

Geopolitics

BBVA Research Big Data Geopolitics Monitor

Big Data Unit
08 April 2025

Trade War: China to fight to the end and ready to use the renminbi. The EU deliberates the response. US & Iran to start nuclear talks

China has vowed to "fight to the end" on the Tariff War: China has vowed to "fight to the end" if the United States goes ahead with its plan to impose an additional 50% tariff on Chinese goods. The move from President Trump, which could push total tariffs on Chinese imports to over 120%, comes after previous rounds of retaliatory tariffs from both sides and has contributed to significant market volatility. Beijing has also signaled its willingness to use currency devaluation as an additional tool, with the renminbi already falling to its lowest level since 2023.

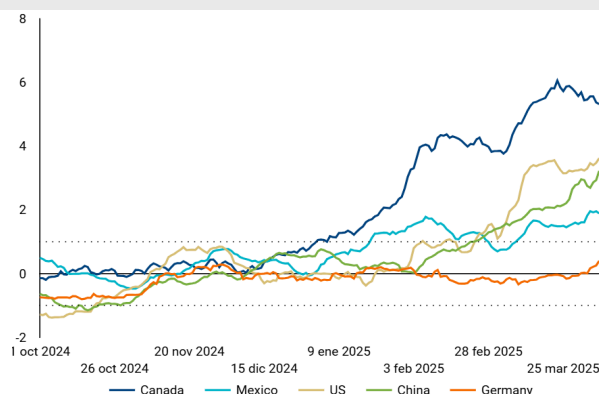
The EU deliberates on the response to the US: The EU is carefully deliberating its response to President Trump's tariffs, considering measures such as imposing up to 25% tariffs on a broad range of US exports while also holding an olive branch for negotiations. President Ursula von der Leyen emphasized a negotiated "zero-for-zero" approach to counteract the trade measures, but internal divisions persist over whether to deploy the Anti-Coercion Instrument (a more drastic tool that could target US service sectors) and risk escalating into an all-out trade war.

US and Iran to start "Nuclear" Negotiation: The US and Iran are set to begin high-stakes nuclear negotiations, aimed at rolling back Iran's nuclear program and avoiding military conflict, while Iranian officials propose indirect discussions mediated in Oman, arguing that direct engagement is unproductive amid recent US threats. Trump seeking a rollback of Iran's nuclear capabilities and Iran aiming for sanctions relief and conflict avoidance. The outcome of these negotiations is seen as a major test of the US administration's ability to navigate complex geopolitical challenges while reshaping the nuclear status quo in a volatile international environment.

The BBVA Monitor: From Geopolitics to Goeconomics and the Escalation of the Trade War

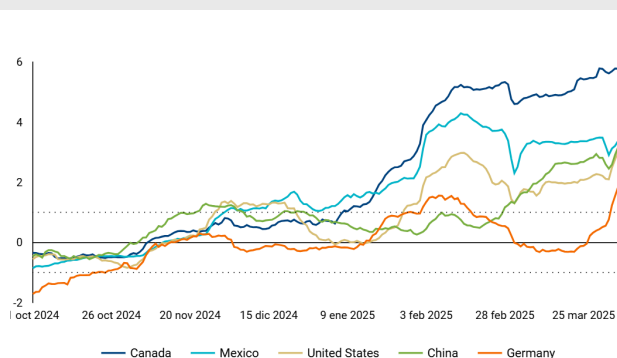
- Almost a week after "**Liberation Day**" (April 2nd), when former President Trump announced the most sweeping tariff hike in over a decade, the **Trade Policy Uncertainty (TPU) and Economic Policy Uncertainty (EPU)** indicators skyrocketed globally. This surge affected major economies and signaled a risk of further escalation, especially following Trump's threats of an additional 50% tariff and China's vow to "fight to the end" (see Fig. 1, Fig. 2, Fig. 3, and Fig. 4). EPU indicators surged into the extreme risk zone in **Canada, the US, and China**. TPU indices also spiked in **Canada and Mexico**, and in recent days, have shown significant increases in both **China and the US**.
- **Bilateral tensions indicator between US and Iran remains stable, as both countries have begun diplomatic efforts focused on Iran's nuclear program** (see Fig. 5).

