

Future Thinking S1 E2: Geopolitical forecast for 2024

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<v SPEAKER_2>Welcome to Future Thinking, an Alongside podcast miniseries from NorthStandard, one of the world's leading marine insurers.

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<v SPEAKER_2>I'm Mike Salthouse.

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<v SPEAKER_2>In this episode, we examine the state of the world at the start of 2024 and look ahead to some of the key geopolitical events of the next 12 months.

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<v SPEAKER_2>It is a year dominated by elections, with more than 70 countries holding votes at one level or another.

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<v SPEAKER_2>And that includes the United States, Russia and almost certainly the United Kingdom.

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<v SPEAKER_2>To look at this and other key geopolitical events in 2024, I'm joined by Dr.

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<v SPEAKER_2>Dominick Donald, Director at AutoLysus Advisory.

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<v SPEAKER_2>Dominick is a geopolitical advisor and analyst with 25 years' experience in business intelligence, diplomacy, media and academia.

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<v SPEAKER_2>Dominick, welcome.

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<v SPEAKER_2>Delighted that you could join us.

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<v SPEAKER_2>I thought we might start by your take on what is going on in the world at the start of 2024.

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<v SPEAKER_2>Obviously, from your point of view, we've got a very exciting year ahead of us, but I'd be really interested to hear what you make of all the challenges we've got in geopolitics.

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<v SPEAKER_1>Thank you very much, Mike.

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<v SPEAKER_1>I think anybody looking at what's going on in the world right now might think there's actually too much going on, and frankly, we could all do with a bit of a rest.

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<v SPEAKER_1>And to a certain extent, perhaps I would suggest that people do take a bit of a rest, because a lot of the drama and the volatility that people see when they look at the news and when they look ahead at what's coming in the year, a lot of that drama and volatility is actually a function of the way that things get portrayed, rather than necessarily the way that things are.

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<v SPEAKER_1>One of the things I always tell my clients is when they're consuming the news, bear in mind how they consume news that's about something they know about, that's their sector, their company, their region, their football club.

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<v SPEAKER_1>And when they consume that news, when it's about something they really know about, they are very skeptical and they're pretty analytical, and they kind of know almost automatically whether something is tripe or not.

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<v SPEAKER_1>But strangely, most people don't then apply that same kind of prism of critical thinking to news coverage of things that they don't know about or might only know a tiny bit about.

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<v SPEAKER_1>And there's a tendency to take it all at face value, and they shouldn't.

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<v SPEAKER_2>Interesting.

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<v SPEAKER_2>So you're almost saying, yes, it looks pretty bad.

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<v SPEAKER_2>But actually, if you break all these issues that we're reading about all the time into individual problems, each has their own particular reasons, particular dynamics and particular impacts.

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<v SPEAKER_2>With that in mind, maybe we could start to look at the individual areas.

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<v SPEAKER_2>I think everybody was surprised that so much stuff came by sea out of the Black Sea.

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<v SPEAKER_2>So from a shipping point of view, we were all, well, I guess the ship owners will have known, but certainly as a marine insurer, I was quite surprised to find out just how much sunflower oil came from Ukraine.

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<v SPEAKER_2>What does the Black Sea region look like within the context of the wider Ukraine-Russia war?

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<v SPEAKER_1>It's really interesting, actually, that when you look at the Russia-Ukraine war, that's where you start, because actually, that is the part, the shipping world knows about that.

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<v SPEAKER_1>The rest of the world tends not to know about that, and the rest of the world is following a narrative that says, essentially, the Russians have loads of shells, the Russians have loads of people, they'll grind the Ukrainians down, the rest of the world is going to abandon Ukraine.

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<v SPEAKER_1>That's the narrative that people who aren't in the shipping world have been following.

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<v SPEAKER_1>But the people in the shipping world can see that this stuff is indeed coming out of the Black Sea.

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<v SPEAKER_1>And that is, for me, the biggest, most strategically important development of the past year in this war.

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<v SPEAKER_1>And that is that Russia has lost control of the Northern Black Sea.

