



Global Risk Trends

2022



Global Risk Trends

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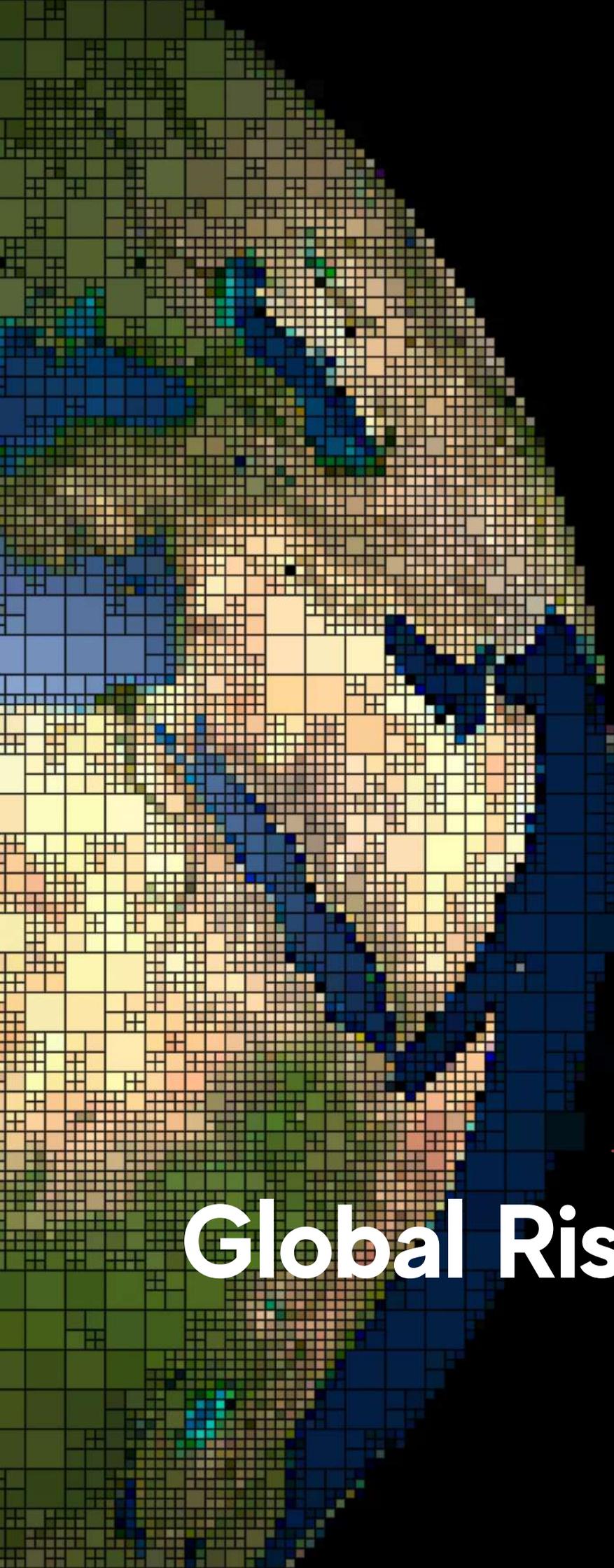
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CHAPTER 1

Global Risk Trends

1.

A Hard Line on Trade Dispute Holds

The Biden administration will continue to try to resolve trade disputes with its Western allies as it prepares to take a harder line in trade against China after the end of phase one trade deal at the end of 2021. The United States and the European Union will likely reach a deal to suspend or relax U.S. tariffs on European steel and aluminium. The United States is unlikely to drop the tariffs altogether because, while most U.S. manufacturers would favour doing so, dropping tariffs would alienate the powerful steel lobby and labour unions. The White House is likely to implement a quota system on European steel and aluminium instead. The Organization for Economic Cooperation and Development will likely make progress on negotiations to reform the global tax architecture, but some countries, like Ireland, are unlikely to join the initiative over concerns about the impact on their attractiveness as low-tax territories. Even if an agreement is reached, there will be logistical challenges for its implementation in the United States, and many countries may not follow through with their promises to remove the digital services taxes they have introduced over the last five years. The United States may complete its now eight-month-long review of its China trade policy and launch a new investigation against China's use of subsidies to support strategic industries. Such an investigation is unlikely to conclude in 2022. If it did occur, it would signal that Washington is gearing up for an aggressive trade policy and that a significant reduction in tariffs in China is unlikely.



2.

Global Food Prices Continue to Rise

The United Nations Food and Agriculture Organisation announced Global food processes on average were 1.2% higher in Dec 2021 than in Nov 2021, an increase of 27.3% from 2020. Prices, the highest in more than 10 years were driven by the FAO Dairy Price Index, which increased by 3.4%, while the Cereal Price Index by 3.1% and this despite world cereal production standing at a record high and 0.7% higher than in Dec 2021. World cereal utilization is increasing faster than world cereal stocks, with demand up 1.7% for the current crop year and stockpiles forecast to decline by 0.9%. Meanwhile, conflict and drought are aggravating food insecurity in East and West Africa, where 44 countries need external assistance for food. The UN World Food Program says 958 million people across 93 countries do not have sought to eat, while the Global Humanitarian Outlook projects that 239 million people will need life-saving humanitarian action and protection in 2022.

UN World Food Program says 958 million people across 93 countries do not have food to eat

The global food prices is nearing record highs and shows no signs of abating. The long-term outlook is uncertain given high fertilizer costs and the potential for bad weather and labour shortages that exist worldwide due to the COVID-19 pandemic. Food prices are not yet reflected in underlying core inflation. With food, energy and housing the largest part of consumption baskets, however, it is just a matter of time before second-round effects emerge. Core inflation rates will begin to increase as households demand higher wages to compensate for a reduction in purchasing power and firms pass on higher costs in a global environment of excess demand.

3.

Supply Chain Disruption and its Aftermath

The year 2021 saw a major roadblock to global economic recovery in the form of supply chain disruption. The reopening of economies around the world and the sudden shock brought on by the increase in demand have put extreme pressure on the supply chain which will be a roadblock to recovery in 2022. This disruption is down to two major reasons:

Gridlock at the ports on the West Coast of the USA

The ports on the West Coast of the USA caters to 66 per cent of transpacific vessel traffic. In 2021, the capacity has been overwhelmed due to the poor infrastructure at the ports, and a crippling labour shortage. Even though the ports are running on a 24/7 basis, the waiting time for every shipping vessel to enter a port has reached a peak of sixteen to seventeen days. Therefore, pushing the shipping cycle to up to two months instead of the usual one to one month. The issue will continue in 2022 as the shipping containers will have to head back to the Asia Pacific causing similar gridlocks at the ports in East Asia, during the festive period.

Climate change

The Pacific Hurricane Season saw eight hurricanes and two major hurricanes across the Pacific coast in 2021. A significant increase from 2020. Due to the increase in hurricanes shipping reroutes had to be made in the Asia Pacific region. According to estimates, in 2022, the western region of the Pacific will witness the chances of four major tropical cyclones. There will be more tropical hurricanes in the Pacific due to La Nina conditions in the Central and Eastern Pacific. Therefore, in 2022, shipping will witness more delays and reroutes due to more depressions in the Pacific belt.



4.

Hostile Environment to stay until 2022 for Afghan Migrants

Governments in South Asia, the Middle East, Europe and other parts of the world will try to minimize the arrival of Afghan migrants as much as possible. Tens of thousands of Afghans have left the country in the wake of the Taliban takeover, and more are likely to attempt to do so in 2022. Although as they find air travel increasingly difficult and expensive, many will try to leave via land, especially from Pakistan and Iran. Both countries will be hesitant to allow new migrants to enter in large numbers and are likely to limit arrivals as they seek to determine their own policies vis-a-vis the new Taliban government.

**Tens of thousands of Afghans
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While European governments are likely to resettle some Afghans, they will seek to avoid a repetition of the 2015-2016 refugee crisis. Instead, they will offer financial assistance to countries like Pakistan, Iran and Turkey to host Afghan migrants and keep them from attempting to enter European territory. In the meantime, the Belarusian government may try to take advantage of the crisis in Afghanistan by sending Afghan migrants to the Baltic EU member states through Belarus, though the impact is likely to be modest considering that countries like Poland and Lithuania have increased their border controls and will be willing to expel migrants entering their territory.

5.

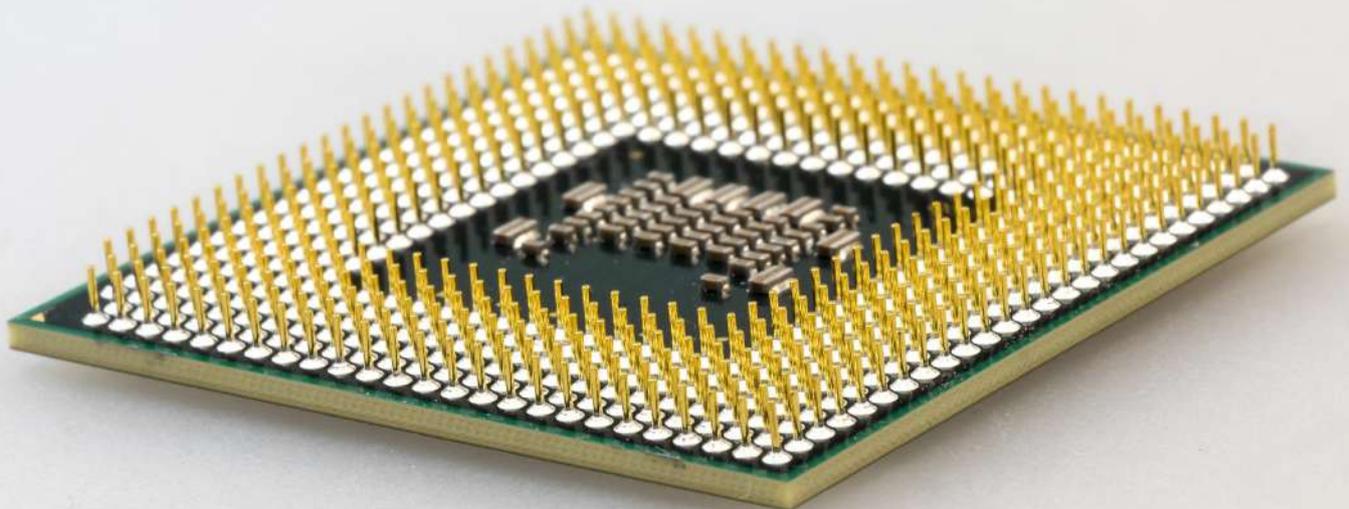
The Changing Dimension of Cybersecurity in 2022

Cyber risks remain at the top of the global risk index. The COVID-19 pandemic has boosted technological adoption, but it has also exposed cyber vulnerabilities and unpreparedness, exacerbated technological inequities within and across economies, and exposed cyber vulnerabilities. All parts of our lives and industries are being impacted by digitalization. We're witnessing increased reliance on software, hardware, and cloud infrastructure, as well as rapid use of machine learning and artificial intelligence capabilities. Cyber-attacks and data breaches pose increased security concerns to businesses today. According to Risk Based Security, there has been a 51% increase in breaches year over year, making it more important than ever to take extra precautions to secure your organisation. The barrier between the digital and physical realms is becoming increasingly blurred, nations and businesses will only be secure if they embrace cybersecurity features, concepts, and frameworks. This is especially applicable to companies with high-value assets. Privacy and data protection requirements are vital, but they can also cause firms to have divided, and sometimes contradictory, goals and expenses, which can weaken defence systems. Companies must defend and protect themselves against attacks while simultaneously attempting to comply with complex rules, all while working within their budgetary constraints. Because this is a global issue, open communication between businesses, legislators, and regulators is vital to success. We will have to rely on company leaders to pay serious attention to cybersecurity until security features become integrated into technology – frictionless, transparent, and naturally useable by individuals.

