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Key Risks In 2025

*“The only thing we know about the future is that it’s going to be different”
 (Dr Peter Drucker)*

As 2024 draws to a close, the impact of the past 12 months from conflicts to hotly contested elections will no doubt continue to be felt in the year ahead. In this piece we focus on a few of the key risks to keep an eye on in 2025, some of which are not that new but are becoming far more acute in our polarized world.

US Domestic & Foreign Policy – ‘Back to the Future’

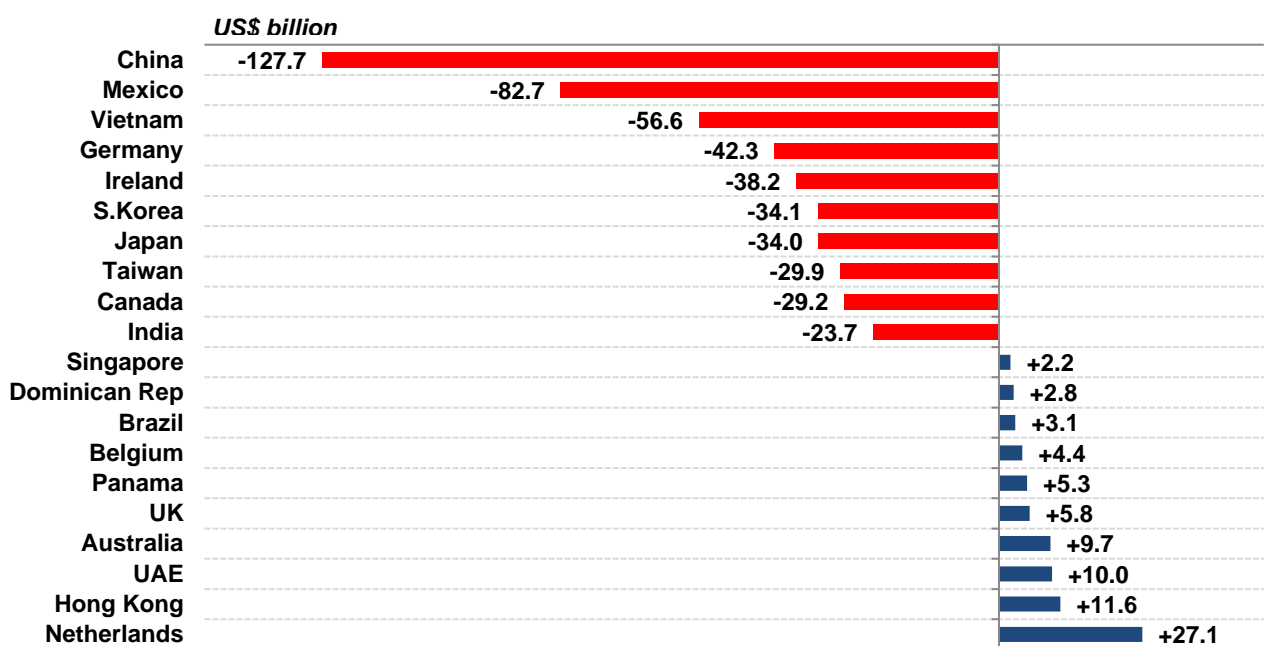
After Donald Trump’s convincing win in the US election one thing is certain, and this is that his second term in office will be very different from his first. Back in 2016 he was still a Washington outsider and thus not completely au fait with the capitol’s political machinations. Now he’s more experienced and is filling his cabinet with loyalists (pending confirmation by the Senate) rather than pure establishment personalities. Trump is also in the somewhat unique position of being the first Republican President in decades to not just win the popular vote, but also lead his party to victory in both the Senate and the House. Combining all this with the fact that he cannot run for a third term, means he has a much a freer hand to enact his plans for the country with only limited constraints this time around. One true positive of his overwhelming victory at the ballot box, is that the risk of a major domestic political crisis with recounts and court cases was nullified. Admittedly the often fractious and angry divisions between both sides of the US political spectrum are not set to be resolved anytime soon, but at least this was not exacerbated by a delayed outcome to the vote. Initially, his administration will focus on domestic matters as Trump himself stated during his victory speech. These will include shrinking the administrative state and a changing of the guard at key federal agencies such as the Departments of Justice, Health and Commerce, as well as clipping the wings of others like the FBI and SEC. His announced creation of a ‘Department of Government Efficiency’ an advisory entity which will be co-led by Elon Musk and Vivek Ramaswamy, underlines Trump’s stated desire *“to dismantle government bureaucracy, slash excess regulations and cut wasteful expenditures.”*

