



**GLOBAL  
RISK  
INTEL**

# **TOP GLOBAL RISKS**

**2019**

[www.globalriskintel.com](http://www.globalriskintel.com)

# TOP GLOBAL RISKS

## 2019

**Global Risk Intelligence**

**JANUARY 29, 2019**

**Washington, D.C. · London · Singapore**

**[www.globalriskintel.com](http://www.globalriskintel.com)**

**DISCLAIMER:**

THE VIEWS EXPRESSED IN THIS DOCUMENT ARE THE SOLE RESPONSIBILITY OF THE AUTHOR(S) AND DO NOT NECESSARILY REFLECT THE VIEW OF GLOBAL RISK INTELLIGENCE. THIS DOCUMENT IS ISSUED WITH THE UNDERSTANDING THAT IF ANY EXTRACT IS USED, THE AUTHOR(S) AND GLOBAL RISK INTELLIGENCE SHALL BE CREDITED, PREFERABLY WITH THE DATE OF THE PUBLICATION.

COPYRIGHT © GLOBAL RISK INTELLIGENCE. ALL RIGHTS RESERVED.

## About **Global Risk Intelligence**

For over seven years Global Risk Intelligence has advised clients about risks relevant to their business and operations using exclusive formulas and methodologies to identify key issues. We offer a comprehensive portfolio of tools, insights, briefings, and expert analysis that assist with helping clients better understand their situation.

For more information on all Global Risk Intelligence products and services, visit [www.globalriskintel.com](http://www.globalriskintel.com).

## Lead Authors



**Dr. Maha Alandejani** is a Risk Advisor at Global Risk Intelligence. She earned her doctorate in Islamic Banking and Finance from Durham University. Previously, she earned her Master of Science degree with Merit in Economics from King AbdulAziz University.



**David Hutchins, MSc** is a Risk Analyst at Global Risk Intelligence. He earned his Master of Science degree with Merit in Defence, Development, and Diplomacy from Durham University.



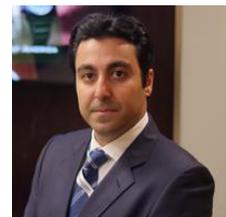
**Justin Marinelli, MSc** is a Risk Analyst at Global Risk Intelligence. He earned his Master of Science degree in Global Politics from Durham University.

## Note from the President & CEO

On December 18, 2017 Global Risk Intelligence released the Top Risks of 2018 for the International System. The risk values identified were pioneering and distinguished the superior thought leadership of Global Risk Intelligence as the list became increasingly realized throughout 2018. Many of the threats were not readily identified or perceived, but through careful measurement and precise quantification the organization was able to establish a perceptive and communicable ranking.

On November 26, 2018 Global Risk Intelligence released a list of the Top Global Risks of 2019. While different in titling, this was a continuation of the Top Risks for the International System series and carried over some of the previously identified risks of 2018, as they still remain relevant, with others newly emerging. Expert assessment and customized impact formulas were several of the components that were utilized in gauging the list.

The dynamic nature of risk entails that there is a constantly evolving threat landscape. It is vital to navigate hazards and in order to do so effectively it is even more so important to be aware of the exact threats as well as the relevance to one's own operations. It is therefore a privilege and with pleasure that Global Risk Intelligence shares such information with the public in an effort to mitigate risks and provide a more secure environment.



**Dr. Nadir Gohari**

*President & CEO*

## Contents

Top Global Risks (2018) .....	8
Top Global Risks (2019) .....	9
1. Economic Volatility ★ .....	10
2. Autocratic Behavior.....	12
3. Financial Destabilization ★ .....	14
4. Cybersecurity.....	16
5. Terrorism.....	18
6. Security Paradigm Evolution ★ .....	20
7. Emerging Technologies .....	22
8. Ultrnationalism.....	24
9. Climate Change .....	26
10. Developing Market Commodities ★ .....	28

## Top Global Risks (2018)

Global Risk Intelligence concluded that the following 10 forthcoming risks were the most pertinent for 2018:

2018 RANKING
1. Emerging Technologies
2. Innovation
3. Cybersecurity
4. Terrorism
5. Autocratic Behavior
6. Transparency
7. Climate Change
8. Ultrnationalism
9. Capital Access
10. Resource Nationalism

While many of the risks were unrealized at the time of its release, particularly given the uncertainty present within the international system and tense global setting, throughout 2018 the ranking became increasingly visible.

