

2017 GLOBAL OUTLOOK

SPECIAL REPORT



IT'S A TOUGH WORLD.



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Executive Summary

If nothing else, 2016 illustrated how volatile and sometimes unpredictable stability in the world may seem. Some of the most noteworthy events that shocked many across the globe included the British vote to leave the EU, the election of President Trump in the USA, the public voting against the peace deal in Colombia, and a wave of terrorist attacks in the West, and elsewhere, both small and large, in big cities and small towns. While these present just some of the most attention-grabbing events, there are many other developments and trends that have the potential to significantly influence global, as well as national and regional, stability.

Looking forward into 2017, some of the major issues that may impact stability and business continuity are already clear. Firstly, the **refugee crisis** that dominated headlines and political debates over the past two years will continue to have a major impact especially in Europe. In this context, the influx of thousands of impoverished refugees of different backgrounds to various neighborhoods and cities on the continent will likely add to societal tensions, while increasing the risk of crime, and burdening governments as they attempt to integrate the newcomers. This is not to mention the threat from radical Islamists arriving with the wave of refugees or for some to be radicalized following their arrival in light of their vulnerable status. In turn, this will also become a central debate in politics, exacerbating tensions between supporters, especially hardline ones, of rival policies, resulting in periodic unruly protests.

Partly tied in with the refugee crisis is rising **nationalism** in the West. This has been evident in Europe and in the US, with the most visible manifestation coming in the vote in the UK to leave the European Union, and the election of President Donald Trump in the USA, who campaigned on a distinctly nationalistic platform. Beyond these events, however, there have been increasing calls from other countries for a withdrawal from the EU, and a general rise in support for right-wing parties in various countries, such as Hungary, Poland, and Austria, where the ultra-nationalist presidential candidate won 46% of the vote. Much like the case with the refugees the rise, or even perceived rise, of nationalism can foment tensions, leading to increased incidents of violence and civil unrest.

Naturally, **Islamist militancy** will continue to be a major concern throughout the world in 2017, especially as Sunni jihadist groups, particularly Islamic State, will likely increase efforts to conduct asymmetric attacks throughout the world, but especially in the West. This is partly in response to their losses in the Middle East and Africa, which we also assess will continue in 2017. These attacks will likely be mostly conducted by supporters of the group with limited direct contact with Islamic State's command centers, but a more coordinated high-profile attack is also liable to transpire.

Political stability as a whole, on both a local and regional level, is also an issue to monitor in 2017. In this context, various countries have already shown signs of trends that will challenge the stability of their governments in 2017. While less prevalent in the West, there continues to be a threat to political stability



in parts of Europe. The risk, however, is greatest perhaps in Africa, where numerous leaders have been facing considerable pressure over various issues, especially extended stays in power, corruption, and financial circumstances. Similar trends can be witnessed in parts of Latin America, albeit with far fewer cases at this time, although Venezuela and Brazil face the greatest risks to political stability. Political stability in the international arena in 2017 will most likely be impacted mostly by a rise in **superpower competition** between the US, Russia, China, and the European Union as these actors continue to posture themselves in a more isolated, less coordinated framework.

Overall, what is most critical to understand, is that you are not helpless to the seemingly unpredictable events and outcomes. One of the most important means of protecting yourselves and your assets, and ensuring business continuity, is acquiring in-depth and actionable intelligence, which can uncover potential threats even months in advance, and predict the trajectory of a trend to determine how it will develop over the short, medium, and long term and the impact this will have on a local, national, regional, or global level.

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Islamist Militancy

By carrying out notable and high-profile acts of militancy, especially in regions that rarely witness such activity, the Sunni jihadist militant group is liable to project an image of expansion and resilience, despite territorial setbacks in the Middle East and North Africa

We assess that during 2017 Sunni jihadist militant groups, particularly the Islamic State (IS), will increase their efforts to conduct asymmetric acts of militancy in notable locations, such as Western countries. With regards to IS, the jihadist group has persistently been losing territories in its strongholds across the Middle East and North Africa, namely Libya, Iraq, and Syria, and is anticipated to witness further setbacks in this region over the coming months. As a result of this, by carrying out notable and high-profile acts of militancy, especially in regions that rarely witness such activity, the Sunni jihadist militant group is liable to project an image of expansion and resilience, in light of the abovementioned setbacks. Such attacks are most likely to include stabbings, vehicular attacks, and active shootings by “lone wolf” IS-inspired militants, as highlighted by the December 2016 vehicular attack in Berlin targeting a Christmas Market, resulting in the deaths of 12 people. The ability to attract such sympathizers may increase over the coming year, as rising anti-Muslim sentiments across the West may alienate such communities and potentially contribute to radicalization.

