
GPF ANNUAL FORECAST

The World in 2021

GPF | GEOPOLITICAL
FUTURES



Introduction	3
Global Forecasts.....	8
North America Forecasts	9
Europe Forecasts.....	10
Eurasia Forecasts.....	12
Middle East and North Africa Forecasts	13
Asia-Pacific Forecasts.....	15
South America Forecasts	17
Sub-Saharan Africa Forecasts.....	19

Our [2020 global forecast](#) began as follows:

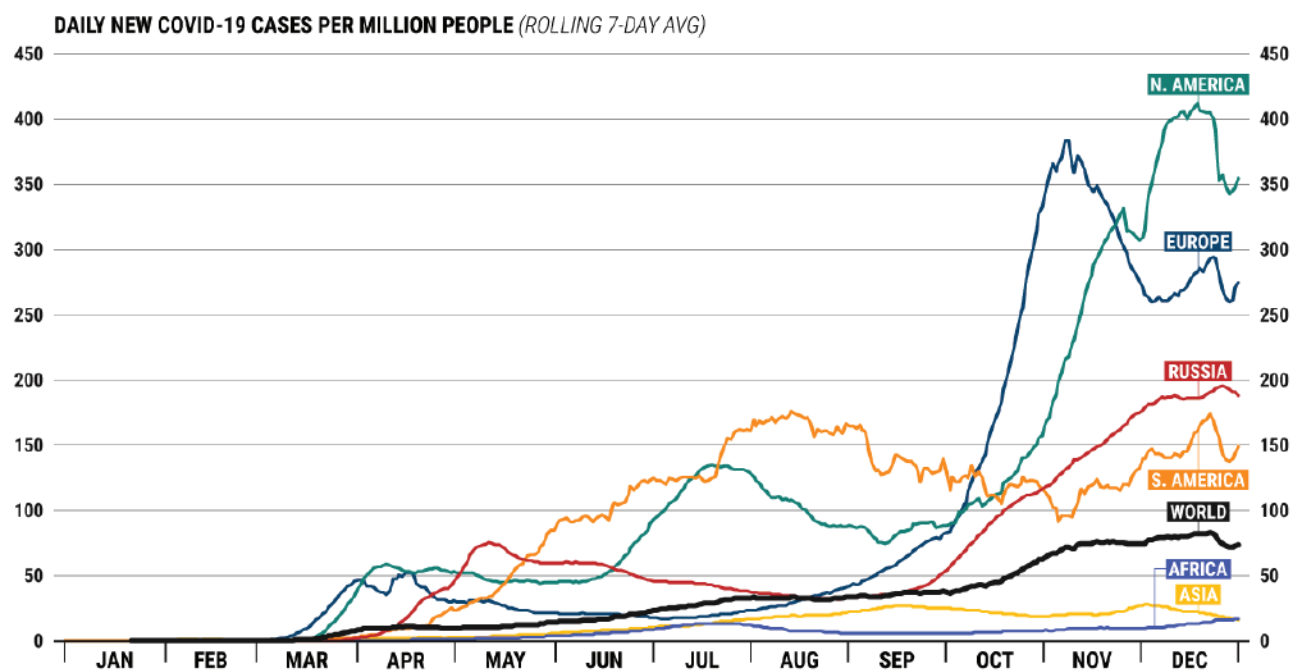
Economic dysfunction will remain the main driver of the international system in 2020. Economic stress does not simply flow from whether the economy grows or declines by a percent. It arises from a shift in the pattern of economic behavior. This in turn affects social realities and leads to political instability. Growth may continue, but a dramatic slowdown in growth can have significant consequences. We forecast a slowing global economy.

The most important dimension of the slowdown will be the increase in social

instability, which was triggered by the 2008 financial crisis and ameliorated in recent years but will now accelerate. Internal tensions in many countries are already underway and will become more intense and less manageable in 2020.

It was a fairly accurate forecast, save for the exclusion of a pandemic that we did not forecast but nonetheless brought the global economy to its knees. The forecast understated the degree to which the economy would decline and thus to which the social system would destabilize. COVID-19 was the primary driver of events in 2020, and that will continue to be the case in 2021.

