Countries at Risk of Instability: Future Risks of Instability

The views expressed in this paper are the responsibility of the Prime Minister’s Strategy Unit and do not necessarily reflect agreed UK policy.

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Contents

1. Introduction

2. A Framework to Understand Instability and Assess Future Risks


4. Governance, the Role of the State and the International Environment

5. Bringing it all Together – Using the Instability Framework to Structure Thinking on the future
Chapter 1: Introduction

As part of the Prime Minister’s Strategy Unit (PMSU) study into countries at risk of instability, a project considering the effect of future trends on stability was undertaken. The work was developed following a broad literature and enriched by extensive consultations with expert analysts from Whitehall Departments, academia, the private sector and overseas Government agencies.

This paper was prepared following the consultations and makes an assessment of instability out to 2020. The impacts of long-term risk factors are considered alongside emerging stabilising forces. To structure the assessment, the dynamic Instability Framework described in the main PMSU report\(^1\) was used as a framework to assess the impact of future trends on stability in two ways:

- To identify those global trends that will have the greatest impact on instability and whether the balance will be positive or negative
- To make an assessment of where these impacts are likely to be reinforcing and where destabilising forces are likely to be counterbalanced by stabilising forces

The UK Government is not a passive observer of the future and there are policies that Her Majesty’s Government (HMG) can take to shape the international environment and specific actions to address particular problems. However, there no specific recommendations in this paper. This paper expands the content of the main report and recommendations arising from this work are contained within the main report.

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\(^1\) *Investing in Prevention* Prime Minister’s Strategy Unit, February 2005.
Future Risk of Instability

Chapter 2: A Framework to Understand Instability and Assess Future Risks

Addressing instability and crises are a vital part of foreign policy, and will remain so for the foreseeable future

Understanding and addressing instability is important. It can lead to organised violence, political instability, loss of territorial control, and violent conflict within states. However not only can instability have terrible consequences for human security – it has serious implications for achieving UK objectives across a range of themes. Half of HMG’s priority countries for engagement in 2003 face significant risks of instability, making it more difficult for the UK to achieve a range of objectives including: reducing conflict, energy security, humanitarian, poverty reduction, terrorism and organised crime. Chapter 1 of the main PMSU report provides more detail on the impact of instability on UK objectives.

Ultimately, instability can lead to armed conflict and the requirement for crisis intervention to protect human life. However, crisis intervention is costly, financially and in terms of human life, and it is a well worn axiom that prevention is better than cure. Risk factors assessed in this report, such as climate change, AIDS, geopolitical competition for oil supplies and increasing challenges on state capacity, are likely to counterbalance stabilising forces. But in order to reduce the risk of future instability, one must first gain an understanding of the dynamics of instability and the key factors that are important in developing a preventative response.

An understanding of instability can be obtained by mapping dynamic processes and assessing balance of risk

Stability is produced by effective management of change and internal tensions. The key to understanding instability is to map these dynamic processes and assess the balance between risk factors and external stabilisers. Chapter 2 of the main PMSU report provides a thorough historical analysis of risk factors behind instability and presents a framework for understanding the dynamic interaction of risk factors and stabilising forces. Countries at risk of instability typically have low levels of country capacity and resilience to external shocks, face a number of risk factors associated with instability and have few external stabilising factors. It is the balance between these factors, and the interaction between them, that gives rise to instability. Figure 1 illustrates this dynamic balance.
Each country has a unique pattern of risk and stabilising factors that require specific analysis to make an assessment of the balance of risk. However, there are clear correlations between certain structural risk factors, instability and crisis. Internal risk factors include low Gross Domestic Product (GDP) per capita, economic decline, history of conflict, natural resource dependency, horizontal inequalities, demographic factors and the AIDS pandemic. External risk factors include an unstable regional neighbourhood, external support for autocratic regimes, organised crime and terrorist networks and environmental stresses caused by climate change. These risk factors are discussed at length in the Countries at Risk of Instability analytical paper: “Risk factors and drivers of instability” which also provides a comprehensive literature review on the causes of instability.

However, countries can face a number of risk factors and yet remain stable. Country capacity and resilience depends on the strength of state capacity, constraints on state power, accountability of the ruling elites and the strength of civil society. Democratic governance is a critical factor as it provides a contract between the state and society. External stabilising factors include bilateral and multilateral security guarantees, political relationships, and economic factors such as open external markets, high quality Foreign Direct Investment (FDI) and remittances.

Understanding instability requires all key factors to be analysed and assessed together. The Instability Framework provides a systematic framework that can be used to make a multidisciplinary analysis of the nature and the degree of risk faced by a specific country. There are strong correlations between instability and economic, political and social factors – but complex interrelations between factors make simple causation models inappropriate. Therefore, the risk of instability can be predicted with some accuracy, but the timing and emergence of political crisis or conflict cannot – even though a casual chain may be apparent afterwards.
Future Risk of Instability

*Historical analysis is important in understanding instability...*

Historical analysis is very useful to determine patterns of crisis and instability, but one cannot predict the future simply by extrapolating the past. Looking ahead, it is clear that overall risks of instability will change as country capacity is built or eroded, external stabilisers are created or removed, and structural risk factors increase or diminish. The risk of external shocks will also fluctuate as will country resilience to them. Existing futures work on instability, while broad-ranging in its scope, is often not applied in a coherent or methodological manner. However, to develop an effective preventative strategy it is vital that future risks are assessed across this broad range using a structured method.

*...but only tells us about the past and well-structured futures work is also required*

Some future change can be quantitatively predicted with a relatively high degree of confidence: demographic shifts, global temperature rises due to climate change and global economic growth can all be subjected to analytical modelling. It is also possible to make predictions about future energy demands and supplies, the spread of disease and global Internet use. What is more difficult to discern is the complex interaction between these and other trends, and the human and societal impacts. Other futures work is, by its nature, based more on judgement than analysis. The nature and timing of changes to the international legal framework, the identification of those states that will successfully make the difficult transition from autocracies to democracies and the strategic impact of competition between geopolitical players cannot be accurately predicted.
Chapter 3: Global Mega Trends: Impact on Instability

3.1 Introduction

Over the last 15 years the world has seen unprecedented levels of change and there has been increasing pressure on governments and populations to manage and adapt to change. This is true across all dimensions from shifts in geopolitical paradigms to the development and application of new technology to the spread of the AIDS pandemic. It is almost impossible to find a futures analyst who does not expect this rate of change to continue or accelerate, particularly as global systems become ever more interconnected.

This chapter highlights those global trends that can be predicted with some confidence and will have the most significant impact on instability, namely:

- Globalisation
- Energy
- Climate change
- The AIDS pandemic
- Demographics
- Technology

The framework outlined in Chapter 3 to structure the analysis and highlight where global trends will have a significant impact on structural risk factors; country capacity and resilience; external stabilising factors; and exogenous shocks.

3.2 Globalisation

*Globalisation is here to stay, will enable future growth in the global economy and overall will have net benefits for poverty reduction and general stability*

There are many definitions for the term globalisation but most are centred on increasing integration – of markets, economies, trade, policies and cultures. There is little doubt that economic globalisation will continue over the next 20 years and that interconnectedness between states will widen and deepen. But the path that further integration will follow is more difficult to predict. Most analysts conclude that linear progression, but with greater volatility and interruptions by stalls and jumps, is the most likely outlook for globalisation.

Globalisation helps to open up markets across the world, enables trade and encourages cost-effective processes and products. International trade is important for poverty reduction in developing states, and is particularly important for poverty reduction in the least developed countries (LDCs). Contrary to popular belief, LDCs have a high level of trade integration with the rest of the world. The United Nation (UN) reports that between 1999 and 2001, exports and imports of good and services constituted 51% of the GDP of the LDCs. This compares with 43% of GDP for high
income OECD countries. At a basic level, greater openness of external markets allows commodities and other products from less developed countries to be sold at competitive prices, which can have an important effect in reducing poverty and increasing GDP per capita.

However the regional picture is mixed...