Meanwhile, in addition to the threat of lone-wolf attacks, IS and al-Qaeda still liable to use their contacts in the West, with supporters, those who returned from Syria and Iraq, and possibly some refugees, to attempt to plan a more high-profile attack. These tend to be more impactful and may involve several individuals working together in different cities, or in different parts of a city, as was the case in the November 2015 attacks in Paris. That said, these attacks, while usually more high profile and incurring greater casualties, tend to be much rarer. Indeed, as unsophisticated attacks by mere supporters of the group have proven successful with the use of fewer resources, it is possible that IS leaders may increasingly focus on these forms of attack, which are harder to detect and prevent.

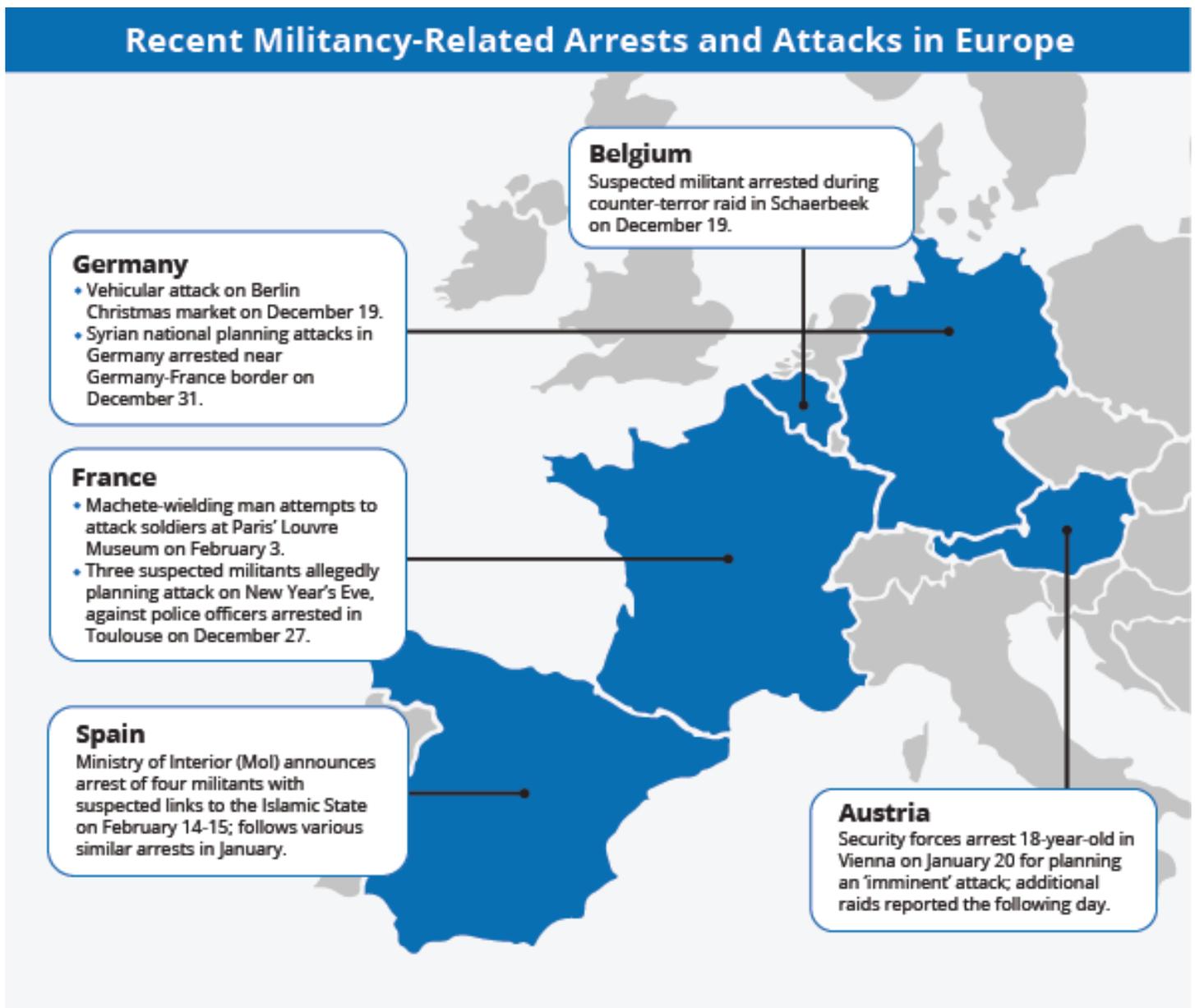
Moreover, as increasingly witnessed over the past several months, IS will likely bolster its propaganda efforts, while further defaming its rivals, in order to boost its image among supporters and fighters. These are liable to include the detailed publication, both graphically and textually, of high-profile acts of militancy, as well as alleged aggressive actions against civilian populations by the Sunni jihadist militant group's adversaries, particularly in Syria and Iraq.