COVID-19's Global Reach | 2020



Sources: OurWorldInData.org, Johns Hopkins University

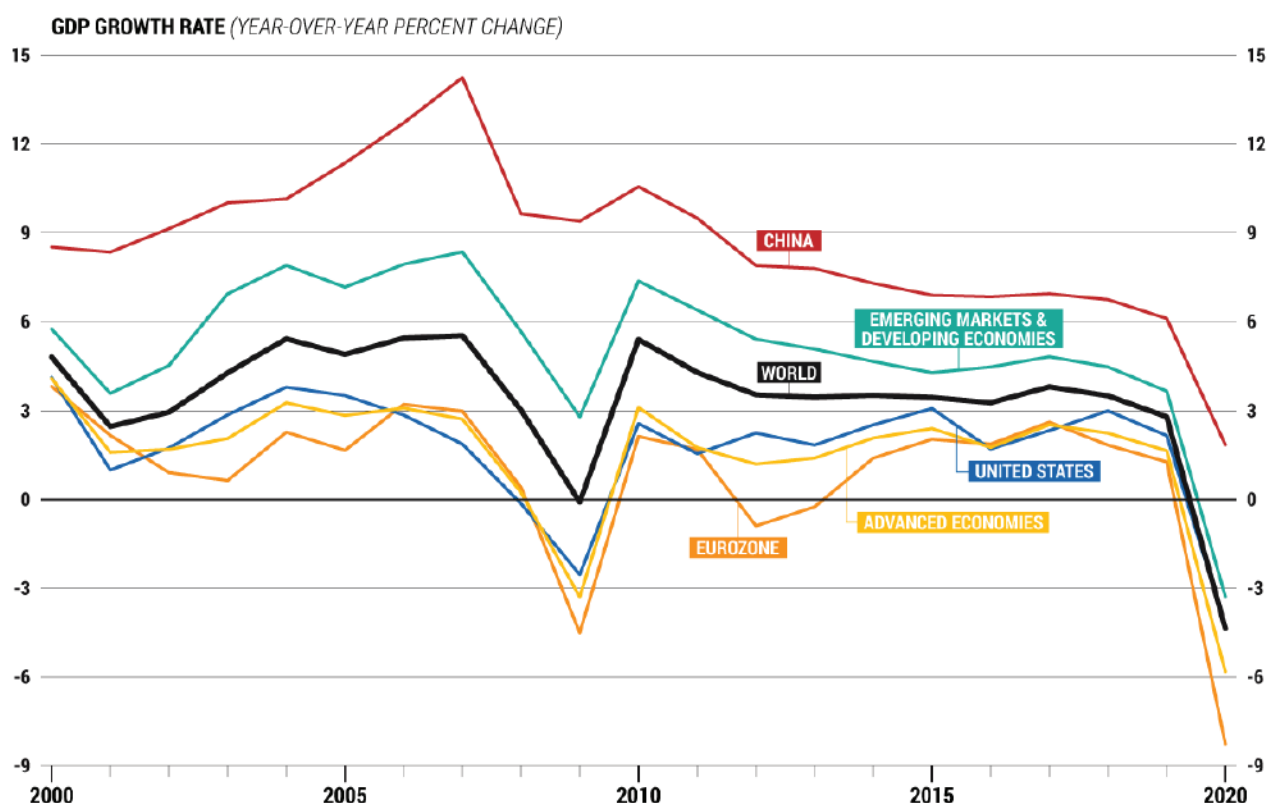
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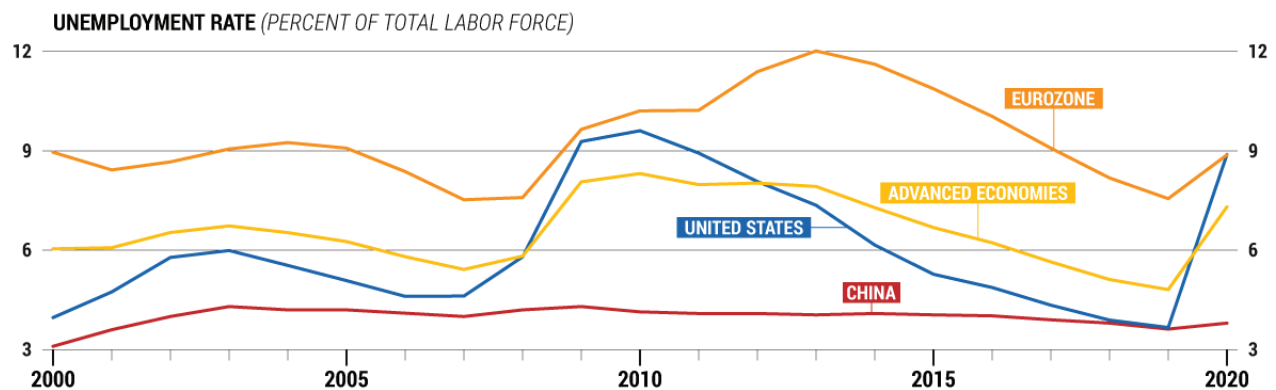
Economically detrimental as COVID-19 was, it led only to [recession, not depression](#). Economic structures were not destroyed, nor were there the kinds of bank failures that typify depressions. Our 2021 forecast is predicated on the current economic situation remaining intact until social distancing is no longer necessary. Social distancing is likely not to end until late second quarter or early third quarter, depending on how far and how quickly the vaccine is distributed.

In the long run, the vaccine and end of social distancing will boost economies.

But in the meantime, there will be a period in which the systems will have to re-balance themselves. Many debts have been deferred by financial institutions and businesses maintained by state subsidies. The deferments cannot last; banks, for example, will be forced to demand deferred payments or foreclosures in order not to fail themselves. This will create significant economic problems for the period immediately after the end of social distancing. Since economies writ large are bloodied but not broken, they should rebound modestly by the end of the year, even if recovery will vary from country to country.