If projected growth remains on track, the World Bank estimate that global poverty rates will fall to 12.7% by 2015 – less than half the 1990 level – and 363 million less people will live in extreme poverty. But the picture is mixed and these gains are concentrated in India and China. By 2015 World Bank predictions for Asia show that only a very small proportion (less than 5%) of people will be living on less than $1 a day. In contrast the number of poor people in sub-Saharan Africa is expected to rise from 314 million in 2001 to 366 million people by 2015 – with over 40% living on less than $1 a day. The US National Intelligence Council (NIC) predicts that the economic prospects of countries in the Middle East and North Africa will become increasingly differentiated by their response to globalisation and closer integration with the EU.

The impact of further globalisation on developing countries can be summarised using three models:

Integration into world system: these countries have good macroeconomic management and transparency of revenues, few of the structural risk factors highlighted in the Instability Framework and are attractive to FDI.

Alienation from world system: conversely, these states have a poor record of economic management, high levels of corruption and little or no reserves. Countries at risk of instability are generally unattractive to FDI and most countries at risk of instability will fall into this category.

Both integration and alienation: these countries are often characterised by FDI being concentrated in economic centres and in one or two industries. Their economy may be dominated by natural resource extraction or on a single export commodity or service. Typically, rural areas suffer from a lack of investment and there are very large inequalities between different groups and regions.

...with many countries already at risk of instability gaining little

The rising global economy will tend to favour countries that have relatively robust country capacity and a financial environment that is appealing to foreign investors. On the other hand, countries that are unstable or at risk of instability are rarely attractive to investors, other than for the extraction of natural resources. Countries without the ability to attract FDI or the wherewithal to invest in the infrastructure or technology to develop exports will undoubtedly remain disconnected from the world economy. Consequently, globalisation will also act to alienate those states and groups who cannot, or refuse to, engage with the world system.

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2 World Bank figures from http://www.developmentgoals.org/
3 Global Trends 2015: A dialogue with non-Government experts
Future Risk of Instability

For those developing nations that become linked to the global economy, there are risks too; the economies of those that are ‘new to the club’ are likely to grow fast but suffer increased volatility and potentially destabilising economic shocks. Even in the group of nations, often referred to as ‘emerging economies’ and headed by China and India, globalisation has not brought universal benefits. FDI has been focused in urban areas and there are striking horizontal inequalities between educated city dwellers, those living on the fringes of urban society and the rural poor.

Overall, greater integration of capital markets, trade and production processes are likely to be a net contributor to political stability through stimulating global economic growth and increasing mutual dependency between countries. Developing countries that can engage with the world system will benefit from economic growth and increasing GDP per capita, external support from regional trade organisations, and greater incentives for increased transparency of revenues.

However, globalisation will not benefit all countries and those countries that are most at risk of economic isolation and failing to benefit from global growth are those that are currently unstable, in conflict or at high risk of instability. Indeed, globalisation can also act to increase the risk of countries that are alienated. There are likely to be growing disparities, between and within countries, which will exacerbate existing horizontal inequalities and feelings of grievance. A stagnant economy is linked to growing corruption and organised crime, which are potent destabilising factors.

Globalisation may increase instability in more subtle ways too. Increasingly, power will be diffused away from state control with a mesh of multiple authorities based on globally networked elites. Cities, corporations and regional alliances will all exercise more power and influence and it will become more difficult to identify who is in control of which levers of power. In addition to providing more opportunities for corruption, the presence of opaque, complex and overlapping circles of authority make it extremely difficult to ensure the efficacy of checks and balances.

3.3 Energy

Global demand for oil and gas will continue to rise

This section considers the broad strategic context for oil supply and demand and future geopolitical trends.

Over the last decade, the growth in global demand for oil has been consistently around 1.8% and this growth is expected to continue over the next two decades. Demand for gas is projected to grow at an annual rate of around 2.4%. Any potential reduction in hydrocarbon use to mitigate global warming will be counterbalanced by the large projected increases in demand by emerging economies; estimates of future oil use in India and China predict that demand will double in the period from 2000 to 2020[^4]. Assuming that necessary investment in exploration and infrastructure is made to exploit known reserves, world supplies of oil and gas will be sufficient to meet this demand, but there will be less ‘cheap oil’ available and the gap between supply and

Future Risk of Instability

demand is narrowing. This has three strategic consequences: the growing importance of oil and gas from countries at risk of instability, geopolitical competition for oil and gas, and structurally high oil prices subject to increased volatility.

Evidence and analysis for resource-dependence and instability is covered in Chapter 4 of the main PMSU report, which sets out recommendations to improve governance and transparency of revenues. Strategic recommendations on energy are contained in Chapter 6.

Oil and gas from countries at risk of instability will become more important to global supplies

The Middle East, especially Saudi Arabia, is currently the largest oil-producing region in the world and is likely to remain so. In the medium term other regions are increasing in importance though, and Central Asia, the Caucasus, parts of Africa and Latin America are becoming small but important supplies of oil. Many of the new oil states already have many of the risk factors associated with instability: with low country capacity, an undemocratic polity and often oppressive regimes, high instance of political coups, low overall GDP and high income inequalities and poor human rights records.

Looking forward, there are likely to be major changes in the flow of oil from supplier countries to consumers. Europe will become increasingly dependent on supplies from Russia, Central Asia, the Caucasus, parts of Africa and the Gulf; the US on supplies from Latin America, Africa and Canada; and Asia on supplies from the Gulf, Central Asia and parts of Africa.

West African crude (from e.g. Angola and Nigeria) is particularly desirable to the US as it is generally of high quality (low sulphur content and high gravity) and it is closer to the North American market than other supplier regions. It is a stated US political aim to reduce dependence on Middle East oil and this is a major reason for their West African enthusiasm. The importance of African oil to the US is expected to rise from around 15% today to 25% by 2015.

There will be increased geopolitical competition for oil and gas and greater external involvement in countries at risk of instability

The UK and EU take a largely market based approach to oil and gas supplies, believing that a strategy based largely on market liberalisation is the most efficient and effective means through which to ensure investment in exploration and exploitation necessary to provide future supplies. The UK is taking a leading role in encouraging liberalisation in other markets. This is articulated in the recent publication by FCO, DEFRA and DTI, ‘UK International Priorities – the Energy Strategy’, which also highlights the importance of political and economic stability in key producer countries and regions and developing the global market for renewable energy, particularly in large consumer nations.

Liberalisation of energy markets is not a universal approach, however, and a complete shift away from a carbon based energy economy is not a realistic option for developed

5 UK International Priorities – the Energy Strategy’ FCO, DTI, DEFRA: Oct 2004
Future Risk of Instability

or developing economies over the next few decades. Major oil importers such as the US and China use bilateral mechanisms and assistance to engage hydrocarbon exporting states. They are likely to continue to construct long term arrangements with oil and gas rich states.

The US sees West Africa in particular as a region of rising strategic importance. The Pentagon’s European Command has become involved in the region through military access agreements, the Trans-Sahara Counter-Terrorism Initiative, strengthening national coast guards and military training. European investments currently outweigh US investment ($3.5 billion v/s $1.8 billion in 2003) but US investment is predicted to reach $35 billion by 2008.

Another example of external involvement in relation to oil is Sudan, which represents China's largest overseas investment, worth $2 to 3 billion. China also buys 70% of Sudan’s exports and provides military assistance and equipment. In the last five years, Chinese involvement in Sudan through the Greater Nile Petroleum Operating Company has increased significantly. India’s Oil and Natural Gas Corporation is also reported to be stepping up its investments in a number of countries including Sudan.

So long as oil is seen as a strategic resource, external involvement in oil producing states is more or less inevitable. Where managed sensitively, outside involvement in these states can provide a potential stabilising factor. However, where energy security strategies involve financial, military and political support for authoritarian regimes, external involvement can be profoundly destabilising over the medium to long-term. Authoritarian regimes can enforce a degree of stability and security but suppress and ferment risk factors for instability rather than addressing them. In addition, by conferring a degree of legitimacy on undemocratic regimes, it exacerbates existing problems and encourages the dependence on oil export revenues. In these conditions, there is no incentive for economic reform or developing country capacity that would reduce the risk of instability.