Meanwhile, the responsibility for reducing the inflow of illegal migrants and deporting many of those already in the US, has fallen to Tom Homan a hardline anti-immigration border official. However, depending on how its implemented, this program could have a significant impact on wage costs and consequently raise domestic inflation. This risk was raised by Zeke Hernandez, a senior economics professor at Wharton, who [warned](#) that the loss of migrant workers *“would be an economic disaster for America and Americans,”* adding that *“undocumented immigrants make up a huge proportion of household services, manufacturing work, kitchen staff in restaurants. Americans simply do not do those jobs, or there are not enough to go around. But if you lose those key ‘bottleneck’ workers, the native workforce also can’t do their jobs.”* Another early priority will be to reverse Joe Biden’s decarbonisation agenda, but here Trump may face some pushback, especially when it comes to issues such as the outgoing’s President’s ‘Climate law’. This is because most of the investments, subsidies and jobs linked to this ‘green’ program have occurred within Republican congressional districts.

On the foreign policy side, the US will again withdraw from international agreements related to climate change such as the Paris Accord, this was underlined by a comment made by Trump back in November in which he claimed that climate change was “*all a big hoax*”. However, widening the confrontation with Beijing on trade and technology will no doubt be front and centre, and here the preparations have already begun. This is highlighted by Trump’s nomination of three known ‘China Hawks’, namely Marco Rubio to serve as Secretary of State, Michael Waltz (a former Green Beret) as National Security Advisor and Elise Stefanik as ambassador to the UN. During his election campaign Trump threatened to slap a blanket 60% tariff on all Chinese exports to his country. If implemented this would not just be inflationary for the US consumer but also result in a significant blow to the Chinese economy which is still struggling to recover since its COVID restrictions were lifted. His nomination of the Wall Street billionaire, Howard Lutnick as Commerce Secretary, further points to this direction of travel with Lutnick also very enthusiastic on this subject. This he made clear in October 2024 when he suggested that the country should go back to 1900 when “*We had no income tax, and all we had was tariffs.*” Even Scott Bessant, the likely next Treasury Secretary has [described](#) tariffs as a “*useful tool*” and suggested that “*other countries have taken advantage of the US’s openness for far too long, because we allowed them to. Tariffs are a means to finally stand up for Americans.*”

Historically speaking, tariffs have often proven to be a blunt instrument, and their potential widescale use could not only weaken global growth, sharply increase freight rates and make business planning far more difficult, it could also negatively impact relations with key US allies. However, the threat of broader tariffs may just be an early negotiating position by Trump and therefore on the optimistic side, when also considering the current headwinds facing China’s economy, such posturing might just lead to a major trade deal between the world’s two superpowers. Alternatively, it could trigger a global trade war, especially as China is not the only country in Trump’s sights. Japan, Taiwan, South Korea, Vietnam, India, Mexico, Canada and Germany all have sizeable trade surpluses with the USA (as shown below). He also recently [warned](#) members of the BRICS grouping not to attempt to create an alternative to the US dollar or they could face a tariff of 100%.