COVID-19's Economic Impact





Source: International Monetary Fund - World Economic Outlook - October 2020

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The consequences of the pandemic will drive political behavior in 2021. The pandemic created and aggravated severe economic and social pressures that forced nations to focus on solving internal problems. These socio-economic problems will persist in 2021 but will improve somewhat in the wake of economic recovery. As a result, the international system will be highly constrained in 2021. Countries are facing high levels of uncertainty and high levels of internal pressure. The combination of these factors greatly reduces most countries' appetites for risk. The global structure of 2021 will therefore remain relatively intact and similar to the end of 2020.

It is important to remember that national power is not a matter of perception. It rests on the realities of geography, economics and military power. These are deeply grounded and minimally changed by internal social and political

stresses, [even when that appears to not be the case](#). What it can do – and has done – is reshape immediate uses of power temporarily. The underlying power remains in place, inimical to political movements that seek to change them yet forced to follow certain imperatives and constraints. A year is a short time in history. Internal crises may affect the tempo of the international system, if not the rhetoric, but the system itself remains intact.

The United States remains the center of gravity of that system. The action or inaction of the United States is critical in defining the international system, which must always take into account U.S. behavior. No other nation is in this position on the global level, although many are in this position within their respective regions.

Washington is now engaged in a massive [redefinition of its foreign policy](#),

moving from global engagement to selective engagement in which both its military and economic actions are being changed to allow greater control and to avoid being drawn into additional conflict. U.S. policy toward China and the Middle East reflects this. With the former, the U.S. is limiting its economic exposure; with the latter, it is limiting its military exposure.

The growing selectivity of American involvement will be the primary reality of 2021, even if the rhetoric doesn't match it, and other nations will be recalibrating their actions, trying to discern if American interest will trigger a response to some actions they may take. This will create uncertainty among friends and foes alike.

China must maintain its economic dynamism in the face of the unreliability of the U.S., its most important export market. Chinese military adventurism invites the intervention of the United States and the loss of the U.S. market as a whole. China might win a military conflict and solve some of its problems, but it would be a pyrrhic victory. Therefore, the dynamics that shaped the Asia-Pacific in 2020 will largely remain in place in 2021.

China's economic expansion requires

access to global markets pursued aggressively. Its search for security using intelligence and economic power as political leverage will create friction with nations with which it needs economic relations. This tension in foreign policy has already alienated some nations, like the U.S. and Australia. One of the main features of 2021 will be the alienation of and pressure from other nations, particularly European countries and smaller nations that are unable to withstand contradictory Chinese imperatives.

In the Middle East, the reduction of U.S. forces has helped forge [a formal system of relations](#) to replace the informal cooperation between Arab states and Israel. The existence of this coalition (and existing sanctions) will force Iran to confront the limits of its power. 2021 will be a critical year for Iran as its relative power declines.

Russia has been working hard to add to its strategic depth in its near abroad. Interventions in [Belarus](#) and the [Caucasus](#) reflect as much, despite its internal economic and medical problems. The U.S. has chosen to forgo the risks of confronting Russia in these endeavors.

In Europe, the status quo will be as strong as ever. Fissures within the EU were on full display in 2020, and yet

institutionally the EU remained intact. These fissures won't disappear in 2021. The familiarity of internal EU gridlock has minimized the impact that the EU's internal battles have on the international system.

2021 will be defined by constraint-based continuity. Nations will cope with the end of the pandemic and its discontents, and face the challenge of stimulating their economies with little room for maneuver or risk. The international system will be noisy, but the fact is that a major confrontation is unlikely. The virus has wounded the world, and it must heal. 2021 marks a period of recovery in which international adventure may be limited.

Global

1: The defining feature of 2021 will be insularity. Countries will simply be too consumed with their own domestic issues for substantial adventurism abroad.

2: The process by which COVID-19 vaccines are distributed and administered will be fraught with tensions that will remain in place all year.

Coronavirus | Prospective Vaccine Comparison

	Pfizer / BioNTech	Moderna	AstraZeneca / Oxford
TECHNOLOGY	mRNA	mRNA	Adenoviral vector
EFFICACY	95%	95%	62% to 90%
STORAGE TEMP	-94° F	-4° F	36° to 46°
SHELF-LIFE	5 days ∞	1 month ∞	6 months ∞
PRICE PER DOSE	\$19.50	\$32 to \$37	\$3 to \$4
FOR PROFIT	YES	YES	POST-PANDEMIC
DOSES BY END OF 2020	50 million	20 million	200 million

Source: American Council on Science and Health

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3: Major conflicts between countries will be contained. Some countries such as China and Russia will continue to probe potential conflict points but will stop short of instigation.

North America

1: The U.S. relationship with China will remain frozen. Instead of trying to break the gridlock, the U.S. will focus on improving ties with Asia-Pacific partners.

2: The U.S. will engage less in traditional military operations in the Middle East and more in covert operations.