## Top Global Risks (2019)

Global Risk Intelligence has identified the following 10 forthcoming risks for 2019:

2019 RANKING	
	Shift from 2018
1. Economic Volatility	★
2. Autocratic Behavior	↑ 3
3. Financial Destabilization	★
4. Cybersecurity	↓ 1
5. Terrorism	↓ 1
6. Security Paradigm Evolution	★
7. Emerging Technologies	↓ 6
8. Ultrnationalism	=
9. Climate Change	↓ 2
10. Developing Market Commodities	★

Key: ★ signifies a new value, = is indicative of no change, ↑ or ↓ demonstrate applicable shifts from 2018.

In thematic continuation with 2018, there is continued uncertainty and instability in the international system. Widespread tensions paired with flaring of other areas have introduced new values to the list with many previously identified risks remaining, albeit with new valuations.

## 1. Economic Volatility ★

Economic volatility refers to the high risk of instability present in the international system being influenced by factors such as currency fluctuation and trade disputes. The interconnectedness of the global economy and the resulting capacity for worsening markets to negatively affect many other aspects of global order makes this risk value exceptionally consequential.

For the past few years, economic volatility in different parts of the world has largely been caused by one of two main factors. First



are political factors. A clear example of the effect that politics has on economics can be observed in Europe, where the economy of the United Kingdom (UK) has been negatively affected by Brexit due to a slowdown in both household consumption and investment. A second clear example of how political factors have resulted in economic volatility is evident in the United States (US) trade war with China. Along with the Brexit issue, these political dilemmas should give great cause for concern in 2019. The trade dispute between the US and China has already caused ripple effects in 2018 and will continue to do so until a solution can be found. Political disputes like Brexit or the trade war between the US and China involve some of the most powerful economies in the global market. Therefore, the global economy will remain in a volatile state in 2019 until these tensions subside.

A congruent aspect of political factors on economic volatility is that of war. War and instability have brought a profound effect on economics. Military activities and arms trade have had a significant impact on numerous economies, particularly those related to developing countries. War and military conflicts can severely strain or paralyze national or regional economies. Ongoing conflicts in Syria and Ukraine along with an increased need for humanitarian aid can have crippling economic repercussions.

The second factor that contributes to global economic volatility is the risk of inflation. Through an analysis of global trends in inflation, a renewed significance to this factor can be clearly exhibited. Inflation has generally been associated with cyclical fluctuations, such as the global business cycle, and with certain specific phenomena, such as sharp movements in oil prices. However, these cyclical fluctuations have more recently appeared to move in tandem across a significant number of countries. This increasing global synchronization has spurred recent analyses of a “global inflation factor”, which has suggested that this global factor has accounted for a higher share of the inflation variance in advanced economies.

Negative global demand shocks have been associated with global recessions and slowdowns, but large positive global demand shocks have been noted to occur in the year prior to a global recession or slowdown. Oil supply disruptions have historically tended to result in positive oil price



shock. Such supply disruptions often result from armed conflict or civil unrest, such as the Iran-Iraq War, Iranian Revolution, and Persian Gulf War, or from militant attacks on pipelines such as those in Iraq and Nigeria. Increased conflict in

key oil-producing or oil-transporting areas of the world are a serious risk factor pertaining directly to oil prices and indirectly to broader economic volatility. Moreover, negative oil price shocks were associated with major Organization of Petroleum Exporting Countries (OPEC) decisions to end production restraint amid discoveries of new sources of oil supply. Any effort by OPEC to curtail global oil supply would also pose a risk factor for global economic volatility in 2019.

