EMERGENT RISK INTERNATIONAL

Global Disruptors



January

2024

Strategic Intelligence Estimate

#yourdecisionadvantage

EMERGENT RISK INTERNATIONAL

A Note From Executive Leadership

As an innovation-driven risk intelligence practice, Emergent Risk International has always embraced the term “disruptor,” not as a negative or positive term, but as a change agent. Disruptors are necessary to move us out of our comfort zone, challenge our thinking and remind us that complacency is dangerous. In the world of global affairs and risk management, disruption and disruptors are generally viewed as a negative term. One that defines actors and events that challenge global stability, safe operating environments, and physical safety and security. But in business, disruptors and risk-takers can have both positive and negative connotations – and outcomes.

This year as we worked through major themes that came to mind as we roll into 2024, nothing seemed a more perfect fit – looking forward or in the rearview – than the word ‘Disruptor.’ At the close of 2023 we see a world that is more interconnected than ever and yet perhaps nearly as divided as it was on the cusp of World War II in the late 1930's. With technology accelerating at a pace far faster than most humans can absorb, climate impacts mounting, and information pollution clouding our judgment of fact vs fiction – organizations face daunting investment environments the world over, with disruptors around every corner. While most of these outlined here focus on disruptors and disruption as risks to be accounted for and managed, it’s important to remember that one of the positive roles that business can play is to create solutions and responses to problems – and even major disruption.

As you read through this year’s themes, keep in mind that every disruption brings with it opportunities for better solutions-oriented thinking. How does this apply to your organization? How can you be a positive change agent in addressing disruption? That does not mean that it is in our toolbox or capacity to thwart these disruptions or change large societal or technological outcomes, necessarily. But through considering scenarios and their applicability to our particular circumstances, by building resilient crisis management systems, and by keeping our key decision makers informed – we can better prepare for disruption. In doing so we create the circumstances for better outcomes and mitigation of negative impacts in our lives, businesses, communities and governments. In some cases, our organizations may even be poised to help create a solution to the disruption.

Among the themes we will explore in the following pages:

Electoral Outcomes in 2024
Shifting government models, regulatory outcomes, and political stability

States on the Edge of Failure
The countries most at risk in 2024

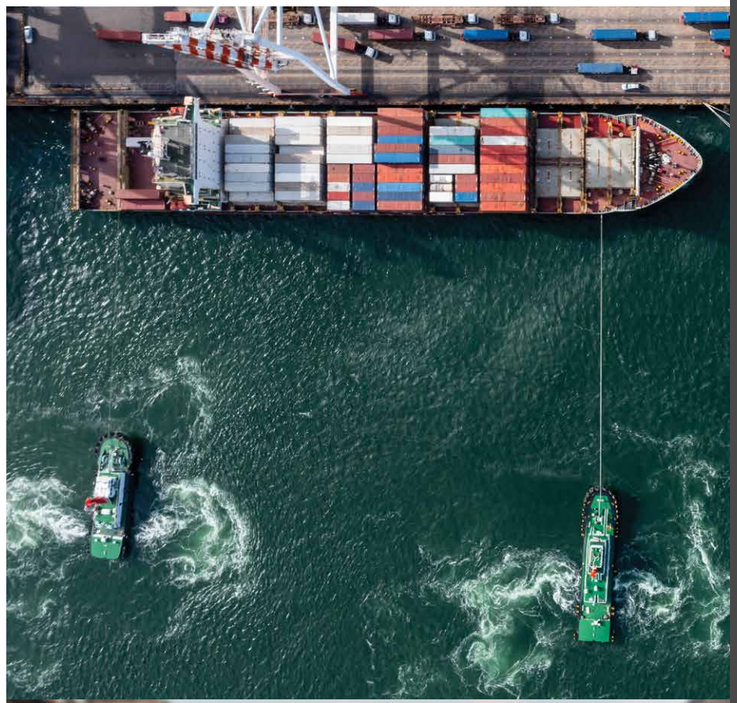
Disruptive Technologies
The era of Generative AI

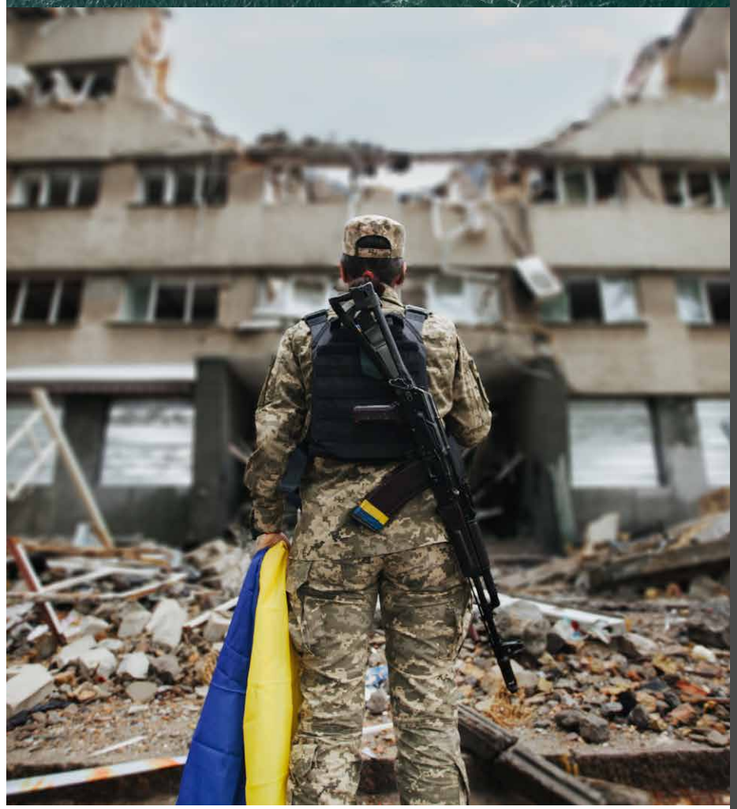
Climate as a Disruptor
And the disruptors pushing for more action on climate

State and Non-State Actors
As global disruptors

Middle Powers
Saudi Arabia and their unique advantage in the US – China – Russia struggle for power

We hope you’ll find some valuable insight in this year’s report with which to think about the coming year and how some of these disruptors could drive risk mitigation strategy, but also your organization’s business strategy. Will they cause a reconsideration of expansion to certain markets? Or simply a reframing of strategy to better position your organization for success? Are there ways that these changes will create new demand and needs, the way that the pandemic did for several years? Whatever the outcome, we hope it provides additional context and food for thought for the coming year.





EXECUTIVE LEADERSHIP TEAM



Meredith Wilson

Chief Executive Officer & Founder

Meredith is the Chief Executive Officer & Founder of ERI. She has spent over two decades working in intelligence, first in government and then building some of the earliest private sector intelligence programs. She founded ERI in 2014 to build innovative intelligence programs that help companies leverage the best that intelligence can offer – but within the framework of business. She is based in New England.



Brady Roberts

Chief Operating Officer

Brady is the Chief Operating Officer and is based in Austin, Texas. He joined the company in January 2018, where he oversees ERI’s daily operations, trains clients and consults directly with customers, leveraging his over 20 years of experience in the intelligence field.

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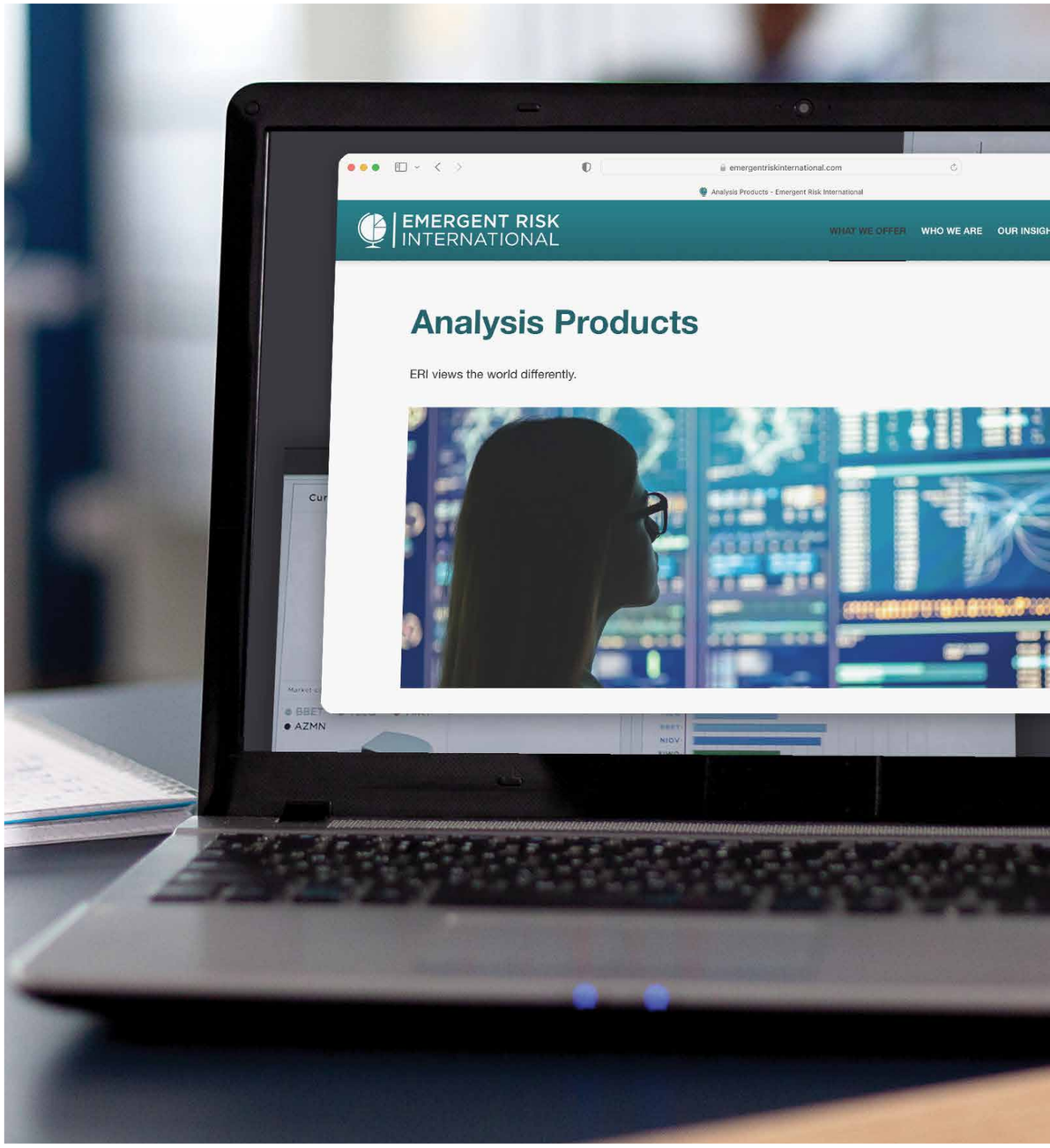
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How Are We Different?

We understand business. Through our work designing fit-for-purpose intelligence programs or our daily and weekly analysis, we put business and business impacts first.

We rely on data. We are transparent in our sourcing and use data and fact-checked information to ensure a disinformation-free, holistic understanding of the operating environment, grounding our assertions in reality and contextual relevance

We value effective communication. We understand that professionals outside security and intelligence need to receive intelligence in a clear, concise medium that is quick to understand and evaluate. Intelligence must be delivered in a format that works for busy decision-makers.

We build capability. While other companies create dependency on their intelligence products or embedded staff, we help our clients build self-sustaining intelligence functions with strategic aims, inputs from our analysis and trained, supported teams to manage a program. These engagements are overseen by senior professionals with experience building intelligence programs in government and the private sector.

Our Vision

We are a risk insights company. We create and protect value through industry-leading intelligence, technology, training, and talent. We believe that a strategic risk intelligence program supports a whole organization by providing data-driven intelligence that creates a competitive advantage for decision-makers across their entire business. Come work with us, let us show you how we can be your decision advantage.

#yourdecisionadvantage

People Solutions

ERI's embedded staffing program was created to provide clients with a one-stop, immediate solution when an in-house team is needed. By bringing our expertise and entire product suite to bear, ERI can set up and run an in-house intelligence program – tailored to your needs – from day one. Our trained business professionals hit the ground running, giving you immediate capability and the ability to respond to short and long-burn crises with foresight and expertise. Your analyst team will set you up for success, creating competitive advantage and preparedness for uncertainty across your enterprise.

"Across the board, insightful on risk topics that truly have a business impact."

-Chief Security Officer, Global Energy Firm



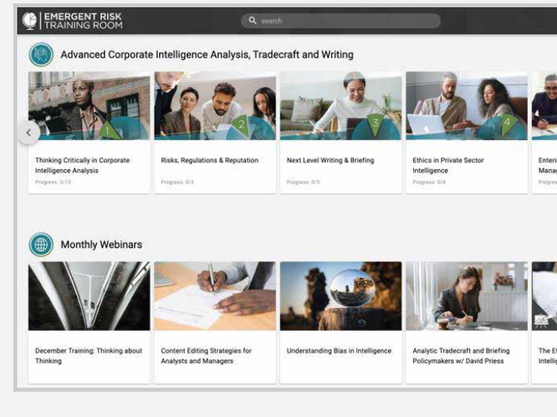
Technology: The Situation Room™

The Situation Room combines ERI's analysis, country reports, daily reviews, live analytics and data feeds. These encourage users to utilize high-quality data-based information and sources to build their analysis and eliminate 'cut and paste reporting' as the primary source of their analysis. Integrations from our partners at Factal and DisasterAware Enterprise give analysts access to real-time security and natural disaster information in one pane – giving them unrivaled access to the ultimate analyst's toolkit.

Training

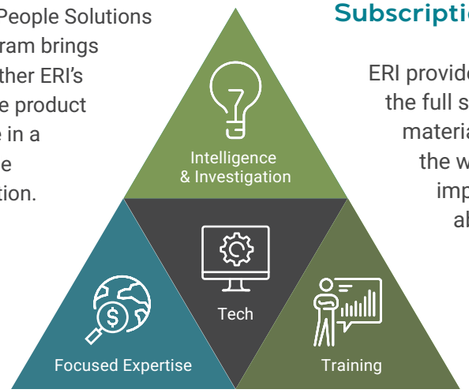
As part of our vision of self-sustaining corporate intelligence programs, our training helps analysts grow in their roles and develop long-term careers.

- Corporate Intelligence and Analytical Tradecraft and Writing. Our foundational course, this training, takes analysts through all the elements of an intelligence function.
- Data Visualization and Analysis. We bring our understanding of data and infographics in communication to our clients' teams.
- Advanced Analysis. For analysts with potential, we train them for senior roles, building their analytical skills and credibility to strengthen their performance within their own teams.



