



GROUPE
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GEOPOLITICAL REPORT
YEAR 2024

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GEOPOLITICAL REPORT – YEAR 2024

1. Executive Summary

We currently do not see any indications of a looming geopolitical shock to the system over the next 12 months. With ongoing crises in both Ukraine and the Middle East (Gaza and Red Sea), some may be tempted to propose a major actor (presumably China) may take advantage of Western attention being fixed elsewhere. But that is only logical in the abstract and has no basis in the current or foreseeable reality. The current regional crises may deteriorate, but we are unlikely to see a major escalation. Western supply routes, particularly energy, remain exposed to geopolitical tensions, and there looks to be continued trade tension between the US and China.

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EASTERN EUROPE AND RUSSIA

A CONTINENT AT WAR

No definitive resolution to the Russia/Ukraine conflict likely over the next 12 months. Western resolve to support Ukraine will continue – but this year may be critical. Neither Ukraine nor Russia likely to begin meaningful negotiations over the next year. Russia will remain stable during the next year – so long as oil revenues remain close to current levels, and conscripts not sent to the front. Developing world support for Moscow has barely shifted during the course of the war. Putin will try to hitch his messaging to the Palestinian cause – any success will be reflected in next UN vote on Ukraine. Highly unlikely conflict will extend beyond Ukraine into Eastern Europe/NATO this year.

Is there likely to be a definitive resolution to the Russia/Ukraine conflict over the next 12 months?

Almost certainly not. The only circumstances in which this seems possible are if President Putin is forced from office, and/or if NATO becomes a belligerent. The former would only occur if Ukraine achieved a regime-threatening victory, or elements of the regime's security apparatus turned on Putin, or both. While both of these occurrences are conceivable in the short to medium term, neither seems remotely likely over the next 12 months. NATO becoming a belligerent is theoretically a constant possibility, largely because of the red line established by President Joe Biden, namely any Russian use of chemical, biological, radiological or nuclear (CBRN) weapons against Ukraine. However, Putin is fully aware that NATO involvement means military defeat, and has instead used the threat of CBRN deployment to persuade Western states to limit trans-

fers of superior weapons systems to Ukraine; this calculus will not change this year. (Other war-ending circumstances that might theoretically arise – such as a collapse of Ukrainian will or combat power, an outright Russian victory, or irresistible external pressure on Kyiv to cease hostilities – are either fundamentally implausible, or unlikely to occur during the next year, for reasons that will be seen below.)

IS there likely to be a definitive resolution to the Russia/Ukraine conflict over the next 12 months? Almost certainly not.

The principal reason for the near impossibility of a definitive resolution to the conflict over the next 12 months is the state of the two belligerents' combat power.

- Russia's military is large, blunt, unsophisticated, ill-coordinated and stubborn. It is now handicapped by its inability to achieve decisive mass, or deploy its mass effectively. The result is that it is currently unable to achieve anything more than small local gains, and will only be able to make substantial ones, such as those seen in February and March 2022, when it has been able to build and train an offensive force – separate from that currently manning the front line – of the size and capabilities of the original invading army. This could not possibly be achieved in sufficient time to deliver major victories in the coming year, and may not be doable at all – previous efforts have been wrecked by the new forces needing to be drip-fed into the front line. Of course, small local gains may well be portrayed as major victories, as was the capture of Avdiivka in late February this year – but they will not get Russia any closer to a decisive outcome.

- The Ukrainian military is a nation in arms, fighting for national survival; while most formations are handicapped by limited training, and the best have been hollowed out by heavy casualties, all have proven highly adaptive and committed in both attack and defence. Arms transfers from the West have allowed the Ukrainian military to blunt Russia's offensive capabilities and take the offensive itself, but it failed to achieve major breakthroughs in 2023 and will not attempt anything of a similar scale until it has trained all arms to the level where they can use these transfers to greatest effect. This almost certainly rules out major offensive action until late 2024 or 2025. Ukraine's military cannot win the war in 2024; but it will not lose it either.

In the meantime, **the strategic balance in the region has also shifted decisively in Ukraine's favour.** The maritime element of the Ukrainian offensive has tended to be seen as a tactical-level demonstration of David's prowess against Goliath, but it was a key part of the strategic conception and has achieved its desired effect. Russia has been forced to move most of the Black Sea Fleet out of Ukraine's reach, surrendering control of the northern Black Sea, permitting Ukraine to restore pre-war levels of grain exports, and exposing the Kerch Strait bridge and Crimea. Crimea is the strategic centre of gravity of the war; both sides understand that its reoccupation by Ukraine would probably precipitate a wider Russian defeat. Crimea is now substantially more vulnerable than 10 months ago.

What would swing the outcome in a particular direction?

The war is unlikely to be wound up quickly; the gap between the events that precipitate a halt to fighting, and the deal that formalises the end of the war, might measure years rather than months. However, certain events might precipitate peace talks of some kind this year (bearing in mind that

as of March 2024, neither side has any interest in talks, whatsoever); they would certainly swing the outcome of the war – even if, as stated, the chances of a definitive resolution of the conflict this year are extremely small.

- 1. The destruction of the Kerch Strait bridge.** Without the bridge, Russia cannot sustain its occupation of Crimea during wartime. *Any significant development making Ukrainian reoccupation more likely would have substantial ripple effects, even before Ukrainian forces entered the peninsula.*
- 2. The re-election of Donald J. Trump as US president.** This would almost certainly see a halt to US arms transfers, the withdrawal of US security guarantees to Europe (perhaps to include withdrawal from NATO), and at least some pressure being applied on Ukraine to deal with Russia. However, the major effects of his re-election would only be felt after his inauguration in January 2025. *These effects would be either a prolongation of the war, or greater likelihood of negotiations on Russia's terms, or both.*

The war is unlikely to be wound up quickly.

- 3. A halt to US arms transfers to Ukraine during 2024.** These are currently suspended while the Biden administration and the Republican leadership of the House of Representatives tussle over whether they can resume. **On balance, it seems more likely that the Ukraine funding bill will pass through Congress,** possibly in the early second quarter (much depends on the messaging Members receive from the US intelligence community). However, if the suspension continues for most or all of the year, Ukrainian forces will experience severe shortages of certain ordnance, particularly artillery and air defence munitions. This would result in Ukrainian forces giving ground in the face of Russian attacks, although Russian forces would be unlikely to make sub-

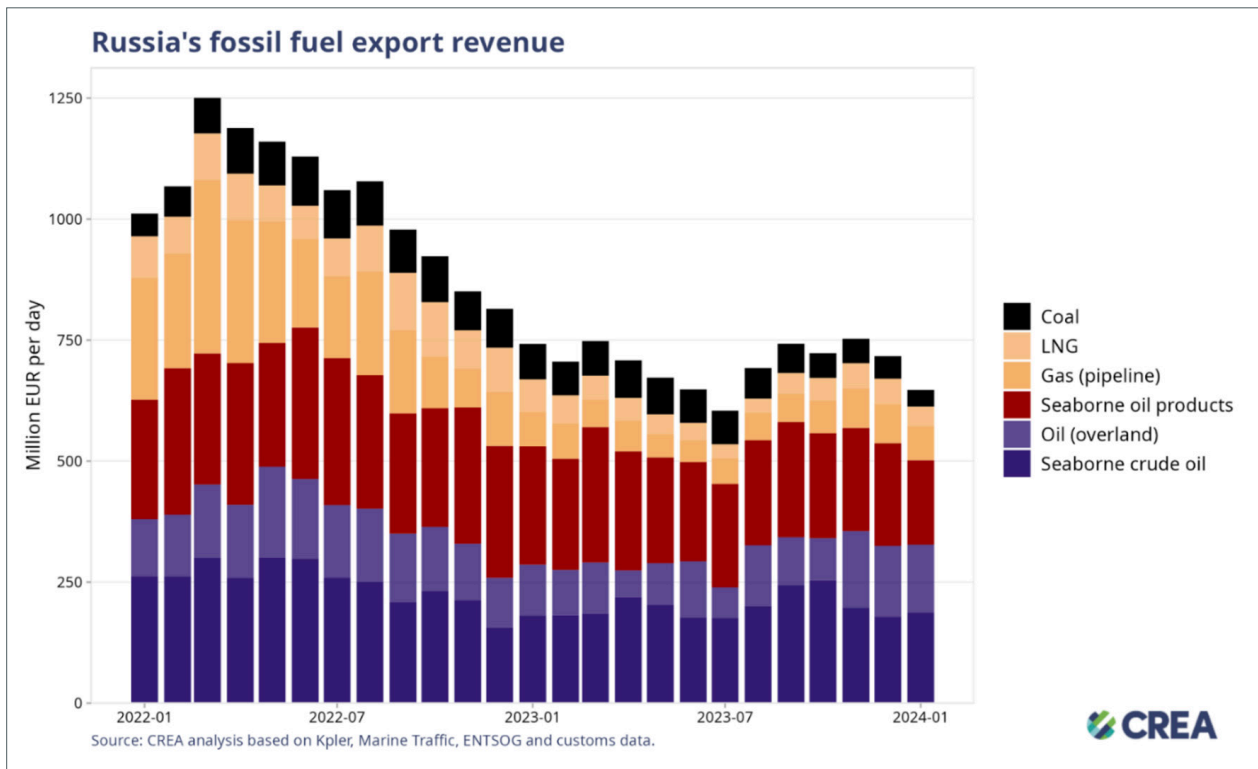
stantial territorial gains like those of February/ March 2022 – in part because European arms transfers would fill some of the gaps left by the US suspension. *While a prolonged suspension of US arms transfers is on balance less likely, it would have the medium-term effect of prolongation of the war, and a greater likelihood of negotiations on Russia’s terms.*

4. Significant internal disorder within the Russian Federation. This is highly unlikely. However, the Wagner mutiny of 2023 showed that the Russian security apparatus is divided over both the conduct of the war and – implicitly – its political leadership. Similarly, the winter of 2023-24 has seen the first major wartime civil protests in Russian communities, largely about local services, which have deteriorated markedly because of the distortions of the war economy. Should Putin use his re-election in March to authorise the deployment of conscripts to Ukraine – a step he has hitherto refused to take, knowing how unpopular it would

be – he will have introduced a substantial extra element of political volatility into the Russian state, at a time when its coercive and repressive capabilities are heavily committed to the war. *Any significant internal disorder, unlikely as it may be, will weaken Kremlin control and make Russian forces at the front much more vulnerable to external shocks.*

5. More effective sanctions on Russia’s oil exports. Oil revenues may now account for more than 50% of Russia’s state budget, at least 25% of which is now spent on the war. The price cap applied by the US and EU last year, which aimed to permit exports to continue but to limit Russia’s profits, were initially effective but have since led to the creation of a substantial above-cap trade, shipped by a ‘black fleet’ of tankers. **It is probable that both the EU and US will aim to restrict Russian oil exports this year.** It is unclear what form this effort will take – a new cap, direct sanctions, or aggressive enforcement of existing restrictions.

