Power shifts and geopolitical disruption

Navigating risk, opportunity, and leadership in a changing world

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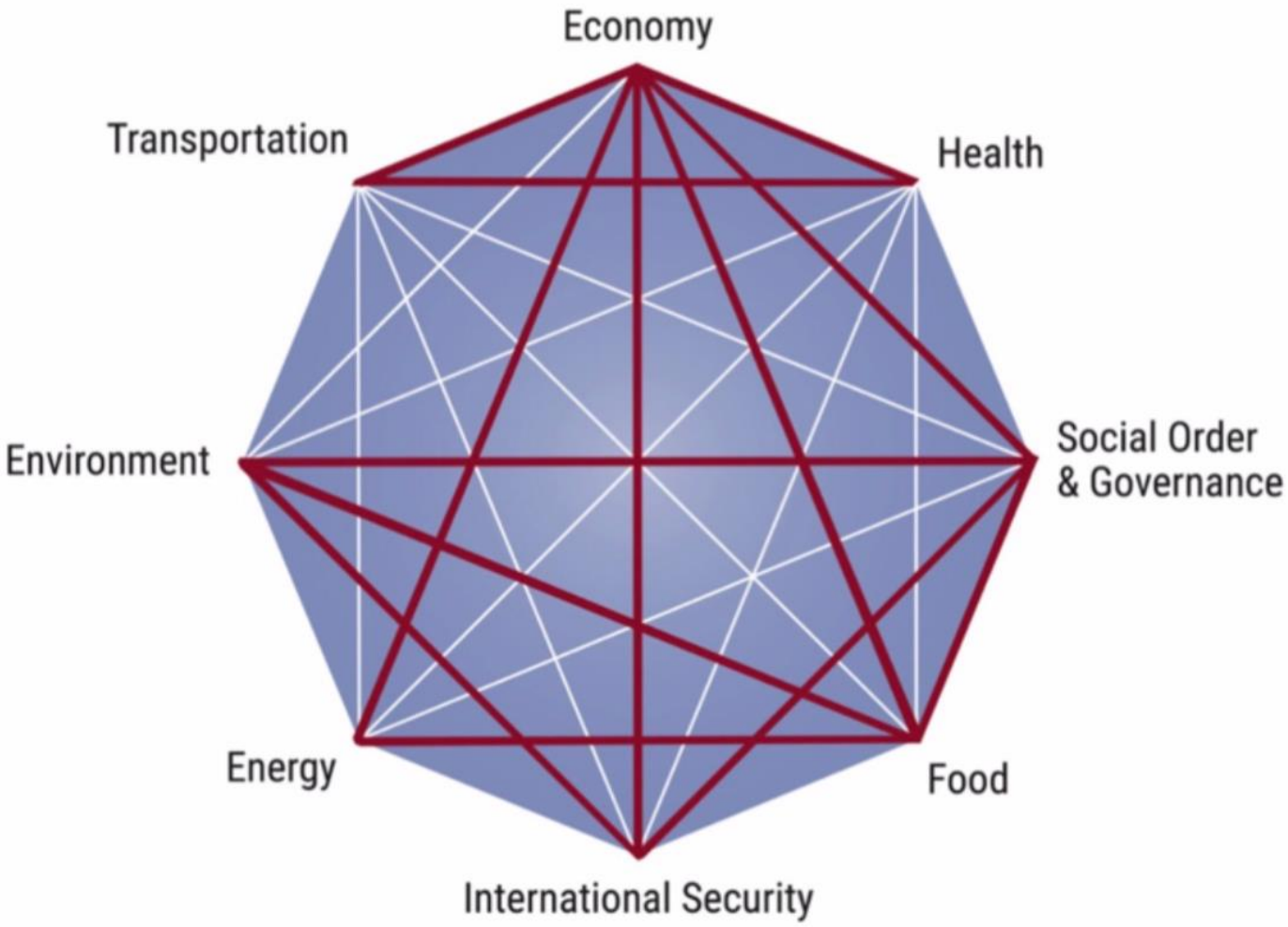
THE BIG PICTURE: two concurrent power shifts

- **Power transition from unipolarity to bipolarity:** the relative rise of China and the relative decline of the US have created **bipolar dynamics** that heavily shape the global strategic landscape (Cold War 2.0)
- **Power diffusion (devolution)** has created a **polycentric global order** where **multiple regional centers of power** simultaneously exert influence across different domains of global affairs. This means the emergence of a more **complex, fragmented, and multi-layered world**.

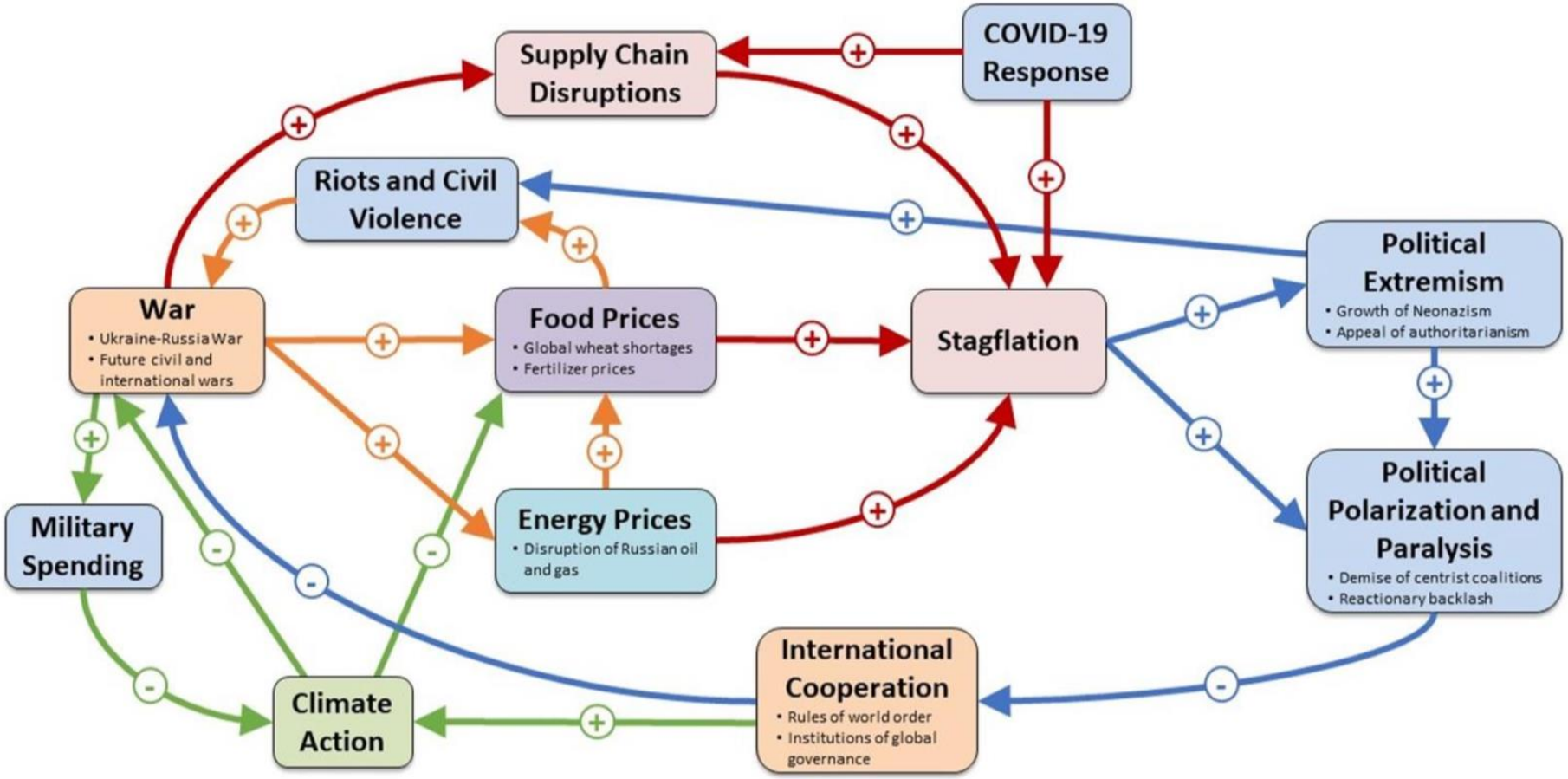
A Hybrid International System

- The current order reflects a **hybrid configuration**:
- **Structurally polycentric**, with decentralized power distribution.
- **Functionally bipolar**, with intense U.S.–China rivalry
- The international system is **in transition**—moving from a bipolarity to multipolarity, but still shaped by **a bipolar logic**.

Complexity


Economy
Health
Social Order
& Governance
Food
International Security
Energy
Environment
Transportation