Meanwhile, on-the-ground, in regions that IS still maintains significant control over territories, the group may shift its overall strategy towards more local-based support, as opposed to their heavy reliance on foreign fighters in recent years. This can chiefly be attributed to the logistical difficulties of IS-inspired



individuals to reach the Sunni jihadist militant group's controlled territories, given the nearly-complete closure of the Syrian-Turkish border and the strict measures in airports and crossing points across the globe.

Lastly, we assess that al-Qaeda will likely continue implementing its ongoing strategy of “Sabr” (“Patience”), a jihadist term referring to the necessity of building a grassroots and strong local support base, prior to the establishment of a caliphate, as opposed to IS’s strategy thus far. With this in mind, while notable asymmetric attacks by this prominent jihadist group in new areas remain possible, its main focus is liable to remain in regions where it maintains an already strong support base, such as Yemen, Somalia, Mali, and Pakistan.

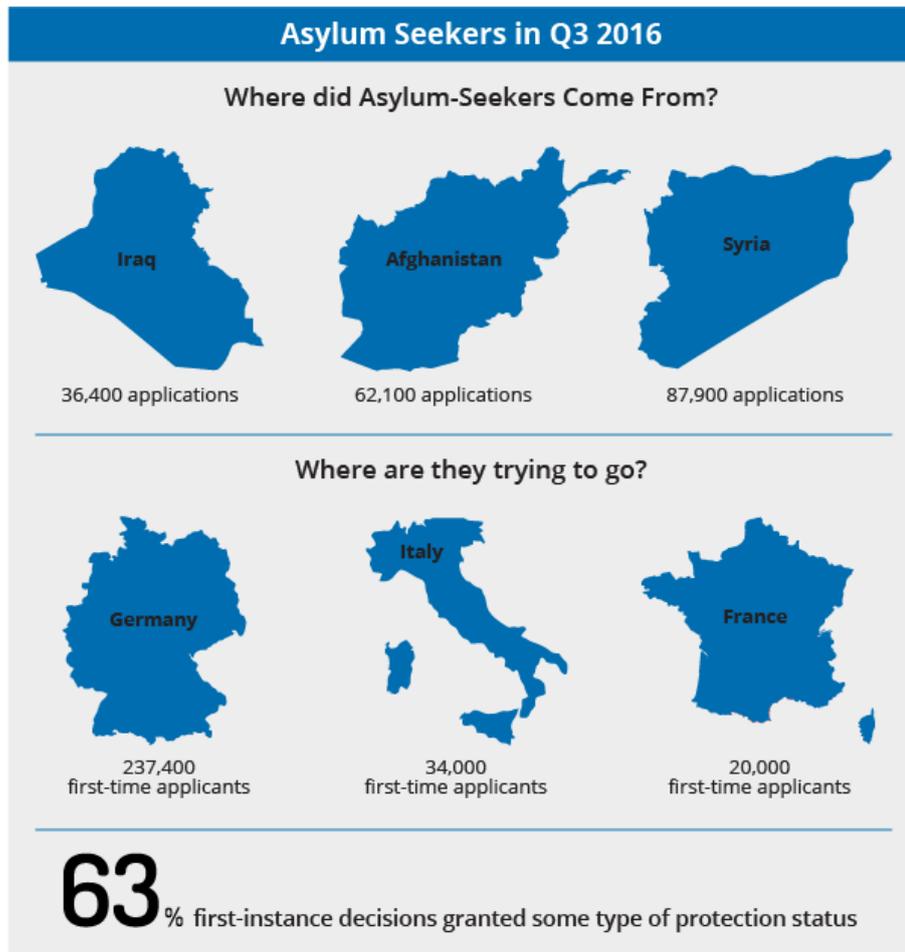


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Refugees

The ongoing migrant crisis has had a destabilizing effect on a global scale. The effect of this crisis will continue to have multi-dimensional ramifications across the globe, and will further undermine the international security, political, and economic climate.



Source: Eurostat Asylum Quarterly Report, December 15, 2016

With regard to security, given that many asylum seekers are without verifiable identification papers, and therefore cannot be properly vetted, such circumstances present challenges to nations' security situations. These issues are especially problematic given the stated aim of jihadist groups such as the Islamic State (IS) to send its militants into other countries posing as asylum seekers, while others may just be inspired by IS's ideology and not connected to the central organization. This has been witnessed in numerous recent attacks in Europe, including on December 19, 2016, when a man of Tunisian origin who had pledged allegiance to IS and posed as an asylum seeker killed 12 and injured 56 in a vehicular attack in Berlin. The attack was subsequently claimed by

IS, who stated that the assailant had answered their call to carry out attacks. Taken as a whole, given the high likelihood that similar militant elements have entered or will enter other countries to seek asylum, further attacks are liable to be recorded by these individuals over the coming year.