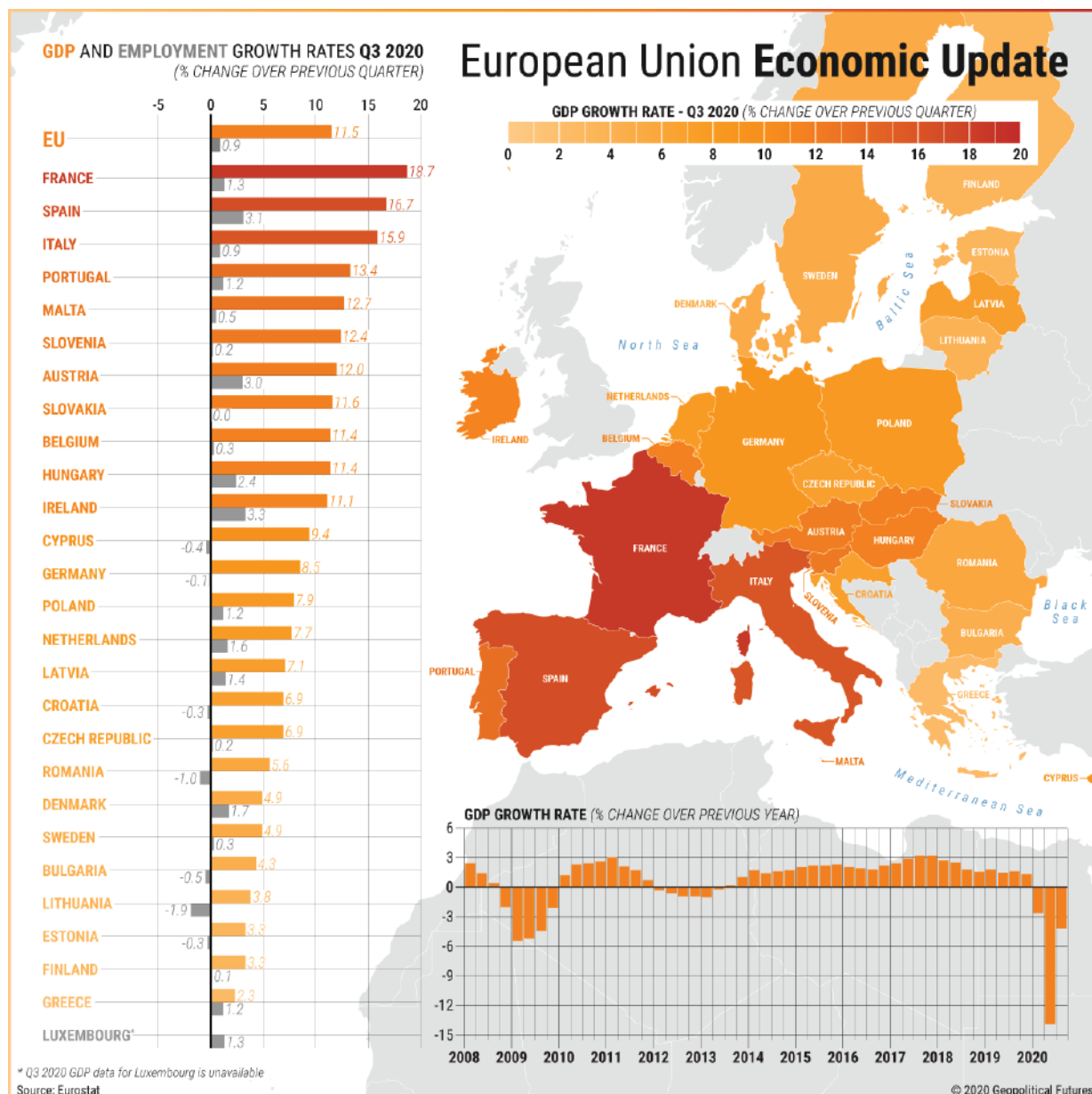


3: The U.S. will avoid confrontation with Russia. It will continue its security posturing in Russia's western periphery and use sanctions to manage the relationship.

4: U.S.-Mexico relations will sour over issues such as energy, labor regulations and Mexico's security environment. (Immigration will not be a focal point.)

Europe

1: The key element shaping European countries is the need to reconstruct their economies. This will intensify massive internal economic divergences among EU member states. Proposed EU policy will come in conflict with member state policies.



2: Countries in the EU will question Germany's leadership. Member states will look to Germany to help meet their needs, but they will not be willing to make sacrifices in return.

3: The U.K. will have the added economic difficulty of restructuring its economy after Brexit. England will spend the year defining its relationship with the rest of the U.K., Europe and the U.S. In particular, England will look to the United States for a closer economic relationship, supplementing the military one.

Eurasia

1: Russia will re-inforce its strategic depth by consolidating its influence in the Caucasus and Belarus. It will also expand its influence in Central Asia, using the Eurasian Economic Union, and in the Black Sea region.

Russia's Buffer Zones



2: Russia will adopt a soft power approach to achieve strategic depth. This will allow it to counter competitors, most notably Turkey and the U.S., without directly confronting them.

3: Russia will work to increase ties with Europe with limited success.

4: Russia will not face major internal pressures from its population. Oil prices will improve, and the government will have plenty of resources through the National Wealth Fund.

5: Russia will try but fail to get sanctions relief from the United States and Europe.