- Analyst to Manager Transitions Course. As your team grows, you will need leaders to keep your intelligence program functioning and become truly self-sufficient. This course helps analysts transition to leadership.

Our People Solutions program brings together ERI's entire product suite in a single solution.



Subscription and Bespoke Intelligence Products

ERI provides world-class subscription analysis products that consider the full scope of business risk and, importantly, how these risks will materialize across business value chains. We cover every region of the world with analysts that hail from these regions, providing important cultural and social context that can sometimes be absent in products written by non-native analysts.

ERI provides investigative and due diligence reporting. Our global reach allows us to target corporations and businesses globally for verification and clearer understanding of business structures and ownership.

ERI Celebrates 10 Years

A Decade of Excellence

Among the many things that 2024 will bring to the world, the year will also be a big milestone for Emergent Risk International – our 10-year anniversary. Against a backdrop of major shifts in the global political, security and investment environment, ERI has grown to become a trusted partner, bringing context, clarity and decision advantage to hundreds of companies around the world. While we remain a Texas LLC, our leadership is spread from Texas to Dubai and our employees live and work on nearly every continent. In 2024, we look forward to bringing on additional executive level staff to service our growing blue-chip client list. We are incredibly grateful for each and every client, employee, friend and family member that has helped us build this self-funded startup into the company that it is today.

2014 Emergent Risk International is Established

Meredith Wilson establishes Emergent Risk International LLC as a risk intelligence consultancy in Dallas, Texas.

World events: Russia invades Crimea, Ukraine; The Islamic State captures large swathes of Iraqi territory; A Russian missile downs Malaysian airlines flight MH 17 over Ukraine; Terror attacks plague Europe, the Middle East and Africa.

2015 Company First Steps

ERI creates the first business-specific risk intelligence training Corporate Intelligence Analysis, Tradecraft, and Writing.* Course becomes a foundational training course for business-focused intelligence analysis.

ERI hires its first full-time employee and adds training and consulting business lines.

ERI is a founding board member of the Association for International Risk and Intelligence Professionals (AIRIP).

World events: Conservative parties in the UK begin campaign to leave European Union; Donald Trump announces run for US President, takes surprising lead in primary election voting.

2016 Release of The Situation Room

ERI releases first version of The Situation Room, its Software as a Service platform, hires 2nd and 3rd employees.

World events: In major surprise results, the UK votes to leave the European Union, the US elects President Donald Trump and the Chicago Cubs win the US Major League Baseball World Series.

2017 Subscription-based Situation Room Platform

ERI rolls out the subscription-based Situation Room platform and its first subscription analysis service. Hires additional staff, participates in its first ASIS conference in Dallas, TX.

World events: The US-China relationship sours as the new US administration begins mulling tariffs on Chinese imports in pursuit of rebalancing trade deficits with China; US policy towards Europe and NATO shows cracks as new administration looks to change traditional alliances; Rising white nationalism across the US and Europe drives violent protests and clashes. The US experiences its worst year on record for major natural disasters with 16 individual billion-dollar disasters, costing a record $312 billion in estimated damages.

2018 Hires Chief Operating Officer, Brady Roberts

World events: US and China begin tit-for-tat trade war including steel, aluminum, agricultural and technology tariffs. Brazil elects hard-right wing candidate Jair Bolsonaro, who emulates US President Trump's campaign style.

2019 Introduces a Full Service Intelligence Analyst Program

ERI introduces its "Intelligence Program in a Box" full-services embedded intelligence analyst program – combining its five lines of business into a one-stop solution including staffing, training, platform services, career management and consulting. The program brings world-class intelligence programs to companies that previously have not had one, allowing for establishment in weeks rather than years.

ERI's annual revenue surpasses $1 million.

ERI creates the first online version of its Corporate Intelligence Analysis, Tradecraft and Writing course.

World events: Global protests and rioting throughout the year upend countries from Haiti to Hong Kong with broad themes focused on increasingly anti-democratic norms, corruption and the rising costs of living.

2020 Expands Interactive Communications

In February, ERI and Factal introduce a weekly joint Global Security Briefing webinar and a weekly online Friday Happy Hour to bring clients a consistent weekly update on COVID-19 and a consistent weekly sanity check during lockdown.

The pandemic forces shutdown of businesses across the world. ERI closes its Dallas headquarters and becomes an all-remote organization. Hires its first Director for Analysis, Director for Training and Director for Client Relations. Adds staff in the US and UK.

World events: COVID-19 emerges in China and becomes a global pandemic, forcing most of the world into lockdown and devastating economies. The US loses over 20 million jobs in less than a month. Racial and social divisions flare, touching off the largest protest movement in US history through the summer of 2020, with political confrontations, rioting and looting against the backdrop of the 2020 Presidential election. Anti-lockdown, anti-vaccine and anti-racism protests become a global phenomenon. Former Vice President Joe Biden wins the US Presidential election, but President Trump refuses to concede, calling the elections fraudulent. Hong Kong protests die down and Western businesses begin to shift workers to other parts of Asia as China brings Hong Kong more in line with the mainland. A probable viable COVID-19 vaccine is announced in November 2020.

ERI Celebrates 10 Years

A Decade of Excellence

2024

2021 Increases International Employees

ERI grows to more than 40 employees worldwide, with representation in the UK, Switzerland, Finland, Uruguay and Singapore; reaches $2.3 million in annual revenue.

World events: The year begins with disenfranchised Trump supporters besieging the US Capitol Building to stop the official certification of election results. The pandemic continued with new strains of the virus leading to renewed shutdowns and border closures. Pfizer and Moderna roll out the first COVID-19 vaccines to the public.

2022 Expands into New Media and Continues Employee Growth

ERI releases its first podcast, Disinformation, in collaboration with Evergreen Podcasts. The company grows to more than 60 employees worldwide, including new staff in Portugal and reaches nearly $6 million in annual revenue.

World events: Russia invades Ukraine, sending global commodity markets into a tailspin. Most US and many European major companies leave Russia and evacuate personnel from Ukraine. Europe faces an energy crisis as it sanctions Russia for the invasion. Inflation grows exponentially in nearly every major economy in the world. Countries like Sri Lanka and Pakistan face major debt crises over the cost of imported energy, food prices and pandemic-era debt. China remains mostly locked down even as the rest of the world opens back up, creating continued supply chain and business challenges.

Recognition and Growth 2023

The company grows to over 75 employees and affiliates worldwide, adding a Dubai, UAE based Global Head of Sales. ERI wins a Muse silver award for its podcast Disinformation and a Global Chamber Innovation and Excellence award. CEO Meredith Wilson wins Enterprising Women of the Year award and is named a top 50 female CEO by Women We Admire. ERI approaches $8 million in annual revenue.

World events: With the launch of ChatGPT, generative artificial intelligence enters the public consciousness and promises to reshape businesses. Russia's war in Ukraine bogs down into a stalemate. Azerbaijan seizes the Nagorno-Karabakh region from neighboring Armenia. Hamas launches surprise attacks against Israel, sparking conflict in the Middle East. Global climate change makes 2023 the hottest year on record.

*The CIATW course was created in collaboration with Ben Brandt.

Contributors

Strategic Intelligence Estimate 2024



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Who's At Risk in 2024

On the Edge of Disruption



The aftermath of global shocks from COVID-19, economic volatility and conflict threaten instability or collapse in several countries in 2024.

Evolving political, economic and social repercussions from the pandemic, the Russia-Ukraine war and global financial volatility have left several countries vulnerable to deep instability in 2024.

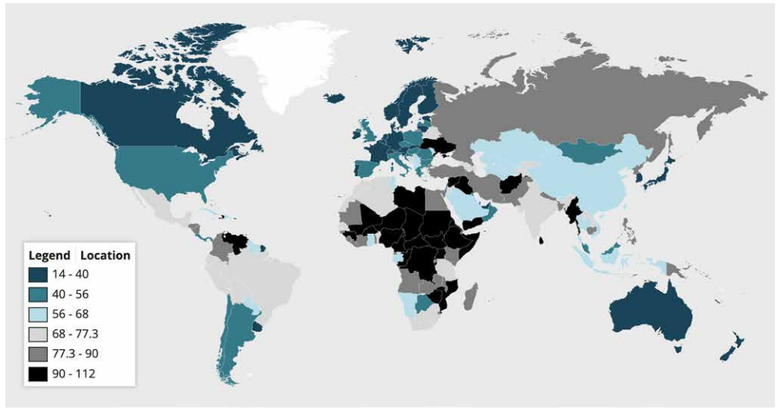
The renewed Israel-Palestine conflict caps a growing list of active conflicts in 2023 that could expand in the coming year. Contentious elections, crackdowns on political opponents and strained civil-military relations threaten to drive instability in parts of Asia, Africa and Latin America this year. Economically, many developing markets face a probable debt reckoning in 2024 that could spawn multifaceted political and economic crises. Environmentally, the El Niño weather phenomenon will push some countries to the brink of famine and put others at risk of catastrophic flooding.

Fragile States Index, 2023

Score 0 to 120,
where 120 = highest fragility

Source: Fund for Peace

Note: The Fund for Peace's annual Fragile States Index measures countries' "fragility."



The conflicts in Israel-Palestine and Ethiopia are at greatest risk of escalation in 2024, threatening regional insecurity.

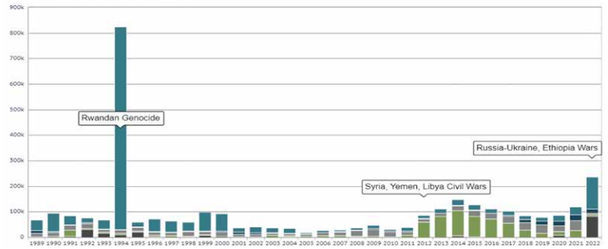
Hamas' attacks and Israel's Gaza campaign will likely lead to a protracted war, extending well into 2024, with little prospects of resolution in the near term. Gaza's mass displacement and destruction has led to the territory's collapse, while heightened tensions also threaten the West Bank and the Palestinian Authority, which will create long-term security implications for the broader region. Ethiopia is on the verge of deeper instability as Amhara and Oromo rebellions devolve into large-scale fighting with the federal government, only one year after the end of a two-year civil war in Tigray, which killed an estimated 100,000 people and left the northwest region facing famine. Recurrent conflicts have reduced investor appetite and left Ethiopia facing a looming debt default.

Deaths in Armed Conflicts by Region

Source: International Monetary Fund

Africa Asia & Oceania Europe Americas Middle East

Note: Conflict-related deaths are at their highest level in nearly three decades following the outbreak of war in Ukraine in 2022 and the latest Israel-Palestine flare-up in late 2023, which take place against the backdrop of rising insurgencies and civil conflicts globally.



Pakistan and Venezuela face an elevated risk of political instability in 2024 due to upcoming elections and economic crises.

Pakistan's political and economic crisis will come to a head in 2024 with February 8 general elections following former Prime Minister Imran Khan's ouster in 2022. Tensions following Khan's jailing elevate the risk of unrest or violence ahead of the vote, but Pakistan also faces increasing militant and extremist threats; a crippling economic crisis that could worsen post-election; and severe effects of climate change. In Latin America, Venezuela is also preparing for contentious elections in October 2024 following a political and humanitarian crisis since 2019, which has driven over 6 million people out of the country. While President Nicholas Maduro secured a deal with the US to relax oil-related sanctions in exchange for election-related concessions, his threats to annex Guyana's energy-rich Essequibo region and attempts to drum up nationalism ahead of the vote are unlikely to pull Venezuela out of crisis and could deepen political tensions, violence and humanitarian fallout this year.

Egypt and Kenya lead a list of countries with debt crises that could drive new instability.

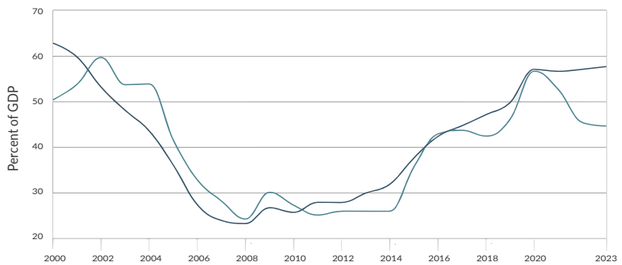
Developing countries face record levels of debt following a surge in inflation and interest rates, forcing governments to divert spending on their populations to servicing their debt. At least nine African countries were already in debt distress by the end of 2023, according to the World Bank, including Ghana, Mozambique, Zambia and Zimbabwe. Several larger African countries are also at risk. Egypt, North Africa's largest economy, spends over 40% of state revenue on interest payments and has nearly $24 billion in debt due in 2024. A debt default remains a medium-likelihood, but high-impact scenario given the country's economic importance. However, even without a default, another currency devaluation early next year will push inflation even higher and complicate the country's ability to pay for crucial imports. Kenya similarly faces a $2 billion bond payment in 2024 that has prompted unpopular government austerity measures and new taxes to avoid a default, which drove a wave of summer protests over rising costs of living. Further protests are likely in 2024 as the government focuses on debt payments.

Middle East and Africa Debt Levels

General government gross debt (Percent of GDP)
Source: International Monetary Fund

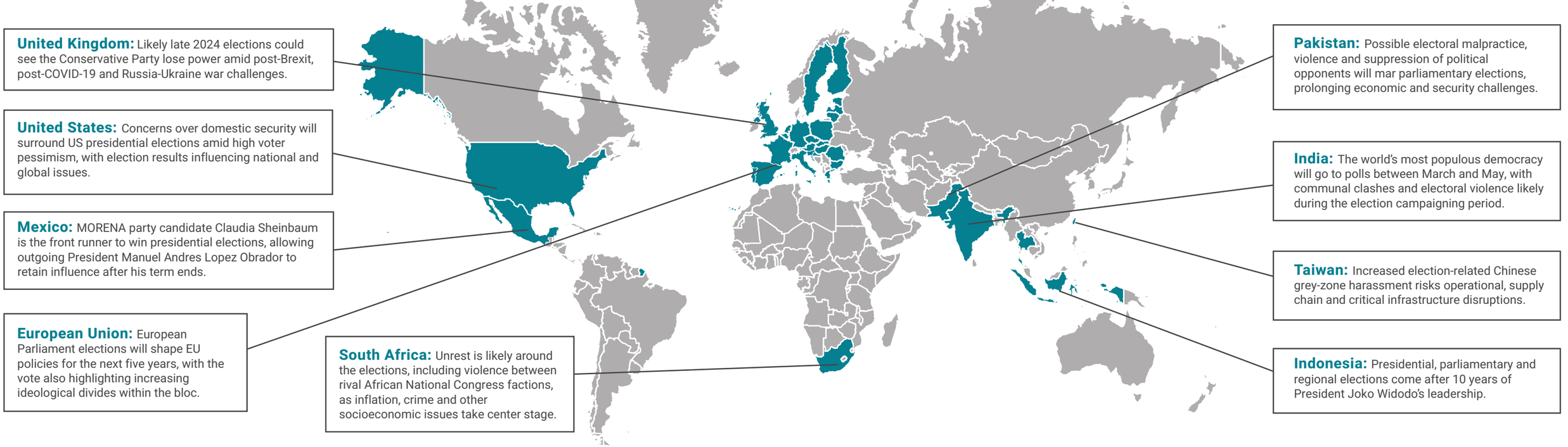
Middle East and Central Asia Sub-Saharan Africa

Note: Debt has surged across the Middle East and Africa in the past decade, compounding regional stability concerns and environmental risks.