US Goods Trade Surplus (+ve) & Trade Deficit (-ve) with Major Partners in H1 2024



Source: Voronoiapp.com / FAB

The first real warning shot in this potential trade war came at the end of November 2024, when Trump pledged to impose 25% tariffs on both Canada and Mexico as soon as he takes office, in what he claims would be retaliation against the two neighbouring countries for not doing enough to stop illegal migration and the illicit flow of fentanyl into the US. This threat saw Prime Minister Trudeau and President Sheinbaum Pardo quickly reach out to Trump to discuss the matter, although it seems clear that the US President-elect is determined to push for a renegotiation of the USMC free-trade agreement which is scheduled for review in 2026. Mexico and Canada are the two [largest trading partners](#) of the US (followed by China) and Pardo has warned that “*It is not with threats or tariffs that we will address the migration phenomenon, or drug use in the United States. One tariff will be followed by another in response, and so on, until we put our communal companies at risk.*”

A trade dispute with his country's largest trading partners could also undermine Trump's domestic economic strategies, but his 'America First' agenda is in truth more aligned with multipolarity and will likely speed up the shift away from the world's longstanding rules-based order. This then raises questions around the future of NATO, a key pillar of security for Europe since 1949. Trump's views on NATO are unlikely to have changed, and although Sweden and Finland have become the latest members of the organization, NATO's new Secretary-General Mark Rutte is going to have his hands full managing the US President-elect's unpredictability when it comes to maintaining America's vital role in the alliance over the next four years. This uncertainty further underscores the need for the Europeans to get much more serious about upgrading and expanding their own defence capabilities. In the meantime, Rutte should perhaps quietly remind Trump that the UK and Europe deployed thousands of troops to Iraq and Afghanistan in support of their American ally after 9/11, and while the US is helping to defend Europe, this also serves Washington's own strategic interests. As a former NATO official, James Shea, wrote in July this year, *"without Europe's solidarity it will be much harder for the USA to put serious pressure on China."*

Geopolitical Fault Lines

The conflict in the **Levant Region**, which was triggered by the October 7th, 2023, attack on Israel by Hamas, developed into the longest war Israel has fought in its history and tragically was still ongoing at the time of writing. Consequently, the fear that this could develop into a full-blown regional war between Jerusalem and Tehran lingers and although we feel that such an event remains at the lower end of probability, it's not a zero-risk possibility. The Israeli government does appear likely to continue to expand its fight against Iranian proxies in the region and perhaps attempt to further degrade Iran's military capabilities in the weeks and months ahead, especially after Tehran threatened to speed up its uranium enrichment program when the IAEA recently censured the regime again. Meanwhile, Netanyahu's sudden dismissal of his defence minister, Yoav Gallant, in early November and replacing him with the former Foreign Minister Israel Katz (who has no real military experience but is a well-known Netanyahu loyalist), further underlines this possibility. Another indirect consequence of the Israel/Hamas/Hezbollah conflict has been the sudden reignition of **Syria's civil war**, after Syrian rebel groups launched a sudden offensive on government forces and managed to seize control of the country's second-largest city Aleppo in late November. The surprisingly quick fall of Aleppo was probably due in part to the fact that Bashar al Assad's key military ally Russia, is currently primarily focused on Ukraine, while Iranian proxy groups such as Hezbollah, which have supported Syrian government forces in the past, have been significantly weakened by Israeli military operations over the past few months.

Of course, Donald Trump's imminent return as US President is understandably seen by many as a positive for Netanyahu, and this was highlighted in comments made by the former Israeli ambassador to the US, Michael Oren, who was quoted as saying by 'AP News' that Trump has the *"most pro-Israel record of any President,"* adding *"the hope is here that there'll be more of the same."* Certainly, the selection of the former Arkansas governor Mike Huckabee, to be the next US ambassador to Israel supports this view. Huckabee, an evangelical Christian, is extremely pro-Israel and previously opined that Israelis has a rightful claim to the West Bank. However, relations between the incoming Trump administration and Jerusalem may not be completely plain sailing, especially as the situation in the Levant is very different now than it was in 2020, while Trump reportedly told the Israeli Prime Minister back in July this year that the war in Gaza must end before he re-enters the Oval Office in January 2025. Trump is not only anti-war which he considers expensive, he is also not entirely supportive of an Israeli annexation of the entire West Bank. It's this latter issue that may bring him into confrontation with the far-right members of the Netanyahu administration, such as the Israeli Finance Minister Bezalel Smotrich, who recently suggested that the incoming US President has created an *"important opportunity"* to *"apply Israeli sovereignty to the settlements in Judea and Samaria"*.