## 2. Autocratic Behavior

Autocratic behavior is the tendency for an authority to behave in a manner that has seemingly unrestricted power. A key distinction of note would be that autocracy is a system of governance while autocratic behavior is a trait that can occur across political structures. Indeed, autocratic behavior can seriously threaten global peace and create concerning security issues. The risk of this value is amplified for 2019 given the growing number of political figures that exercise seemingly unrestrained power. Notable examples of autocratic behavior would be reserving the potential to influence economic and defense policies at a moment's notice and pressing against the popular desires of associated populations. The potential dangers for all industries given this risk value is clear and evident.

In recent years, such behavior has been demonstrated by high political officials in influential countries and the traits are not expected to decline. Autocratic behavior represents such a



significant risk because should such conduct be present in democracies, it implies a shift away from the separation of powers and a decline of democratic governance. Should the behavior be present in other political models, the risk of

confrontation and uncertainty greatly increase. An extreme example would be with former Libyan President Muammar Ghaddafi resisting calls for reformation and violently engaging his population.

Other indicators of autocratic behavior include limitations to civil liberties, such as suppression of press freedom, controlled elections, and dictatorial processes. It is also the case that some leaders have moved to lengthen their time in power by removing term limits or removing electoral opposition.

Naturally, accountability also diminishes with high frequencies of autocratic behavior and the lack of liability creates further domestic issues. In such settings attracting significant international investment is less likely.

The negative consequences of autocratic behavior can be observed not just with enduring monarchies, military dictatorships, or perpetual one-party systems, but also with more democratic systems of governance where additional powers have been designated to elected leaders via ballot box. In some cases, there has been a reversal of democratic governance with elected officials being replaced with appointments. This level of risk that can result in costs on a global scale, particularly if the case country is powerful on the international level. Essentially, such an unfortunate and continued shift away from accountability and division of powers can have dire ripple effects.

Needless to reference, politics and economics are considerably interconnected. Similarly, autocratic behavior can alienate allies and create serious commercial situations thereby fomenting both political and economic discord that can have serious implications for all industries.

### 3. Financial Destabilization ★

The global economy faces serious challenges in 2019 resulting from financial destabilization. Global output – particularly in advanced economies – showed significant signs of slowdown during the



3<sup>rd</sup> and 4<sup>th</sup> quarters of 2018. These economic challenges are expected to contribute to ongoing instability in various parts of the global financial system in the coming year.

Several developing economies and emerging markets such as Argentina, Iran, Nigeria, Saudi Arabia, and Turkey have experienced financial stress and

the risk of further disruption has increased. If tensions over trade between the US and China continue to go unresolved in 2019, the spillover effects on developing economies and emerging markets could be negative, possibly even entailing serious global economic repercussions. Similarly, a sharp increase in interest rates in developed economies can severely affect highly indebted developing economies and emerging markets, which could also result in similar consequences. This is a possibility that requires serious attention, as debt vulnerabilities have increased in countries such as Turkey and Argentina. Furthermore, elevated current account deficits have been subject to substantial financial market pressures and appreciable slowdowns in activity. An increase in this pressure could result in disorderly financial market movements and an escalation of trade disputes in 2019. Additionally, various economic interventions by central banks such as price controls, changes to money supplies, and shifts in interest rates could lead to further financial volatility.

Furthermore, government deficits in numerous countries continue to grow. This increases the possibility that any significant volatility in the international banking system could have ripple effects leading to a greater crisis. Italy, for example, remains a key locus of financial risk given its massive government debt and the exposure of many major European banks to said debt. A serious banking crisis leading to significant doubt as to Italian ability to manage this debt could then trigger a

sovereign debt crisis that would then in turn greatly exacerbate the initial banking crisis. In addition, any sovereign debt crisis beginning for any other reason would almost certainly lead to the same consequences. The causal chain is capable of operating in both directions, which poses grave risks and significantly increases the possibility of some form of serious financial destabilization.

