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Top Risks of 2021 Report

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Table of Contents

Risk 1: U.S. - China tensions

2020 was a year marked by growing tensions between the world's two largest economies. 2021 will be no different; in fact, it might even be worse.

Even as President-elect Biden prepares to take office, the U.S. - China relationship looks likely to remain strained for some time to come.

The dying days of the Trump administration saw further antagonistic moves, many of which, it is likely, will be difficult for Biden to unwind; given the partisan nature of the China issue in U.S. politics, he is also likely to be unwilling to do so.

The first weeks of January saw a multitude of Chinese tech, aviation, and oil giants added to the administration's infamous 'blacklist', including Xiaomi, the world's third-largest phone maker, and China National Offshore Oil Corporation. New rules from the commerce department will also make it easier for the U.S. government to block Americans from importing Chinese technology.

The New York Stock Exchange recently moved to delist major Chinese telecommunications firms from the exchange following an executive order from the Trump administration. Such moves are likely to further push Chinese firms already listed in the U.S. to consider secondary listings in Hong Kong, which many already have; those planning IPOs in 2021 will have good reason to consider mainland or Hong Kong listings rather than flotations in New York.

Though the tone and the rhetoric may soften in comparison with the Trump era, Biden's picks for Indo-Pacific affairs at the National Security Council and senior director for China – Kurt Campbell and Laura Rosenberger, respectively – are expected to continue to take an assertive stance on China. Campbell's recent soundings on China have been hawkish: he has drawn attention to its increasingly assertive and repressive nature and the detrimental effects its state-backed economic system and predatory economic practices have on America.

China, for its part, does not appear ready to back down either. President Xi Jinping recently claimed that "time and the situation" are on China's side, prompting "determination and confidence". As China's economic recovery continues to far outstrip that of other major nations, the Chinese state is likely to continue its assertive track.

The tensions between the two nations already have had, and will continue to have, knock-on effects on allies. Australia, in particular, has borne the brunt of Chinese ire after its calls for an independent inquiry into the COVID-19 outbreak in Wuhan. This year, Australian authorities have blocked the takeover of an Australian firm by state-owned China State Construction Engineering Company on national security concerns.

Hopes for collaboration between the U.S. and other Western democracies in confronting China are overblown. The U.S. and the EU, the two powers considered the bedrock of this confrontation are worlds apart: as the U.S. made it harder to invest in Chinese companies and forced some of them to delist, the EU signed an investment agreement with China in December. Coming just two months after the U.S. and EU launched a new dialogue to coordinate approaches to China, the Comprehensive Agreement on Investment bodes ill for Euro-Atlantic cooperation on the ‘China issue’, even under the less combative President Biden.

The two behemoths are not expected to come to physical confrontation this year and in the foreseeable future. However, tensions over trade and investment, Taiwan, to which China has recently applied pressure with displays of its military capability, Hong Kong, and the treatment of Uighur Muslims, are all likely to be flashpoints in what promises to be another portentous year for U.S. - China relations.

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Risk 2: Climate Change

The past few years have brought significant climate promises and laudable goals: 61 nations have announced pledges to hit net-zero emissions and more than 1,000 companies have set science-based emissions reduction targets.

With major events already gone by, including the Davos Summit and the One Planet Summit in January, the post-coronavirus economic recovery will determine how quickly the planet can transition to green energy.

The Biden administration will re-introduce the US to the centre stage in global climate policy after a four-year hiatus with President Trump at the helm. He has issued important directives concerning electric vehicles and signalled a shift away from new fossil fuel projects by putting a pause on new oil and gas leasings.

Biden directed all federal agencies to find ways to increase the climate-forecast information produced by domestic agencies, helping governments globally to prepare for the consequences of climate change and sea level increases. One of POTUS' first executive orders was to re-enter the Paris Agreement, signalling a renewed enthusiasm to engage in international climate diplomacy.