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<v SPEAKER_1>Now, what that means for trade is, essentially, because Russia doesn't want to admit that it's lost control, it's pretending that everything is in essence going on as it was before.

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<v SPEAKER_1>On one side, that means that Ukraine is able to do business, get things in, get things out.

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<v SPEAKER_1>But another side of this is that, in terms of the overall strategic military picture, if you like, Russia, having lost control of the North Black Sea, cannot hold on to Crimea.

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<v SPEAKER_1>And the reason it can't hold on to Crimea is because to hold on to Crimea, they've got to be able to secure the Kerch Strait Bridge.

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<v SPEAKER_1>And if they can't secure the Kerch Strait Bridge, Crimea can't be sustained.

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<v SPEAKER_1>And Crimea is the strategic center of this war.

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<v SPEAKER_1>The fighting is going on in other places, but in essence, the one thing that will end this war, that can end this war straight out, is if Ukraine takes back Crimea.

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<v SPEAKER_2>That's a very interesting take on the problem.

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<v SPEAKER_2>And I suppose, looking at it through the prism of shipping, what are the risks associated with Russian anger spilling over if Ukraine is successful in taking Crimea back, and how does that again impact on trade, world, economy, all this sort of thing, do you think?

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<v SPEAKER_1>It's a good question.

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<v SPEAKER_1>I think a lot of the energy that would be released by Ukrainian reconquest of Crimea, a lot of that Russian energy would be focused within Russia.

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<v SPEAKER_1>It would be a body blow for the Putin regime.

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<v SPEAKER_1>And while it might not necessarily force him out, it would certainly create huge political tensions that the state might not be able to contain.

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<v SPEAKER_1>I think the chances of Russia mounting a serious effort to interrupt trade, to be an international tricky customer, a bit like the Houthis, but on a larger scale, I think the chances of that are quite small, partly because Russia is going to have these internal convulsions, one way or another, but also because of Russian capabilities.

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<v SPEAKER_1>The people who Russia would use to do this have to a certain extent been put in tanks.

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<v SPEAKER_1>Its warships have lost half their crews to being tank crews.

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<v SPEAKER_1>But I think the real thing is that the Russian state is going to be fighting for its own political survival.

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<v SPEAKER_2>Let's talk about Israel and the Middle East.

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<v SPEAKER_2>I'd be interested in your take on that and how you think that is going to work through over the next few months, particularly given that Israel shows no sign of reigning back on its determination to eradicate Hamas.

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<v SPEAKER_2>And the longer that goes on, presumably the greater the chance of broader escalation, particularly that affects shipping.

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<v SPEAKER_1>Yes, and I think the fact that it hasn't happened so far is evidence that nobody wants escalation to happen.

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<v SPEAKER_1>Hezbollah has limited itself to these carefully calibrated exchanges with Israel.

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<v SPEAKER_1>Iran, which was kind of blindsided, actually, by the success of the Hamas invasion.

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<v SPEAKER_1>They didn't expect huge numbers of hostages to be taken.

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<v SPEAKER_1>They didn't expect the barbarism of the Hamas attack to have been so widespread, to have been so fundamental in its effect on the state of Israel.

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<v SPEAKER_1>Iran is trying not to get caught up in this.

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<v SPEAKER_1>And a lot of what has happened involving Iran over the last couple of months actually is a continuation of old business.

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<v SPEAKER_2>The focus, which is you're dealing with, is that these players are being quite measured in terms of their response.

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<v SPEAKER_2>But the party I think we're all maybe underestimating worldwide is just the strength of feeling within Israel, so that the actual conflict isn't escalated by Iran and its proxy is probably the wrong word, but is actually escalated by Israel, which just sits there and says, you know, we can't tolerate this anymore.

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<v SPEAKER_1>There is always that danger, particularly while Netanyahu is prime minister, and particularly while Netanyahu's political survival as prime minister is dependent upon the support of some extreme right-wing parties and individuals.

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<v SPEAKER_1>It is also clear that there has to be some kind of Palestinian political arrangement at the end of this that takes over some of the responsibility of Gaza.

