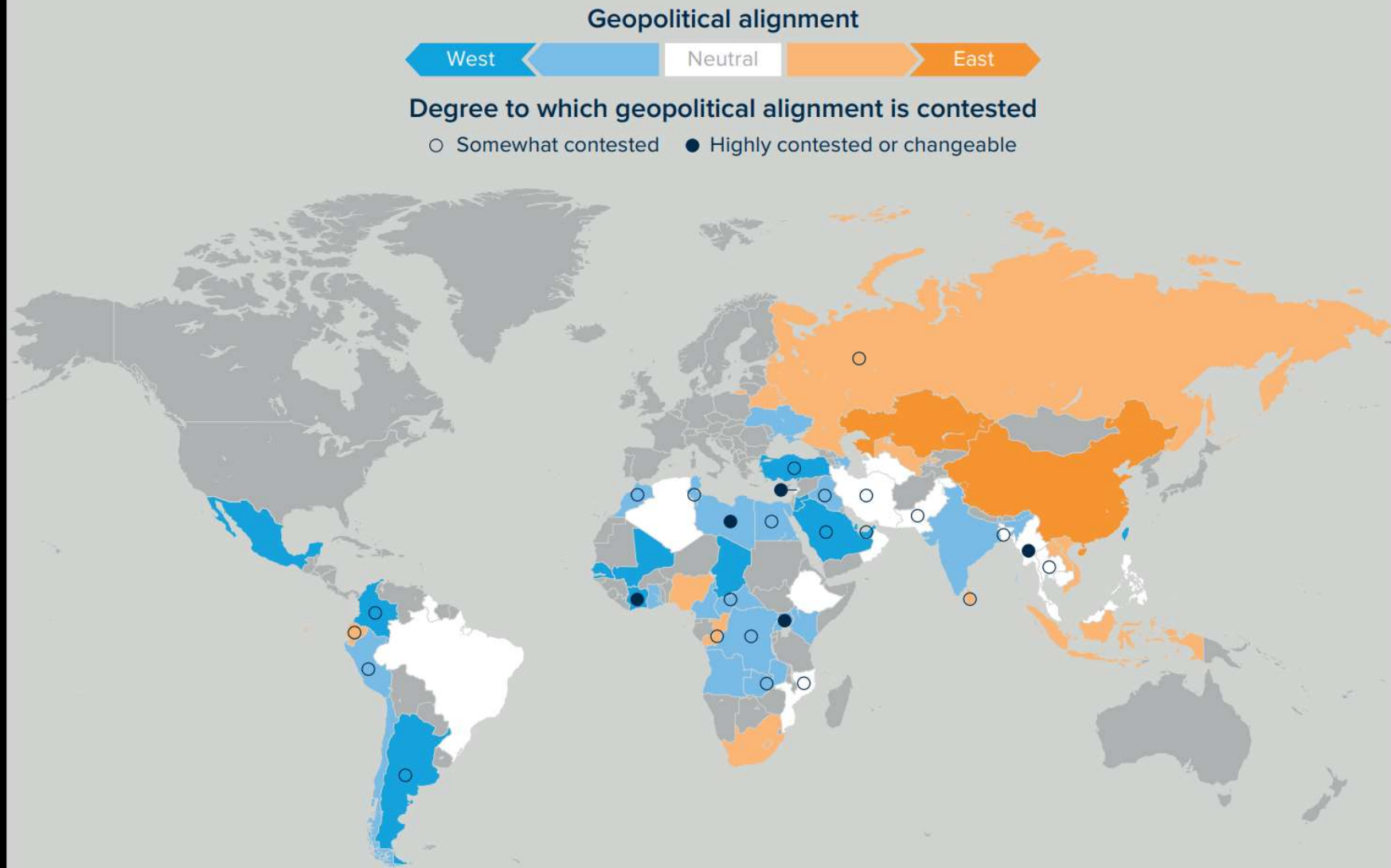
China could also retaliate with an embargo of vital exports



Key points to take away

- * Expect the gray zone
- * Prepare for ESG pressure and economic retaliation
- * Consider the strategic risks