In November 2021, the United National Climate Change Conference (COP26) will finally be held in Glasgow after being subject to previous delays. After the failure of the 2019 COP25 to elicit actionable changes, it is hoped that COP26 will produce tangible results. The conference presents the opportunity to formalise regulations proposed by the Paris Climate Change agreement. As Biden's US has re-entered the agreement, hopes have been raised that sustained efforts to combat climate change can be reached. This includes agreements on carbon markets and credits, as well as on timelines and global financing initiatives.

With regards to China, there are significant actions being debated for the Five-Year Plan being rolled out in March this year. Their carbon trading market comes into effect this month, but regulations are still undecided as are the implications of their emissions cap and net-zero target dates, announced last year. They may also set stronger environmental standards for the Belt and Road Initiative. In the aftermath of the COVID-19 pandemic it is increasingly likely that China, bolstered by their strong economic recovery, will be able to eschew environmental regulations in their pursuit of economic and regional hegemony, as few in the international community would be willing to risk economic growth at a crucial juncture.

China's pursuit of regional hegemony involves the manipulation of the environment to induce policy change in the South China Sea (SCS), with increased pressure being placed upon Vietnam in particular to concede to Chinese maritime claims.

The construction of 11 Hydroelectric Dams on the Mekong river gives them the potential to withhold over 47bn m^3 of water, leading many of the region's 22,500 plant and animal species to extinction. This may cause irreversible damage to the agriculture systems and economies of downstream states, creating the potential for a humanitarian crisis which could follow from the destruction of food and job security in the region - millions would be displaced. China's desire for greater influence over water resources in the region is for two key reasons: to increase supply of water to the increasingly dry, climate-change-hit Western regions of China; and to maintain geopolitical sway over Southeast Asia, specifically in a way that prohibits the US from interfering as it does in the SCS. The sovereign nature of land boundaries ensures that it is difficult for other powers to become involved as the US does in the oceanic arena of the SCS.

This case study highlights the risks in adopting an uneven global approach to climate change, resource management and environmental diplomacy; the rules must be universally adhered to lest we descend back to the tragedy of the commons.

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Risk 3: Brexit

Brexit represents a historic moment for both the European Union and the United Kingdom. Its official implementation has given rise to multiple political and economic risks, driven by three main categories: delays, vagueness in the rules and the economic distinction between Northern Ireland and Great Britain, Scotland and Wales.

Even though EU and UK businesses might adjust to the transition, such risks could potentially persist into the next few years, thereby bringing irreversible damage to business, politics and the economy.

The first risk that affects the majority of businesses in both conglomerates is the multiple delays in the new customs border. This is mainly due to a new series of rules that Great Britain established after Brexit and in particular the implementation of the new customs IT system, the Customs Declaration System (CDS) replacing the EU current Customs Handling of Import and Export Freight (CHIEF).

In October 2020, the Association of Freight Software Suppliers (AFSS) had already warned about the software's inadequacy and unreadiness. In end January 2021, Road Haulage Association (RHA) further reiterated that there had been a drop of 68% on exports since 2019. IHS Markit's study established that Felixstowe took 46% longer than average to move a container, with the average vessel spending more than 32 hours in port compared to 18.5 hours.

The implementation of a new system did not facilitate customs, and instead led to numerous delays in custom ports. The geography of ports, in particular, play an important role in further delays. For instance, ports such as Kent are inadequate to install the CDS system and therefore, are required to adopt special policies which ultimately increase the timing in the customs department as well as enhances overall confusion about the customs procedures for businesses to undertake.

Overall, delays oblige owners to incur additional costs; the ambiguity surrounding the rules complicates matters further insofar as more time needs to be dedicated to understanding the new procedures. Big colossus such as John Lewis, Debenhams, Fortnum & Masons have temporarily withdrawn the possibility of shipping their products to Northern Ireland and the rest of the European Union. John Lewis further stated that such strategy is strictly correlated to Brexit and the possibility of losing revenues over exporting to the European Union. On the other hand, UHY Hacker Young affirmed that additional costs led multiple business to opt not to export to the United Kingdom.