Finally, cryptocurrencies and other forms of blockchain technology have the potential to induce a small level of financial destabilization. The cryptocurrency market itself is more volatile than the financial system as a whole given the lack of sophisticated risk mitigation structures, the niche specialization, and the smaller market size on the whole. This allows for particular events to have a greater effect on the niche as compared to the overall financial system. Such events are likely to be limited to the cryptocurrency realm and will be felt only by those with exposure to crypto-assets. However, continued interest in crypto-technologies means that risk in this sector will affect a greater number of actors going forward.



## 4. Cybersecurity

Cybersecurity has become a paramount concern across a vast majority of industries. The ability for an individual or a small group to cause a substantial amount of damage provides this risk to be exceptionally noteworthy. It is estimated that on a global scale, the damage from cyberattacks and the capital spent to prevent such attacks cost hundreds of billions of United States dollars (USD) annually. The financial factor is simply too monumental to ignore. The frequency and degree of cyberattacks has grown dramatically and will continue to proliferate in 2019.

Cybersecurity threats at present are rapidly becoming more difficult to prevent largely due to the increasing professionalization and militarization of attackers as well as the profusion of internet capable devices that bring wide numbers of additional attack vectors with every installation.

Global criminal networks have well-established systems that can be accessed by publicly available software such as TOR browsers, which allow even basic users to access markets for compromised digital goods. The market for cyber-crime is now worth over an estimated \$1 trillion USD and most of this commerce is



controlled by dedicated and talented criminals with a professional level of digital skill. The ability of criminal syndicates to invest time and significant digital aptitude in long-term attacks that are difficult to detect makes larger hauls of stolen identities, credit card numbers and other materials more available to a wider number of potential buyers.

Global reach of the internet and dependence on aging as well as relatively insecure protocols such as Border Gateway Protocol (BGP) for internetworking has led to a rise of data harvesting. Internet service providers (ISPs) complicit in national programs to aid cyber-espionage are not uncommon and can allow a great deal of traffic routed through the global internet to be exposed to data

collectors. Additionally, more information is shared on insecure protocols or stored in cost-effective but insecure servers that can be clandestinely penetrated.



The Internet of Things (IoT) has led to a massive increase in interconnected devices that must be able to access shared networks. However, the simplistic computers inside these devices are often never changed from default settings widely available online. Each

individual computer inside an organization potentially represents a mushrooming danger to all internal users, especially if it can be easily and secretly reprogrammed to engage in denial of service attacks at a trigger from a controller or syphon information from internal traffic. Hackers using simple scripts can assemble massive botnets that troll all available devices on home or unsecured networks and compromise them with available default access information. Armies of attack bots that can be used to assault digital targets are sold on the dark web.

The benefits to enterprise productivity are great but come at a cost of less user sophistication and more time and difficulty for technical staff to secure systems and contain threats. Users compromising internal systems through simple mistakes, such as opening phishing emails, will have increasingly costly repercussions. Even small compromises of internal systems can leave an organization open to attacks that could progress unseen until massive data theft ends up traded on online markets. Preventing simple user security compromises is an important step to preventing damaging attacks.

Of course, one of the most widely covered and visible aspects of cybersecurity would be its military implications. Cyberattack capacities have become a vital part of military readiness and cyber warfare capabilities have likewise become a critical part of military strategy. In this manner, there are undoubtedly serious implications and risks for the defense industry.

## 5. Terrorism

Although terrorism can take many different forms, this risk value refers to violent actions which target civilian populations and are intended to be political, religious, or ideological in nature. Terrorism remains a top global risk because of the frequency in which terrorist acts are occurring. The attack in Strasbourg, France in late 2018 demonstrates that the threat of terrorist attack is still very much a relevant issue and unlikely to subside in the near future. Despite the significant weakening of the Islamic State of Iraq and the Levant (ISIL), terrorist ideologies have spread across the world, with proliferation in continental Africa. The blatant disregard for civilian life and the magnitude in which terrorist groups can install fear into a population creates a serious risk that should not be overlooked.

Most importantly, the threat of terrorism induces fear, which can have very dangerous consequences.