2018



Source: WTW Political Risk Index Winter 2023 / Oxford Analytica

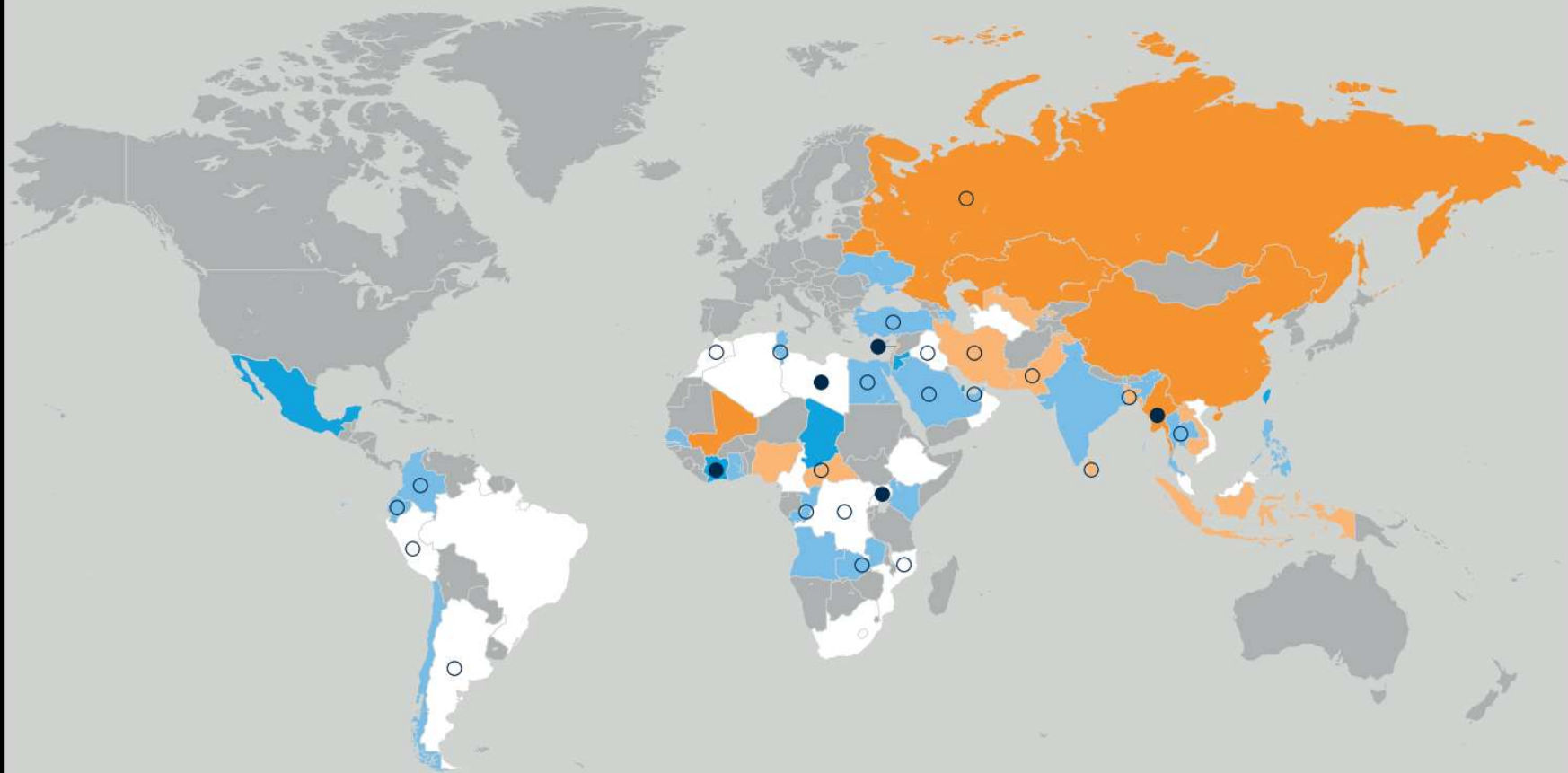
2023

Geopolitical alignment



Degree to which geopolitical alignment is contested

- Somewhat contested
- Highly contested or changeable



Source: WTW Political Risk Index Winter 2023 / Oxford Analytica

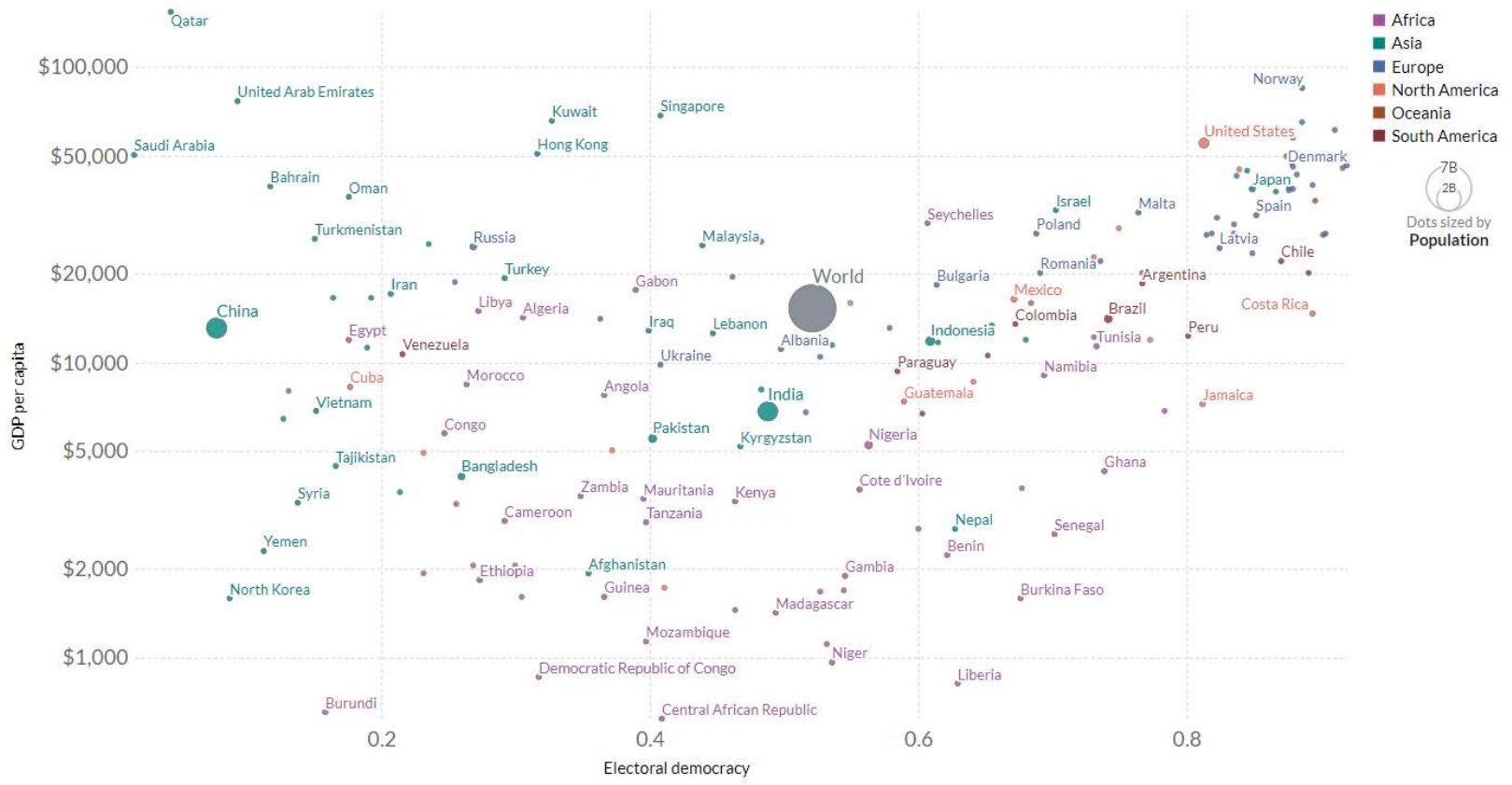
Headed West	Dealigned	Headed East
Congo-Brazzaville Ecuador Philippines Thailand	Argentina Cameroon Colombia Congo Iraq Libya Morocco Peru Saudi Arabia Senegal South Africa Turkey U.A.E Uganda Vietnam	Bangladesh Belarus Cambodia Central African Republic Iran Lebanon Mali Myanmar Pakistan Russia

Source: WTW
 Political Risk
 Index Winter
 2023 / Oxford
 Analytica

GDP per capita vs. electoral democracy, 2018

GDP per capita is adjusted for differences in the cost of living between countries, and for inflation. Electoral democracy based on the expert assessments and index by V-Dem, ranging from 0 to 1 (most democratic).

