

Making sense of geopolitical shifts

How to measure what matters
with TAC ECONOMICS

June 2025



4 worldwide tectonic disruptions

- **Environmental challenges** (50-100y)
warming, extreme weather events, adaptation strategies and costs, reputational issues
- **Global geopolitical order** (20-50y)
a period of systemic challenge to post WW2 order, with hierarchized multi-polarity leading to fragmentation and conflictuality
- **Technology** (10-30y)
wave of disruptions related to new fields of innovation affecting consumption, production, distribution, finance and politics
- **Structural shift in policy paradigm** (5-10y)
exhaustion of post-2008 policies and the rise of populism

EBUs: Implications for risk assessment

The tectonic changes highlight the critical importance of Expected But Unpredictable (EBU) events in risk materialization, requiring new approaches for risk assessment

- **Assessing exposure or vulnerability** and coping capabilities regarding EBUs
- **Thinking in terms of alternative scenarios**
describing the implication of EBUs, clarifying the causal links, and including construction of quantitative models to test various assumptions
- **Identifying low-intensity / advanced signals (EWS)** providing clues on timing and magnitude

1. A Lasting Geopolitical Rivalry

- The US–China rivalry is a **long-term, systemic confrontation** with strategic, economic, and ideological dimensions. Each aims to reshape global governance to its advantage.
- This power contest introduces **structural instability** in global economic and financial integration, challenging decades of liberal order.

2. Space for Strategic Opportunism

Second-rank powers (EU, India, Turkey, Russia, Saudi Arabia, etc.) are **no longer passive actors**. They navigate between blocs to expand their regional and international influence.

- This opportunistic positioning leads to **more contested geographies** and overlapping spheres of influence.

3. A Fragmented and Polarized Global Order

- Trade and financial systems are undergoing **structural fragmentation**, with competing standards, restricted flows, and weaponization of interdependence.
- A new global configuration is emerging, combining **hierarchical multipolarity** and rising **societal polarization**.

1. Populism with Global Reach

- Trump's approach fuses domestic right-wing populism with a hard-power foreign policy grounded in **confrontation**, bilateralism, and **institutional bypassing**.
- He operates not as an isolationist, but as a **revisionist**: selective engagement, conditional alliances, transactional dominance.

2. A Methodical Autocratic Shift

- Four recurring tools define this approach: (a) The use of **coercion** and **threat**, (b) Cult of the providential leader, (c) **Scapegoating** and social division, and (d) **Propaganda** and bureaucratic weaponization.

3. Erosion of the Rules-Based Order

- The US shifts from rule-setter to **power-maximiser**. This repositions the U.S. as a selective and **unpredictable** actor in a fragmented system and empowers other autocratic leaders to follow suit.
- The liberal order is no longer self-evident. Its credibility and cohesion now face **internal and external dismantling**.

GPSI : GeoPolitical Sensitivity Index

A generic tool to measure the degree of sensitivity of each country to current geopolitical changes

Customization capabilities:

- Weights of individual indicators / chapters,
- Inclusion of non-linearity in aggregate computation,
- Identification of archetypal patterns.

Alert-GPT : Alert on GeoPolitical Tensions

AI/NLP based tool for alerting about plausible imminent tensions in real time

Definition of conflict-prone areas / countries / regions of interest

- Specific database with data / news on all countries involved
- ST EWS based on Deep Learning techniques applied to patterns of daily textual indicators and high-frequency data.