Therefore, the economic risk of Brexit might translate into a long-term arrangement where both EU companies reduce trade with the United Kingdom and British companies with the European Union and this can bring significant losses. According to an OECD Economic Policy Paper (2016), by 2030, in a central scenario the UK's GDP will be over 5% lower than otherwise – with the cost of Brexit equivalent to £3200 per household. The cocktail of delays and vagueness in the established rules, therefore, might become fatal for business in the present and in the future.

Lastly, the impact of Brexit is compounded by the political and economic situation in Northern Ireland. With Norther Ireland remaining in the EU market despite Brexit, it has imposed a new "regulatory" border between Northern Ireland and Great Britain (England, Scotland and Wales).

Due to the Northern Ireland Protocol and the separation from Great Britain's market, unionists and loyalists started painting graffitis and intimidating staff at border control posts (BCPs) in Lane and Belfast. In order to safeguard staff, the Northern Irish government decided to halt animal-based food checks that were taking place in these ports. Tensions seem to be rising amidst frustration that British products need to face controls upon entry in Northern Ireland.

The political risk Brexit poses is thus contingent on the stability and peace of Northern Ireland. John Major stressed that Brexit could destabilize "the complicated and multi-layered constitutional settlement that underpin[ned] the present stability in Northern Ireland".

In the meantime, Scotland finds the preferential treatment that Northern Ireland has been granted unacceptable. The Scottish National party is calling on the government to demand a "grace period" for Scotland, as it has for Northern Ireland, to allow Scottish exporters, including the fishing sector, more time to adjust to the new post-Brexit regime.

Considering that 62% of Scottish people voted to remain in the European Union, Scotland was already skeptical towards Brexit. Furthermore, recent polls show how Brexit has influenced the Scottish people's view on Scottish independence as support for independence is now three points above the 50% mark. According to another poll conducted by The Sunday Times, 49% in both England and Wales, 50% of Scots and 60% of Northern Irish believe Scotland will likely become independent in the next 10 years.

Conclusively, with more delays in exports, lack of transparency and clarity in processes and economic stagnation, one can expect to see a continuation of political and economic instability in the near future.

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Risk 4: Antitrust and National Security Concerns

Amid concerns over national security and competitive markets, companies this year, especially in the tech sector, can expect to experience greater scrutiny from national and supernational bodies.

2021 is likely to be a portentous year particularly for large tech companies on the antitrust front. Facebook, Amazon, Apple, Netflix, and Alphabet, the parent company of Google (FAANG), were in the headlines in 2020. Over summer, the leaders of Facebook, Amazon, Apple, and Google appeared before Congress as part of an investigation into antitrust issues. They also came under fire from Republicans for perceived political bias.

2021 will be a reckoning for these companies and others on the antitrust and tax fronts. The European parliament has summoned leaders of the same four companies to attend a virtual hearing on tax and competition policy; the unlikelihood of their chief executives attending has prompted talk of sanctions in Brussels.

China's own homegrown tech giants have already been taken to task on their violations of anti-monopoly laws. Alibaba and Tencent were fined by China's antitrust watchdog in December over anticompetitive acquisitions.

Of course, the biggest story of 2020 out of China on this front was the blocking of the planned US$37bn IPO of Ant Group, founded by Alibaba chief Jack Ma. That was set to be the world's biggest ever IPO. Its suspension was painted as the Chinese state reinforcing its control over private business, but can instead be seen as China leading the way on the regulation of big tech companies.

Democrats, who now hold the presidency and both houses of congress, want big tech firms to separate their chief business from other activities. 72% of American adults believe that social media firms have too much political power. All of this bodes ill for big tech. It is not just in the U.S. that big tech companies will come under fire, though.

In mid-December, the EU unveiled two digital-services laws – the Digital Services Act and the Digital Markets Act - that, if enacted, would establish supervisory bodies to oversee American big tech companies. The DSA provides for fines of up to 6% of annual global turnover in case of breaches; the DMA would establish penalties of up to 10%. Given their focus on large companies – which are, in the main, U.S.-based – digital services could serve as an axis of U.S. - EU tension.