When it comes to **Iran**, the general expectation is that the Trump administration will restore its maximum pressure campaign on Tehran. This was eased by President Biden in 2021, which in turn allowed the country to increase its crude oil exports to as high as two million bpd earlier this year, compared to an average of 775,000 bpd during Trump's first term in office. Expectations of renewed US pressure was highlighted by the Iranian Rial's fall to new record lows against the dollar in early November as it became clear that Tehran's nemesis was going to win re-election. At the same time, while tightening the US economic noose around Iran appears very likely to be implemented in 2025, a new more stringent JCPOA cannot be completely ruled out either. Trump himself has claimed that he would consider renegotiating a deal with Iran if he was re-elected. *"Sure, I would do that, we have to make a deal because the consequences are impossible,"* he was [quoted](#) as saying in September this year.

Meanwhile, those hoping that an eventual permanent ceasefire in Gaza will also bring an end to Houthi attacks on shipping transiting the **Red Sea** may be disappointed. While the rebel group in Yemen originally tied their ongoing attacks to the war in Gaza, they have also allegedly become used to earning significant sums by persuading some ship owners to pay them 'safe passage fees'. This in turn has reportedly become one of their primary revenue sources, as suggested in a detailed 537-page [UN study](#) on Yemen which was published in October 2024. *"The panel's sources conveyed that the Houthis allegedly collected illegal fees from a few shipping agencies to allow their ships to sail through the Red Sea and the Gulf of Aden without being attacked. Sources further informed the Panel that these shipping agencies coordinate with a company affiliated with a top-ranking Houthi leader and that the fees are deposited in various accounts in multiple jurisdictions through the hawala network and through adjustments involving trade-based money laundering. The sources estimate the Houthis' earnings from these illegal safe -transit fees to be about US\$180 million per month"* the UN report states. This figure does however seem overly high, especially as the overall volume of marine traffic using this route has fallen dramatically over the past year. But even if the real number is 50% lower, it would still be a significant amount. The UN panel of experts also claim that the Houthis have developed a diverse network of political alliances, military suppliers and financial support networks, including with terror groups like 'al-Qaeda' in the Arab Peninsula and 'al-Shabaab' in Somalia. This could enhance the Houthi's ability to strike vessels further out to sea and reach a scale of risk *"not seen since the Second World War"*.

Across in Asia, the recent developments on the **Korean Peninsula** are worrying. Historically, when Pyongyang has conducted sudden ballistic missile tests and made aggressive public threats against both the US and South Korea, it usually indicated that the regime was facing internal economic challenges, and this may well be the situation again now. However, there were a series of specific and unprecedented actions undertaken by Kim Jong Un in 2024, which are as unusual as they are alarming. For example, he abolished several longstanding government agencies which had originally been set-up to handle cooperation and eventual reunification with South Korea, announcing that unification was no longer possible and as such, his country's constitution had been amended to designate Seoul as the *"principal enemy."* Then in October, thousands of DPRK troops were deployed in support of Russia's battle against Ukraine. This may provide North Korea with some much-needed hard currency, but it also marks the Asian country's first major intervention in a foreign conflict and a significant escalation in this three-year European war. The Biden administration's decision to finally allow Ukraine to use US-supplied long-range missiles for strikes inside of Russia, is seen as a response to the involvement of North Korean troops, although it is probably also an attempt to give Kyiv a better negotiating position in advance of Trump's inauguration.

