

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit
23 January 2024

Situation in the Middle East remains Tense and Diplomatic Efforts to find a solution accelerated*

Israel has intensified its military operations against Hamas in Gaza, particularly in Khan Yunis. The Palestinian death toll has surpassed 25,000, and the Israeli Defense Minister has emphasized the need for a diplomatic solution post-military operations, focusing on dismantling Hamas and securing Israeli hostages. The international community have started to claim long term plans for the creation of a Palestinian State:

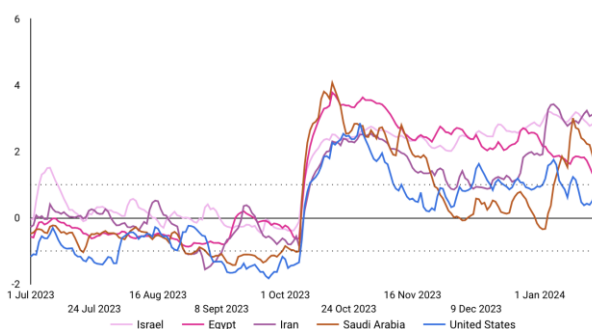
- **The US is increasing Diplomatic Pressures:** While President Biden continues to affirm Israel's right to self-defense while advocating for a ceasefire and accelerating US diplomatic efforts for a Gaza peace plan. Biden's Top Middle East adviser Brett McGurk is the latest top diplomat sent to discuss a plan including a permanent ceasefire and a roadmap for the creation of the Palestinian State in Gaza and the West Bank.
- **EU Diplomacy:** Jose Borrell, the EU foreign policy chief, says Israel's plan to destroy Hamas is not working. The EU Ministers presented a Two-States solution to Israeli and Palestinian representatives in Gaza.
- **Regional security concerns:** The Iran-backed Houthi rebels in Yemen have intensified their attacks, claiming responsibility for a missile strike on a Malta-flagged cargo ship and targeting other Israel-linked vessels, disrupting key maritime trade routes. In response, the United States has conducted several strikes against Houthi targets in Yemen, aiming to degrade their missile capabilities, including the destruction of anti-ship ballistic missiles. Additionally, US forces have intercepted Iranian-made weapons bound for the Houthis.

The BBVA Monitor: Bilateral Tensions Index Israel-Iran at risk but relations Israel-Saudi Arabia is in neutral.

The situation in the Middle East remains tense and some new risk pressures spread to Western Countries indexes. In Emerging Countries, the situation in Ecuador was also apparent in the indicators, while the Argentinian Economic Policy Uncertainty and Protest indexes start to soften as media starts to digest the economic measures:

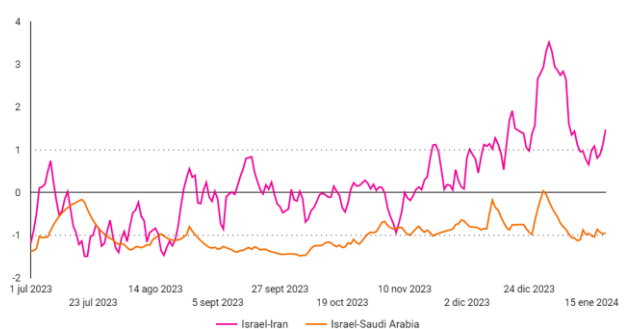
- The levels of Geopolitical & Conflict sentiment remain high to extreme levels in the M. East. The UK remains at Risk area (Fig 2).
- The Political indexes in the M. East and UK stay at risk, extending to S. Arabia. Political tension is at extreme risk in Ecuador. This could be affecting the news sentiment in Colombia and Peru (Fig 3).
- The Bilateral relations between Israel-Iran entered in the risk area as accusations of Iran of providing support to Hamas, Hezbollah and Huties increased, but Israel-S.Arabia relation index remains safe. (Fig 2).
- The Economic Policy Uncertainty (EPU) index stays at neutral but rising since the beginning of the conflict. The Israel EPU index has finally entered the Risk area. Argentinian returned to neutral (Fig 5).

Fig1. **GEOPOLITICAL SENTIMENT: M EAST & US**
(28-day weighted moving average, normalized by its own history)



Source: BBVA Research & www.gdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

Fig2. **BILATERAL TENSION INDEX: ISRAEL & SA/IRAN**
(28-day weighted moving avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

*The selection of news has been enriched by the BBVA Research Geo Assistant developed with Chat-GPT.

Fig3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES AFTER HAMAS-ISRAEL CONFLICT
(Signals in Geopolitical Risk, Political Tensions, Economic Policy Uncertainties, Protest and Conflict according to Standard Dev)

Summary of Signals After Hamas-Israel Conflict (January 15th, 2024)



Summary of Signals After Hamas-Israel Conflict (January 22nd, 2024)



Source: BBVA Research and www.qdelt.org

Fig4. BILATERAL TENSIONS INDEX: CHINA-TAIWAN
(28-day weighted moving avg, normalized by its own history)

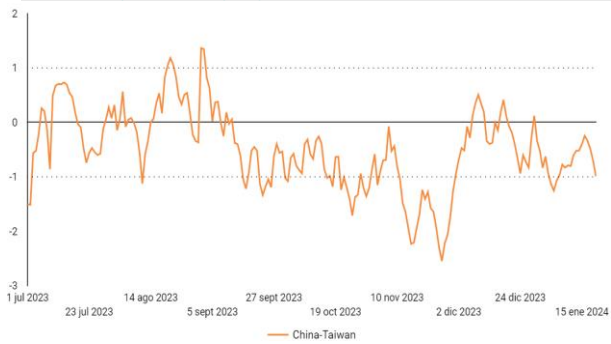


Fig5. ECONOMIC POLICY UNCERTAINTY
(28-day weighted moving avg, normalized by its own history)