Complexity in action



polycrisis

[poli-krai-sis] *noun*

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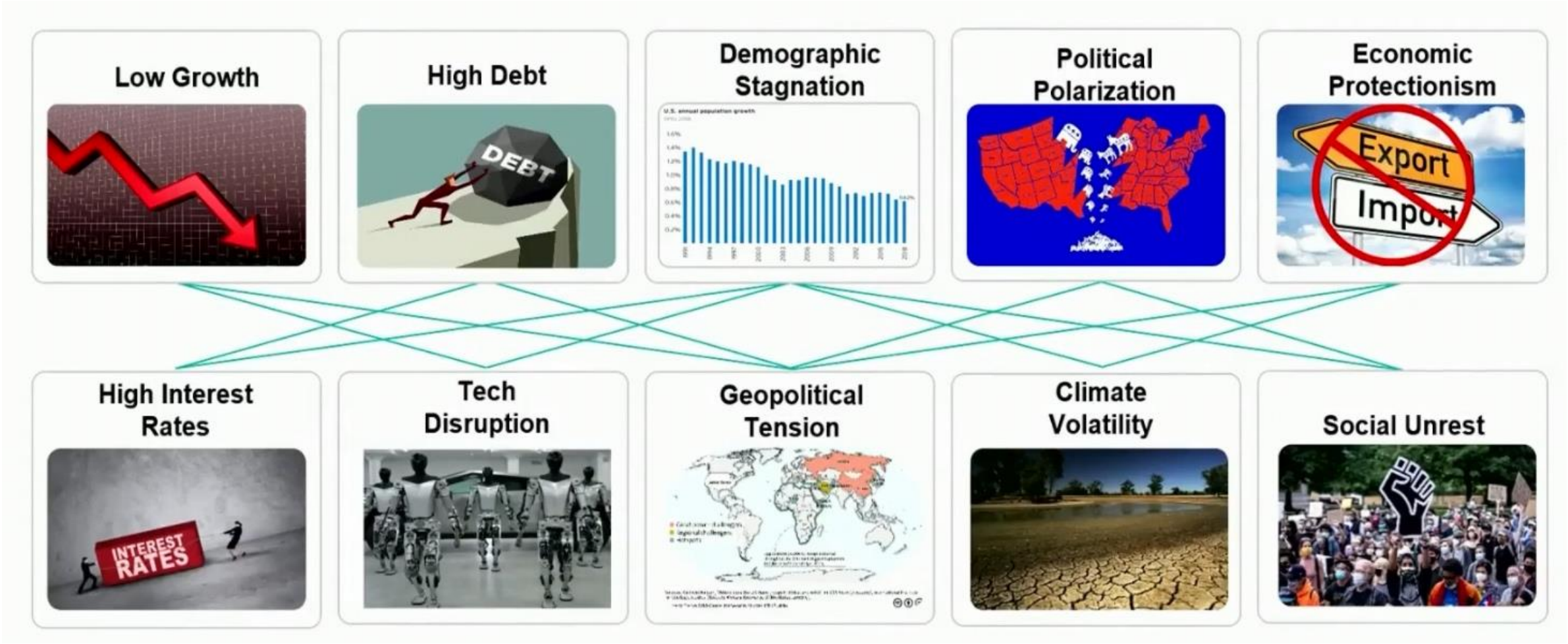
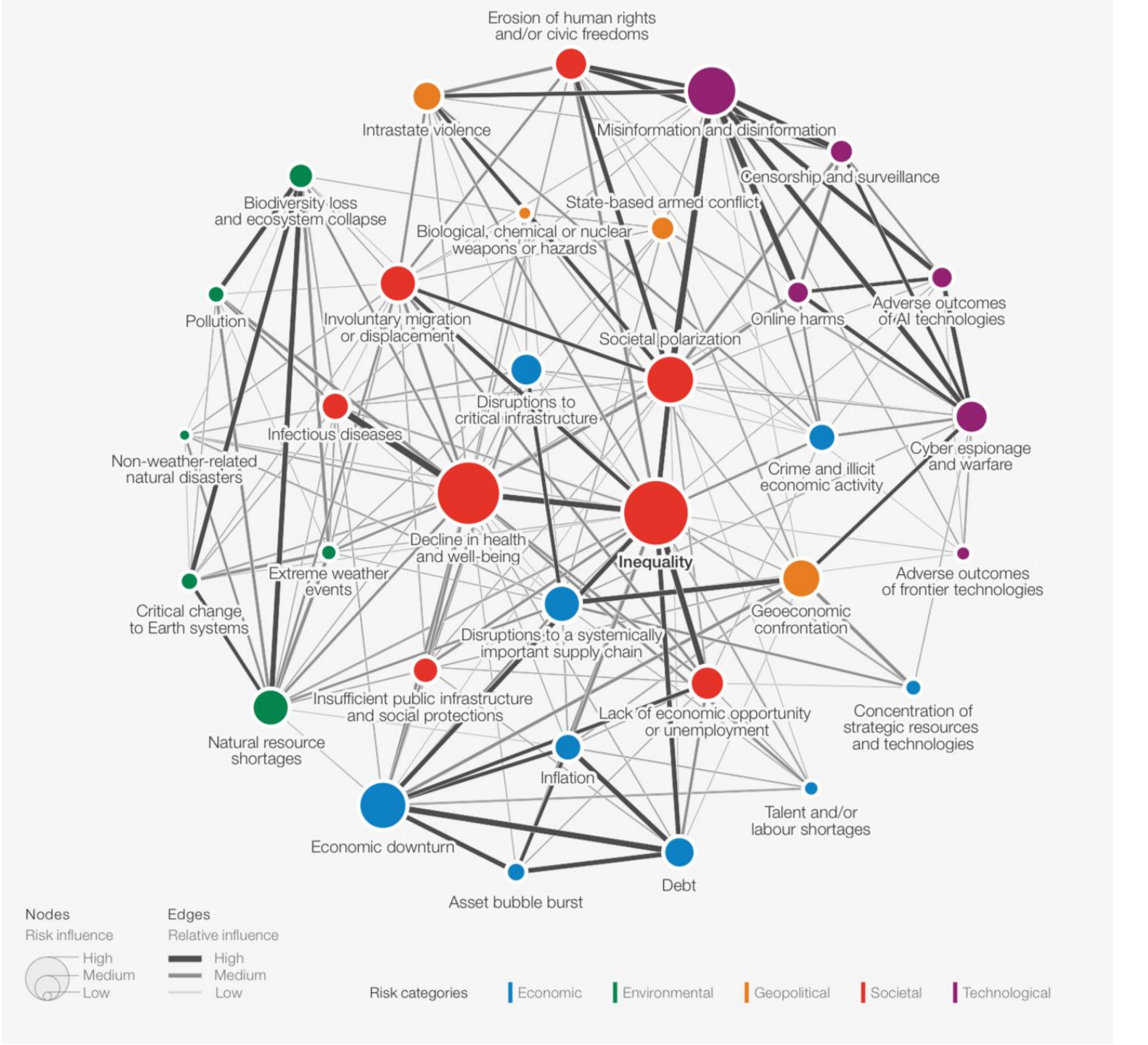
the simultaneous occurrence of several catastrophic events

POLYCRISIS

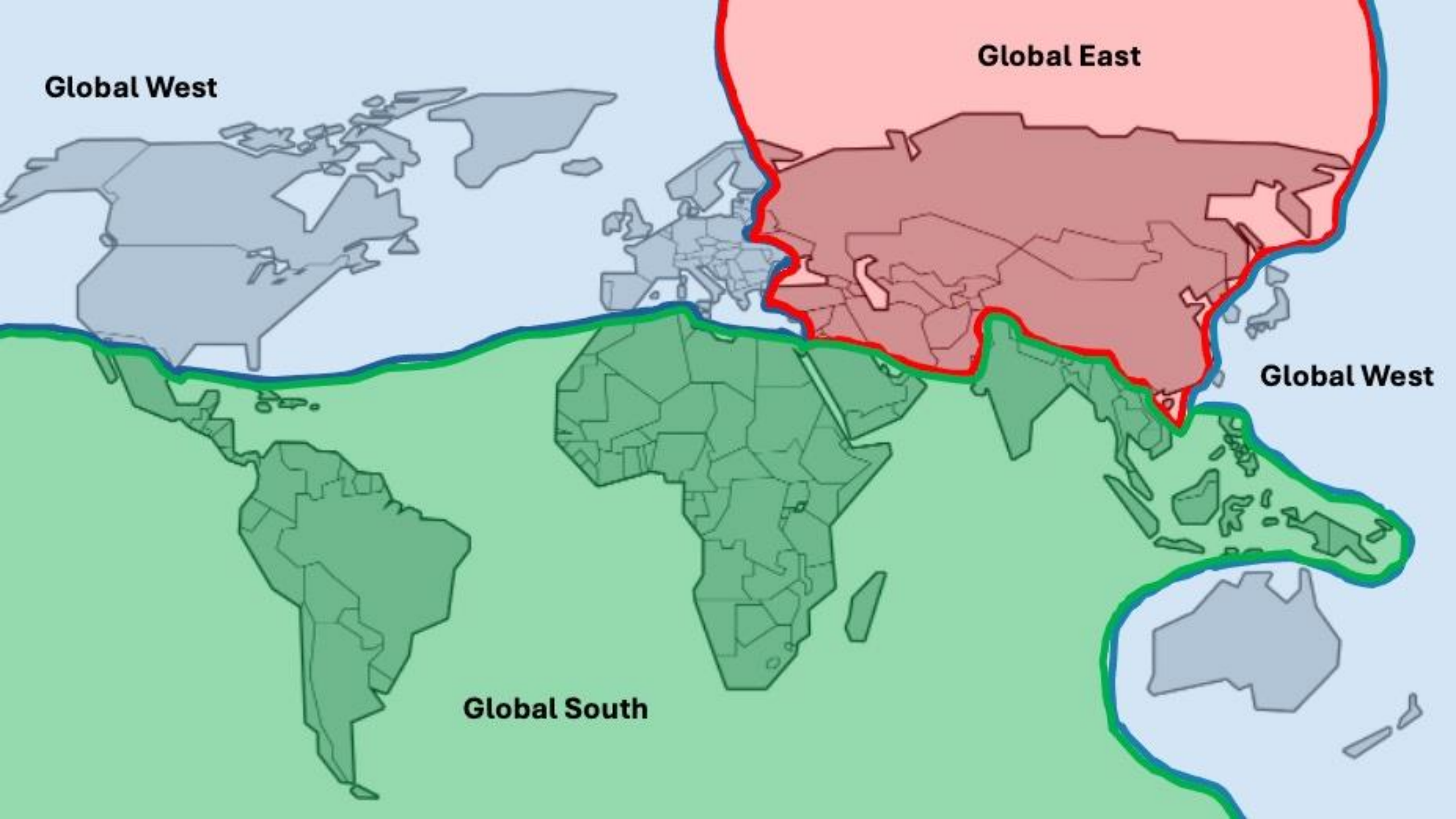

Low Growth
High Debt
DEBT
Demographic Stagnation
Political Polarization
Economic Protectionism
Export
Import
High Interest Rates
INTEREST RATES
Tech Disruption
Geopolitical Tension
Climate Volatility
Social Unrest

