



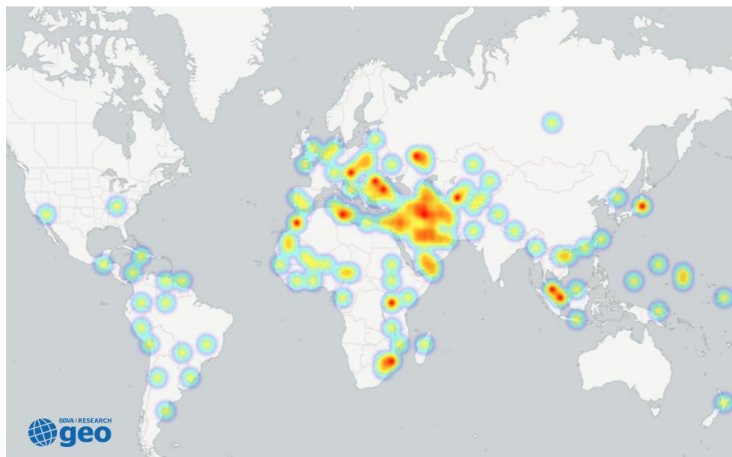
Geo-World: Conflict & Social Unrest December Update

Álvaro Ortiz and Tomasa Rodrigo. BBVA Cross Country Emerging Markets Unit

The end of the year was marked by the Syrian Civil War (where no transition plan has been approved yet), the ISIS offensive in the Middle East and North Africa with some spill-overs into Europe, the escalation of the conflict in Ukraine and the tension between Turkey and Russia after the downing of the Russian warplane. Social unrest remained in some Latin American countries given the political turmoil, while demonstrations in Europe and Asia remained eased. The beginning of the New Year has been marked by the increasing tension between two regional key players in the Middle East (Saudi Arabia and Iran), which has the potential risk of triggering fragmentation and instability in the area with dangerous implications.

Geopolitical conflicts around the world on the rise during December...

BBVA Research World Conflict Heatmap (Dec, monthly changes)
(Number of conflicts / Total events)



Source: www.gdelt.org & BBVA Research

• The critical situation in the Middle East worsened with major risks of further escalation

The recent crisis between Saudi Arabia and Iran intensified instability in the Middle East and led to a deepening geopolitical rift in the region.

• ISIS offensives continued spreading

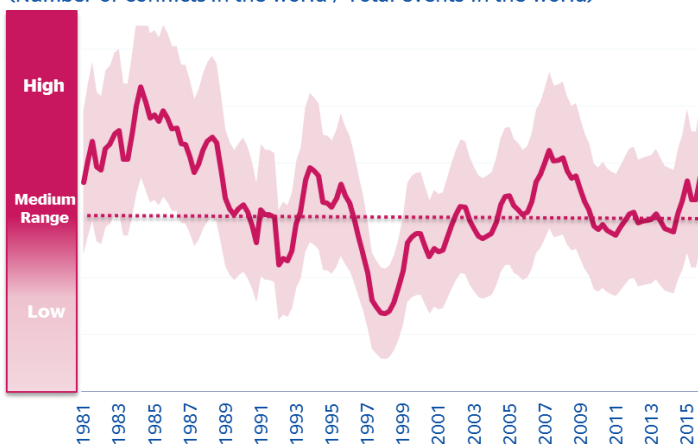
Serious attacks took place in Iran, Afghanistan and Libya. Saudi Arabia announced a new "Islamic Military Alliance" coalition to counter terrorism.

• Russia-Ukraine tension escalated after a pause

Separatists intensified attacks on the frontline. Further disputes between both countries also resumed.

The BBVA Research world conflict intensity index¹ increased during December and remained above the long-term average. The main reasons behind the rise were the increasing tension in the Middle East, the escalation of tension between Russia and Turkey, as well as the revival of disputes and clashes between Russia and Ukraine. ISIS launched major attacks in Western and Northern Iraq despite last months' setbacks.