Fig1. **EPU INDEX: MEX&CAN&US&GER&CHINA**
(Local media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

Fig2. **TPU INDEX: MEX&CAN&US&GER&FRA**
(Local media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.gdelt.org. Positive (negative) values indicate greater (lower) interest relative to the mean of period 2021-nowadays

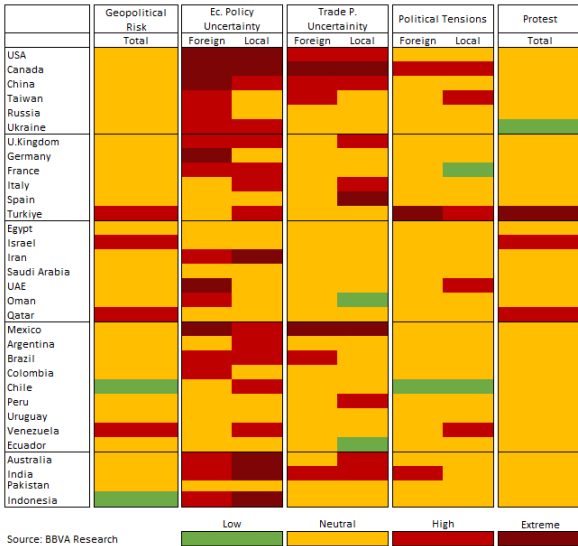
*The selection of news has been enriched by the BBVA Research Geo Assistant developed with Chat-GPT.

Fig3. BBVA RESEARCH GEOPOLITICS MONITOR "SIGNAL" CHANGES

(Signals in Geopolitical Risk, Political Tensions, Economic Policy Uncertainties, Protest and Conflict according to Standard Dev)

Summary of signals before the "Liberation Day" (April 1st, 2025)

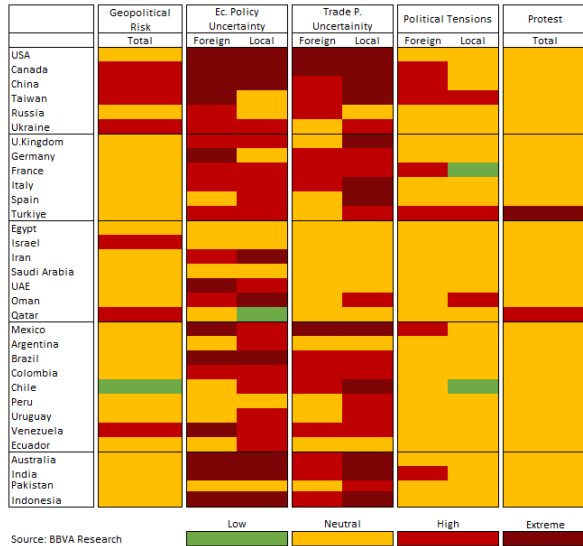
(News Sentiment Map. Sentiment relative to average sentiment in each country)



Source: BBVA Research

Summary of signals after the "Liberation Day" (April 7th, 2025)

(News Sentiment Map. Sentiment relative to average sentiment in each country)

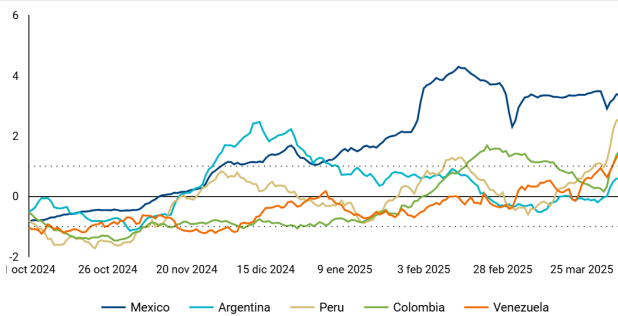


Source: BBVA Research

Source: BBVA Research and www.qdelt.org

Fig4. TPU INDEX: LATAM

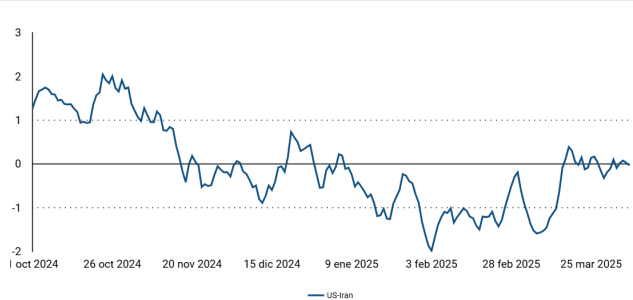
(Local media. 28-day weighted mov avg, normalized by its own history)



Source: BBVA Research & www.qdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