Fear of terrorism has played a significant role in shaping immigration policy, such as the case in Europe. Many political parties have capitalized on the fear of terror attacks and have placed blame on incoming migrants. Fear of further terrorist attacks has sparked tense debate around the EU policy of open borders and has been a core issue of contention for political parties seeking a referendum on European Union (EU) membership. In both the US and Europe, the threat of terrorism has considerably altered politics as well as foreign policy.

Terror attacks by extremist groups in Africa like Boko Haram, Al-Shabaab, and Al Qaeda in the Islamic Maghreb (AQIM) have displaced a great number of civilians and have played a significant role in causing the refugee crisis that afflicts Europe. These terrorist groups thrive in countries that lack the institutional capacity to combat them. This means that in countries like Algeria, Mali, Nigeria, and Somalia, the threat of terrorism may only worsen in 2019. As long as terrorist groups continue to displace thousands of people, the global refugee crisis will persist.

While terrorism has already wielded a heavy toll on life, it should be realized that one of the gravest threats posed by terrorism is the spread of fear and its effect on society. Terrorist attacks threaten



to destabilize countries, alter policies, negatively impact institutions, and transform politics.

In this vein, attracting international investment is less likely to occur in areas that suffer with terrorism or are under increasing strain with the expectations of terrorist incidents occurring. After all, terrorism is an

advanced form of intimidation with lesser levels being inclusive of kidnappings and violent crime. To invest in volatile areas that have serious security issues would be too risky for many small and medium-sized companies to afford. Larger companies may not also have the risk appetite or desire to expand operations in such settings as well. With respect to advanced economies, the sheer risk of the rise in terrorist incidents or the chance of occurrences are reasons to likewise downsize or increase measure to safeguards assets. In either scenario, there is a different dynamic to risk tolerance.

## 6. Security Paradigm Evolution ★

Warfare is constantly developing and has been conducted in an evolutionary manner. While many perceive engagements as limited to battlefields, the impacts of conflict are far-reaching and businesses are exceptionally susceptible as well.

Security paradigm evolution refers to the current transformation of how warfare is being conducted and more specifically, the shift away from conventional warfare. Evolutionary direction includes asymmetric warfare as well as hybrid warfare. Asymmetric warfare refers to conflict between sides whose relative military power differs significantly, usually between a conventional military force and a smaller resistance force. Hybrid warfare refers to a military strategy that employs irregular means of combatting enemies, such as cyber threats, social media, or tampering with political methods. As conventional warfare has become a far less appealing option for implementing foreign policy, hybrid warfare has become a much more popular method of engaging an opponent.



One example of hybrid warfare, state sponsored cyber warfare, has become particularly relevant. The growing reliance on computing systems for business operation creates a concurrent vulnerability to cyberattack. The continued threat of this type of hybrid warfare is understandably concerning, given its extreme effectiveness

with virtually no risk of casualties. Cyber warfare allows a small group of specialists to operate covertly behind the wall of national sovereignty enforced by military protection. Each of the world's most powerful governments possess advanced cyber warfare capabilities.

In the current global setting, competing powers with the largest militaries are not likely to engage in conventional warfare. Rather, such powers will resort to alternative and more discrete methods. As has been demonstrated in hot warzones such as Iraq, Syria, and Yemen, irregular methods of

engagement have proven to be incredibly effective; particularly for states and nonstate actors that have traditionally been viewed with financial and technological inferiority. The consequences of hybrid warfare can be just as destabilizing, often resulting in political strife or internal contestation.

A timely example illustrating the effectiveness of hybrid warfare would be with Russian expansion into Ukraine and Georgia.