GLOBAL RISKS



Evolving Global Framework

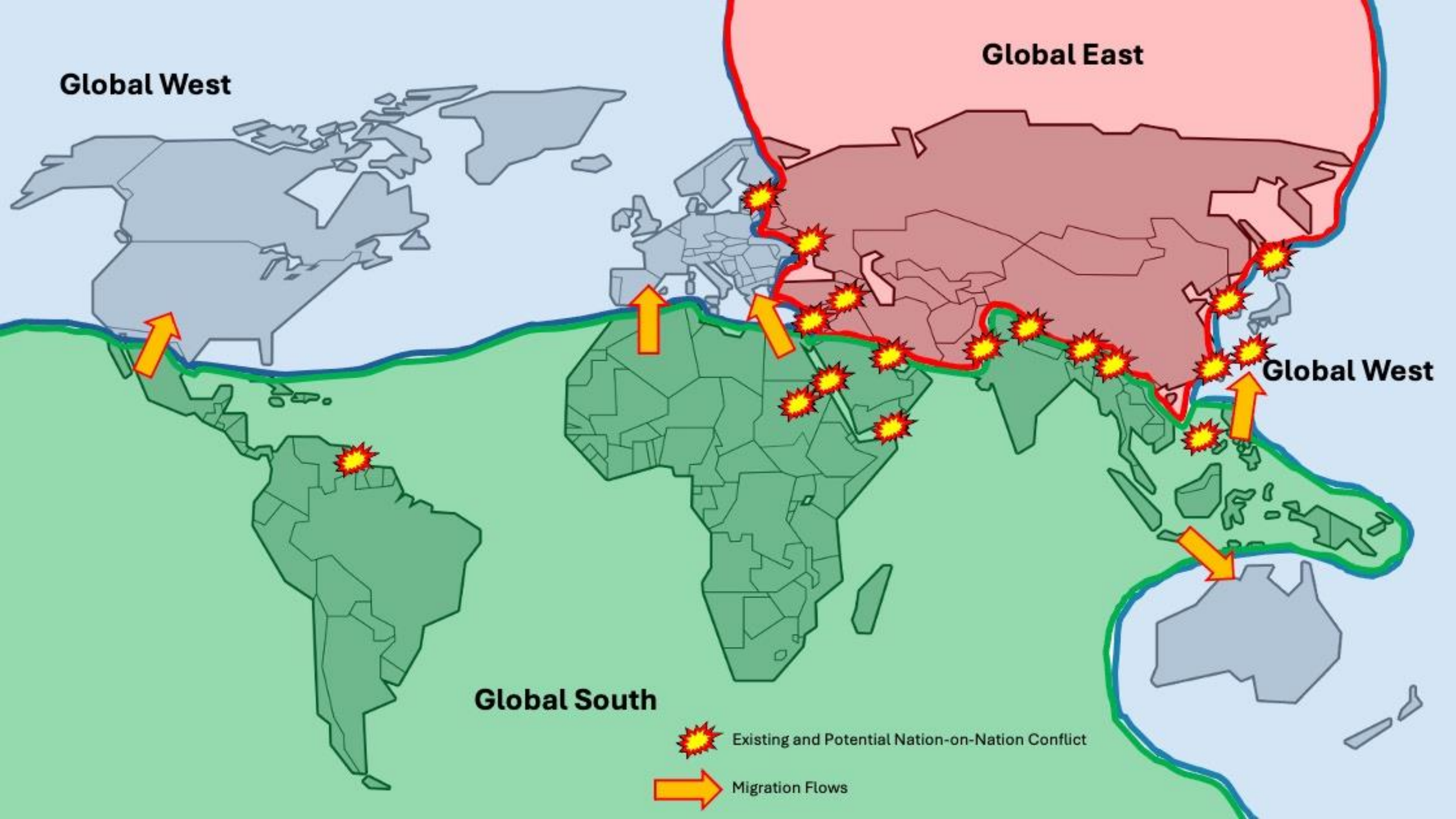
Bipolar Cold War	Unipolar Moment	Fragmented Globalization
U.S. and allies Soviet Union and allies	U.S. Globalization	2+2+ (two major powers: China and the U.S. two secondary powers: Russia and Europe) New Cold War


Global West
Global East
Global West
Global South

Competition shifts from Central Europe to Southeast Asia, from Land to the Sea

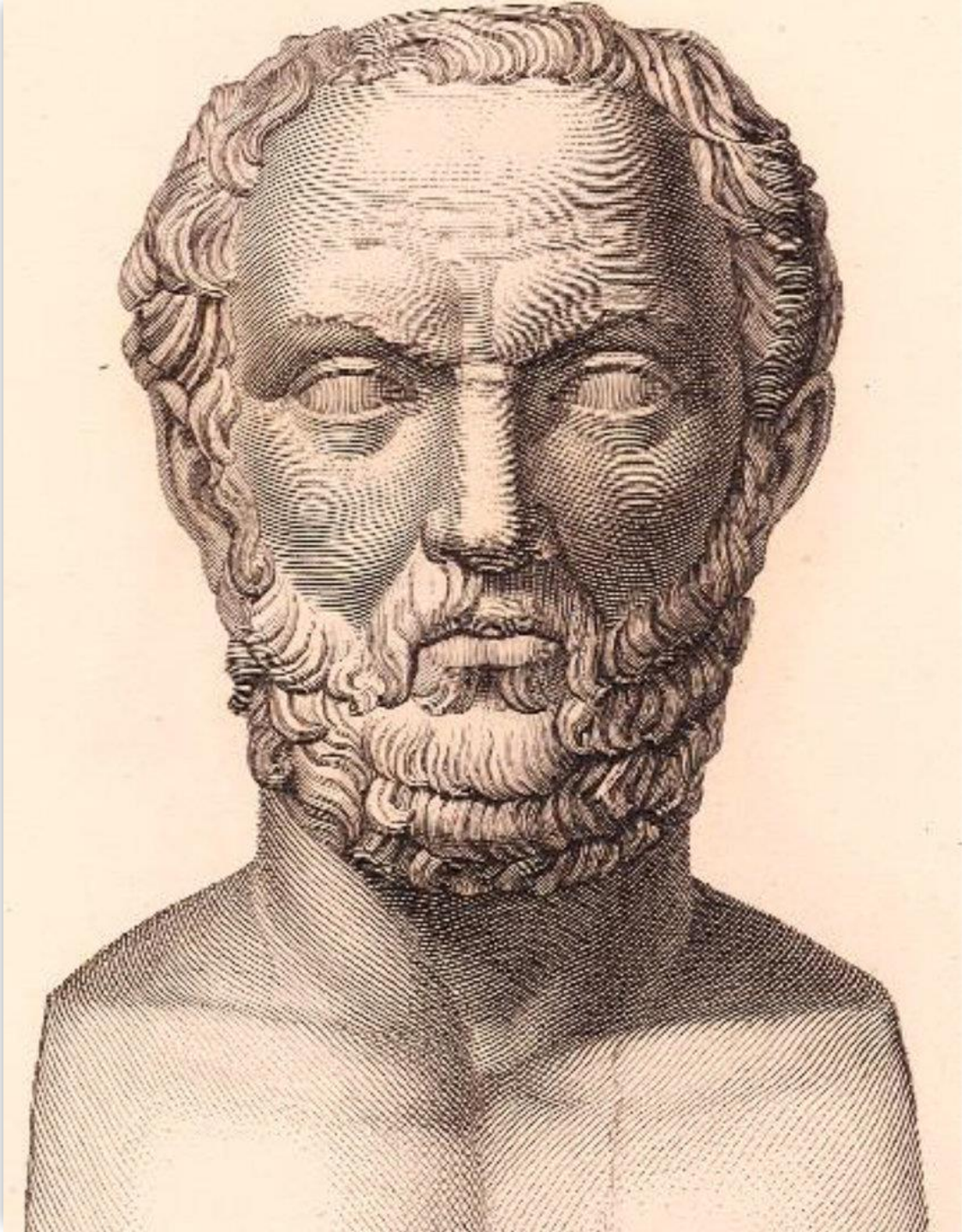
New Cold War vs Old Cold War

- Similarities
  - Geopolitical competition for supremacy
  - Arms race (nuclear, space, cyber, AI)
  - Economic war
  - Intelligence war
  - Political warfare
  - Ideological struggle
  - Tech competition
  - Regional flashpoints
- Differencies
  - Much greater economic interdependence
  - No rigid alliance blocks


Global West
Global East
Global West
Global South
Existing and Potential Nation-on-Nation Conflict
Migration Flows

Thucydides Trap

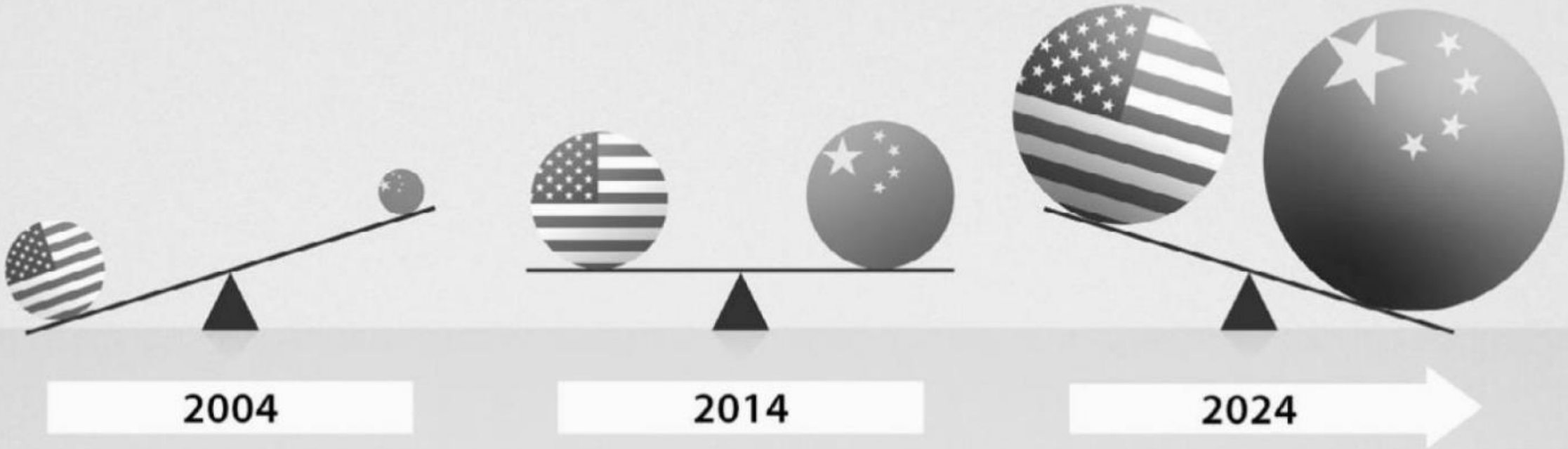
A term coined to describe the instability resulting from systemic power transition, a tendency towards war when a rising power threatens to displace an existing dominant power.



The Rise Of China

China's rise is **the most consequential geopolitical transformation of the 21st century**. Once viewed as a manufacturing hub or development story, China is now emerging as **a global power** —economic, demographic, technological, and strategic—and it is reshaping the very architecture of the international system.

Who's rebalancing whom?