Environmental disasters will further undermine stability in East Africa in 2024, worsened by a continued strong El Niño.

The El Niño climate cycle's effects will continue through spring 2024, intensifying droughts, flooding, cyclones and other natural disasters. East Africa will bear the brunt of these disasters next year, with Mozambique and Somalia among countries facing the greatest risk of environmentally driven instability after successive major cyclones in 2022 and 2023 caused considerable damage, while other parts of these countries also continued to experience famine-inducing drought. A severe El Niño could lead to a 30% contraction in regional agricultural output for 2023-24 in sub-Saharan Africa.



Elections in 2024 A Consequential Year for Democracy

JAN
- JAN 13 — Taiwan — Presidential
- JAN 28 — Finland — Presidential

FEB
- FEB 04 — El Salvador — Presidential Parliamentary
- FEB 07 — Azerbaijan — Presidential
- FEB 08 — Pakistan — Parliamentary
- FEB 14 — Indonesia — Presidential Parliamentary
- FEB 25 — Cambodia — Presidential
- FEB 25 — Belarus — Parliamentary
- FEB 25 — Senegal — Presidential

MAR
- MAR 01 — Iran — Parliamentary
- MAR 10 — Portugal — Parliamentary
- MAR 15-17 — Russia — Presidential
- MAR 31 — Ukraine — Presidential
- MAR APR — India — Parliamentary

APR
- APR 10 — South Korea — Parliamentary
- APR — Slovakia — Presidential

MAY
- MAY 05 — Panama — Presidential Parliamentary
- MAY 12 — Lithuania — Presidential Constitutional Referendum
- MAY 19 — Dominican Republic — Presidential Parliamentary

JUN
- JUN 01 — Iceland — Presidential
- JUN 02 — Mexico — Presidential Senate Chamber of Duties
- JUN 06-09 — European Union — Parliamentary
- JUN 09 — Belgium — Parliamentary
- JUN — Mongolia — Parliamentary
- JUN — Mauritania — Presidential Senate

JUL
- JUL — Burkina Faso — General

AUG
- AUG — Rwanda — Presidential National Assembly

SEP
- SEP — Sri Lanka — Presidential
- SEP — Austria — Presidential

OCT
- OCT 09 — Mozambique — Presidential Parliamentary
- OCT 27 — Uruguay — Parliamentary
- OCT — Botswana — National Assembly

NOV
- NOV 05 — United States — Presidential Senate House of Representatives
- NOV — Guinea-Bissau — Presidential
- NOV — Romania — Presidential
- NOV — Somaliland — Presidential

DEC
- DEC 07 — Ghana — Presidential General
- DEC — Croatia — Presidential
- DEC — Algeria — Presidential
- DEC — South Sudan — Presidential General
- DEC JAN — United Kingdom — Parliamentary

TBD
- TBD — South Africa — Presidential General

Dividing the United States

A Consequential Year for Democracy

Election politics in 2024 will stress workplaces and amplify social tensions and political violence.

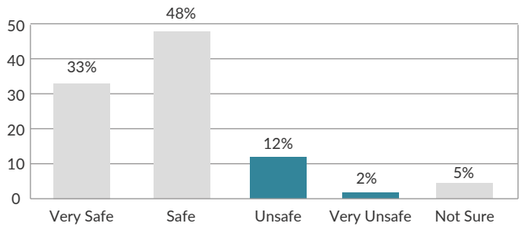


Public frustration and dissatisfaction with government, the economy and business leaders will intrude further into workplaces as the 2024 election nears.

Frustration and distrust have become the new normal for the US public and will extend through 2024. Persistent distrust in government institutions and media, social divisions, perceptions of systemic unfairness and economic pessimism are key drivers of US polarization. Although the public ranks business above government in both competence and ethics, only 21% of US employees strongly trust their employer's leadership, with recent trust survey results declining to the lowest levels in nearly seven decades. Low social trust and a divided and sometimes acrimonious electorate will taint workplace dynamics and public-facing engagements, increasing the risk of conflicts among employees and customers. As the 2024 elections approach, the US' profound political polarization looms as a major disrupter for business, with potential policy whiplash and uncertainty; contentious social issues; and rhetorical criticism of businesses drawing firms into the political spotlight.

How Safe Do Employees Feel at Work?

Source: The Society for Human Resource Management





Nearly 1 in 7 Employees Feel Unsafe at Work

Note: The US Department of Justice reports approximately 2 million people are affected by workplace violence every year, including around 1,000 homicides

The 2024 election season – including campaigning, voting, counting, results certification and the inauguration – will be vulnerable to high-profile violence, sabotage against critical infrastructure and other extremist acts.

The US faces an unprecedented presidential election, with two of the oldest leading candidates in history – one of whom is facing federal and state indictments related to efforts to overturn the previous election. More than three-quarters of Americans (77%) believe that the country is going in the wrong direction, signaling significant headwinds for incumbents and establishment candidates, potentially bringing more extreme candidates from either side of the political spectrum into office. Elements of the US public appear more open to political violence than at any point in modern political history, with the number of Americans who believe that "the use of force is justified to restore Donald Trump to the presidency" reaching 7%. Other surveys have found up to 30% of respondents expressing support for violence against the government. Domestic extremists and criminal actors may use the election period to engage in politically motivated violence or sabotage, especially where there are widespread perceptions of political unfairness.

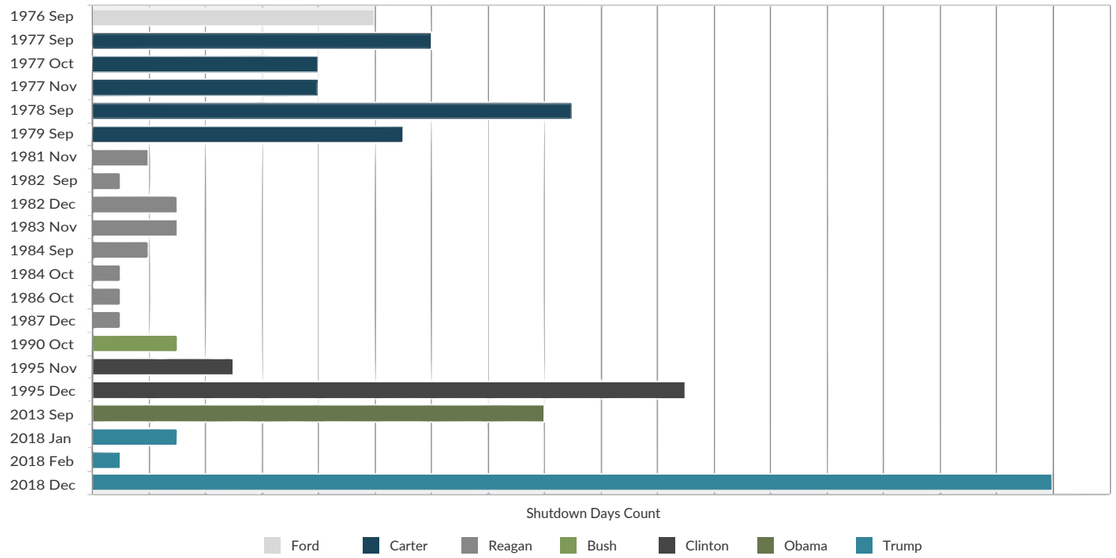
Misinformation or disinformation intended to stoke public outrage will be a dominant characteristic of the 2024 elections, and technology companies will face additional challenges detecting inauthentic behavior as threat actors change their tactics to adapt to the government's responses.

Election politics will worsen brinkmanship and may shift legislative and regulatory priorities in 2024, while Congress struggles to find consensus for government funding and support for Ukraine and Israel.

Congressional gridlock will continue through 2024, with election campaigning making consensus much harder and negotiations on the budget; the Ukraine and Israel wars; and immigration politically risker. Congress will probably continue to struggle to advance bipartisan spending or debt limit bills, driving renewed political stalemates and threats of government shutdowns, particularly late in 2024, just as the election season concludes. US support and aid packages for the wars in Ukraine and Israel will become extremely challenging, with intra-Republican party disagreements jeopardizing key US foreign policy pillars, including support for Taiwan. Threats of another government shutdown will dampen commercial and financial activities, especially for organizations dependent on government services, funding or information. Late in the year, the outcome of the 2024 presidential election risks domestic instability and international consequences for the US' alliances and partnerships, as well as trade, immigration and other economically important issues.

A Look Back at US Federal Government Shutdowns

(Number of Days) Source: US Congressional Research Service



Note: 2024 will bring additional federal government shutdown risk. Congress shut down the federal government ahead of the 1976, 1984 and 1996 presidential elections, while debate over the debt ceiling in 2013 forced another shutdown.



China's Looming Challenges

The Disrupted Dragon

China's economy will grow only slowly in 2024, while regulatory uncertainty, increasing government hostility to foreign businesses and Taiwan's future will weigh on Western multinationals.



China's economy will grow only slowly in 2024, weighing on the global economy but limiting China's capability for economic coercion.

China's economic challenges loom as a major global risk for 2024, with problems in the property and financial sectors threatening a broader economic crisis, which could derail global growth. National security laws, high youth unemployment, the difficulty of pivoting to "high quality growth and modernization" under the current Five-Year Plan, along with a crisis in the property sector will all weigh on China's economy in 2024, increasing compliance and operational risks for foreign business. China's malaise will hurt regional economies, global commodity exporters and China's infrastructure investments through the Belt & Road Initiative. However, these economic headwinds will probably ensure Beijing will only symbolically retaliate in 2024 against US and allied measures to restrict its access to advanced semiconductors, AI systems and other advanced technology. Despite its economic challenges, China will continue to maintain formal and tacit barriers against foreign firms in 2024 and beyond. Despite political rhetoric and symbolic events encouraging more foreign investment, foreign businesses' calls for clarity on issues like China's data regulations will be largely ignored, contributing to further declines in foreign investment in China in 2024.

Corruption crackdowns and government control of information will make China an increasingly suspicious and unwelcoming environment for foreign companies.

Corruption crackdowns are a favored tool of President Xi Jinping, with campaigns targeting the technology, finance, pharmaceutical and health care sectors in the past three years. Investigations of regulators, Communist Party officials and high-profile domestic business leaders will continue elsewhere in the economy in 2024. These crackdowns will often target Xi's political rivals or will be an opportunity to promote his supporters, continuing the remodeling of China's government and business leadership as increasingly untrusting of Western companies and organizations. China's regulators will also continue to control access to previously open data, in the name of preventing foreign espionage operations. Routine foreign business research and information gathering will again be suppressed, including through raids on Western consulting, accounting, due diligence and law firms, some of which may include the detention or arrest of firms' local or expatriate staff. With less reliable information on China's economy available, multinational companies will increasingly find China's business environment too opaque for comfort, choosing instead to reshore, nearshore or relocate operations to India, Vietnam or elsewhere in Asia.

China-US competition over access to advanced semiconductors and other critical technologies will accelerate in 2024.

China-US technological rivalries will intensify further in 2024 despite both countries' efforts to stabilize diplomatic relations. Following Huawei's release of the Mate 60 Pro smartphone, media reports estimated Chinese semiconductor designs to be only four years behind the US, not the US' eight-to-10-year target.

This narrowing gap will drive more US restrictions on technology transfers to China in 2024, such as requiring US firms to get an export license before they can work with Chinese companies using open-source chip design technologies like RISC-V. Chinese companies will also face greater US restrictions in other areas of research, including stronger restrictions on US companies investing in Chinese companies researching areas like artificial intelligence and quantum computing. The US will also probably expand investment restrictions to new research areas like biotechnology, as China's desire to improve its food security and reduce dependence on foreign food imports drives industrial and commercial espionage campaigns.

Taiwan's January elections will increase tensions with China, but direct conflict over the island is unlikely in 2024.

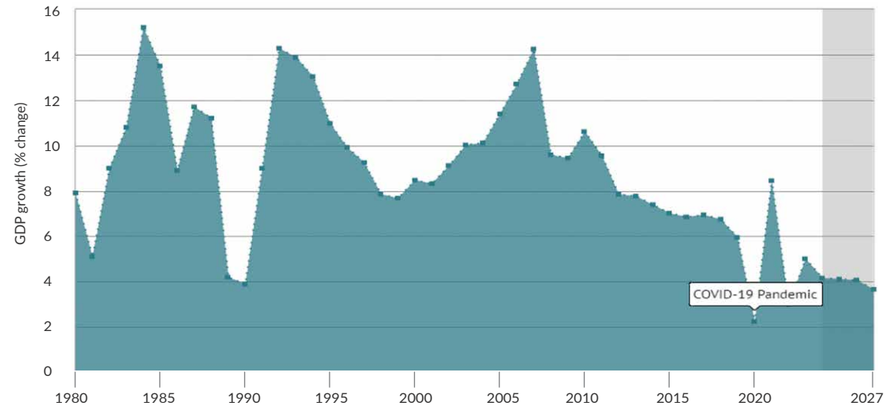
Taiwan's January 13, national elections will escalate tensions with China, making Taiwan a more uncertain operating environment for Western companies. China will increase overt and covert pressure on the island, including economic and trade interference; harassment of shipping and blockades, cyberattacks, and economic espionage. Current Vice President Lai Ching-te, who Beijing sees as a separatist, is likely to win the election, intensifying friction between China and Taiwan and discord between the Western world and China. A Lai victory will confirm Beijing's fears that Taiwan is on a permanent trajectory towards independence as the island's Chinese identity diminishes and its Taiwanese identity grows, strengthening the chance of future conflict. President Xi Jinping has set the People's Liberation Army (PLA) a deadline of 2027 to be ready to invade Taiwan, a process which could take until 2030, according to US intelligence assessments. However, regional tensions over the Taiwan Strait or the South China Sea risk sparking an unintended conflict.

