

The Vulnerability of Elites:

Geopolitical Risk in 2013

Categorizing the major themes, risks, opportunities, and wild cards—based on discussions of the Global Agenda Council on Geopolitical Risk in Dubai, November 2012.

Introduction

In a post-financial crisis world, the lack of viable international leadership is in stark relief. As the Global Agenda Council on Geopolitical Risk's 2012 report highlighted, the effectiveness of global institutions and the rise of regionalism are overarching themes defining world events. In 2013, this breakdown of international coordination will go increasingly local: in such a world, governments will focus more on their domestic agendas, which will create new risks in and of itself. Most importantly, the growing vulnerability of elites makes effective public and private leadership that much more difficult to sustain. Leaders of all kinds are becoming more vulnerable to their constituents, generating more reactive and short-term governance. Whether one looks at the dismal approval ratings of the U.S. Congress or the impact that more open flows of information is having on the Chinese ruling elite, it is clear that people are becoming more and more uninspired by their governments. When it comes to unemployment, the widening disparity of wealth, or environmental degradation, highly complex or even intractable issues set politicians up for failure in the eyes of their constituents.

Underperformance erodes elites' legitimacy, making it that much harder for them to lead effectively. States captured by corruption or special interests, or that exhibit a lack of transparency, growing disparity of wealth, or a perceived indifference to the lives of the citizenry, will increasingly fall victim to this 'legitimacy deficit.' Corporate and NGO leaders who act with impropriety can also find the ground shifting beneath their feet, sometimes overnight. Rapid news cycles and social media can allow dissident movements to arise without warning, creating new challenges for those in charge.

Against this backdrop, a host of key 2013 risks and opportunities takes shape. Tensions between China and Japan are likely to worsen. The spill over from the Syrian civil war will have severe knock-on effects throughout the region. The Iranian nuclear threat, Afghanistan-Pakistan conflict in the wake of US 2014 withdrawal, and eurozone crisis response are other key risks. Opportunities could arise from a brighter US outlook and continuity in its government. A growing awareness of the lack of international leadership may impel political leaders to deal with issues locally, and could result in better crisis response. In addition, there are a host of wildcards—on the downside and upside—that could prove game-changers over the coming year.

Discussion will break down into categories as follows:

- A. Overview: The Vulnerability of Elites
- B. Key Risks
- C. Wildcards
- D. Opportunities

A. Overview: The Vulnerability of Elites

The challenge

The vulnerability of elites cuts across emerging markets and advanced economies, democracies and authoritarian states, public and private institutions, and a wide array of issues. This is the challenge: as their legitimacy gets called into question, political actors struggle to react to instability, crises and opportunities in the most effective manner. Whether it is the growing disparity of wealth, or the evolving

flow of information, several factors are facilitating pushback against existing policies and institutions and making both governments and some private actors across the globe look increasingly fragile.

First, the 'Occupy' movement may have run out of steam, but the slogan "we are the 99%" has put an end to the people's "peaceful coexistence with inequality." While the richest have come out on top from the economic crisis, middle classes are experiencing reversals in their standards of living even in the developed world. In many developed and emerging countries, youth unemployment rates are scandalously high. A 'lost' generation of young people feel they have no stake in the existing system. And this development is occurring in a world where inequality is visible on a daily basis, both within and between societies. The lack of economic prospects has eroded people's trust in, and support for, their political leaders, whose actions are rarely understood, let alone approved.

The result is a "legitimacy deficit" and a sense that we might nearly be better off without rulers. Leaders no longer have a story to rally their followers around. The few who do fare better than others. We're seeing this trend across countries of vastly different stages of development.

Second, people are less willing to tolerate corruption, crime, cronyism and other forms of inappropriate behaviour by leaders. Most societies lack a clear moral compass in the form of religion, ideology or established values. The media are quick to fill this vacuum with instant moral outrage about the latest scandal—and the news cycle is short-sighted at the expense of longer-term problems that are more pressing.

Consider some of the events that dominated headlines in the past year: revelations of phone hacking by News-Corp, the resignation of CIA director David Petraeus, the demonstrations that erupted after a gang rape in India, or the cover-up of sexual misconduct within the BBC. Among other things, these events show that the spread of the internet and social media has made it much harder for leaders to engage in "damage control." It has given people a tool to hold their leaders to account and, in extremis, to topple them. Nowadays, even rather innocuous private misdemeanours can end a distinguished political or corporate career overnight. Governments, companies, even large media organisations, are ill-equipped to handle the "tyranny

of real time." More than ever, knowledge is power—and more than ever, knowledge has been democratized. Anyone with an Internet connection can access diplomatic cables revealing inconvenient truths about their rulers.