Medium- to Long-Term Scenarios

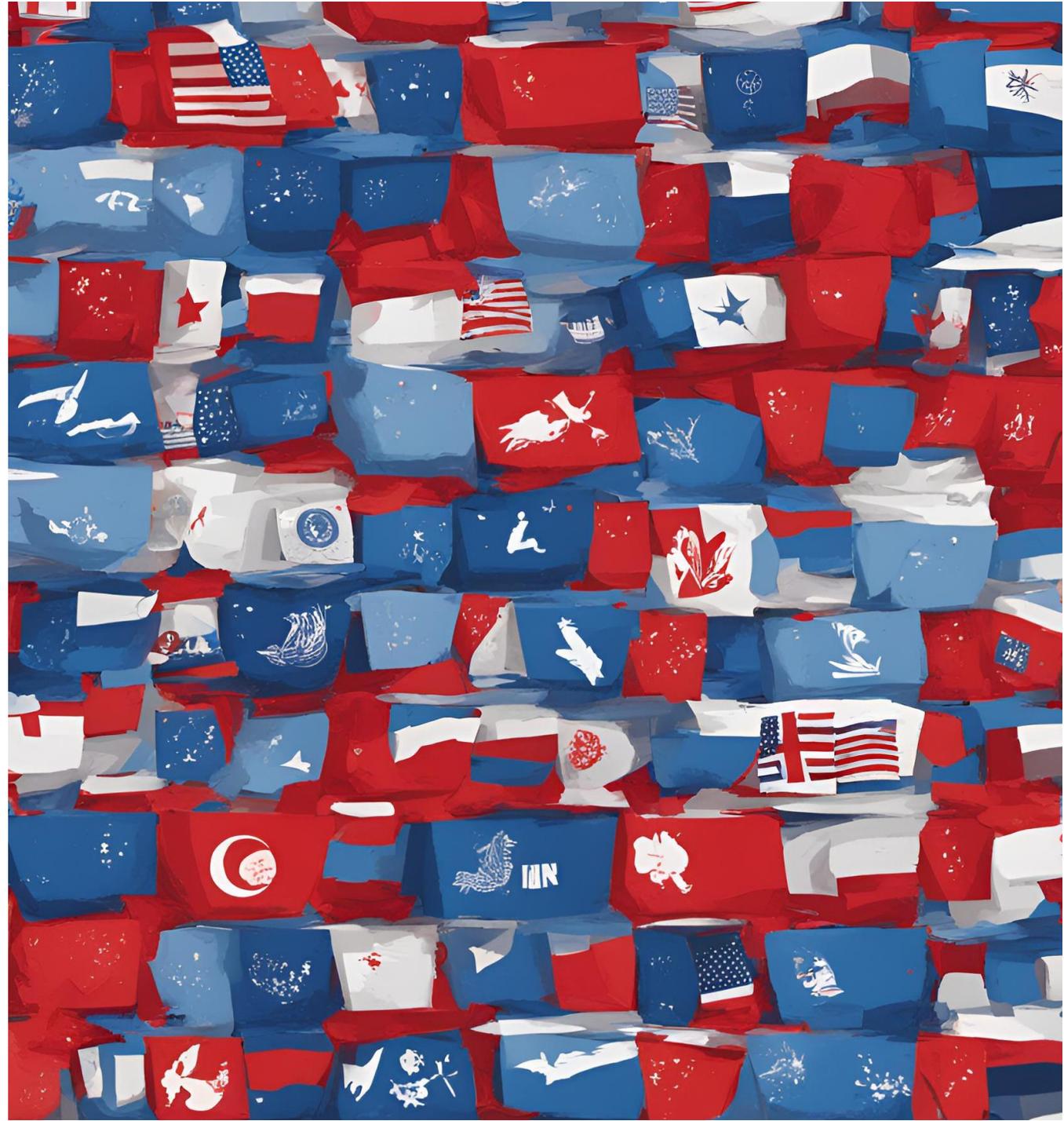
Construction of MT/LT alternative scenarios to assess and quantify macro implications

Ad Hoc Research Services

- LT geopolitical-driven fragmentation scenarios with impact on key geographies and macro variables.
- Focus on specific geopolitical confrontations (e.g. Taiwan, South China Sea, ...), with implications on key production, trade and financial disruptions.

GPSI : GeoPolitical Sensitivity Index

A tool to measure the degree of sensitivity of each country to current geopolitical changes



The GPSI is a global tool that measures how sensitive each country is to current geopolitical changes. It provides an aggregate score from **1 (very low sensitivity)** to **100 (extreme sensitivity)**, helping users quickly assess exposure to geopolitical risk.

The index covers **over 160 countries** and is regularly updated—recently, for example, it integrated an **Ideological Alignment** indicator to reflect the potential impact of the U.S. presidential election.