World oil prices will be structurally higher than historical norms and potentially more volatile – with adverse impacts on oil-exporting countries at risk of instability and oil-importing countries at risk of instability

In the short term, high prices can bring economic benefits to oil producing countries at risk of instability and shore up unstable regimes. In the medium to long term higher prices are more likely to be destabilising because they act to strengthen and reinforce existing mechanisms such as over dependence on resource exports and poor resource management. Increases in oil price also have an adverse impact on global and national economies, although the economies of developing countries are most severely affected. A quantitative study carried out by the International Energy Agency in collaboration with the OECD Economics Department and the IMF Research Department has estimated that a prolonged increase in the price of oil by $10 a barrel would reduce world GDP by 0.5% in the year following the rise. They also estimate that losses start to diminish in the following three years as global trade in non-oil goods and services recovers. The impact of oil price increases on oil-

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6 PFC Energy, *West African Petroleum Sector Oil Value* & US State Department figures
7 Financial Times, Nov 17, 2004
importing developing countries is much worse than for OECD countries. The loss of GDP in sub-Saharan African countries would be more than 3%, compared with an average loss of 0.4% across OECD countries.

Energy underpins efforts to achieve the Millennium Development Goals (MDGs) and access to energy is a key enabler for growth and poverty reduction. Analysis shows that there is a clear correlation between low GDP and instability\(^9\). High energy prices can constrain and limit economic growth and development. A key objective then is to reduce reliance on imported hydrocarbons in developing countries, while improving access to clean and efficient energy.

_Diversification away from oil and gas may bring new challenges_

Developing or expanding civil nuclear energy programmes is one option to meet increasing demands for energy, to diversify national energy portfolios, increase energy security and reduce greenhouse gas emissions. For these reasons nuclear power is expected to play a growing role in a number of emerging economies. For example, in East and South Asia alone there are currently 100 nuclear power reactors in operation, 20 under construction and plans to build a further 40\(^{10}\). In addition there are about 56 research reactors in 14 countries of the region.

Countries at risk of instability that currently have nuclear reactors of one form or another include: Nigeria, Jamaica, Democratic Republic of Congo, Algeria, Egypt, Ghana and Colombia\(^{11}\). However, the proliferation of dual-use nuclear technology presents something of a dichotomy between increasing non-carbon energy production and limiting the spread of nuclear technology. There are two specific concerns about countries at risk of instability and nuclear proliferation:

- Where nuclear energy programmes take place in countries at risk of instability, controls on access to dual use technology is unlikely to be as robust in well-governed, stable countries. This can facilitate or enable the spread of nuclear technology. Systemic corruption, organised crime and terrorist activity occur more frequently within countries at risk of instability than other states and do increase the risk of proliferation.
- Countries at risk of instability are particularly vulnerable to non-democratic regime change and coups. While sensitive technology may be adequately protected under one regime, it might become far more dangerous under a different regime.

\( ^9\) See references in Chapter 2 of main PMSU report on Countries at Risk of Instability.

\( ^{10}\) Figures from World Nuclear Association: www.world-nuclear.org

\( ^{11}\) data on nuclear reactor locations from http://www.iaea.org/worldatom/rrdb/
3.4 Climate Change

*The impacts of climate change are already being felt and will be increasingly significant contributors to instability*

There is overwhelming scientific evidence that the climate will change substantially over the next century, with gradual change punctuated by extreme weather events.\(^{12}\) In the long term, global warming will bring about serious, significant and irreversible changes to the climate. However in the short-term there will be an increase in climate variability and more frequent extreme weather events of the type which we are already experiencing. The United Nations Environment Programme has estimated that adverse weather and natural disasters linked to climate change cost the world economy around $60 billion and caused 150,000 deaths in 2003. Worldwide economic losses due to natural disasters and climate variability appear to be doubling every decade and are projected to reach almost $150 billion in the next decade.\(^{13}\)

Although the exact pace is difficult to predict and detailed geographical predictions have large uncertainties, we can predict with some confidence the extent to which climate and climatic variability will change over the next 30 to 40 years. The changes in climate over this period are largely dictated by past and present emissions of greenhouse gases and inertia in the response of the climate system. Reducing the impacts of climate change over these timescales will require adaptive responses to enable countries at risk to develop suitable ‘coping strategies’. There are limits to adaptation however, and thresholds beyond which it becomes impractical or impossible to adapt to further change, either because the response necessary is too costly, or because the technology required is unavailable. To address the longer-term, and potentially much more extreme, impacts of climate change and to limit the extent of irreversible change, immediate and sustained action to curb the emissions which cause climate change is required.

Modelling suggests that the impacts will be disproportionately large in developing countries with low capacity. Country capacity is vital in coping with climate change impacts: between two and three times as many disasters were reported in the United States in 1999 as in India or Bangladesh, but there were 14 times more deaths in India and 34 times more deaths in Bangladesh as a result.\(^{14}\)

The early impacts of extreme weather events will significantly degrade the administrative and economic resources of some countries and leave them exposed to instability. Developing countries are generally at greater risk because they lack the financial and societal buffers to cope with environmental stress, and tend to be more dependent on agriculture, forestry and other environmental resources. Many developing countries already face significant challenges in coping with existing climate variability; for example, the World Bank estimates that floods and drought in Kenya in the late-1990s resulted in direct economic costs of $4.8 billion, or 22% of GDP per annum.

\(^{12}\) Intergovernmental Panel on Climate Change: http://www.ipcc.ch/

\(^{13}\) UNEP Finance Initiative Climate Change Working Group

The predicted increase in extreme weather events will have serious impacts on development, growth and political stability. These extreme weather effects will increase in the next few decades, even before significant average temperature change happens. As the impacts of climate change become manifest, country capacity and resilience will be increasingly tested. Food and water scarcity, changes in land use, natural disasters and environmental migration can all play a part in escalating tensions; and environmental stresses have been linked to political tensions and violent conflict in a number of specific cases. Looking ahead, it is likely that climate change will exacerbate many of the factors that currently lead to tension, through impacts including increased pressure on water resources, changes in available crop yields and food production, increased risk of coastal flooding, and changes in distributions of insect-borne diseases. In summer 2004 serious floods affected Asia and two-thirds of Bangladesh was under water, along with much of Assam and Bihar in India. Overall, 50 million people were affected by the floods. In the longer-term Bangladesh, 5 million people live in regions at risk from a rising sea level. There are also suggestions that as sea levels rise, disputes may occur over maritime boundaries and the extent of national sovereignty.

There are a number of impacts of climate change that are directly linked to risk factors identified in the Instability Framework

Food or water scarcity can act to exacerbate existing tensions, particularly if one group is perceived to be receiving preferential access. The real or perceived failure of governments to respond to natural disasters and extreme weather events can undermine state capacity and act as a mobilising factor against the government.

Freshwater shortages are predicted to become more acute in North Africa and sub-Saharan Africa, the Middle East and Central Asia. There is also the very real possibility of increasing tensions over land use, particularly where there are competing demands or environmental degradation. For example, tension between agrarians and pastoralists has been a contributory factor in the recent civil conflict in Sudan.

In addition to food and water crises, adverse changes to freshwater supplies are likely to constrain economic development and reduce the ability to export high value crops.

Shifting weather patterns, climatic variability and extreme weather events will lead to the displacement of substantial groups of ‘environmental refugees’. Forced migration away from livelihoods and social networks can have profoundly destabilising impacts – on refugees and host countries. It can degrade informal social structures and resilience of country capacity and increase pressures on state capacity of the receiving region. Furthermore, migration due to droughts in South-West Asia over recent years has been linked to increased tensions in Kashmir and recruitment of displaced people into terrorist organisations.
Future Risk of Instability

Small island states in the Pacific are particularly vulnerable to a rise in sea levels and extreme weather events due to the nature of their economies. Industries such as tourism, fisheries and agriculture are very sensitive to climatic variability. As a result of climate change, many small island states are likely to suffer declining GDP. As the legitimate economy is eroded, small island states may provide potential havens for international criminals whose activities often act to further destabilise countries at risk.
3.5 HIV/AIDS

The AIDS pandemic poses a massive human health issue...