Perhaps unsurprisingly given the tumultuous and tense state of global affairs currently, national governments are also considering greater legal scrutiny in cases where national security is called into question. Chief among these is the U.K. government, which in November announced plans for the 'National Security and Investment Bill'.

The Bill would result in 1,000-1,830 transactions being notified per year, according to the government's own analysis. Since 2003, when the current regime was introduced, only 12 transactions have been reviewed on national security grounds.

Given this development in the U.K. and the case in Australia discussed in Risk 1: U.S.-China tensions, foreign investment, particularly in 'strategic' sectors, will come under increasing scrutiny, especially in instances where that investment comes from China and other adversaries of the West.

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Risk 5: Global Economic Turmoil

The economic impact of the pandemic will persist; in 2021, we are likely to witness the effects of deepening inequality and ballooning fiscal debt.

The year begins in the aftermath of a global recession which has only been topped in severity by that of two World Wars and the Great Depression. Globally, post-pandemic recovery is forecasted to expand by 4%, while output in emerging markets is expected to expand at 5% this year. While this is predicated on the assumption of effective vaccinations and proper pandemic management, the emergence of variants of COVID-19 strains is likely to delay the recovery process, slowing global growth to a mere 1.6%.

Within developed and emerging markets, the economy is predicted to be a K-shaped recovery. When different sectors of the economy recover at different rates, the corresponding charted path of the economy diverges, resembling the letter K. This will be a concern for all countries.

The bifurcate effects of the pandemic mean that technology and large cap firms will recover quickly while small businesses and blue collared workers will struggle. Low-income earners and minorities will bear the burden of the pandemic by experiencing significant drops in earnings and uncertainty in employment. This unequal impact from the pandemic has worsened inequality globally, with roughly 100 million people falling into extreme poverty in India and Nigeria.

Countries have responded by mobilising trillions of dollars in pandemic relief for their citizens. Nonetheless, this itself has been uneven, with certain developing economies in Asia and Africa struggling to provide effective aid.

The EU recovery fund is only available from 2021 meaning that until then, financial assistance for many cash strapped countries within this periphery will remain limited. The US and UK have implemented fiscal stability through stimulus checks and furlough schemes which has presently prevented the unemployment rate from increasing very high. At present, this number in the UK sits on 4.9% but is forecasted to rise to 7.7% by April if furlough is ended. Policymakers will need to be careful not to prematurely remove vital aid supporting citizens in hard hit countries.

With many countries precariously supporting the economic turmoil with growing debt, In 2021, countries are likely to face a sustained period of economic downturn which will expose weaknesses in their social safety nets. This will likely be accompanied by rising levels of domestic instability and the fierce polarisation of civil society. Rising populism will likely threaten democratic governments, with more right-wing leaning governments to be expected.

Additionally, global debt has skyrocketed as countries have scrambled to implement reliable and widespread social safety nets. By the end of 2021, global debt is expected to reach $277 trillion , or 365% of world GDP. Developing countries will be especially hit hard. A number of smaller and poorer counties began borrowing from the IMF; however, it remains unclear if such countries will be able to repay such debts post pandemic. At present, Ghana, Afghanistan, and Tonga are a few of a number of countries which are characterised as high risk of debt distress.

Developing countries face an unprecedented strain on resources. Confronted by heavy debt burdens and deteriorating economic buffers, there is little room to deal with the aftermath of the pandemic.

Compounded by domestic polarisation underpinned by rising inequality, many emerging and developed countries will face greater domestic instability and global turmoil; politically and economically.

Dhruv Shah, ***University of St. Andrews (BA)***

Risk 6: Oil prices and the Middle East

Oil-producing countries in the MENA region will experience economic and political implications from low oil prices, which plumbed record lows in 2020.

The year of the coronavirus pandemic was a tough one for energy exporting producing countries. With the start of the pandemic, international travel was halted, and global oil prices of Brent Crude plummeted to its lowest level in April 2020. At around $20 per barrel, this represented a historic 18-year low.