G1 : DECREASE IN RUSSIAN OIL EXPORT REVENUE SINCE FEBRUARY 2022



Source: Centre for Research on Energy and Clean Air, January 2024 – Monthly analysis of Russian fossil fuel exports and sanctions

If more effective sanctions do manage to reduce either the volume of Russian exports by 25% or more, or compel sales at approximately US\$50 per barrel, they will weaken Russia's ability both to fund the war and to maintain internal stability.

It is worth noting that certain developments on the battlefield in 2024 – such as Russia managing to conquer all of the territory of the four oblasts it has officially incorporated – might lead to peace overtures. However, they will not change the outcome of the war and will not lead to meaningful negotiations.

Has the West lost its resolve to support Ukraine, and what would be the impact if this is the case on the war and Russia's future ambitions?

No. (Although this question might get a different answer in a year's time.)

The EU has just agreed a €50bn support package for Kyiv, overriding the objections of Hungary's Prime Minister, Victor Orban; the package will remain in place for at least two years. And while European Parliament elections in June are likely to see significant victories for populist right-wing parties, many of which are opposed to supporting Ukraine, the body has only a limited influence over EU foreign policy; **is likely to focus most of its populist energies on the European Green Deal; and would be highly unlikely to derail the new support package** – although some opportunistic political grandstanding may create a different impression. It is the European Commission that drives this policy, along with the Council of Ministers – and they also control the purse strings.

War is dynamic; what is politically and economically acceptable at one time may be perfectly bearable at another.

As for the US, while arms transfers are currently suspended, the Biden administration has mechanisms

available which will allow it to bypass congressional obstructions to shipments – obstructions which reflect the interests of Republican presidential nominee Donald Trump and not the sentiment in both chambers, which is supportive of Ukraine. However, the idea that the West has lost its resolve to support Ukraine is a dominant trope of media coverage and analysis of the war – fanned in part by assiduous Russian information operations – and it will continue to be vocalised by the media, even as new and more capable weapons systems are shipped to Ukraine.

If the West did lose its resolve to support Ukraine then the result would be the war ending in Russia's favour, probably at least a year after the support began to erode, with considerable Ukrainian territory occupied by Russian forces, and perhaps some formal cession of Crimea to Moscow. However, Ukraine would survive as a democratic, independent, and western-aligned state; there is no prospect of it re-entering Russia's orbit. But this is unlikely to happen in the coming year.

What would bring both sides to meaningful negotiations?

War is dynamic; what is politically and economically unacceptable at one time may be perfectly bearable at another. This means that developments that would be pivotal if they occurred in 2024 might have a different effect at a different stage of the war. That said, the following possible – though not necessarily likely – developments would bring Russia to meaningful negotiations in the coming year:

- A catastrophic battlefield defeat – e.g. major breakthrough by Ukrainian forces, cutting off supply lines or otherwise directly threatening Crimea
- Military collapse – e.g. through the effective desertion or 'war abstention' of whole units of mobilised personnel, or a major uprising against the military chain of command within regular forces
- A crippling of Russia's oil export infrastructure – e.g. through large-scale sabotage of logistics routes and hubs

- Loss of Crimea
- Regime change in Moscow

The following possible developments would cause Ukraine to hold meaningful negotiations in the coming year:

- Ukrainian reconquest of either Crimea or the Donbass
- Regime change in Moscow

Other possible developments might lead to meaningful negotiations, but after 2024. This is because successes would be seen as fuel for further efforts; defeats would be reminders that Ukraine is in an existential battle for survival which it cannot afford to lose; and Kyiv has sufficient cash to fund the war through 2024, thanks to pre-war levels of agricultural exports and the EU's February assistance package.¹

Will Russia's domestic political and economic stability be impacted if the war continues to the end of 2024?

No – as long as oil revenues remain close to their current levels, and conscripts are not sent to the front. At present the Kremlin has managed to isolate the costs of the war; the casualties are, broadly speaking, volunteers from rural areas or small towns; inflation is not yet punitive (particularly given higher wages); and blame for deteriorating services is largely attached to local government, not Putin. Furthermore, the state (in one guise or another) provides 60% of Russia's jobs, making people unwilling to confront it. Yet the war is not popular² and 80% of Russians are worried about their financial wellbeing³. Significant interruptions to the state's revenues, and despatching conscripts to the front, would each threaten political and economic stability by the end of 2024, as long as they occurred before the autumn.

Is Russia really cementing its influence in the developing world?

Only to a limited extent. The Russian narrative – that the war is anti-imperialist resistance to hegemonic aggression – is undoubtedly gaining ground in the developing world, and there appear to have been some headline cases of increasing Russian influence. However, it is difficult to see these elements being cemented in more than a few cases. For instance, a key metric for Russian influence in the developing world – not least in the eyes of the Kremlin – is support in the UN General Assembly (UNGA), where votes are non-binding and thus can be fairly freely given. But developing world votes on the war in the UNGA have barely shifted during the course of the war⁴, with three states voting against Russia for every one abstaining, and 20 voting against Russia for every one supporting it. And while no UNGA vote marked the invasion's second anniversary, only states which had previously backed Russia supported it in the relevant debate.

¹ Roughly half of Ukraine's 2024 budget is allocated to defence (approximately US\$40 bn), funded mostly by taxation. The IMF estimated that Ukraine would need at least US\$37 billion in external financial assistance in 2024 to cover the rest of the budget. The EU package fills this gap.

² The Kremlin-tolerated Russian pollster Chronicle reported in October that support for the invasion had halved in two years, and 40% of Russians favoured the withdrawal of troops from Ukraine without war aims being achieved. Only 33% were against exiting the war, down from 47% a year before.

³ According to another Chronicle poll in November. The figure in May 2023, six months before, was 50%.

⁴ ES/11/1, of 02/03/22, demanding full withdrawal of Russian forces: 141 in favour, 5 against, 35 abstentions. ES/11/4, of 22/10/22, rejecting Russia's annexation of Donbass territory, and demanding Russian withdrawal: 143 in favour, 5 against, 35 abstaining. ES/11/6, of 23/02/23, calling on Russia to withdraw: 141 for, 7 against, 32 abstentions.

The reality behind Russian influence in the developing world is that there is a substantial tranche of states – perhaps 37 – which are instinctively sympathetic to Russian messaging based on an anti-West framework, either because they were once Communist, or are governed by former resistance movements backed by the USSR during the Cold War.

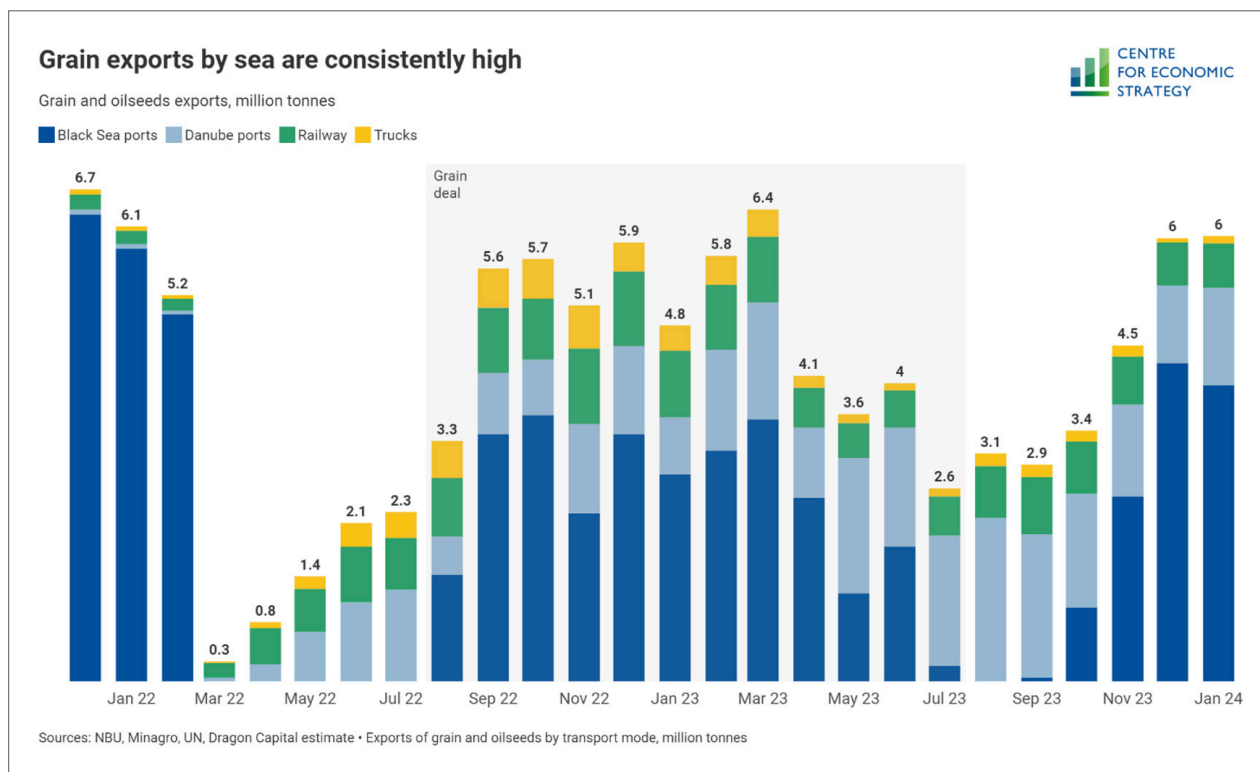
So far, Moscow has struggled to cement any pre-existing influence beyond these states;

for instance, at least half of the UNGA abstainers, and all of Russia’s UNGA backers – including the two that first joined the pro-Russia roster in 2023, Mali and Nicaragua – fall into this well-established category. (Many of the other abstainers were part of the Non-Aligned Movement during the Cold War – i.e. broadly anti-West without being Soviet satellites.) The difficulty that Russia faces is that it cannot provide the kind of support that might strengthen or cement its influence. Its arms industry is focused on the war; so too is its political, diplomatic and se-

curity establishment (which might otherwise pursue the interests of supportive states); and Moscow cannot afford to sell un-sanctioned natural resources at knock-down prices. The most substantive assistance Russia has been able to offer is through mercenary companies – but even that is limited in its reach, and often focused on protecting joint Moscow-private sector business interests.