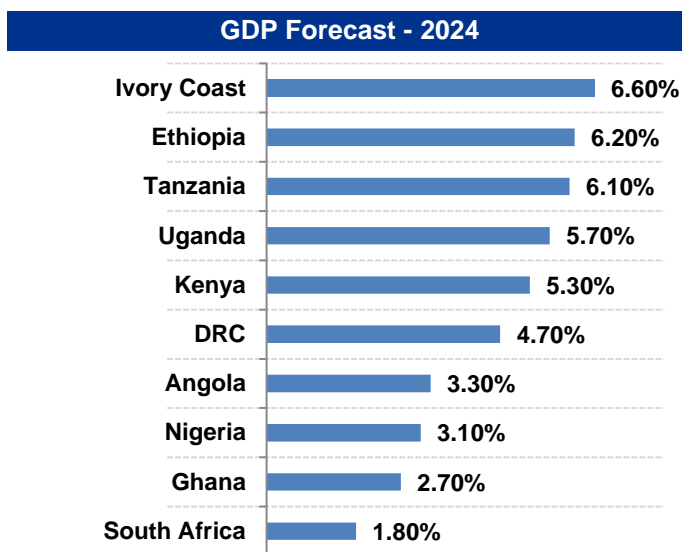
Meanwhile, the domestic political environment in South Korea was suddenly thrown into upheaval in early December, after President Yoon Suk Yeol declared martial law in an apparent attempt to push through some of his key policy objectives, including greater defence spending and a triparty defence agreement with the US and Japan to counter North Korea. These proposed bills had been consistently blocked by the opposition DPK party who claimed they risked open conflict with the North, leading to somewhat of a policy paralysis. However, the President backtracked just six hours later when legislators in the national assembly voted against his implementation of martial law. Yoon's brief but failed gambit will certainly stall his policy agenda further and perhaps even lead to his impeachment or his resignation.

Admittedly, it is possible that Donald Trump will be able to bring an end to the **Ukraine/Russia** conflict in 2025 by persuading both Kyiv and Moscow to begin truce talks. Of course, ending this war in *"24 hours"* as he claimed he would during his election campaign is a fallacy, but he does have various forms of leverage on all sides involved. For example, Trump might offer to allow Russia to keep the territory it currently occupies and promise to prevent Ukraine from joining NATO to get Moscow to enter ceasefire negotiations. But also, dramatically increase aid to Kyiv if Putin refuses. Then, he could threaten to cut off US military and financial support to Zelensky's government to persuade them to come to the table, and at the same time encourage the EU to get on board by again threatening to pull the US out of NATO.

The return of President Trump is also raising questions on what this could mean for **sub-Saharan Africa**, especially as he largely ignored this region during his first term in office. Perhaps the now much talked about 'Project-25' document, which was put together by the [Heritage Foundation](#) and is regularly cited as a potential blueprint for at least some of the incoming administration's strategies, provides us with some possibilities. For example, the document suggests that Washington should only concentrate on those African countries where a *"mutually acceptable"* and *"business-centric"* relationship was possible.

Therefore, an initial indicator on where a Trump administration's strategy on Africa is heading, could be by what it does with the 'African Growth and Opportunity' agreement when it comes up for renewal in 2025. This trade agreement has been in place since 2000 and provides duty-free access to the US market for select exports from eligible countries in Sub-Saharan Africa. However, South Africa, which is the region's largest economy and currently the biggest beneficiary of this treaty, has been at diplomatic loggerheads with the United States in recent years and this is linked to Washington's view that Pretoria has abandoned its traditional policy of non-alignment by building closer ties with Beijing, Tehran and Moscow, while also becoming openly hostile to Israel. This dispute got so heated it led Congress to introduce a bill in June 2024 that called for a full review of relations between the two countries. The US is South Africa's second largest trading partner and AGOA's contribution to its economy is extremely important. The US imported \$14.6 billion worth of goods from South Africa in 2022, a 68% jump compared to 2012, but equally, America relies on South Africa for 100% of its chromium and more than 25% of its manganese, titanium and platinum imports.

Ignoring the continent entirely would be a major mistake for the US, especially as it is home to some of the fastest growing economies in the world and has a very young and aspirant population. America's main global competitor, China, recognized this some time ago and has leveraged off its 'Belt & Road Initiative' to build strong relationships in the region. This is highlighted by the fact that annual trade between China and sub-Saharan Africa is now [estimated](#) to have reached more than US\$282 bio. The GCC countries, are also rapidly expanding their economic ties down south, especially the [UAE](#) which is now the fourth largest investor in Africa. The US President-elect has an opportunity to create a new dynamic relationship with the African continent, but whether he will seize it or not remains an open question.