At the end of 2003, between 34.6 million and 42.3 million people of the world’s population were thought to be infected with HIV\textsuperscript{17}. Accurate figures are not available due to a lack of data in many countries, low testing rates and poor regional modelling. Many believe that current estimates are conservative and the true situation is likely to be worse. Table 1 below shows best regional estimates for HIV/AIDS.

Table 1: Regional Breakdown of HIV/AIDS Pandemic

<table>
<thead>
<tr>
<th>Region</th>
<th>Total HIV cases</th>
<th>New HIV cases</th>
<th>Adult prevalence rate</th>
<th>Deaths due to AIDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>25.0 million (23.1-27.9 million)</td>
<td>3.0 million (2.6-3.7 million)</td>
<td>7.5% (6.9-8.3%)</td>
<td>2.2 million (2.0-2.5 million)</td>
</tr>
<tr>
<td>MENA</td>
<td>0.5 million (0.2-1.4 million)</td>
<td>76,000 (21,000-310,000)</td>
<td>0.2% (0.1-0.6%)</td>
<td>24,000 (9,000-62,000)</td>
</tr>
<tr>
<td>South &amp; SE Asia</td>
<td>6.5 million (4.1-9.6 million)</td>
<td>850,000 (430,000-2.0 million)</td>
<td>0.6% (0.4-0.9%)</td>
<td>460,000 (290,000-700,000)</td>
</tr>
<tr>
<td>East Asia</td>
<td>900,000 (450,000-1.5 million)</td>
<td>200,000 (62,000-590,000)</td>
<td>0.1% (0.1-0.2%)</td>
<td>44,000 (22,000-75,000)</td>
</tr>
<tr>
<td>Latin America</td>
<td>1.6 million (1.2-2.1 million)</td>
<td>200,000 (140,000-340,000)</td>
<td>0.6% (0.5-0.8%)</td>
<td>84,000 (65,000-110,000)</td>
</tr>
<tr>
<td>Caribbean</td>
<td>430,000 (270,000-760,000)</td>
<td>52,000 (26,000-140,000)</td>
<td>2.3% (1.4-4.1%)</td>
<td>35,000 (23,000-59,000)</td>
</tr>
<tr>
<td>Eastern Europe &amp; Central Asia</td>
<td>1.3 million (860,000-1.9 million)</td>
<td>360,000 (160,000-900,000)</td>
<td>0.6% (0.4-0.9%)</td>
<td>49,000 (32,000-71,000)</td>
</tr>
<tr>
<td>Western Europe</td>
<td>580,000 (460,000-730,000)</td>
<td>20,000 (13,000-37,000)</td>
<td>0.3% (0.2-0.4%)</td>
<td>6,000 (&lt;8,000)</td>
</tr>
<tr>
<td>North America</td>
<td>1.0 million (520,000-1.6 million)</td>
<td>44,000 (16,000-120,000)</td>
<td>0.6% (0.3-1.0%)</td>
<td>16,000 (8,300-25,000)</td>
</tr>
<tr>
<td>Oceania</td>
<td>32,000 (21,000-46,000)</td>
<td>4.8 million (4.2-6.3 million)</td>
<td>0.2% (0.1-0.3%)</td>
<td>700 (&lt;1,300)</td>
</tr>
<tr>
<td>Total</td>
<td>37.8 million (34.6-42.3 million)</td>
<td>4.8 million (4.2-6.3 million)</td>
<td>1.1% (1.0-1.2%)</td>
<td>2.9 million (2.6-3.3 million)</td>
</tr>
</tbody>
</table>

Sub-Saharan Africa is currently the worst affected region and is likely to remain so for the foreseeable future. It is home to 70% of the global population of those living with HIV. Countries worst affected are Botswana, Zimbabwe, Lesotho, Swaziland, South Africa, Zambia and Malawi. However, it is likely that other parts of the world will suffer significant increases in HIV-positive populations and AIDS victims over the coming decade, namely: China, South Asia, Russia and other FSU states. These countries are part of the so-called ‘second wave’ of countries affected by the virus. The future scale of the pandemic in these countries depends critically on effective policy interventions now.

\textsuperscript{17} UNAIDS: 2004 Report on the global AIDS epidemic
Future Risk of Instability

The scale of HIV infection rates and deaths due to AIDS-related illness means that it is a massive, and growing, human health issue. However, there are broader implications too. There is good evidence that military forces in a large number of countries are affected by the pandemic at far higher prevalence rates than the general population. Secondly, unlike many other epidemics and pandemics of the past, HIV/AIDS does not preferentially affect the weak, the poor or the old. Indeed, in many countries where the disease is most prevalent, it disproportionately affects ruling elites, professionals and the middle classes. In all countries highest infection and mortality rates are amongst young and middle aged adults. Figure 2 shows the projected impact of AIDS on the population age spread of South Africa, compared with a ‘zero AIDS’ scenario.

Figure 2: Projected Impact of AIDS on Population Spread in South Africa

...but there are also implications for stability, particularly in the medium-long term

There is not yet any conclusive causal evidence that AIDS directly causes instability. However, past and present experience may not be an accurate diagnostic for looking to the future, AIDS is still in its early stages in many countries and is likely to get a lot worse; the full implications have yet to be realised. There is growing opinion that in the future, HIV/AIDS is very likely to contribute to political instability through a variety of mechanisms and could contribute to violent conflict where other structural risk factors are present, or there is weak country capacity.

HIV/AIDS can act to increase instability by reducing GDP, economic stagnation and possible collapse...

AIDS primarily affects people in their prime of their working life and during the years that they contribute most to the economy. Knowledge and skills can be lost,

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18 See for example: Prins, G. AIDS and global security. International Affairs Volume 80, Page 931, October 2004 and references within.
Future Risk of Instability

Productivity reduced due to sickness and working days lost. Treating HIV/AIDS sufferers also diverts resources from the economy and reduces growth. The World Bank and other groups have estimated that the group of countries that are worst affected are currently suffering a reduction of 0.3 - 1.5% in their annual GDP. However, the real impact is likely to be much higher because predictions do not include cumulative impacts of the loss of human capital, knowledge and informal social structures. HIV/AIDS is also likely to increase the incentive for highly skilled workers to migrate abroad. In countries with high HIV/AIDS rates, a recent World Bank study concludes that there is a much increased risk of economic stagnation, decline and even collapse19.

...hollowing out institutions...

Evidence from southern Africa suggests that HIV/AIDS can contribute to a ‘hollowing out’ of vital state and non-state institutions. High rates of HIV infection amongst government officials, ruling elites and other professional workers acts to reduce the capacity of vital institutions including ministries of state, security forces, public services and the judiciary. For example, in Zimbabwe, three government ministers have already died from AIDS-related illnesses and six are reported to be HIV-positive20. Long term failure of governments to tackle HIV/AIDS effectively may also lead to erosion of their political legitimacy.

...eroding social capital...

AIDS is likely to weaken social cohesion by leading to divisions, large orphan populations, and a growing number of people that are disengaged from society. In 2003, 12.3% of all children in sub-Saharan Africa were orphans, and this figure will continue to increase. UNAIDS have estimated that by 2010, more than 20% of children in Botswana, Lesotho, Swaziland and Zimbabwe will be orphaned21. With short life expectancy and nothing to live for, there are also suggestions of growing violent crime and susceptibility to joining rebel movements - this has been reported amongst members of the Republican United Front (RFU) in Sierra Leone. There is anecdotal evidence that HIV/AIDS has encourage brutality among combatants in West Africa22.

