

## World. Global Outlook 2020

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**I - Executive Summary of the potential main markers for 2020. II. Detailed review of analyses per topic below : 1. Global trends ; 2. Geo issues 3. EU politics.**

## **I - Executive Summary of the potential main markers for 2020**

- . Most analysts expect **the re-election of Donald Trump in the 2020 US elections.**
- . The **global economy will remain stable** and [there will not be a recession](#). Growth will however remain sluggish.
- . While the US-China trade war will come to an end, **US-China decoupling in the digital and tech spheres** will put pressure on their economic partners.
- . [Brexit will move along](#) but UK-EU trade negotiations will continue beyond the end of 2020.
- . Waning **US influence and escalation risks will force Europe to pursue an independent policy in the Middle East.**
- . New **Russia-Ukraine peace diplomacy** might ease or heighten tensions, putting Europe in a difficult position. The US and France may continue to push for a (premature) **Russia reset**, allowing it to join the G7 meeting in the US.
- . On the **Korean peninsula**, the success of denuclearisation policy appears unlikely to emerge soon, posing **risks in terms of regional proliferation**. Risks for global nuclear stability in light of US positioning (New Start, Open Skies treaty) remain to be seen.
- . **Social unrest and political movements** in [Latin America](#), the [Middle East](#) and North Africa, as well as Hong Kong will continue.
- . [Populism/ populist nationalism](#) continues to pose a threat.
- . **Digital and tech regulation** related to competition and data concerns will be reinforced in Europe and emerge in the US.
- . [Climate change](#) will continue to confront governments, civil society and companies as emissions continue to rise. Pro-climate policies may prove divisive within and between societies internally and across Europe (note regional elections in Italy, elections in Germany).



**Bruno Dupré, Security and Defence Advisor for the EEAS Secretary General (European Union)**  
*Dupré*

## **II - Detailed review of analyses per topic below (1. Global trends ; 2. Geo issues 3. EU politics)**

Please note that his compilation drawn from a selection of think tanks and reviews provides a snapshot of key themes and developments which will mark 2020. This is irrespective of the so-called 'black swans' e.g. unpredictable events that can precipitate dramatic changes.

### **1. Global trends**

#### **GLOBAL ECONOMY**

**The US will not go into recession**, according to the *FT* and the *Washington Post*. A **fragile economic boom will continue**. Expect decent growth of 1.8 percent and (potentially) an end to the trade wars. However, the situation of the middle class remains precarious.

**A China reckoning/ world financial crisis** is factored in as a grey-swan scenario in which simultaneous economic slowdown in China, the US and Europe might lead to a world financial crisis. Estimated probability : 35-65. (*The Atlantic Council* )

**Multinational companies will be presented with a significantly more confrontational regulatory and geopolitical environment** going forward, as nation-states reassert themselves. They will fall short from filling gaps on critical issues like trade liberalization and climate change created by underperforming national governments. (*Eurasia Group*)

**Energy : Brent crude prices will not end 2020 above USD 65 a barrel**. Despite Saudi Arabia leading OPEC members and Russia to cut production which led prices up, this is unlikely to stick - Saudi Arabia would take the heaviest burden for a prolonged curb, Russian compliance is unsure, and non-OPEC members will expand production. (*FT*)

**Global Trade - the great unravelling** : The WTO may become defunct as global trade rules continue to be eroded. Trade blocs and preferential trade agreements will have more importance in shaping rules. Often excluding the US, they will become the new normal for global trade. (*Atlantic Council*)

## DEMOCRACY/ INSTITUTIONAL STABILITY

**Protest movements become more disruptive.** In authoritarian countries ([China](#), [Iran](#)), governments will start to grasp how to use social media and other technologies to counter protests. In more democratic or weaker states, governments may be forced to compromise or step down (*ECFR*).

**Protests won't stop. Neither will government** crackdowns, in the view of the *Washington Post*. The diverse social movements erupting in Latin America and the Middle East as well as in Hong Kong will continue.

**States face challenges securing 2020 elections from foreign interference.** With cyber election interference likely to continue, the US government is working on information-sharing and prevention ahead of the elections - but it is not clear election officials will have all the resources needed. (*ECFR*)

**Malign finance will emerge as a leading tool for 2020 election interference.** Trends of Russian financing of political campaigns will continue. (*ECFR*)

**The billionaires are coming (into politics).** 2020 will set new records for US campaign spending in particular by Americas 607 billionaires and see two billionaire Democratic contenders facing a billionaire president and the wealthiest cabinet in US history. (*WP*)

## MULTILATERALISM AND ALLIANCES

**Multilateral institutions and US alliances will move towards total dysfunction.** Populist-nationalist outbursts may hamper cooperation despite social pressure. Meanwhile, US allies and partners could move from hedging against US uncertainty **by establishing new institutions and acting without the US.** (*Atlantic Council*)

**The US transactional, isolationist approach will lead to the demise of traditional alliances.** Expect unwinding US-South Korea and US-Japan ties and accelerated **EU moves towards economic and political sovereignty.** 50-50 probability of an end to the US-ROK alliance. (*Atlantic Council*)

## DIGITAL AND TECH REGULATION

*Future tech regulation*

**We will not see meaningful regulation of big tech,** according to the *FT*- at least not on the US market. In the EU, Commissioner Vestager wants to connect and strengthen privacy and antitrust regulation, but a precedent-setting case will take years to complete.