Domestically, the influx of asylum seekers is viewed at by a sizeable portion of affected nations' citizens as having upset the social balance, as well as posing a threat to the security status quo. In this respect, refugee concentrations have also posed a challenge in terms of crime. While conflicting statistics exist on the connection between influxes of refugees and crime rates in the areas where they reside, perceptions that refugee populations contribute to high crime rates are likely to persist. This is particularly true



regarding theft, prostitution, drug-related offenses, and sexual harassment, the latter especially following mass reports of such crimes during New Year's Eve in Cologne, Germany in 2015.

This will likely lead to further polarization of the voting public, especially in Western nations, over whether to allow migrants to enter to the country. Such sentiment will contribute to the continuing rise of rightward-leaning parties, while the wide public debate over these issues will also lead to additional public demonstrations, by those who either support or oppose restrictive immigration policies.

This pressure, as well as the precedent set by US President Donald Trump, may push other countries to establish similarly restrictive policies toward accepting further refugees. This will, in turn, put greater pressure on refugee-hosting countries, as the potential for more countries to at least partially close their doors will grow. Related to this, international political disputes will likely continue to occur, largely revolving around disagreements and potential resentment over to what degree nation states are contributing to managing the refugee crisis.



Protest against President Donald Trump's temporary ban on refugees and nationals from seven Muslim-majority countries, in London, February 4, 2017. REUTERS/Neil Hall

Finally, with regard to economic effects of the asylum crisis, the instability caused by the situation is liable to further damage consumer confidence, which discourages investment, as such, both the global and domestic markets will likely continue to be adversely affected. On a domestic level, refugees will likely continue to put forth efforts to enter countries offering wide social support in the form of welfare programs and state-provided services, such as Germany and Sweden. Furthermore, as these groups become more sizable and established, refugee populations are likely to become increasingly vocal regarding demands for better living conditions, expediting the asylum process, obtaining social welfare, and other issues. Given that these nations' systems were not designed to balance a large influx of foreign citizens, many of whom will face challenges in finding employment and thus contributing to the national economy, the weight of asylum seekers on such domestic economic systems will likely add a damaging imbalance to national economies.