LINEAR LOG [Select countries](#) Average annual change



Source: Bolt et al. (2020); OWID based on V-Dem (v13)

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1789 2018

CHART

TABLE

SOURCES

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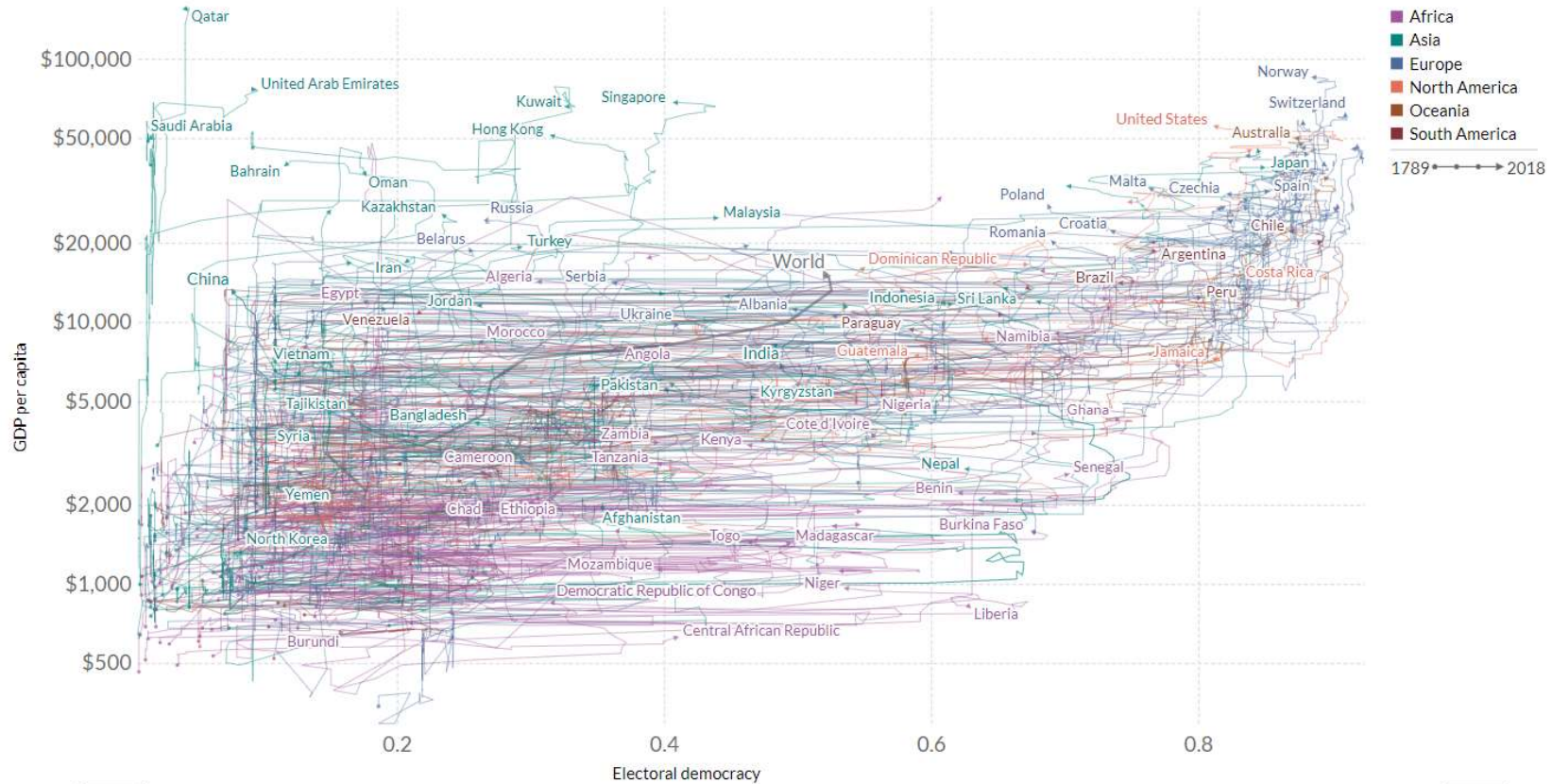


Related: [How do different approaches score democracy across the world?](#)

GDP per capita vs. electoral democracy, 1789 to 2018

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Source: E (1789-2020); OWID based on V-Dem (v13)