The collapse in global energy demand is largely attributed to the shutting of borders – wiping out demand for transportation – and the imbalance in supply of oil in comparison to demand. This led to oil prices dropping significantly.

While prices have recovered slightly, post-pandemic recovery for global energy demand will continue to present strains for MENA countries. Forecasted consumption for global energy demand is to remain subdued, with prices remaining low for several years. This is partially the result of air travel, an important driver of energy consumption, which could see permanent reduction as airline companies collapse and businesses acclimatise to operating virtually. Energy prices will remain low, presenting additional challenges for MENA countries. As finances dry up, cuts are expected, which further strains public services and fuels unemployment. Domestic instability will intensify.

Iran is under significant pressure. In 2018 and 2019, Iran was the third and fourth largest oil producer among the OPEC countries, respectively. However, US sanctions cut oil Iran exports by 90% from 2.5 million barrels to a mere 254,000 barrels.

The amalgamation of sanctions and the pandemic has led to negative GDP growth in the economy in 2020. Future predictions remain dismal, with a meagre 1.5% rise in GDP in 2021. The government's $305 million relief aid supporting unemployed people will not last much longer. Iran faces sustained numbers in unemployment and a collapsing healthcare system which is unlikely to improve within the next year. Iranian leaders will blame the US for their predicament and public resentment towards the West will swell.

Saudi Arabia too has felt the strain of low oil prices. The crown prince, Mohammad bin Salman (MBS), has imposed sweeping austerity measures and was forced to cut spending on his 'Vision 2030' project: a bold economic restructuring plan to diversify the Saudi economy away from its reliance upon oil revenues.

For example, the kingdom has tripled its value added tax to 15% while cutting the cost-of-living allowance paid to government workers. The lack of revenue will be worrying for the crown prince who relies on economic patronage to sustain popularity amongst the population. With cuts and tax raises imposed, Mohammad bin Salman's popularity amongst younger people is at risk unless he delivers positive changes.

Mohammad bin Salman will struggle to find friends in the White House. The transition from a Trump administration to a Biden administration has brought with it promises of support for green energy. This is a blow for Saudi Arabia whose regional influence will undoubtedly take a hit as the US begins to become less dependent on Saudi oil. Moreover, Biden's pledge to take a softer approach towards Iran will continue to add to the worries for Riyadh. Risks towards Mohammad bin Salman rule are not overwhelming, however, his long-term success is in danger.

Finally, for Iraq, dropping oil prices presents the greatest problem. Already facing a variety of problems such as political instability and an overwhelmed health care system, low oil prices add a trifecta of problems for Iraq. Oil accounts for 90% of government revenue. Poor handling of the pandemic as well as widespread corruption means that state institutions are likely to face sustained pressure domestically which is likely to end in harsh crackdowns.

Iraq's political institutions, already weakened due to civil war, will struggle to counter Iranian influence and proxies such as Iran backed Shia militias operating as private security force within Iraq. The future stability of the Middle East will remain turbulent; exacerbated by the fact that Saudi Arabia and Iran may continue being mired in proxy warfare.

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Risk 7: Iran

Iran's economic crisis has contributed to growing calls for a hardliner to replace the moderate-reformist Hassan Rouhani in the June 2021 presidential elections. Further, Iranian domestic developments will frustrate attempts by the Biden Administration to re-negotiate a revised version of the 2015 JCPOA agreement.

Iran experienced a particularly turbulent year in 2020: having borne the "triple shock" of the coronavirus pandemic, the Trump Administration's "maximum pressure" campaign, and the collapse of the oil market. However, 2021 is likely to offer no respite. Iran's presidential election—scheduled for June 18th—will likely throw domestic political factionalism into the spotlight as incumbent President Hassan Rouhani's successor is decided.

The moderate-reformist coalition that had supported Rouhani in his two previous terms has faltered amidst escalating domestic crisis. Between 2019-2020, Iran's economy contracted by 6.8 percent in real GDP; while high inflation and the sharp depreciation of the rial has contributed to deteriorating living standards. This has caused popular anger to brew, and in turn, hardliners and conservatives have become increasingly vocal.