6.

Global Semiconductor Supply Shortage to Persist

The ongoing global semiconductor supply shortage is predicted to last until 2022. The shortage which began during the pandemic in 2020, has hampered the production and sales of a number of automobiles as well as consumer electronic products. A number of reasons are responsible for the current supply crisis, namely the pandemic induced sudden increase in demand for electronic equipment such as laptops, with the rise of Work from Home culture. The sudden recovery in demand for automobiles, making it difficult for suppliers to keep up, amidst constant COVID-19 lockdowns, disrupting the production and supply chain. This accompanied by the US-China trade war tensions, adding fuel to the fire, has exacerbated the shortage issue.



With the easing of COVID-19 curbs, the semiconductor production facilities are regaining normalcy. In addition, many affected companies have begun investing in semiconductor production, to reduce their dependency on chip hubs located in Taiwan, South Korea, and Japan. And Western governments have been initiating policies to facilitate domestic chip production. For example, TSMC, Samsung and Intel have already started with the development of chip production facilities in the USA. However, the manufacturing process of semiconductors is complicated, expensive and time-intensive. Accordingly, the effect of such positive measures to combat the shortage will only be witnessed, gradually, by 2022.

7.

Energy Crisis to Prolong In 2022; Cost of Fossil Fuel Dependent Materials to Increase

Several countries are facing a global crunch in energy, caused largely due to the rapid recovery of the economy post-COVID-19 induced lockdowns, soaring demands, and frequent severe weather. In 2021, the prices of fuel such as oil, natural gas, coal skyrocketed in the international market. With the OPEC countries refusing to increase supply and Russia not stepping up, the situation is expected to stretch into 2022.

Power consumption is projected to increase by 60% by 2050. North Macedonia has made a proposal to extend its state of energy crisis until Jun 2022. China is planning to raise the benchmark price for long-term coal contracts in 2022 and the European Union is exploring long-term solutions. Two scenarios are likely to pan out in 2022: (a) countries commit to carbon divestment and tone down supply of renewable energy or, (b) in the face of inflation, policymakers are unlikely to alter their production of oil, coal and natural gas. The surging prices are also likely to push up the cost of materials that use fossil fuels such as cement or agricultural produce (that is dependent on oil-based fertilizers) in 2022. Businesses should anticipate the energy crisis to persist.



8.

Climate Change Initiatives to Take Shape In 2022

In Nov 2021, COP 26 concluded with promises to bring changes to curb the emissions and control activities contributing to climate. Despite, countries took pledges to cut net-zero emissions and gradual move away from hydrocarbons to renewables, climate change is expected to be the biggest risk for the international community. The year 2021 itself saw increased weather activity causing climate disasters to cost over \$100 billion in the U.S. alone and the damage extent exacerbates keeping the world in mind. Climate change has already led to long summers, ferocious storms and devastating floods and this trend is expected to continue in the upcoming year. For instance, Canada witnessed record-breaking heatwaves, Storm Ida caused havoc across the United States and incessant rain and flooding in China caused supply chain disruption.

The year 2021 itself saw increased weather activity causing climate disasters to cost over \$100 billion in the U.S. alone

In 2022, these events are expected to reoccur, and the short-term goals would be to lower the impact of climate disasters. The world will be gearing for another year unpredictable weather changes causing disruption and loss of business. Meanwhile, the countries will also be looking to meet their COP26 promises and cut down on the use of fossil fuels. The early signs seem positive as the US and China agreed on a pact to decrease methane emissions, reduce coal consumption and eliminate deforestation. Similarly, more countries will enter into bilateral moves to reach their goals along with unilateral steps. The year 2022 would be from a climate perspective as more sentiment gains ground on the issue.

COVID-19 Trends





1.

Global Economic Growth Will Slow Amid Renewed COVID-19 Uncertainty

The Omicron and Delta variants will remain the main source of global economic uncertainty amid rising inflation, supply chain bottlenecks and labour shortages. While the world economy is growing at its fastest aggregate pace since the late 1970s, the pandemic will remain the biggest factor generating uncertainty until well into 2022 and beyond. Meanwhile, global aggregate demand is recovering faster than supply, which is creating production and distribution bottlenecks and labour shortages putting upward pressure on prices and increasing the risk that inflation will become embedded and further slow real growth. With high levels of public debt, especially in developed economies, major central banks will cut back on their expansionary monetary policies, which will increase exchange rate pressures on emerging markets and developing economies also dealing with higher inflation. While growth in the United States and China will remain relatively high during 2022, it will probably peak during the first half of the year and will likely slow as supply chain issues constrain output.

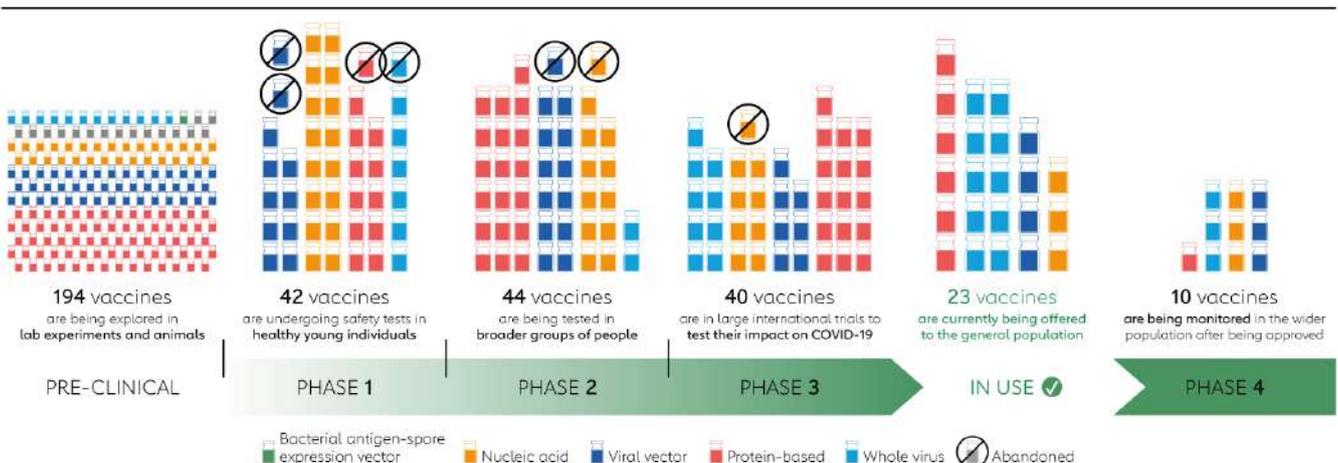
2.

Importance Of Equal Distribution of Vaccine Globally

The goal of the global COVID-19 vaccination approach is to limit the risk of novel variations while minimizing deaths, severe disease, and overall diseases. It also aims to lessen the health implications. Following the discovery of COVID-19, however, researchers all around the world sped up the process by completing phases of development at the same time and exploring new vaccination technologies. In countries such as China, Russia, the United Kingdom, and the United States, more than twenty vaccines have been approved for general or emergency use. Around the world, there are now 137 COVID-19 vaccine candidates undergoing clinical trials and 194 candidates in pre-clinical development.

The vaccinations' acceptance has generated some confidence, and many governments have begun delivering them. However, vaccine accessibility in low-income countries (LICs) had been restricted, prompting many concerned authorities to raise concerns. It's because most vaccines are said to be held in reserve by wealthier nations. Many LICs are poor socioeconomically, with low levels of education, income, and employment. Vaccine distribution in several LICs is complicated by their geographical location. Urban slum dwellers, as well as marginalized and migrating communities, have limited access to vaccination clinics.

COVID-19 VACCINES IN DEVELOPMENT



Source: Gavi, the vaccine alliance

3.

COVID-19 Variants and Their Impact on 2022

Viruses are constantly evolving, and this might result in the emergence of a new variant, or strain, of the virus. Changes in the virus that causes COVID-19 are being tracked by scientists all over the world. Their findings are assisting researchers in determining if some COVID-19 variants spread more quickly than others, how they influence your health, and how effective different vaccines are against them. SARS-CoV-2, COVID-19, has mutated (changed) since the beginning of the pandemic, resulting in variations of the virus. The Delta COVID-19 is one of the most infectious coronavirus strains to date. The pandemic's first wave wreaked havoc on many countries, killing thousands of people. The severity of the first phase was exacerbated by a lack of specialist equipment and a lack of understanding of the condition. The WHO and CDC have designated the Delta COVID-19 as a "variant of concern" because it appears to be more easily transferred from one person to another. Delta has been the most contagious type of the SARS-CoV-2.

Delta COVID-19 is one of the most infectious coronavirus strains to date

The Omicron variant might spread more easily than other variants, including delta. The most common symptoms for the new COVID Variant "Omicron" are fever, cough, tiredness, loss of taste or smell. It is expected that people who are fully vaccinated likely can get breakthrough infections and spread the virus to others. However, the COVID-19 vaccines are expected to be effective at preventing severe illness. This variant also might reduce the effectiveness of some monoclonal antibody treatments. As the Omicron form spreads across Europe, European leaders are imposing restrictions. In several European nations, Omicron is already the most popular variant.