It appears as though Russia will need to link its messaging to another issue with a much wider inherent anti-Western appeal if it is to increase, let alone cement, its influence. The logical candidate is the Palestinian cause, which Putin has opportunistically espoused since Hamas’s 7 October attack on Israel. The next UNGA vote on Ukraine – none is currently scheduled – could be a useful litmus test. If the number of abstentions falls and/or the number of Russia backers increases, Moscow’s messaging is probably achieving cut-through thanks to the Israel-Hamas war.

G2: UKRAINIAN GRAIN EXPORTS VIA THE BLACK SEA HAVE BEEN RESTORED TO CLOSE TO PRE-WAR LEVELS.



Source: Centre for Economic Strategy, Ukraine War Economy tracker

Could the elections in Russia be a swing-factor in the Ukrainian-Russian war?

Yes – inasmuch as they could provide the Kremlin with indicators of sentiment which can influence whether it takes certain decisions, or ducks them. These indicators will not have been reflected in the results, which will have been set by the Kremlin beforehand and have been delivered by the electoral authorities. However, election day will have given those authorities data on turnout, spoiled ballots, votes cast for non-Kremlin candidates, and polling-station protests, which will help the Kremlin assess the mood of the nation. (It may also tell the Kremlin whether the death of opposition leader Alexei Navalny has achieved its objective – whatever that might be.) Whether the data the electoral authorities provide will be accurate is uncertain – the Putin regime’s information systems get less honest and accurate every year, and the electoral authorities may choose to tell the Kremlin what it wants to hear. Nevertheless, in theory at least, the elections could help to shape further decision-making relating to the war.

There is almost no prospect of the conflict extending into NATO countries in 2024.

Broadly speaking, the more confident the regime now feels as a result of the elections, the readier it will be to take risky decisions. These will be on a range of issues: military manpower (conscripts to the front, vs increasing the volunteer pool); social security (smaller share of the budget allocated to it, vs a larger one); political pressure valves (limiting the political space even further, vs some loosening to permit sanctioned protest); and the reach of the war economy (e.g. tightening vs loosening the availability of consumer goods). If the regime gets these decisions wrong, it will significantly increase political instability in 2024. This, in turn, will play out in the theatre of operations, largely through increased inflexibility of leadership, deteriorating morale, and a less effective force.

Possibility of the conflict extending beyond Ukraine into Eastern Europe/NATO?

There is a very slight possibility of the conflict extending beyond Ukraine into areas of Eastern Europe outside NATO. Russia has stoked tensions in Kosovo and Moldova during 2022 and 2023, fostering violence in the former and supposedly attempting a coup in the latter; but so far it has chosen to use local or regional proxies rather than its own forces in these areas. This calculus is unlikely to change over the next 12 months. However, Eastern European countries outside NATO’s Article 5 protection with a substantial Slavic minority and/or cultural heritage – ie, Bosnia, Kosovo and Moldova – are at risk of destabilisation in 2024. Theoretically, Moldova could become another front in the war, given its Russia-backed Transnistria region borders Ukraine and has a small Russian army garrison. However, the region has worked hard to avoid being sucked in; has no means of attacking Ukraine; has a tiny, unmotivated and exclusively locally-recruited ‘Russian’ garrison, which Moscow cannot really reinforce; and is engaged in a process to be reabsorbed into Moldova proper. This process could get messy in 2024, but it is highly unlikely to involve war.

There is almost no prospect of the conflict extending into NATO countries in 2024. Putin’s principal objective in the conduct of the war is to avoid bringing in NATO as a belligerent. While Russia might carry out sabotage and intelligence operations in, or in the waters off, NATO countries, it will not take the kind of overt military action against them that would precipitate NATO belligerence. If miscalculation did lead to NATO joining the war – perhaps because of Putin crossing Biden’s CBRN red line – then Russia might seek to force NATO to disperse its forces by mounting incursions into the Baltic states or Poland. However, this seems highly improbable, at least over the next year.

MIDDLE EAST

LOCALIZED OR GLOBAL TENSIONS?

Vast majority of players in the Middle East to remain determined to avoid further escalation of the Israel-Hamas war. Potential flashpoints over 2024 are Gaza, Southern Lebanon, West Bank, the Red Sea and Straits of Hormuz. Contrary to popular perception, Russia and China not increasing influence in region at expense of US. G20 countries highly unlikely to deploy ground forces to regional conflicts, even to secure trade routes. But US-led anti-Houthi operations will continue and are likely to intensify before they halt. Impact of Ukraine conflict on Western energy supplies has eased since the start of the conflict. But they remain heavily exposed to other geopolitical tensions e.g. closure of the Bab-el-Mandab (Red Sea) or Hormuz.

What are the flashpoints which will broaden local wars into a regional conflict?

The starting point for the answer to this question is that **the vast majority of players in the Middle East are determined to avoid further escalation of the Israel-Hamas war** – and have no interest in instigating a regional conflict. Some players are forced by their own politics and regional positioning to keep tensions with Israel high but contained; these would include Iran, Syria, Hizbollah and, to a lesser extent, Turkey. Some players want hostilities to end as soon as possible, before crucial interests are endangered or the wider region destabilised; these include Saudi Arabia, Egypt, Jordan, the UAE, Qatar, Iraq and (from outside the region) the USA, UK and EU. However, all of these players want, at a minimum, for things not to get worse. This means that considerable – often near-univer-

sal – pressure is applied whenever a regional situation appears to threaten escalation. The only player in the region that would actively like the current hostilities to broaden into a regional conflict is Russia, for entirely cynical reasons – namely that the US would get sucked in, Russia would have more freedom to achieve its objectives in Ukraine, and the Kremlin’s anti-imperialist, anti-Western message would win global converts. But Russia has little ability to affect events in the region over the course of 2024, given the security state’s almost total preoccupation with Ukraine.

The vast majority of players in the Middle East are determined to avoid further escalation of the Israel-Hamas war.

The particular danger of the Israel-Hamas war is that it has the potential to link the region’s disparate local wars before 7 October – the Syrian civil war, the war against ISIS, Iran’s proxy threat to the US, and the Yemeni civil war – to one emotive and politically gravitational regional cause: the plight of the Palestinian people, which for the first time in over a decade is back on the agenda of the Arab street. All of these conflicts were either sidelined or contained before 7 October. Now all are part of the overall struggle – even if they are only linked by the US’s support for Israel, or (as with the Houthis) by simple opportunism.

This said, here are the four flashpoints to watch:

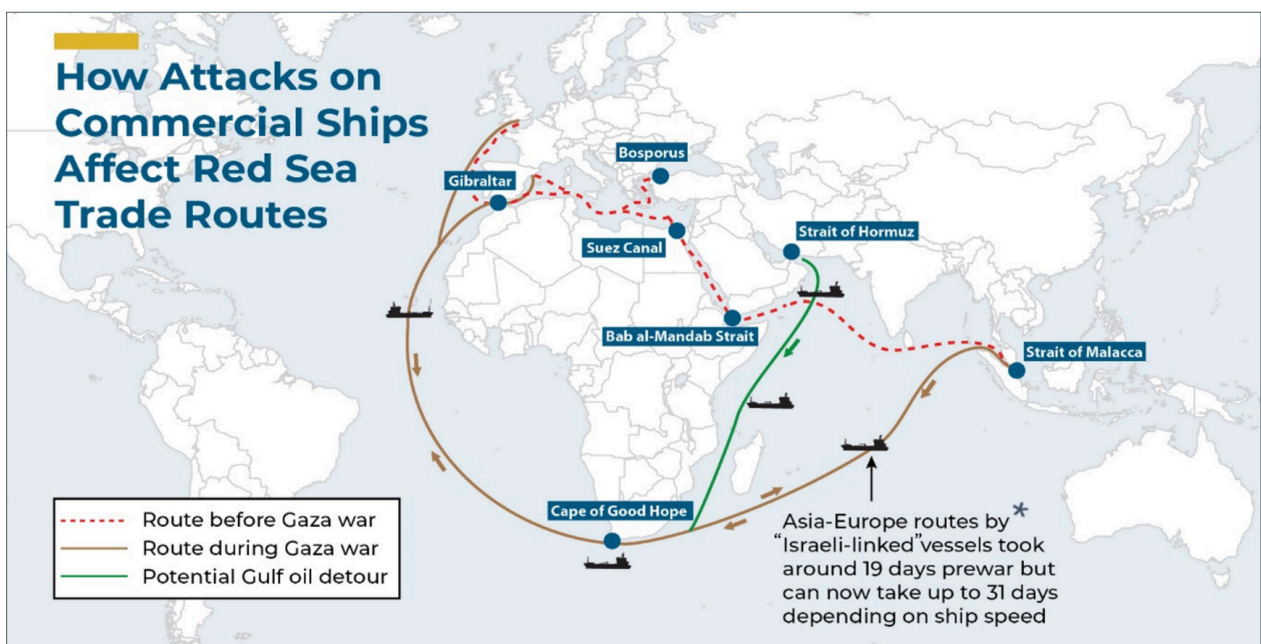
1. Gaza. We still do not know what the end state of this war will be. (It is possible even the Israeli government does not know what it wants the end state to be.) If, as forces on the Israeli far right urge, Gaza’s population is expelled, then expect anti-US and anti-Israel violence across the region, with Iran, Hizbollah, and perhaps even Egypt, in-

volved. If, on the other hand, Gaza's population remains, Israel withdraws, and a multinational or even regional stabilisation presence takes over under the guise of a political settlement for Palestinians, then the war will probably remain contained. Southern Lebanon. Hizbollah and Israel are both being careful to keep their tit-for-tat violence within clear bounds. Israel is not likely to be forced to escalate; it has evacuated border residents and has advance warning of Hizbollah barages. But the Israeli military (IDF) could hit the wrong target, either through faulty intelligence or the fog of war, and force Hizbollah to step outside the current bounds. Similarly, IDF action in Gaza could force Hizbollah to push against those bounds, which might well force the IDF to escalate further. If Hizbollah goes to war against Israel it crosses President Biden's red line, issued to the movement's leader in October; war with Israel means the US will intervene directly. Biden then has a choice; deliver on his ultimatum or risk losing US credibility at an extraordinarily dangerous time – a loss which would itself provoke Iran, and other spoilers, to try their luck.

US-Iran tensions are high but both sides seem determined for now to prevent hostilities.