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Nationalism

Tensions emanating from a rise in nationalist sentiment across several regions remain a significant threat to global security in 2017. This trend has appeared most powerfully in **Europe** and the **US**, where there has been a gradual rise in popular support for right-wing parties advocating bolstered national identity in the face of foreign immigration. The polarizing campaign of **US** President Donald Trump, the **UK's** popular referendum to exit from the **EU**, and the groundswell of support for right-wing parties in **Austria, France, Hungary, the Netherlands, and Poland**, further illustrate this phenomenon.



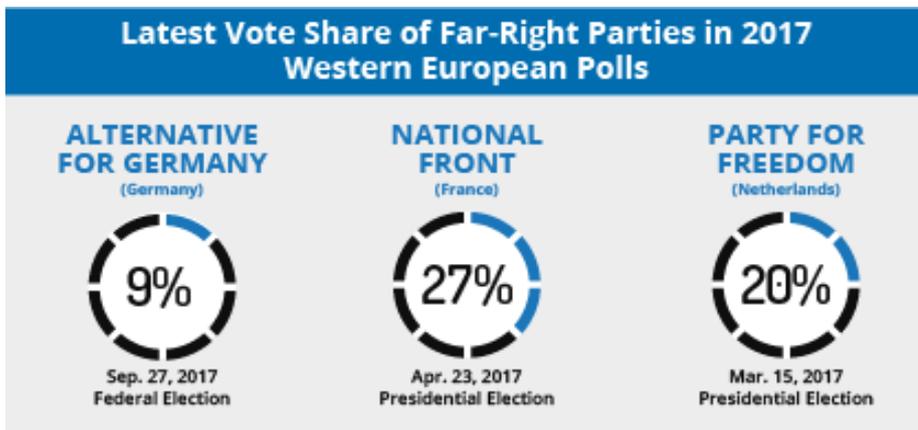
Protesters at the March for Europe on June 27, 2016 in London, UK

Rising nationalism in these areas arises from three distinct, yet inter-related fears over mass immigration: first, that immigration fractures a country's seemingly-homogenous national identity; second, that immigration reduces economic opportunities for native citizens in favor of migrants; and third, that immigration from unstable regions, primarily the Middle East, presents security risks to receiving countries. These first two fears have seen anti-immigrant, right-wing movements increasingly flirt with elements of economic populism; this was evident in the 2016 US presidential election, when a candidate pursuing

populist economics won the candidacy of the traditionally free-market-oriented Republican Party. Given the evident successes of this combination, right-wing nativism and economic populism are likely to remain fixtures in upcoming elections in France, **Germany**, and the Netherlands. The third fear over the apparent security risks of in-migration from unstable areas, such as the Middle East and North Africa, is likely to embolden the stature and electoral fortunes of right-wing nationalist parties and force other parties to pursue tighter restrictions on travel. This will be especially so if there are high-profile militant attacks, which would exacerbate lingering security concerns. Relatedly, we assess that protests by pro-

and anti-immigration camps over this issue are liable to occur with relative frequency in the coming months, with an elevated risk of violence at these events due to heightened tensions.

In **Ukraine**, increasing nationalism is linked to the country's ongoing hostilities with Russia-backed rebels





in the Donbass region and Moscow's annexation of Crimea. Persistent fears that Russia would forcibly incorporate the country into its permanent sphere of influence, as well as a lack of compromise in the conflict, is likely to keep nationalist tensions there festering.

Nationalism has also found a home outside of Europe and the Americas, with **China, Japan, and South Korea** all seeing a rise in nationalist rhetoric among political elites. In China, nationalism has become an increasing fixture in political speeches by Communist Party representatives due to declining economic fortunes there; without breakneck economic growth, elites have turned to nationalist sentiment in order to command public support. This raises the risk of offensive military projects by Beijing over the coming months abroad and at home, especially in Xinjiang. Similarly, China's military posturing in disputed maritime areas in the South China Sea nurtures nationalist reactions throughout the region, notably in Japan, **Taiwan**, and **Vietnam**. These actions facilitate the increasing militarization of the region and raise the risk of costly miscalculations. Finally, nationalist discomfort between Japan and South Korea, while perennially present, has resurfaced recently over ongoing disagreements on the comfort women issue, wherein the World War 2 Japanese military forcibly abducted Korean women into sexual slavery. These tensions are likely to persist due to the domestic political realities of both countries, despite high-level efforts to bury the issue.