In developed democracies, scandals involving leaders can distract whole nations for weeks on end, while more important business remains undone. Greater transparency may yield many important benefits, but it can also pollute short-term agendas. Growing disenchantment with political leaders may discourage the best and brightest from entering politics in the first place. Instead of imagination, conviction, and leadership skills, a blemish-free past is becoming the real entry criteria for Western governments. While a longer-term generational shift could ease this phenomenon, for the foreseeable future, the trend will likely only worsen.

Overall, however, in established democracies the damage stemming from elite vulnerability is limited by the existence of stable institutions. If a minister, general, or even a president is pushed out, there is a well-rehearsed and accepted process for replacing him or her. In less democratic societies, by contrast, public scrutiny may not burden leaders quite so continuously. But the risks associated with elite vulnerability are considerably higher. Revelations about elite corruption and double standards can galvanise people into street action and even revolution. From Russia to China, leaders' wealth is increasingly exposed. Public anger at corruption and disparities of wealth also played a clear role in the Arab Spring, and it remains to be seen whether the region's monarchs will remain protected by tradition or end up having no clothes.

In emerging markets countries, the growing ranks of the middle classes will increasingly translate into pressure on authorities to deliver everything from goods and services to property rights, freedom of information, and political rights and civil liberties. Regimes that are successful in improving living standards and increasing the size of the middle class may subsequently struggle with their aspirations--and the reduced likelihood that they will remain willing to abide by the terms of the previous social contract. This dynamic was among those at work in the Arab Spring, where GDP growth and a larger demographic cohort of university-educated citizens ultimately expected more from government.

Elites that are not perceived to have earned their status fairly tend to be the most fragile. If a leader in an autocratic

society is forced out by public outrage, leadership battles that can destabilise the whole political system are likely to ensue. To avoid this, vulnerable leaders often search for distractions and scapegoats. Take China, for example, where the leadership may focus on quelling transparency into its dealings at the expense of enacting much-needed governance or reform. External enemies are blown up, potential opponents are crushed and sabres are rattled. Vulnerable elites can be unpredictable.

All of this takes place against the backdrop of a deglobalising world.

The new local

The threat to elites' legitimacy varies considerably between regions and even neighbours. In a similar fashion, the risk landscape in 2013 is increasingly disparate. There is no single, overarching risk that could destabilise international politics or derail the global economy. Instead, a myriad of local pressure points exist, from the escalating tensions between China and Japan to the bloodshed in Syria and the ongoing crisis in the eurozone. Such risks have regional spill over effects but none of them has the capacity to become an 'umbrella' calamity that becomes a global priority. Welcome to 'the new local,' where governments are more shackled by regional concerns and their domestic constituencies—at the expense of tackling larger-scale global issues that need collective leadership to solve. Paradoxically, secessionism is on the rise just as one would expect support for more integrated solutions to increasingly intricate problems.

The world today lacks an overarching and accepted model of development and progress. Many people believe that the global financial and economic crisis has discredited market capitalism. Institutions of global governance look weak. Regional ones are slow to take their place (see our report last year). The Lehman collapse, Abu Ghraib and Afghanistan have all eroded American soft power. With Europe in deep crisis, the idea that there is a "Western" model that should be followed can no longer easily be sold. Many people in Asia, Africa and elsewhere do not think that democracy is a panacea. Perpetually waiting until after the next election to take action does not seem attractive or efficient. Even the Arab Spring was not so much about

democracy as about transparency and accountability – ingredients that can be supplied to some extent by stable non-democratic systems.

Globalisation itself is no longer the unquestioned unifier that drives global markets. Nor is there a clear alternative model. For many leaders around the world, the idea that there could be economic development without the 'messy business' of democracy is an appealing one. However, autocratic systems tend to be rigid and therefore likely to crack under pressure. The notion that development and happiness can come from authoritarian state capitalism hinges on little more than China's year-on-year growth rates and exceptional experience over the past decade. Should China break, an entire worldview will likely come to an end.

The deglobalisation of risk exacerbates old problems—and ushers in some new ones. Paradoxically, the fact that spill-overs are not global makes the outbreak of local conflicts more likely. During the Cold War years, any skirmish between the two Germanys would have escalated to a third world war. Today, China and Japan know that a tit-for-tat over the Senkaku/Diaoyu islands can be pushed much further before it precipitates a broader international response. This knowledge might make actors more reckless—and cause more damage. Just look at the drop-off in Japanese exports in China in the wake of the recent crisis.