**Washington will try to lock down Silicon Valley,** the *Washington Post* disagrees. US lawmakers and courts will look into using antitrust and other regulation against large tech companies' market powers, addressing their handling of privacy, sensitive content, and political advertising.

*China*

The debate on **security implications of dependence on Chinese technologies is to remain and widen** to include entertainment electronics and apps (e.g. TikTok, DJI). The US will respond with further decoupling (SNV) Meanwhile, **China will become world leader in 5G telecoms**, with Huawei pulling ahead of European competition by the end of the year despite US pushback, predicts the *FT*.

#### *Data regulation*

**Data rules become the new GMOs (Genetically Modified Organism) in a global contest to set standards**, according to the ECFR. The struggle to export regulations on data processing, management, and protection will be a key battleground in a new era of geopolitical competition (ECFR).

According to the *German Marshall Fund (GMF)*, **US Congress will take up data protection** as Californian privacy law enters into force - to be seen if a significant outcome will follow.

In Europe, several **court judgments on data protection and access by intelligence services are expected**. As Germany moves to publish a **data strategy in early 2020, it may push for a similar product in its EU presidency** in the latter half of the year. (SNV)

#### **CLIMATE CHANGE**

**Will global carbon emissions fall ? No**, according to the *FT's* prediction. If global GDP grows as forecast, we will continue to see rising use of energy still coming mostly from fossil fuels. China emits more CO<sub>2</sub> than the US and Europe combined and efforts to stimulate the economy and boost energy security could bolster coal use.

**Climate change will put governments, investors, and society at large on a collision course with corporate decision-makers**, according to *Eurasia Group*.

**The European Green Deal becomes the new refugee crisis**. The climate policy debate will deepen geographic and socioeconomic divisions within Europe and prompt an anti-environmental populist backlash, dividing EU MS internally and along the East-West divide. (ECFR)

#### **NUCLEAR PROLIFERATION**

**Expect global nuclear stability to unravel as the US withdraws from New Start and Open Skies Treaties**. (*Atlantic Council*)

**North Korean denuclearisation remains a distant prospect**. Current US diplomatic efforts will not result in genuine de-nuclearisation of the Korean peninsula, making a collapse of peace talks a more likely outcome. (The Economist) **In light of North Korean defiance**, the *Atlantic Council* expects **denuclearization diplomacy to end** with a probability of 65-35.

**Active moves towards Asian and Middle East proliferation at a 40-60 probability**. With NK moving towards becoming an accepted de facto nuclear state, South Korea, Australia, and Japan may consider nuclearizing. "If the Iran nuclear crisis is not resolved, expect the Saudis to buy or rent a nuke from Pakistan." (*The Atlantic Council*)

## 2. Geo issues (by region)

### USA/ US ELECTIONS

**Will Donald Trump win the popular vote in November's election ? No.** However, he may still win the Electoral College - and thus stay in office, according to the *FT*.

The *Atlantic Council* sees a **60-40 probability for a Trump win**. This would mean further withdrawal from multilateralism. However, even a Democratic win could trigger domestic turmoil, affect global markets, and a multilateral reset is not a given.

**Trump wins re-election but loses the popular vote by a bigger margin than in 2016**, in the *ECFR*'s prediction. Despite being unpopular, the president's electoral strategy is sound and he is likely to benefit from being the incumbent to stay in office.

**"President Trump knows you don't like him. He does not care."** Aware that many electors may disapprove him personally, the Trump campaign highlights that he is 'no Mr. Nice Guy.' His record - such as economic performance - rather than his personality could get him re-elected. (*Washington Post*)

**More broadly, US political/ institutional risks constitute the #1 global risk** for *Eurasia Group* in their 2020 rating - "a broken impeachment mechanism, questions of electoral illegitimacy, and a series of court challenges will make this the most volatile year of politics the US has experienced in generations." (*Eurasia Group*)

### US-CHINA RELATIONS

**US-China decoupling will move beyond strategic technologies into broader trade and investment** and make the **economic and cultural divide** permanent with effects on global business. Tensions will provoke a more **explicit clash over national security, influence, and values**. Both sides will continue to use economic tools (sanctions, export controls, and boycotts) and design more explicitly political goals, according to *Eurasia Group*.