What is at stake in this election is the continuity of France as a free nation, our existence as a people. The French have been dispossessed of their patriotism. They are suffering in silence from not being allowed to love their country ... The divide is no longer between the left and the right, but between the patriots and the globalists.

Marine Le Pen, February 5, 2017

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Superpower Competition

Several trends are likely to advance in 2017 that raise the risk of sustained superpower competition worldwide. The first of these is the relative weakening of the **US** vis-à-vis other rising powers, especially **China**. As Washington's economic and military dominance continues to seemingly decrease in relation to other emerging powers, its rivals, such as Beijing and Moscow, have been emboldened to pursue more aggressive military postures and test the limits of US power. This was evident in China's decision to sail its sole aircraft carrier, the Liaoning, through the Taiwan Strait on January 2017 in an apparent reaction to US President Trump questioning the nature of cross-strait relations. Similar actions by other emerging powers, including **Russia**, are especially likely in the coming months, as the Trump administration continues its transition into power and is perceived as untested. The weakening of the US has also seen the erosion of traditionally US-backed multilateral organizations, such as the UN or the World Bank. As upstart countries, and the US itself under President Donald Trump, continue to undermine these institutions' legitimacy and relevance, countries are increasingly likely to resort to bilateral or regional frameworks in order to solve problems. Such a reality would magnify strong countries' power, weaken small ones, and raise the likelihood of sphere-of-influence conflicts, where large states attempt to exert their power over neighboring ones, as the conflict in eastern Ukraine between Kiev and Russia-backed rebels demonstrates.

Increased military funding by countries such as China, Russia, and the US also threatens to spur cycles of reactive military buildup and raises the risk of miscalculations and rapid military escalations. Increasing efforts by Beijing to deploy hardpower resources in the South China Sea for instance raises the chance of Chinese ships skirmishing with Japanese or US ones; the gradual extension of Chinese Air Defense Identification Zones (ADIZ) into other countries' is a further example of this trend and its inherent risks. This risk posed by increased military deployment is arguably exacerbated by the steady decline in multilateral organizations meant to

constrain the use of force, such as NATO. While recent statements from the US President and US Secretary of Defense have called for NATO to be strengthened, the Trump administration continues to be perceived as wary on NATO, due primarily to other countries' alleged refusal to abide by funding obligations. This perception lessens the ability of the organization to deter military threats and simultaneously encourages other countries to pursue aggressive actions.

One final trend that appears likely to increase superpower competition in 2017 is the growing use of hybrid warfare, which is a military strategy that utilizes conventional military resources as well as cyberattacks and irregular warfare. Moscow has pursued a strategy of hybrid warfare in Ukraine, where

**I'm going to issue a
notification of intent to
withdraw from the
Trans-Pacific
Partnership; a potential
disaster for our country**

Donald Trump, November 21, 2016



it has utilized proxies, in the form of separatist rebels, as well as cyberattacks on infrastructure and propaganda in order to frustrate Kiev's ability to exert control there. Persistent suspicions that the Kremlin interfered in the US presidential election would, if proved true, be a further example of this hybridity. Indeed, lingering questions over the Trump administration's relationship to Russia and interests there have arguably forced the new US President to create distance between the two powers and pursue a sharper, more combative foreign policy. **Iran** is a notable user of proxies, and it employs groups ranging from Hezbollah in Lebanon to the Houthi rebels in Yemen in an effort to exert increasing control over the wider Middle East.



EuroMaidan, a Ukrainian-based pro-western movement, march to the Russian consulate to protest Moscow's intervention in the Ukraine. Times Square.

Although a large-scale symmetrical conflict remains a muted possibility in 2017, increased competition between the US and emerging powers is likely to manifest in sustained political and social instability in various regions, whether by hybrid warfare or increased border tensions. In particular, countries are likely to increase their support of proxies, as this remains a primary way of pursuing hard geopolitical objectives without incurring the costs of outright war. As such, **Iran's** direct support of Hezbollah in Lebanon, China's budding cooperation with the Taliban in Afghanistan, the US' support of Kurdish groups in Iraq, and Russia's reinforcing of separatist forces in Ukraine, are all liable to increase over 2017, in an attempt to undermine the other countries operating against their groups in the respective regions.