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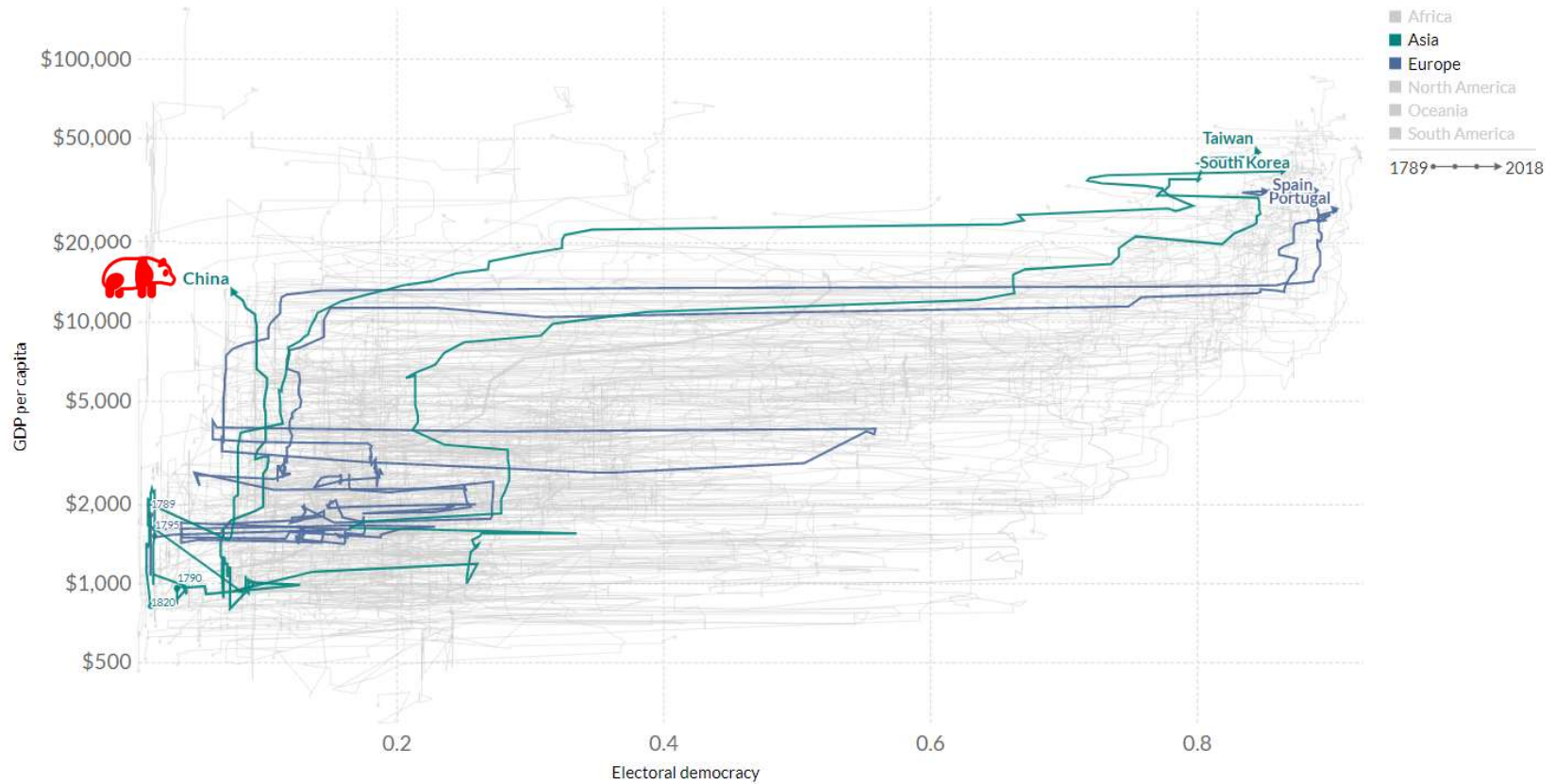


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LINEAR LOG Select countries Zoom to selection Average annual change



Source: Bolt et al. (2020); OWID based on V-Dem (v13)