To manage the crisis, the Iranian Revolutionary Guards Corps (IRGC) —a powerful force within Iran's political and military spheres — is advocating for a military figure as the next president. So too is Supreme Leader Ayatollah Khamenei, who called for a "young and Hizbullahi (ideologically hardline)' pres ident to 'cure [Iran's] problems'".This has paved the way for the IRGC's heavyweight candidate, Hossein Dehghan, to emerge as a potential frontrunner in the electoral race.

However, other military or hardliner candidates are likely to emerge in the coming months. If a military figure is successful, the IRGC will dominate most of Iran's political, military, and economic institutions. Their significant decision-making power would contribute to the further militarisation of Iranian domestic and foreign policy.

Nevertheless, it is not necessarily the end of the road for the moderate-reformist alliance. The victory of Joe Biden in the November 2020 US presidential elections raised hopes for an end to US sanctions, the beginning of economic recovery, and a rise in voter participation of their support base.

However, this is becoming increasingly improbable. Ayatollah Khamenei has expressed that Iran is in "no rush" to reach an agreement before sanctions are lifted. The divergent priorities of Iran's domestic political factions will frustrate any attempts at a consistent approach to managing relations with the US.

Biden's promises of revising and reviving the 2015 Joint Comprehensive Plan of Action (JCPOA) agreement—scrapped by the Trump Administration in 2018—are also complicated by Tehran's acceleration of its nuclear programme. In December 2020, Iran's parliament passed legislation forcing the government to "harden its nuclear stance" if sanctions are not lifted by 21st February 2021. Despite considerable economic pressure, Tehran will not accept any further conditions being added to those of the original JCPOA, as is being pursued by

Washington. Additionally, any negotiations will involve Iran seeking concrete assurances that sanctions will not be unilaterally reimposed in the future.

The Biden Administration has limited time to revise the JCPOA and balance its own non-negotiables with those of Tehran. The conflicting nature of the non-negotiables of both sides strongly suggests that an agreement will not be reached before the election, after which negotiations will become even tougher if an Iranian military figure or hardliner is elected.

Although Iran's economy desperately requires the removal of sanctions, policymakers will be extremely unwilling to allow additional negotiating partners to the table, let alone rivals Saudi Arabia or Israel. Israel itself may try to undermine potential nuclear negotiations that it considers as running contrary to its strong interests in maintaining sufficient pressure on Iran. However, it is precisely broader regional participation that is required to ensure that any agreement reached is durable and sustainable. Without long-term consistent and constructive engagement, the situation will become increasingly intractable.

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Risk 8: Elections

2020 was a major year for consequential elections – none more so than in November in the U.S.; 2021 will be no different, particularly with three elections to watch.

Peru

Peruvians will decide on 11 April 2021 not just who will be their next president, but also who will represent them in Congress. Among the 22 presidential candidates are former Congress members Verónika Mendoza (left wing) and Yonhy Lescano (centrist), as well as Keiko Fujimori, daughter of former right-wing president Alberto Fujimori who fled the country in 2000 amidst corruption charges. Most recent polls indicate that former football player George Forsyth, who successfully ran for mayor of Lima's La Victoria district in 2014, is leading the race with 13.3 percentage points. He is followed by Mendoza (8.2%), Lescano (7.1%), and Fujimori (6.7%) (Canal N 2021).

On 3 February 2021, however, special electoral juries ruled to ban Forsyth from running. This is due to his failure to mention in his electoral application conflicts of interest stemming from his involvement in various companies, and him receiving cars as gifts (Ojo Publico 2021). Polls indicate that almost one third of the populace is still uncertain who to vote for, and that 19% of voters, according to one survey (Diario AS 2021), will hand in blank ballots to express their dissatisfaction with perceived widespread corruption among politicians. These circumstances, combined with organizational difficulties due to the pandemic, make conflicts a likely scenario.