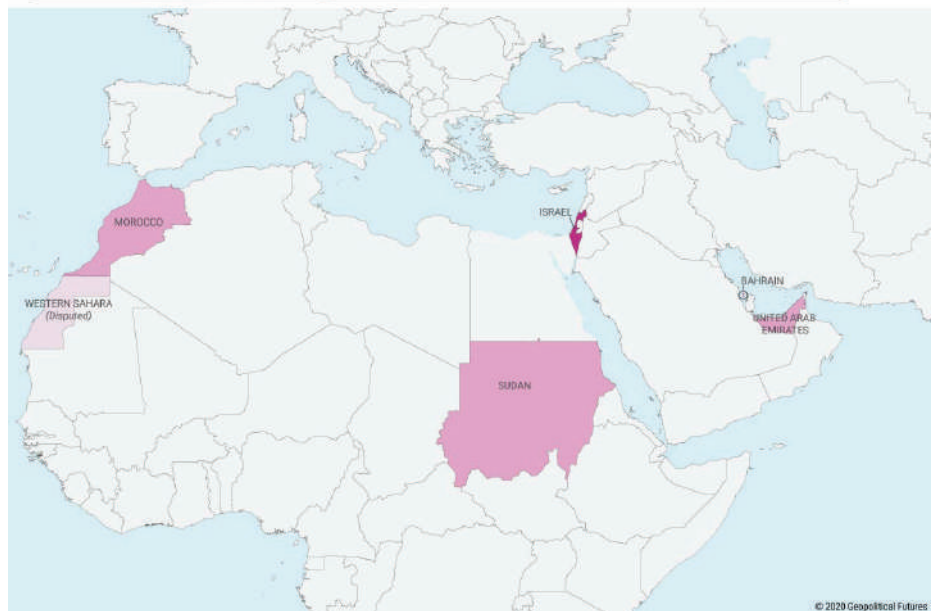
Middle East and North Africa

1: The Iranian regime will erode due to strong economic and geopolitical pressures (the latter brought on by the Arab-Israeli alliance). The erosion will not have enough impact to destroy the regime in 2021. It will, however, force Iran to engage in more covert operations against the West and the Arab-Israeli alliance in Syria, Lebanon and Iraq. Escalation will fall short of war.

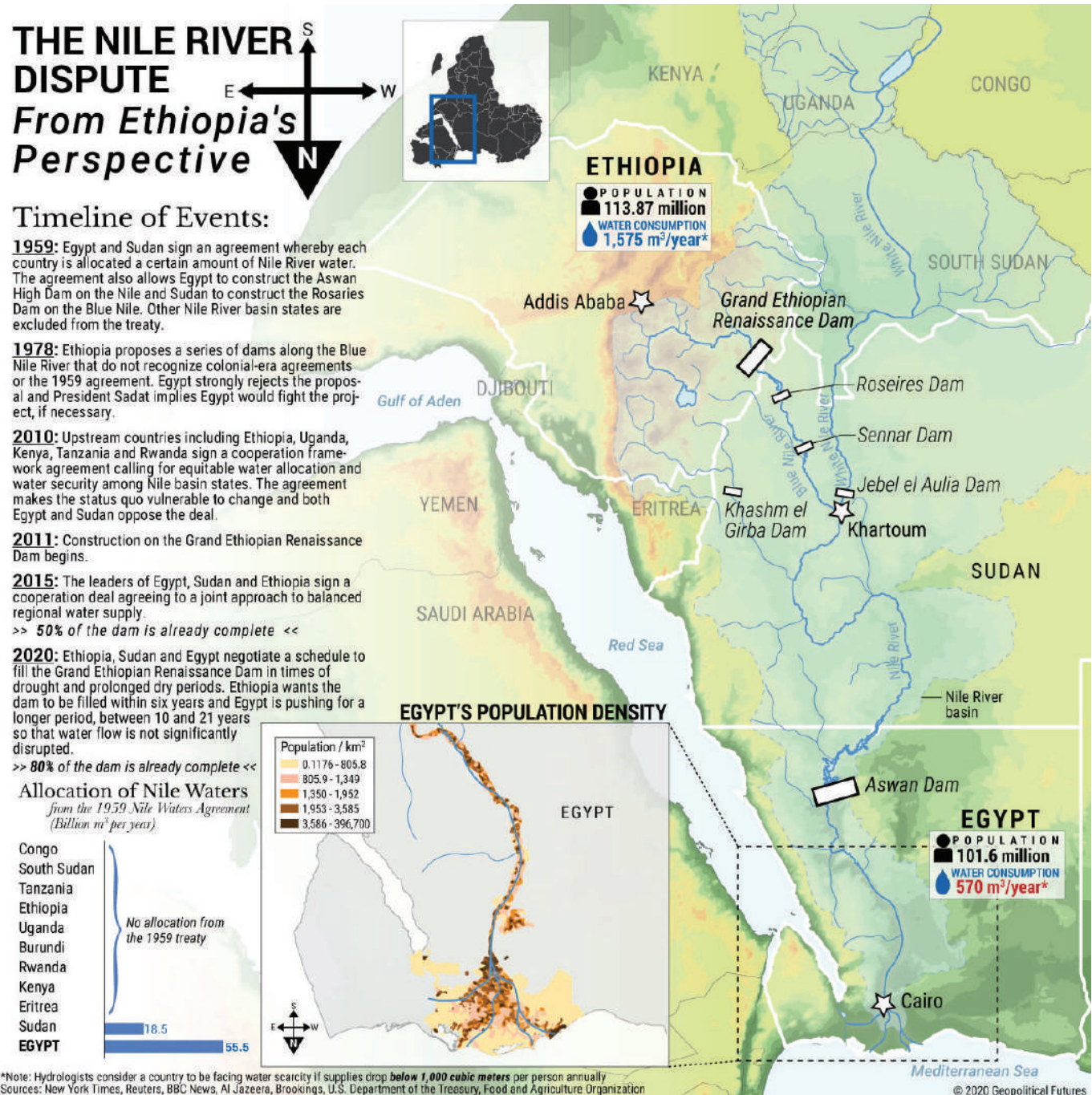
2: Turkey reached the limit of its first phase of expansion as a regional power in 2020, and in 2021, Ankara will sustain its retreat. Turkey will modify its behavior due to its economic decline and the fact that it cannot sustain simultaneous pressure from the U.S., Europe and Russia. Turkey will prioritize economic and financial relationships, and non-economic foreign relations will decline in importance.