B. Key Risks

China-Japan

As previously mentioned, the risk that China-Japan relations could worsen and the two nations head for a naval confrontation over the Senkaku/Diaoyu islands is high. Although pragmatic solutions are conceivable, this conflict is not ultimately about territory. For both countries, it is an opportunity to project power in a region that is in transition. And in both countries, domestic political factors are pushing towards escalation: Japan's government—weakened by economic woes and internal divisions—may want to send a signal that Japan is not a country in terminal decline. In China, a newly installed leadership may find anti-Japanese nationalism the easiest way of gaining popularity. In a world with vulnerable political elites, China and Japan's leadership may have more cause to shore up their popularity by

stoking nationalist sentiment. Bilateral relations between the two countries are tense and trade is already suffering. China feels it needs neither Japanese capital nor Japanese technology nowadays, which it can now import from places such as Korea or Taiwan. Japan hopes for US support, including a new treaty that could further align America with Japanese interests.

Although the US is torn between pivot and disengagement, it remains the only power that can play the role of a mediator or help with conflict prevention in Asia. While it is probably not in a position to prevent an incident between China and Japan, it should be able to forestall a wider conflict. Yet uncertainties about the meaning and commitment of the US “pivot to Asia” have left critical concerns unaddressed. If the US is not understood by its Asian allies, how can it avoid misunderstandings with its largest competitor?

Syria and its spill over

The conflict in Syria will drag on in 2013 and is likely to engulf more actors than expected to date. While eyes were on Turkey and Lebanon in 2012, they could be on Iraq and Jordan in 2013. Although neither side admits it, the war in Syria is effectively in a stalemate, even if things are changing gradually. Even though Syrian opposition leaders agreed to form a coalition in November 2012 in Doha, a political settlement looks no closer. What is more, following the intense outside pressure that led to the formation of the coalition, it might now be tainted as the “US council” for Syria, just as NATO seeks to avoid being drawn into the country through its Turkish member.

If Assad does fall, events could accelerate unpredictably and uncontrollably. Even if there is a workable peace deal in Syria, democracy and stability are unlikely to follow. In an interesting repeat of history, the question is again about what happens the “day after.” The possibility of mass revenge killings or territorial fragmentation of the state cannot be ruled out. The turmoil in Syria is already providing fertile ground for a re-emergence of Al-Qaeda—an organization that has also operated in a ‘new local,’ splintering its actions into more granular arenas, often working at a sub-regional level. Expect that to continue unabated if a post-Assad power vacuum emerges.

On Syria, Russia and China continue to stand in the

way of an international intervention. Vladimir Putin is unlikely to give up his opposition to outside interference—even if the other powers on the UN Security Council were to give him much of the credit for ‘solving’ the Syria conflict. The Chinese government remains on the sidelines, showing limited signs of leadership by issuing a brief forward-looking plan, yet still fearful that any support for the Syrian opposition might encourage a Uighur uprising in Xinjiang province. The West, for its part, is torn between moral values and a lack of hard interests justifying boots on the ground. While it seeks to avoid profound involvement, it is also concerned with not losing its diplomatic hold on the situation.

The ongoing battle in Syria is radicalising and destabilising the region, opening for the first time a real—if still distant—possibility that the map of the Middle East may be redrawn. Turkey, Iran and Arab states like Saudi Arabia are key actors in Syria but they do not trust each other and no side wants to see the other gain the upper hand. Often their initiatives are aimed at containing each other, rather than at stopping the bloodshed.

Turkey’s position is particularly complex. On the one hand, Ankara could not allow President Assad to crush the uprising and re-constitute his regime. On the other hand, a large-scale military intervention would strengthen once again the position of the Turkish military in domestic politics—and thus undo one of Prime Minister Erdogan’s greatest personal victories. Moreover, Turkish businesses—many of which support Erdogan’s government—are against military intervention, fearing the economic turmoil that would inevitably follow.

The fault lines of the Syrian crisis are also running through Iraq, where both the Kurds and the Sunnis see the turmoil as an opportunity to remove (Shia) Prime Minister Nuri al-Maliki. The Kurds are keen to consolidate their gains in terms of autonomy and economic independence (some oil companies now prefer to sign deals with Erbil than with Baghdad) and the Sunnis are aggrieved because they believe they may have given up arms too fast as they have not gained sufficiently from power sharing and compromise. Both are spoiling for a fight. Sectarianism is turning into a self-fulfilling prophecy. If Iraq erupts into civil war, Iran would certainly be drawn in.