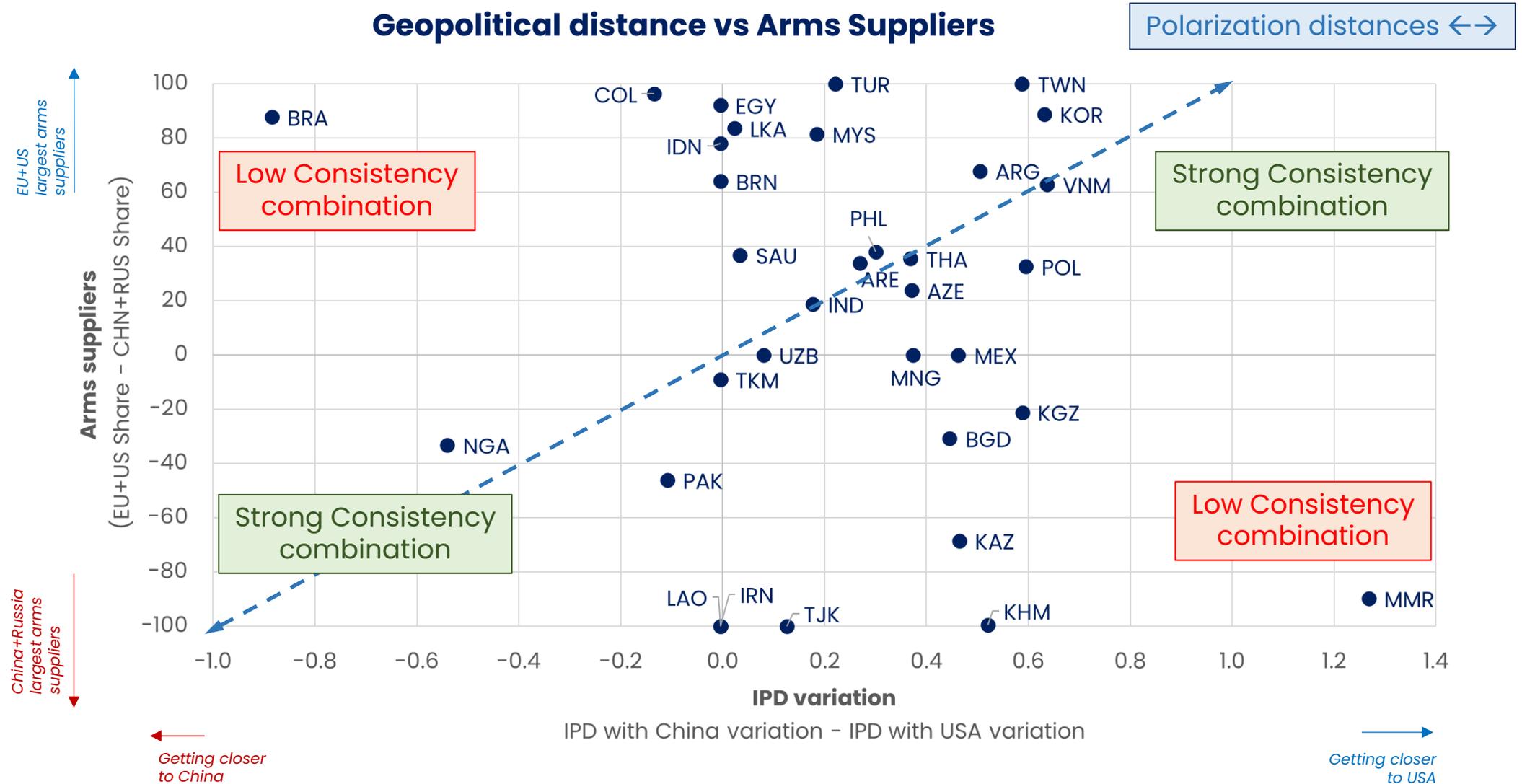
The GPSI is based on three key dimensions of geopolitical transformation:

- **Alliances:** The strength and reliability of international partnerships.
- **Conflicts & Sanctions:** Involvement in or exposure to military tensions and international sanctions.
- **Critical Locks & Knots:** Critical vulnerabilities, such as chokepoints in supply chains or essential resource access.

Each dimension is broken down into detailed components and measured using a total of **93 standardized indicators** (as of May 2025). The index is calculated using equal weights at each step—for indicators, components, and dimensions.

