



FIVE KEY RISKS

IN 2024

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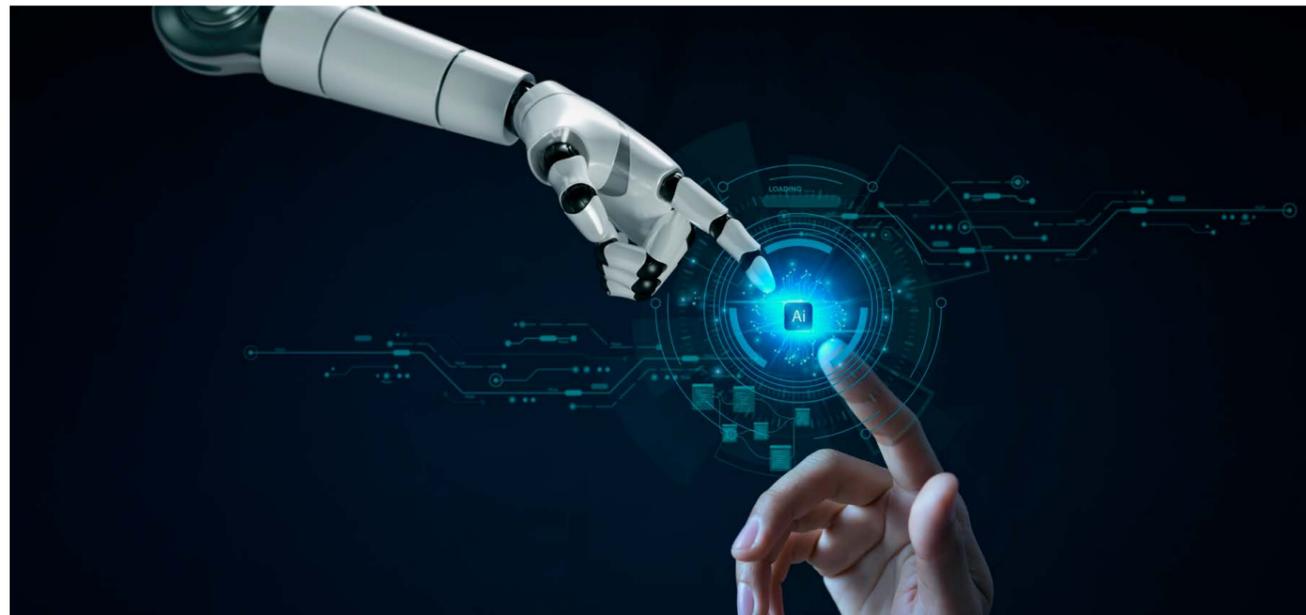
“We are living in a world beyond controllability” – Ulrich Beck

In this piece, as the old-world order continues to fade and a far more polarized one appears to be taking its place, we discuss five of the major risks facing us in the year ahead. While US-China relations and Climate Change, which were listed in our ‘Key Risks for 2023’ publication feature again, we also discuss a few additional challenges to focus on in 2024.

Artificial Intelligence

In our increasingly connected world, the average person now spends an estimated 4 hours and 30 minutes on their smart phone per day. Half of this time is spent on social-media platforms, so it’s no surprise that more than 43% of 18–24-year-olds utilize social media as their main source of news, compared to 18% in 2015 according to a recent study conducted by Oxford University. The COVID-19 pandemic clearly

accelerated this shift, but more worryingly the study also suggests that news seeking audiences pay more attention to the comments and opinions on global issues made by celebrities and ‘influencers’ than by professional journalists, which in turn has led to a greater number of conspiracy theories to be accepted as fact. Determining what is real and what is fake online has already become far more difficult, but the recent and rapid development of artificial intelligence, will likely sharply increase the amount of disinformation and be weaponized by certain unscrupulous governments, corporations and individuals. This risk was highlighted recently by the co-founder of a risk intelligence firm Blackbird.AI, who warned, *“As AI blurs the line between fact and fiction, we’re seeing a rise in disinformation campaigns and deepfakes that can manipulate public opinion and disrupt democratic processes. This warping of reality threatens to undermine public trust and poses significant societal and ethical challenges.”*



Of course, AI will also provide us with beneficial breakthroughs especially in the fields of ecommerce, healthcare, science, logistics and manufacturing. However, while tools such as text and image generators like ChatGPT have real uses and will make our lives easier in several respects, their ability to produce a believable response to any question does not always result in accuracy. As these applications get more advanced, the potential risks grow from minor ones such as plagiarism to the erosion of geopolitical stability which could trigger serious social upheaval and perhaps even wars. ChatGPT’s developers themselves are concerned about the risks that AI poses, including ‘human extinction’, which they and several other well-known scientists warned about in a recent public statement; which read as follows, *“Mitigating the risk of extinction from AI should be a global priority alongside other societal-scale risks such as pandemics and nuclear war.”* This latter fear was raised back in 2018, in a study published by the Rand Corporation, in which its researchers outline the potential for AI and machine-learning to eventually decide military actions leading to new types of catastrophic mistakes. Flexible but stringent regulatory oversight on AI is one way to avoid such catastrophes, but for this to be effective it will need rapid global coordination and alignment.