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Political Stability

Over the last year, numerous countries throughout the world have seen political stability at home challenged by a wide array of factors, some causing abrupt changes, including in leadership, policies, unexpected electoral outcomes, while also having impacts on the ground, often in the form of unrest, and – to a lesser extent - politically motivated violence. In this context, while each country faces its own realities, and political instability can arise from a variety of factors, both internal and external, economic, societal, or political, the main issues that challenged political stability across the world are the threats posed by corruption scandals, economic failures, as well as issues arising from attempts of democratic consolidation, and attempts at overreach of power.

Corruption, whether in the form of business influence in politics or illegal appropriation of state funds represents one of the leading causes of civil discontent, and subsequently political crisis across the globe. Corruption scandals have plagued the Latin American political landscape over the last year, particularly the Odebrecht case, which unveiled a regional network of corruption involving private companies and the governments of more than ten regional countries including **Argentina, Brazil, Mexico** and **Peru**. These scandals are likely to remain in the center of the political debate, further alienate public confidence in their governments over the coming year, and represent a distinct focal point for protests and civil discontent. Another case of corruption impacting political stability was the **Romanian** government's unwillingness to hold political elites accountable for corruption, inducing a wave of extremely large-scale protests in Bucharest, highlighting the importance of such issues within political dynamics. Meanwhile in **France**, corruption accusations against conservative candidate Francois Fillon has shaped the electoral debate ahead the slated presidential elections on April 2017. Corruption is also a major source of the recent unrest in **Ivory Coast**, which we anticipate will continue to be witnessed in 2017, as soldiers have not been receiving payments owed to them.

Economic setbacks continue to pose a significant challenge for political stability across the globe, particularly in countries with oil dependent economies, where the consolidation of relatively low oil prices has notably affected their respective national budgets. Under such circumstances, numerous governments have been compelled to take unpopular measures, often translated into cuts on public benefits, that have steamed civil discontent, subsequently creating economic instability and political tensions. This reality has affected countries such as, **Venezuela, Nigeria, Algeria**, and **Angola**. Given the lack of economic diversification policies in many of these oil producing countries, this situation is liable to continue throughout 2017. On a European level, economic decline in many countries, within the **European Union**, along with societal tensions surrounding the refugee issue as discussed above, has been one of the main sources of the wave of Eurosceptic positions across the Union, which are liable to continue hindering political stability within the regional bloc.



Transitions of power and the subsequent attempts to consolidate democratic regimes, continue to be a focal point for political instability and to a certain extent of unrest, particularly in the developing world. In this context, the risk posed by perceived rigged elections, lack of electoral participation, and attempts by leaders to remain in power beyond their term limits will continue to represent a notable source of tension in 2017, especially in light of upcoming elections as will be evidenced in **Ecuador, DRC,**



Gambians take to the street in jubilation as Adama Barrow is sworn-in as President of Gambia in Baniul. REUTERS/Afolabi Sotunde

Kenya, Sierra Leone and Lebanon. Additionally, while the elections in **The Gambia** brought about perhaps the tensest situation in Africa in 2016, the optimism surrounding the transition of power should not overshadow the challenges for the new president in consolidating power and building a functioning government after over 20 years of Yahya Jammeh's control.

Other countries to watch for challenges to political stability in 2017 include **Ethiopia** and **Zimbabwe**. In the former, while a state of emergency has seen the conclusion, for now, of the ethnically-motivated unrest throughout the country's Amhara and Oromia Regions, recent small-scale attacks point to the potential evolution of the conflict to one of low-scale militancy. In **Zimbabwe**, the political tensions are a mix of an extremely dire economic situation, corruption, and succession of aging President Mugabe. While they have been subdued in recent months, they are liable to resurface in 2017.

Overall, at times, there are earlier indicators of such challenges to political stability that can be used to assess geopolitical trajectory, but often times – especially in this day and age - these challenges are unexpected and arise suddenly. In this context, we have indications of issues to watch in 2017 and are already certain developments that we expect will continue in the coming year.

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Have additional questions? Contact us at intel@max-security.com or call us at +44 20 3540 0434

MAX Intelligence Division

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