The Iran-Israel-US nuclear dynamic

Although both candidates in the US presidential election promised that they would not allow Iran to develop a nuclear weapon, a re-elected President Obama will remain very cautious about the use of force. There might even be an opportunity for a major diplomatic initiative. First, international sanctions on Iran appear to be biting. By the end of 2012 the Iranian currency had fallen by 40% and there were uprisings in the bazaars. Economic turmoil makes the Iranian government increasingly vulnerable; it could drive Tehran towards bilateral negotiations. Second, the Iranian presidential election in mid-2013 will almost certainly not feature incumbent Mahmoud Ahmadinejad, as he is constitutionally required to stand down from office at the end of his term. The new president will have just as little real power, which will remain firmly in the hands of Supreme Leader Khamenei. But a new, more conciliatory president could change the mood music in Iranian-American relations, particularly if the US seeks to constructively seize this opportunity. Some have rumoured the possibility of a secret Nixon-like deal. Yet the Kissinger-designed overture of 1972 was made possible only by carefully concealed groundwork of the like precluded by today's levels of real-time transparency.

However, there are just as many reasons to believe that diplomacy will stall and tensions between Iran and Israel and the US will intensify. In any negotiations, Tehran would be seeking a grand bargain that includes not only its nuclear programme but also regional stability (for example the role of Hezbollah), the future of Syria and relations with Israel. However, Washington might not be able to negotiate such a deal. American politicians have demonised Iran to such an extent that anything that does not look like 'complete surrender' might be impossible to sell politically at home. The US may therefore demand that Iran first comply with all international requests regarding its nuclear programme before wider negotiations may start. Iran would reject such terms.

In the absence of constructive talks, regime vulnerabilities in both Iran and Israel may lead to escalating tensions. Israel lacks the strategic military capability to destroy Iran's nuclear programme but it can damage it. Israeli hardliners such as Avigdor Lieberman may call for such strikes to strengthen their position. But the leadership in Tehran may even think that a limited number of attacks would help it

consolidate its grip on power—it might be just what they need to deflect domestic anger toward an exogenous threat. Insofar as Israel realizes this—and outspoken security personnel embed it into popular opinion—it could minimize the chance of strikes. A currently tamed discussion might emerge over whether Iran's nuclear status in itself matters most or whether a deeper rethinking of the country's regional relations is needed.

The Af-Pak region

The future of Afghanistan—and the Af-Pak region as a whole—hangs in the balance as the US prepares to withdraw its troops from Afghanistan by 2014. On the upside, Afghan leaders may realise that they now need a settlement, and one that includes the Taliban. Afghanistan's neighbours may take a stronger and more responsible role in seeking a settlement, fearing the power vacuum that would follow an implosion in Afghanistan.

However, the impending transition in Afghanistan also creates risks. The ability of the Afghan national forces to guarantee security is yet to be tested. The Najibullah regime collapsed in the early 1990s as soon as the Soviet Union stopped supplying arms. There are doubts whether the regime of Hamid Karzai can survive without US and NATO support. The risk is that of a return to a pre-2001 landscape. The risks to Afghanistan's transition lie in the complex militia structures that dominate the region, and the Taliban's continuing ability to be vastly destructive.

The rivalry between India and Pakistan could further destabilise the situation in Afghanistan. India is helping to train Afghan security forces and keeps strengthening its ties with the Northern Alliance while Pakistan supports the Pashtun tribes. Increased Pakistani involvement in the country is likely as all players gear-up for of a post-2014 political environment. As relations between India and Pakistan are already strained—although not, by any metric, to the extent that they have been in the past—any further terror attacks or hijackings in India (which would be blamed on Pakistan) could lead to conflict, which would further divert New Delhi's attention from an important but lagging domestic agenda (itself marked by the red thread of anti-corruption and elite vulnerability). India's frustration with its neighbour's reaction to its involvement in Afghanistan may be underestimated.

Eurozone crisis response

The weakness of governments in Europe has shifted the locus of crisis response from governments to the European Central Bank. After two years of successive bailouts, governments in Germany, Austria, Finland and the Netherlands cannot ask their parliaments to agree to the sums that would be necessary to stabilise large countries such as Italy and Spain. Further requests for ever larger bailouts could drive voters into the arms of euro-sceptic or nationalist parties, such as the True Finns in Finland or Austria's Freedom Party (in Germany, no eurosceptic party has emerged so far).

