

Global political volatility is leading to heightened levels of political violence and political risk

Aon publishes 2018 Risk Maps for Political Risk, Terrorism and Political Violence

- **Political Violence:** The likelihood of interstate conflict, even involving major powers, is at the highest point since the end of the Cold War. Growing geopolitical competition and weak leadership in international diplomacy have contributed to increased risks of armed conflict over the last year.
- **Terrorism:** The number of terrorist attacks in Western countries in 2017 (204) doubled – up from 96 in 2016, though casualties remained at similar levels. A number of war zones internationally continue to serve as incubators for international terrorism, although the global threat from Islamic State seems to be waning somewhat.
- **Political Risk:** Last year saw political risk increase in 11 countries, with climate change and commodity shocks weakening fiscal positions, which are still struggling to recover from the commodity shock, and exacerbating rising levels of political violence and supply chain disruption.

TORONTO (11, April 2018) – Aon's (NYSE:AON) 2018 [Risk Maps](#) covering Political Risk and Terrorism and Political Violence, produced in conjunction with Continuum Economics and The Risk Advisory Group are published today.

Terrorism and Political Violence

Political violence risks are rising globally, due to geopolitical tensions, a weakening of liberal democratic governance, and the repercussive effects of chronic conflicts around the globe.

For the third successive year, more country risk ratings have increased (17) than decreased (6). This year:

- 40% of countries are listed as being exposed to terrorism and sabotage risk;
- 60% to civil unrest risk, and;
- 33% to insurrection, war or coup risk.

Forty-six countries or territories are now rated as high or severe risk, representing 22% of the global total.

The likelihood of **interstate conflict**, even involving major powers, is at the highest point since the end of the Cold War. Growing geopolitical competition and weak leadership in international diplomacy have contributed to sustained or increased risks of armed conflict over the last year. Growing rates of polarisation over political, economic and social issues in mature democracies, and divisions between Western powers in the face of complex threats and risks, has also contributed to worsening global security and greater strategic uncertainty.

The **number of terrorist attacks** in Western countries in 2017 (204) was roughly double that of 2016 (96) but the total number of casualties in both years was broadly the same (1,092 in 2017), meaning that the lethality of attacks has fallen.

Notably, **the threat posed by Islamic State has stopped spreading** – but has not yet receded. IS mounted terrorist attacks in 29 countries on five continents in 2017, the same number of countries as in 2016 and up from 19 countries in 2015, but the global reach of IS appears to have peaked, and it seems likely that the number of countries where it is able to mount attacks, or inspire others to do so, will fall in 2018.

In particular, the **tourism sector** is having to manage the risks posed by increased terrorism, with the sector a highly attractive target for some terrorist organisations. In 2017, there were at least 35 attacks worldwide that directly targeted commercial sectors that are critical components of the tourism industry, such as hotels and resorts, nightclubs, civil aviation and visitor attractions.

Political Risk

Last year **political risk increased in eleven countries**, compared to only two countries that saw reduced risk, showing the persistence of political risk across the globe, highlighted by increases in political violence and supply chain disruption. Many countries' risks of supply chain disruption have risen due to both climate shocks and weakening fiscal positions.

Notably, over the last year, **Asian countries' trade linkages have been shifting away from the US and toward China**. This is due to China's economic development, and its rise as a trade giant. Amid China's rise, Asia's exports to the US have edged down from around 23% of total exports in 2000 to stabilize at around 12% in recent years. By the same token, Asia's exports to China have more than doubled over the past decade to around 23% currently.

Elsewhere, **political risks in Latin America are increasing ahead of a busy election season**, delaying major reforms in Brazil and stoking fears of reform reversal in Mexico. Major countries are at risk of electing populist governments, and smaller countries are experiencing their share of political noise.

More broadly, **the region experiencing most downgrades is Africa**. Ongoing conflicts within countries, the erosion of democratic governance and increasingly frequent corruption scandals have led to more political violence. Groups such as IS and Boko Haram are taking advantage of fragile institutions and weak borders. Elsewhere, the Middle East contains some of the highest-risk countries in the world: Iraq, Syria, Yemen and Egypt. Instability and violence in the region have spilled over to neighbouring countries, undermining trade and tourism.

Mark Parker, Head of Property, Casualty and Crisis Management, Aon Global Broking Centre, said:

"The global geopolitical environment remains volatile. This is reflected in the 2018 Risk Maps, with the interlinked threats posed by Political Violence and Political Risks growing. Given this heightened level of risk, and the rapidly evolving landscape against which businesses are operating, it is essential the companies understand their exposures and the potential for political instability to impact their people, property and supply chains. Ensuring that the right solutions are in place to mitigate and transfer risk is essential for firms operating internationally."

Paulina Argudin, Director, Country Risk Model, Continuum Economics, said:

"The Aon Political Risk Map 2018 captures changing elements of political risks for businesses across emerging and frontier markets countries. Last year we saw political risk rising in several countries, driven mainly by increases in political violence and supply chain disruption. The persistence and rise of political risk across the globe demonstrates how relevant it is for businesses to identify and monitor specific political risk elements in their countries of operation.

Henry Wilkinson, Head of Intelligence & Analysis at The Risk Advisory Group, said:

"The Aon Terrorism & Political Violence Map 2018 points to inter-state tensions driving up longer-term political violence risks, as well as diversifying terrorist and extremist threats particularly in the West. The long-term trend of non-state actors being the predominant political violence concern in most regions is shifting towards geopolitical risks. These are more business threatening and demand board-level ownership. In such an unsettled environment, it is imperative that businesses invest in world class crisis and risk management programs that are intelligence-led, anticipatory and adaptive to rapid change."

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About Aon

[Aon plc](#) (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

About Continuum

Continuum Economics (formerly Roubini Global Economics) is the international market-leading service for independent economic research powered by 4Cast and Roubini Global Economics. With its growing user base of 10,000 clients and a reputation for incisive analysis on every aspect of the market, it provides research that spans short-term market signals and long-term strategic themes. This approach uncovers opportunities and risks before they come to the attention of markets, helping our clients make more informed decisions.

Continuum Economics works with clients in a series of different ways, from macro strategy subscription products to bespoke work, multi-client conference calls, direct access to analysts and the licensing of its systematic country risk analysis tool. For further information on Continuum Economics, please visit www.continuumeconomics.com

About The Risk Advisory Group

The Aon Terrorism and Political Violence map represents detailed empirical and intelligence based assessments on terrorism threats and political violence risks.

The map has been produced in conjunction with The Risk Advisory Group since 2007. The Risk Advisory Group is a leading, independent global risk management consultancy that helps businesses grow whilst protecting their people, their assets and their brands. By providing facts, intelligence and analysis, The Risk Advisory Group helps its clients negotiate complex and uncertain environments to choose the right opportunities, in the right markets, with the right partners. www.riskadvisory.com

Notes to editors

The Aon Political Risk Map captures changing risks for businesses and countries across emerging and frontier markets (non OECD countries).

For more information and to access the interactive maps and full report please visit the [Aon website](#).

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