Iran

With incumbent President of Iran Hassan Rouhani set to step down after completing his maximum two terms in office, world leaders, among them newly elected US-President Joe Biden, are watching Teheran closely in order to assess who will take Rouhani's place on 18 June 2021, and how this might affect bilateral relations. US-Iranian relations have been severely strained by the actions of the Trump administration, which Rouhani, a moderate, has largely tolerated.

One of the more likely hopefuls for the position of second most powerful man in Iran—after Supreme Leader Ali Khamenei—is Hossein Dehghan, a former member of the Revolutionary Guards and Defence Minister. He is a protégé of the aging Supreme Leader, who is now looking to secure his legacy by appointing a president favourable to him. Deghdan maintains friendly relations with both far-right and more moderate political camps, evading clear affiliation to one or the other (RUSI 2021). Rouhani has expressed his willingness to cooperate with Biden for a return to a pre-Trump state of affairs, but whether Dehghan, or perhaps a different candidate with a more hard-line approach, is ready to do the same is uncertain (Newsweek 2021, DW 2021).

Germany

26 September 2021 is the date on which Germany will elect Angela Merkel's successor who has not only ruled her country as chancellor for 15 years, but also shaped European politics like no other contemporary statesman amidst challenges like right-wing populism, a global pandemic and secessionist aspirations by member states.

Her departure will leave a vacuum that a new German chancellor will be expected to at least partially fulfil. Polls predict a secure victory for Merkel's Christian Democratic Union (CDU) with 34 to 37 percentage points, and the Greens (19%) overtaking the Social Democratic Party of Germany (SPD) (15%), whose results continue to worsen since their clear defeat in the previous federal election (Forsa 2021, Infratest Dimap 2021).

German Christian Democrats, who have yet to determine their candidate for chancellor, have traditionally chosen their candidate through an internal party vote, with the CDU- chairperson having the right to nominate themselves as the first candidate (bundestagswahl-2021.de 2021). But since Armin Laschet has been elected as the new party leader on 16 January 2021, this practice has been called into question by some party members.

Markus Söder, who serves as Minister President of Bavaria and leader of the Christian Social Union (CSU), CDU's Bavarian counterpart, is currently leading polls by a margin of 24 percentage points. This is despite Söder's denial of any aspirations to become chancellor (bundestagswahl-2021.de 2021). It remains to be seen whether Söder will change his mind, and the situation will only gain clarity with the party vote, which is set to take place in early April.

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Risk 9: Terrorism

Throughout 2021, Islamic State affiliates and local rival armed groups will continue to pose significant threats in the Sahel and sub-Saharan Africa.

Additionally, in Western Europe and the United States the growing prevalence of far-right extremist and terrorist groups will continue to present a significant security risk, as will the continued threat of Islamist terrorism and small-scale attacks.

Although international attention has largely been directed at the pandemic for the past year, the terrorist threat continues to evolve alongside international and domestic contexts going into 2021.

The decimation of the Islamic State's "territorial caliphate" in Iraq and Syria by 2019 certainly did not mark the end of the organisation's aims and activities. Instead, IS has spawned offshoots throughout the African continent, hoping to continue to forge and exploit relationships with local groups, whilst competing with rivals such as al-Qaeda in the Islamic Maghreb (AQIM) and al-Shabaab.

The rise of terrorist incidents in Africa by 13 percent in the final quarter of 2020 presents significant cause for continued concern. Indeed, in 2020 seven African states were brought into the top ten highest-risk countries in the world for terrorism. This places them alongside Afghanistan, Syria, and Iraq—all of which will continue to suffer from the significant threat of terrorism due to ongoing conflict and political instability.

The considerable and continued strain imposed by the coronavirus on national security budgets suggests that African governments going into 2021 will have fewer resources at hand for counterterrorism operations.

Attacks on military compounds, government targets, and key infrastructural or industrial facilities are highly likely to continue to exacerbate instability. So far, an overwhelmingly militaristic approach to counterterrorism has been favoured, yet the long-term neutralisation of the terrorist threat will require strong-willed locally-led partnerships and the proactive engagement of local populations.