GDP (PPP), in billions of dollars

	2004	**2014**	**2024** est.
China	5,760	18,228	35,596
US	12,275	17,393	25,093

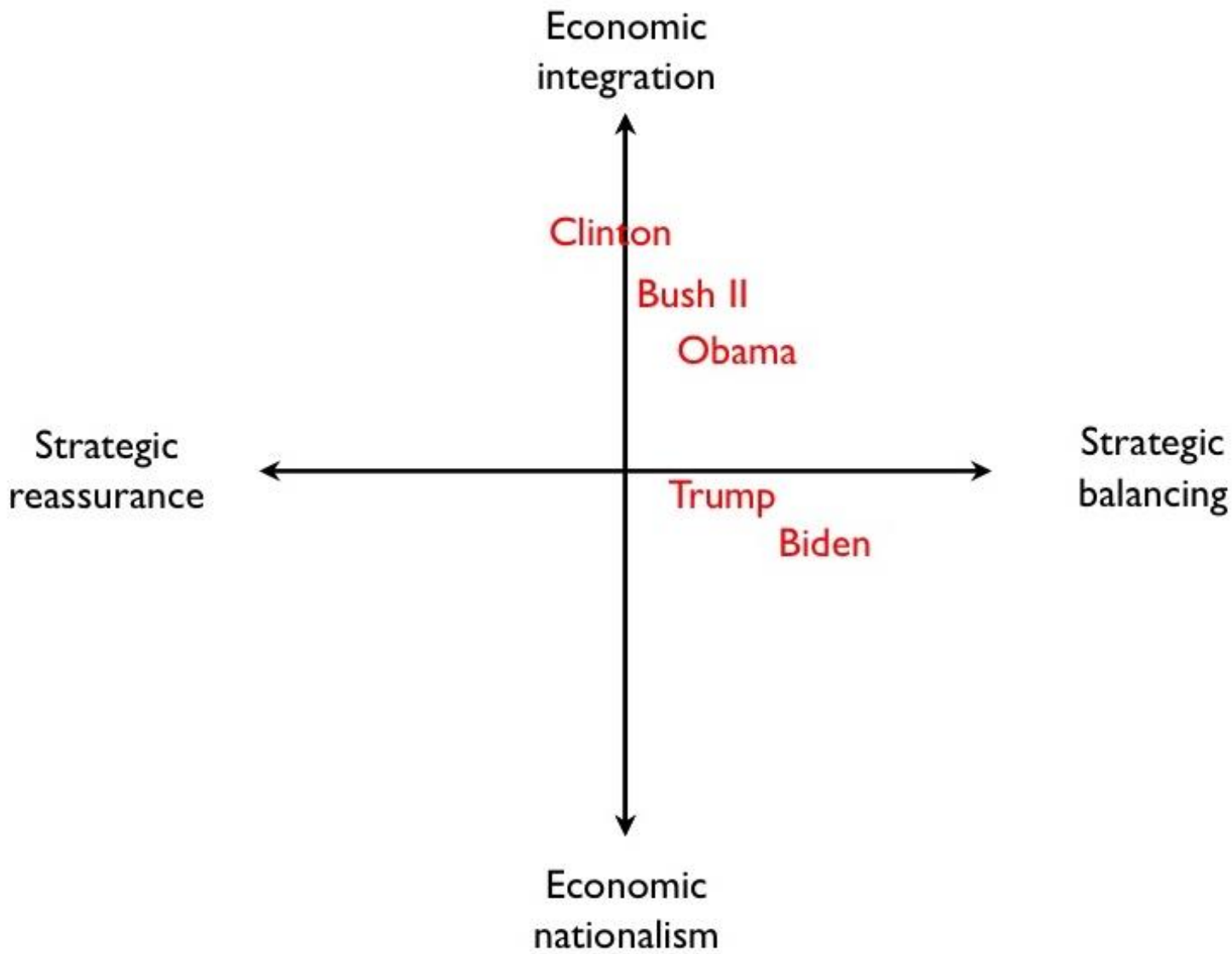
Source: IMF, Economist Intelligence Unit

№	Period	Ruling Power	Rising Power	Domain	Result
1	Late 15th century	Portugal	Spain	Global empire and trade	No war
2	First half of 16th century	France	Hapsburgs	Land power in western Europe	War
3	16th and 17th centuries	Hapsburgs	Ottoman Empire	Land power in central and eastern Europe, sea power in the Mediterranean	War
4	First half of 17th century	Hapsburgs	Sweden	Land and sea power in northern Europe	War
5	Mid-to-late 17th century	Dutch Republic	England	Global empire, sea power, and trade	War
6	Late 17th to mid-18th centuries	France	Great Britain	Global empire and European land power	War
7	Late 18th and early 19th centuries	United Kingdom	France	Land and sea power in Europe	War
8	Mid-19th century	France and United Kingdom	Russia	Global empire, influence in Central Asia and eastern Mediterranean	War
9	Mid-19th century	France	Germany	Land power in Europe	War
10	Late 19th and early 20th centuries	China and Russia	Japan	Land and sea power in East Asia	War
11	Early-20th century	United Kingdom	United States	Global economic dominance and naval supremacy in the Western Hemisphere	No war
12	Early-20th century	United Kingdom supported by France, Russia	Germany	Land power in Europe and global sea power	War
13	Mid-20th century	Soviet Union, France, UK	Germany	Land and sea power in Europe	War
14	Mid-20th century	United States	Japan	Sea power and influence in the Asia-Pacific region	War

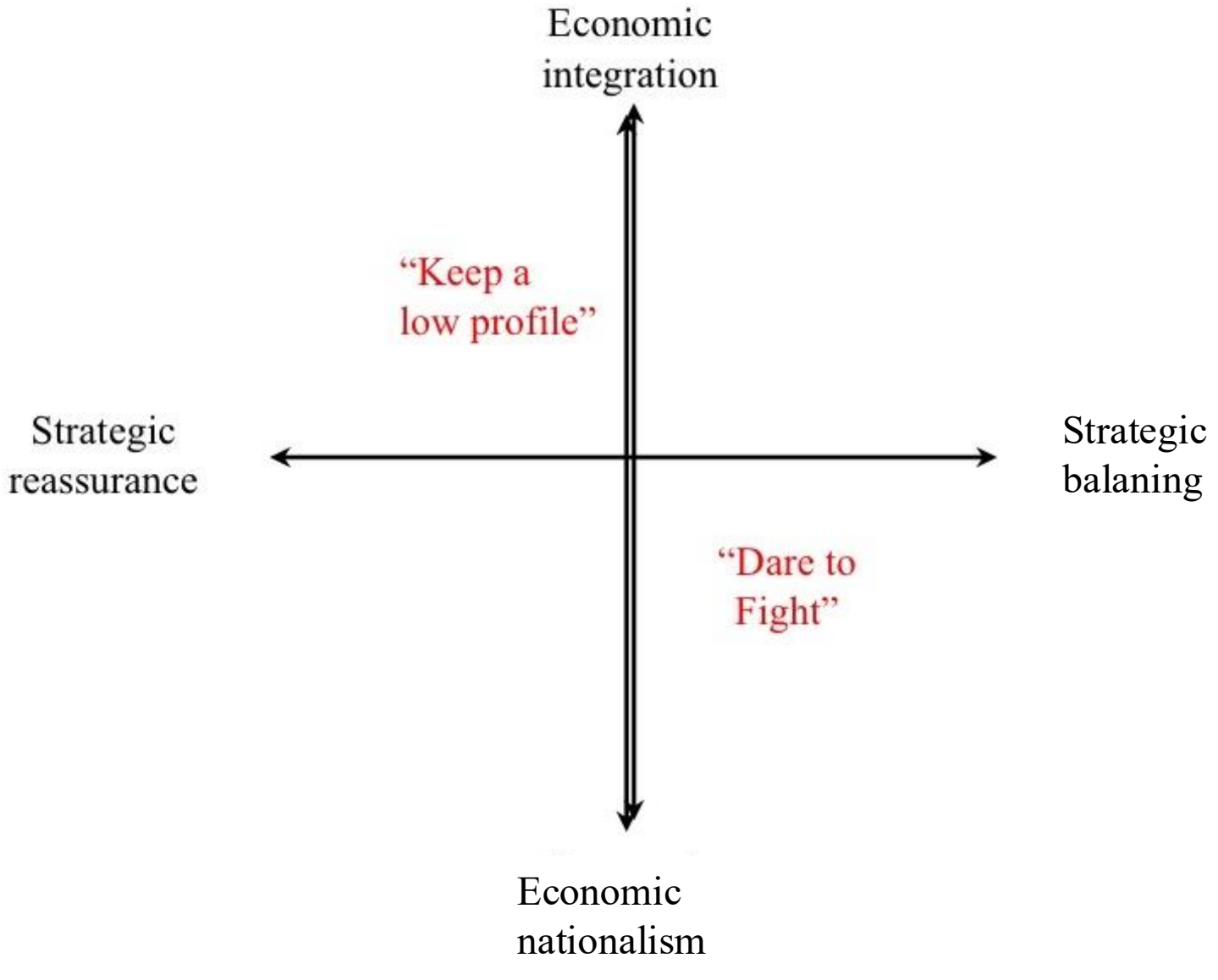
US grand strategy matrix

	Deep	*Soft*
Engangement	Liberal hegemony	Selective engagement
Disengagement	Isolation	Restraint/Offshore balancing