Source: IMF / Bloomberg

Of course, there are other geopolitical risks in Africa to watch, such as the ongoing extremist activity in the **Sahel region** which has not only encouraged more than 3.40 million people to flee the violence in their home countries but could also threaten the political and economic stability of some democratic states, especially those situated along the West African coast. A recent report published by the Institute for Economics & Peace stated that Sub-Saharan Africa, currently constitutes more than half of total deaths resulting from violent extremism and terrorism globally, with 50% of the victims being ECOWAS citizens. The Ivory Coast, Ghana, Benin and Togo are now facing growing security risks in their own border areas, which are directly linked to militants. Then across in Nigeria, which has long been battling groups such as 'Boko Haram' in its northern states, officials have reported the appearance of a new and potentially more dangerous terrorist group called 'Lakurawa' which is [believed](#) to have been offering attractive sign- on bonuses to unemployed youths in and around Nigeria's borders with Chad and Niger, resulting in thousands of new recruits. Violent extremism in the region is being driven by a range of factors including unemployment, poverty, inadequate policing, political exclusion and instability.

Artificial Intelligence

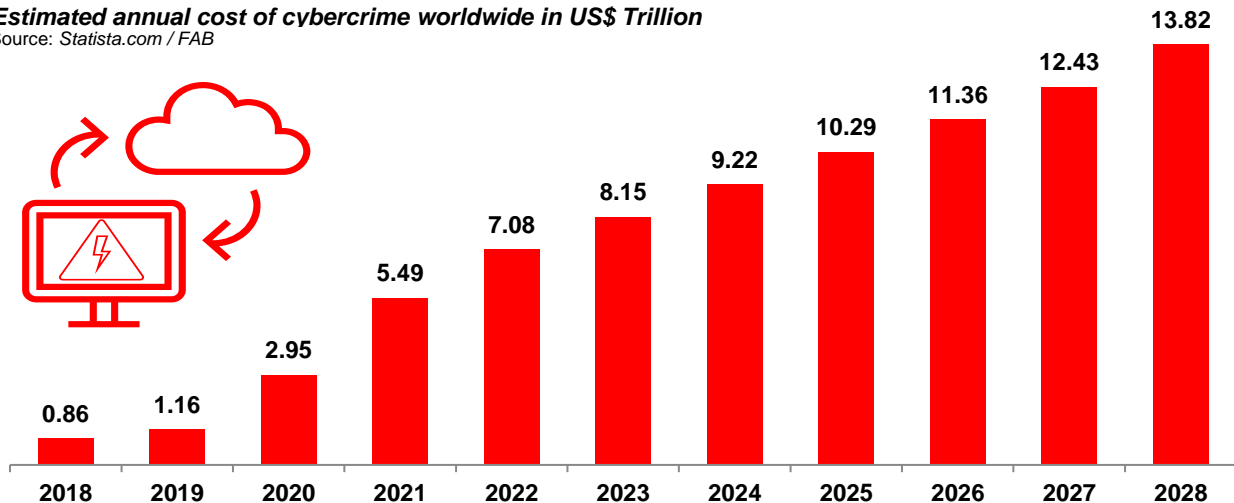
According to a [report](#) published by the research firm Forrester's, the overall cost of cyber-attacks by 2027 is predicted to exceed US\$12 trillion, with individuals already losing an estimated US\$318 billion per annum to cybercriminals. The rapid expansion and weaponization of artificial intelligence have led to far more lethal cyber-attacks by both state and non-state actors and these are set to become even more dangerous with the arrival of quantum computing. A separate survey of security professionals (also conducted by Forrester's earlier this year) found that 78% of respondents believed that their organization's sensitive data had been potentially breached at least once over the previous 12 months, while 48% of those surveyed said they had experienced a cyber incident which cost more than US\$1 million.

In the third quarter of 2024 alone, the average number of weekly cyberattacks per organization hit an all-time high of 1,876, which was a 75% increase compared to the same period last year, according to the technology firm Check Point.