Terrorist and extremist groups in Western Europe and the US will continue to exploit the uncertainty and economic distress brought about by the pandemic, some using conspiracy theories to promote their varying agendas. Despite the re-emergence of far-left terrorism in France for the first time in over a decade, left-wing and special-interest extremist groups are relatively unlikely to perpetrate lethal attacks.

Meanwhile, in Western Europe coronavirus lockdowns have contributed to the reduction in large-scale terrorist events throughout 2020. Going into 2021, relatively small-scale attacks by Islamist and right-wing terrorists using simple, inexpensive weapons will continue to pose significant threats to domestic security.

As for the US, right-wing extremist organisations will continue to present the "most persistent and lethal threat" to American domestic security in 2021. Far-right, white supremacist, and associated conspiracy groups will continue to push increasingly violent and divisive anti-governmental agendas: capitalising off the sense of disenfranchisement felt by those perceiving themselves as being de-platformed by the departure of the Trump Administration.

Overall, the pandemic has presented fertile ground for the rapid evolution and emergence of new subsects of terrorist activity and extremist affiliation. Online extremist activity surged in 2020, and growing scrutiny over content moderation has pushed groups and individuals towards more secure communications platforms such as Telegram and Signal.

With the pandemic exacerbating societal polarisation, some groups have become increasingly distrustful of governmental authority and have been spurred on by conspiracy theories which fill the void of uncertainty that has become characteristic of daily life under the "new normal".

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Risk 10: Cyberattacks

In 2021, cyberattacks will continue to target sensitive data, disrupt infrastructure and operations, and undermine confidence in the ability of public and private organisations to safeguard the interests and information of their stakeholders. With such threats persisting and growing, so too must the measures taken to counter them.

As the coronavirus ripped through the globe and relegated employees all over the world to their homes in 2020, 81 percent of enterprises were forced to rapidly accelerate their digital transformation. Actors looking to exploit cyber vulnerabilities were able to ramp up activities against individuals, corporations, and governments to obtain data or gain financial profit.

In the third quarter of 2020, the number of cyberattacks reportedly increased by 54 percent compared to the previous year, with several largescale and widespread attacks unnerving spectators. Australian organisations and the New Zealand Stock Exchange were targeted by sophisticated cyberattacks in June and August respectively, which were unofficially attributed to foreign governments due to their nature and scale.

In the first weeks of 2021, New Zealand's central bank had already suffered a serious data-breach, raising the awareness of private firms to the vulnerabilities inherent to their digital infrastructure—vulnerabilities which are likely to persist throughout the year.

Russia, China, Iran, and North Korea will all continue to target Western governments and organisations, seeking to gather intelligence and undermine the foundations of liberal democracy. The attack on SolarWinds, a major IT firm, attracted widespread attention and concern as one of the "most complex and sophisticated [cyberattacks] in history". The malware used—which compromised the accounts of as many as 18,000 SolarWinds software customers—allowed hackers to access sensitive data. The list of victims includes firms with robust cybersecurity teams such as tech giants Microsoft and Cisco, consulting firm Deloitte, and numerous US government agencies. This paints a bleak picture of the abilities of organisations to protect themselves against similarly well-executed data breaches and attacks in 2021.

Despite pointing towards Russian sources, investigators will have trouble unearthing concrete evidence of Moscow's direct complicity, considering that perpetrators of cyberattacks enjoy a considerable amount of plausible deniability. If sufficiently clear evidence is uncovered, geopolitical tensions will undoubtedly intensify, with significant and severe consequences.

In 2021, organisations will remain reliant upon their digital infrastructure as the coronavirus pandemic continues to disrupt regular activity. Consequently, both public and private actors must prioritise cybersecurity and ensure that digital systems and processes are regularly updated and stress-tested. It is essential that the balance between accessibility and security is achieved. Additionally, constructive engagement with employees and members of the public is necessary to promote education on the identification and mitigation of cyber threats. Finally, clear information must be provided by governments and private actors to rebuild trust and confidence with citizens and stakeholders.

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