US responses to China's rise by president

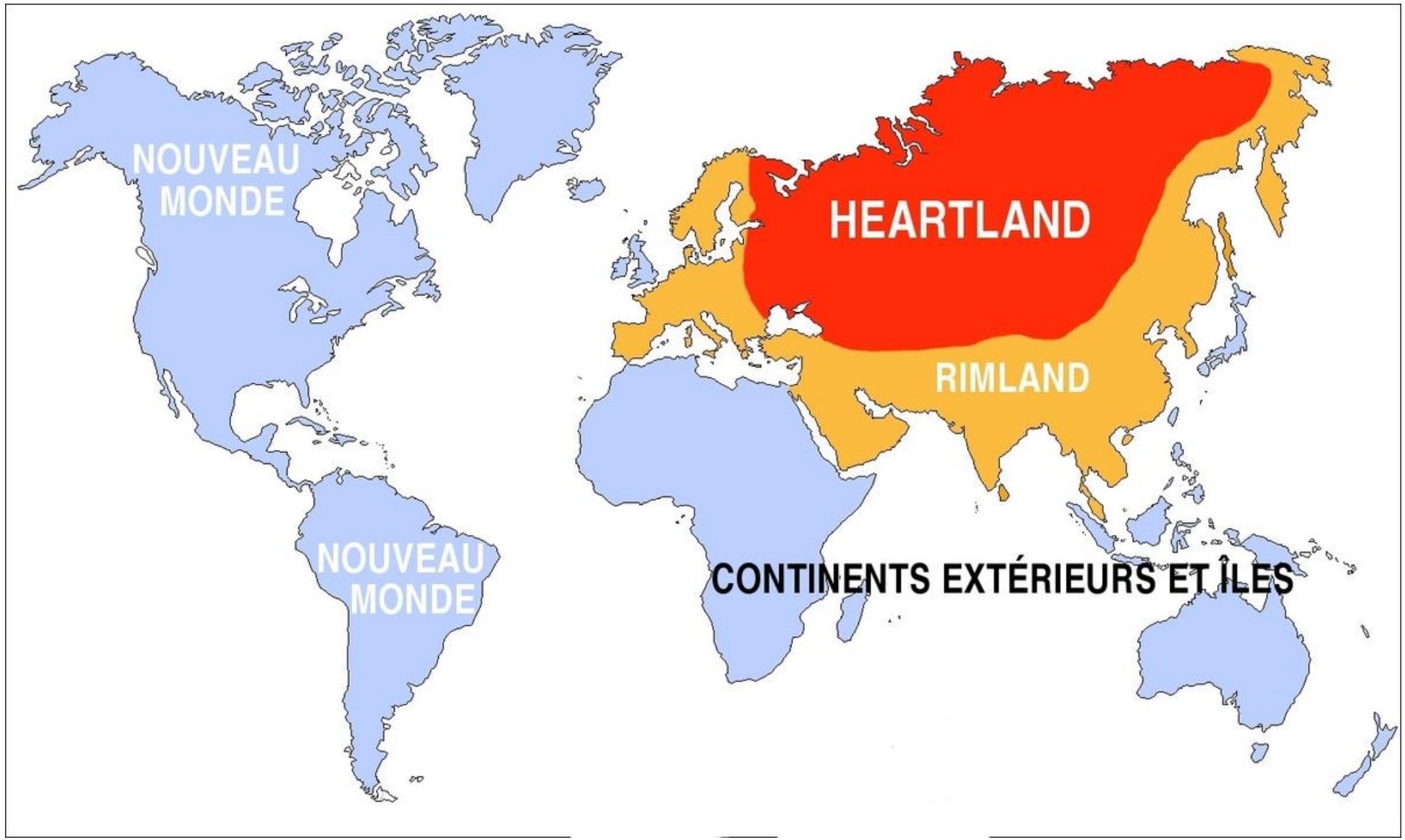


China's responses to American hegemony

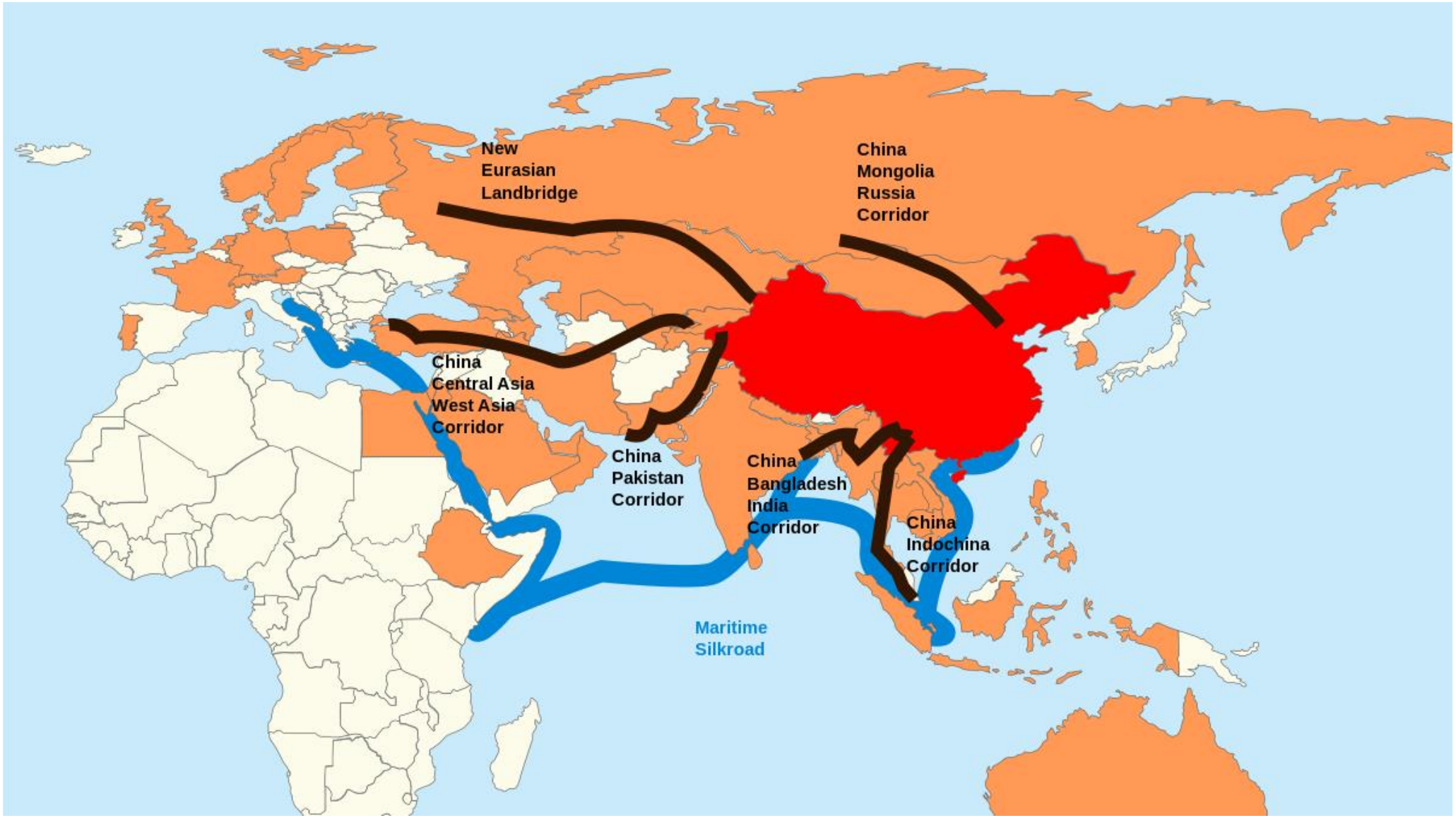


No limits Friendship

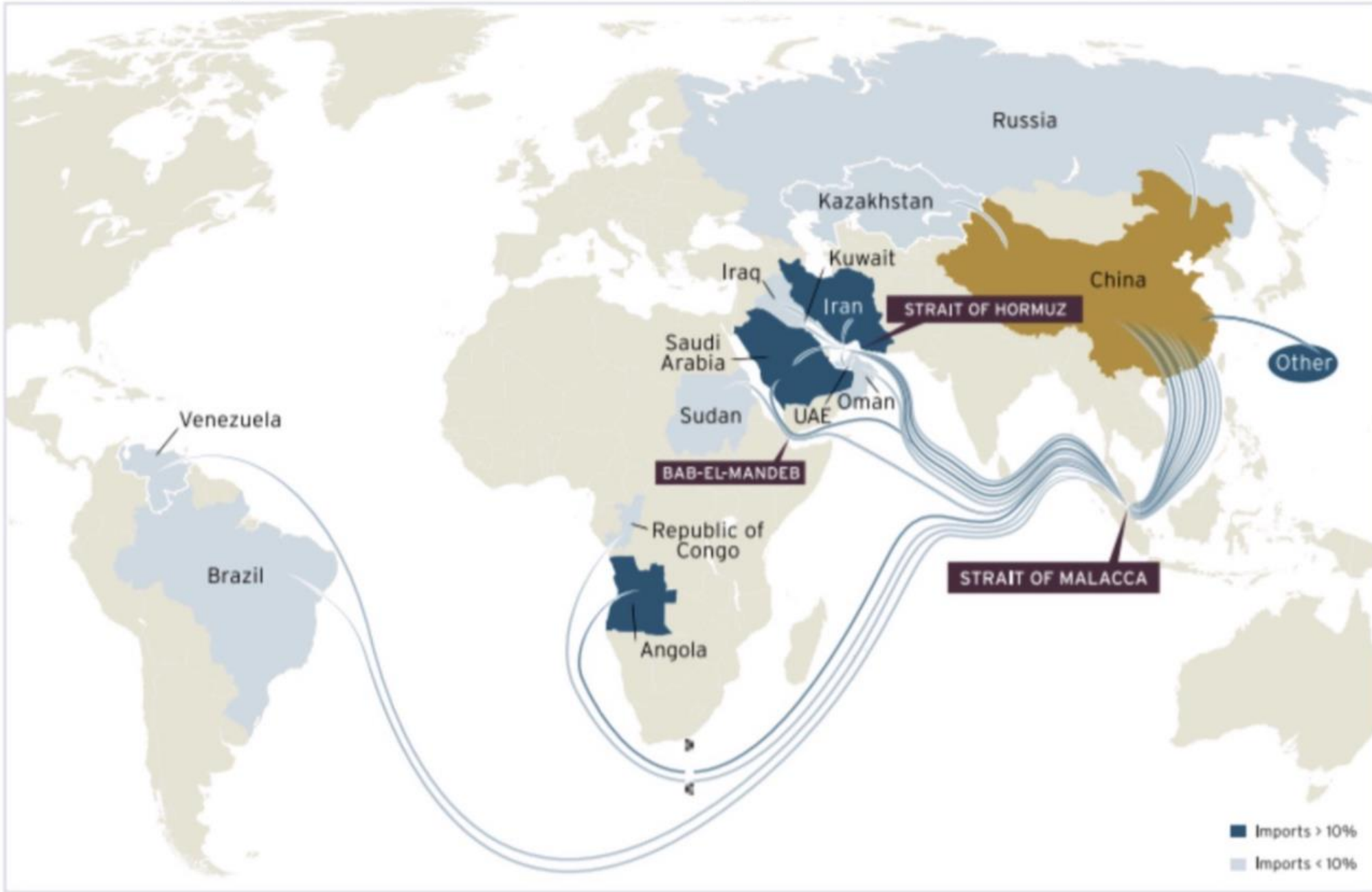
Mackinder's Nightmare: The Unification of Eurasia