US elections

At the time of writing, the right-wing populist Javier Milei had just won the run-off vote in Argentina’s Presidential election with 56% of the vote compared to 44% by his challenger. One of the first people to congratulate him was Donald Trump, who called on Milei to “Make Argentina Great Again!” The irony here is self-evident. Like Trump in 2016, Milei was initially dismissed as a B-list television personality who could never win office but managed to build voter support by standing as the ‘anti-establishment’ candidate who would fight against the ‘ruling elites’ on behalf of the ordinary citizen. Of course, the poor state of Argentina’s economy where inflation has risen into triple digits and an estimated 2 out of 5 Argentines live in poverty, was a key supporting factor behind Milei’s victory, but even just the feeling that things could be better may also help Trump return to the White House in 2024, despite the fact that the US continues to outperform all other G7 economies

and Trump faces a raft of criminal charges. Recent polling suggests that 55.60% of US voters currently disapprove of Biden’s performance as President, although admittedly 53.60% also have an unfavourable opinion of Trump and his disapproval rating during his final year in office stood as high as 57% at one stage. So, neither candidate is instilling excitement amongst the majority of Americans. However, when we look at Republican supporters, over 59% say they would vote for Trump ahead of any of his nearest party rivals in the GOP primaries such as Nikki Haley and Ron De Santis, who were sitting at 15% and 14% respectively in early December 2023, according to the polling aggregation website FiveThirtyEight.

It’s worth noting though, that a recent WSJ Presidential poll had Hayley thrashing Biden by 51% vs 34% in the nationwide vote, compared to Trump who was leading the incumbent by just 37% vs 31%. On the Democratic side, Biden remains their leading candidate, but the party may be making a major mistake in not encouraging other younger candidates to run against him in the primaries. It’s patently clear that most democrats and independents consider him too old to stand for a second term, Biden has also been losing the important support of young voters, as well as those from Arab and Muslim communities in recent months, due in part to his stand on the Gaza situation. If we do indeed see a Trump vs Biden re-run in 2024, there are several risks linked to either becoming President again. Firstly, the result is likely to be extremely close no matter who wins, potentially opening up a fresh bout of claims and counterclaims surrounding the legitimacy of the vote and further polarizing American society while distracting Washington’s attention from growing domestic and international challenges. In addition, if Trump were to reclaim the White House, he’ll certainly be looking to take revenge on some of his political opponents. This was highlighted during a speech Trump made on Veteran’s Day, in which he reportedly pledged to *“root out the communists, Marxists, fascists and the radical-left thugs that live like vermin within the confines of our country, that lie and steal and cheat on elections”*. Meanwhile, a Washington Post article claimed that Trump and his allies are planning to use the Justice Department to go after his enemies. Possible targets allegedly include Republicans such

as Vice President Mike Pence, who was loyal to Trump while he was President but distanced himself quickly following the riots at the Capitol in January 2021, and from continued claims that the 2020 election was rigged. Such a move would poison the already dysfunctional domestic political environment even further and could also lead to a negative perception of the US as an investment destination should the direction of government policies become more unpredictable.

Tensions in the Middle East & Africa

The Hamas attack on Israel on October 7th, 2023, and the country's ongoing response to this unprecedented event, shattered what had been up to then a long period of relative stability in the Middle East region. Although this latest war was at the time of writing somewhat contained, the risk is that it will become drawn out increasing the chances that it could spread to the West Bank, southern Lebanon and perhaps even Jordan. At the same time, US-Iran tensions have jumped, especially after Iranian-linked militant groups launched a series of drone and rocket attacks on US assets in both Syria and Jordan. At this stage, Tehran appears keen to avoid any direct confrontation

with either the US or Israel. But increased activity by Iranian proxies is likely to continue, highlighted by the November 2023 hijacking of a cargo ship sailing through the strategically important Bab al Mandeb Strait by Houthi rebels in Yemen. This was followed soon after by a 'kamikazi' drone attack on a container vessel in the same area. The Strait is just 18 miles wide at its narrowest point and strategically important with more than 9% of total seaborne crude oil and refined petroleum transiting through this passage daily. It is also an impossible chokepoint to avoid for ships sailing between Asia and Europe. Meanwhile, Iran has reportedly expanded the amount of its uranium stockpile that has reached a 60% purity level to more than 128 kg, which would be enough to build at least 3 nuclear bombs if this uranium were further enriched to 90% purity. This compares to a limit of just 3.67% agreed to in the now practically defunct 2015 Joint Comprehensive Plan of Action (JCPOA) accord. Officials in Tel Aviv have warned publicly on several previous occasions that any attempt by Iran to increase its uranium enrichment program beyond 60% was a 'red line' for Israel.