Meanwhile, in the struggling debtor countries, politicians are finding it harder to push through further austerity and reforms after years of recession and rising unemployment. Their standing is becoming increasingly tenuous. Political elites are well aware of the impact that public frustration can have in the voting booth—and on the streets. Support for the fascist Golden Dawn in Greece reached 14% in November 2012. The populist 'Five Star' movement of Pepe Grillo in Italy is coming out on top in some polls. Separatist forces are gathering momentum in Spain.

The inability of governments to act swiftly and decisively in the crisis has left the European Central Bank as the only effective actor. The announcement of the ECB's OMT (open market transactions) programme for buying government bonds and reducing borrowing costs calmed markets in the second half of 2013—but the eurozone's increasing reliance on the ECB itself creates growing risks in 2013. Central banks are neither democratically legitimised nor democratic. Those countries, like Spain, that hope for ECB action to avoid a financial crisis want the ECB to act swiftly, decisively and predictably. Germany and other countries with orthodox views on central banking are deeply concerned about the central bank's expanding remit. Both sides may look for ways of subjecting the ECB to stronger political oversight. Calls for its minutes to be made public come from the same vein of transparency that has, for better or for worse, created the vulnerability of established elites elsewhere. This could make it increasingly difficult for the ECB to act.

C. Wildcards

Eurozone exit

Wildcards are unpredictable but plausible events that might derail predictions and risk assessments. The most pressing wildcard in 2013 would be a eurozone exit—while unlikely, it cannot be ruled out. If a government collapsed in one of the countries relying on EU bailouts, reforms there would stall and further aid would not be forthcoming, given the restive mood in the donor countries. For example, if Greece's fragile coalition government unravelled, the country may yet be forced out of the eurozone. The threat of a domino effect throughout the periphery is a wildcard of the first order. It could lead to the creation of a new class of "formerly rich" nations in what has been one of the most stable areas of the world for decades. It would also contribute to making supra-national decision-making even more rare in a context where the EU has already lost its status as "global do-gooder." New anti-establishment parties pay noticeably little attention to foreign policy, focused as they are on rewriting national agendas.

Cyber attack

The hacker group Anonymous, for its part, has begun showing signs that it may seek to use its power in support of a foreign policy of its own. In November 2012, it threatened Egypt's President Mohamed Morsi with cyber attack should he seek to expand his powers too far. A massive cyber attack is certainly possible in 2013, whether on a corporation's intellectual property, a country's critical infrastructure, or a government's secrets. In a world of vulnerable elites, the latter could have unanticipated impact, particularly in more authoritarian regimes. Many governments not only cannot protect their critical infrastructure from cyber attacks—they admit they are not even equipped to measure the full scope of their infrastructural vulnerabilities. An attack could be damaging in and of itself. The knock-on effects could have far-reaching geopolitical, economic or security implications. It would also demonstrate the seriousness of the threat that emanates from cyber crime. Just as the use of drones is rapidly being democratized with dangerous consequences for the monopoly of political violence, the lesson of cyber weapons may be that "you reap what you sow." Hopefully, a cyber Cuban crisis will lead to a code of conduct before we run into a cyber Pearl Harbor.

Other threats

Even though Al Qaeda demonstrates ‘the new local’ phenomenon, there is always a chance that it returns as a global threat. We cannot rule out an Arab Spring 2.0. Could the Gulf region, Jordan, or Morocco be the next area affected by uprisings? What happens if China experiences its own version of Wikileaks? The temporary disappearance of Xi Jinping in September 2012 caused confusion enough, despite being a non-event. In that vein, a new Green revolution in Iran is a possibility, as is a third intifada. The assassination of a leader in Afghanistan, India or Pakistan could have calamitous impact on the tensions in the Af-Pak region. Can Nigeria maintain its unity? If not, what would this mean for the power projection of Africa’s largest peacekeeper? The risk of jihadism and organized crime developing more stable cooperative relations in the Sahel Zone is growing, with the potential to destabilize Mauritania or Niger.