There are reported or perceived differences in HIV/AIDS infection rates between different social and ethnic groups. Perceptions about HIV can be as important as reality. This can heighten pre-existing tensions and increase horizontal inequalities through two key mechanisms:

- Through attaching blame to distinct groups (refugees, ethnic etc) for the rise and spread of AIDS. Blacks in South Africa and Zimbabwe have higher HIV infection rates than whites, which has led to an increase in racial tensions.
- If certain groups are perceived to be receiving preferential treatment for the disease. The Oromos group in Ethiopia claim that they are being denied access to

19 Bell, C; Devarajan, S & Gersbach, H. The Long Run Economic Costs of AIDS: Theory and an Application to South Africa. World Bank June 2003
20 Bazergan ‘UN Peacekeepers and HIV/AIDS’
21 By 2010, more than 20% of children in Botswana, Lesotho, Swaziland and Zimbabwe will be orphaned: AIDS Epidemic Update 2003, UNAIDS, Geneva, Switzerland.
Future Risk of Instability

anti-retro viral (ARV) drugs on the basis of ethnicity\(^{23}\). Perversely, as ARV treatments become more widely available, there will be greater opportunity for corruption and preferential access to life-extending drugs.

...and reducing military capability

Lifestyle, attitude to risk and access to sex-workers means that members of armed forces and other militia groups generally have higher HIV prevalence rates than the general population. There is good evidence of very high prevalence rates in certain national military and security forces. At the extreme end of the scale, various reports, based on anecdotal evidence and covert testing put the HIV infection rate for Zimbabwean forces at 80-90\(^{\%}\)\(^{24}\).

Table 2: Prevalence Rates in Selected African Countries, 1999\(^{25}\)

<table>
<thead>
<tr>
<th>Country</th>
<th>Military Population</th>
<th>Adult Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>40-60%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Cote d'Ivoire</td>
<td>10-20%</td>
<td>10.8%</td>
</tr>
<tr>
<td>DRC</td>
<td>40-60%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>10-20%</td>
<td>5.1%</td>
</tr>
<tr>
<td>South Africa</td>
<td>17-23%(^{24})</td>
<td>21.5%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>15-30%</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

\(^{24}\) Official figures. Unofficial estimates range between 40\% and 60\% of soldiers.

There are two implications relating to stability:

- In narrow terms, high HIV/AIDS rates can reduce motivation, capability and effectiveness. It is plausible, but unlikely, that where this weakening is most evident it may provide an opportunity for rebel groups to initiate civil war.
- More strategically, the severe AIDS problems in sub-Saharan Africa may severely compromise the capability of the African Union (AU) to conduct or contribute to meaningful PSO missions. There is no doubt that AU faces a big challenge in establishing a credible African Standby Force (ASF) with 5 regional brigades. If, as projected, Nigerian and/or South African armies are seriously undermined by high HIV/AIDS rates then it is very unlikely that the AU would be able to meet its aspirations in terms of force development or deployment on Peace Support Operations (PSO) missions.

However, there are also success stories – albeit rare

Experience from Uganda and Tanzania suggests that economic decline is not inevitable where high rates of HIV/AIDS are present. Nor is an erosion of political capacity an inescapable consequence. At the peak of their HIV/AIDS crises both countries experienced economic growth and went through a period of improving political governance. It is not clear whether the period of crisis forced structural


\(^{25}\) Source: Elbe, Adelphi paper 357 and UNAIDS
Future Risk of Instability

transformation, whether these countries averted more serious crises by taking firm action before a critical mass or ‘tipping point’ of HIV carriers was reached, or what the role of foreign aid was in such a positive outcome. One thing is clear though from these examples. Strong visionary leadership is required to reform political, economic and social frameworks at a time of national crisis.

3.6 Demographics

Global population is growing fast

In 1985, the population of the world was around 4.8 billion\(^2^6\). In mid-2004 it was estimated to be almost 6.4 billion people. By 2025 global population is expected to have increased to nearly 8 billion\(^2^7\) - an increase of 25% compared with today. However, the increase in population shows distinct regional variations and future population growth will be concentrated in the developing world: particularly India (+276.4 million people), China (+175.9 million), Pakistan (+69.9 million), Nigeria (69.1 million), Bangladesh (+63.2 million) and Indonesia (+56.8 million).

Other big increases will be seen in North Africa and the Middle East, with some countries showing very large proportional growth. Population in Yemen is expected to almost double in the period between mid-2004 and 2025 from 20.0 million to 39.6 million people, and Saudi Arabia’s population is predicted to expand from 25.1 million to 40.1 million over the same period. Figure 3 shows a regional breakdown of population trends.

Figure 3: Regional Population Trends: 2004-2025

In terms of stability the biggest impact will be in countries that have rapidly growing populations. Expanding populations will place formidable challenges on country capacity in terms of provision of public goods and services such as sanitation, water and employment. States that currently have low capacity are most vulnerable to these

\(^2^6\) UN Population Division: http://esa.un.org/unnp
\(^2^7\) Population Reference Bureau: 2004 World Population Data Sheet
societal stresses and the increased risk of instability associated with rapidly growing populations.

3.6.1 Economic Migration

Another impact of expanding population and the youth bulge that accompanies fast-growing populations will be an increase in migration to cities, other economic centres or to the developed world. The UN estimates that in 2000 there were around 160 million economic migrants, compared with 120 million in 1990. Many of these migrants move locally, either to national urban centres or to regional economic hubs in neighbouring states. A smaller proportion move further afield. This section looks at the impact of the increasing number of people that migrate for economic reasons, rather than as refugees fleeing conflict or disaster.

a. Urbanisation

*More of the world’s population is living in urban areas*

Migration to urban centres is associated with the economic transition from subsistence farming to manufacturing and services. When well managed, urbanisation can be a positive, and necessary, factor in raising GDP and economic growth. China’s economic growth is enabled by her gradual, planned urbanisation and investment in manufacturing plant.

In 2000, 47% of the world’s population was urban. By 2025 this figure will be over 58%. Again, there are significant regional variations as displayed in Figure 4.

![Figure 4: Regional Projections for Urban Populations: 2004-2025](image)

Urbanisation is not a new phenomenon. However, the current pace of urbanisation in many regions of the world far exceeds historical patterns. On the whole, developed countries urbanised gradually, at a manageable pace. Combined with relatively high GDP and widespread education, this gradual pace allowed for the growth of political and institutions and the necessary infrastructure and governance to be put in place. For example, the proportion of people living in cities in the US rose from 40% in
Future Risk of Instability

1900 to just over 75% in 1990. In contrast, South Korea made the same transition in only 20 years: from 40% in 1970, to 78% in 1990.

There is also a projected growth in ‘mega-cities’ – that is cities with over 10 million people. In 1950 there was only 1 mega-city: New York City. In 1975 there were 5, and by 2000 this had grown to 19. By 2015 there are expected to be 23 mega-cities worldwide, most of them in the developing world. Lagos currently has a population of around 10.1 million people; by 2015 the city will have swelled to 17.0 million.

*Increasing urbanisation will increase risk of instability through three key mechanisms...*

**Reducing informal support structures and resilience of civil society:** rural societies have traditionally been organised around extended family units with rich civil society and inbuilt social resilience. Whilst formal state capacity can appear relatively low, the informal structures and support mechanisms provide a high degree of social cohesion. Rapid urbanisation and migration away from rural communities removes this traditional social safety net and dislocates people from family support structures.

**Increasing demands on state capacity:** rapid urbanisation is difficult for states with low capacity to manage. The increased demand for public services such as drinking water and sanitation, and the lack of jobs can quickly give rise to social discontent as expectations are not matched by reality.

**Exposing horizontal inequalities:** historically, urbanisation has fomented class-based instability as recently arrived peasants from rural areas did not enjoy access to the same level of accommodation, services or employment prospects that urbanites did. This is certainly reflected today with increasing numbers of people living on the fringes of urban areas and dislocated from urban society. In 2002, more than 1 billion urban dwellers lived in slums or as squatters – mostly in Africa, Asia and Latin America. Where social support structures are absent, there is no counterbalance to the destabilising factors. The combination of a common identity, a common set of grievances and a large proportion of young unemployed males, can act to mobilise a group to conflict when they are manipulated by an influential or charismatic elite leader.