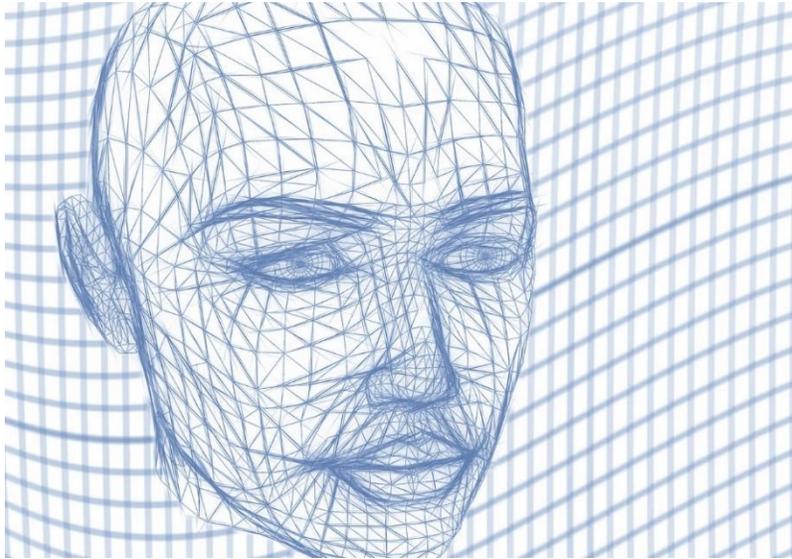
Given the complexity that hybrid warfare brings to the arena of global power dynamics and the effect that asymmetric warfare has had on elongating



military conflicts in addition to its rising international presence, security paradigm evolution emerges as a serious concern. The intricate task of finding an avenue with which to maneuver around the risks of asymmetric and hybrid warfare is no simple feat. Its effects on state economics can be draining and as such remains a complex issue for a number of industries.

## 7. Emerging Technologies

The continuing development and refinement of cutting-edge technologies continues to be a key factor driving risk in 2019. Ongoing innovation in areas like artificial intelligence, drone technology, and quantum computing will continue to challenge established structures and norms, initiating changes in economics, security, and political



atmospheres. One aspect is the competition between countries to achieve technological advantages, but progress will also lead to disruptions in the commercial world as well.

One of the most significant emerging technological developments is machine learning. Especially when combined with big data, machine learning techniques are immense for driving economic innovation. However, the potential of these techniques for economic development and scientific discovery is matched by its potential for destruction and malicious activity. Machine learning techniques have begun to be adapted for cyber defense and will certainly be employed by sophisticated actors to conduct cyber operations in the future. The possibility of complex phishing attacks made credible by machine intelligence is a rising concern in cybersecurity. Furthermore, machine learning techniques can be used in the field of domestic disturbance and instability as well, identifying patterns that can be exploited to either dissipate or exacerbate large-scale gatherings.

Another area of concern is space technology, which threatens to heighten military rivalry. A renewed interest in space as a domain of combat is leading major powers such as China, Russia, and the US to develop antisatellite missiles and formalize military as well as commercial efforts in space. The development of a US "Space Force" is one consequence of renewed competition, but it is far from being the only one. Many countries that have not historically undertaken space

operations are now seeking to move into the domain. Although currently in a nascent stage, this will complicate political dynamics in space and increase the risk of military proliferation.

Cryptocurrencies remain an additional emerging technology that poses incredible risks. They are frequently used in ransomware as a means for obtaining funds and being a newly developing standard for trafficking illicit or prohibited materials. While the negative connotations of cryptocurrencies have been widely covered, the more positive aspects do not get as much attention and do also possess relative risks as well. For example, the lack of regulation over cryptocurrencies can potentially foment a chaotic state of affairs over the control and real ownership of wealth. The related blockchain technology likewise remains a risk as the disruption potential is also immense. Blockchain has already been adapted by the United Arab Emirates (UAE) in its petroleum sector with Abu Dhabi National Oil Company (ADNOC) employing its usage for oil and gas production.

An additional development that has taken considerable shape since its inception would be hypersonic technology. When applied to a military setting, hypersonic technology has been



outfitted to missiles and is logically severely destabilizing, particularly when concerning conflict. Such missiles are capable of travelling at over five times the speed of sound and can alter the balance of power in contested areas of the world. The missiles can function as effective area-denial tools and would be

particularly relevant in chokepoints. Commercial transportation and other trades can also be affected with the ability to quickly travel to destinations that would have initially taken considerably more time.