In the same vein, the *ECFR* expects the **trade war to spread into areas such as financial services and information technology**. China and the US will increasingly compete in these fields and leverage third countries for market access.

The result, according to the *Atlantic Council* : **A bifurcated world**. Estimated probability : 60-40. (*Atlantic Council*)

**Great power competition with China will continue**. While both sides want to deescalate trade tensions, backtracking on the relatively superficial trade deal is entirely possible. Confrontation will continue over maintaining a "free and open" South China Sea. The relationship will fray further as new US laws on Hong Kong and Xinjiang come on stream. With China's increasing pressure to isolate **Taiwan**, Taiwan's prominence on the US-China agenda may rise considerably in 2020. (*The Diplomat*)

**US possibly to neglect its alliance with Taiwan**. After Taiwan's January 2020 elections, China will put pressure on the country, which will be disappointed requesting and not

receiving support from the US government. (ECFR)

## **TURKEY**

**US looks to sanction Turkey and escalation is likely.** US sanctions in response to the S-400 purchase will hit Turkey, which may escalate, e.g. closing down the Incirlik basis.

[Erdogan may use escalation and anti-Americanist wave to call for early elections.](#) (GMF)

**President Erdogan's decline** (political rivalries, succession struggles, troubled economy, outside pressures) will make him prone to erratic choices. (Eurasia Group, ECFR)

## **MIDDLE EAST**

**Will there be a war with Iran ?** No, in the *FT's* view. Despite belligerent rhetoric, US president Trump is reluctant to take muscular action.

For *Eurasia Group*, 2020 will mark a **failure of US policy in the Middle East** which may result in a **confrontation with Iran.** (Eurasia Group)

A **post-US Middle East** will emerge in the view of the *Atlantic Council*. Regional actors become more pro-active in building a new regional balance. **A new Iran nuclear deal emerges** facilitated by Russian brokerage, more active EU diplomacy and popular protest against the Iranian regime. *Probability : 55-45.* (Atlantic Council)

Consequences of the US retreat : **The EU decouples from US policy on the Middle East and North Africa.** Having relied on the US for too long, the EU by necessity fashions its own MENA policy - lacking US military muscle but also baggage, it will use economic strength and regional ties in its support. (ECFR)

**Putin will press his advantage in the Middle East.** While it has been "on a roll" in the region, Russia's prowess in the region will be tested in 2020 - as its ally Iran's position is shaky in light of region-wide protests with ramifications on Russia's position in Syria, in light of unclear positions of Turkey and Saudi-Arabia to its policies, and with, potentially, a new Israeli prime minister (WP).

## **EASTERN EUROPE/ RUSSIA**

**Succession struggles** may create domestic disorder in Russia. (ECFR)

Analysts disagree on the extent of a potential **reset in Russia-Western relations :**

[Russia may \(prematurely\) be let in from the cold.](#) Key figures (Macron, Trump) may be tempted to further pursue diplomatic openings with Russia, despite its behaviour not changing. (GMF)

In the view of the *FT* : **No, France's Emmanuel Macron will not engineer a 'reset' with Vladimir Putin's Russia.** A broad reset would require an unlikely peace deal with Ukraine.

The *ECFR* expects that **Putin attends the G7 in the US.** With the backing of Macron, Trump will invite Putin to the summit.

New **Russia-Ukraine relations also leave questions open :**

**New Ukraine-Russia diplomatic efforts could ease tensions - or heighten them.** Late 2019 saw steps towards diplomatic progress between Ukraine and Russia. While conflict resolution would be a boon for Europe and Ukraine, a dramatic diplomatic failure could lead to escalation in a dynamic akin to 2014, but with weaker US commitment. *(GMF)*

**Zelensky moves ahead of Europe in resolving the Donbas conflict.** As Zelensky continues to walk a political tightrope in making deals with Russia, he will forge compromises his EU partners don't like and undermine their Russia sanctions consensus - putting them in the awkward position of having to push back against Ukraine's peacemaking efforts. *(ECFR)*

Meanwhile, Belarus **may become the next trouble spot in Eastern Europe.** Belarus is facing challenges from the East (Russian pressure for integration), West (EU is reluctant to support Lukashenko regime) and within (elections in August) - with region-wide repercussion (pressure on NATO eastern flank, Ukraine, EaP). *(GMF)*

## **AFRICA**

**Eight years in, France needs an exit strategy from its Sahel operation.** This will be a priority for President Macron, who will look to transfer more responsibility to local forces and get more military engagement from European allies. *(ECFR)*

**South African debt will hit junk status.** The country's debt rating has been hanging by a thread since 2019 when only Moody's among the three top agencies have rated it above junk. It is unlikely the government can turn it around. *(FT)*

## **LATIN AMERICA**

**Public anger over sluggish growth, corruption, and low-quality public services** will keep the risk of political instability high across the region. *(Eurasia Group)*

**The protests that have shaken Latin America will** continue, as underlying causes such as weak growth, serious inequality and perceptions of government neglect remain, in the *FT's* view.