The Rising Cost of Cybercrime

Estimated annual cost of cybercrime worldwide in US\$ Trillion

Source: Statista.com / FAB



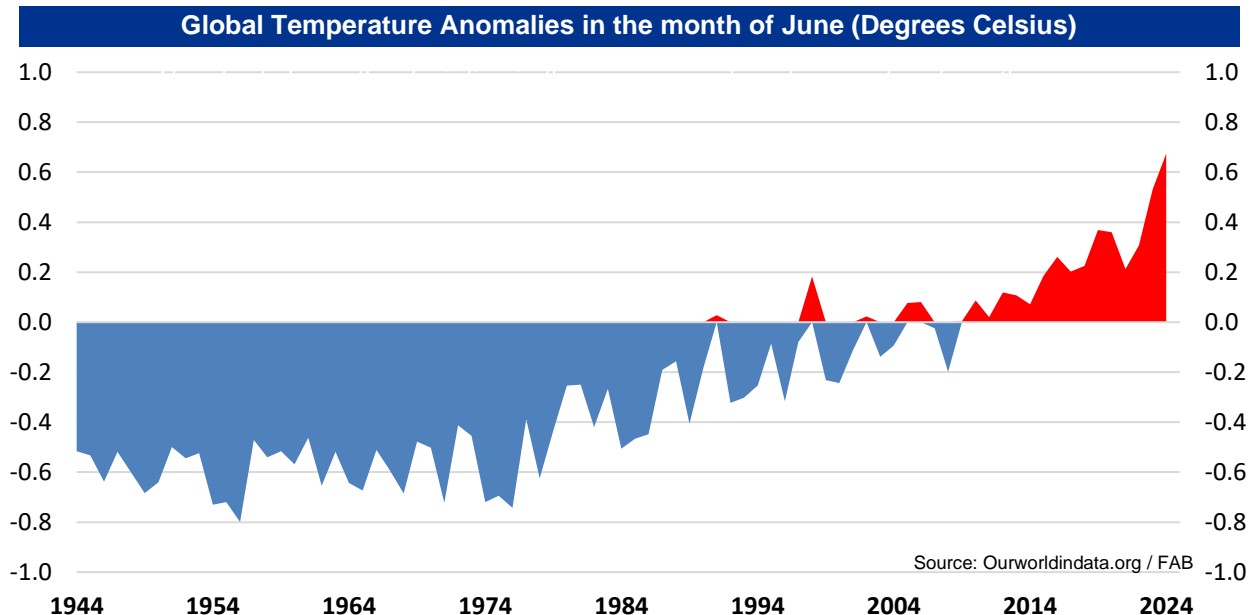
Aside from more sophisticated hacking and violations of privacy, artificial intelligence has created several other challenges. These include:

1. A new technology led 'cold war' between the world's main powers is continuing to grow as each look to gain a strategic edge over their adversaries. This in turn has led to the development of 'Lethal Autonomous Weapon Systems', which are able to locate and destroy targets on their own. Such weapons could lead to a major disaster if they fall into the wrong hands. This specific risk was raised in an [open letter](#) written by several AI and robotics engineers back in 2016.
2. Job losses linked to AI-powered automation may exceed those it creates, with Goldman Sachs estimating that roughly 66% of US occupations are currently exposed to some degree of automation by AI.
3. Social manipulation using AI has made it much harder for people to identify what is factual and what isn't. As a result, bad actors have yet another avenue for sharing misinformation and propaganda,
4. According to the IEA, data centres consumed 1.65 billion gigajoules of electricity in 2022 which is equal to about 2% of global demand. The ongoing deployment of AI could see data centres current consumption of energy increase by more than 35% by 2026 and driven by AI-powered web searches. (The same as Sweden's annual power demand).
5. AI-led algorithmic trading is not able take situational context into account, this in turn could lead into extreme volatility and even a sudden market crash.