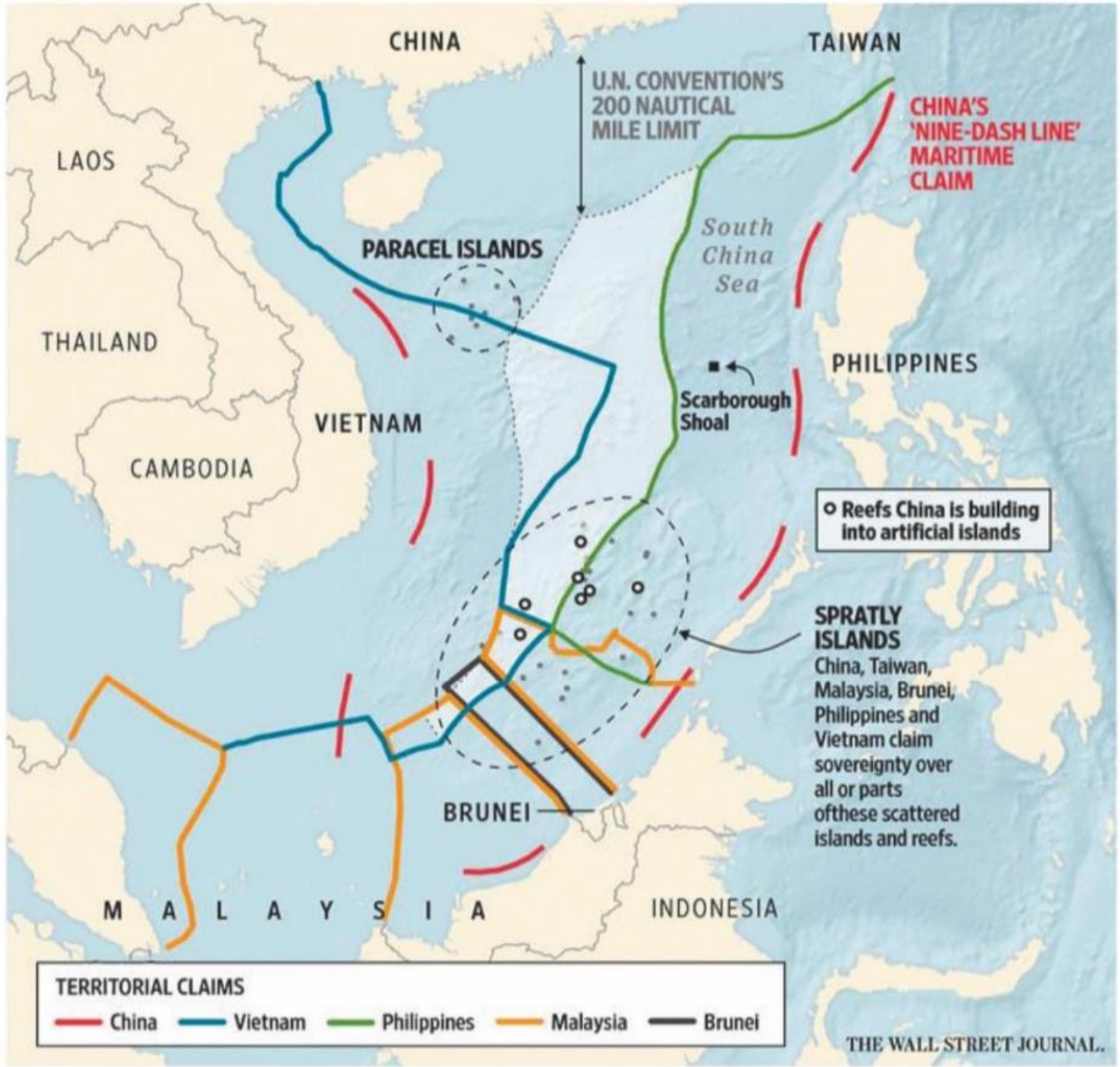
The New Silk Road: BRI

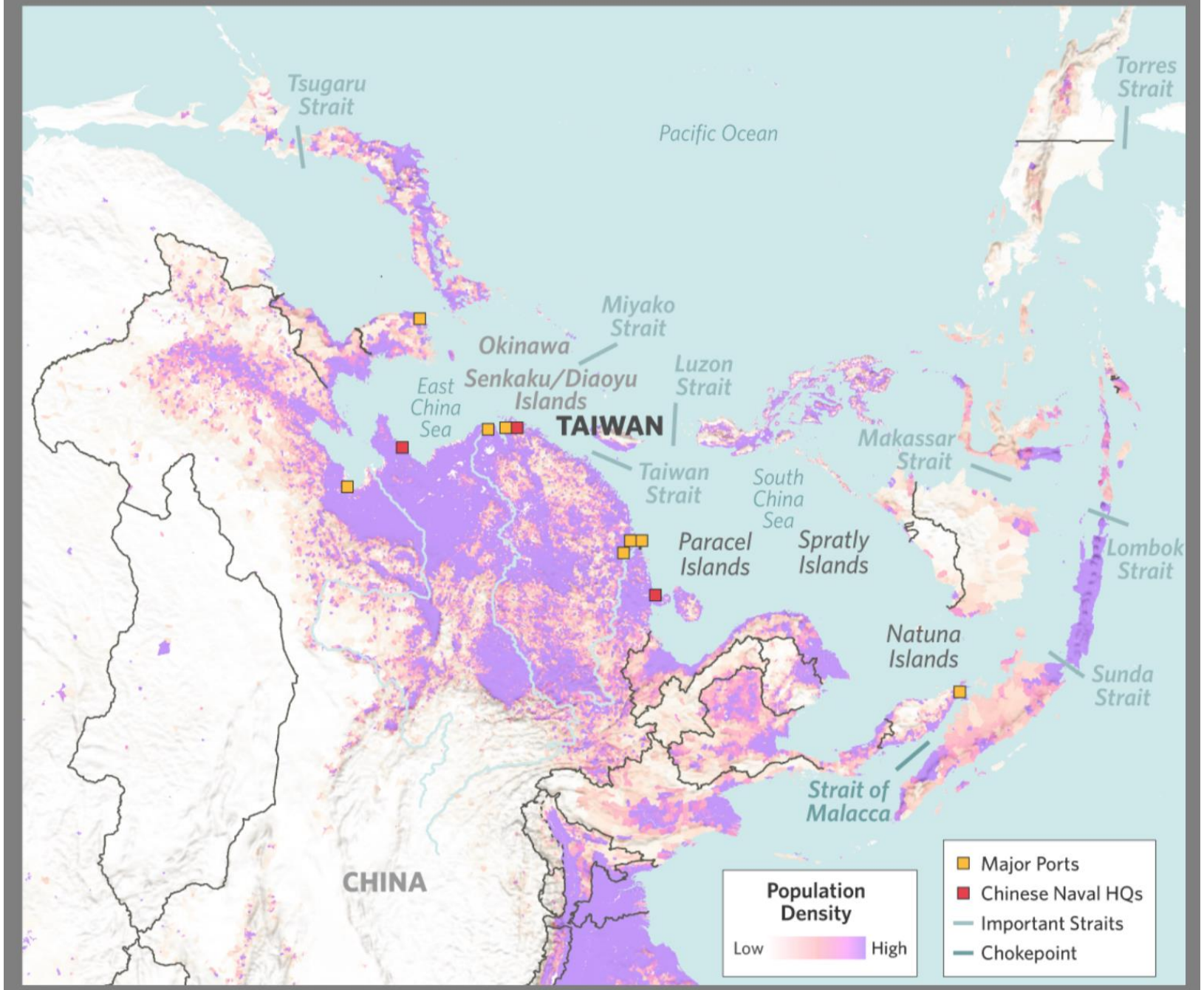


China imports: Trade vulnerability and the Malacca dilemma



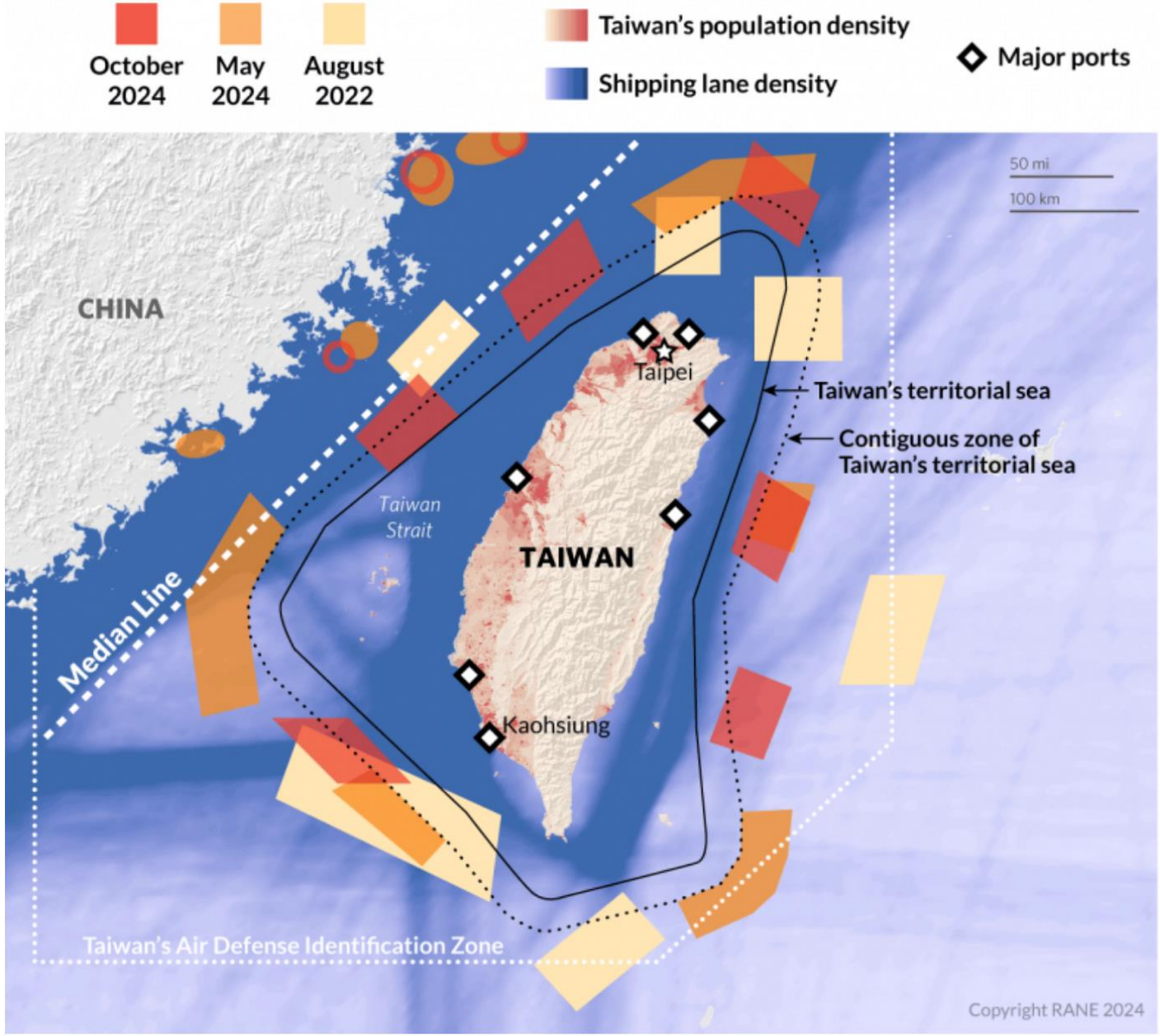

Vietnam
China
Laos
Thailand
China's
"Nine-Dash
Line"
Philippines
Cambodia
South
China
Sea
Spratly
Islands
Natuna
Islands
Brunei
Malaysia
Malaysia
Indonesia
Indonesia


CHINA
TAIWAN
U.N. CONVENTION'S 200 NAUTICAL MILE LIMIT
CHINA'S 'NINE-DASH LINE' MARITIME CLAIM
LAOS
PARACEL ISLANDS
South China Sea
THAILAND
PHILIPPINES
Scarborough Shoal
VIETNAM
CAMBODIA
Reefs China is building into artificial islands
SPRATLY ISLANDS
China, Taiwan, Malaysia, Brunei, Philippines and Vietnam claim sovereignty over all or parts ofthese scattered islands and reefs.
BRUNEI
M A L A Y S I A
INDONESIA
TERRITORIAL CLAIMS
China
Vietnam
Philippines
Malaysia
Brunei
THE WALL STREET JOURNAL.