## 8. Ultrationalism

Ultrationalism is an extremist stance that refers to the tendency of a population to utilize an ingroup versus outgroup mentality. Associated behavioral traits include the threat to utilize violent action in order to achieve political goals and harassment of ideological opponents as well as migrant communities. Ultrationalism has become progressively popular in many countries



throughout the world, most notably across continental Europe. An ongoing migrant crisis in Europe has given rise to many ultrationalist groups that seek the expulsion of immigrants and the protection of traditional norms. Accompanying the

growing popularity of these groups is a mounting concern for the European Union, which has been heavily criticized for its handling of refugees. Ultrationalist political groups in Europe are encouraging referendums on EU membership, which if carried out could successfully initiate destabilization with far-reaching consequences immediately felt on the continent. Ultrationalist movements can be witnessed in each country within the EU and in several cases political parties associated with these groups have experienced widespread appeal.

Ultrationalism is certainly not limited to Europe though as even the US has exhibited indicators of such ideology and in this respect may not be immune to its associated destabilizing effects as well. Concerns surrounding immigration have become a focal point in US political debates. Similar to Europe, ultrationalist groups strongly oppose the admission of refugees. The coming year will see a continuation of a deeply polarized political climate in the US and the debate concerning immigration will undoubtedly continue to widen the rift between the two dominant colossi of the political spectrum. Ultrationalist groups in the US will continue to voice their frustrations around the status of immigration and border security. In this vein, the basis and logic for international trade wars can be observed with the “us versus them” mentality justifying radical positioning.

It seems that regardless of geographic location, ultranationalist groups are determined to construct walls or create policies that would restrict migration. The friction between ultranationalist groups and the counter protesters that oppose them will continue to spark heated clashes.

2019 will continue the stress of forced migration. The recent influx of Venezuelans fleeing into Colombia demonstrates that this issue is not limited to just the US and Europe. Rather, it is a global complication that can arise wherever there is adversity and conflict. Furthermore, the strain of migration can generate further ultranationalistic backlash.

Ultrnationalism should not to be undermined as it presents a host of serious risks for domestic and international issues in addition to being an indicator of calamity. With the preaching of intolerance and encouraging division, ultrnationalism reserved the potential to incite violence and capitalize on fear in order to pursue divisive or destructive ambitions.



## 9. Climate Change

The effects of climate change are widespread. The world has been experiencing its consequences and the exacerbating effects are expected to continue in the coming year. Temperature rises can lead to issues with water, agriculture, and how products are created or delivered. Energy production

and emissions are particular aspects of climate change that will undoubtedly affect industries in 2019. Higher regulations placed on pollution emissions will entail that businesses change how they obtain energy or more operational functions like product delivery. Indeed, this ripple



effect demonstrates how a supply chain can be affected. Furthermore, company image can be damaged or elevated depending on how they chose to respond to the threat of climate change.

Extreme weather phenomena such as stronger hurricanes, rapid and precipitous temperature fluctuations, and droughts of greater magnitude elevate notions of risk in industries inclusive of agriculture, mining, and energy. Such phenomena are becoming more geographically dispersed, meaning that it is no longer the case that climate issues will only affect business and political operations in key regions of concern. Rather, operations in all regions of the world must give increasing weight to assessments of weather-related risk factors.

Climate-related impacts are also likely to be an even greater cause for concern for developing economies that are less equipped to deal with damage wrought by catastrophic events. Environmental disasters have in the past year caused billions of USD in damage in highly developed economies inclusive of the US and such sums are costly even to countries with large economies. The damage is considerable and poses serious disruptions to commerce despite resilient and highly capable infrastructure systems. In poorer countries with smaller financial resources and less

comprehensive infrastructure systems, not only will the damage from climate-related events be relatively more grievous, but the capacity to deal with its aftermath will be greatly limited when compared to more prosperous societies.

Increasingly powerful natural disasters, such as hurricanes, will continue to pose a risk to economic and political operations across geographically prone regions like the Caribbean. Lingering consequences from Hurricane Maria in places like Puerto Rico show that the damage caused by



these storms cannot be easily remedied and that these effects can persist for some time. If buildings and infrastructure are not fully repaired by the time the next hurricane arrives, the damage from the next one can further reduce the level of development in the area. Long-term, this poses risks to continued human habitation. Also of

concern would be the Pacific region, which will likely experience similarly powerful storms during its own monsoon season.