China GDP Growth Trends & Projection (1980-2027)

Source: International Monetary Fund

China

Note: China's economic growth slowed gradually between 2010 and 2020 as the economy modernized, but since the pandemic growth has remained sharply lower and below the levels needed to keep improving Chinese citizens' standards of living.

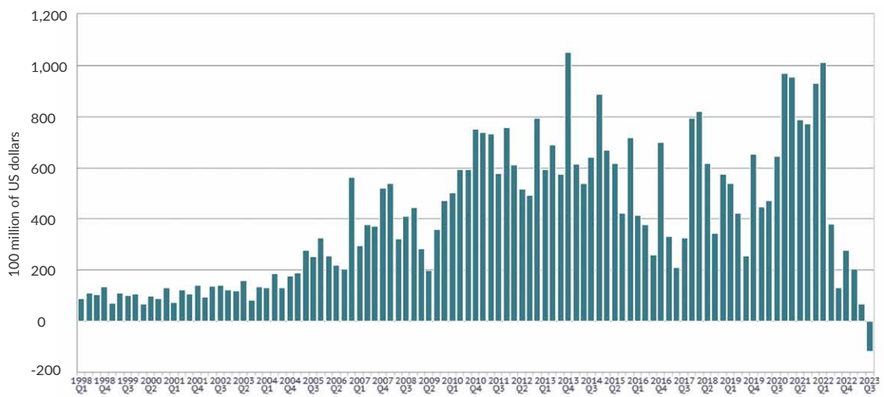


Direct Investment Liabilities

Source: State Administration of Foreign Exchange

China

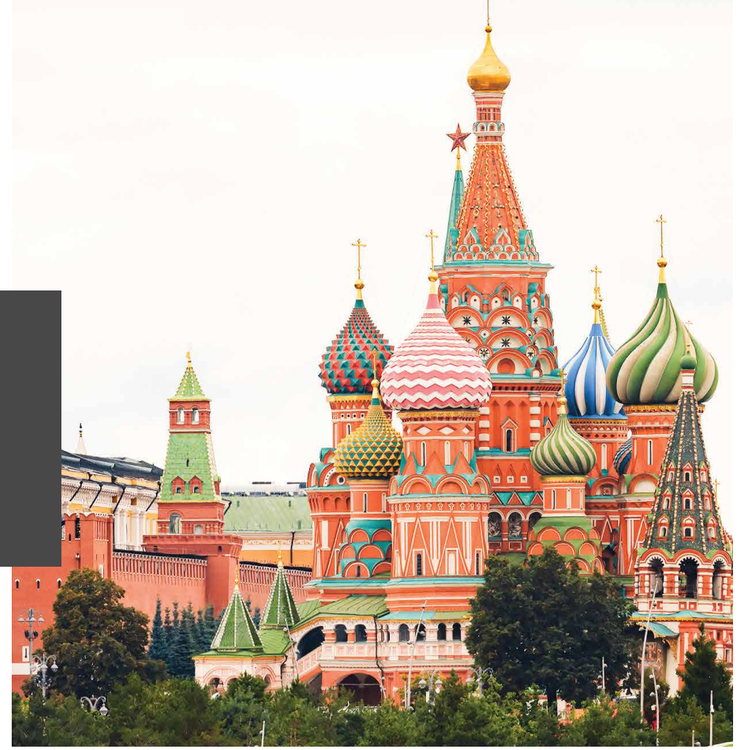
Note: China experienced its first quarterly contraction of foreign direct investment inflows in 2023 as Western countries' de-risking moves began driving companies to withdraw investment from China and redirect funds to reshoring and nearshoring.



Russia as a Global Disruptor

Opportunism and Obstruction

Moscow will strengthen its anti-Western coalition while attacking Western institutions and values



With 2024 ushering in pivotal elections across the globe, Russia will seek to disrupt and influence outcomes through disinformation, stoking regional conflicts, and attacking critical infrastructure.

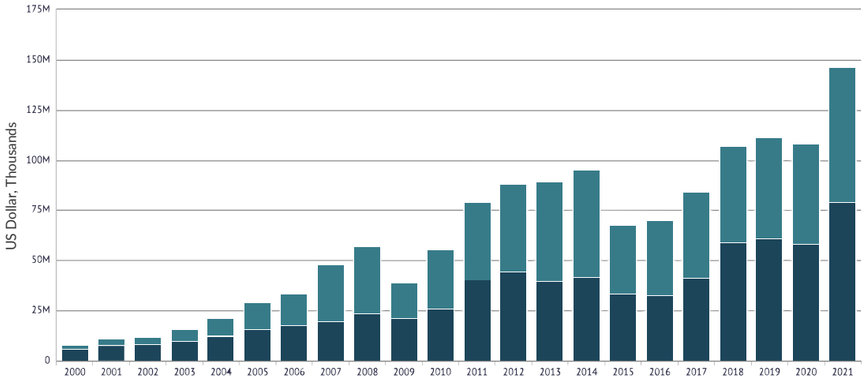
With US, UK and EU parliament elections in 2024, Russia will ramp up divisive disinformation to exploit political and socio-economic grievances. Russia's creation of a "propaganda ecosystem" fueled by disinformation is one of Moscow's key weapons, using it defensively, to justify its aggression against Ukraine, and offensively – to distract those who threaten President Vladimir Putin's ambitions. Disinformation warfare creates conditions conducive to protest that will provoke sporadic violence and reduce acceptance of election results, simultaneously distracting and weakening targeted countries. Cyber and hybrid physical attacks against critical infrastructure, usually conducted by proxy groups to maintain plausible deniability and decrease the possibility of retaliation, will also increase leading up to key elections, with the dual goal of distraction and degradation of faith in governments. Moscow is also likely to use all its tools, including direct influence, to fuel simmering conflicts, like that in the Balkans, Moldova, or between Belarus and its neighbors, to distract Europe.

To rebuild its economy and recover international prestige, Russia will seek to solidify an anti-Western coalition built around China, Iran and North Korea.

Cut off from the SWIFT banking system and hampered by Western sanctions, Russia will continue to grow its economic and political connectivity with China, which offers a large market for Russian exports and access to a variety of needed imports. To support this effort, Moscow will create logistics lines to rival the West's nascent, but now-stalled, India-Middle East-Europe Economic Corridor (IMEC), including through Iran via Russia's North-South project, promoting its alternative to the SWIFT banking system as it does. This will complicate banking compliance, particularly for firms working with third-country vendors. At the same time, Russia will probably increase its use of cryptocurrencies to avoid sanctions and its closer ties to North Korea heralds potential for Russian proxy groups to boost revenues through greater crypto theft and ransomware activity. Enhanced military alliances with China, Iran and North Korea will not only perpetuate Russia's war against Ukraine but give Russia additional confidence to expand further into the Arctic, seeking shorter maritime cargo routes to Asia but also laying claim to resources, like critical minerals and rare earths that are easier to access as polar ice melts. After Russia's withdrawal from the Barents Euro-Arctic Council in September 2023, disputes over Arctic claims may more easily escalate, increasing military tensions between Russia and several European nations, threatening direct confrontation with the North Atlantic Treaty Organization (NATO) – a possibility Moscow will find less of a deterrent as it solidifies its diplomatic, economic and military relations with Beijing, Pyongyang and Tehran.

China Bilateral Trade with Russia

Source: Organisation for Economic Co-operation and Development



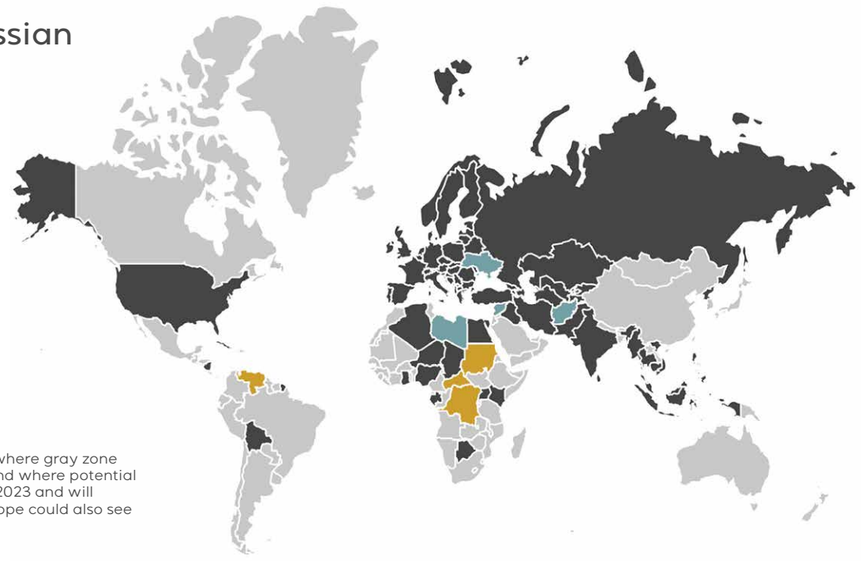
Note: Bilateral trade between China and Russia rose after Russia's invasion of Ukraine in February 2021, and while recent data is fragmentary, experts assess this trend has continued, illustrating the growing symbiosis between the two.

Russia will attempt to recruit other nations to its worldview and escalate efforts to deny Western influence abroad, particularly in Eastern Europe, the Middle East and Africa.

Targeting Organization of Petroleum Exporting Countries (OPEC) members in the Middle East, Russia will use its influence to keep oil prices high – both for its own economic benefit and to maintain political pressure on the US and Europe. Russian-manufactured disinformation will seek to exacerbate existing political tensions in the Middle East and between the region and the US/Europe, using the conflict in Israel, climate change, migration, and frustration from those neglected by the IMEC to sow distrust of Western partnerships and values. Specifically, Russian narratives around Western "decadence" serve as a counterpoint to Moscow's offer of a return to "traditional" values, and undermine safety and rights for LGBTQ+ personnel globally. Fanning the flames of anti-colonial sentiment, Russian propaganda ecosystems have degraded relations between France and several West African Francophone nations, emboldened non-democratic transfers of power in Burkina Faso and Niger, and aided Russia's unregulated access to precious minerals in Mali, the Central African Republic and Sudan. Moscow will apply lessons learned from its successes in sub-Saharan Africa, where Russian-controlled social media networks and state media carry disinformation narratives, including those targeting Western businesses and organizations, resulting in greater demand for Russian support than Moscow is currently able or willing to supply, even when outsourcing to Russian paramilitary entity the Wagner Network. Russia is all but certain to apply similar tactics to other parts of Africa, the Middle East and Eastern Europe, resulting in degraded security environments and biased markets where Moscow's propaganda ecosystems take root.

Theatres of US-Russian Competition

Source: Emergent Risk International



Note: Areas in West and Central Africa where gray zone conflicts are becoming proxy conflicts and where potential future conflicts could arise were fluid in 2023 and will continue so in 2024. Parts of Eastern Europe could also see greater Russian interference.

Russia-Ukraine

The War in 2024

A 2024 ceasefire is unlikely, with further damage to Ukraine's infrastructure slowing eventual reconstruction.

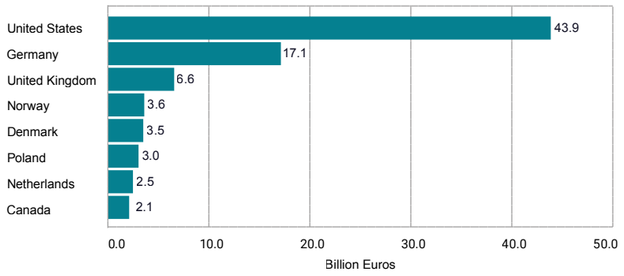


Ukraine's ability to secure sufficient military and economic aid next year will likely determine the trajectory of the war in the latter part of 2024.

Unlike Russia, Ukraine's offensives rely heavily on munitions from partner countries. Both the nation and its military are highly dependent on Western military and financial support. Ensuring continued international support will prove challenging, as European Parliament elections in June and US elections in November will reignite debates over the amount of aid to send to Ukraine. Slovakia and Hungary have signaled their intentions to block a new military aid package for Ukraine, while Poland has announced the suspension of its military assistance amid diplomatic tensions stemming from the grain trade dispute. Though a staunch supporter of Ukraine, Italian Prime Minister Giorgia Meloni has acknowledged pervasive "war fatigue" in Europe. A CNN poll conducted in August 2023 revealed that a majority (53%) of respondents opposed the authorization of additional funding for Ukraine by the US Congress, as well. The results reflect a significant shift in public sentiment compared to the immediate aftermath of Russia's invasion, when 62% believed the US should have provided more support to Ukraine. Since July, a growing number of Republican lawmakers have advocated for adopting an amendment to the US defense bill that would restrict further US aid to Ukraine.

International Military Assistance to Ukraine (in Billion Euros)

Source: "The Ukraine Support Tracker" Kiel WP

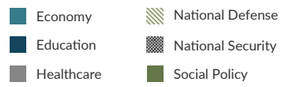


A Russia-Ukraine ceasefire remains unlikely in 2024, impeding Ukraine's reconstruction efforts and operations for businesses in both countries.

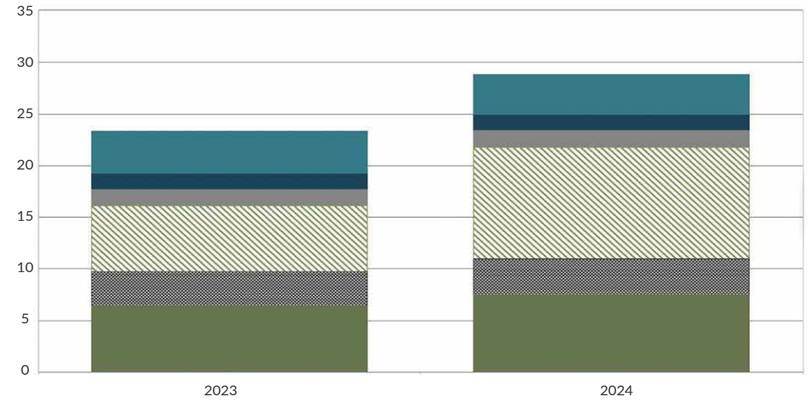
The prioritization of defense spending over reconstruction and development portends a protracted stalemate in 2024. Inclement weather conditions in Ukraine — characterized by muddy terrain until late March — will constrain ground offensives and limit strategic gains. This will amplify both countries' dependence on missiles and drone attacks, which will leave critical infrastructure companies in both countries vulnerable to more targeted strikes. Russia's pivot towards deepening economic partnerships in Asia underscores the government's determination to circumvent Western pressure and the impact of expanding sanctions. Moscow's withdrawal from nuclear test bans and arms control treaties this year, while ostensibly symbolic, will also impede Western-led mediation efforts. In fact, Russian President Vladimir Putin suggested potentially participating in African and Chinese-mediated ceasefire negotiations, contingent upon Ukraine's suspension of its offensive operations. Political discourse remains largely unchanged from last year, with both countries maintaining adherence to their territorial claims as an indispensable prerequisite for ceasefire negotiations. The upcoming March presidential elections in Russia will put pressure on Putin to convince the public about the Russian army's recent successes, justifying his strategic objectives and preventing any potential for a weak political opposition to sow political unrest.