...and is likely to increase the probability of civil conflict being focused in the urban environment

Urbanisation and the expanding urban poor populations will also increase the probability of future insurgencies being focused in urban areas. Complex terrain, such as mountainous areas and jungles, has long been favoured by insurgent groups because it is difficult to detect and identify malevolent actors in these areas. Urbanisation may make it more difficult for rebel groups to hide amongst rural populations and more exposed to detection through advanced sensing technologies. Large urban areas provide similar camouflage and urban operations are notoriously challenging for Western forces that have broadly been designed to operate across well

Future Risk of Instability

defined lines. Recent events in Iraq have demonstrated the excellent camouflage that urban areas can provide and the difficulty in isolating insurgents from civilian populations. Not only is it harder to detect and distinguish rebels when surrounded by civilians but it becomes harder to target and disrupt activities in urban areas and accessing the exchange of electronic information is more difficult in a more congested electromagnetic environment.

b. International Migration

*It is difficult to get a clear picture of current trends in international economic migration, but the net flow of current and future migrants is from the developing world to developed countries*

The typical pattern for migration appears to be that rural workers move to a local or regional economic centre first, and subsequently abroad. However, measuring flows of international migration is wrought with difficulty: disaggregating economic migrants from refugees, repatriation of refugees and illegal or untracked migration make it very challenging to capture trends. There is no definitive accurate source for historical and current economic migration.

Looking ahead, population pressures, higher levels of education, cultural globalisation and the falling price of international travel and transport means that the number of emigrants is expected to rise. Between 2004 and 2015 around 45 million people will enter the job market in the developing world each year and many are likely to seek to migrate to improve their personal economic prospects. Movements of skilled and educated people in particular are predicted to increase as education levels improve and developed economies have designed entry policies to attract skilled workers since the early 1990s.

Modelling future migration patterns is to some extent more straightforward than capturing current trends. Table 3 contains the countries that are projected to have the largest net flows of international migrants, either ‘sending’ or ‘receiving’ countries. These flows assume current trends continue and do not include asylum seekers or repatriation of refugees.
Table 3: Estimated Net Migration Flows between 2010 and 2020 (thousands)

<table>
<thead>
<tr>
<th>Rank</th>
<th>‘Sending’ Country</th>
<th>Net Flow Out</th>
<th>‘Receiving’ Country</th>
<th>Net Flow In</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>-3044</td>
<td>United States</td>
<td>11000</td>
</tr>
<tr>
<td>2</td>
<td>Mexico</td>
<td>-2750</td>
<td>Germany</td>
<td>1800</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>-2188</td>
<td>Canada</td>
<td>1660</td>
</tr>
<tr>
<td>4</td>
<td>Indonesia</td>
<td>-1800</td>
<td>UK</td>
<td>950</td>
</tr>
<tr>
<td>5</td>
<td>Philippines</td>
<td>-1800</td>
<td>Australia</td>
<td>845</td>
</tr>
<tr>
<td>6</td>
<td>Pakistan</td>
<td>-1400</td>
<td>Italy</td>
<td>600</td>
</tr>
<tr>
<td>7</td>
<td>Ukraine</td>
<td>-1000</td>
<td>Japan</td>
<td>539</td>
</tr>
<tr>
<td>8</td>
<td>Kazakhstan</td>
<td>-650</td>
<td>Hong Kong SAR</td>
<td>533</td>
</tr>
<tr>
<td>9</td>
<td>Bangladesh</td>
<td>-600</td>
<td>Russia</td>
<td>500</td>
</tr>
<tr>
<td>10</td>
<td>Turkey</td>
<td>-500</td>
<td>France</td>
<td>400</td>
</tr>
<tr>
<td>11</td>
<td>Sri Lanka</td>
<td>-313</td>
<td>Netherlands</td>
<td>300</td>
</tr>
<tr>
<td>12</td>
<td>Egypt</td>
<td>-300</td>
<td>Saudi Arabia</td>
<td>300</td>
</tr>
<tr>
<td>13</td>
<td>Georgia</td>
<td>-300</td>
<td>Spain</td>
<td>300</td>
</tr>
<tr>
<td>14</td>
<td>Mali</td>
<td>-300</td>
<td>Greece</td>
<td>200</td>
</tr>
<tr>
<td>15</td>
<td>Morocco</td>
<td>-300</td>
<td>Singapore</td>
<td>175</td>
</tr>
<tr>
<td>16</td>
<td>Nepal</td>
<td>-236</td>
<td>Kuwait</td>
<td>144</td>
</tr>
<tr>
<td>17</td>
<td>Haiti</td>
<td>-210</td>
<td>Belgium</td>
<td>129</td>
</tr>
<tr>
<td>18</td>
<td>Poland</td>
<td>-200</td>
<td>Israel</td>
<td>126</td>
</tr>
<tr>
<td>19</td>
<td>Uzbekistan</td>
<td>-200</td>
<td>South Africa</td>
<td>110</td>
</tr>
<tr>
<td>20</td>
<td>Vietnam</td>
<td>-200</td>
<td>Belarus</td>
<td>100</td>
</tr>
</tbody>
</table>

The effect of international migration on stability is mixed, with destabilising impacts...

The impact of significant emigration of employable people out of a country can act to decrease the productive potential of an economy in two ways: firstly because of the loss of human capital to the economy and secondly because there is no economic return from the cost of schooling or training the migrant. Migration can also lead to skills shortages in specific professions; particularly medical and educational professionals. The loss of middle class workers can also act to reduce economic and social capital.

...but may be outweighed by the stabilising impact of increased remittance flows

However there are also benefits to migration from developing countries. The major tangible benefit in recent years has been the increase of remittances sent to developing countries which have become increasingly important in terms of foreign direct investment. The increasing importance of remittances and the fact that since 1996, they have provided a larger flow of capital than official development investment.

Future Risk of Instability

Figure 5: Workers Remittances and Other Inflows

Looking ahead, with migration flows from the developing world increasing (or at least staying stable) diaspora populations in OECD countries will increase. Remittances are the money that migrant workers send to their country of origin and benefit the migrants’ family, their community and their country. Financial remittances are now larger than official development assistance or FDI from multinational companies. A recent paper by the Danish Institute for International Studies concluded that monetary remittances play a vital role in the economies of many developing countries and are crucial to the survival or poor people and communities around the world. This paper also includes a country-by-country breakdown of the largest remittance flows. Given its 20 million strong diaspora, India is unsurprisingly the largest recipient.

Remittances are transferred both formally (through banks, exchange houses etc) and informally (either by hand, through family and friends, or via informal systems that have been developed to facilitate transfers). Official projections do not usually include informal transfers, which implies that they significantly underestimate the true economic value of remittances. Remittances help to build up country capacity and resilience from the bottom up: improving opportunities for receivers and presenting a means by which to save money to cope with contingencies and adverse shocks. Perhaps surprisingly, it is estimated that many households manage to save up to 10% of incoming remittances. Remittance flows are also less subject to the volatility of other capital flows and somewhat less lootable than transfers of aid through formal institutions. In summary, remittances can have a wide range of other positive effects on stability by stimulating local and national economy through the purchase of consumer goods; providing capital to invest in land or business; improving human capital through education and other microeconomic means.

Sources: World Bank, Global Development Finance; IMF, Balance of Payments Yearbook, various years.

30 Sorensen, N: The Development Dimension of Migrant Remittances. Migration Policy Research, June 2004
31 Such as Halwala for Pakistan and Bangladeshi Diaspora, and Hund for Indians.
3.7 Technology

Technology will enable globalisation and future economic growth

Technology is a key enabler of change. Recent years have seen dramatic advances in the application of technology to business and societal life and information technology, in particular, will continue to facilitate global interconnectedness. The integration of science and technology in new ways is also likely to provide significant benefits to societies that can acquire them. It is beyond the scope of this work to predict specific advances or new applications but there are a number of broad conclusions that can be made about the structural impact on stability.

Some developing countries will benefit greatly from new technologies, others will be largely bypassed

In terms of developing countries, India and China have benefited enormously from developing, manufacturing and utilising technology. Looking forwards, India will continue to be in the forefront in developing information technology and growing its economy through OECD countries outsourcing services and applications. However, in both China and India the economic benefits will be felt most in urban areas. The NIC conclude among other developing regions, Latin America is well positioned to grow its Internet market exponentially. Argentina, Mexico and Brazil are likely to accrue the greatest benefits. Other parts of the developing world, particularly sub-Saharan Africa, are less likely to benefit much at all from increasing performance and reduced costs of information technology. People in much of the developing world also have little access to the technical ingenuity that is abundant in OECD nations.

