



Geopolitical
Intelligence
Services

Your Quarterly Forecast

Q3 2024

Geopolitical trends in
the third quarter of 2024

Middle East

Throughout the spring of this year, the geopolitical landscape was defined by the ratcheting up of tensions between Iran and Israel. Early April witnessed a marked increase in direct confrontations between the two nations, starting with Israel's attack on the Iranian consulate in Syria. This unprecedented direct assault was answered with a missile and drone barrage from Iran, marking a departure from the traditional proxy warfare that has characterized their long-standing animosity. These developments, while not the harbinger of World War III that many analysts predicted, do require that current geopolitical trends be analyzed in a new light.

Following the confrontations, financial markets initially reacted with modest increases in asset prices, including oil, but prices soon stabilized. This resilience suggests that markets may be becoming more adept at navigating geopolitical unrest without sustained panic. However, the long-term economic implications of such conflicts can be profound, potentially disrupting global oil supplies and contributing to further regional instability.

Although both Iran and Israel have expressed intentions to de-escalate tensions, the crossing of several geopolitical lines introduces an enduring element of uncertainty – especially in the aftermath of the helicopter accident that claimed the lives of Iranian President Ibrahim Raisi and Foreign Minister Hossein Amir-Abdollahian. This ongoing situation underscores the complexity of predicting economic outcomes from geopolitical events, as immediate market reactions may not paint an adequate picture of the longer-term economic impacts.

When planning strategically, the threat of a regional conflict in the Middle East should not overshadow terrorism concerns. Political and sectarian tensions are fertile ground for violent extremism. This trend is exacerbated by the actions of countries like Iran, which continues to back terrorist proxies such as Hamas, the Houthis and Hezbollah. This support not only fuels regional conflicts but also increases the risk for destabilization through isolated acts of political violence.



Europe

The global stage will see several high-profile events and elections this year. The Paris Summer Olympics, for instance, presents a highly visible target for attacks that could capture global attention and amplify terror groups' extremist ideologies. The persistence of weak national governments and porous borders in several parts of the world, most notably the Sahel, further complicates the situation by providing safe havens for terrorist groups to operate with relative impunity. In this context, the threat of terrorism remains a significant concern.

Meanwhile, the ongoing Russia-Ukraine conflict remains a source of potential disruption. Despite the approval of a substantial \$61 billion U.S. aid package to Ukraine, which includes critical military assets, recent Russian advances have put Ukraine in a vulnerable position. Kyiv is now allowed to use NATO weapons on Russian territory. This escalation may provoke intensified Russian military responses, including increased drone and missile attacks targeting Ukrainian infrastructure and logistical routes.

As a result of these ongoing geopolitical tensions, prices for energy commodities like oil and natural gas are elevated, and on the whole the latest developments in the commodity market present a variety of opportunities, particularly with rising demand in several key areas. The surge in electric vehicle production continues to boost the value of essential battery components such as lithium and cobalt, as well as copper, which is critical for electric wiring and motors. The growing focus on sustainable agriculture has also heightened interest in organic and non-GMO commodities, opening new market avenues.