4.

Protests Against Anti-Virus Measures Across the World to Continue

The latter half of 2021 saw a large number of protests across the world, with citizens expressing their anger over their government's measures by curtailing the freedom to manage the COVID-19 pandemic. Deteriorating economic conditions, inflation, unemployment, etc. accelerated by the COVID-19 pandemic and related restrictions have increased the anger among people. The lockdown measures, which have been implemented since the beginning of the pandemic in 2020, did little to no help in preventing the spread of the virus. Added to this, governments mandated vaccination pass for having access to several services to force citizens to get vaccinated. As 2021 nears an end, the COVID-19 cases in several countries are increasing, with many reporting record numbers of daily fresh cases. Governments are reimposing measures like travel restrictions on countries, night curfews, restrictions on business opening hours, etc. These measures will be further affecting people, businesses and economies across the world which were hoping for recovery with vaccination roll-out. The possibility for the countries to reimpose restrictions with emerging variants is expected to continue in 2022. Mandating vaccination which does not ensure complete protection against the virus and uncertainty over its efficacy to protect from newly emerging variants can also be reasons for protests in 2022.





CHAPTER 3

INDIA

1.

Continued Impetus to Privatize the Public Sector

Prime Minister Narendra Modi in Feb of 2021 said the “government has no business to be in business”, underlying the government’s focus on disinvestment and privatization of public sector undertakings (PSUs). In the Budget 2021-22, Finance Minister Nirmala Sitharaman said barring four strategic areas, public sector companies in other sectors will be divested. 2021 saw the national carrier Air India being privatized with the Tata Group emerging as the largest bidder and consequently taking over its ownership. Similarly, privatization of the public sector banks and strategic disinvestment of IDBI Bank is also on Parliament’s table.

It is acknowledged that the move will bring in more money and modern technologies; however, a large sector of the working class continues to push back against the proposed privatization. More PSUs are expected to undergo privatization in 2022 despite continued agitations against it.



2.

Changing Trends in Jammu and Kashmir Terrorism

The Union Territory of Jammu & Kashmir (J&K), a hotspot for terror, witnessed a spike in violence in 2021. A reemerging trend was an increase in the number of civilian deaths due to terror activities. A similar trend was seen in 2017, however, had declined over the years.



The rise in terrorism and violence in the UT comes as J&K returns to normalcy (security measures were eased) after the abrogation of Article 370 of the Indian Constitution and the Taliban takeover in Afghanistan. Another significant change is Poonch and Rajouri districts in the Jammu division seeing an uptick in fatalities- regions that were relatively calm for a long period of time. The situation is worsened by the emergence of the militant outfit The Resistance Front (TRF) and what is being dubbed as “hybrid” militants (terrorists disguised as civilians). While counter-terrorism measures have worked successfully so far in shrinking terrorism in the region, the new trends set the stage for significant security threats in J&K in the coming year.

3.

Growing Interest in Environment, Social and Governance Investment

There is a paradigm shift in the global investment strategy, boosted by climate change goals, COVID-19 and good practice in sustainability. Companies are giving higher relevance to Environmental, Social and Governance(ESG) factors in doing business. In Nov 2021, the Sebi Chairman also hinted at possible changes in rules for listed companies to carry out ESG initiatives. Further, the International Organization of Securities Commissions (IOSCO) published a report and set of recommendations in relation to the providers of ESG ratings and data products.

Indian companies are already looking to commit to ESG goals. Mahindra & Mahindra became the first Indian auto company to feature in the Dow Jones Sustainability Index in 2021. Bharti Airtel appointed a committee of the board of directors to work on its efforts towards the initiative. 2022 is going to witness more companies implement ESG strategies to keep in line with international standards and the Indian Government is expected to initiate regulations, particularly in the backdrop of its COP26 commitments.

4.

Political Parties to Focus on Upcoming Assembly Elections in Several States

State assembly elections are set to take place in the states of Goa, Manipur, Punjab, Uttar Pradesh, Uttarakhand, Himachal Pradesh and Gujarat in 2022. The national parties - Bharatiya Janata Party and Indian National Congress- are already gearing up for the crucial polls and are expected to launch their campaign in 2022. Punjab, Goa, Uttar Pradesh and Gujarat are expected to be important battlegrounds.

Political campaigns will draw large gatherings, especially in district capitals. Authorities will also bolster the deployment of security personnel. Tripura is already reeling under instances of political violence as the Trinamool Congress and BJP party members clash with each other (Tripura will have state polls in 2023). The party clashes are expected to increase as the polls approach. Alternatively, with the fear of another COVID-19 wave looming large, the Election Commission will impose several restrictions and regulations.

5.

Sustained International Security Threats at Indian Borders

India continues to face sustained security threats at the borders of the country. On the China front, it plans to put into effect the “Land Borders Law” from 1 Jan 2022. The law comes in the wake of a long military stand-off along the Line of Actual Control (LAC) in Ladakh and the failure of the military talks between the two countries. The law categorically lays down provisions for the defence and border management of China’s land borders and India has raised serious concerns over the same.

On the other hand, Mizoram and Manipur continue to receive Myanmar refugees who are fleeing from its military government. As of 15 Nov, the northeastern region has witnessed 187 insurgency-related incidents with Manipur being the most impacted. The influx of refugees is expected to last into 2022, adding an additional burden on the states. The most worrying is the developments in Afghanistan and Pakistan’s involvement. Over 60 drone sightings were made in 2021 along India’s western border with Pakistan. Drones are being used for dropping drugs, arms and ammunition by Pakistan-based terror organizations. The Border Security Force is also concerned about weapons looted by the Taliban in Afghanistan that have the potential to be smuggled into India for terror activities. These issues are expected to continue in 2022 as India lays out strategies to counter the problems.



CHINA/BARCROFT MEDIA VIA GETTY IMAGES



CHAPTER 4

SOUTH ASIA

1.

Taliban Will Struggle to Stabilize Afghanistan

The Taliban will face significant economic, social and militant pressure as it attempts to consolidate control over Afghanistan. Taliban leaders in Afghanistan will struggle to balance domestic and foreign expectations as they shape new regulations and formalize a new government and constitutional structure. The Islamic State Khorasan Province will prove the most immediate domestic threat, as the group is likely to expand its operations beyond northeastern Afghanistan into key southern and western cities. Resurgent Tehrik-i-Taliban Pakistan activity in neighbouring Pakistan will also test Kabul's relations with Islamabad, its key economic partner and transport corridor to the world. Pakistan and China will increase investment and transportation infrastructure in Afghanistan, but this will remain constrained by the Taliban's inability to ensure stability and security for foreign workers. International aid will also remain circumscribed, and any discussion of normalization will depend on the outcome of the proposed Loya Jirga (or grand council) and the structure of a consultative government, as well as Taliban regulations on women's rights. If the composition of the new government fails to effectively balance the interests of ethnic minorities in Afghanistan and conservative Pashtun rural tribals, it could trigger expanding social instability in cities throughout the country, along with expanded activity from both Islamist militants and anti-Taliban fighters from the nascent National Resistance Front.

WAKIL KOSHAR/AFP/GETTY IMAGES



2.

Sri Lanka's Financial Crisis Will Worsen

Sri Lanka's increasing reliance on China and India for financial aid and investment will risk triggering domestic pushback and social unrest, forcing the government to make concessions that could ultimately threaten its economic strategy. China and India are heavily involved in Sri Lanka's economy. Both countries are also the two largest importers of Sri Lankan goods, and both have the potential to provide the debt-ridden island nation with large credit lines in the future. Although between the two, China remains Sri Lanka's largest patron – accounting for roughly 23% of the country's overall foreign direct investment over the past decade (2010-2020) compared with India's 10%.

Sri Lanka requested an IMF bailout 16 times over the past 55 years and has only completed nine of the programs due to difficult reform requirements

Colombo will seek to maintain relations with both India and China to avoid having to turn to the International Monetary Fund (IMF) for support, which would require imposing unpopular austerity measures. Sri Lanka has requested an IMF bailout 16 times over the past 55 years and has only completed nine of the programs due to difficult reform requirements. Sri Lanka's growing economic dependence on India and China will lead to local opposition and disruptive social unrest, which in extreme cases could force the government to alter or potentially even cancel its investment deals with Beijing and New Delhi.

3.

Economic and Humanitarian Stress to Grow in Myanmar in 2022

The United Nation Development Program announced in its Myanmar People's Pulse Survey Report 2021 announced half of Myanmar's population could face poverty by the end of 2022. The U.N. Development Program's survey also showed that the number of Myanmar families receiving remittances dropped from 19.5% in 2017 to 2.4% in 2021. More than 30,000 refugees from Myanmar's Chin State have fled to the Indian state of Mizoram to escape the military junta.



AA PHOTO

As Myanmar living standards deteriorate and the military junta intensifies its war against rebel groups, refugee outflows are likely to increase. And as Myanmar refugees travel to neighbouring countries, the junta's ineffective pandemic management will hinder regional efforts to recover from the delta wave of COVID-19. Deepening domestic conflicts could also threaten regional energy supplies, like Myanmar's natural gas exports to Thailand. Poor administration of international aid could spur greater numbers of Myanmar refugees to leave the country, which could both foil the COVID-19 containment efforts of neighbouring countries and alleviate regional labour shortages. Should the number of Myanmar refugees grow, the difficulty of crossing land borders could see flows concentrate in countries with the least restrictive borders and/or the least governing capacity like Laos, though better economic opportunities will attract labour to Thailand.



4.

Bangladesh's Economy to Choke by Container Congestion

To maintain its status as one of Asia's most promising emerging markets, Bangladesh is pursuing an ambitious infrastructure overhaul – and its powerful neighbours are champing at the bit to seize the new investment opportunities at hand. In recent years, Bangladesh has experienced explosive economic growth, thanks in large part to its booming garment industry. However, the country's outdated infrastructure has struggled to keep up with demand, leading to long delays and higher shipping costs at the country's main seaport of Chittagong. With Bangladesh's international trade expected to only grow in the coming years, so too will the need to build alternative ports that can lessen the load on Chittagong. And India, China and Japan have all shown they're more than willing to help, forcing Dhaka to delicately navigate around its suitors' vying strategic interests to secure the capital needed to boost trade revenue and take its economy to the next level.