Increased inter-connectedness will facilitate spread of culture and raise expectations

The continued rise of the Internet and pervasive global media will enable relatively small actors to exert disproportionate influence in shaping opinion and connecting geographically disparate groups that share common views. This will have both positive (e.g. increasing the accountability of transnational corporations) and negative impacts (e.g. seeding and nurturing grievances among radical extremist groups).

Gaps within countries and between countries will also become more apparent to the population at large, although this is less likely to be the case in the least developed countries. Greater awareness of global standards among people with access to the global media is likely to increase expectations on governments to deliver higher standards of living and better public services. While not a driver of instability in its own right it is likely that unrealistic expectations of country capacity will act to foment discontent, particularly among different groups of the population.

Technology will help enable rebel groups to raise conflict financing and present new opportunities for greater links with organised crime

It is unlikely that there will be large scale state sponsors of terrorism or insurgency and consequently future civil conflicts and insurgencies will be, in the most part, self-financing. Some Islamic states see Islamic extremism as a threat to their power. Most states now recognise that it is difficult to maintain anonymous funding of terror
Future Risk of Instability

groups. Global economic inter-connectedness, the increasing complexity and opacity of markets, reduced shipping and air travel costs, and technological enablers will increase the opportunities for finances to be raised. In the same way that globalisation connects legitimate businesses, allows for outsourcing of activities and leads to greater efficiency; it benefits rebel groups, terrorists, organised criminal networks and small time crooks.

Technological advances and increasing economic globalisation will provide an increasingly diverse range of conflict financing opportunities from Internet fraud and money laundering to the illegal acquisition of personal banking details through outsourced telephone banking. Such activities are often very difficult to penetrate as they cut across different countries, agencies and governmental/commercial interests.

Overseas, organised gangs can also arrange to collect, defraud and, if necessary, extort funds from diaspora populations. Information technology means diasporas can be readily connected together in virtual groups which will also facilitate the collection of funds. There is anecdotal evidence of former child soldiers from various rebel groups targeting diasporas in major Western capital cities and using a variety of methods from extortion to credit card fraud to finance conflict in their mother state.

It is known that transnational criminal groups can act as middlemen in the marketing and illicit sale of looted resources and drugs, and at the same time provide services such as air transport and provision of arms. Organised crime groups generally prefer stable, predictable operating conditions and are unlikely to seek state collapse or large scale internal conflict, however increasing criminal activity in countries with weak state controls will be a significant destabilising factor. To shape their operating environment and capitalise on weak state control, they will increasingly form loose alliances with rebel groups to control areas of territory, particularly where drugs or lootable natural resources are present.

New technology will improve the capability of stabilisation forces – but will probably benefit insurgents more

The future gap in defence spending and military capability between Western states, developing states and non-state actors will be huge. Better sensors, precision strike assets and networking technology will be important for forces involved in stabilisation operations because rebel groups often present only fleeting targets.

However the enormous discrepancy in military power will not necessarily be matched by the gap in effectiveness. The flexibility and cellular structure of many terrorist and insurgent groups means that they are often able to rapidly utilise civilian technology in innovative ways and technology will act as a key enabler for insurgents. As high performance equipment becomes commercially available, insurgents will have cheap and easy access to relatively hi-tech equipment. Mobile phones and internet (including wireless) communication are obvious examples but other equipment like night vision goggles are also becoming more readily available. Even high-grade encryption of information and satellite imagery is potentially available to terrorists/insurgents. In Oct 2001, the US Government bought all rights to all the pictures of Afghanistan and surrounding areas taken by the privately operated Ikonos

32 For more information see Chapter 7 of the main PMSU report
Future Risk of Instability

high-resolution imaging satellite. This was primarily done to prevent access to the pictures by insurgents and Al Qaeda who could have used the pictures to gain intelligence on the location of US troops and assets.

The massive military and technological superiority that Western forces will continue to have over insurgents is less of an advantage in built up areas. Asymmetric attacks by ‘weaker’ opponents are often enabled by an urban environment. The increasing availability of relatively low-tech small non-nuclear weapons and portable shoulder-launched devices pose potential problems to stabilisation forces in urban environments. For example, thermobaric and fuel-air explosives warheads on an RPG-7 rocket launcher would cause serious damage if used by insurgents in a confined built-up area.
Chapter 4: Governance, the Role of the State and the International Environment

This section provides a brief discussion on likely trends in governance and the approach taken by international actors. Increasing country capacity and creating a positive external environment that will promote stability will be important to counterbalance new and emerging risk factors and the extent to which country capacity and resilience.

4.1 Governance

Accountable governance is important in reducing instability – but global trends suggest the picture is mixed

Many countries at risk of instability are semi-democracies – the type of polity most prone to instability. Full democracies and to a lesser extent, autocracies (at least in the short term) are more stable forms of politics and less likely to experience political instability or violent conflict. Reasons for this are articulated in Chapter 2 of the main report, along with supporting evidence.

Helping support the transition to stable democratic governance lies at the heart of tackling countries at risk of instability. Figure 6 shows that global trends to 2002 exhibit a gradually increasing number of democracies, and a decreasing number of autocracies\(^ {33} \). The number of semi-democracies is relatively stable. Projected forwards, this is positive news for stability.

Figure 6: Global Regimes by Type, 1946-2002

\[^{33}\text{Marshall, M.G. & Gurr, T.R., Peace and Conflict 2003.}\]

Worryingly, the picture in sub-Saharan Africa is less rosy, as shown in Figure 7. Trends in governance there shows that the number of states that are classified as full democracies has essentially remained stable since 1995. Not only are semi-democracies the dominant form of politics across the region, outnumbering full democracies by more than 2 to 1, but there has been a sustained rise since the early 1990s, mirrored by a fall in the number of autocracies.

**Figure 7: Regime by Type: Sub-Saharan Africa 1946-2002**

There are two plausible explanations for these observations:
- That those countries with semi-democratic polities are undergoing a transition to full democracies, but that the transition period from autocracies to democracies in sub-Saharan Africa is significantly longer than other regions;
- Or that the vast majority of states classed as semi-democracies are not undergoing a transition to democracy but are trapped with semi-democratic politics.

Looking forwards, the second hypothesis is the more concerning, as it suggests that political instability is ‘locked’ into many countries in sub-Saharan Africa.

4.2 The Role of the State

*Territorial control will become less relevant in parts of the world*

Several of the global mega trends discussed earlier in Chapter 4 will have a secondary impact in modifying the role of the state and the concept of ‘belonging’ or attachment to a state will be eroded. For example:
- For states that are engaged with globalisation, there will be an increase in transnational ties and increased inter-dependence between states rather than within states.
- Many states will have less control over flows of information, technology, disease and people into and out of their border.
- For many states, their engagement with global systems will primarily be through urban economic centres; professional and ruling elites will increasingly find they share more in common and have greater reliance on similar elites in other countries than with their own population.
Future Risk of Instability

- States that rely primarily on rents from natural resources rather than taxes on the general population have little incentive to engage in rural areas of their own territory that are expensive to rule and govern but provide little revenue in return.
- In parts of Africa, borders are already poorly defined with people sharing common identities across weak national boundaries. Where climate change increases water scarcity, the geography of river basins is likely to become a more dominant factor in identity than arbitrary borders.

The creation of more ‘blank spots’ is likely as states with low capacity elect to withdraw from rural areas and focus governance efforts in urban areas. A number of analysts go further and predict a ‘patchwork quilt’ across Africa where functioning states and areas under state control are surrounded by areas that are effectively ungoverned. An alternative analogy is an ‘archipelago Africa’ with urban spaces and other assets controlled and governed, surrounded by ungoverned rural space.