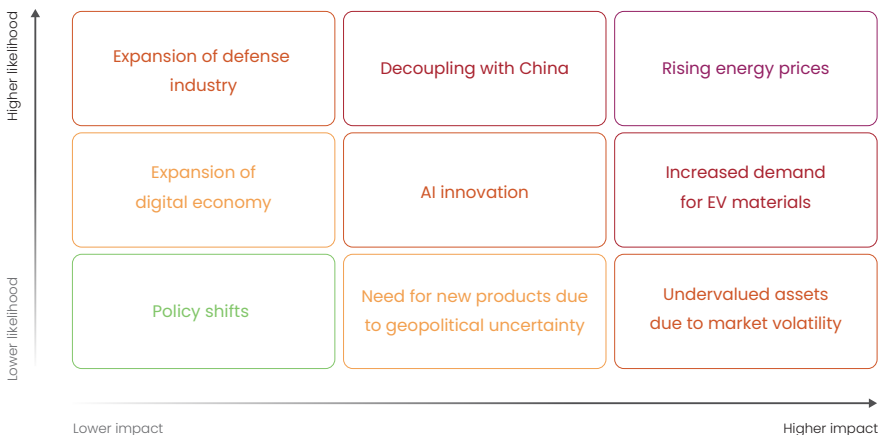


China

Another pivotal area to monitor is economic shifts. Many are expressing concern over structural issues within the Chinese economy, but it is premature to forecast its decline. Under the strategic leadership of President Xi Jinping, significant advancements in technology integration across various sectors have been made. The nation's emphasis on automation and the strategic deployment of technology in key industries like manufacturing and robotics has not only boosted productivity but also strengthened global competitiveness. This technological infrastructure may well provide the Chinese economy with the resilience it needs to address current challenges effectively.

However, recent developments have heightened concerns regarding a potential military confrontation involving Taiwan. Among the signs pointing to a possible escalation are increased military maneuvers around Taiwan, with an uptick in the frequency and scale of Chinese military exercises in the region. This includes the deployment of aircraft and naval vessels close to Taiwanese waters and airspace, which serve as a demonstration of military capability and intent. Additionally, there has been a noticeable shift in rhetoric from Chinese leadership, which has become more assertive regarding Taiwan's status and China's territorial claims. The international community has also observed a significant buildup of military assets in the area, suggesting a strategic positioning that could support a range of military options. These actions collectively contribute to the growing speculation about an upcoming confrontation.

Opportunity matrix



United States

This latest hardening of Beijing's stance may exacerbate tensions with the United States. As the third quarter unfolds, the U.S. is navigating a complex geopolitical landscape, marked by specific risks and strategic opportunities. There is already significant friction in relations with China, particularly concerning technology and trade, which might necessitate tighter security measures on tech investments and imports that could affect market dynamics. Additionally, the situation in Eastern Europe has the potential to disrupt global energy supplies and necessitate shifts in U.S. foreign policy and energy strategies.

On the opportunity side, the concept of economic decoupling from China presents a notable avenue for reshaping U.S. economic policy. By reducing dependence on Chinese-manufactured goods and technology, the U.S. would enhance its economic sovereignty and stimulate domestic industries, particularly in technology and manufacturing. Furthermore, this period offers the chance to solidify trade relations with alternative partners in Asia.

Global majority

The term "global majority" refers to a group of countries that, while historically categorized as "developing," are increasingly playing a pivotal role in shaping the global economy and power balance, and whose citizens make up the vast majority of the global population. The rest of the world often misunderstands and underestimates these nations, viewing them through an outdated lens that fails to recognize their potential. Most Westerners (who in fact constitute the minority of the global population) remain fixated on a paradigm where the global majority is seen primarily as a beneficiary of aid rather than a crucial player on the international scene. This myopic view overlooks the innovative strides being made in technology, entrepreneurship and development within these regions.

The emerging global majority offers a wide range of untapped opportunities, with vibrant markets, young and increasingly educated populations, and a growing middle class eager to participate in the global economy. Despite their significant geostrategic advantages, which makes them attractive for energy investments, many such countries are still overlooked by investors. Similarly, the accelerating digitalization of economies will continue to create undervalued business opportunities in the near term.



Calendar

Q3 2024

JULY

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3	Shanghai Cooperation Organisation summit in Kazakhstan	
4	General election in the UK	
5	Presidential election run-off in Iran	
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7	Second round of legislative elections in France	
8		Russia-India bilateral summit
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10	NATO summit in Washington DC	
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15	General elections in Rwanda	Parliamentary elections in Syria
16	U.S. Republican Party National Convention	G7 trade ministers' meeting
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AUGUST

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8	2024 Summer Olympics ends	
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12	Presidential election in Zambia	
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20	U.S. Democratic Party National Convention	
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28	Pacific Islands Forum	
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SEPTEMBER

1	Snap parliamentary elections in Azerbaijan, Saxony and Thuringia state elections in Germany	
2	Legislative elections in Czechia	
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7	Presidential election in Algeria	
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10	Legislative elections in Jordan	
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15	Presidential election in Romania	
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17	Presidential election in Sri Lanka	
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22	Brandenburg state election in Germany	
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