The image shows a detailed view of an Islamic architectural interior. The ceiling is a dome with a repeating diamond-shaped pattern in shades of red, white, and green. The walls are covered in intricate tilework, including a large section with a dense, dark blue floral pattern on a white background. To the right, there are vertical bands of alternating brown and white stripes, and a section with blue and white floral tiles. A stone column with a carved capital is visible in the lower right corner. The overall scene is brightly lit, suggesting an open or well-lit interior space.

CHAPTER 5

MENA

1.

On Going Iran Nuclear Talks and Road Ahead

The year 2022 is expected to be a crucial one from Iran's standpoint and once again the Iran Nuclear talks are anticipated to garner a larger share of attention. The resumption of Vienna talks is a positive sign for the parties involved i.e., P5+1 and Iran; however, the US is still not a direct part of the discussion, and this development could lead to longer negotiation and delay in concrete actions. The key takeaway from the recent Vienna talks is that Iran has taken a hard-line approach through 2021 and is likely to continue with it. Meanwhile, Tehran's main agenda is to get rid of US sanctions that have paralysed Iran's economy, and reflection of this motive is clear as its negotiating team largely comprises economic experts. The other spectrum consists of P5+1 and their concerns regarding Iran's nuclear capabilities. Following US's withdrawal, Iran has increased its enrichment levels; however, they have iterated that the program is for peaceful purposes. The west will be concerned with roping in US in the discussion and mitigating the tension between Tehran and Washington. Meanwhile, navigate through the discussions to curb Iran's nuclear capabilities with increased checks and balances. The most favourable outcome would be to arrive at pre-US exit levels; however, that seems highly unlikely. In the year 2022, the talks are expected to share the spotlight and as the negotiations continue Iran's neighbours would be anxiously watching the proceeding owing to the larger region's larger security paradigm.



2.

Political Turmoil to Continue in North Africa

Libya's expected presidential elections after a decade of war is now postponed which was earlier scheduled to take place on 24 Dec. The much-awaited election was seen as a move towards long-lasting peace; however, is now cancelled and the current atmosphere in North Africa is critical too. The year 2021 witnessed protests against the Kais Saied in Tunisia, escalated tensions between Morocco and Algeria over Western Sahara and fragile peacetime in Libya. In the upcoming year, the political climate is expected to be tense in the region as Libya is predicted to have a new head of the state which may lead to escalation of violence as foreign fighters and militias are still dominant and the current peace process is unstable. Similarly, Tunisia has seen an increased number of protests over poor employment conditions, COVID-19 management, and economic insecurity.



IVOR PRICKETT/THE NEW YORK TIMES

In 2022, the political environment is forecasted to be fragile as the region is witnessing negative sentiment amid the population for the elected leaders. Moreover, the escalating disputes between Algeria and Morocco could have a spillover impact on the region. Libya is still at the early stages of reconstruction following a long war and remains volatile. The upcoming year could prove crucial for regional stability and there are chances of escalation despite early promise.

3.

Green Energy Opportunities to Grow in MENA

The COP26 has highlighted the importance of switching from hydrocarbons to renewables and MENA countries have one of the largest carbon footprints in the world. The MENA economy essentially runs on the petrodollars and the natural gas trade. The COP26 stressed on the replacement and eventual phasing out of hydrocarbons; however, the MENA economy and its development aspirations depend on the oil trade. Saudi Arabia, UAE and Iran have large carbon footprints and are not currently on board with the idea of the complete removal of fossil fuels.

MENA countries are also looking towards solar energy and nuclear power to move away from hydrocarbons

However, Saudi Arabia and UAE have promised to go net-zero by 2060 and 2050 and they are investing in green energy to earn energy security. Meanwhile, Iran has said that it will ratify the Paris agreement if the sanctions are lifted. The efforts involve hundreds of billions of dollars in promised investment on a range of initiatives, from hydrogen development to tree plantings to solar power plants. Saudi Arabia, for example, is targeting 4 million MT/year of blue and green hydrogen production. The MENA countries are also looking towards solar energy and nuclear power to move away from hydrocarbons. Over the last two years of the COVID-19 pandemic, the oil trade has taken a hit and 2022 could be the year oil-exporting MENA nations will look for greener options to diversify trade.



4.

Turkey's Growing Regional Influence

Turkey's isolationist policies are days of the past while the country's foreign policy has taken a revisionist stance. Turkey has been pushing above its weight to influence the regional political landscape and its involvement in Syria and Libya is a testament to its endeavours in the region. However, recently Turkey has been on a reproached trend in mending ties with its neighbours and its recent delegations visits from UAE and Egypt is one such example. Turkey has taken a key role as a mediator in West Asia and the Caucasus as it was in the early 2000s. Turkey's role in the Armenia-Azerbaijan conflict is one such example of how it positions itself in the region.

However, Turkey's ambitions are not limited to geopolitical advantage but economic benefit as well. Turkey is planning to make its land a hub for an economic and cultural centre and Ankara's efforts are directed towards getting more investors for the cause. Turkey trying to make inroads in Africa through cultural and economic diplomacy. Turkey's association with Taliban is another opportunistic role Ankara is planning to take adding to its ever-growing influence. In 2022, Turkey is expected to expand on its current regional aspirations and it will interesting to note Turkey's involvement with the Taliban and the balancing act with other regional heavyweights like Saudi Arabia, Iran and UAE.

5.

Central Asia's Increasing Afghan Migrant Crisis

Central Asian countries have largely stayed out of mainstream conflicts keeping a low profile; however, the turn of events in Afghanistan has raised concerns for the leadership in central Asian nations. The takeover of Afghanistan by the Taliban has led to an influx of Afghan migrants in different countries, but the Central Asian nations are the worst impacted. Currently, close to 15000 refugees have crossed over to Central Asian nations to seek refuge from Taliban led Afghanistan. The dilemma here is the unwillingness of Central Asian nations to provide shelter to Afghan refugees.

Uzbekistan, Tajikistan, and Turkmenistan have stated their strong opposition to hosting Afghan refugees in their land. Initially, Turkmenistan and Tajikistan allowed a certain number of refugees to cross the border; however, they are now urging them to return. EU has also been hesitant in allowing Afghan refugees to come in but they have proposed to help financially to central Asian nations given they allow them to seek shelter. Therefore, in 2022 this situation is expected to continue as more people are trying to cross the border. All forms of travel have been suspended between Afghanistan and Central Asian countries along with heavy security at the borders. The refugee crisis is expected to escalate as there is no collective effort in place to mitigate the risk.



REUTERS/FEDJA GRULOVIC



CHAPTER 6

EUROPE

1.

Migration Crisis in Belarus and its Impact on Europe

Thousands of migrants have been stranded at the border between Poland and Belarus for several months. These migrants are caught up in the centre of an intensifying geopolitical dispute. The migrants – mostly from the Middle East and Asia, who are hoping to enter deeper into Europe through Poland -- have been gathering on the Belarusian side of the Kuznica border crossing and are in terrible conditions. Charities have reported that people stuck at the border area have battled freezing weather and they lack food and medical attention, with reports of beatings and gruelling conditions emerging. Belarusian Prime Minister Alexander Lukashenko has been accused of manufacturing the migrant crisis on the border by leaders of neighbouring Poland, Latvia and Lithuania. This led Poland to adopt a bill in Oct for the construction of a wall along its border with Belarus. NATO's Secretary-General Jens Stoltenberg also blamed Belarus, saying that "Belarus using migrants as a hybrid tactic is unacceptable." Russia, Belarus' largest ally (and most important) political and economically, has defended Belarus' handling of the issue and has denied any involvement in the crisis. European leaders have accused Belarus of manufacturing the migrant crisis on the EU border as a response to the sanctions over human rights abuses, a claim the Belarus government has repeatedly denied. In response to the escalation, the United States and the European Union announced new sanctions against Belarus. This is the second round of sanctions announced by the US in recent months. In Aug, the White House announced a sweeping executive order targeting those in the Belarusian regime involved in the repression of human rights and democracy.



MAXIM GUCHEK/BELTA/HANDOUT VIA REUTERS

2.

Rising Tension Between France and UK Post Brexit

A dispute between the UK and France has erupted over post-Brexit fishing rights, with France claiming that it could stop British boats from landing if the dispute is not resolved. These fishing rights were one of the sticking points in the post-Brexit negotiations between the EU and the UK. As the UK became an “independent coast state” after BREXIT on 31 Dec 2020, Britain’s fishing industry has been demanding greater access to the fishing grounds it currently shares with the EU – something the bloc has resisted. Fisheries in the EU are governed by the bloc’s Common Fisheries Policy (CFP). Under the CFP, fleets from every EU member state can fish in the Exclusive Economic Zones (EEZs) of all the other members, meaning the part of the sea that stretches up to 200 nautical miles from a nation’s coast, excluding its territorial waters – which end at 12 nautical miles from the coast. The EU as a bloc, and not individual countries, decides every December the volume of fish from each species that can be caught from the combined EEZs of its members, which are together considered a common resource. Fishing rights are then divided as per national quotas.



REUTERS/GUGLIELMO MANGIAPANE

At the moment, France is maintaining that Britain has not granted France enough licenses to operate in Britain’s water, while Britain is saying that it is issuing licenses to vessels that meet their criteria. French Maritime Minister Annick Girardin has said, “**The figure of 98% of licenses granted by the UK to Europeans is wrong. Only 90.3% were. Obviously, the missing 10% are for the French**”. France now wants that all the provisions that are set out within the Trade and Cooperation Agreement are applied fully.

3.

The EU's Carbon Border Adjustment Mechanism (CBAM) and the Road Ahead

The EU sees the CBAM as a component of the European Union Emissions Trading System (EU ETS) and its main purpose is to prevent carbon leakage (such as the free emission allowances) by creating regulations that would level the playing field for EU producers in sectors covered by the EU ETS. The CBAM is a replacement of the free ETS allowances currently granted to EU producers assessed to be at high risk of carbon leakage. The free allowances will be phased out between 2026 and 2035. The CBAM will be implemented in 2026, following a transition period of three years. The initial proposal applies to imports of electricity, cement, aluminium, fertilizer as well as iron and steel products, as specified in the annex. The levy is to be paid by EU importers of non-EU products. EFTA countries are exempted due to their participation or link to the EU ETS. Based on the ETS systems currently in place in major trading partners, imports from the UK are most likely to be exempted from the CBAM levies, while the price for CBAM certificates for imports from South Korea should also be relatively low.