2. **The West Bank.** Over 300 Palestinian Arabs have been killed by Jewish settlers on the West Bank since 7 October, with the Israeli government doing little to curb the violence – which looks suspiciously like ethnic cleansing – and the Palestinians' own institutions being powerless to protect them. Jordan sees itself as protector of the rights of West Bank Palestinians and the wider region sees them as blameless in the post-7 October violence, let alone in the Israel-Hamas war. A major incident in the West Bank could see another intifada, perhaps with external support.
3. **The Straits of Hormuz.** US-Iran tensions are high but both sides seem determined for now to prevent hostilities; each is applying pressure to the other, but within bounds. However, it is easy to see the IRGC pushing their luck too far, particularly at sea, perhaps in response to events elsewhere. Once US and Iranian forces are firing at each other, it becomes very difficult for either side to back down.

G3: MAP SHOWING ALTERNATIVE ROUTES TAKEN BY SHIPPING TO AVOID THE BAB-AL-MANDEB STRAIT.



Source: Washington Institute

Houthis claim to target only ships linked to Israel, US and UK, but have in fact targeted ships from many countries.

Are the US, Russia and China increasing or losing their influence on the region?

Most observers of the current crisis in the Middle East would probably assume that the US is losing influence in the region, while Russian and Chinese influence is growing. These assumptions are linked to the notion that the US is hitched to Israel and its war in Gaza, which is hugely unpopular in the region and the wider world; and if Israel is dragging the US down, then Russia and China must logically be on the up. But most observers are 180 degrees wrong.

- **The US.** The Israel-Hamas war is showing, once again, that the US is indispensable. President Biden's red line to Hizbollah probably ensured that the movement did not respond after 7 October, despite its members' wishes; the deployment of a US carrier group to the Eastern Mediterranean was a clear statement of intent, not just to Hizbollah, but to Iran and Russia as well. US pressure has been pivotal in concluding the brief truces in Gaza, in curbing some of the instincts in the Netanyahu government, and in mobilising regional powers around trying to find an end state for Gaza. Biden has also reassured Israel of US support at a time of internal crisis. The US will be central to the way this war ends – whatever form that takes.

Most observers of the current crisis in the Middle East would probably assume that the US is losing influence in the region, while Russian and Chinese influence is growing. But most observers are 180 degrees wrong.

- **Russia.** In theory the Israel-Hamas war presents Russia with a huge opportunity to undermine the US in the Middle East, by posing as the friend of the Palestinian cause, and becoming the indispensable enabler of an outcome that leaves both Israel and the US looking weak. But it has been unable to offer more than rhetorical support. The war in Ukraine is gobbling up most political and diplo-

matic energy and has pulled in much of the Russian military and intelligence presence in Syria; what is left has been deterred from any adventurism by the US carrier group. And in reality Russian diplomats have nothing to offer regional states or negotiating processes. The war has weakened Russia in the region, not strengthened it – particularly in comparison to the US.

- **China.** China's influence in the region is largely a fiction of think tanks and opinion columnists, based on the conflation of the China-the-rising-global-player narrative (itself driven by perceptions of Belt and Road) with the deal between Iran and Saudi Arabia, supposedly brokered by Beijing in 2023. Yet the deal was nugatory (largely basic diplomatic relations) and was already in train before China was brought on board by Tehran. And China does not really seek regional influence; its concerns are bilateral and largely related to reliable access to oil and gas supplies at manageable prices. China is rarely interested in mediating in other states' fights, and it sees the Israel-Hamas war as a hornet's nest it should steer clear of. It has a clear interest in uninterrupted trade, yet has chosen not to commit itself on the Houthis' attacks on international shipping. It has even failed to capitalise on the messaging possibilities offered by the war – perhaps in part because its bilateral partners do not want the implicit US security guarantee in the region to be undermined. If China had any influence in the region before this crisis, it has lost it.

What is the likelihood of G20 countries intervening in any regional conflict to ensure access to oil and gas and secure trade routes?

If 'intervening in any regional conflict' means deploying forces on land to deliver a specific outcome to the conflict, then the likelihood is very small indeed. If on the other hand it means deploying naval forces, perhaps with aerial support, to ensure freedom of navi-

gation through threatened waters, then the likelihood is high. The US and UK have already undertaken an intervention of this type against the Houthis in Yemen, to keep the Red Sea open to international shipping.

The deployment of ground forces by any G20 country to intervene in a regional conflict is highly unlikely.

The deployment of ground forces by any G20 country to intervene in a regional conflict is highly unlikely because no G20 member wants to incur new, conceivably protracted and likely unsuccessful, ground commitments in the region. This includes the two regional G20 members, Saudi Arabia and Turkey (the latter is involved in the Syrian civil war but has no desire to deepen this commitment). If the US is pulled into a war between Israel and Hizbollah, it will use air and sea power; in this event, the US may even withdraw the small ground forces currently deployed in Jordan and Syria to avoid their becoming targets. If the US and other G20 members end up either having to intensify efforts to coerce the Houthis, or use force to keep the Hormuz Strait clear, they will also depend on sea and air power, not a major ground commitment.

The only circumstances in which a G20 member might intervene on the ground in any regional conflict to ensure access to oil and gas is if Saudi Arabia or another Sunni-led Gulf state were under a major attack from Iran. But the latter seems highly improbable, particularly in 2024. Iran has forced Saudi Arabia and its Gulf allies to give up on their anti-Tehran campaign by using means – including lethal force – well short of invasion; if it needs to apply pressure again it has a wide range of less escalatory coercive tools at its disposal; and a major conflict of this type would be highly unlikely to occur as a result of the current local wars broadening into something regional.

US-led anti-Houthi operations will continue and are likely to intensify before they halt: keeping Hormuz open in the face of a hostile Iran would almost certainly require major naval and air commitments

by the US and its most determined allies. From the outside, any such G20 intervention to keep Hormuz and/or Bab-el-Mandab open may look like an inherently escalatory commitment that inexorably leads to a protracted ground war. Indeed, it is likely to be portrayed as such in the media. However, such an escalation is unlikely.

How exposed do Western energy supplies remain to geopolitical tensions since the start of the Ukraine conflict?

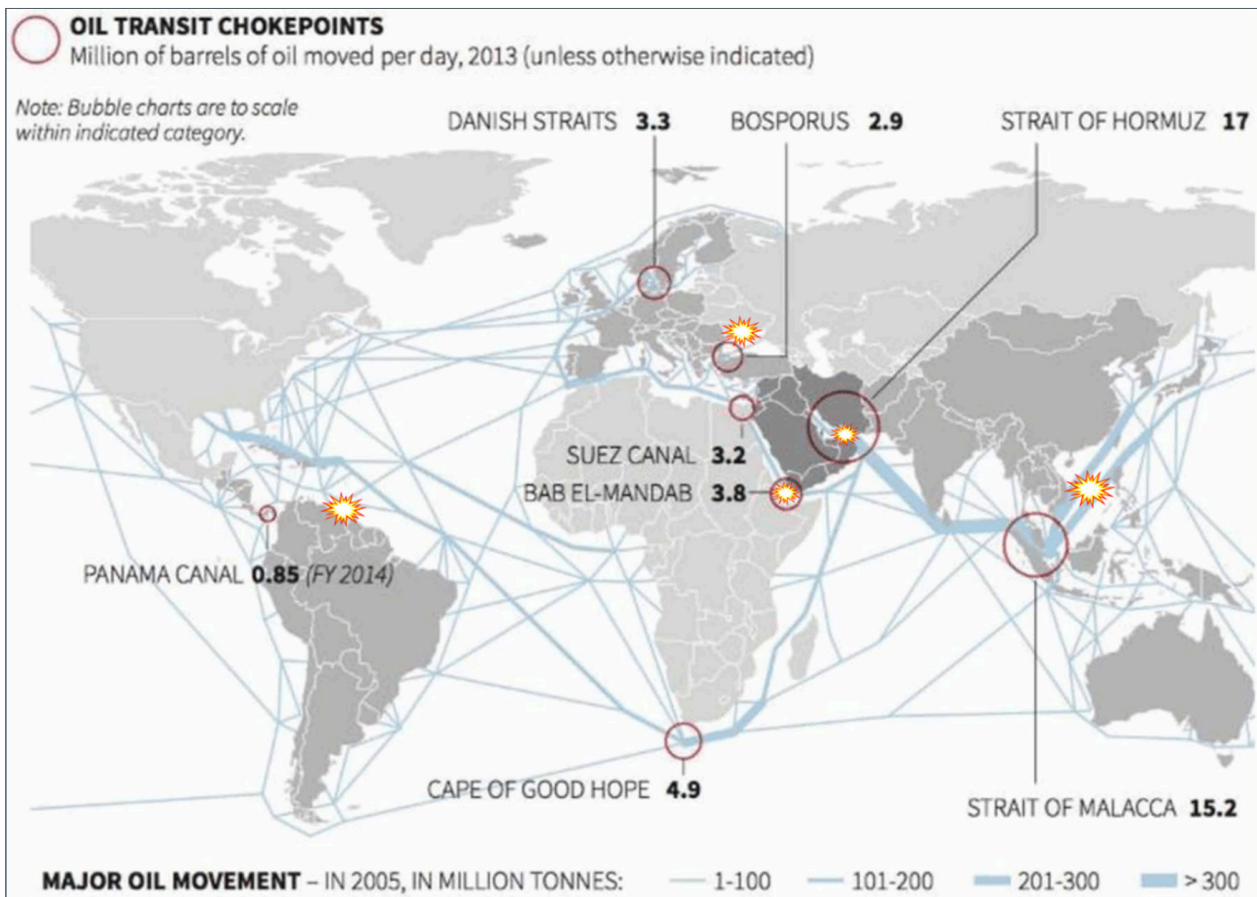
While **the impact of the Ukraine conflict itself on Western energy supplies has eased since the start of the conflict, they remain heavily exposed to other geopolitical tensions.** Closure of the Bab-el-Mandab and particularly of Hormuz would obviously cause a spike in oil and gas prices, even if the waterways were fairly swiftly reopened. A sustained Iranian threat to oil shipments through the Persian Gulf – such as to necessitate reflagging and/or naval escorts – would also apply upward pressure on prices over several months. A concerted Ukrainian campaign against Russian oil export facilities would have an impact on prices, even if Western states were no longer purchasing Russian oil. In 2022 Saudi Arabia ignored US pleas, in the wake of Russia's second invasion of Ukraine (the first having been in 2014), to pump more oil to ease pressure on prices – a decision largely taken in support of President Putin, and to spite President Biden. Yet the Israel-Hamas war has reminded Riyadh of the need to keep the US engaged in the region, and while the Kingdom's rulers might choose to do something similar in the future, they would be highly unlikely to try it in 2024, given the messy fall-out of that war, and the likely centrality of US-Saudi cooperation to its effective management. Geopolitical tensions between Venezuela and Guyana might also yet affect energy markets. Caracas' claims on Georgetown's offshore oil and gas blocks might not involve outright hostilities in 2024, but they may well be furthered by the kind of geopolitical theatre (such as seizures of rigs or vessels) that would cause traders

to worry about security of supply – particularly given Venezuela’s increased salience in energy markets following restrictions on Russian oil trading.