BBVA Research World Conflict Intensity Index 1980-2015
(Number of conflicts in the world / Total events in the world)



Source: www.gdelt.org & BBVA Research

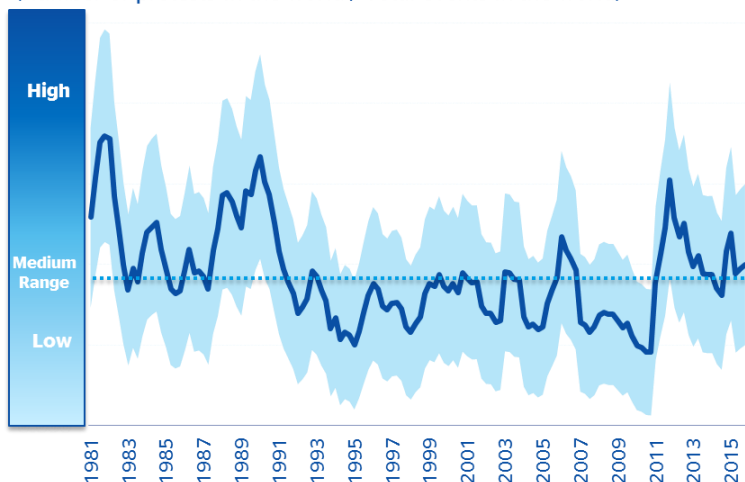
Violence in Afghanistan was also on the rise given the growing ISIS threat, further deteriorating the security situation. The reluctance of the US to take a more active role prompted Saudi Arabia to form a new thirty-four member coalition, which it called the "Islamic Military Alliance" to counter terrorism in Iraq, Syria, Libya, Afghanistan, and Egypt. On the other hand, the mass execution in Saudi Arabia, including the Shia religious leader Nimr al-Nimr at the beginning of January, led to attacks on Saudi Arabia's embassy in Teheran and the subsequent breaking of diplomatic ties between Saudi Arabia, Oman, Bahrain and (to a lesser extent) the UAE. This crisis underlines the critical situation in the Middle East and the potential for the geopolitical situation to worsen in the region. Russian-backed separatists intensified their attacks, using heavy weapons along multiple frontline positions in Ukraine during the

month. Clashes have not reached the intensity the summer of 2015, but there are signs of further intentions to escalate. Economic disputes between the two countries also intensified, as Kiev took a landmark step toward European integration with the launch of an EU free trade agreement. Ukraine also accused Russia of inflicting a major blackout in western Ukraine in an unprecedented cyber-attack on 23 December.

¹Details about methodology can be found in the following link: [Methodology, tracking protests and conflicts](#).



BBVA Research World Protest Intensity Index 1980-2015
(Number of protests in the world / Total events in the world)



Source: www.gdelt.org & BBVA Research

... in line with social unrest

The World Protest index also rose in December (as shown by our BBVA Research world protest intensity index²) and remains above the long-term average. According to our BBVA Research world protest intensity map, the main key takeaways were the following:

- In regional terms, social unrest eased significantly in Western Europe after the Paris attacks. In emerging Europe, instability remains present in the Balkans. In Eastern Asia, the situation continued to ease, while instability in the Middle East and North Africa remains at worrying levels. There were demonstrations in some Latin American countries.

- In Western Europe, social unrest calmed during the month returning to previous levels after the observed peak during November as a consequence of the terrorist attacks in Paris. Some hot spots of low intensity were observed in Greece.

- In Emerging Europe and CIS countries, instability continued at worrying levels around the Balkans despite the extra funds of EUR13mn to be added to the previous EUR7mn to support refugees along the Western Balkans route. On the other hand, tensions rose in Turkey as demonstrations continued against the curfews imposed on the Kurdish region in the south-east of the country.

- In North Africa, rallies remained at extreme levels in Tunisia, eased slightly in Algeria and erupted in Egypt as a consequence of the deaths of members of the security forces and the parliamentary elections.