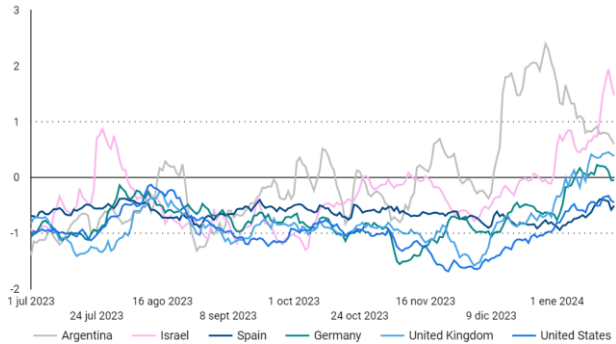
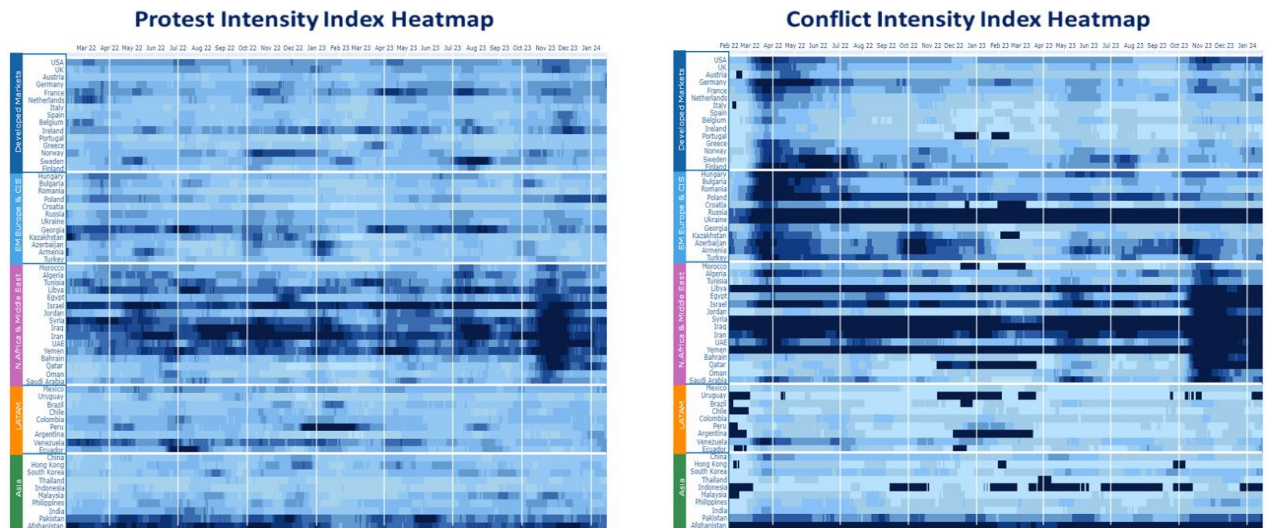


Fig6. BBVA RESEARCH PROTEST AND CONFLICT HEAT MAPS
(Evolution of Protest and Conflict over time by regions)



Methodological annex: indicators' construction

We have developed a daily tracker with weekly updates to monitor protest and conflict indicators for every country in the world from 2019 to present day. To construct this, we use a rich 'big database' of international events (GDELT), created by Leetaru and Schrodtt (2013). GDELT is an open-source database which extracts and parses digital news monitoring world events covered by news media from nearly every corner of the world, whether broadcast, printed or published on the web, in over 100 languages, every moment of every day, updated every 15 minutes. Thus, it contains a comprehensive and high resolution catalog of geo-referenced events and themes.

Using different dictionaries, several thousands of taxonomies and themes are identified in the news pieces to classify the information. The algorithms used by GDELT also identify emotions, organizations, locations, news sources and events across the world as well as their average sentiment using Natural Language Processing (NLP) techniques and the lexicon approach.

The included indicators are:

- Geopolitical Risk: or sentiment (weighted by coverage) of the country's geopolitical risk perception.
- Political Tensions: or sentiment (weighted by coverage) of the country's political tensions.
- Economic Policy Uncertainty or sentiment (weighted by coverage) about the country's economic policy uncertainty, also disaggregated by media origin.
- Protests or coverage regarding social protests or unrest in the country.
- Conflict or coverage of armed conflicts, which go beyond verbal protests.
- Bilateral Tensions or the sentiment (weighted by coverage) between a specific pair of countries that appear together in the news article (plus NATO and EU).

The indicators track the evolution of tensions and are normalised by its own country history since 2019, thus they are all expressed in terms of standard deviations from their historical patterns. Indicators usually lie within the range [-1,1]. Therefore, when the values exceed one (the upper boundary of the range), this means escalating tensions. While it's possible to observe simultaneous tensions arising in multiple countries (for example, due to geopolitical events affecting several nations, as seen in some of our heatmaps), using these indicators for direct quantitative comparisons of risk levels between countries is not recommended.

We apply a weighted moving average of 28 days (to include four complete weeks with the same number of days of the weeks) to reduce noise of daily information and identify signals more clearly. The weights have been calculated using a discrete geometric distribution such that it puts more weight on recent data and less on past data (see Graph 1). Aggregating by weeks, the weight of the most recent week has a weight of 68%, the past week 22%, the previous 7% and the fourth 3%. The weight of the 28 days can be seen in the following image. In such a way, the indicators reflect what is happening in the last days.

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