Russia's Wartime Budget

(Trillion, Rubles)
Source: Budget Draft



Note: Moscow has budgeted for an increase in defense spending next year to sustain its war efforts.



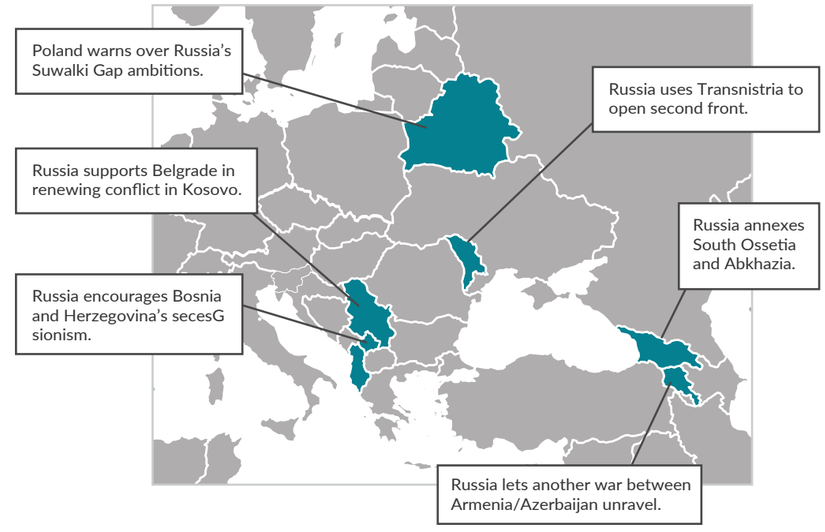
An expansion of conflict into neighboring NATO member countries in 2024 remains unlikely, though accidental incidents or sabotage on critical infrastructure are probable.

Russia will leverage its external influence to divert Western attention to emerging hotspots elsewhere, hoping to undermine continued financial and military support to Ukraine. In 2024, the risk of sabotage on European energy infrastructure remains high, exposing businesses to abrupt price shocks as concerns over escalating conflict in the Middle East linger and global competition for energy supplies intensifies. Without disclosing specific intelligence, Ukraine President Volodymyr Zelenskyy cautioned in November that Moscow is planning to engineer a conflict in the Balkans to divert Europe's attention. Kosovo's Prime Minister Albin Kurti echoed Zelenskyy's concerns as tensions with its neighbor and Russia-friendly Serbia remain tense. Russia has expressed its intent to establish a naval presence in Georgia's breakaway region of Abkhazia, even hinting at plans to formally annex both Abkhazia and South Ossetia, where Russia already maintains military bases. Despite its long-standing role as a guarantor of peace and stability in the South Caucasus region, Russia's restrained actions in defense of Armenia — despite repeated provocations from Azerbaijan — fueled the escalation of the Nagorno-Karabakh conflict and drew renewed Western attention to the region. In the wake of Russia's invasion of Ukraine, Europe has also witnessed several high-profile sabotage incidents targeting critical infrastructure.

Hotspots for War Escalation in 2024

Source: Emergent Risk International

Note: Russia still retains enough political influence and military capacity to open multiple fronts in the European region, which would divert Western attention and escalate the conflict beyond Ukraine.



Saudi Arabia

The Emerging Disruptor



Saudi Arabia will continue to leverage its oil wealth and diversifying economy to disrupt geopolitical relations, energy market dynamics and its own business environment, creating opportunities and complex risk.

Saudi Arabia will increasingly disrupt geopolitical dynamics and regional alignments to contribute to its overall goal of driving domestic economic growth.

Crown Prince Mohammad bin Salman has driven Saudi Arabia's domestic economy while championing a multipolar global order and seeking expanded relationships with China and Russia to rebalance the kingdom's reliance on the US and UK/Europe. In 2023, Saudi Arabia, along with the United Arab Emirates, were invited to join the BRICS (Brazil, Russia, India, China and South Africa) political grouping, while also approving the establishment of the India-Middle East Economic (IMEC) trade corridor, a potential rival to China's Belt and Road Initiative. At the regional level, Saudi Arabia agreed to a China-mediated reopening of ties with Iran and has also pursued US-brokered normalization talks with Israel, though talks have stalled following the outbreak of war between Israel and Hamas in October.

Saudi Arabia will continue to leverage its excess oil capacity and relationships with other producers through OPEC+ to influence global supply and prices, with plans to further dominate the global energy sector as it also expands natural gas development.

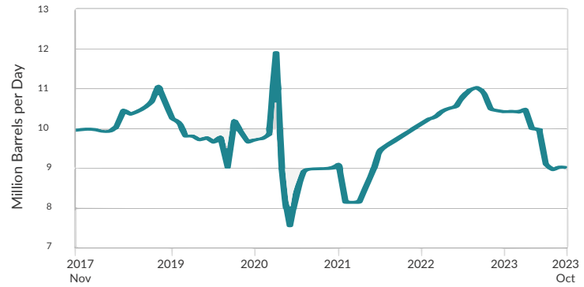
Central to Saudi Arabia's disruption strategy is its dominance of the global oil market and ability to influence prices. Saudi Arabia continues to be the only major oil producer with substantial excess production capacity, which it utilizes for "market management."

Longer term, Saudi Arabia will seek to develop its influence over the global LNG market with a similar goal of obtaining spare production capacity giving it an ability to influence prices. In September 2023, Saudi Arabia bought a $500 million minority stake in US LNG firm MidOcean Energy. State-owned energy company Aramco said it seeks to "become a leading global LNG player." The country will seek to build partnerships and acquire ownership of LNG assets globally to gain control over a large enough market share to influence global prices over time.

MonthlyOil Production

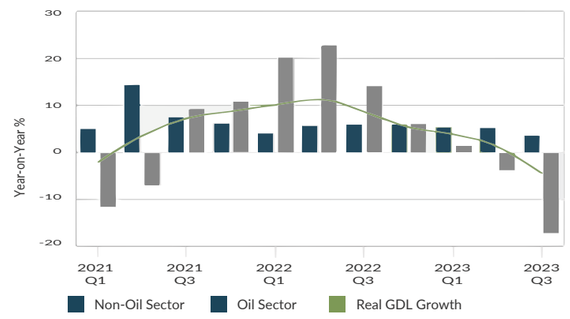
Saudi Arabia

(Millions Barrels per Day) Source: International Energy Agency



Saudi Arabia: GDP Growth Rates

(Year-on-Year%)
Source: Saudi Arabia's General Authority for Statistics



Saudi Arabia has employed additional, unilateral oil production cuts to try and influence global prices, which led to lower oil revenue in 2023. However, non oil sectors continue to see growth as part of the diversification push.

Domestically, Saudi Arabia's diversification and economic restructuring will continue to transform its business environment, creating both opportunities and risk.

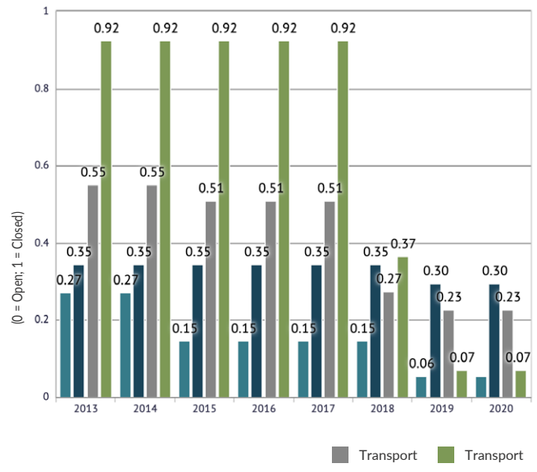
A key aspect of Saudi Arabia's strategy of diversifying its economy and becoming a global business hub includes coercion of international business to support the Saudi agenda. For example, the government is leveraging domestic business opportunities to pressure multinational corporations to relocate regional headquarters to the kingdom, with plans to halt public contracts with companies that have not shifted their base to the country by January 2024. So far, more than 180 multinational companies have obtained regional headquarter licenses in the kingdom, surpassing the government's 2023 target of 160. Longer term, Saudi Arabia will likely find other ways to pressure firms to realize its domestic and international ambitions, including expanding local hiring and sourcing requirements; pushing for partnerships with local firms or state-owned enterprises; or even supporting initiatives like its expanding investments in global sports. Critics have called this "sportswashing" – or a distraction effort to quiet human rights concerns and improve Saudi Arabia's global image.

Saudi Arabia will remain laser-focused on its domestic economy in 2024, looking to expand its influence across emerging sectors like AI, cloud computing, renewables, mining and more to solidify its future beyond oil.

The kingdom will continue to seek foreign partners as it races to develop disruptive technologies and gain influential market shares in key industries, a common feature of its economic strategy. The kingdom invested $3 billion in digital technologies in 2022 and has laid out a roadmap for the country's digital transformation through 2030 that includes sweeping development of cyber and AI technologies including homegrown Arabic-language large language models, placing it at the forefront of Arabic AI capabilities along with regional ally and sometimes rival, the United Arab Emirates. The kingdom is making similar strides in green energy and hydrogen investments and even in base metal mining, with plans to develop $1 trillion in domestic mineral resources. Meanwhile, California-based luxury electric car manufacturer Lucid announced in September the opening of its first international manufacturing facility in Saudi Arabia, with plans to produce 155,000 luxury electric vehicles a year.

Saudi Arabia: Openness to FDI in Select Industries

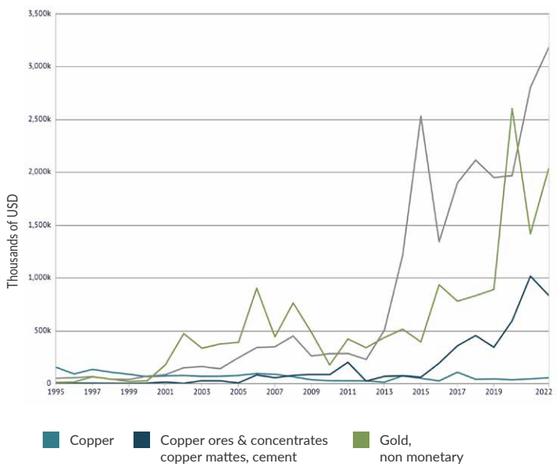
(0 = Open; 1 = Closed) Source: Organisation for Economic Co-operation and Development, October 2023



Note: The Saudi government has relaxed restrictions on foreign investment in manufacturing, transport and media to foster growth but maintains restrictions in sensitive sectors like media.

Saudi Arabia: Exports of Select Minerals

(0 = Open; 1 = Closed) Source: Organisation for Economic Co-operation and Development, October 2023



Note: Mining-related exports have started to increase in the past decade and have room to expand further given unexploited reserves and the government's intent to extract them.

Weather and Climate Risks

Global Climate Change and El Niño



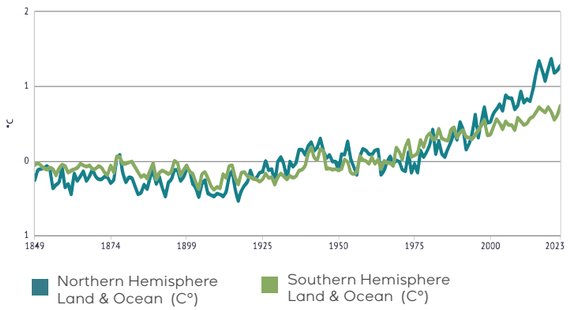
A warming world and El Niño will drive increased natural disasters, water shortages and climate changes that challenge how companies operate.

Global warming thresholds will draw nearer in 2024, threatening severe weather events across the globe.

Earth could surpass an average increase of 1.5 degrees Celsius for the first time ever in 2024, posing an existential and operational risk for many industries. After temperatures surpass the threshold, the chances of unusual and stronger weather disasters—such as the record rainfall and flooding seen in 2023 in New York City, Cape Town and Libya—will become more likely. The Intergovernmental Panel on Climate Change (IPCC) projected the El Niño weather pattern could contribute to the crossing of this 1.5 degree mark in 2024. Even if it does not, the threshold has a 50% chance of occurring within five years, according to the IPCC.

Annual Temperature Anomalies by Hemisphere

Source: National Oceanic and Atmospheric Administration



Note: Global temperature anomalies have accelerated in the last 70 years. Fact-finding as part of the 2015 Paris climate accord concluded that countries should aim to keep average warming below 1.5 degrees Celsius, as anything higher raises the risk for extreme climate effects.

Climate activism and related policies will drive costly changes in some industries and regions, while encouraging growth in others.

Extreme heat waves, crop failures, threats to coastal or low-lying areas and other climate effects will alter businesses' operations and supply chains. The tourism, maritime and fishing sectors will see greater storm risks and shrinking coastal areas, while impacts to shorelines endanger entire markets. Expanding desertification will likely increase migration and reduce agricultural outputs in areas like the Sahel, Africa, creating instability and less predictable, immigration-influenced elections in nearby Europe. Efforts to combat climate change will target both the fossil fuel sector and the entities supporting them, sometimes with financial incentives. New laws will compel energy companies to change their production methods, while all companies will be pressured to adopt green reforms to meet new ESG goals. Renewables, green alternatives, wind and solar technologies will be favored, as will the mining of lithium and other critical minerals necessary for transitioning from gas to batteries.

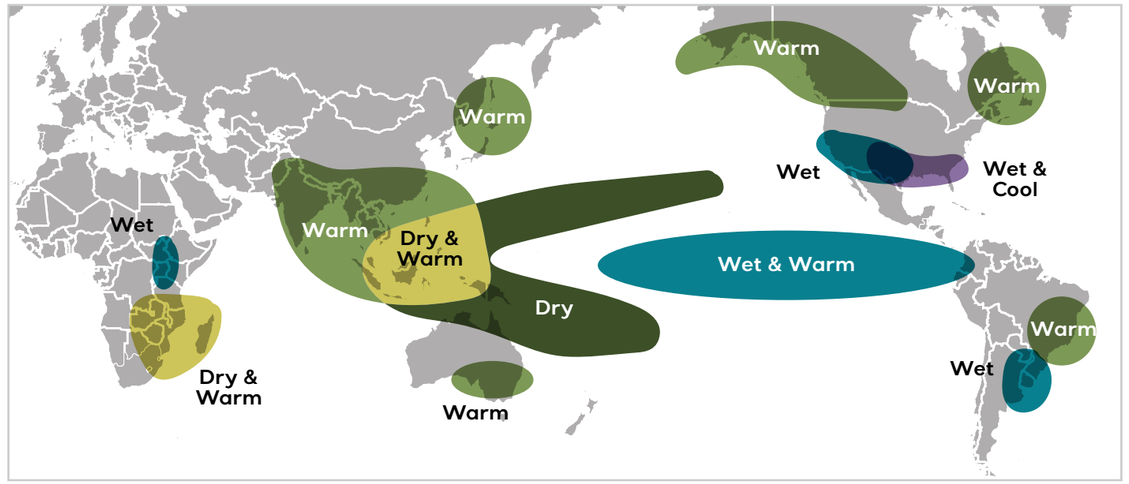
El Niño weather will be the most impactful environmental factor in 2024, driving business disruptions in the US and other major economies.