Tsugaru Strait
Pacific Ocean
Torres Strait
Miyako Strait
Okinawa
Senkaku/Diaoyu Islands
East China Sea
Luzon Strait
TAIWAN
Taiwan Strait
South China Sea
Makassar Strait
Paracel Islands
Spratly Islands
Lombok Strait
Natuna Islands
Sunda Strait
Strait of Malacca
CHINA
Population Density
Low
High
Major Ports
Chinese Naval HQs
Important Straits
Chokepoint


Chokepoints and U.S. Encroachment
North Fleet HQ
SOUTH KOREA
JAPAN
CHINA
East Fleet HQ
Chokepoints
U.S. allies
Close U.S. security
Developing U.S. rela
South Fleet HQ
TAIWAN
INDIA
THAILAND
VIETNAM
South China Sea
PHILIPPINES
Guan
(U.S.
Strait of Malacca
Pacific Ocean
MALAYSIA
INDONESIA
300 mi
600 km

China's Military Drills Near Taiwan



Geo-economic antagonism

RESHORING	Transferring operations back to its primary country of operations, reducing exposure to outside risk (such as the disruption of supply chains by geopolitical events) and choosing local businesses with whom to partner.
NEARSHORING	Relocating business operations to a nearby country, often with a shared border, with the aim of ensuring faster speed to market and quicker transit from manufacturers to customers.
OFFSHORING	Relocating existing operations to a different country, usually with the goal of reducing labour or manufacturing costs and/ or ensuring the ready provision of certain skills and raw materials.
FRIENDSHORING	Rerouting supply chains to countries that are political or economic allies, where these countries may be perceived as politically and economically safe or low-risk to avoid disruption to the flow of business.

Geopolitical Shifts Likely To Re-Shape Global Supply Chains

- Major economies will seek to source essential products closer to home (near shoring) or from geopolitical allies (friend shoring)
- Geopolitical reliability of trade partners will become more important

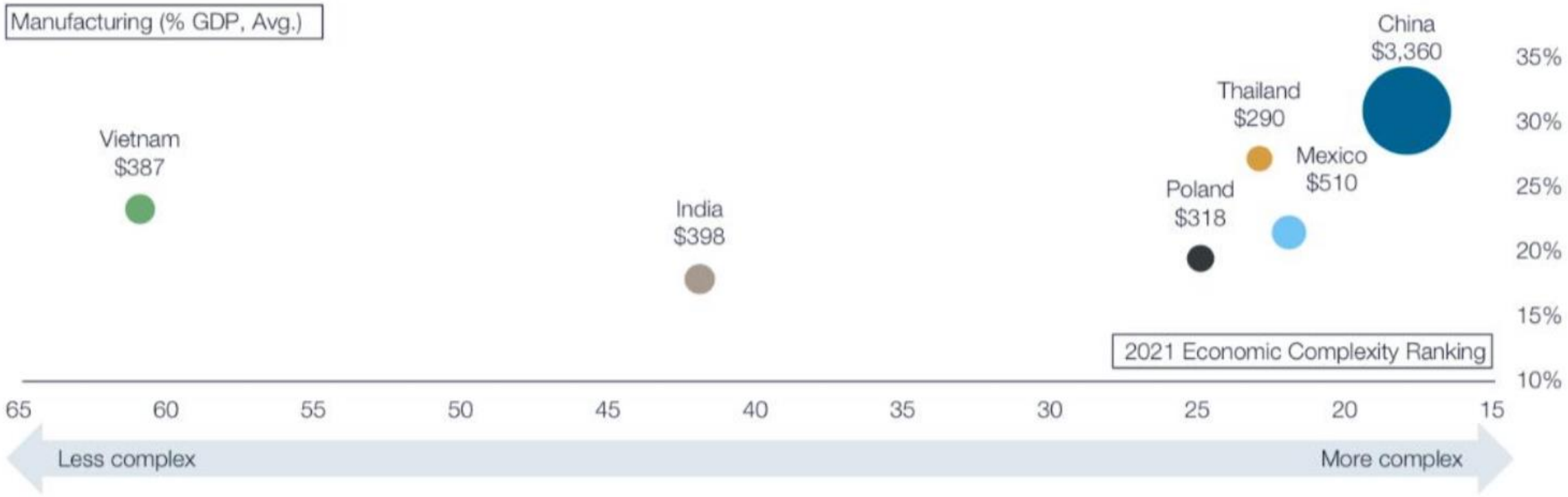
Three Main Options, All Of Which Will Take Years To Implement

Supply Chain Diversification Options

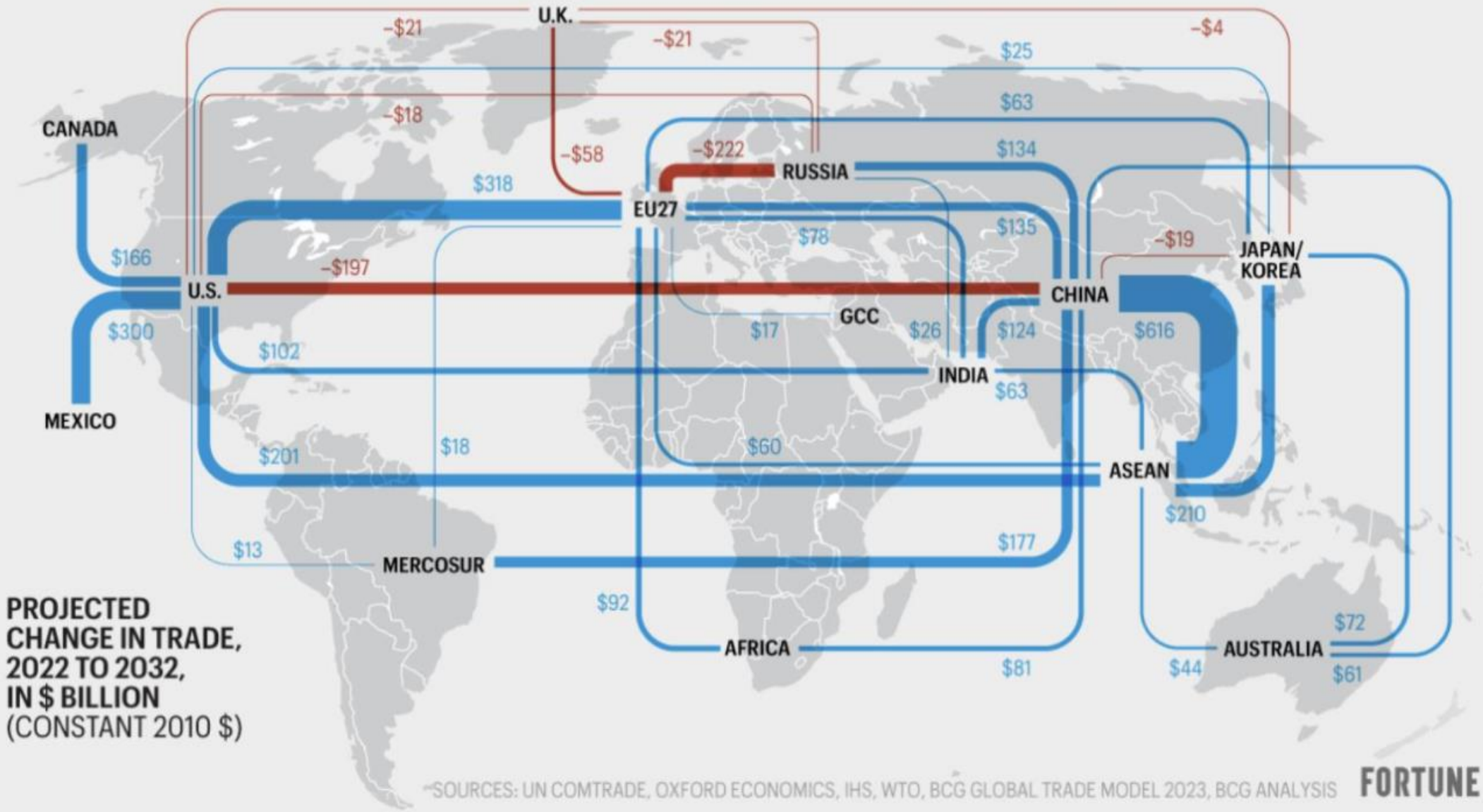
Type	Description	Impact
China Plus One	• Firms keep a large portion of their manufacturing in China but develop a second supplier outside of the country, often in the same region (e.g. Vietnam, Thailand)	• Improves supply chain security by removing the risk of a single point of failure while maintaining access to the Chinese manufacturing capacity and consumer market. This is usually the cheapest option
Near/Friend Shoring	• Firms bring business operations to the same region as the primary consumer base (e.g. Mexico, CEE) or to friendly nations	• Reduces transit time and/or helps avoid geopolitical risk. In some sectors (e.g., autos and heavy manufacturing) this option allows companies to take advantage of better agglomeration effects
Reshoring	• Firms move manufacturing back to their home market	• Usually too costly unless there is significant investment in automation or government support, but it substantially cuts logistics and geopolitical risk

The centrality of China in manufacturing supply chains

Figure 4: Economic Complexity (Ranking, X Axis), Manufacturing as % of GDP (%, Y Axis), and Total Manufacturing Exports ($bn, Size of Bubble)[13]