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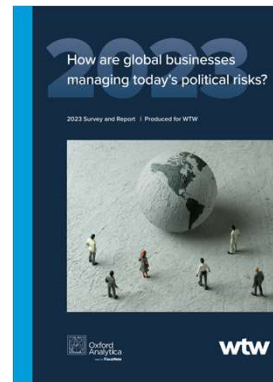
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China, the panda in the room

Other things you can worry about

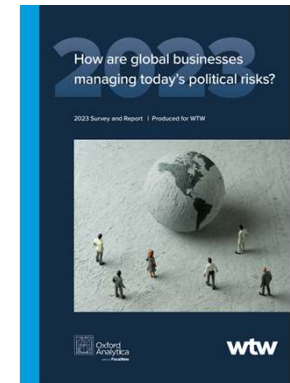


“As part of the company’s annual ‘risk watch’ ... which used to center heavily on competitor considerations, I was recently asked for my views on the risk of nuclear escalation and its potential impacts on our supply chain.” – European executive

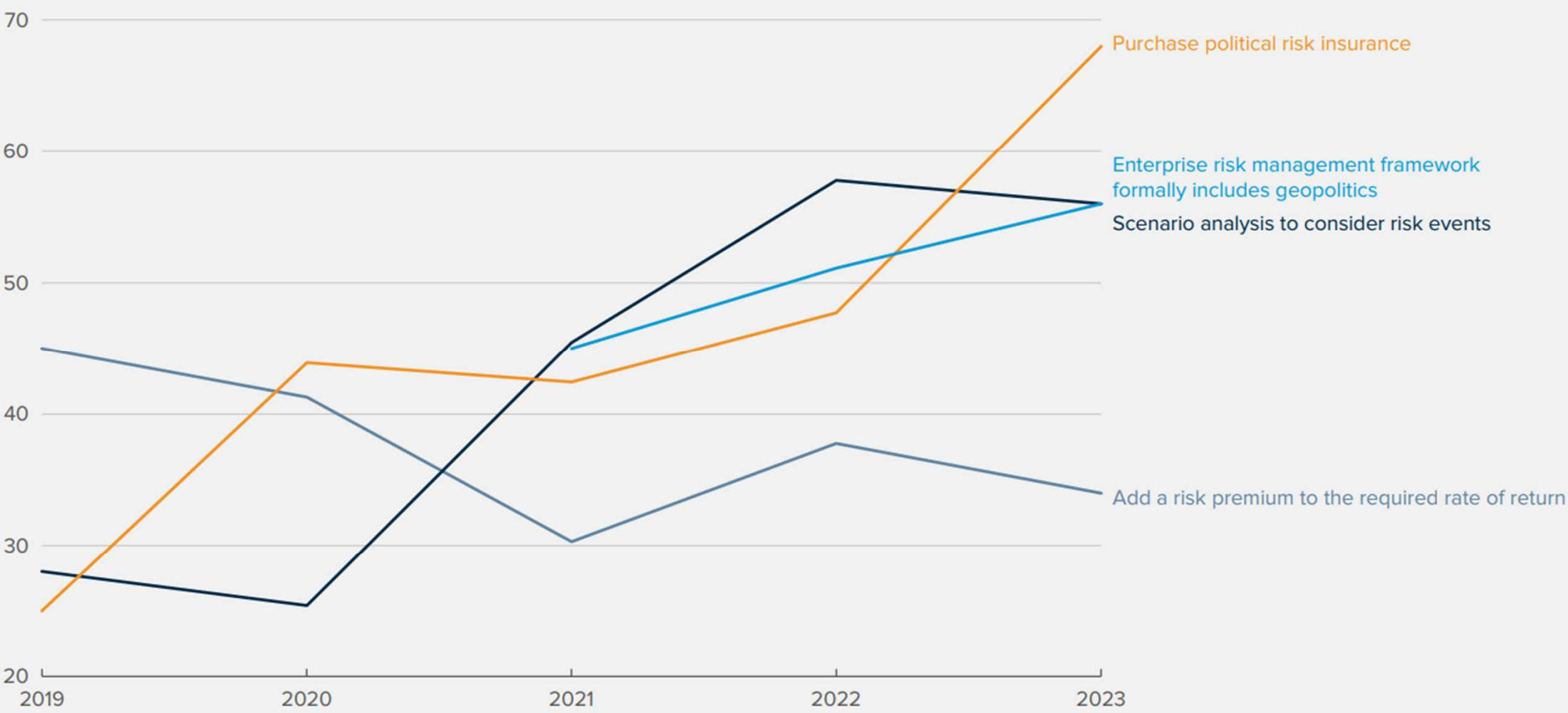
Outlook for geopolitical trends in 2023 (%)