Businesses will face rising threats to operations and safety due to El Niño effects during the first half of 2024. There is a 30% chance of a "historically strong" event similar to severe El Niño events in 2015-16 and 1997-98, which included extreme flooding. Forecasts indicate a strong chance of El Niño effects March-May in the Northern Hemisphere with instances of storms (nonhurricane) and floods likely increasing near both the East and West coasts in the US, especially along the Gulf Coast and in the Southeast.

In the Southern Hemisphere, drier and warmer weather in Australia, Southeast Africa, Southeast Asia and Brazil will likely impact agriculture.

Typical El Niño Effects during December-February

Source: US NOAA



Note: The US Agency for international Development (USAID)'s Famine Early Warning Systems Network forecast in 2023 that the 2023-24 El Niño could bring warmer-than-usual conditions in Southern Africa, Central America and northwestern parts of South Africa, while bringing heavier-than-normal rains to the Horn of Africa and Central Asia, likely threatening food security.

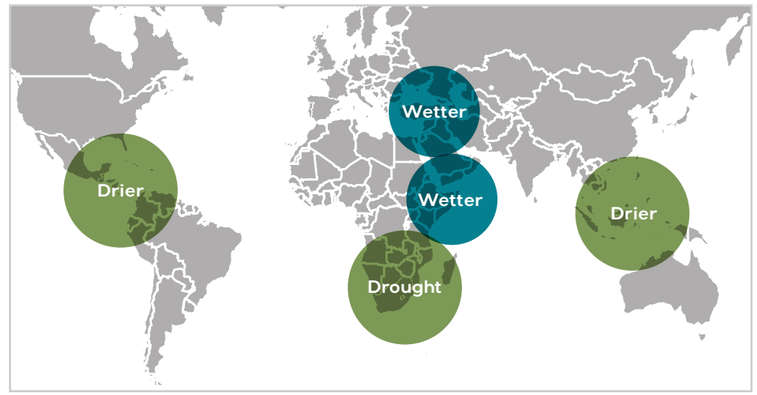
Water supply will be stretched, posing operational challenges for water-intensive industries, while increasing community tensions and political instability.

Areas like Southern Africa and Southeast Asia are at risk for droughts that deplete water supplies. Reduced water supplies will increase costs for firms purchasing alternative water systems. Critical infrastructure like dams will also be stressed, with drier rivers unable to provide as much power supply. Meanwhile, overburdened dams during floods will have to release waters (such as in Cameroon/Nigeria in late 2023) causing floods downstream. Companies operating in already water-stressed markets — northern Mexico, western South Africa, parts of the US and others — may face more government scrutiny during acute droughts over their heavy water use, particularly beverage, data center and manufacturing businesses. Potential protests will pose reputation risk and could influence local water restrictions targeting certain sectors or companies.

Forecast Impacts during Niño (2023-24) and Growing Seasons Timing

Source: World Food Programme

Note: Climate researchers forecast that like previous El Niño cycles, this year's pattern will lead to dryer and wetter conditions that overlap with critical growing periods for agriculture. The intensity of El Niño is most pronounced during the growing seasons in Southern Africa, the Middle East, and Indonesia.



Technology's Disruptive Effects

What will change the world next?



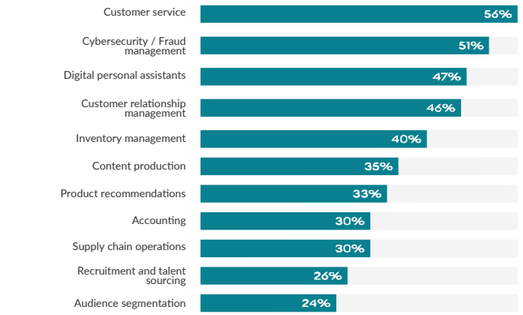
As AI enters the workplace mainstream, new technologies will emerge to reshape businesses.

Rising investment and greater business adoption of AI technology will accelerate its development and deployment across industries, realizing significant commercial promise as well as creating risks.

Generative AI's emergence into mainstream business life in 2023 will continue to accelerate investment, technological advancements, regulatory scrutiny, and adoption of the technology in 2024. Generative AI's adoption will affect almost every industry, but its impacts will most immediately be felt in healthcare, finance, legal, and transportation, where it will improve diagnostic capabilities, investment strategies, efficiencies, and autonomous vehicle development. Without clear global standards, governments will develop divergent and competing AI regulations, increasing the legal complexity of doing business. The US government has developed a voluntary regulatory framework with major AI industry players and is pushing for a unified global data flow policy that covers everything from AI to advanced manufacturing, with White House-led discussions with companies, labor and human rights advocates beginning in mid-December 2024. Meanwhile, the EU reached a preliminary agreement on laws to regulate AI in December. AI's incorporation into more business operations will also spur consumer protection, privacy, and copyright litigation around the data used to build AI's large language models. Though AI will improve businesses efficiencies and understanding of customer bases, it will also enable the creation of more convincing and targeted misinformation, heightening corporate reputation risks. AI's implications for cybersecurity will prove a double-edged sword. It will enable hackers to deploy smarter malicious code and more easily identify vulnerabilities, while also strengthening threat detection and response capabilities.

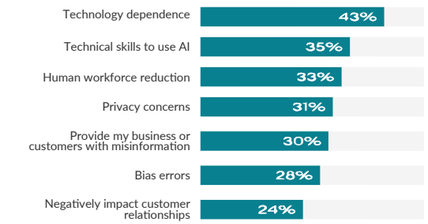
Top Ways Business Owners Use Artificial Intelligence

Source: Forbes Advisor



Business Owner's Concerns of Using Artificial Intelligence

Source: Forbes Advisor



Note: Customer service and cybersecurity-fraud management have emerged as early adopters of AI in daily operations. Many businesses are concerned at the technology dependence inherent in AI adoption, despite productivity efficiency opportunities.

AI technology will drive geopolitical competition, upend supply chains, and undermine political stability around the world in 2024.

AI holds enormous promise in military as well as commercial applications, threatening to elevate geopolitical tensions in 2024. The US and China have begun trying to limit access to important AI inputs like semiconductors and critical minerals, disrupting supply chains and increasing compliance costs, in a trend that is likely to intensify and expand in 2024. As AI tools proliferate, terrorists and nonstate actors will employ them to improve their operations, messaging and fundraising. AI will empower cybercriminals, nonstate actors, and hostile states alike to conduct more effective cyberattacks on critical infrastructure, steal data, and facilitate the spread of harmful mis- and disinformation. AI driven misinformation will weaken public confidence and give rise to accusations of voter fraud in many elections in 2024, undermining trust in institutions and overall global political stability.

Advancements in AI will help propel quantum computing forward, posing major security risks despite offering significant commercial opportunities.

Though the mainstreaming of quantum computing technology is likely several years away, AI will potentially speed its development, in turn accelerating AI development. This past year saw several breakthroughs in quantum technology, such as the control of electrons within quantum dots that run logic gates, potentially enabling the creation of quantum computers at commercially viable sizes. By enabling the processing and assessing large amounts of data, quantum computing will facilitate better drug design and discovery, bolster logistics planning, and improve financial and weather forecasting. Because quantum computers can more accurately model chemistry than standard computers, auto manufacturers will eventually employ the technology to improve the energy density of batteries, their safety, and their recyclability for electric vehicle use. However, advances in quantum computing also pose significant cybersecurity challenges. Quantum computing will enhance our ability to solve complex mathematical problems, threatening to render much of modern cryptography obsolete and enabling the first creators of a cryptographically relevant quantum computer to potentially bypass any existing cybersecurity measures. This threat prompted US President Joe Biden in 2022 to order all federal agencies to transition their computer systems to "quantum resistant" cryptography.

The Most-Cited Risks of Generative AI Adoption:

Source:
McKinsey Global Survey on AI

Generative AI-related risks that organizations consider relevant and are working to mitigate, % of respondents

Note: While many benefits will emerge from incorporating AI into corporate operations, the technology is still new and in its developmental phase. Fast adoption into processes increases reliability and cybersecurity risks, however, only some organizations are working to mitigate those risks.



Although AI held the spotlight in 2023, several other important technologies are on the cusp of breakthroughs.

The world is likely to begin interacting with technology in more personal ways in 2024. Apple's Vision Pro, for example, has the potential to galvanize the market for wearable technology that incorporates augmented reality, while other well-funded startups are developing ways to integrate AI software-driven assistants into small, wearable gadgets. In May 2023, Neuralink received FDA approval to begin conducting human trials, a critical milestone in the development of neurotechnology, enabling development of implantable brain technology which holds promise to address neurological disorders and improve cognition, while also potentially exposing human bodies to cyberthreats and issues. Synthetic biology may also begin to disrupt industries ranging from mining, and medicine, to agriculture and electronics as it promises to optimize processes, increase the availability of raw materials and offer more environmentally friendly products and materials. As the transformative power of these new technologies becomes realized and more understood, states are very likely to adopt greater protectionist measures, regulations, and efforts to establish and preserve technological advantages. These efforts will include trade restrictions on raw materials for technological components, strengthened intellectual property protections and enforcement, as well as possible limitations on academic exchanges and research.

Labor and the Workforce

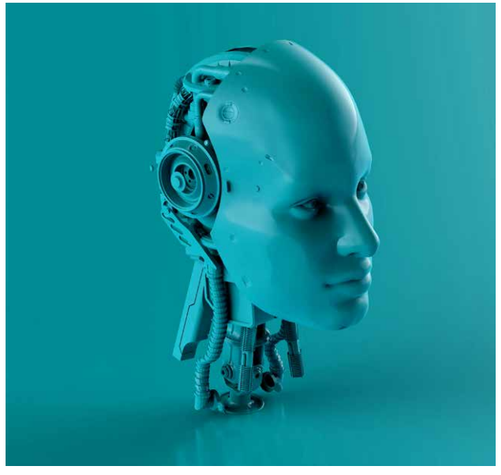
COVID-19 wanes, but AI arrives

The waning effects of COVID-19 will meet the emerging effects of artificial intelligence (AI) on the workforce in 2024.



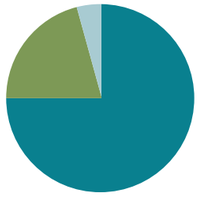
By the end of 2023, the labor market in developed economies started to resemble its pre-pandemic state.

Hiring, firing and quitting all remained largely in line with pre-pandemic trends by year-end, after several years of unusual behavior as the impact of 2021-22's "Great Resignation" rippled through economies. Some of the pandemic's effects are still being felt, however, with the US workforce still the equivalent of 1.5 million workers smaller than early 2020 levels, and the financial, professional services and leisure and hospitality sectors struggling to fill vacancies. Meanwhile, the effects of AI technologies on the workforce are only just starting to be felt. Early indications suggest that AI will make companies organizationally flatter, as they hire more entry-level workers and fewer middle and senior managers and become more reliant on STEM-educated staff. In 2024, a major pandemic effect on the labor force – workers transitioning between occupations – will expand as AI becomes increasingly common. Through the pandemic, 50% more US workers changed occupations than pre-pandemic. With AI estimated to affect 30%-40% of the labor force in the next decade, large numbers of workers are going to need to change professions, with low-wage workers, noncollege educated workers and women most likely to be affected.



US Adult Perception of AI Effects on Jobs (2023)

Source:Pew



- AI will increase jobs: **6%**
- No impact: **19%**
- AI will decrease jobs: **75%**

Note:: US workers overwhelmingly believe the implementation of AI will reduce employment numbers, setting the stage for worker uncertainty and increased industrial action in 2024.

Workforce uncertainty will increasingly drive industrial action to protect workers from being displaced by AI, especially in creative industries.

As AI further evolves in 2024 and more workplaces adopt AI-powered tools and systems, employees and employers alike will have to tackle the question of how to manage the technology's impact on the workforce. Two of the most prominent and long-lasting strikes in the US in 2023 – those of the Writers Guild of America (WGA) and the Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA) – were in part driven by concerns about the use of AI to replicate or replace actors and writers. In 2024, such concerns will spread to other creative industries – such as advertising, writing and music – and will spread internationally, with European trade unions already concerned about the effects of the EU's AI laws on labor rights. AI-inspired industrial action will increase in 2024, affecting more industries, as the technology becomes more commonplace. These strikes and protests may find it increasingly hard to attract attention over AI issues alone, but they will remain an issue to be negotiated in future employment agreements.



Even without the uncertainty of AI, strikes and industrial action will be prominent and disruptive in 2024.

Although the total number of US strikes in 2023 was lower than previous years, the size and duration of those strikes were greater; they affected high-profile industries and companies; and they resulted in several notable successes for the labor movement. With US public support for unions at 71% – up 7% since the start of the pandemic and at its highest level since 1965 – and concern over inflation remaining high, the US labor movement will be empowered not only to launch new strikes in 2024 but also to expand unionization to previously ununionized companies and industries. In other parts of the world with a stronger tradition of collective bargaining movements – Europe, the UK, Australia and parts of Latin America and Africa – sustained discontent over cost-of-living pressures will drive further industrial action, particularly in the Northern Hemisphere summer.

2021

279 Strikes

140,000 Workers

2022

424 Strikes

224,000 Workers

2023

1105 Strikes

500,000+ Workers

Source: ILR School Labor Action Tracker and Business Insider

Competition for Commodities

Energy, Minerals and Supply Chains



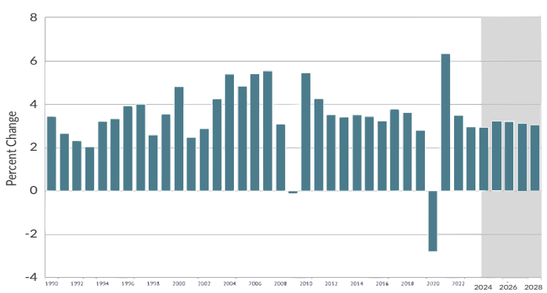
Over the next year, regional conflicts, economic resurgence and international competition over fossil fuels and critical minerals will create additional supply chain hang-ups.