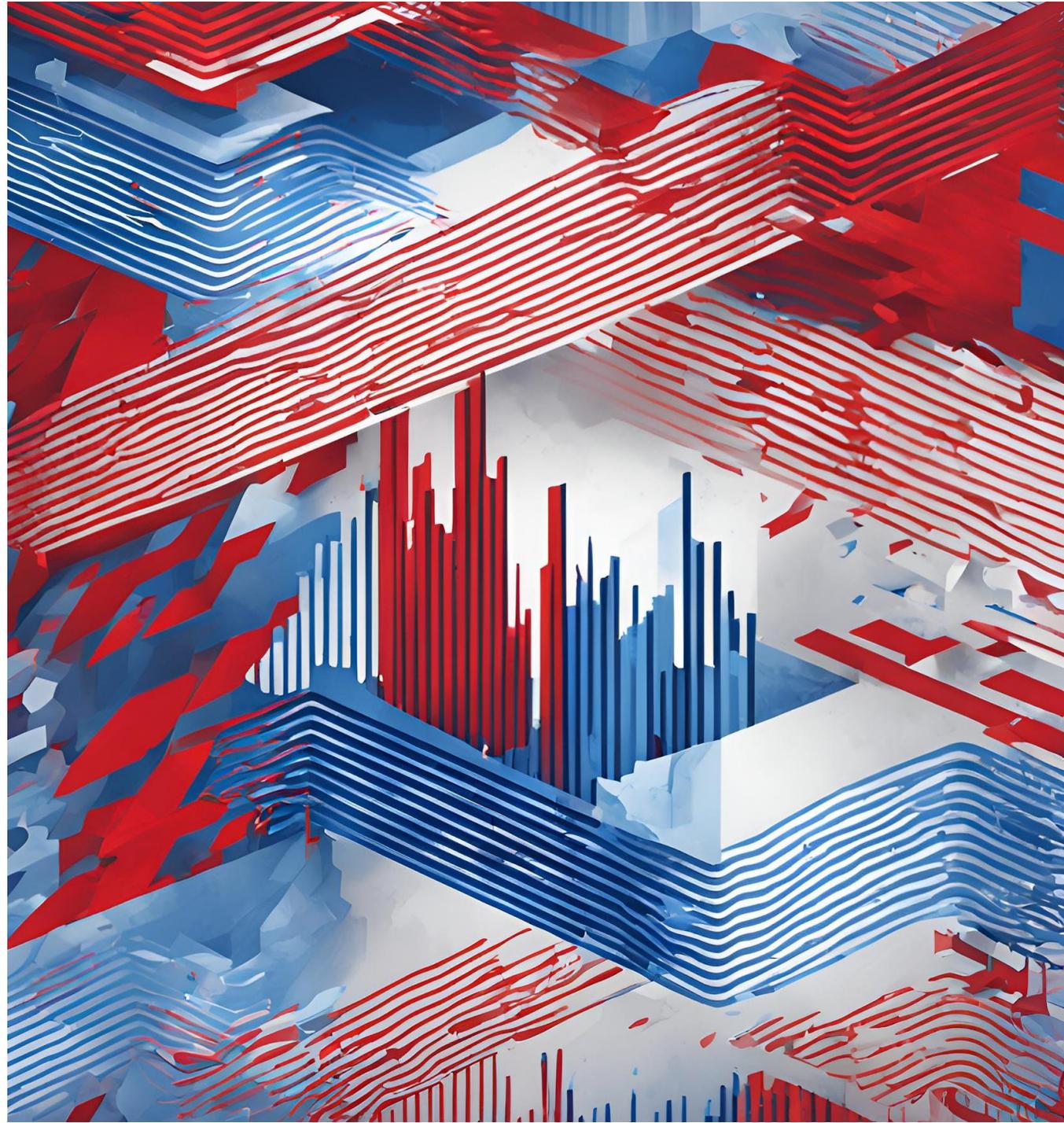
Customization options are built in, with the first level of personalization based on the user's geographic location or focus area.

GPSI : Illustration for assessment of alliances and polarization



Alert-GPT : Alert on GeoPolitical Tensions

A tool for alerting about
approaching or imminent
tensions



- **Construction of large dataset** through a news aggregator providing articles from both local and international news media (11,000 multilanguage sources).
- **Semantic tagging** of articles relevant for geopolitical risk surveillance (around 10,000 articles per day), combined with country(ies) tagging.
- Use of **advanced natural language processing tools** to analyze articles (content, intensity, themes...).
- Combination with **high-frequency financial indicators**

At the country level, our tools analyze news articles related to geopolitical events and produce three key indicators:

- **Country Buzz Index:** Measures how often a country is mentioned in the context of geopolitical tensions in international media. Higher mentions signal increased tension.
 - **Negative Mood Index:** Captures the level of negativity and concern in media coverage of geopolitical events.
 - **Violence Intensity Index:** Uses the same articles as the Negative Mood Index, combined with a custom thesaurus, to assess the severity of violence reported.
- We can then zoom in on **specific geographic areas of potential conflict**—often involving multiple countries. Using the three indicators, we apply advanced quantitative and machine learning techniques to detect complex patterns able to detect early warning signals of possible future shocks.

Any questions?

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