Egypt, which is already battling severe economic pressures, also faces risks emanating from the Israeli-Hamas conflict. This North African country

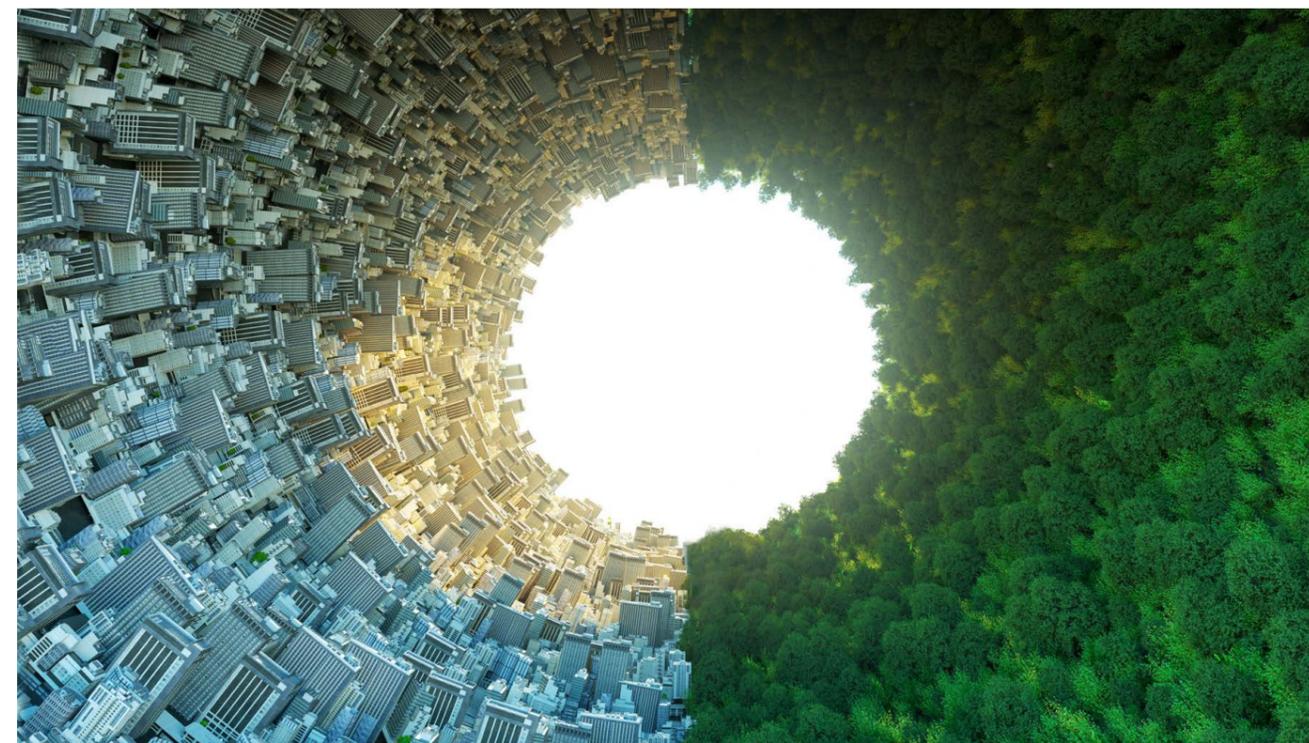
shares a border with both Israel and Gaza, and its Rafah border crossing with the latter has become a potential flashpoint. This new war on its borders is affecting Egypt's important tourism sector and led to higher energy costs, with the IMF suggesting that it might have to boost its loans to Cairo in an attempt to alleviate some of the economic impact on Egypt. Next door in Sudan, a civil war that broke out between the Sudanese army and a paramilitary group in April 2023 shows no signs of abating after mediators from the African Union, Saudi Arabia and the US failed in their attempt to persuade the two warring sides to enter into a ceasefire agreement in November. This conflict has already displaced more than 5.60 million people which is a major concern especially as the socio-economic and security situations in bordering countries such as Chad, the Central African Republic, Eritrea and Libya are fragile. There is also the question of if and how the ongoing conflict in Sudan might affect Cairo's persistent attempts to resolve a longstanding dispute with Ethiopia over the latter's controversial 'Grand Renaissance Dam', which both Egypt and Sudan fear could severely disrupt their fresh-water supplies, and had been working closely together until now to pressure Ethiopia into making

significant concessions in terms of the filling and management of its dam on the Nile River.