Note: all respondents; n = 50



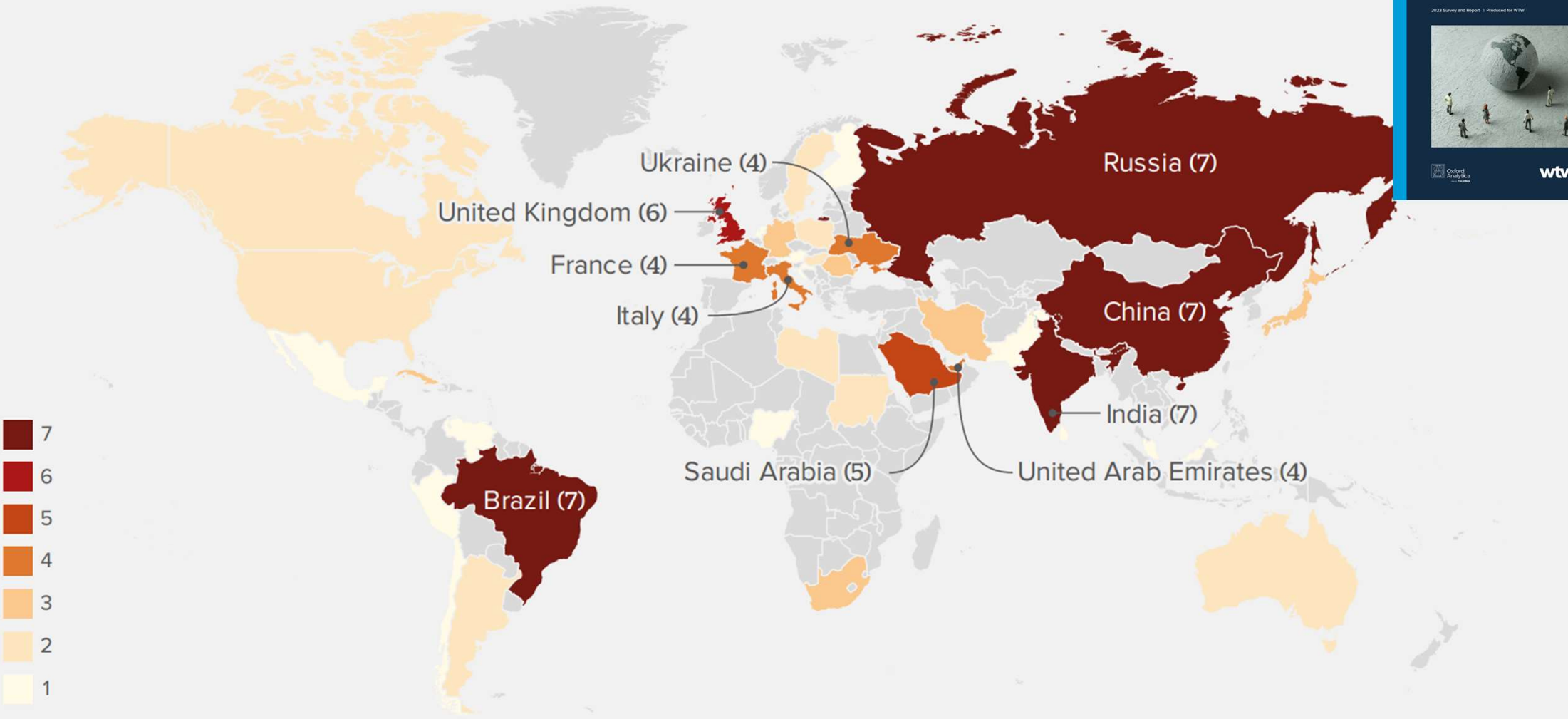
Which risk management techniques does your company employ? (%)



Note: percent of respondents using each listed technique; all respondents; for 2019, n = 40; for 2020, n = 41; for 2021, n = 33; for 2022, n = 44; for 2023, n = 50



Countries where respondents experienced a political risk loss (number of mentions)



Note: number of mentions; respondents experiencing political risk losses only

Thank you