The initial proposal applies to imports of electricity, cement, aluminium, fertilizer, iron and steel products

It would be logical to have realistic expectations as to the implementation of the CBAM's transition phase in 2023, as planned, although the official start date of 2026 should be possible if there is a will. If discussions and the entire process run smoothly, it could easily take up to two years for such legislation to pass all hurdles. Let alone, when preferences and goals among different Member States and the EP differ, as mentioned. Most importantly, however, the proposal foresees in an article to conclude alliances with third countries or sectors in these countries, to exempt them from the CBAM on the basis of the implementation of equivalent carbon pricing mechanisms.

4.

Increasing Chinese Influence in Eastern Europe and its Impact

China's global rise has created new challenges for the United States, the European Union (EU), and individual European governments. Beijing provides an alternative to the West and offers ready-made solutions to countries seeking economic development. Yet China also takes advantage of local vulnerabilities and weaknesses—such as fragile state institutions, elite capture, and weak civil society—to exert its own economic, political, and soft power influence. One region where Beijing has made significant inroads is Southeastern, Central, and Eastern Europe. For China, this region is particularly interesting as an entry point into the rest of Europe for the Belt and Road Initiative (BRI), with growth opportunities for Chinese companies and with more favourable regulatory and economic conditions than in Western Europe.

While China's expanding footprint in Southeastern, Central, and Eastern Europe can bring socioeconomic opportunities, it can also exacerbate governance shortfalls, undermine political and economic stability, and complicate the EU's ability to reach consensus on key issues. How countries manage their vulnerabilities and build resilience in their interactions with China is the key focus of this paper. It examines four countries in Southeastern, Central, and Eastern Europe—Greece, Hungary, Romania, and Georgia—who, despite their diversity, share certain common characteristics that affect their relations with China such as an eagerness to boost trade and investment from China. While not all four countries share identical vulnerabilities, and although China has been more successful in some countries than others, each case study offers prescriptive lessons in how countries can manage vulnerabilities in different ways.



5.

Priorities Of European Union's Institutions for 2022

On 16 Dec, European Parliament President David Sassoli, Slovenian Prime Minister Janez Janša, on behalf of the Presidency of the Council, and Commission President Ursula von der Leyen signed the Joint Declaration on EU legislative priorities for 2022. The Declaration sets out the institutions' shared vision for a transformed, more resilient Europe. It aims to enable the EU to emerge stronger from the COVID-19 pandemic and the consequences of climate change and other global crises.

The Joint Declaration highlights key legislative proposals that are currently with the co-legislators or will be put forward by the European Commission by the autumn of 2022. It commits the three institutions to give utmost priority to a set of initiatives aimed at delivering on the European Green Deal, achieving a Europe fit for the digital age, creating an economy that works for people (priority to the concrete implementation of the European Pillar of Social Rights and the Porto Summit declaration), advancing a stronger Europe in the world, promoting our European way of life, and protecting and strengthening our democracy and defending our common European values. The three institutions commit to working on these shared 2022 priorities guided by the principles of mutual trust, respect and a collaborative spirit. We will also ensure proper implementation and enforcement of existing legislation



A young child with dark skin and short hair is sitting on a wooden swing. The child is wearing a blue button-down shirt and is holding the two thick, light-colored ropes of the swing. The child's feet are resting on the wooden seat. The background is a wall made of reddish-brown bricks, which is slightly out of focus. The overall lighting is warm and natural, suggesting an outdoor setting during the day.

CHAPTER 6

Africa

1.

Electricity Crisis in South Africa to Continue

The electricity crisis in South Africa is expected to persist in the upcoming year. The power utility Eskom, which supplies over 90% of the country's electricity has been facing various challenges including mismanagement, corruption, old infrastructure, cable theft, and more. The utility is also under massive debt estimated to be about \$26 billion. Currently, there is an estimated power generation shortfall of about 6,000 megawatts. In the year 2021, the country saw a record number of power blackouts, accelerated by the shut down of generating units. The power cuts are also expected to increase in 2022 due to severe weather damaging infrastructure.

With the economic crisis accelerated by the COVID-19 pandemic, the electricity crisis will cause further hurdles to cross for businesses in the country to recover. Though the power blackouts impact citizens and businesses across the country, the economically backward societies are expected to be heavily affected with Eskom taking severe measures like cutting power supply to the areas that have arrears in paying the electricity bill. Protests against the persistent blackouts currently ongoing in parts of the country can also be expected to continue. Though Eskom currently is exploring opportunities in renewable energy and planning to invest in the same, the transition is expected to take time even if the projects are approved.





2.

ISIS To Have Stronger Hold In Somalia

Instability in East Africa has increased multifold in the year 2021 with the Tigray crisis and war in Ethiopia, military coup and related protests in Sudan, and political turmoil and drought situation in Somalia. Somalia has been facing increased attacks by Islamic State-linked group Al-Shabab, which is aiming to overthrow the government, establish power and rule the country based on Sharia law. Somalia in the recent period has been witnessing frequent suicide attacks targeting civilians and security forces. The current instability in East Africa and the political crisis in Somalia is a perfect opportunity for terrorism to spread across the region. The greater hold of Islamic State groups in Somalia will also lead to rising instability in the East African region. The increased threat to the region is understood through the recent suicide bombing attack in Uganda's capital on 16 Nov. The incident led to Kenya tightening border security to prevent similar attacks. More attacks spreading in the East African region by al-Shabab is expected in the upcoming year, spreading terror, and adding to increased insecurity.

3.

Food Insecurity to Accelerate in Africa

Changing climate, increasing conflicts, inflation and poor infrastructure are among the major reasons for the increasing food insecurity in the region. In Madagascar, the country which majorly depends on primitive, rain-fed agriculture methods, over 1.14 million people are facing food insecurity after low rainfall in a 24-month period. Over 30,000 people are reportedly facing life-threatening famine-like conditions. Somalia on 23 Nov declared a state of humanitarian emergency due to escalating drought affecting 80% of the country. The unusual rainfall patterns have also led to the breeding of locusts, which attacked and destroyed crops majorly in the eastern African region. With climate change expected to continue, threats to food security also rise in the future, along with related refugee crises.

Somalia declared a state of humanitarian emergency due to escalating drought affecting 80% of the country

Food insecurity in Africa is not just accelerated by climate-related causes. In Ethiopia, food is used as a weapon of war against the anti-government Tigray forces in the north with whom the country is currently in conflict. Humanitarian aid access to the Tigray region has been blocked by the government to force the enemies to surrender. In Nigeria, local armed groups frequently attack villages, stealing cattle and grains and burning down storage houses. Similar trends are also seen in Niger and Mali. With the rising of conflicts in several parts of Africa, a greater humanitarian crisis due to food insecurity is probable in the region.

4.

France - West African Country Relations to Further Deteriorate

The influence of France is deteriorating in African countries in the west since the recent period. The country is reorganizing forces deployed under 'Operation Barkhane' in the restive Sahel region, with a reduction of forces planned from 5,100 troops to 3,000. This led to transitional authorities in Mali accusing France of abandoning the country. With the decision of France coming into force gradually, the influence of Russia in the region is slowly increasing. Mali was reportedly planning to sign a deal with Wagner, a controversial mercenary group in Russia, a move on which France has raised concerns.



France has also been facing increased resistance from the people of Burkina Faso and Niger, with the latest protest that took place in late Nov 2021 to expose the flaw in the security accord signed by Burkina Faso with France. The protests which turned violent killed 2 people and injured 18 others. With the pulling of troops, the security situation, which currently continues to remain volatile, is expected to worsen. This is expected to lead Mali as well as the other West African countries to have increased dependence on Russia for its security needs, leading to further deterioration of France's relationship with West African countries.

5.

Threat of Emerging Variants of COVID-19 in Africa to Continue

The year 2021 saw many African countries failing to receive enough doses of COVID-19 vaccines to inoculate their population since it started to roll out. The countries had to be dependent on donations by other countries and international organizations to meet their vaccine demand despite many countries undergoing 3rd wave of the pandemic. However, currently, though countries have enough stock of vaccines, vaccine hesitancy among people have affected vaccination drives, with many countries reporting vaccine stock expiry. The region is one of the least vaccinated in the world, is likely to witness highly mutated variants in the coming period. Travel restrictions are easily imposed on African countries for the discovery of any such variants in the region. Actions similar to what countries took against southern African countries after the discovery of Omicron will be repeated for any newly discovered highly mutated variants in the region upcoming year. This will lead to instability in the businesses especially in tourism and related industries in the region, slowing its recovery.



6.

African Countries to Build More Renewable Energy Infrastructure

African countries are increasing exploration in the opportunities in the renewable electricity sector to meet its energy demands and reduce its carbon footprint in the future. The renewable energy production share in South Africa in 2008 was only at 0.63%. The share increased to reach 6.25% in 2020. With the country aiming for 25% of energy production from renewables by 2030, more projects on infrastructure building are expected in the coming year to not only achieve the goal but also to meet the current energy demands that the country is struggling to meet.

Nigeria, the richest country in Africa with a maximum share of its revenue received from oil, is also exploring the renewable energy production in the country and reducing its economy's dependence on oil. Guinea Bissau, with no domestic hydrocarbon, has increased its investments to tap the country's renewable energy potential. In Ghana, Bui Power Authority will be collaborating with Sunyani Renewable Energy University will be beginning a project in 2022, aiming to generate 700MW power of solar energy by 2024. Investments in renewable energy in Africa is set to increase with countries aiming to meet the targets of sustainable goals. Several countries including the US, UK, China, and UAE among others have already invested in the continent.



A satellite night view of the Americas, showing the continent illuminated by city lights against a dark background. The lights are concentrated in the eastern United States and the eastern coast of South America.

CHAPTER 7

Americas

1.