Meanwhile, the Sahel region in West Africa has experienced a wave of coups and instability since 2022, with Niger becoming the most recent victim when members of the country's Presidential Guard overthrew the government of President Mohamed Bazoum in July 2023. Niger joins Burkina Faso, Chad, Guinea, Mali and Sudan, who have all experienced successful coups since 2020. This instability, combined with the related withdrawal of French troops from its bases in Burkina Faso, Mali and now Niger, raises the risk that terror groups like 'Boko Haram' and the 'Islamic State in the Greater Sahara' will take advantage of the situation and attempt to spread their influence across the entire length of the Sahel. There is also the risk of an increase in the already high number of refugees and migrants attempting to reach Europe.

Climate change

This past year saw unprecedented occurrences of abnormal weather events, from severe heatwaves and droughts to extreme flooding. In Europe, July 2023 was the hottest month recorded in more than



120,000 years, while California's Death Valley reported the highest temperature ever experienced on Earth: a scorching 56.7C. Meanwhile, Canada was ravaged by severe wildfires with smoke from these reaching as far down as the East Coast of the United States, while Greece fell victim to Europe's largest single fire in its history with 77,000 hectares affected. This was then followed a couple of months later, by torrential rainfall, which triggered deadly flash flooding in Greece, Turkey, Bulgaria and Libya. A study published in September 2023 by the World Weather Attribution Organization established a clear link to climate change and this extreme rainfall.

Just as worrying was the fact that ocean temperatures were significantly higher in 2023, with the Mediterranean Sea reaching 28.7C in early August, while the North Atlantic experienced a marine heatwave for the first time in history. According to the Swiss-based Intergovernmental Panel on Climate Change, the frequency of marine heatwaves has doubled since the 1980s and this in turn is having a major negative impact on marine ecosystems, the importance of which cannot be overestimated because such ecosystems produce 50% of the world's oxygen. Climate change not only generates unusual weather patterns and rising sea temperatures, it also fuels geopolitical instability,

especially in the poorer regions of the world. More frequent droughts are exacerbating water scarcity, especially in Africa and the Middle East, and this issue continues to be one of the most under-recognized global security risks in our opinion. The MENA region alone is home to 12 of the most water-scarce countries in the world, while China has 20% of the planet's population yet only has access to 7% of the available water supplies. Meanwhile, more than 400 million people in sub-Saharan Africa lack access to basic drinking water, while the region is also very dependent on the agricultural sector, which is the primary source of income for at least 50% of its people, according to New Partnership for Africa's Development (NEPAD). An example of the combined effect of water shortages, a growing population and climate change is the Tigris-Euphrates Basin which encompasses Iraq, Iran, Syria and Turkey. Here, a study undertaken by the Stimson Centre and Konrad-Adenauer-Stiftung in 2021 showed that this specific region is losing groundwater faster than most places in the world. Aside from displacing populations, water scarcity could also trigger conflict and there are several such potential flashpoints around the world where disagreements over access to and usage of water sources are putting a strain on relations between countries, including, the Aral Sea, as well as the Jordan, Mekong and Nile rivers.



Unfortunately, a new report entitled 'The Emissions Gap', released by the UN's Environment Program ahead of the COP28 gathering in the UAE, claims that we are currently on track to raise the world's average temperature by almost 3C by the end of this century. This would be double the target agreed to in the 2015 Paris Climate Accords. *"Humanity is breaking all the wrong records on climate change. Greenhouse gas emissions and the global average temperature are hitting new highs, while extreme weather events are occurring more often, developing faster and becoming more intense,"* the report warns, adding that continued mitigation and low-carbon transformations by all nations are essential to narrow this emissions gap. Aside from a deeper commitment by all countries to do all they can in this regard, advances in technology will definitely help, especially in the area of carbon capture. This latter point is perhaps highlighted by the Abu Dhabi National Oil Company's decision to proceed with the development of a pioneering 1.5 Million Metric ton per annum (MMtpa) carbon capture, utilization and

storage project, as well as a separate pilot initiative in partnership with the Fujairah Natural Resources Corporation and Masdar, which if successful, would permanently mineralize captured carbon dioxide within existing rock formations.