Whilst we acknowledge that Artificial Intelligence will impact society both positively and negatively, global governance of it is vital to ensure the responsible use of such game-changing technology. As an essay published by Chatham House in June 2024 accurately explains, "If 20 years of digital technology development have proven one thing, it is that power derived through technology rarely maps neatly to geographies, markets or any existing set of international rules, norms or values." We need to remember too, that it's not possible to compare the industrial revolution or the invention of the printing press to what is happening now, because artificial intelligence is the first technology designed by man that can teach itself. Unfortunately, many governments and multilateral institutions have thus far been slow to recognize that perhaps the greatest challenge posed by AI, is the ability of the world to come together and develop a completely new regulatory framework around this powerful technology, which will need completely new agreements, treaties and institutions in order to be effective, sustainable and ultimately protect global order.

Climate Change

The World Meteorological Organization said in its latest 'State of the Climate' [report](#), that 2024 remained on track to be the warmest year on record, exacerbated by the impact of El Nino. The global mean surface air temperature between January and September 2024 was 1.54°C above the pre-industrial average, the authors of the report wrote, adding that 2015-2024 has been the warmest ten years on record as the pace of glacial melting and rising ocean temperatures accelerated. In fact, July 2024 was the hottest month ever seen in Africa, Asia and Europe since records began in 1850.



This in turn is generating more extreme weather events, which are wreaking havoc on communities and economies across the world. *"The record-breaking rainfall and flooding, rapidly intensifying tropical cyclones, deadly heat, relentless drought and raging wildfires that we have seen in different parts of the world this year are unfortunately our new reality and a foretaste of our future. We urgently need to reduce greenhouse gas emissions and strengthen our monitoring and understanding of our changing climate. We need to step up support for climate change adaptation through climate information services and Early Warnings for All,"* WMO's Secretary-General was quoted as saying during the COP29 gathering in Baku.

Humans have traditionally lived in regions with a mean average temperature of 11°- 15°C. But research published by the 'Proceedings of the National Academy of Sciences' has warned that on the present trajectory, one-third of the global population is set to experience a mean average temperature greater than 29°C currently found in only 0.8% of the Earth's land surface. Climate change is not only generating more floods, fires, hurricanes and droughts, it is also fuelling the spread of infectious diseases with a clinical study of 375 infectious diseases in 2022 revealing that 58% of these (including cholera, dengue, chikungunya, malaria and flesh-eating bacteria) were becoming more widespread due to global warming.

Unfortunately, any real progress in combatting climate change continues to be an uphill struggle as many countries are still failing to coordinate, integrate and implement their 'green' policies. This was highlighted again during the first week of COP29 where negotiations on developing a global climate finance target reached somewhat of a stalemate, before being only partially rescued by frantic diplomatic efforts just before the end of the conference. *"A new climate finance agreement, that meets the needs of developing countries, is crucial in enabling them to set ambitious mitigation targets and pathways to achieving them. It must also ensure they can adapt and respond to the consequences of rising temperatures. There is no time to delay, as countries must submit their new national climate plans by COP30 in November next year,"* Manuel Pulgar-Vidal, the WWF's global climate and energy head, had warned during the event. Another approaching headwind is the impending return of Donald Trump, who has already voiced his plan to withdraw the world's second largest greenhouse gas emitter from the Paris climate agreement (for a second time) as soon as he re-enters the White House next year. He might even take it a step further, by pulling out of the 1992 UN treaty which underpins the framework for the global climate negotiations each year. This unsurprisingly, may well encourage some other countries to question why they should put in additional effort to reducing emissions when the US is simply walking away.

Summary

As outlined above, the year ahead poses a raft of challenges and risks. The incoming Trump 2.0 administration is certainly going to further shake up the old order, both domestically and internationally. Meanwhile, misinformation and cybercrime look set to continue to grow, amplified by artificial intelligence and the arrival of quantum computing, unless global leaders and multilateral institutions can come together and agree on a framework to better regulate and monitor the risks inherent with these two very powerful technologies. And finally, we are at risk of losing the long-term fight against climate change which poses one of the greatest threats to all our futures, but is sadly still being undermined by politics, misleading information and a lack of real engagement by many governments with their own citizens on this issue.

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