The Ukraine conflict may yet have an impact on Western energy supplies over the course of the next year, even if the shock of 2022-2023 has passed. Since the start of the conflict, Western states (particularly in the EU) have managed to secure alternative long-term sources for their gas imports, have made significant changes to their energy mix, have limited dependence on Russian oil, and can find other sources if supplies of the latter suddenly face legal or other interruptions – while the US is a net oil exporter. However, the most significant unknown geopolitical influence on Western energy supplies in 2024 would be the effects of a sustained Western effort to limit Russian oil exports.

The failure of the price cap and the increasing pressure on Ukraine’s forces as a result of suspended arms shipments mean that the US and EU will feel substantial pressure to undermine Russia’s ability to fund its war effort. If Ukraine were to mount a sustained campaign against Russian export facilities, and Western states impose sanctions severely constricting Russian export volumes, then this could have a cumulative distorting effect on global prices, and perhaps see certain OPEC members hypothecate their exports, restricting supplies of their own product to Western states, in partial revenge. However, the political groundwork for oil sanctions would probably take months – meaning that if they were applied, and Ukraine were to attack oil export facilities, the effect of these actions might not be felt much before the end of 2024 and into early 2025.

G4: DEPICTION OF GLOBAL OIL TRANSIT ROUTES AND POTENTIAL FLASHPOINTS AT VENEZUELA, UKRAINE/BLACK SEA, THE STRAIT OF HORMUZ, BAB AL MANDEB, AND SOUTH CHINA SEA.



Source: ResearchGate

US

DOMESTIC POLITICS AND INTERNATIONAL RELATIONS

US will become increasingly protectionist – driven by China and irrespective of presidential election outcome. Over the course of 2024, US’s future strategic interests lie in three broad regions; Europe, the Middle East, and East and South Asia. But it is not clear that any of these will remain strategic interests should Trump win a second term. East and South Asia will be key to containing China as a competitor, not challenger. US relations with China are set to improve at the diplomatic level (increased communication, trust-building etc). But the US will not change its fundamental China policies in 2024 or a second Biden administration (they will worsen under Trump). In areas US considers essential to its national security, tensions will persist, and relations are likely to worsen. US will continue to introduce measures to curb China’s tech sector, especially where it poses a threat to US national security. Other tensions around sensitive areas of the US economy and data transfer and human rights will create increased trade friction. US relationship with India will be increasingly important in 2024 and beyond – for diplomatic and economic reasons.

Irrespective of the outcome of the US elections, is the US becoming more protectionist?

Yes. A critical mass of legislators in both houses of congress support protectionist measures, albeit often from opposing philosophical starting points, and pro-free trade voices in both main political parties

are currently either marginal or mute. The Biden administration’s landmark 2022 Inflation Reduction Act (IRA) is implicitly protectionist in its US\$394bn of assistance to and investment in US-built green infrastructure and industry – even if it is sold abroad as no such thing. And inasmuch as the Republican presidential primary campaign touched on trade policy, the consensus was that the US needed to be tougher in protecting its economy, particularly against China. It is striking that Biden’s efforts to strike an Asian trade deal to replace the Trans-Pacific Partnership (TPP) – from which Trump withdrew the US – have now been halted by the presidential election. Free trade now loses votes, instead of winning them – although there is little evidence of voters being interested in either concept, per se; their interest lies in the emotional resonance of the label that one camp or another sticks on its favoured approach to trade.

The increasing protectionism is very much a function of the challenge posed by China.

However, this increasing protectionism is very much a function of the challenge posed by China ; when trade is raised as a political issue, discussion is dominated by China and the need to protect the US against both Beijing’s gaming of the current system, and its likely dominance of future strategic sectors. The need to protect the US against other trading blocs – say, the EU – is barely mooted – and the US will need to continue seeing the EU as part of “their” trading block if they want to disrupt China’s trade growth ambition. The result is that most US trade policy remains primarily mercantilist, advocating free trade agreements and engaging in disputes with countries or trade blocs whose policies

are deemed to be, in essence, protectionist in the way they hamper market access. Some might argue that there is sometimes a strong protectionist aspect to this mercantilism, inasmuch as the Biden administration's attempts to revive an Asian trade deal are specifically geared, like the TPP, to excluding China.

The China challenge has, however, created something of a political divergence in where the protectionist focus should rest. Under Trump's influence the focus of Republican protectionism is largely the substance of current trade ties; foodstuffs, agricultural products, vehicles, steel, consumer goods. Biden's focus is much more on the long-term challenge posed by China, and ensuring the US can at least compete in, and ideally dominate, future strategic sectors. Biden's perspective seems fairly well institutionalised within the Democratic Party. It is not clear if Trump's zero-sum focus would persist within the Republican Party, or as a powerful force in the wider trade debate, if he left the scene. But both parties concur on the security threat posed by China, and in terms of trade this is manifest in the

CHIPS Act and other restrictions both in place and planned in the technology and automotive sectors on Chinese access to the US market and US funding for Chinese companies – which are presented by China as a protectionist measure and may meet with a similar response.

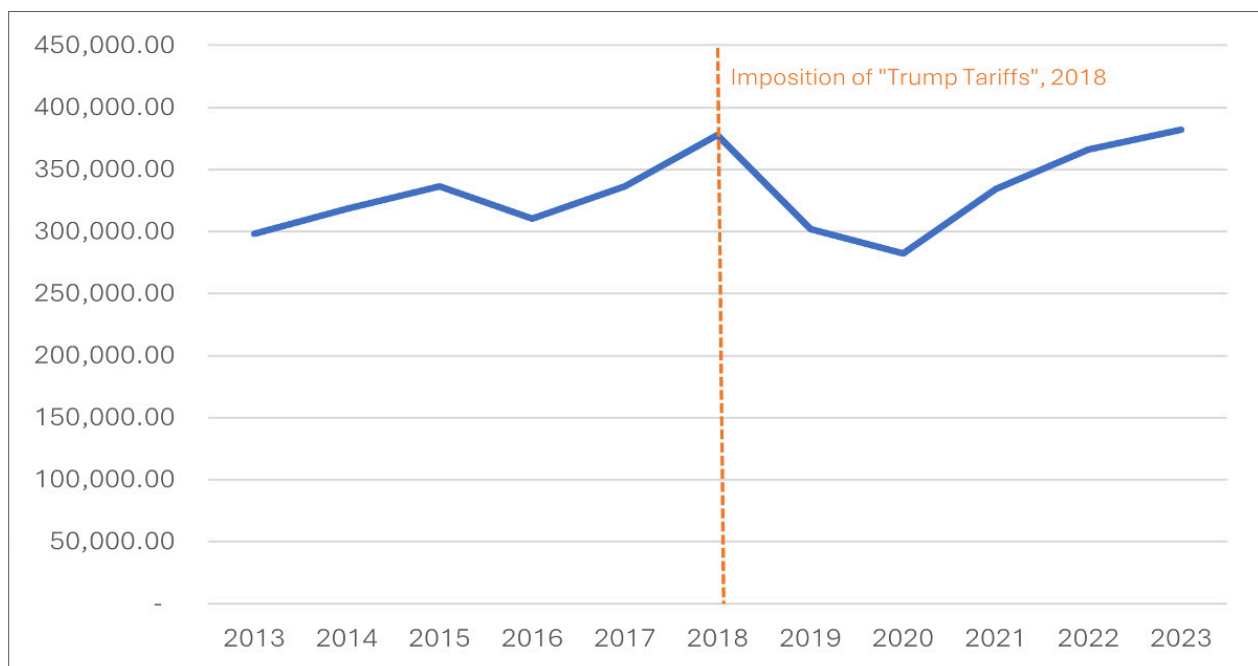
The US's future strategic interests lie in three broad regions: Europe, the Middle East and East and South Asia.

Strategically, with which regions do their future interests lie?

At present the US's future strategic interests lie in three broad regions; Europe, the Middle East, and East and South Asia. However it is not clear that any of these will remain strategic interests should Trump win a second term.

Europe is the US's largest trade and investment partner, in the shape of the EU. More important, however, it provides the US with critical mass for securing and steering the post-1945 global order,

G5: US TRADE DEFICIT WITH CHINA (US \$ MILLION)



Source: US Department of Commerce Bureau of Economic Analysis

and ensuring it isn't jettisoned. Europe is indispensable as long as the US has an interest in maintaining that order. The Middle East is and will be pivotal for the US largely because of Israel, which is considered Washington's closest ally; but this importance will wane as Israel becomes a more contentious issue in the US. The Middle East is no longer of particular importance to the US as an oil and gas producer, now that the US is a net oil exporter, and will diminish further during the transition from fossil fuels; the waning importance of the region will also reduce the importance of Israel as the only dependable US ally in the area. Finally, East and South Asia will be key strategic interests for the US as bulwarks and allies against China, as well as alternative supply chains and consumer markets to China. **China will be the defining US competitor and rival for the next few decades**, and India, Japan, Vietnam, South Korea, Indonesia and the Philippines will be pivotal to containment, both for geographical reasons, but more because all are almost certain to want to help that effort for their own strategic and political culture reasons.

In South Asia, the US relationship with India will be increasingly important over 2024.

The US will obviously have an over-riding interest in maintaining China as a competitor rather than a challenger. However, it is unlikely to be able to achieve this as long as Xi Jinping is the President, largely because the dysfunction in the Chinese system, and the desire to regain control over Taiwan, mean that the relationship will continue to deteriorate, if only bit by bit. This means that US's principal future interest in the East Asia/Pacific region will be in those states that can help contain China, rather than China itself.

In South Asia, the US relationship with India will be increasingly important over 2024. This is not only due to India's role as a bulwark to China, where it is playing an in-

creasingly assertive role, but as an increasingly important consumer market and an alternative manufacturing base. While Vietnam in particular will continue to be a beneficiary throughout 2024 of US restrictions on some sectors of the Chinese economy (those with a connection to human rights abuses in Western China and other areas perceived to be a threat to US national security), there is likely to be a significant displacement of supply chains away from China to India, including in the technology sector. Defence and intelligence co-operation will also deepen between Washington and New Delhi.