If these scenarios are realised it is very likely that there would be a big increase in warlordism and independent fiefdoms that emerge alongside areas under relatively effective state control. These zones of disorder potentially provide havens for criminal networks, rebel bands and other groups that act as regional destabilisers. This, and increasingly porous borders, will also increase the quantity of migrants and refugees across parts of the continent.

4.3 The International Environment – Enabling or Protective?

During the next 20 years there will be significant shifts in geopolitical power

The timeframe to 2020 is probably the last in which the US will enjoy its status as unrivalled cultural, economic and political hegemon. Military spending is likely to ensure that the US retains its military superiority over peers like India and China, but these emerging economies are likely to be viewed by other parts of the developing world as alternative models for economic growth and social framework.

To realise its economic goals, China needs a stable international environment. Peaceful co-operation with other regional players is the most likely scenario, with China looking to develop relationships with other nations based around economic ties. The importance of China as a trading partner should not be underestimated; neither should the influence that could be exerted through its trading power. China does not punch at its political weight in shaping the international organisations it is a member of – particularly the Permanent Security Council of the UN. However, as China’s economy and standing in the international community grows, it will become increasingly confident and more likely to exert overt political influence on the international stage. At this point in time, it is unclear what strategy China will develop towards managing risks of instability, an issue which will become more and more important as Chinese trade grows.

The growth of the EU, its geographical position and the growing diversity of its members means that it will have greater need, and probably the capability, to exert
Future Risk of Instability

increasing influence over its near neighbours: North Africa and the Middle East, Russia, Eastern European states and Central Asia. Instability in these areas will have a direct impact on EU members.

There are different international strategies available to states seeking to ensure their prosperity and security...

Turning to the international environment, the key question is the approach that major world states will take towards meeting their national objectives – one which is essentially protective or one which is enabling. In other words, how will effort be split between a focus on enforcing security and on creating the conditions and framework for regional and global stability? Both are risk-management approaches, but the risks are perceived in different ways. The approaches can be described using two alternative scenarios.

In a scenario where security is the primary focus, the world is seen as unpredictable and unstable. The major international players view national interests overseas (energy supplies, major financial investments and trading centres etc) as a network of points that can almost be treated as an extension of the homeland and protected by force if necessary. The existence of complex and transnational threats are acknowledged as hard security problems that are best addressed through reactive military means abroad and through tighter measures on movement of people and increased surveillance at home. The old maxim that the “strong do what they can and the weak do what they must” takes on an unqualified life and focused action to achieve tightly defined objectives is normally successful – at least in the short-term.

In a future where broad stability is seen as essential to prosperity and security the world is again perceived to be unpredictable and unstable. However, states see the world as interconnected and integrated, where national interests overlap and transnational threats are best tackled through multilateral action. To achieve this, a strong international system based on international law and accountability is required, with strong regional organisations that are willing and able to act. Aid and development is strongly linked to stability and security and OECD members extend their efforts to identify states with whom they can work. Liberalisation and integration of the world economy continues, for countries that are willing and able to adhere to global rules and the Washington Consensus.

...the approach taken will be vital in determining the external environment for countries at risk of instability

The Instability Framework highlights a number of external stabilising factors such as standards in regional/global institutions, open external markets and strong international law to bring malevolent individuals and regimes to trial. Geopolitical competition on the other hand can be very destabilising.

Globalisation and increased interdependence provides new opportunities for stability, security, poverty reduction and economic growth. However, strategies for states that are at risk of alienation are required.
Future Risk of Instability

The challenge of developing a real stability agenda is in understanding how the actions of the UK and the International Community increase or decrease stability in the long term and in ensuring that efforts in one area do not undermine efforts in another.
Chapter 5: Bringing it all Together – Using the Instability Framework to Structure Thinking on the Future

5.1 Summary

The Instability Framework provides a systematic framework to carry out the assessment of nature and degree of risk faced by any country and can be used to provide a snapshot in time of the nature and level of risk faced by a country. However, as illustrated through this report, it can also be used to structure thinking on future risks and stabilising factors. The components of the Instability Framework can be used to build up a richer picture of future risks of global instability and a lens through which to focus and summarise the futures work described here.

There has been an increase in overall instability in recent years. Many countries face increasing risks of instability as they navigate the difficult path from autocracies to full democracies, and attempt to manage internal and external challenges. Looking ahead, stabilising future trends of global economic growth, greater interconnection between states and better governance in parts of the world are likely to be counterbalanced by a number of more powerful destabilising factors such as organised crime, AIDS, strategic competition for oil, and climate change.

Sub-Saharan Africa is very likely to continue to be the region where there are the greatest risks of instability. Assuming no action is taken to address them, existing risk factors there (history of conflict, natural resource dependency, horizontal inequalities etc) and low country capacity will endure – and new risk factors will emerge. Countries that are predicted to be exposed to a number of risk factors will require monitoring and preventative policy packages in order to reduce the risk of crisis.

5.2 Country capacity

Over the next 15 to 20 years, country capacity will be increasingly challenged and gradually degraded by the impact of extreme weather events and climate variability. Environmental refugees pose another challenge to state capacity and coping mechanisms.

The AIDS pandemic is likely to erode institutional and social capacity. Urbanisation will put greater demands on state capacity and is also likely to lead to degradation in social cohesion and a reduction in informal support structures and traditional systems.
Future Risk of Instability

Widespread access to global media means that populations will be more aware of differences in living conditions within and between countries and will expect to see their living conditions improve. Governments without well-developed economies will find it increasingly difficult to deliver public services.

Accountable governance is vital and assisting states make the transition to full democracy will be critically important – particularly in sub-Saharan Africa given the apparent trend towards more partial democracies there. Strategic competition for oil threatens stability through support for authoritarian regimes.

5.3 Risk factors for instability

Greater integration of capital markets, trade and production processes are likely to be a net contributor to political stability through stimulating global economic growth. However, countries that find it hard to attract FDI will become alienated from the world system. For many countries at risk of instability, globalisation is likely to increase risks and exacerbate existing feeling of grievance and highlight horizontal inequality.

Globalisation and advances in technology will provide new opportunities for conflict financing and facilitate links between rebel groups and organised crime networks.

For countries with high HIV/AIDS rates, the pandemic will reduce the national economy by predominantly affecting people in the prime of their working life. Where infection rates are highest, there is a much increased risk of economic stagnation or collapse.

Climate change will increase the risk of instability in large parts of the developing world by direct economic costs and constraining economic development into high value export crops; and increasing existing tensions between groups over land use or natural resources.

Population growth and urbanisation will expose horizontal inequalities between groups where there access to public goods and services are not equitably shared.
Future Risk of Instability

5.4 External Stabilisers

Globalisation will open up markets and increase mutual dependency between countries; acting as an overall stabilising force. However, this will be less relevant for those states that are not already engaged in the world system.

The AIDS pandemic in sub-Saharan Africa will compromise the strategic capability of the AU to conduct or contribute to meaningful PSO missions and undermine security guarantees.

In recent years, financial remittances have played an increasingly important role in increasing local resilience in countries with large diaspora populations. This will continue to increase with international migration and the stabilising effect in some developing countries may well outweigh the reduction in state capacity due to the emigration of skilled workers.

5.5 Shocks

Real or perceived failings of governments are likely to increase. Greater integration between economic markets leaves countries with low capacity more exposed to external forces.

The increase in extreme weather events (floods, droughts and hurricanes) will lead to more frequent economic or humanitarian crises in countries with low capacity.

5.6 Manifestation of instability and feedback

It is difficult to predict how global trends will influence the manifestation of instability as each case is subject to individual factors. The Countries at Risk of Instability technical paper on data source covers some of the trends in types of crises.

However one can make informed predictions about the evolution of organised violence and armed conflict. Urban areas may become the battleground of choice for insurgents and terrorists given the growth of cities and mega-cities, which offer asymmetric advantage against materially superior opponents. New technology will benefit stabilisation forces but probably provide net benefits to rebel groups and insurgents more.
Future Risk of Instability

Problems associated with ungoverned space are predicted to increase and the creation of more ‘blank spots’ is likely as States elect to withdraw from rural areas and focus on activities in urban areas.