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<v SPEAKER_1>And that's not achievable with Netanyahu in charge.

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<v SPEAKER_1>And the people who Israel needs to get it out of the political hole it's dug itself into with Gaza, that's states like Saudi Arabia, the United Arab Emirates, perhaps Egypt.

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<v SPEAKER_1>Those states are very clearly saying, we will only help you get out of this if there is some kind of Palestinian political arrangement.

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<v SPEAKER_1>The carrot we will offer you is recognition of Israel, but in return, there's got to be something like the two-state solution.

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<v SPEAKER_2>Let's go a bit further south then and look at the Red Sea and the Houthis.

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<v SPEAKER_2>I mean, this is the most direct, has the most direct impact obviously on shipping, seafarers, ship owners and international trade.

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<v SPEAKER_2>Has this plateaued or do you think there is potential for further escalation here?

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<v SPEAKER_1>It might well have plateaued in terms of effect.

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<v SPEAKER_1>I think a lot of the comment on the strikes against the Houthis are missing what seems to me to be the fundamental objective of those strikes.

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<v SPEAKER_1>And I'm not surprised the comment is missing it, because neither the US government nor the UK government will say this explicitly.

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<v SPEAKER_1>But the point of the strikes is not to stop the Houthis firing rockets, firing missiles, sending off drones.

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<v SPEAKER_1>It's to stop the Houthis being able to see what they're firing at.

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<v SPEAKER_1>It won't necessarily stop them firing, because in part their firing stuff is the political objective they are seeking to achieve.

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<v SPEAKER_1>They don't necessarily need to hit anything.

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<v SPEAKER_1>They can claim it after all if they want to for their own internal political purposes.

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<v SPEAKER_1>And that's the only reason they've done this.

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<v SPEAKER_1>This isn't about Israel.

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<v SPEAKER_1>This isn't about the Palestinians.

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<v SPEAKER_1>This is entirely about making the Houthis stronger within Yemen and making them a more important international negotiating partner.

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<v SPEAKER_1>For those purposes, they can just keep firing stuff.

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<v SPEAKER_1>So I would see in the months ahead a continuing naval presence that essentially manages to turn the Houthi threat into an irritation rather than a threat.

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<v SPEAKER_1>And the odd ships still being hit from time to time.

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<v SPEAKER_2>We may or may not have a Trump presidency in 2025.

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<v SPEAKER_2>Whether we do or we don't, I suspect that this is going to be quite a disrupted year by the politics going on in the United States.

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<v SPEAKER_2>But I'd be interested to hear what you think might be the impacts for the second Trump presidency and what might be the impacts for another Biden term.

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<v SPEAKER_1>I don't think, if we're looking at this year, I don't think that the ins and outs of the presidential election, the ins and outs of the campaign, will have a specific effect, if you like, upon the shipping world.

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<v SPEAKER_1>I mean, I don't see, for instance, the Biden administration shifting towards a more protectionist stance, shifting towards perhaps sanctioning China for this or that, that might obviously affect what can go in and what can go out.

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<v SPEAKER_1>Where the United States political environment might play out in the shipping world, is when the election has happened and the result is known.

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<v SPEAKER_2>What foreign policy changes would you expect to see from a second Trump administration?

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<v SPEAKER_1>I think a lot of the elements that one saw in the first Trump administration would return, but I think they would return in a stronger and more concrete form.

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<v SPEAKER_1>He's likely to be much closer to dictators generally, try to make deals on a sort of bilateral level that will overturn existing arrangements, whether that's in relation to NATO, which I would expect him to try to get the United States to withdraw from, whether that's China and Taiwan.

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<v SPEAKER_1>I strongly suspect he would like to essentially give China carte blanche over Taiwan.

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<v SPEAKER_1>I think in trade policy terms, there would obviously be a very big difference with the Biden administration.

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<v SPEAKER_1>I think it would be a strongly protectionist administration.

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<v SPEAKER_1>I think that the Trump administration would probably seek to essentially dismantle a lot of the architecture of global trade.