3: Arab expectations from the Arab-Israeli alliance system are too high, and Israel will be unable to deliver on the lofty expectations. This will remain a loose alliance aimed at blocking Iran but will not include strong, joint military action. Saudi Arabia and the Arab states that normalized their relations with Israel need to obtain more of its high-tech security support to maintain their internal stability against the opposition.

Arab Countries That Recognized Israel in 2020



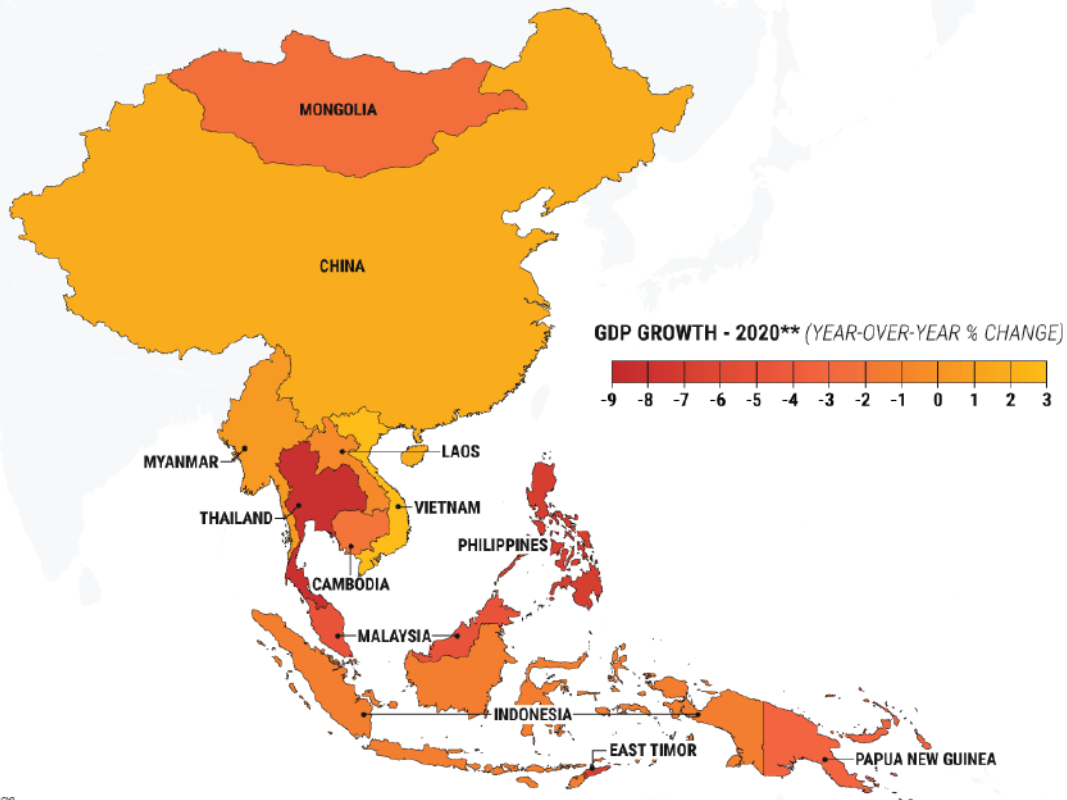
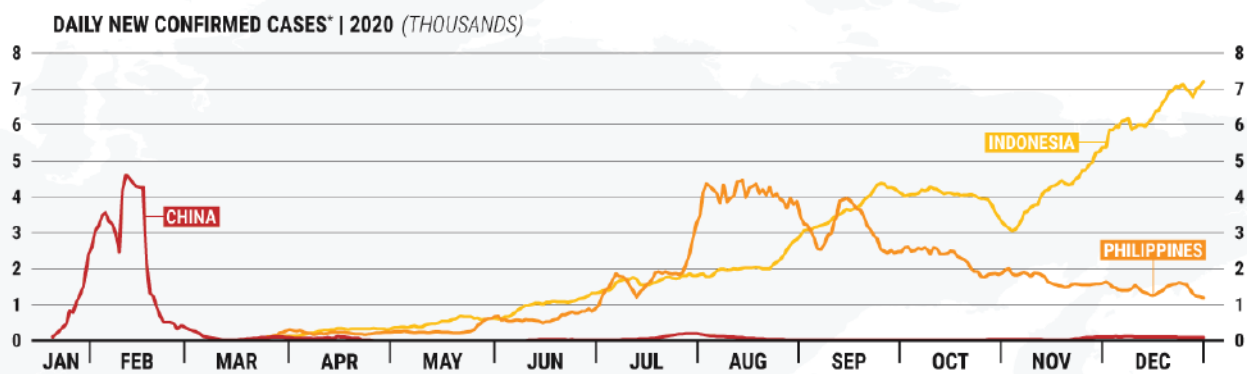
4: Egypt and Ethiopia will remain at odds over the Grand Ethiopian Renaissance Dam whose filling jeopardizes critical water supplies to Egypt. Cairo will not engage in a direct war over this issue and, instead, try to convince Sudan and South Sudan to engage Ethiopia in military action, but it will not succeed. Egypt will also seek to capitalize on any ethnic unrest within Ethiopia that could undermine the central government.