As extreme weather phenomena and other effects of climate change continue to stress infrastructure and development, the toll taken will leave countries vulnerable to other threats. Other natural disasters such as earthquakes, tsunamis, or volcanic activity will continue to test the resilience of increasingly-stressed infrastructure systems, potentially leading to compounding effects of greater consequences. These effects will also have the potential to spill over into the economic and political realms, exacerbating previously-existing risk factors in those areas.

## 10. Developing Market Commodities ★

The development of and competition for precious resources in developing markets will create further tangible risks in 2019. Access to particular resources that are heavily concentrated in particular geographic regions will be a political and economic point of contention that will disrupt stability. These risks will be most evident in developing countries with significant reserves of resources like rare earth minerals, oil, gas, and agricultural commodities such as coffee, wheat, and cocoa.

Cobalt in particular is a commodity of serious concern. The metal has become increasingly valuable in recent years as its usage in car batteries has expanded. It is estimated that upwards of 60% of the world's supply is located in the Democratic Republic of the Congo and external actors have historically fomented instability in the country. With growing demand for cobalt and a legacy of instability, conditions are ripe for further upheaval.

Rare earth elements are a family of metals that are utilized in semiconductors, computing equipment, industrial alloys, and fuel cell technology. Many concentrated deposits are located in



countries with developing economies. The increasing value of rare earth elements is creating demand for new sources, especially given that actors such as the US view Chinese dominance in rare earth production

as a strategic threat. The drive to open up new markets presents continental Africa and South East Asia as two prominent regions of opportunity. The economically dilapidated Democratic People's Republic of Korea paradoxically possesses bountiful supplies of rare earth and is likely to be a factor in the ongoing political rapprochement as business interests are weighing more heavily than before. Regardless of any compromises reached, the pursuit for additional sources will induce widespread economic and political tensions as well as competition.

The weakening of the Brazilian currency compared to the USD has lowered the cost of buying coffee for some of the crop's largest buyers. This has led to an increase in Brazilian production that has put pressure on other significant growers such as Honduras. Many farmers are unable to compete with the reduction in prices and have begun to abandon the crop. Similar phenomena are likely to be observed with respect to other crops, especially if the effects of climate change become more pronounced in strategic areas of the world.

Particularly interesting developments in 2019 for precious commodities will occur in the Caspian Sea region. The five countries surrounding the Caspian agreed in 2018 to a basic legal framework



for accessing and using resources within the body of water, most notably with oil and gas. Although some of the more contentious issues among certain Caspian states have not yet been formally settled, the agreement provides groundwork for future cooperation in the realm of resource extraction and

transportation while also being a significant step towards greater economic integration of the region. Prospects of further oil and gas production in the region coupled with the newfound guideline has the potential to both increase political cooperation between Caspian Sea countries as well as competition.

## Contact **Global Risk Intelligence**

To discuss values, explore options, or obtain additional reports, please contact us at our Washington, D.C. or Arlington location:

### **Jennifer Hoffman**

*Senior Vice President, Business Development*

[jhoffman@globalriskintel.com](mailto:jhoffman@globalriskintel.com)



1717 Pennsylvania Ave. NW  
Suite 1025  
Washington, D.C.  
Tel: +1 (202) 981 – 5972

1220 N. Fillmore Street  
Suite 400  
Arlington, VA  
Tel: +1 (703) 988 – 5954 Ext. 5905

For further information visit [www.globalriskintel.com](http://www.globalriskintel.com).

**[americas@globalriskintel.com](mailto:americas@globalriskintel.com)**

**Washington, D.C.**

**[europe@globalriskintel.com](mailto:europe@globalriskintel.com)**

**London**

**[asia@globalriskintel.com](mailto:asia@globalriskintel.com)**

**Singapore**

## Notes



[www.globalriskintel.com](http://www.globalriskintel.com)