## **[ASIA](#)**

**Expect a tougher year over the South China Sea** as China continues to consolidate its position in the sea at the expense of other claimant states while regional opposition strengthens against China with Vietnam in the ASEAN Chair in 2020 and with the clock running down on the ASEAN-China Code of Conduct. *(The Diplomat)*

**Japan will seek to balance rapprochement with China while keeping USA close.** It will seek to cement its China rapprochement, despite pressures to take a harder line over human rights and "free and open Indo-Pacific". Its primary objective will remain assuring the US' continued commitment to the US-Japan alliance. These targets will require a continued delicate balancing act from Abe that could be undermined by external events. *(The Diplomat)*

**Economic slowdown and growing nationalism will remain centre stage in India.** India's GDP growth will not recover its previous highs (as the fastest growing large economy) which will depress consumption levels and boost unemployment and poverty rates. Nationalist policies will continue their worrying rise, including continued controversy over Kashmir, the citizenship bill and registry of citizens. (*FT, The Diplomat*). *Eurasia Group* sees **PM Modi driving India toward religious and economic nationalism deeply polarizing the country** as a top 2020 risk.

**2020 will not produce a sustainable end to Afghanistan's state of constant political crisis.** As the country enters its 19th year of war, efforts to resuscitate peace talks with the Taliban will continue but attacks and insecurity will linger on. (*The Diplomat*)

### 3. EU politics

#### **BREXIT- Future EU-UK agreement**

**Britain will leave Europe. And then the negotiations will continue** - don't expect a big rupture in EU-UK relations though. While it will be tough to achieve a deal on trade before the end of the transition period, the political winds may be in favour for extending the period rather than opting for a no-deal exit. (*Washington Post*).

Yes, **Boris Johnson will agree a trade deal with the EU**, according to the *FT*, but probably less speedily than Boris Johnson hopes. Potential stumbling blocks : French insistence on inclusion of fisheries, and demands for UK assurances on labour and environmental standards.

For the *Atlantic Council*, the probability of a **UK-EU trade by end of 2020 : 50-50**. Much lower probability (25 %) for UK-US deal in 2020 given the political problems of passing any trade deal in a presidential election year.

*ECFR* analysts do not believe in a speedy deal : "**The UK fails to complete a trade deal with the EU (but no one cares much)**." Political heat will fade from the Brexit debate as UK-EU trade discussions will "retreat to the world of technocrats, who will quietly find a way to extend negotiations beyond the end of 2020's transition period."

#### **National level**

##### **UK**

**Britain's Labour party will not return to electability.** Despite the announced internal reflection, course changes will take time. (*FT*)

##### **Germany**

**Angela Merkel's grand coalition will collapse**, according to the *FT*. The new SPD leadership may have softened its rhetoric but was elected on a plan to leave. It may allow the CDU to lead a minority government until the 2021 elections.

The *GMF* presents a more positive view : As she will step down in 2021, **Merkel will use 2020 to shape her legacy** - she will keep herself above domestic politics and "quietly continue to pick up the pieces of President Macron's disruption." (*GMF*)

## Italy

**Regional elections in Italy could undermine Italy's (already weak) coalition government.** Eight regional elections in Italy might prove difficult for the government. Early elections are looking more likely. *(GMF)*

**Matteo Salvini will come back to power in Italy,** in the view of the *FT*.

## EU LEVEL

**New leaders, new vision for Europe.** A new, more diverse Commission leadership, a new generation of MEPs, and new types of civic activism, might bring new options for a democratic Europe. *(GMF)*

**The EU will show us the money.** The results of **the 2021-2027 MFF processes will show how much ambition still resides in the EU.** *(GMF)*

**European sovereignty.** The EU will chart a more independent course generating friction with both the US and China. *(Eurasia Group)*

Concluding with a more optimistic outlook :

Steven Pinker : what can we expect from the 2020s ? This *FT* article argues that we should 'Look beyond the gloom of the daily headlines and the case for progress is still strong'. The author argues that 'Progress is a historical fact. The numbers show that over the past seven decades humans have become (on average) longer-lived, healthier, safer, richer, freer, fairer, happier and smarter, not just in the west but worldwide. Progress is not, however, a natural force. The laws of the universe are indifferent to our wellbeing, with vastly more things that can go wrong than go right. So how can we think about the 2020s without melodrama ?"

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## P.-S.

Bruno Dupré, Security and Defence Advisor for the EEAS Secretary General (European Union).