Asia-Pacific

1: The Communist Party of China will emerge from the pandemic emboldened yet still under immense stress, making it more probative at home and abroad.

COVID-19's Impact in East Asia



* 7-day rolling average

** Data for 2020 and 2021 are baseline World Bank projections

Sources: OurWorldInData.org, World Bank - From Containment to Recovery: East Asia and Pacific Economic Update

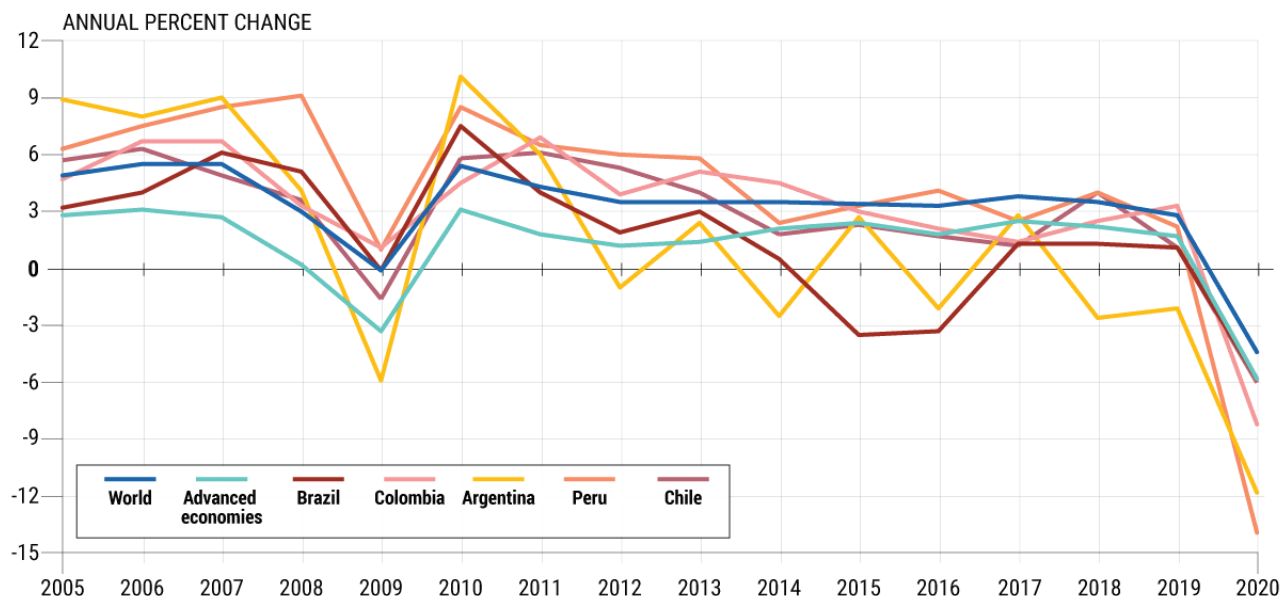
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- 2:** China will manufacture a military crisis with Taiwan but stop short of anything that triggers an international response.
- 3:** The U.S. will give up on blanket tariffs as its main tool for extracting meaningful concessions and focus on Chinese technological and financial vulnerabilities.
- 4:** China will intensify its trade spat with Australia and its pressure on India from all sides, leading to a blossoming of Australian-Indian economic and military co-operation.
- 5:** The U.S.-Philippines basing agreement will remain in limbo, compelling the U.S. to move to establish bases elsewhere in Southeast Asia or the South Pacific.
- 6:** North Korea will agitate for sanctions relief from the incoming Biden administration by resuming intercontinental ballistic missile tests.

South America

1: Countries will spend the year trying to climb out of the economic setbacks brought on by the pandemic. They will be unable to do so. This will create opportunities for outside parties to expand influence in the region through economic means, but few will be able to capitalize.