Fig5. BILATERAL TENSIONS INDEX: US - IRAN

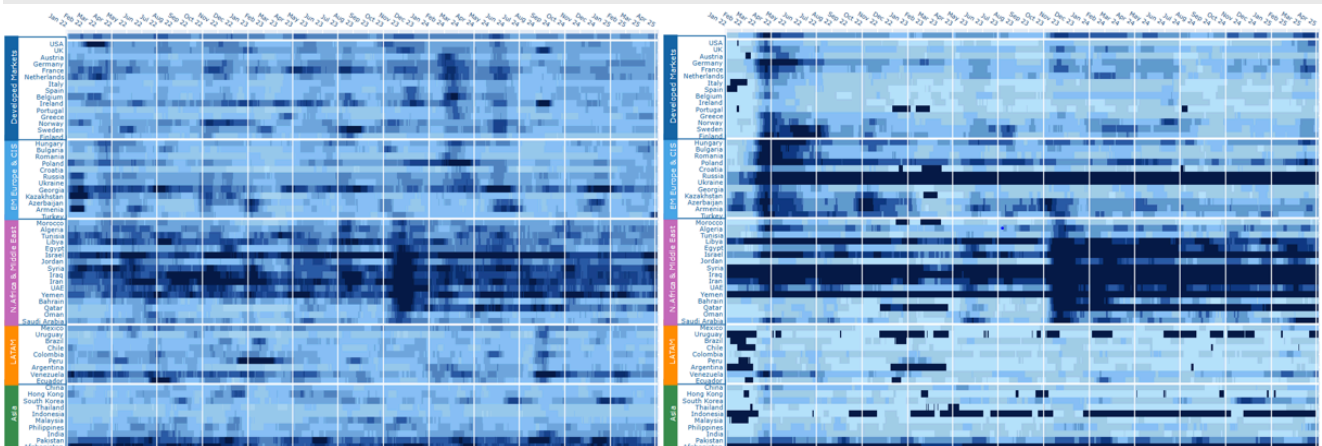
(28-day weighted moving avg, normalized by its own history)



Source: BBVA Research & www.qdelt.org. Positive (negative) values indicate greater (lower) risk relative to the mean of period 2021-nowadays

Fig6. BBVA RESEARCH PROTEST AND CONFLICT HEAT MAPS

(Evolution of Protest and Conflict over time by regions)



Source: BBVA Research and www.qdelt.org

Methodological annex: indicators' construction

We have developed a daily tracker with weekly updates to monitor protest and conflict indicators for every country in the world from 2019 to present day. To construct this, we use a rich 'big database' of international events (GDELT), created by Leetaru and Schrodt (2013). GDELT is an open-source database that extracts and parses digital news monitoring world events covered by news media from nearly every corner of the world, whether broadcast, printed, or published on the web, in over 100 languages, every moment of every day, updated every 15 minutes. Thus, it contains a comprehensive and high-resolution catalog of geo-referenced events and themes.

Using different dictionaries, several thousands of taxonomies and themes are identified in the news pieces to classify the information. The algorithms used by GDELT also identify emotions, organizations, locations, news sources, and events across the world as well as their average sentiment using Natural Language Processing (NLP) techniques and the lexicon approach.

The included indicators are:

- Geopolitical Risk: or sentiment (weighted by coverage) of the country's geopolitical risk perception.
- Political Tensions: or sentiment (weighted by coverage) of the country's political tensions.
- Economic Policy Uncertainty or sentiment (weighted by coverage) about the country's economic policy uncertainty, also disaggregated by media origin.
- Protests or coverage regarding social protests or unrest in the country.
- Conflict or coverage of armed conflicts, which go beyond verbal protests.
- Bilateral Tensions or the sentiment (weighted by coverage) between a specific pair of countries that appear together in the news article (plus NATO and EU).

The indicators track the evolution of tensions and are normalized by their country's history since 2019, thus they are all expressed in terms of standard deviations from their historical patterns. Indicators usually lie within the range [-1,1]. Therefore, when the values exceed one (the upper boundary of the range), this means escalating tensions. While it's possible to observe simultaneous tensions arising in multiple countries (for example, due to geopolitical events affecting several nations, as seen in some of our heatmaps), using these indicators for direct quantitative comparisons of risk levels between countries is not recommended.

We apply a weighted moving average of 28 days (to include four complete weeks with the same number of days of the weeks) to reduce the noise of daily information and identify signals more clearly. The weights have been calculated using a discrete geometric distribution such that it puts more weight on recent data and less on past data (see Graph 1). Aggregating by weeks, the weight of the most recent week has a weight of 68%, the past week 22%, the previous 7%, and the fourth 3%. The weight of the 28 days can be seen in the following image. In such a way, the indicators reflect what has been happening in the last few days.

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