Looking beyond 2024, it is unclear which regions will be key to the US's future interests should Trump win a second term. US foreign policy will almost certainly change markedly; much of the post-1945 order is likely to be gutted, the notion of enduring strategic relationships undermined, and existing alliances largely ignored. This would probably lead to a US that – at least in its political leadership – narrowed its conception of future interest to ad hoc assessments of what might benefit the country in the medium term, even if that meant ructions with allies.

Is the US moving away from Europe and what does this mean?

Not really. Partly this is because the Biden administration's business-as-usual approach has mended many of the fences knocked down by its predecessor. Mostly, however, it is because **the second invasion of Ukraine, and the EU and UK's robust response to it, has reinforced the region's importance to the US's strategic interests** – at least as defined by an administration pursuing a mainstream foreign policy. Indeed the process of managing support for Ukraine on both sides of the Atlantic has deepened and strengthened working level contacts and mutual complementarity, to a point where ties are stronger than at any time since the aftermath of 9/11. The enlargement

of NATO to include Finland and Sweden is an indicator of this improvement; they have revitalised the organisation and significantly enhanced Europe's contribution to collective defence, long a real thorn in US-Europe ties.

However, Europe may now be thinking about moving away from the US – or at least about how it might fend for itself if Washington weakens ties (for instance, by leaving NATO). The combination of Trump's high polling numbers and Republican suspension of arms transfers to Ukraine seems to have compounded existing European fears of US disengagement. (While Anglophone media have long suggested that France in particular wants to break the transatlantic link, in reality US-sceptic Europeans have been looking for a European addition to NATO, not a replacement.) Most European capitals went through several years of security policy debates in the month after 24 February 2022; something fairly similar – in terms of the dependability of the US security guarantee and the implications of its devaluation – may be under way now. The implications of this shift would be a long-term loss of trust in the US as a stable partner, which would be reflected in most areas of Europe-US engagement.

Will the US try and develop better relations with China and how is this defined?

Yes it will, at the diplomatic level – but the effect is likely to be overstated by some media outlets, and by Beijing. China remains the number one issue in US international relations. While focus will shift onto emergencies, such as Ukraine and the Gaza conflict, the issue of China remains the long-term US priority, even if attention temporarily shifts elsewhere.

The US position towards China has not changed under Biden, it has changed how it engages with Beijing. During the current administration, the US has defined better relations as minimising, where it can, friction between the two states, and maximis-

ing understanding of each other's actions – essentially, by building working-level contact and trust.

China remains the number one issue in US international relations.

This has been the principal focus of Biden administration engagement with China. Permanent links have been created between US and Chinese institutions in the fields of diplomacy, trade, and national security; military command structures covering overlapping geographical areas of responsibility; and even national command authorities. None of these existed before the Biden administration came to power. They have ensured that while the fundamental differences between the two countries' strategic interests persist, the risk of escalation has been minimised. This effort has built mutual trust to the extent that Xi Jinping, in his summit with Biden in November 2023, stated that China's 'most important relationship' was with the US, and that it was 'vital for the world' that the two countries 'managed the relationship successfully'. This stance is very different from that established by Xi in February 2022, when he put his name to a declaration stating that the Russia-China relationship was one with 'no limits'.

However, that **November 2023 meeting was not the great reset it was portrayed as in the media** (albeit to a lesser extent in Western media). While in areas of deconfliction it was significant and welcome, in policy terms it was a resumption of the status quo ante. While restoring contacts on military matters or restoring discussions on climate change were an important step in diplomatic relations, in policy terms this is marginal – the underlying rivalry and competition on both sides is going to continue – with less rhetoric, and perhaps less pettiness (but not much). In the areas that the US considers essential to its national security, tensions will persist, and relations are likely to worsen.

Over the course of 2024, the US will continue to introduce measures to curb China's technological development, especially in areas where it poses a threat to US national security. There will likely be further measures introduced to hinder China's access to sensitive areas of the US economy and critical national infrastructure, as well as increased scrutiny of data transfer to China. All this, combined with an ongoing focus on human rights abuses in Western China, will create increased trade friction in related sectors of the economy, with perhaps unanticipated second order effects on third countries (as the German automotive industry is currently experiencing). While there may be calls in some quarters in Washington to reconsider restrictive measures on Chinese technology, amplified by interested parties, the direction of travel is set to continue throughout 2024. There will be a large and very vocal minority in Congress who want to see measures such as the CHIPS Act repealed, but these are largely the same figures who don't believe (or want to be seen to believe) in the US assisting Ukraine or Taiwan, and they will remain marginal in this debate.

How will the US respond to an increasingly bellicose North Korea?

Accelerated development of a functioning nuclear deterrent and an erosion in the willingness of the US and its regional allies to stop it.

The calculus seems fairly simple. In a normal US presidential term, curbing North Korea's nuclear ambitions would be a major focus of foreign and security policy efforts, with considerable political time and credibility allocated to the cause. However, since February 2022, it has been almost impossible for the US to focus on North Korea, or even the wider anti-proliferation effort, at all. No time to deal with North Korea means Pyongyang can risk hiding less of its proliferation effort and can evade more sanctions. Furthermore, Russia's desperate need for materiel to fight the war in Ukraine, and

China's reluctance to provide it, gives Kim Jong Un considerable leverage, as well as access to hard currency and cheap oil. Kim also probably understands that the more belligerent he sounds, the harder it is for his enemies to contain North Korea, particularly in a period of multiple crises all clamouring for attention. After all, if Kim is getting closer to a deployable nuclear force, seems belligerent enough to use it, and it is hard for the US and its allies to find the time to engage with him, then they have little incentive to make North Korea a priority – given that embarrassment and/or failure would probably follow any effort to try to contain his ambitions further.

The scale and intensity of the turmoil and violence will depend on whether Trump is the candidate who wins.

Will the outcome of the election cause domestic turmoil and violence?

Yes; but the scale and intensity of the turmoil and violence will depend on whether Trump wins the presidential election.

If Trump loses the election, then he will refuse to accept the result and encourage his supporters to reject it too – perhaps to the extent of fomenting violent insurrectionary protests of the type seen on 6 January 2021. It is probable that his supporters would also carry out shootings, probably aimed at 'deep state' offices (such as those of federal agencies) and Democratic Party legislators and/or supporters. However, while these shootings might be geographically dispersed, they may well be fairly uncommon; for all the violent rhetoric associated with his MAGA movement, and the frequent performative display of automatic weapons, very few of his adherents seem to have been ready to use lethal force against his enemies, let alone risk their lives by attacking protected targets. These protests would not stop the certification of the election result, even if the Capitol

were assaulted a second time; the authorities would be prepared. The violent protests would, however, be extensively reported and lead to fearful speculation about a coup.

If Trump wins, then there would be mass protests, almost certainly concentrated in large cities, and perhaps nationwide. These protests might be held in the days after the result is declared; they would certainly be organised for Trump's second inauguration. However, these protests would be largely peaceful, unless poorly policed. There is no prospect of Biden attempting to foster disorder, either in the wake of the result, or at the time of the inauguration. There is also little prospect of armed violence by those rejecting Trump's victory, even if fears of what Trump might do in a second term would be running high.

Impact of presidential campaigning on:

US military and financial support of Ukraine

The potential effect of the presidential campaign on US military and financial support of Ukraine has already been seen, with the Republican leadership of the House of Representatives refusing – at Trump's behest – to table legislation authorising the latest substantial tranche of materiel for Kyiv. There is no sign as yet of Trump lifting his opposition to supporting Kyiv, nor of the Republican leadership resisting his pressure; if Trump does not change his mind, then logic suggests Republican opposition to supporting Ukraine will grow further as the campaign progresses, making it almost impossible for the Biden administration to get congressional authorisation for arms transfers or loans. The administration does have work-arounds available to it; for instance, materiel can be passed to other NATO members, or sold to them, and they then send it on to Kyiv. Nevertheless, it seems likely that the best the Ukrainian government can hope for is that there will be substantial, often months-long, interruptions to arms and cash

flows from the US. This will have a significant impact on Kyiv's stocks of artillery and air defence ammunition, rendering it vulnerable to Russian offensives. However, this vulnerability is unlikely to lead to defeats that would change the course of the war, in large part because Russia's armed forces will be incapable this year of mounting offensives large or competent enough to deliver those victories.

US-China trade tensions

US-China trade tensions are likely to feature in the presidential election campaign.

The US's relationship with China persistently features in polling among the top five issues for the US electorate. While the concerns vary from security, technology and data access to cut-price outsourcing dominance of the electric vehicle market through aggressive pricing, the results are likely to manifest in trade issues, either by design or as a second-order effect. Certainly Beijing will attempt to present any restrictions, proposed or enacted, as protectionism.

There will be substantial, often months-long, interruptions to arms and cash flows from the US.

The issue of China is essentially bi-partisan. Both Biden and Trump are already trying to cast themselves as tougher than the other on China.

This has already begun to manifest itself in the automotive sector, with the Biden administration announcing in early March that it was taking steps to block access to the US auto market for internet-connected Chinese cars and trucks, citing risks to national security due to data transfer. The administration announced that the Department of Commerce is to open an investigation into these threats, which is likely to lead to new regulations or restrictions on Chinese vehicles – which officials made clear was the first step in a wide range of policy mechanisms to stop low-cost Chinese electric vehicles from flooding the US market and potentially squeezing US automakers out of business. As Biden stated in a state-

ment accompanying the announcement, ‘China’s policies could flood our market with its vehicles, posing risks to our national security. I’m not going to let that happen on my watch.’ For his part, Trump is unlikely to cede the moral high ground to Biden on an issue of national security and protecting US jobs in an election campaign.