GDP Trends for Select South American Countries

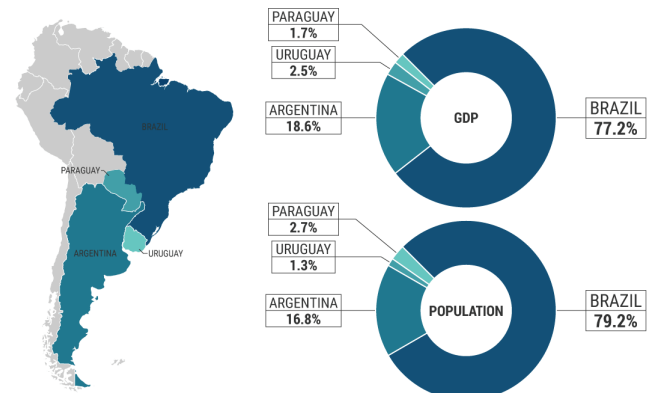


Source: IMF

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2: Brazil's relationship with European countries will worsen. This will be reflected in reduced or restricted business activity.

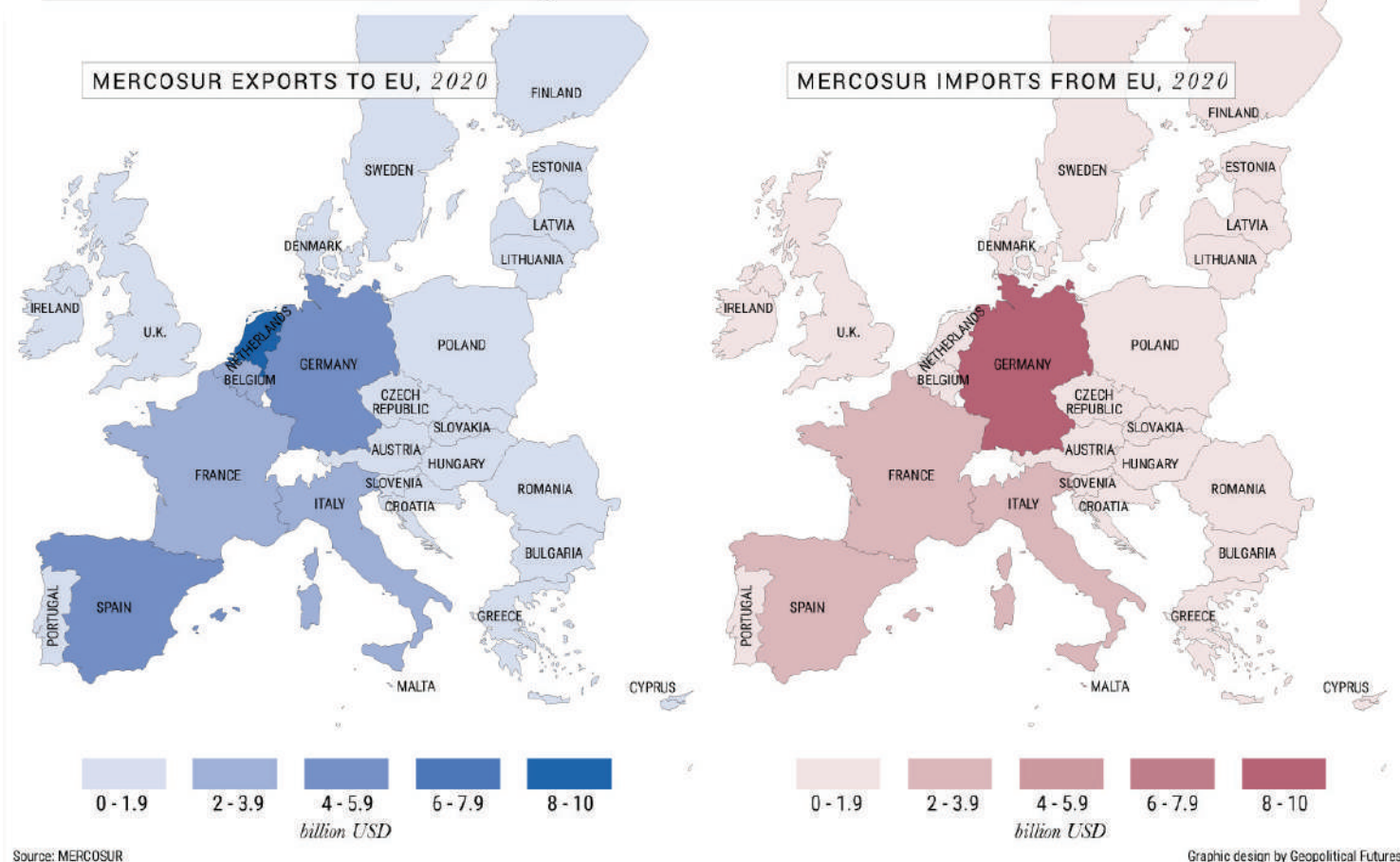
Brazil: Mercosur Power Player



Note: 2019 GDP data based on IMF Staff estimates. 2019 population data are mid-year figures.
Sources: International Monetary Fund - World Economic Outlook - October 2019, United Nations - World Population Prospects 2019

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Mercosur's Trade With the European Union



Sub-Saharan Africa

1: Countries of the region will struggle to end the spread of COVID-19 in 2021. The biggest challenge they will face will be getting access to the vaccine and logistical challenges related to inoculation campaigns.



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