US – China relations

The November 2023 meeting between President Biden and President Xi in California, represented the first trip the Chinese leader has made to the US since 2017 and the first time the two leaders had met face-to-face since the 'spy-balloon' incident. Several modest agreements were signed, including one related to climate change as well as closer educational and cultural ties, and their bilateral discussions appear to have been cordial. During a speech to US businessmen Xi reportedly stated that *"the historical trend of peaceful coexistence between China and the United States will not change,"* while Biden opined that *"We have to ensure that competition does not veer into conflict."*

Even a slight improvement in relations between the world's two primary superpowers (which has become a lot more fractious in recent years) should be welcomed. However, it was not a game-changer, and strategic US-China competition is certainly not going to fade. Washington still regards Beijing as the main threat to US hegemony and thus will continue to expand its economic and military cooperation with other countries in the Asian region, such as India, South Korea, Japan, Australia, Vietnam and the Philippines. This reality was underscored in a recent 741-page report written by the 'US-China Economic & Security Review Commission' in Congress, which warned that, "The new normal is one of continuing, long-term strategic and systemic competition," and claimed that China was dedicating "unprecedented" resources into modernizing its military, with a special focus on breakthroughs in missiles, space, undersea warfare and artificial intelligence.

With the above in mind, the issue of Taiwan will no doubt remain contentious, although both Washington and China appear to have managed to dial back tensions on this subject for now, which at one stage had become extremely heated. We still consider the chance of a direct conflict breaking out over Taiwan in the near to

medium term at the lower end of probability. However, two important 'known-unknown' factors with regards to future US policy towards China could be the outcome of the 2024 US Presidential election as well as Taiwan's own national election which is scheduled to take place on the 13th of January 2024. At this stage Taiwan's Democratic Progressive Party (DPP) appears to be ahead of the more China-friendly Kuomintang Party. A strong DPP victory may re-ignite tensions with Beijing as the party has often indicated its desire to enact a formal declaration of independence for the island. Meanwhile, across in America, if a vote was held today, Donald Trump would probably win back the White House and he loves to be known as the 'Tariffs Man' after he imposed a 25% duty on Chinese imports during his time in office. Therefore, he could well look at further trade penalties and not just against China. An South China Morning Post (SCMP) newspaper article recently quoted him as saying that if he was President again, he would immediately introduce a new 10% tax on all imports into the US, including on key US allies like India. Such a move might rapidly undo progress the US has made in strengthening its ties with New Delhi and other important Indo-Pacific nations, as well as unravel Biden's recent minor warming of ties and agreements signed with Beijing.



Summary

The year ahead will no doubt be another challenging one, and the five risks we have highlighted above are just a few of the issues the world will face in 2024. For example, populism is still on the rise and 40 countries are scheduled to conduct elections this year, a number of these could have both a regional and global impact. Meanwhile, cyber threats are likely to become even more prevalent especially with the growing use of AI, the Russia-Ukraine conflict appears to have entered a stalemate but sadly still seems set to drag on for some time to come, while neither food insecurity nor supply-chain fragility have improved significantly over the past 12 months. Closer to home and at the time of writing, COP28 had just ended with 198 countries finally

agreeing on a commitment to transition away from all fossil fuels in an orderly fashion. Progress was also made in other areas including; a breakthrough deal to create a 'loss and damage' fund aimed at supporting those nations most vulnerable to the effects of climate change, the launch of a USD 30 billion fund for global climate solutions that aims to attract USD 250 billion of investment by the end of this decade, and a pledge by 118 countries to triple renewable power generation capacity to 11,000 GW by 2030. It's hoped that all COP28 attendees will build on these accords and collaborate more closely on finding viable solutions to combatting climate change in the years ahead. And finally, we pray that the recent extremely tragic events in Israel and Gaza may finally encourage all sides to find a viable road to a sustainable and long-lasting peace.

Sources found to be useful in researching this article: ABC News, AP, Arab News, Arab Weekly, Andalou Barrons, Bloomberg, BBC, CNN, Council for Foreign Relations, Control Risks, Chatham House, Euronews, EPThinkTank, Forbes, Earth.org, EIU, Foreign Policy, FiveThirtyEight, IMF, Maersk, Morning Consult, RFI, The Washington Post, The Financial Times, The National, The Guardian, The Economist, The Hill, The Jerusalem Post, NBC, Our World in Data, Stratfor, Stimson Centre, South China Morning Post, Space News, Water Resources Institute, World Water, World Bank, WFP, UNEP, Vatican News, United Nations, Upstream Online, Zawya.