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<v SPEAKER_1>Having painted that rather sort of shocking, perhaps bleak picture, while he might want to achieve these revolutionary effects, much of it might actually just get lost in process and lawsuits and difficulties with Congress.

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<v SPEAKER_2>Let's just finally then turn to something which I suspect you're going to tell me nothing will happen until we see the outcome of the US election, particularly from what you've just said, but it's China, China, Taiwan.

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<v SPEAKER_2>I'd be interested in whether you see anything happening in 2024, I guess before a Trump presidency.

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<v SPEAKER_2>And I'd be interested in what you think that might look like if it happens.

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<v SPEAKER_1>First thing to bear in mind, China and at its head Xi Jinping, they're operating according to their own timeline and in pursuit of their own interests.

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<v SPEAKER_1>So while it's very easy for the rest of us to see one event in the world and think that that might make China do X or Y in relation to Taiwan, the reality is that China has its own timetable, Xi has his own timetable.

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<v SPEAKER_1>We're not entirely sure what it is, but there are strong indications that he wants Taiwan returned to the control of the mainland by the beginning of 2030.

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<v SPEAKER_1>If this is the case, what we don't know is whether he has said, I want to achieve this by peaceful means or I want to achieve this by invasion or I just want to achieve this.

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<v SPEAKER_1>I don't care how.

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<v SPEAKER_1>The Chinese strategy for regaining Taiwan was essentially a political one.

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<v SPEAKER_1>It was to take the one country, two systems idea that had been put together, put in place for Hong Kong, but actually was devised for Taiwan to take that system and sell it to the Taiwanese so that they would say, OK, we want to go back to China because we'll be able to retain our effective independence and we'll be able to have our own elections.

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<v SPEAKER_1>And it'll be like being in Taiwan, but just will be part of great, marvellous communist China.

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<v SPEAKER_1>But that's dead.

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<v SPEAKER_1>That political scheme is dead because of the way that Xi has essentially driven a tank through one country, two systems in Hong Kong.

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<v SPEAKER_1>So nobody in Taiwan really believes in one country, two systems anymore.

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<v SPEAKER_1>That means they're left with a military route, and the military route is going to be problematic for several years.

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<v SPEAKER_1>In substantial part because the Chinese military, which is rebuilding, is only now really beginning to find out how difficult it is to mount an amphibious assault on somewhere that doesn't want you assaulting it.

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<v SPEAKER_1>The process of learning that, the process of working out the kinks in that effort, it requires a kind of lessons learned programme that actually the Chinese military can't do because the Chinese military is political.

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<v SPEAKER_1>And the lessons learned is all about identifying without blaming, identifying what went wrong and correcting it.

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<v SPEAKER_1>So the process of learning how to do this kind of operation is incredibly involved, very difficult, structurally very difficult for the Chinese military to absorb.

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<v SPEAKER_1>And that therefore means that they will be taking longer to mount any putative attack than would otherwise be the case.

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<v SPEAKER_1>The danger time for me is the second half of the next US administration.

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<v SPEAKER_1>And particularly if Trump is back in office, I don't think anybody would really believe that Trump would be ready to see the United States go to war for Taiwan.

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<v SPEAKER_2>Dominick, thank you very, very much.

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<v SPEAKER_2>That's been truly insightful.

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<v SPEAKER_2>I think we've all learned a lot.

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<v SPEAKER_2>I'm not sure whether I am reassured or unreassured by what you've just said, but I certainly feel that my insights improved quite significantly.

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<v SPEAKER_2>So thank you very much.

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<v SPEAKER_2>My pleasure.

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<v SPEAKER_2>Well, that's it for this episode of Future Thinking.

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<v SPEAKER_2>In future episodes, we will discuss sanctions in the maritime industry, including the Russian oil price cap scheme.

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<v SPEAKER_2>We speak to somebody who worked with Donald Trump when he was US president to find out what a second Trump term might mean for the shipping industry.

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<v SPEAKER_2>That's it from me, Mike Salthouse.

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<v SPEAKER_2>Bye for now.