Some bright spots

Bear in mind that wildcards can surprise on the upside too. To an extent, Myanmar’s impressive opening to the world was one such case in 2012. Looking ahead, while the situation in China-Japan is likely to deteriorate, the dispute over the islands might also bring certain opportunities: China and Japan may agree to intensify their exchange to minimise the risk of conflict. The comeback of Shinzo Abe in Japan may enable China and Japan to make a deal over the Diaoyu/Senkaku disputes, as Abe’s conservative background gives him more leeway—just like what he did in 2007 over the Yasukuni Shrine debacle.

We could see a surprise to the upside in the eurozone if European governments take the lull as an opportunity to make progress towards fiscal and banking union while southern Europe implements the reforms necessary to restore competitiveness and growth. In China, the revelation of major scandals involving officials and the ensuing public outcry (mostly via the internet) could even force the new leadership to adopt new measures to increase the supervision of governments and officials, thus pushing forward institution-building. A bright wildcard could be the possibility of Russia and the US (and perhaps China) agreeing on a common post-Assad peacekeeping mission in Syria, or a common UNSC initiative to that effect. An Israeli Prime

Minister could take the lead in a surprisingly vivid peace process. An Iranian overture could come from either side of the Atlantic.

D. Opportunities

The deglobalisation of risk

As risk becomes increasingly deglobalised, it creates problems but also opportunities. Since risks are not global, world powers, most notably the US, are less likely to get engaged militarily. Knowing this, local actors may assume more responsibility for solving conflicts that affect them directly, rather than waiting for outsiders to step in. In lieu of international solutions that could misinterpret the nuances of the situation or mistakenly institute a cookie-cutter approach to disparate problems, we could instead see local resolutions that are more handcrafted to the specific issues in play.

In other words, if ‘the new local’ means an outsized focus on regional and domestic issues, perhaps the extra attention can bear fruit.

Barack Obama’s re-election and a brighter United States

In a world of constant change, sometimes consistency in and of itself can lead to opportunities. The re-election of Barack Obama as American president promises a certain amount of continuity in US foreign policy. This should be a stabilising factor globally. At the same time, new appointments in leading positions might help to bring movement to established problems, for example, by offering a diplomatic initiative for Iran or indeed North Korea (of course, there is always a risk that the reverse could prove true).

A second Obama administration has an opportunity to move beyond the focus on “wars on ___”—notably the war on terror and the war on drugs. Such a shift would free up resources for more pragmatic solutions. Also, America’s allies would no longer have to prove their credentials in the war on terror to get on America’s good side.

In a second term, Obama may even focus more on foreign policy in Asia, in line with his pivot policy. He may try to better engage with North Korea and its new young leader, Kim Jong Un, and the change of president in South Korea could facilitate this process with a leader likely to adopt a less

hostile and more conciliatory posture toward Pyongyang.

The US economy may well surprise on the upside in 2013. In an improved economic environment, foreign trade diplomacy could intensify. A global approach may no longer be taken for granted, but that need not lead to a losing situation. In fact, it opens new opportunities, from bilateral to regional agreements. Doha is dead; long live the king of trade. Obama may well offer a NAFTA-plus pact to Brazil. If Brazil declines (or even independent of developments on this front), Obama may focus on enlarging and expediting the Trans-Pacific Partnership, perhaps pushing harder for Japanese inclusion. Such an agreement between countries comprising some 40% of global GDP would have far-reaching security and economic implications, particularly for North America and the Asia Pacific region. Progress on an Atlantic equivalent—which is being billed as an ‘economic NATO’—may seem beyond the horizon. But the potential for surprisingly rapid progress could turn this pipedream into an explicit goal over the course of the year.

In the natural resources sector as well, local prospects are more significant than ever. While some argue the North American energy boom could lead to a globalized gas market based on extensive LNG circulation, it is first and foremost based on a shale revolution that could lead to reduced global interdependencies. Should it decide to exploit its own reserves, or collaborate with regional partners such as Algeria, Europe could, for example, reduce its dependence on its tough Russian supplier.

Prepared for the challenges

At a minimum, at least many of the shortcomings of international leadership are clearly signposted for all to see, and governments, multinational corporations, and large organizations can adapt accordingly. In the world of ‘the new local,’ where increasingly vulnerable political elites have their hands full with issues in their own neighbourhoods, we won’t see resolution on big-ticket items like climate change, revamped trade built on the tenets of globalisation, or a broad approach to curbing nuclear proliferation. Where leaders can diagnose this new reality, they can learn to adapt to it. In ‘the new local,’ finding more localized fixes to problems will prove the way forward. Political elites cannot let the perfect be the enemy of the good—partial solutions

are still progress, and incremental steps are still steps in the right direction.

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