An anticipated revival in economic activity in 2024 will increase competition for commodities critical to multiple industries, leading to supply and price volatility.

Following multiple supply chain-constricting geopolitical crises over the past few years, nations will turn to friend-shoring to protect commodities critical to their economic growth in 2024 – creating near-term supply uncertainties for businesses. The Russia-Ukraine war and fears of a recession slowed anticipated levels of industrial growth post-pandemic. However, a highly probable revival of economic activity in 2024 will spike demand for vital industrial commodities – oil, gas, lithium and other critical minerals – with developing net-importing countries struggling to compete for these hot-selling commodities.

World GDP

Source: International Monetary Fund (October 2023)



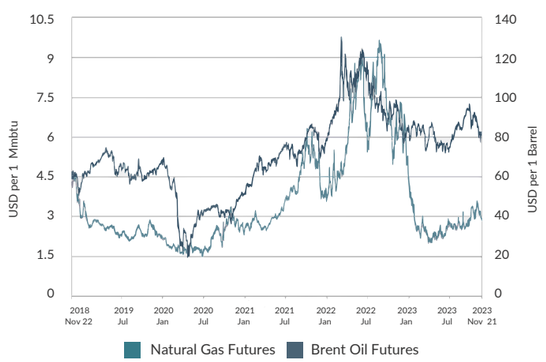
Note: Global economic activity slowed in 2022 and 2023 after the initial post-pandemic rebound, which had driven substantial volatility in commodity supplies and prices.

Given the possibility of sudden supply shocks, oil price volatility will persist through most of next year.

Global oil prices will likely remain under $100 per barrel in 2024 as oil production rises despite OPEC+ nations extending supply cuts through next year. However, a sudden spike in demand for oil – due to higher-than-anticipated industrial growth – will increase supply shortages, adding upward pressure on oil prices, particularly in the US for oil distillates such as diesel, gas oil and heating oil. G7 price caps on Russian oil exports will allow Russian supplies to reach Asian markets at cheaper rates, although seller attempts to circumvent the caps will continue posing legal risk for buyers. Future reassessments on Russian oil price caps will add to the potential for oil price volatility next year. In the less likely scenario of a prolonged Israel-Hamas conflict into mid-2024, global oil supplies could decline by as much as 5 million barrels per day (bpd), driving prices over $100 per barrel. If the conflict's impact widens to encompass the larger Middle East region – which is even less likely – it could disrupt oil supplies by 6 million-9 million bpd and raise prices by 75%.

Oil & Gas Futures: Closing Price

Source: Investing.com



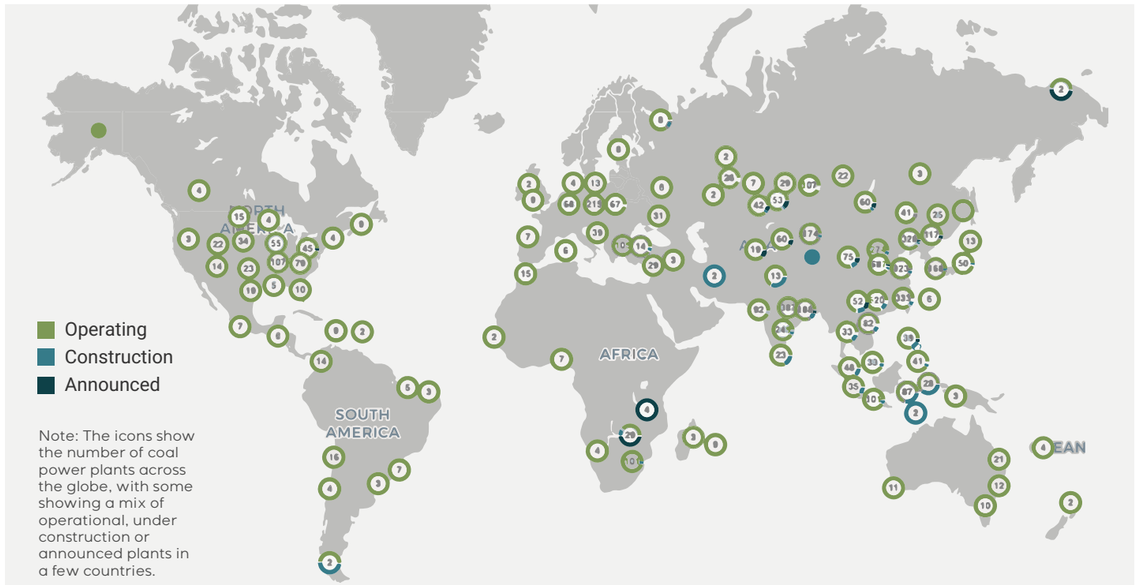
Note: Global oil and natural gas prices declined in 2023 compared to peaks in 2022 following the Russia-Ukraine war's outbreak. While prices may be lower, they remain volatile and prone to shocks from possible disruptions.

Continued competition for limited natural gas supplies will raise demand and tighten global coal supplies, disrupting industrial activity in coal-dependent developing nations.

New gas projects catering to Europe will take longer to become fully operational and replace Russian natural gas supplies. This will increase interstate competition to procure gas supplies – especially on short-term contracts or at spot prices – raising costs for less economically advanced nations such as Bangladesh and Pakistan. Limited availability of natural gas will strengthen global demand for coal despite declining new investments in production. German coal importers petitioned their government to prolong the operation of coal-operated power plants beyond March 2024, as liquefied natural gas supply remains vulnerable to conflicts in Ukraine and the Middle East. Global coal supplies have well-established shipment routes and are relatively diverse – with top exporters including Australia, Indonesia, the US, Russia and South Africa – making it an easier fallback option for natural gas-dependent European economies. However, coal shipping and other transportation challenges in South Africa, sanctions against Russia, potential coal export restrictions in Indonesia and possible weather-related production issues in Australia will make it difficult to meet a sudden increase in demand. Potential coal shortages as a result will disrupt industrial activity in coal-reliant nations like India, particularly in the peak demand March-May period.

Global Coal Plant Tracker

Source: Global Energy Monitor (Accessed November 2023)

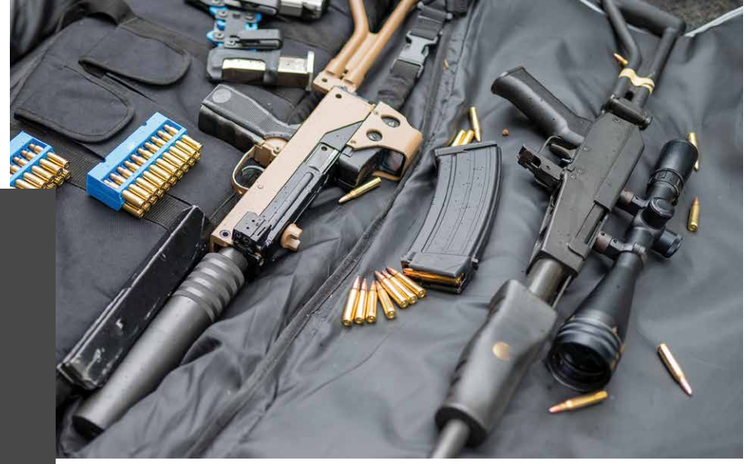


Over the next few years, countries will vie for more control over critical mineral supply chains as proliferation of green and advanced technologies increases their demand.

Given fraying international cooperation over the Russia-Ukraine conflict and uncertain US-China relations, nations in coming years will attempt to diversify critical mineral supply chains, much of which are China-controlled. In the next few months, Western countries — many of whom view China as less dependable — will accelerate their push for partnerships among allies to secure these critical minerals, especially lithium. The race for critical minerals will increase gaps between countries that "have" and those that "have not," influencing geopolitical alliances just as oil and gas have in the past few decades. China will continue weaponizing its critical minerals industry through export restrictions, as it did for gallium, germanium and graphite in 2023, in response to Western export curbs on advanced technology and cognizant Western efforts to decouple from Chinese manufacturing and other supply chains. Mongolia, Indonesia and nations in South America and Africa stand to benefit from growing interest to broaden refining and processing of critical minerals beyond China. However, haste to develop new critical mineral mines and processing facilities in territories with relatively weaker environmental and labor regulations will likely magnify ESG risks for multinationals in the next three to five years.

Non-State Actors

Militants and Billionaires



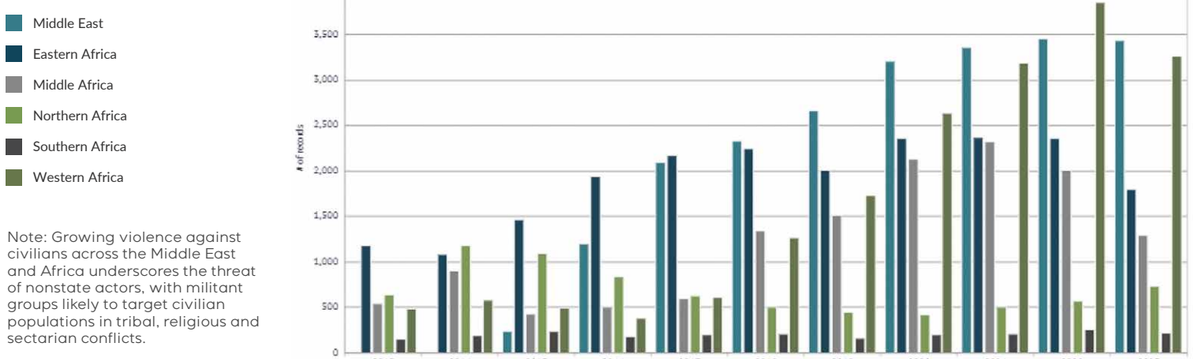
Violent nonstate actors will have greater leverage in international affairs in 2024, driving political and security risks for businesses in multiple regions.

Weak governance and ungoverned spaces in parts of Africa and the Middle East will create opportunities for militant groups to expand their operations in both regions in 2024, weakening the security environment for businesses and other organizations.

Turkey and Iran face an uptick in cross-border activity from Kurdish fighters, and security in Pakistan has deteriorated due to growth of criminal and extremist networks along its Afghan border. The March 2023 peace deal between Saudi Arabia and Iran has empowered Iranian-backed Houthi rebels in Yemen, who are now threatening shipping activities in the Red Sea. Following the October 7 Hamas attacks on Israel, Palestinian militant groups have demonstrated their capacity to derail diplomatic efforts toward normalization between Israel and the Arab world. As the Israel-Palestine conflict becomes protracted, jihadi groups in the region and the broader Muslim world will attempt to capitalize on heightened religious sensitivities to recruit followers and fighters. In Africa, the Somali government remains incapable of defeating the al-Shabab jihadist insurgency. Several other militant groups are active across Africa, including Boko Haram in Nigeria and the March 23 Movement in the Democratic Republic of Congo (DRC). In Mali, the government's 2022 request that France withdraw its troops has emboldened the Al Qaida-linked Tuareg separatist movement. In September 2023, the DRC asked the UN to withdraw its 20-year peacekeeping mission due to its failure to end rebel violence. Though nonstate actors are highly unlikely to oust governments and seize power, their continuing presence beyond African capitals signals their influence is likely to increase after 2024, wrestling legitimacy from central governments and contributing to long-term uncertainty for political security.

Middle East and Africa: Violence Against Civilians

Source: Armed Conflict Location and Event Data Project



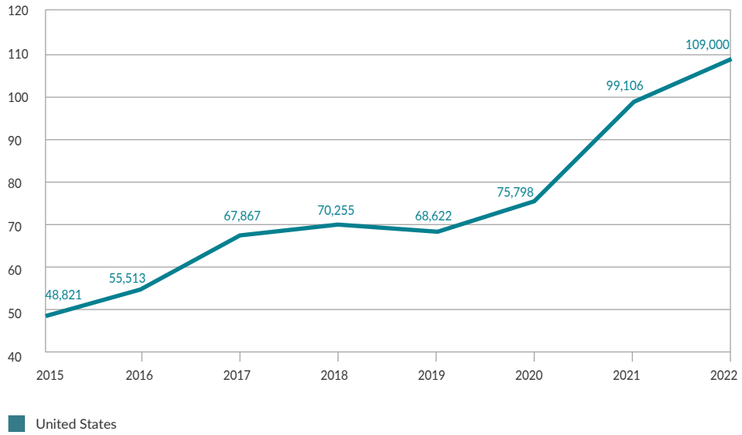
Note: Growing violence against civilians across the Middle East and Africa underscores the threat of nonstate actors, with militant groups likely to target civilian populations in tribal, religious and sectarian conflicts.

The US and other governments will treat more organized criminal groups like terrorist groups or hostile states.

The expansion of organized crime across the Americas as well as the fentanyl and migration crisis in the US are driving new policy responses. Political conservatives have been pushing the administration to consider new measures to discourage crime, including stronger security deployments along the southern border. The drug cartels' role in smuggling migrants to the border area has created a perceived connection between crime and illegal immigration, leading some Republicans to propose designating cartels as terrorist organizations and empowering the US military to carry out cross-border operations organized crime. Elsewhere in the Americas, the rapid expansion of criminal networks, especially in Brazil, Colombia, Ecuador and Chile, will create incentives for renewed multilateral law enforcement cooperation. In November, countries in the region upgraded their commitments to Ameripol, a Europol-like body intended to foster police cooperation. The 27 signatories agreed to formalize Ameripol with a legal constitution, so it can receive authorization from member states and act independently. Following El Salvador's designation of gangs as terrorists, worsening crime indicators in the region will drive demand for tough-on-crime politicians, raising the likelihood of similar terrorist designations for more gangs.

Growing US Drug Overdose Deaths

Source: US Centers for Disease Control and Prevention (CDC) Provisional Data on Drug Overdoses



Note: The US' increase in drug overdose deaths over the last few years is pressuring lawmakers to take forceful measures to counter organized crime, including designating cartels as terrorist organizations.



More governments will court influential companies and their wealthy owners to help make investment or strategic decisions.

Billionaires are increasingly becoming important nonstate actors, exercising influence through social media commentary and major investment decisions. Countries such as Mexico, Turkey and Saudi Arabia are attempting to court Elon Musk, seeking to establish Tesla manufacturing facilities locally. While Musk is one of the most well-known influential billionaires, an October study suggests more than 11% of the world's 2,000 billionaires have at some point become politicians. In addition to former US President Donald Trump, Foxconn Founder Terry Gou briefly ran for office in Taiwan. In Ecuador, Daniel Noboa, one of the richest men in his country, is set to become president. In the Democratic Republic of Congo, various businessmen competed for the presidency on December 20. This trend is likely to continue, as high-net-worth individuals seek greater influence in national affairs to bolster their power. .

