

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit

Iran Offers Conditional Reopening of Strait of Hormuz Amid Ongoing Standoff with US. Russia Strengthens Diplomatic Support for Iran. Taiwan Monitors Chinese Naval Activity Near Strategic Islands

Iran Offers Conditional Reopening of Strait of Hormuz Amid Ongoing Standoff with US: Iran has proposed reopening the Strait of Hormuz on the condition that the United States lifts its blockade and formally ends the war. The offer, conveyed through Pakistani mediation, would delay negotiations over Iran’s nuclear program, a key demand for Washington. US officials, including Secretary of State Marco Rubio, have indicated that any agreement must address nuclear concerns, making acceptance of the proposal unlikely.

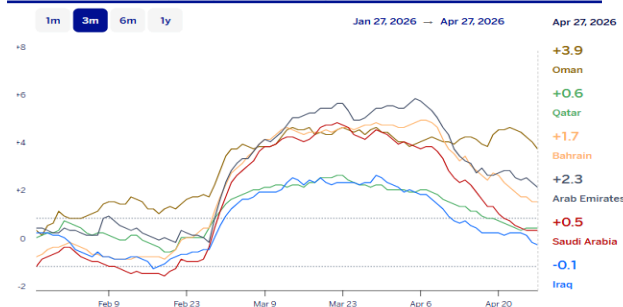
Russia Strengthens Diplomatic Support for Iran Amid Ongoing Conflict: Russia and Iran have reinforced their strategic partnership following a high-level meeting between President Vladimir Putin and Iranian Foreign Minister Abbas Araghchi in St. Petersburg. Putin pledged to support Iran diplomatically and indicated Moscow’s willingness to help mediate in the ongoing crisis involving the United States and Israel. The meeting comes as U.S.-Iran negotiations have stalled and tensions remain high in the Middle East, particularly around the Strait of Hormuz. Iran is actively seeking Russian backing for its diplomatic proposals.

Taiwan Monitors Chinese Naval Activity Near Strategic Islands: Taiwan has increased its military alert level after detecting Chinese warships operating near the Penghu Islands, a strategically sensitive area in the Taiwan Strait. The movements are seen as part of ongoing Chinese pressure on Taipei. Taiwanese authorities have deployed surveillance and defensive measures in response, while reiterating calls for regional stability.

The BBVA Monitor: Fragile stabilization amid stalled negotiations in the Middle East

- Negotiations have remained stalled throughout the week, with no meaningful progress, but the arrangement has been de facto extended as talks continue, and it contributed to a tentative easing of geopolitical tensions and some stabilization in economic indicators across the Middle East. **Geopolitical risk indicators** and **economic policy uncertainty indices** have eased over the week, but they remain in the extreme-risk area in some Gulf countries, such as Oman. This has been accompanied by a slight improvement in **economic sentiment indicators** across Middle Eastern countries, although they remain in the risk area, indicating a more negative sentiment than their historical average (see Fig. 1, Fig. 2, Fig. 3, Fig. 4, and Fig. 5).
- The worsening in economic sentiment is not spreading with the same intensity to the rest of the world, pointing to the shock remains concentrated in the Middle East and nearby economies (see Fig. 3 & Fig. 6).

FIG 1. MIDDLE EAST - GEOPOLITICAL RISK
(Total media. 28-day weighted mov 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

FIG 2. MIDDLE EAST - EPU
(Total media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org. Positive (negative) values indicate greater (lower) interest 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.

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 (GDELТ), created by Leetaru and Schrodt (2013). GDELТ is an open-source database that 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 GDELТ 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 normalized by their country's 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 the 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 has been happening in the last few days.

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