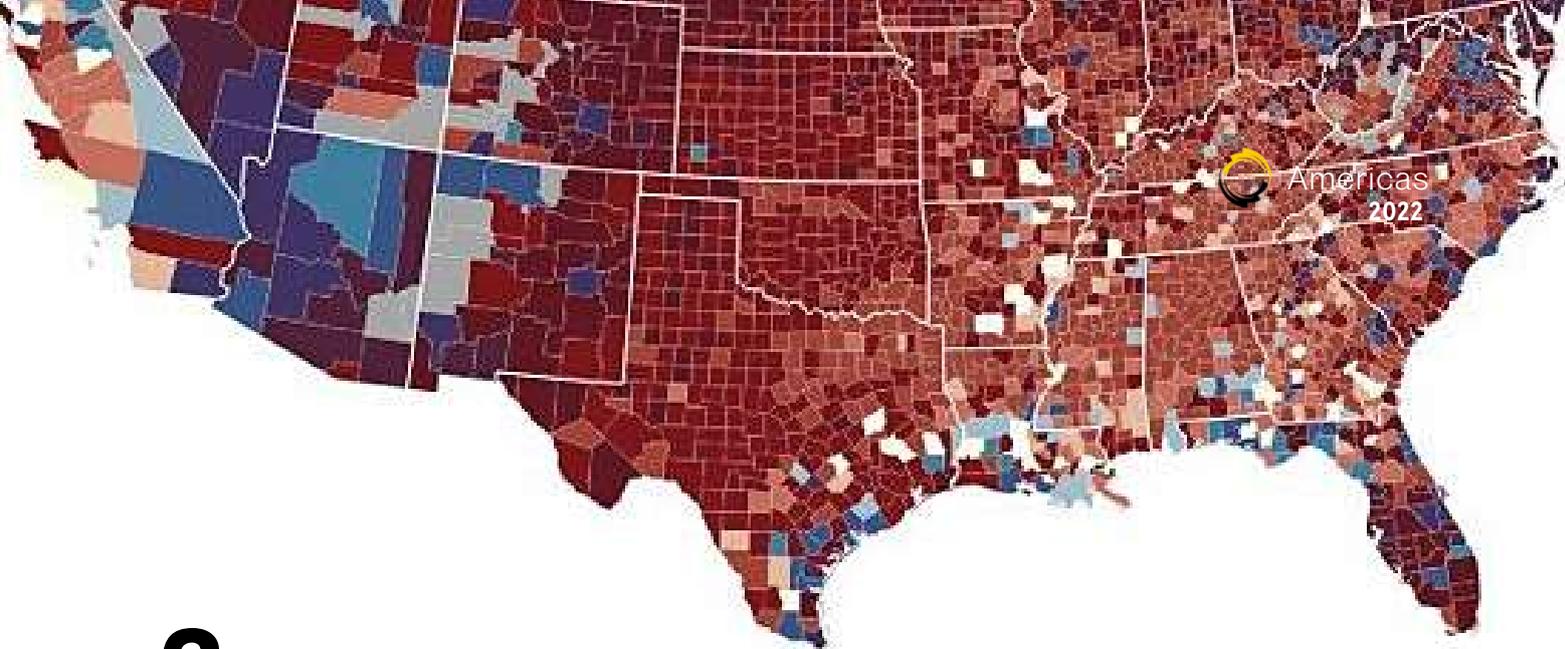
Trends of Gun Violence in North America

For decades, mass shootings have dominated the news, debates, and political discourse surrounding America's gun violence epidemic. They have become a symbol for some of America's fixation with weapons, especially high-powered ones, as well as some people's proclivity for violence. Mass shootings and active shooter situations have sparked an intense and long-running discussion in the United States concerning the number of guns and gun laws, leading to congressional paralysis and tired debates about mental health, millions of responsible gun owners, and the Second Amendment.

The Second Amendment of the Constitution guarantees gun ownership in the United States. Despite having less than 5% of the world's population, the United States boasts 46% of the world's civilian-owned weapons. Canada's central government, like the United States, sets firearms regulations that provinces, territories, and municipalities can supplement. Canada's gun laws, like those of its southern neighbour, have frequently been influenced by gun violence.

While some measures may work for one type of gun violence but not for another, a comprehensive strategy to combat gun violence necessitates a thorough understanding of the problem. Experts who have studied gun violence argue that when the focus is removed from mass shootings and instead handled as a multi-faceted problem, people are more likely to find common ground.





2.

The Voice Of The People: Elections In Americas 2022

There were multiple general elections in Latin America, which would shape the political environment in the region for the coming years. In 2022, major countries in North and Latin America will be heading towards general or local elections.

North America

US Senate Elections

The US Senate elections to be held on 08 Nov 2022, will be significant for the future of President Biden and the Democrats. The President and his party would want to extend the majority they claimed in the House of Representatives to the US Senate in 2022. The elections are vital for President Biden and the Democrats as they would want a Democrats majority in the upper house so that he can fulfil his mandate around climate action and COVID-19 vaccines with less resistance. Right now, President Biden's popularity has taken a hit and he has suffered another blow when Republican Glen Youngkin of Virginia won the Governor race in Virginia. The Senate elections will be shaped by how the Biden administration responds to the emergence of the omicron variant and control inflation to aid economic recovery.

Ontario and Quebec Elections

The provinces of Ontario and Quebec will head into elections in Oct 2022, this will be a litmus test for the Liberal Party who have narrowly claimed victory in the 2021 Federal Elections. Both the provinces are conservative strongholds and the performance of the new government at the federal level in responding to the new variant and the economic recovery will be reflected in the performance at these provinces.

Latin America

Costa Rica General Elections

The general elections in Costa Rica on 06 Feb 2022 will be very important in the region, as its neighbours are witnessing failing democracies and civil unrest, Costa Rica's successful elections will serve as a reminder to the other Caribbean and Central American countries. The political issue of the elections is unemployment, the rising cost of living, and corruption. The current ruling party Citizens' Action Party and its leader Wemer Ramos is facing anti-incumbent sentiment. Three out of the four candidates are right-wing nationalists, therefore the chances of a right-wing government to take office in Costa Rica are highly probable in 2022.



Brazil's Presidential Elections

In 2022, Brazil will have its presidential elections, the current president Jair Bolsonaro is facing a steep task of returning to the office due to his handling of the pandemic and his failure to realise the promises of privatization and reducing public expenditure in the country. His biggest rival will be in the form of Luiz Inacio Lula Da Silva, a former president who has already started rebuilding relationships with European countries like Spain and France

3.

Migration Crisis To Deepen In North America

The situation at the southwest border of the USA will get worse in 2022 as President Joe Biden has agreed with the Mexican government to resume the Trump-era policy of “Remain in Mexico”. In 2021 alone there have been more than 1.6 million US border patrol encounters compared to 405,036 in 2020. In 2022, more migrants fleeing Central America will try to enter through the US-Mexican border, increasing the chances of a humanitarian crisis at the border and the spread of COVID-19. The new policy by the US government and the continued political crisis in Central America will lead to more deaths for the migrants as they attempt to cross dangerous stretches of borders. The Darien Gap in Panama saw 91,000 crossing the stretch and around 200 estimated deaths, a twenty-fold rise since 2020, which is set to grow in 2022. As the Mexican government has agreed with the Central American caravan of migrants, to grant them permission to travel through the country, meaning clashes between the migrants and the local population will also be seen in 2022.

4.

Fading Of Democracy in Latin America

The Latin American region is facing democratic turmoil which will get worse in 2022. In Latin America, Haiti and Guatemala will continue to face the wrath of gang violence as the corrupt governments cannot establish law and order. Nicaragua, Venezuela, and Cuba have governments enjoying absolute power, which they will use to stop any anti-government sentiment. Brazil, Chile, Colombia, Ecuador and Peru have been using force to stop anti-establishment sentiments from the indigenous communities, in 2022, the countries will continue to do so under the pretext of removing roadblocks to economic recovery. Bolivia’s government is facing a resilient right-wing opposition that has vowed to destabilise the Arce administration through indefinite protests and strikes which will shape the majority of 2022. Women’s rights in the countries of Argentina, Chile, and Brazil have been suppressed in 2021, as the legislatures in these countries passed anti-abortion laws. This has resulted in an increase in protests by feminist groups and the authorities using force to silence them. The next year will be pivotal for women’s rights in the region as the governments will try to use brute force to stop the movements. The major obstacle for the Latin American countries would be mitigating the disruption the new omicron variant will be to these countries and economies in 2022. Countries like Argentina, Paraguay and Uruguay, having stable democracies will be challenged in 2022 to stop the emergence of the new variant to negatively impact the economies.

5.

US Infrastructure Bill & Its Opportunities

The bipartisan Infrastructure Bill of the USA became law early in Dec 2021. The bill is important legislation that puts the USA towards a new trajectory of economic recovery and adapts to the uncertainty of climate change. The bill will increase infrastructure spending by the government for the next five years starting from 2022. The USD 1.2 trillion bill will come into effect in 2022 and the opportunities associated with it would be the following:

- The bill has earmarked USD 550 billion in major infrastructure projects including the ports system. The investment in the ports will increase their efficiency and continue to meet the growing demand in the economy.
- The bill has earmarked USD 65 billion to upgrade electrical grids, starting from 2022, the goal is to cut down outages due to inclement weather and cater to an increase of power demand which is expected from 2022.
- Major projects to upgrade infrastructure will begin from 2022, which means that the country will add several hundred thousand jobs into the economy starting from 2022 till 2027.

One of the major issues around this bill is pointed out by climate scientists and civil engineers from the American Society of Civil Engineers (ASCE), they estimated the cost to revamp American infrastructure would be at least USD 3.4 trillion which is significantly lower than the amount proposed by the Biden administration. Therefore, 2022 will be a critical year for the USA on how it will position itself in the global economy for the rest of the decade.





6.

Indigenous People's Rights Protests to Intensify

Indigenous peoples have been marginalized and displaced by the nation-state. Economic advantages for indigenous peoples have diminished as globalisation has progressed. National governments have sometimes negotiated natural resources without considering whether these resources are located on indigenous territory. Indigenous political movements have sprung up in a number of North and South American countries. There are parallels between both movements.

Many people want indigenous peoples to have special privileges. The right to self-determination and the right to maintain their culture and history are among these rights. The objectives are different. One of the most significant contrasts is how they arrange themselves to achieve their goals. In Latin America, there have been attempts to bring together indigenous peoples separated by national borders. Organisations have banded together to make their voices known on a global scale. Indigenous rights should be recognised as a universal right by all countries having indigenous populations, according to these initiatives.

7.

Economic Recovery Through Regional Trade

The roots of Mercosur can be traced back to conversations about the creation of a regional economic market for Latin America, which date back to the 1960 peace agreement that formed the Latin American Free Trade Association, which was later achieved success by the Latin American Integration Association in the 1980s. Argentina, Brazil, Paraguay, and Uruguay are its permanent members. Venezuela is a member, however, since 01 Dec 2016, it has been suspended. Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname are partner countries. The United States-Mexico-Canada Agreement (USMCA) and the EU-Mercosur agreements agreed in 2018 are examples of steps toward closer trade integration. Both could have a significant positive impact on economic growth.