Activism, Politics and Regulation

The People and Geopolitics

Divisive conflicts and consequential elections will fuel public activism against organizations in 2024.



Deeply personal geopolitical contests will drive more individual and group activism to draw attention to major conflicts, like Israel-Palestine or Russia-Ukraine.

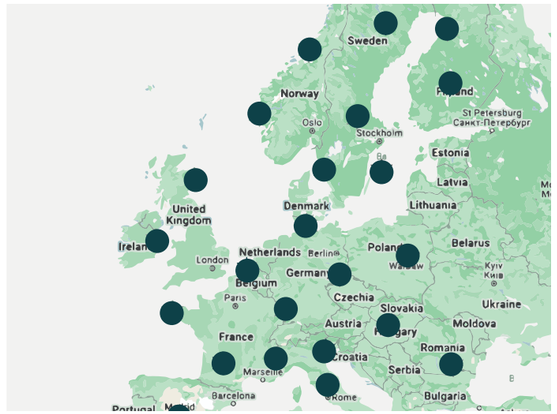
Several months into the most brutal Israel-Palestine conflict in decades, nearly two years into the Russia–Ukraine conflict and with China-Taiwan ever simmering – divisive major conflict is set to continue – and likely accelerate division among nations, neighborhoods, families and in workplaces. Insider threat, where employees feel politically disillusioned with their employer's stance, or lack thereof, could raise threats including workplace violence, IP theft or sabotage. As hate crimes and extreme political protests materialize across the Western world, workplaces are more likely to become the site of some of these expressions of frustration, anger and disenfranchisement. Activism on these issues will also continue to disrupt logistics, including blocked exports of defense products intended for Israel out of the US and Europe. Companies will be caught in the middle through brand association, as seen in movements like the Boycott, Divestment and Sanctions campaign, and, increasingly, from governments like Ukraine and China, which have leveraged online culture wars to influence business decisions to stay or leave Russia or to change the way they classify territories like Taiwan or Hong Kong.

As the impacts of climate change increase in volume and visibility, the global climate movement will become more disruptive, intensifying its focus on business and governments.

The 2024 Paris Summer Olympics will be a focal point for large-scale climate- and human rights-focused demonstrations in the lead-up to and during the events, potentially disrupting competitions and transportation while brandishing the names of climate offenders. Despite organizers' plan for the games to be the first ever "climate positive" sporting event and pledges to reduce carbon emissions to half of the estimated 3.5 million tonnes generated from the 2012 London and 2016 Rio Games, environmental groups have called the claims misleading. In a likely harbinger for 2024, climate activists became bolder and more disruptive in 2023, gluing themselves to tennis courts and airport runways; vandalizing government buildings and major works of art; and staging countless marches and weeks long road blockades to call for emissions reductions and stricter climate policies. Climate activists will continue to put pressure on fossil fuel and extractives industries, while adding pressure to the logistical and financial supply chain through legal action as well as more disruptive means. In Europe and the US activists will expand their focus on alternative energy supply chain development, especially deep-sea mining and rare earth processing. While generally a civic minded, nonviolent movement that seeks to speak to the conscience of business and government, some activists and groups are becoming increasingly radical, with rising frequency of vandalism, violence or targeted intimidation of individuals.

Climate Protests in Europe (2023)

Source: ACLED



Note: Protests over environmental issues will increase in 2024, where activist tactics are shifting toward direct targeting of individuals and financial organizations, especially at publicized events.

A year of historic election contests amidst deep global polarization will increase extreme political activism across the spectrum.

Business, nongovernment organizations, individuals and local governments will be the target of high-profile campaigns driven by political and social agendas of electoral candidates – with businesses likely to be a target of campaigns if villainizing them will achieve political results. Ahead of high-profile and geopolitically significant elections in the US, India, Mexico, Indonesia, Taiwan and European Parliament, ideologically driven campaign rhetoric will deepen political and social fissures, raising nationalistic sentiment among the far-right and increasingly among nonaligned individuals who become radicalized by online rhetoric or movements that have a political element. Election campaigns will fan the flames of the "culture wars" over issues like abortion, LGBTQ+ rights, education, gun control and global conflicts. During these periods of heightened emotion, voter susceptibility to online radicalization will increase, fueled by disinformation and conspiracy theories; ethnic and religious biases; and, increasingly, extreme campaign rhetoric.

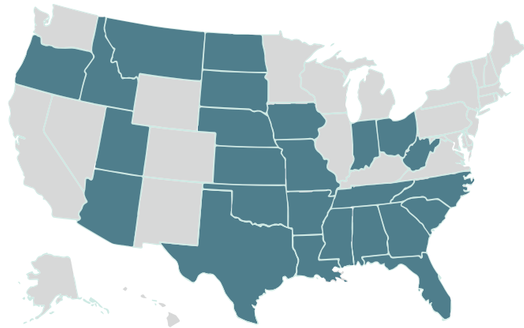
Diversity, Equity and Inclusion (DEI) programs will be muted due to intensifying anti-DEI activism and legislative efforts.

Organizations in the United States may pull back on investment in DEI initiatives in the coming year or minimize public discussion of their programs.

Backlash related to DEI programs in 2023 became increasingly difficult for companies to manage – leading to reputation and brand damage and, at times, security threats targeting employees and executives. Global market volatility and the threat of boycotts akin to those targeting Target and other major retailers for their support of the LGBTQ+ community will disincentivize businesses from taking public positions and speaking out on diversity and sustainability issues. Anti-DEI legislation and legal action targeting hiring practices, training and spending at universities will increasingly extend to private companies, creating a more fraught regulatory landscape across US states, and anti-DEI rhetoric will feature as a pivotal election issue.

US Anti-DEI Legislation

Source: US Government



States with anti-DEI bills introduced or approved

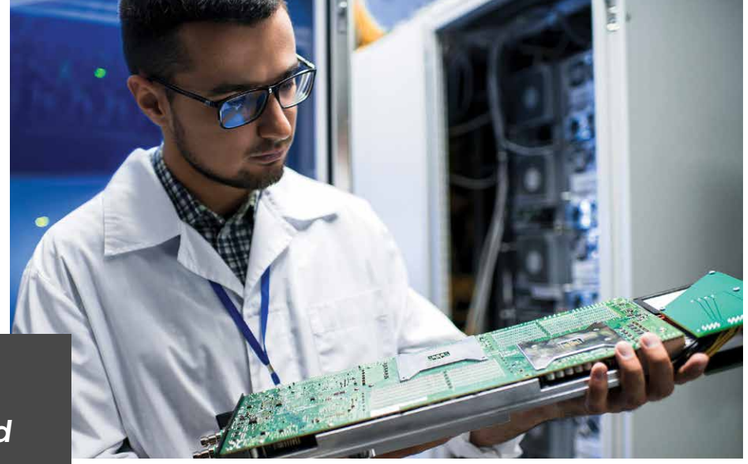
Note: The spread of anti-DEI legislation across the US will continue to raise reputation, regulatory and security risk for US companies.



Epilogue:

Black Swans

In Emergent Risk International's intelligence analysis training courses, we tell our students that a straight-line analysis can be an admission of ignorance.



The world is a complex, difficult and messy place, and even when we understand it well, unexpected events – "black swans" – will inevitably emerge to upset our carefully developed picture.

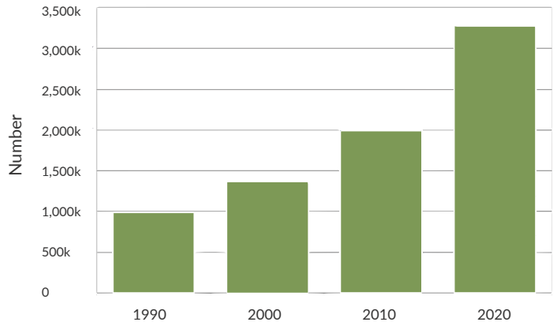
In the Strategic Intelligence Estimate you have just read, ERI's analysts have provided their considered analysis of what factors will disrupt businesses throughout 2024 and beyond. We are confident in our assessments, but we are equally sure that unpredicted events will occur. Unexpected forces will emerge, and new actors will shape world events. Where then might these black swans be nesting?

The pace of technological change means the emergence horizon for new disruptive technologies is shorter than ever.

While Open AI was founded in 2015 and launched its GPT-3 large language model (LLM) in 2020, its flagship product – ChatGPT – was only launched in December 2022. However, it rapidly upended how entire industries understood the potential of AI. The development of AI will continue in 2024, but its path is unlikely to be a straight line, as government regulations grow and the technology's current limits become apparent. Moreover, at any point in 2024 a new technology could emerge that captures the attention of the public, businesses and investors, offering its own disruptive benefits and forcing AI from the spotlight. Previous technologies that promised to revolutionize business have suffered this fate, such as quantum computing, the Metaverse, cryptocurrencies and autonomous vehicles. These four technologies' dazzling initial promise has been overtaken by new ideas and dulled by the difficult realities of regulation, implementation and investment.

Global Patent Applications Soar

Source: World Bank



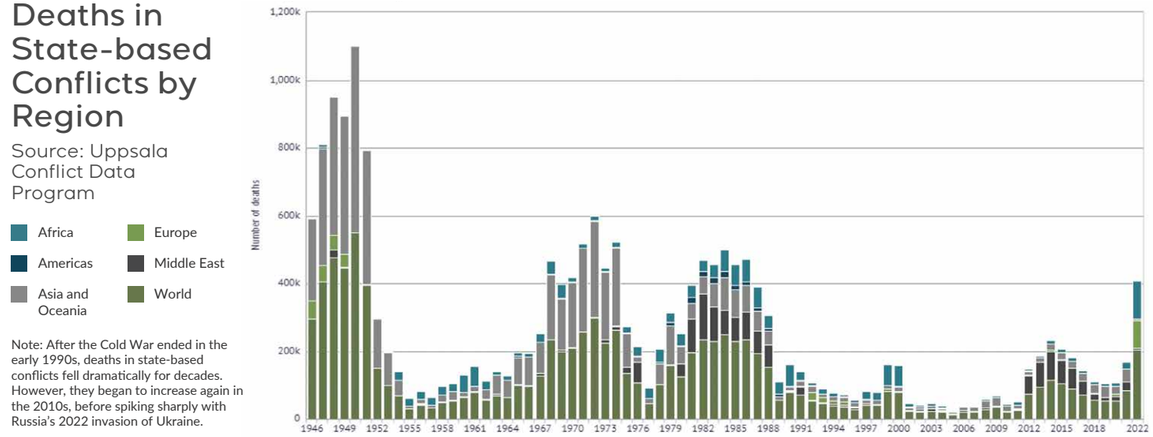
Note: The pace of technological innovation has increased rapidly in the past 30 years, as illustrated by the exponential growth of global patent applications.

Geopolitical conflict abounds and remains capable of surprising even the most careful watchers.

Israel's national security architecture is among the world's strongest, yet Hamas still managed to launch a surprise attack last October, reigniting a simmering conflict. The previous year, knowledgeable and sensible intelligence analysts disagreed vehemently over whether Russia would launch a Ukraine invasion, leaving some organizations scrambling to respond when war broke out. For four decades since the 1980s, interstate wars have been becoming less common and less lethal – but that trend has reversed in recent years and war has re-emerged as a tool of statecraft and an increasing threat to civilian life. While most wars appear predictable in retrospect, 2024 could see unexpected conflicts rapidly emerge in Eastern Europe, Africa, the Middle East or Latin America, destabilizing neighbors and dismantling supply chains.

Deaths in State-based Conflicts by Region

Source: Uppsala Conflict Data Program



Note: After the Cold War ended in the early 1990s, deaths in state-based conflicts fell dramatically for decades. However, they began to increase again in the 2010s, before spiking sharply with Russia's 2022 invasion of Ukraine.

Natural disasters remain the quintessential black swan event, with climate change amplifying the frequency, intensity and complexity of disasters.

By some measures, 2023 was the worst year on record for natural disasters, with the US alone recording 25 disasters causing over $1 billion in damages – more than a third above the five-year average and twice the average of the 2010s. More disasters will occur in 2024 – and we can be reasonably sure of the broad geographical areas in which they will occur – but climate change is amplifying the intensity of those events and reducing the warning time communities have for preparation.

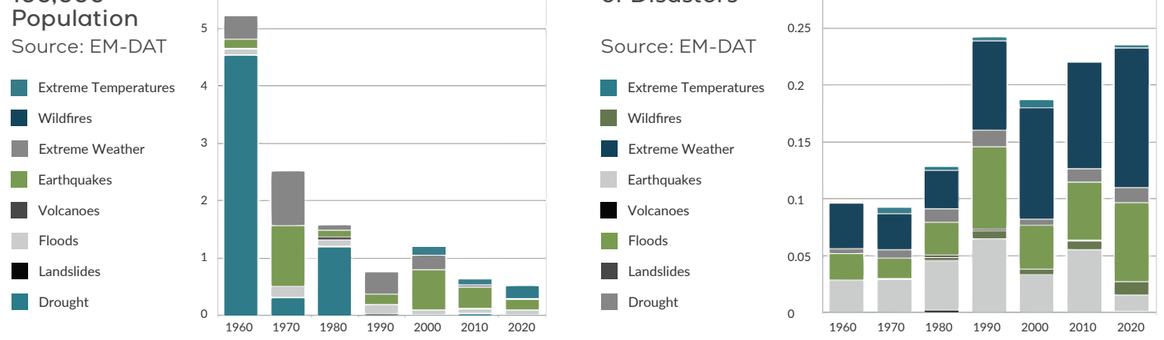
Natural Disasters:

Death per 100,000 Population

Source: EM-DAT

Economic Cost of Disasters

Source: EM-DAT



Note: Even as human communities have become more resilient and natural disasters have claimed fewer lives, the economic cost of those disasters – and their effects on businesses – has continued to rise.

All crises are polycrises.

For the last few years, commentators have increasingly used the word "polycrisis" to explain the complex interaction of forces facing the world at present: climate change, conflict in Ukraine and the Middle East, inflation, energy shortages, COVID-19 and so on. But for organizations, facing multiple competing and compounding geopolitical problems is not new. All crises have always been made up of multiple factors – if organizations only faced one problem at a time and did not have to decide how to manage their resources to handle it, it would not be a crisis. The black swans that inevitably emerge in 2024 will be born into a world that is already stressed and strained by multiple concurrent crises, and it is our collective challenge to meet those disruptions; keep our people safe; and continue to grow and prosper.

EMERGENT RISK INTERNATIONAL

Global Disruptors

2024 Strategic Intelligence Estimate



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