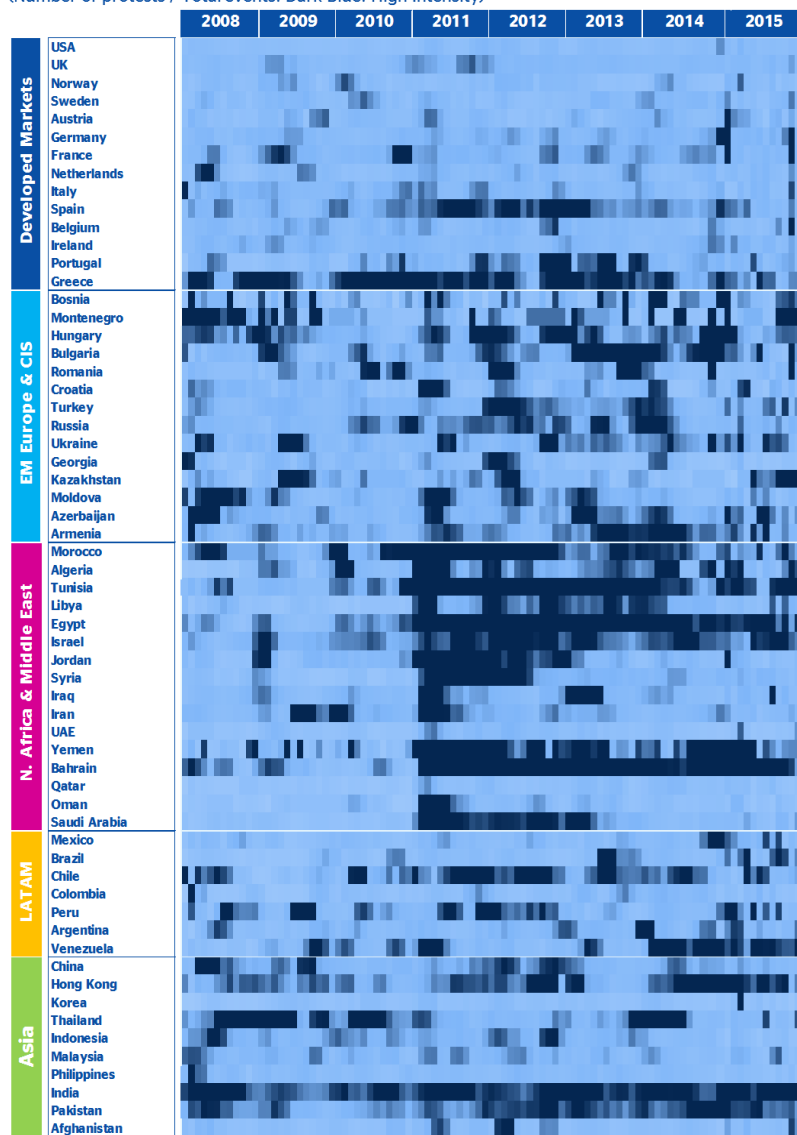
- In Latin America, tensions rose in Venezuela and Brazil due to the challenging political and economic situation in both countries. To a lesser extent, tensions slightly rose in Chile.

- Pressures in Asia remained quite contained. Social unrest resurged in Hong Kong and soared in Thailand, while they receded in Pakistan and Afghanistan.

Summing up

The sustained offensive by Russia in Syria, the revival of conflict in the eastern Ukraine, and the recent escalation between Saudi Arabia and Iran maintain our conflict index clearly above average and rising. The social unrest or protest index remains slightly above the long-term average but is relaxing when compared to the recent peaks of 2011 and 2014.

BBVA Research World Protest Intensity Map Jan 2008 - Dec 2015
(Number of protests / Total events. Dark Blue: High Intensity)



Source: www.gdelt.org & BBVA Research

Protest Intensity: Low High

²Details about methodology can be found in the following link: [Methodology, tracking protests and conflicts.](#)



Geo-World Monthly Update

December 2015

Geostrategic Analysis

DISCLAIMER

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.