US-EU/NATO relationship

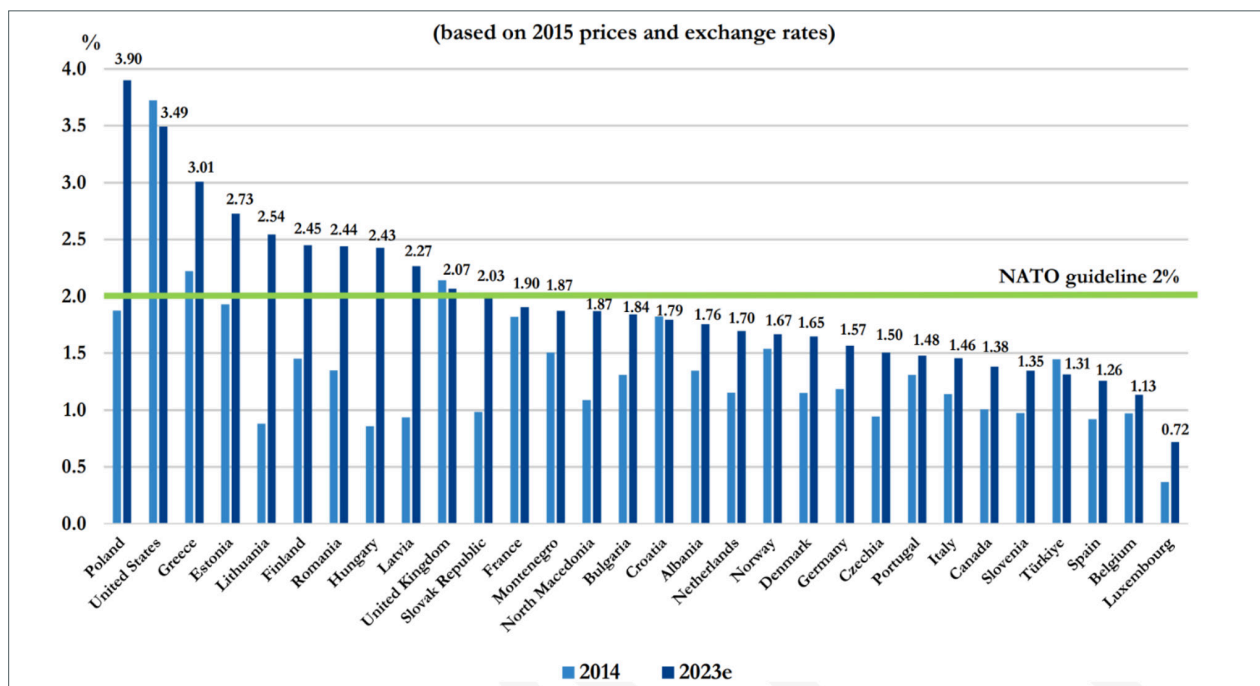
The presidential election campaign will undoubtedly cause tension, and even friction, in the US’s relationships with the EU and the rest of NATO. This is because the Biden administration will have difficulties providing Ukraine with aid; other NATO members and the EU will be unable to make up the shortfall; Ukrainian forces will be under severe battlefield pressure as a result; and the narrative that Ukraine cannot win, and must therefore be ready to discuss terms with Russia, will gain strength and currency. At the same time, Trump may well resume the hostile rhetoric he deployed against both organisations during his first term (indeed, he recently called on Russia to attack NATO countries

spending less than 2% of GDP on defence), and may even hint at withdrawal from NATO. Both of these rhetorical lines would strengthen the concerns among EU and other NATO members about whether they can rely on the US. These concerns would not necessarily be dispelled by Biden’s re-election; after all he is in office now yet cannot get his Ukraine assistance packages through Congress.

The tension and friction will not yet prefigure a crisis in the US-EU/NATO relationship.

Nevertheless, this tension and friction will not yet prefigure a crisis in the US-EU/NATO relationship, if only because Biden’s USA, the EU, and the rest of NATO, share one over-riding concern; Russia’s aggressive attempt to overturn the post-1945 global order. Difficulties in getting aid to Ukraine in 2024 will be broadly interpreted as a by-product of democracy – regrettable, even frightening, but a cost of doing business. The possibility of crisis in US-EU/NATO relations would only really emerge if Trump were re-elected.

G6: NATO PRESS RELEASE 7 JULY 2023: DEFENCE EXPENDITURE OF NATO COUNTRIES (2014-2023)



Source: NATO

CHINA, THE “TRUMP” CARD?

While China’s direction is set out in numerous plans, with Xi steering them, there are few, if any, concrete objectives.

Broad aims include the maintenance of CCP primacy, a strong mixed economy, reunification with Taiwan, dominance of key industries, participation in and preservation of global trade, and China to become the leading non-hegemonic power.

Xi will likely remain unaffected by domestic economic downturn – he is seen as infallible, and responsibility lies elsewhere. Blame for property scandals falls on ‘corrupt officials’ and crooked developers, with Xi and the centre seen as correcting this through arrests and convictions. This and purges at the centre strengthen Xi’s hand rather than weaken it.

The Taiwan election maintained the status quo, and Taiwan will remain wary of making moves to full independence. Beijing will continue to react to perceived external slights to its Taiwan policy with knowing outrage. An invasion of Taiwan is highly unlikely, and certainly not within the next year. Beijing will continue to assert what it sees as its rights in the East and South China seas, including further bases on uninhabited islands. Western powers will continue freedom of navigation exercises through waters claimed by China. The principal danger is escalation, but the risk has dropped markedly since the creation of US-China confidence-building mechanisms.

Trade disruption between China, Japan and Korea is much more likely than any kind of armed conflict between them, but still seems unlikely in 2024.

What are Xi’s real versus publicised primary domestic and international objectives?

The issue of Xi’s real versus publicised primary domestic and international objectives operates on two levels. On the first, surface level, there is no gap. The country’s direction is set out in a number of plans (for instance, that for the economy is the 14th Five Year Plan) and Xi, as the head of the party, is the helmsman of the collective effort to execute those plans. He is also portrayed as being central to the day-to-day politics of implementation, with no area of the state or economy escaping his keen eye. That said, it is also clear which areas of the national effort are his particular focus – usually by reading between the lines of official statements, or monitoring who and what he visits – and therefore which objectives are important enough to be linked to him directly.

An invasion of Taiwan is highly unlikely, and certainly not within the next year.

However, on the second level, there are almost no concrete objectives at all. It is often difficult to establish from the plans when an objective is to be achieved, or even what attainment might look like – partly because of the language used, but also because the baseline for the plans is usually false. All published CCP statistics are lies; they reflect what the leadership (at local, regional and/or national levels) wants to hear. At the same time, each new plan’s starting point is the always successful attainment of its predecessor, complete with pleasing rather than objective data. Little wonder, then, that plans tend to reveal a desired direction of travel, rather than how or when one is supposed to get there.

Even so, the fact that Xi is associated with an issue means it is one of his primary objectives; the fact that it may be difficult to determine success or failure means the party controls messaging and thus protects his political aura. In broad terms, then, what are these primary objectives? We have narrowed the list down to seven.

- 1. The maintenance of the complete dominance of the CCP,** within the framework of a one-party state; and – almost indistinguishable from it – his position at the apex of the party, state, and people.
- 2. The attainment of the full glory and historic destiny of the Chinese people.** It is not clear what this would look like; it may simply consist of a feeling rather than a comparative status, particularly given objectives #6 and #7 (see below).
- 3. A strong mixed economy, with growth sufficient to become the largest in the world** (if only according to its own data), with 2049 (the centenary of the CCP's assumption of power, and the date set for 'national rejuvenation') as an assumed deadline.
- 4. Reunification with Taiwan.** No date has been publicly attached to reunification; 2049 has long been implied, but it is believed Xi has indicated it must happen before 2030, and 2027 is the deadline for modernisation of the People's Liberation Army (PLA). But that does not mean that it will happen before 2030, or that China will seek to force it by then; and it certainly won't seek to force it during 2024.
- 5. Dominance of the defining industries of the 21st century.** This is both part of, and separate from, the objective for the economy, essentially because of the detailed central planning necessary to ensure success. (The broad economy may look and sound planned, but in reality the centre sets broad objectives; local political

and commercial entrepreneurs then essentially bid to meet sections of, or contribute to their region's share of, those objectives.)

6. Participation in a global community of nations in which states are free to run their own affairs without external interference, with China willing to assist in furthering the development of any country that requests it. Implicit in this objective is maintenance of the current global order, with free movement of goods and services, functioning multilateral institutions, and no changing of borders by force or without consent. Also implicit in this objective is the preservation of US hegemony; global institutions and the post-1945 order are anchored by the US's leadership, military power, and security guarantees.
- 7. China to become the leading non-hegemonic power and as such a focus for other states refusing to accept US hegemony.** This objective implicitly contradicts objective #6, which rests on US hegemony. China has no desire to take over from the US as the anchor for the global system, and as #6 suggests, has not resolved for its own purposes whether the system can survive if the US is displaced from that role; this objective may simply translate into Beijing being the leader of all the countries not allied with the US. However there is no evidence that the CCP understands the scale of the intrusion into the internal affairs of those states that this would entail.

Has he been weakened by the domestic economic downturn, property scandals and multiple changes in ministers?

Not really; partly because according to CCP doctrine he is now in effect infallible, but also because many, if not most, Chinese probably do not want him to have been responsible – again, a function of his infallibility; if he is fallible then the party is too.

Although it is difficult to assess opinion in China, it appears that responsibility for the domestic economic downturn is broadly allocated to a combination of events (the pandemic – not Zero Covid) and local and regional party chiefs, with the stock market aspects of the downturn being increasingly blamed on the centre’s preferred villains, ‘malicious forces’ and ‘criminal gangs’ (often a code for short sellers). The damaging economic effects of both the Zero Covid policy, and its sudden and complete removal, are essentially ignored – probably because Xi ensured he was personally identified with both decisions, and Xi cannot be wrong. (Inasmuch as Chinese citizens allocate blame for these effects, it seems to be to Xi, but they are reluctant to voice it. On another level they may also refuse to believe it; **most Chinese are fairly expert in the cognitive dissonance embodied in CCP language and used to believing contradictory things at the same time.**) Blame for property scandals appears to fall on ‘corrupt officials’ – particularly at the local level – and crooked developers. Arrests and convictions of businessmen and officials deemed guilty of damaging the economy are broadly seen as Xi and the centre correcting local or regional problems of which they were previously unaware.

Chinese now know, on a fundamental level, that Xi is not just infallible: he actually makes serious, almost disastrous errors.

The multiple changes in ministers strengthen Xi’s hand, rather than weaken it. Essentially he maintains control over the CCP by a perpetual purge. The CCP is too large to be directed from the centre; the only way to make it do what the centre wants is to make it frightened of the consequences of not doing so. The crime for which officials are regularly purged is corruption, a sin every member of the party is guilty of; all therefore know they can be arrested at any time, so look to the centre, and try to do what they believe to be its wishes, to avoid being picked. So each round of arrests and demotions strengthens adherence to the centre’s wishes,

even if they are difficult to discern. It also galvanises the institution chosen as the focus for a given purge. While in theory the centre (and implicitly Xi) would be blamed for permitting the institution to be riddled with corruption, particularly if those purged are senior within it, in reality the centre is credited with vigilance, and the malefactors blamed for their Machiavellian malice.