The United States-Mexico-Canada Agreement and the EU-Mercosur agreements are steps toward closer trade integration

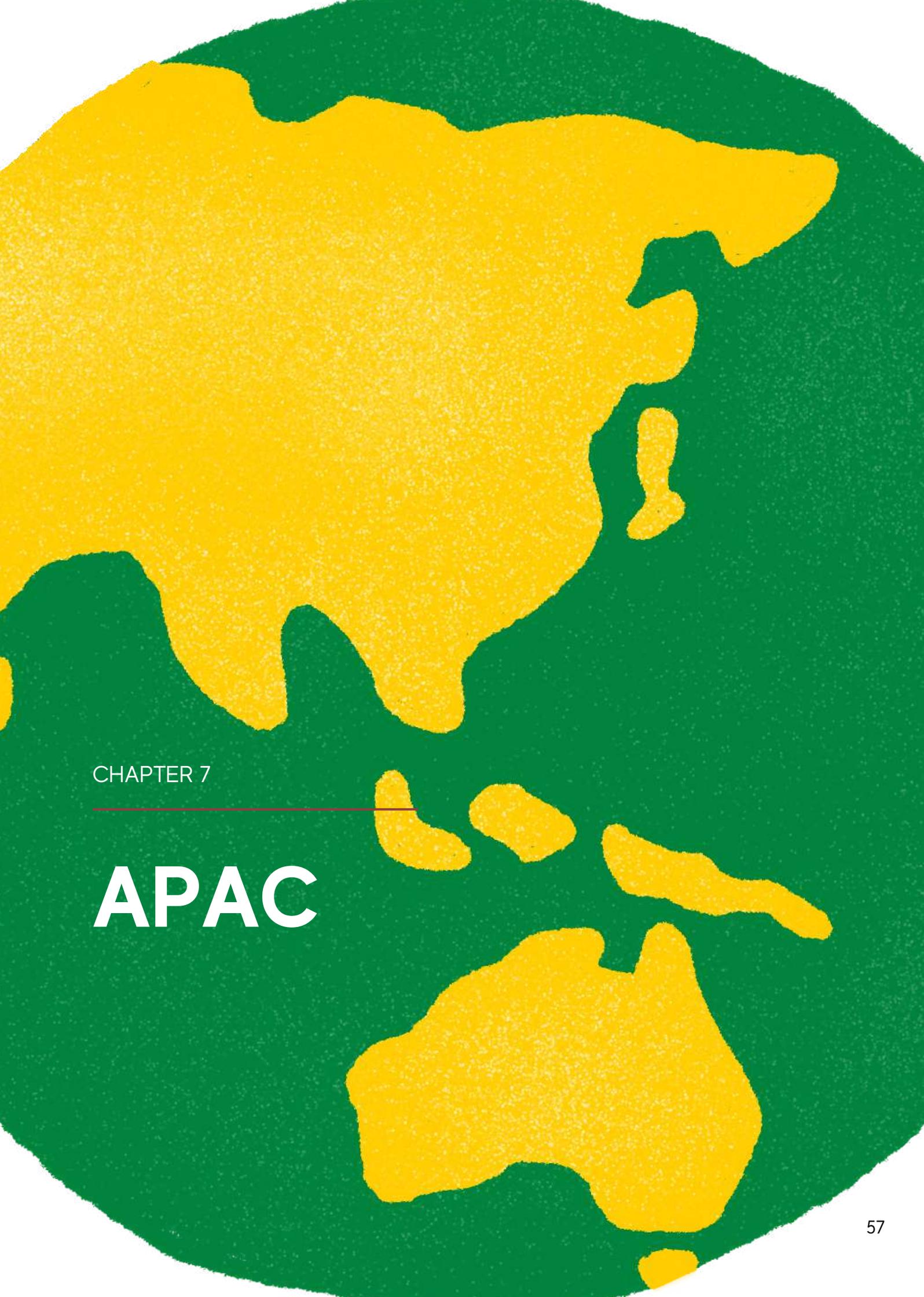
The Latin American and Caribbean (LAC) area has entered a new period of dismal economic performance but growing integration in international trade and global value chains could help the region re-energize its economy and Mercosur, USMCA could be a medium to benefit the member countries in the path to economic recovery.

8.

Future of Chinese Investments in South America

In the post-pandemic period, China's economic influence in Latin America is anticipated to grow, with the Asian country playing a vital role in regional infrastructure projects and investing in areas such as power generation and mining. China's trade with Latin America and the Caribbean grew 26-fold between 2000 and 2020. LAC-China trade is expected to more than double by 2035, to more than USD 700 billion. China is now South America's largest trading partner. Chinese firms invested USD 12.8 billion in Latin America in 2019, up 16.5 per cent from the previous year, focusing on regional infrastructures such as ports, highways, dams, and trains. South America escaped the worst effects of the 2008 financial crisis because of Chinese purchases of minerals and agricultural goods. During COVID-19, Latin America is reliant on China, whose middle-class fuels demand Uruguayan meat, Chilean copper, Colombian oil, and Brazilian soya. These are the commodities that will aid Latin America in weathering the storm—and China will undoubtedly be the key buyer. China will become a more crucial influencer of Latin America's economic prospects during the next two decades. LAC's commerce is increasingly focused on China, influencing other trading partners as well as intra-regional trade. Public and private Chinese investors are expected to continue bidding for mining, oil-and-gas, electricity, and port assets in Latin America.



A stylized map of the Asia-Pacific region (APAC) is shown in yellow against a green background. The map includes the continents of Asia, Australia, and New Zealand, along with the islands of the Pacific Ocean. The text 'CHAPTER 7' is positioned above a thin red horizontal line, and 'APAC' is written in large white letters below the line.

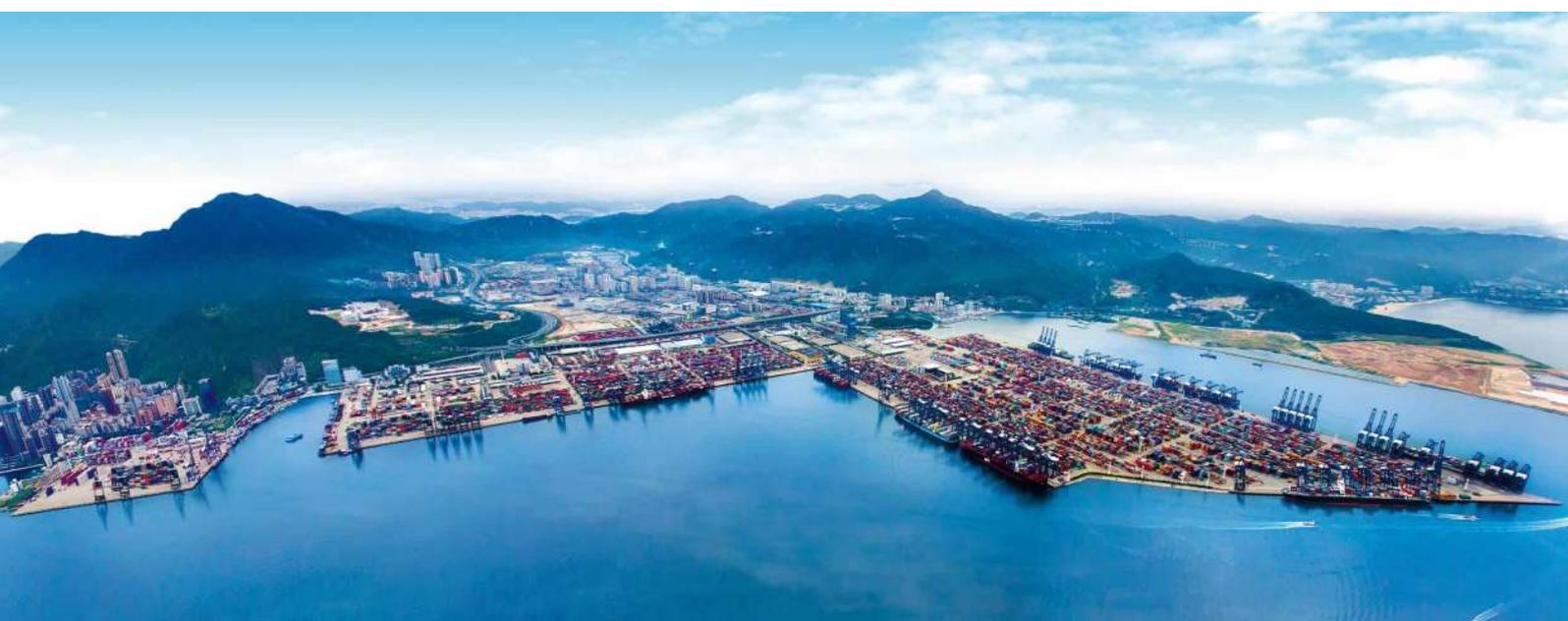
CHAPTER 7

APAC

1.

China's 'Zero Covid' Strategy Causes Supply Chain Woes

Amidst the continuing pandemic, global supply chain disruptions persist as China holds on to ZCP (Zero COVID Strategy). China is an important hub for the shipping industry in the world, hosting a concentration of congested ports. But the present measures for keeping COVID-19 at bay is making it difficult for the shipping companies to operate in China. Delays have been extending from hours to days in certain instances.



The Port of Yantian, which is the world's fourth busiest port, was shut down in May and Jun, due to 150 COVID-19 cases. Whereas the Port of Ningbo, the world's third busiest port, was closed in Aug over a single COVID-19 case. Crew change crisis as part of Chinese COVID-19 restrictions prohibiting crew changes for foreign crew accompanied with mandatory quarantine for returning Chinese crew, is leading to stranding, and re-routing of ships, as well as delay in shipments. This is creating an impediment to the recovery of the shipping industry, causing an accumulative impact on the supply chains. Along with the closure of ports, there has been the cancellation of rail imports containing timber, coal, mineral ores, and fertilizer due to the detection of COVID-19 cases in Chinese border towns with Russia. This could hamper energy security as well as supply chain continuity, especially during the energy-intensive winter season. There are predictions that amidst Omicron variant concerns and with Winter Olympics in Feb 2022, China might tighten restrictions further.

2.