Yet if Xi’s formal and practical hold on power has not been weakened by developments which would have undermined his predecessors, his infallibility still has a cost. There is almost certainly an economic side-effect of the cognitive dissonance that Chinese citizens need to practise if they are to preserve belief in that infallibility. Confidence in both the property and equity markets is based on a similar double-think; everyone understands both markets rest on foundations of sand, but invests in them nonetheless. **But Chinese now know, on a fundamental level, that Xi is not just infallible: he actually makes serious, almost disastrous errors. Chinese investors cannot consciously signal their lack of confidence in their leadership – but they can displace it by withdrawing their confidence in the markets driving the domestic economy.** It is not clear that the centre can rebuild this confidence, at least in the short term.

Following the Taiwan elections, what would trigger a more aggressive response from China?

The Taiwan elections probably produced the best possible outcome – at least for those who want to avoid a crisis. The election of a president from the pro-independence DPP probably reflected majority opinion in the Republic, which is opposed to reunification with China under Xi, but is wary of making moves to full independence. But the DPP, which had been in power for 8 years (the victor was the incumbent vice-president), also lost its majority in the legislature. This means it would

be unable to make substantive moves towards independence even if it were minded to. In effect, Taiwanese voted to maintain the status quo; so while Beijing voiced fury at the loss of its chosen candidate (from the pro-reunification KMT), it is probably relieved that the balance of pro- and anti-independence forces has not worsened.

This is the baseline for Chinese reactions to events relating to Taiwan. China is almost certainly not planning to invade Taiwan for a few years yet, if at all, and seems ready to ensure that its ongoing provocations do not lead to accidental escalation. This means that only particularly anomalous acts would be likely to trigger more aggressive Chinese responses this year. Examples would include: a G6 head of state or head of government visit; a joint US-regional power exercise in the Taiwan Strait; an armed clash between Taiwanese and Chinese security forces, perhaps involving the Chinese maritime militia or air defence; the movement of long-range weapons to the Kinmen Islands, Taiwan-owned but just a few miles from the major mainland city of Xiamen; and a major public diplomatic gesture to Taiwan, such as official meetings between its president or prime minister and a head of state or head of government from a G6 state, or the head of the European Commission.

How likely is China to launch an attack on Taiwan ? Highly unlikely, and certainly not within the next year.

It is possible that more aggressive Chinese responses would be prompted by lesser actions. At a fundamental level, Xi's China does not understand democracies or democratic politics, and often mistakes business as usual for a huge slight. But it also does this knowingly: Beijing's diplomatic corps now tends to see outrage and insult as professionally advantageous. This means that (for instance) a debate in the European Parliament can be interpreted (perhaps wilfully) as being tantamount to recognition of Taiwan. It is noteworthy that the EU does not

have US-type confidence-building mechanisms with China; communication between Beijing and Brussels is very poor and usually mismanaged.

How likely is China to launch an attack on Taiwan?

Highly unlikely, and certainly not within the next year. China is unlikely to attack until it is ready to win, and it will probably not be ready to win – at least in its own estimation – for several years. This is because it is still in the early days of getting to grips with the complexity of amphibious and joint operations, and the political nature of the PLA means it is an exceptionally slow and obtuse learning mechanism. While the PLA might well represent itself as being more ready to defeat Taiwan than is the case, the clear difficulties it is currently facing are unavoidable. War seems unlikely before 2027 at the very earliest, if at all.

If China were minded to attack Taiwan sooner than that, it would almost certainly think it unwise to do so in a US presidential election year. It would also prefer to do it when Trump is in office; it could then reckon on the US refusing to defend its ally, which it probably calculates would ensure success. This means that the earliest it would be sensible to launch an attack would be 21 January 2025. But this is hypothetical – it remains highly unlikely that an attack would occur in 2024, if ever.

How likely is a seaborne invasion at current juncture? And what are the prospects of success / failure of such an invasion?

A seaborne invasion of Taiwan is highly unlikely in the immediate future, in substantial part because it would almost certainly fail.

An opposed amphibious assault is the most complex type of military operation conceivable. To be sure of success, it needs to deploy land, sea and air force-

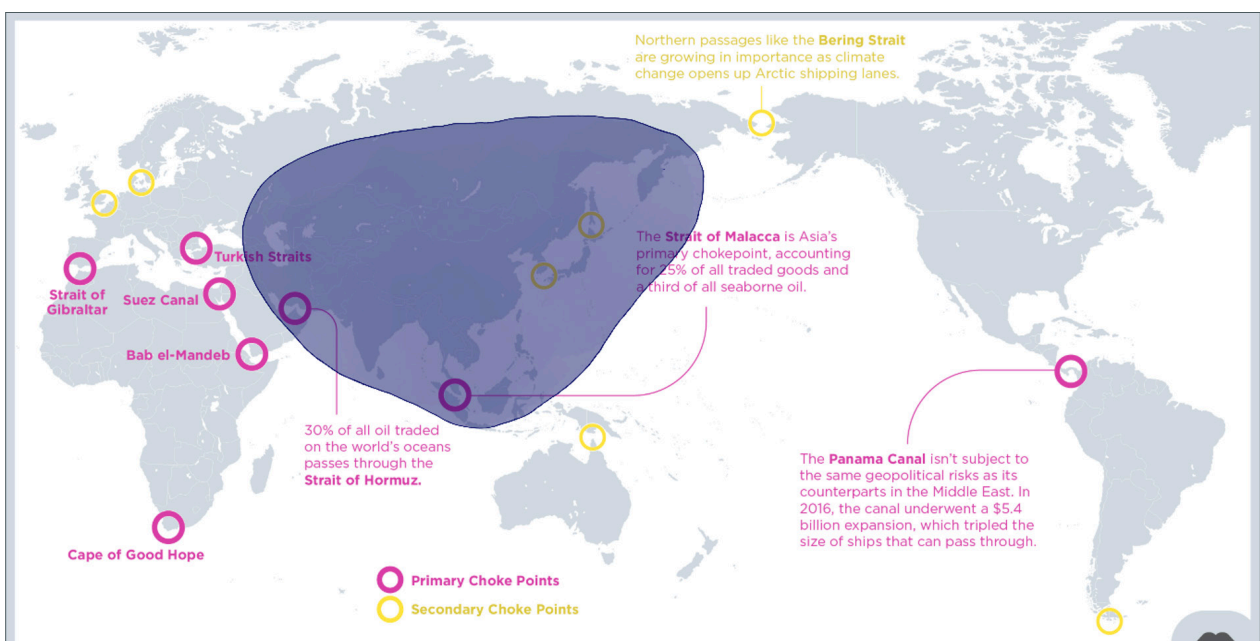
es as a well-coordinated whole, with each element accustomed to working with the others and to helping them achieve their objectives. Creating this joint force is a long and complex process even if each component within it (i.e. army, navy, air force) is already proficient in its basic functions. It requires exercise after exercise, with comprehensive and objective assessments of success and/or failure, and an effective lessons-learned process to identify which problems have to be addressed to ensure success, which services should address them, and what it will take to make a given service absorb the relevant lessons and incorporate them into their training.

Unfortunately (for any such Chinese ambitions) the PLA is a political army in a time of purges, when the consequences of both failure, and telling the centre what it does not want to hear, are magnified. If problems reflect badly on a given unit or service they are blamed on another unit or service. This, in turn, means that the lessons learned process does not work; if the problem is politically damaging, then correcting it might be politically damaging too. The result

is that while China is building an impressive invasion capability, with huge quantities of landing craft, plentiful and well-dispersed embarkation points, and armed forces trained and armed to fight both Taiwan and the US, individual services are still learning the basics of amphibious and joint operations. This means that until they are much more proficient, any invasion would see them unable to support each other effectively, thus allowing each component to be stymied or even defeated on its own.

On top of this, one has to consider China's non-existent military experience. The PLA is completely untested: it has not fought any kind of conflict since 1979 – a conflict it essentially lost to Vietnam. While the PLA's capability in 1979 bears no resemblance to that of the present day, experience and the lessons learned from combat are essential to the ability to bring that capability to bear effectively. This is particularly true of command systems, which are untested by any real-time crisis. All of the issues surrounding an untested military are magnified considerably if it tries to undertake a large-scale amphibious operation.

G7: DEPICTION OF KEY GLOBAL MARITIME CHOKEPOINTS, WITH SUPERIMPOSED RANGE OF CHINESE DF-26 ANTI-SHIP MISSILES FROM MAINLAND CHINA (RANGE OF 1,850 MILES)



Source: GIS and Herminius

Tension between countries in the South and East China Seas and potential for conflict or trade disruption (China, Japan, Korea)?

China is not looking to cause a war with any of its neighbours ; in its risky actions in the East and South China seas it is simply asserting what it considers its rights, in the clumsy way typical of the CCP. The principal danger, therefore, is of escalation; an assertive clash leading to an exchange of fire and then a test of national credibility and pride.

China is not looking to cause a war with any of its neighbours.

Nothing fundamental has changed of late in these waters. China and Japan still contest ownership of uninhabited islands in the East China Sea; China claims a sovereignty over islands in the South China Sea that is rejected by the relevant international court, Western powers, and all states with Exclusive Economic Zones abutting these features. China continues to develop bases on these islands (and indeed create new ones); it appears marginally more aggressive in trying to prevent regional states from asserting their own rights; and Western powers regularly carry out freedom of navigation exercises through waters claimed by Beijing. The potential for assertiveness to result in colliding aircraft or vessels is therefore constant. However, **the risk of escalation seems to have dropped markedly since the creation of US-China confidence-building mechanisms**, with senior military personnel – at least on the US side – much more confident that accidents or disasters can be contained. It seems highly likely therefore that 2024 will see apparent spikes in tensions in both the East and South China seas that then subside. While neither of these disputes is nearing resolution, nor do they seem likely to result in conflict in the medium term, and certainly not in 2024.

Trade disruption between China, Japan and Korea is much more likely than any kind of armed conflict between them, but still seems unlikely in 2024. In part this is because Beijing's policymaking energies for the next year at least will be focused on managing a sagging economy which could easily slump if hit by external shocks; trade disruptions are to be avoided. But it is also because all three states seem reluctantly aware of the need to improve ties, and have agreed to revive a moribund trilateral summit mechanism. Trade difficulties do emerge – Japan has protested at China's banning of Japanese seafood, which Beijing claims is irradiated – but for the moment seem unlikely to escalate. However this might change should Trump win a second term; he is likely to pursue an aggressive trade policy that will introduce a zero-sum mindset into regional trade dealings and force states to impose their own protection mechanisms.

WHO WE ARE



GROUPE
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HERMINIUS

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