Regional Comprehensive Economic Partnership to Come Into Force

On 01 Jan 2022, RCEP (Regional Comprehensive Economic Partnership) trade agreement will come into effect. It consists of 15 member countries comprising China, Japan, New Zealand, Australia, South Korea, and their ASEAN counterparts. It will be the world's largest free trade agreement. It was conceived in 2011 to unite the diverse trade agreements ASEAN shared with its key trade partners, into one unified trade agreement. It will connect approximately 30% of the world's population. In 2020 it was predicted that RCEP will make additions worth \$209 billion annually to the world income, as well as contribute \$500 billion to world trade by 2030. RCEP is expected to enhance foreign investments, strengthen transport, energy, and communication links, thus, improving gains from markets. At the same time, it will help in connecting the economies of North and Southeast Asia across technology, manufacturing, natural resources as well as agriculture sectors. Through its single rule-of-origin framework, liberalization of services as well as digital transformation in e-commerce, financial, professional, and telecommunication services; it aims to encourage MNCs to establish resilient supply chains across the bloc.

RCEP will contribute \$500 billion to world trade by 2030

RCEP serves to form the first-ever free trade agreement between China, Japan, and South Korea. In the deal, the Chinese presence amidst American absence might emphasize its leading role in driving the region's economic flow. ASEAN centrality as underscored by the RCEP framework is significant for post-pandemic recovery and structural economic transformation of the region. It shall enable the least developed ASEAN countries of Cambodia, Laos, Myanmar to make positive gains from the deal.

3.

Climate Change To Result In Extreme Weather

Due to climate change, the Asia-Pacific region is to continue facing extreme weather – droughts, flooding, typhoons, erratic and heavy rainfall, accompanied by rising sea levels, severely impacting people, and their livelihoods. This comes as global temperatures are predicted to rise by 1.5° C above pre-industrial levels over the next 20 years.

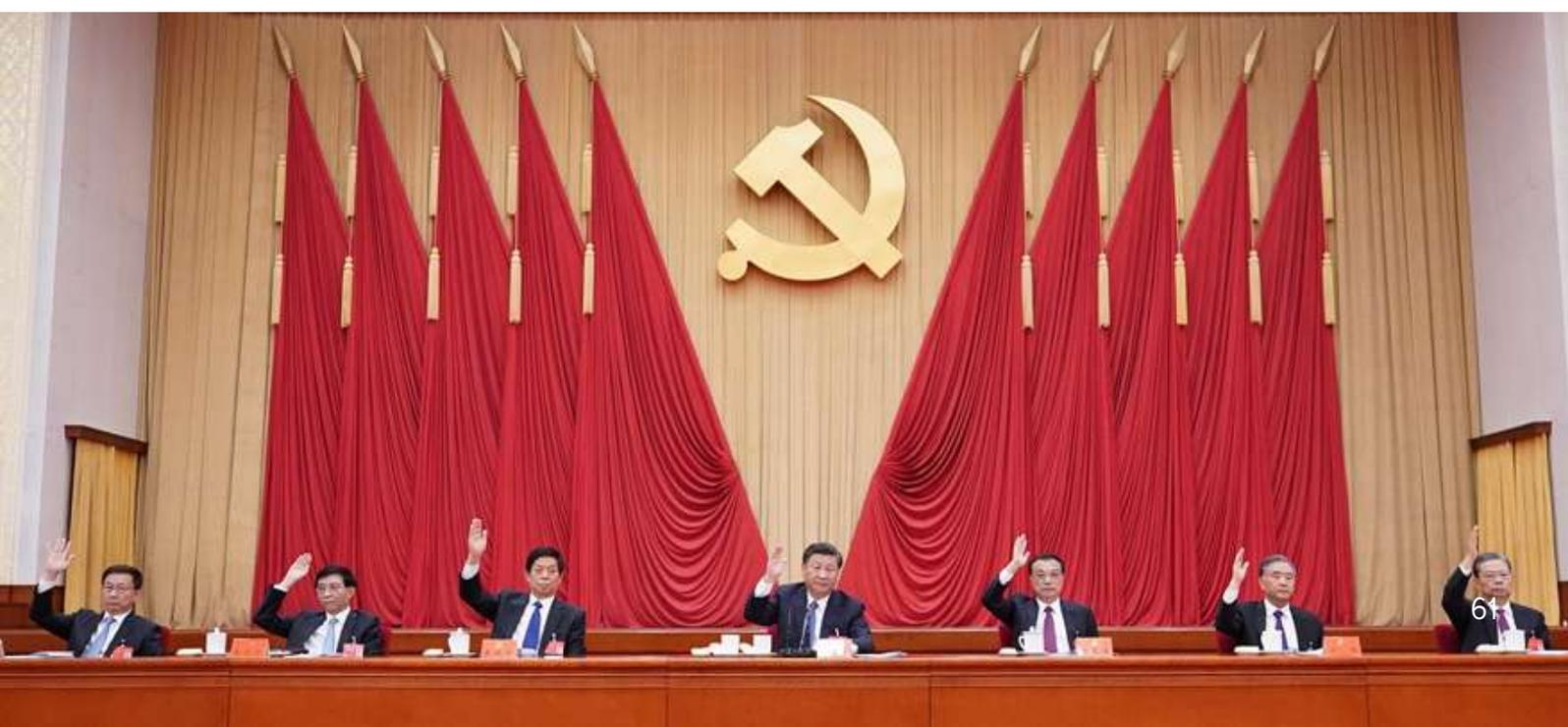


Approximately 2.4 billion people in the region reside in low-lying coastal areas with extensive coastlines, inhabiting small island states. ‘Adaptation and Resilience in ASEAN: Managing Disaster Risks from Natural Hazards’, a COP26 report by NTU Singapore and the University of Glasgow has stated that the ASEAN countries risk losing about 35% of their GDP due to climate change-induced natural disasters. It shall impact agriculture, tourism, fishing sectors, affecting labour productivity and human health. This accompanied by longer and frequent fire seasons in Australia due to climate change has increased the risk of ‘mega-fire years’ in future. Building climate resilience against natural hazards and catering to vulnerabilities of infrastructure and ecosystem is the need of the hour. According to the 2021 edition of BP (British Petroleum) Statistical Review of World Energy, the region accounted for 52% of global carbon dioxide emissions in 2020, with China contributing 59% of the region’s emissions, alone. Hence, the region will, also, be required to cut down its emissions as part of its effort to curb climate change.

4.

China's (Xi Jinping) Administration Brings in Reformation Spree

2021 has been quite eventful for China, with the country introducing a number of important legislations, whose effect shall be witnessed in 2022. The Standing Committee of the National People's Congress passed the Land Borders Law, to be effective from 01 Jan 2022. This shall authorize the country to build infrastructure, communication, transportation links in its border areas. The Chinese military will be able to conduct border duties of organizing drills, preventing, and combating any kind of invasion, encroachment, and provocation. This might strain China's relations with its neighbours. In a closed-door plenary session of the Chinese Communist Party's (CCP), President Xi Jinping enshrined stronger control over the party as well as the state apparatus by passing a historical resolution. The decision to write such a resolution on the "major achievements and historical experience" of the party's first 100 years makes Xi Jinping the third leader in Chinese political history to validate an adjudication of the past. The meeting declared the significance of President Xi's 'undisputed' rule, consolidating his authority as he prepares for his third term (until 2027). Also, China passed a number of legislations with an aim to regulate information circulating in the digital space. Accordingly, PIPL (Personal Information Protection Law) and DPL (Data Protection Law) was brought into effect in compliance with the Cybersecurity Law of 2017. The three laws aim to incorporate additional data privacy, security and protection duties on all enterprises conducting business in China. Also, in May 2021, China restricted bitcoin mining and trading; leading to a ban on all cryptocurrency transactions in Sep 2021.





5.

Rising Geopolitical Tensions in Indo-Pacific Region

The Asia-Pacific region has developed into a hotbed of geopolitical tensions in recent years, with rising Chinese influence coupled with growing American interest in the region. A diverse set of mini-lateral partnerships have mushroomed recent, evident in the number of military drills being conducted –US-South Korea, US –Taiwan, Russia-China.

Taiwan has been seeking international support to retain its independence amidst growing Chinese interference. This has resulted in a number of Western powers like the USA, the European Union to accommodate the growing Taiwanese aspirations in the international space, thus, angering China. This against the backdrop of the rising clout of QUAD and the recently announced trilateral defence and security partnership, particularly a nuclear coalition between Australia, UK, and USA – AUKUS, serves as a balancing act against the Chinese power in the region. Despite its aggressive stance in the South China Sea, China held a virtual summit with its ASEAN neighbours in Nov 2021, to promote regional stability and mutual economic partnerships.

Additionally, as North Korea continues to embark on its weapons and missile development plans, the US and South Korea are looking for ways to engage with the country and deescalate security tensions in the Korean Peninsula. This comes as at a crucial time when Seoul seeks to regain OPCON (Operational Command) of its troops in an event of war, held by the USA since the 1953 Korean War.

6.

South China Sea Dispute Turns Contentious

Many contesting claims exist in the South China Sea, with China increasing its claim to 85.7%, encroaching on large areas of exclusive economic zones of Vietnam, Malaysia, Philippines, Indonesia as well as Brunei. These claims are in contradiction with international law including the UN Convention on the Law Of the Sea (UNCLOS), hinting at the hegemonic assertions of China in the region. Numerous incidents have been recorded, wherein China has hampered Southeast Asian Nations' activities in the South China Sea, from the 2012 standoff with the Philippines to the 2019-2021 halting of oil exploration activities by Vietnam, Malaysia, Indonesia in the contested waters.

In Feb 2021, China implemented a new Coast Guard Law, authorizing the coast guards to use armed force against foreign vessels in case of violation of the country's Nine-dash line, and China-claimed waters in the South China Sea. This effectively violates the fundamental principle of 'no country employing threat of armed force to settle territorial or maritime disputes, as mentioned in the UN Charter and UNCLOS. Also, it serves to exert Chinese dominance over its maritime neighbours, threatening to disrupt the regional status quo.

The Chinese Maritime Safety Administration (MSA) passed the Maritime Law, controlling the entry of foreign vessels in the Chinese territorial waters. Accordingly, commercial and military vessels will need to obtain permission from the Chinese authorities to enter the territorial waters, otherwise, they will be penalized. Such actions, not only, urge an advancement in ASEAN nations' defence capabilities but have also encouraged a revision in Japan's National Security Strategy, especially concerning the disputed Senkaku Islands in the East China Sea.



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