How trade flows will be reshaped by 2032

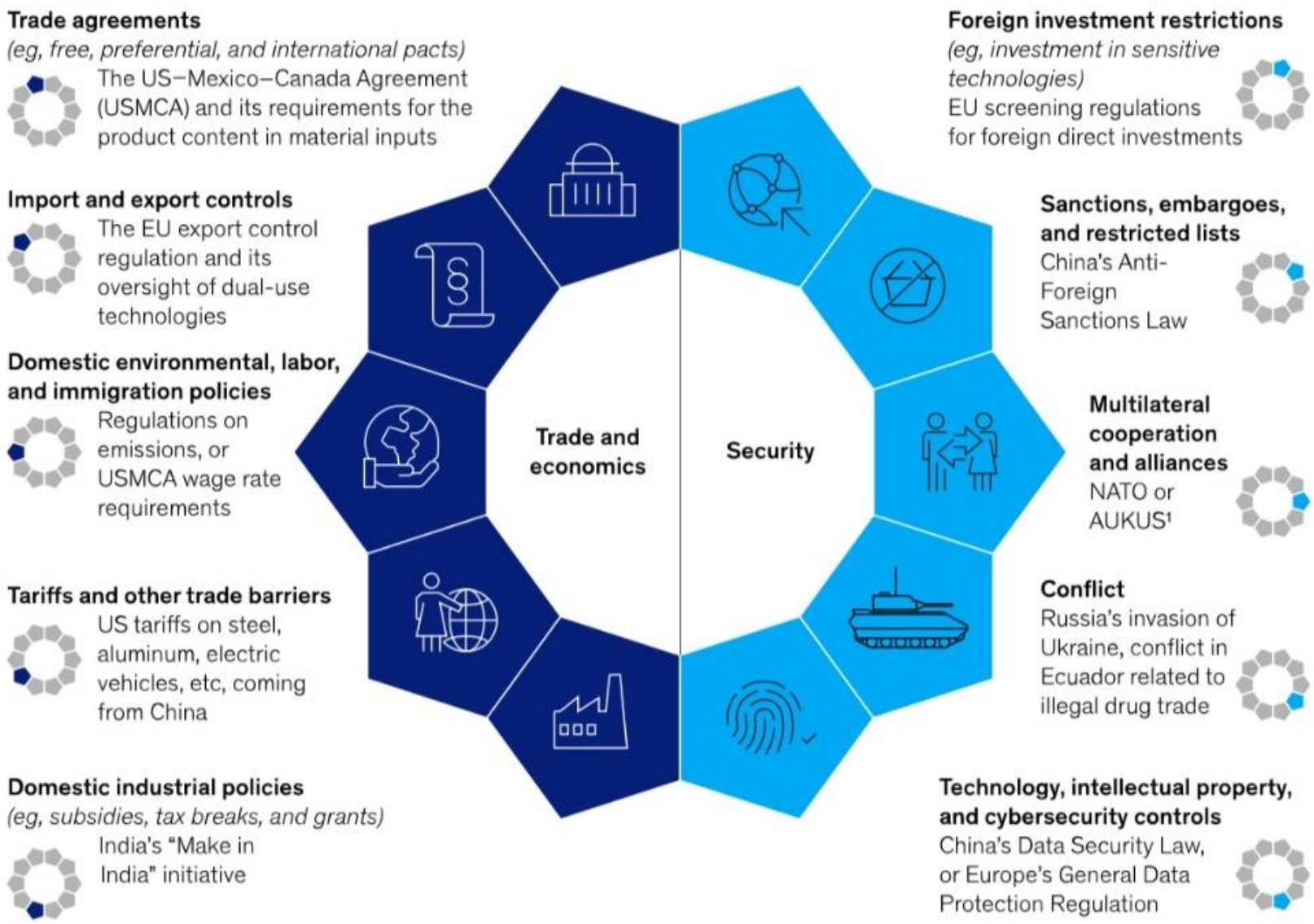


PROJECTED CHANGE IN TRADE, 2022 TO 2032, IN $ BILLION (CONSTANT 2010 $)

SOURCES: UN COMTRADE, OXFORD ECONOMICS, IHS, WTO, BCG GLOBAL TRADE MODEL 2023, BCG ANALYSIS

FORTUNE

Geopolitical Shifts and Business Leadership



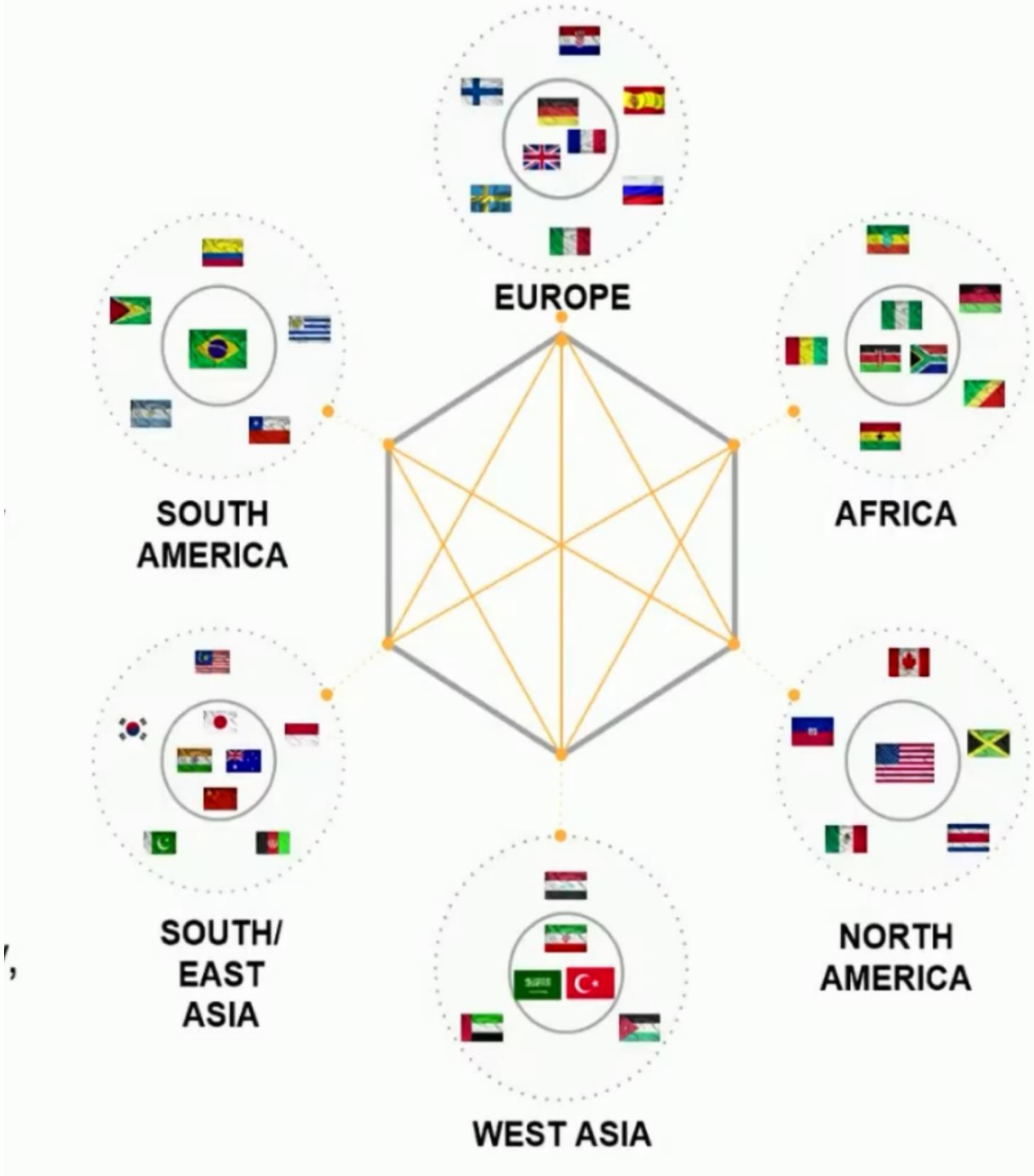
SINO-AMERICAN STRATEGIC COMPETITION

- **Technological Supremacy**
  - AI, semiconductors, quantum computing, and 5G
  - Control of critical technology supply chains (rare earths, semiconductors)
- **Geo-economic Rivalry**
  - Weaponization of finance (sanctions, SWIFT access, export controls)
  - Competing frameworks: U.S.-led "friendshoring" vs. China's Belt and Road Initiative (BRI)
  - Currency competition, de-dollarization, reserve diversification.
- **Security Architecture**
  - Indo-Pacific emerges as the central geopolitical battleground (e.g., AUKUS, Quad, Taiwan Strait tensions).
  - China first strategy, proliferation of grey-zone tactics and proxy wars.

Red Lines in Sino-American Relations

- Abstain from cyberattacks targeting critical infrastructure
- Abstain from targeting space assets
- Avoid provocative military exercises, deployments, and maneuvers in the Taiwan Strait.
- Avoid changing the status quo in Taiwan

Devolution: A Polycentric World



Defining Characteristics of a Polycentric World

- **Multiple Power Centers**
  - Power is distributed across various **regional, functional, and civilizational actors** (U.S., China, EU, India, Russia, and rising middle powers). No single actor has the capacity to **dominate the system globally** across all dimensions.
- **Issue-Based Leadership**
  - Different actors lead in **different domains**,
  - Leadership is distributed by issue area.
- **Institutional Pluralism**
  - A web of new **multilateral institutions** such as BRICS, G7, SCO, ASEAN compete with traditional organisations UN, WTO, IMF.
- **Strategic Fluidity and Multi-Alignment**
  - States increasingly engage in **multi-alignment** rather than bloc allegiance. Coalitions are often **ad hoc, flexible, and transactional**—not permanent alliances.

Geopolitical Risks of a Polycentric world

1. Absence of Hegemonic Stabilization

- No single actor has the **capacity or legitimacy to enforce order** (G-zero)
- Risk of **power vacuums** in fragile regions (Sahel, Caucasus, Indo-Pacific).
- Decreased effectiveness of global response mechanisms (UN paralysis)

2. Great Power Entanglements

- Increased probability of **interlocking crises and proxy conflicts**:
- U.S.–China tensions over Taiwan
- Russia–NATO standoff in Eastern Europe
- India–China competition in the Himalayas and Indian Ocean

Geopolitical Risks of a Polycentric world

3. Competitive Multilateralism

- Rise of **rival blocs and parallel institutions**:
- BRICS vs. G7
- AIIB vs. World Bank
- SCO vs. NATO

4. Decentralized Conflict and Hybrid War

- Proliferation of **non-state actors, PMCs, cyber militias, and proxies**.
- Escalation through **grey-zone tactics, and cyber retaliation**.

Emerging Wildcard Risks

- **AI-enabled escalation**: Algorithmic misjudgments and autonomous systems creating conflict loops.
- **Eco-conflicts**: Resource competition exacerbated by climate breakdown.

To sum up: A polycentric world is **less predictable** and **more volatile**.

What is the Neo-Medievalism turn in Geopolitics?

Neo-medievalism refers to a global order where:

- **Sovereignty is no longer absolute**
- Power is **distributed among states, corporations, cities, networks, and supranational bodies**
- **Jurisdiction overlaps** (national law, international norms, digital platforms)
- **Violence and influence are privatized or hybridized** (e.g., PMCs, cyber actors, militias)
- This is a world where authority is **shared, conditional, and often contested**, just like the medieval period when monarchs, popes, guilds, and city-states all claimed influence.

Who are the Geopolitical Actors in a Neo-Medieval System?

1. **States (strong, weak, fragile, failed)**

2. Non-State Strategic Actors

- **Corporations**: exert influence through platforms, standards, supply chains
- **Cities and regions**: conduct climate, tech, and migration diplomacy
- **Supranational bodies**: EU, UN agencies (IMO, WHO)
- **Militias/PMCs**: Wagner Group, cyber mercenaries, criminal syndicates
- **Digital platforms**: set de facto policy on speech, identity, and data
- **Individuals**: Bill Gates, Elon Musk, Jeff Bezos
- **Religious Leaders** such as the Pope

Europe: Between Renaissance and Irrelevance

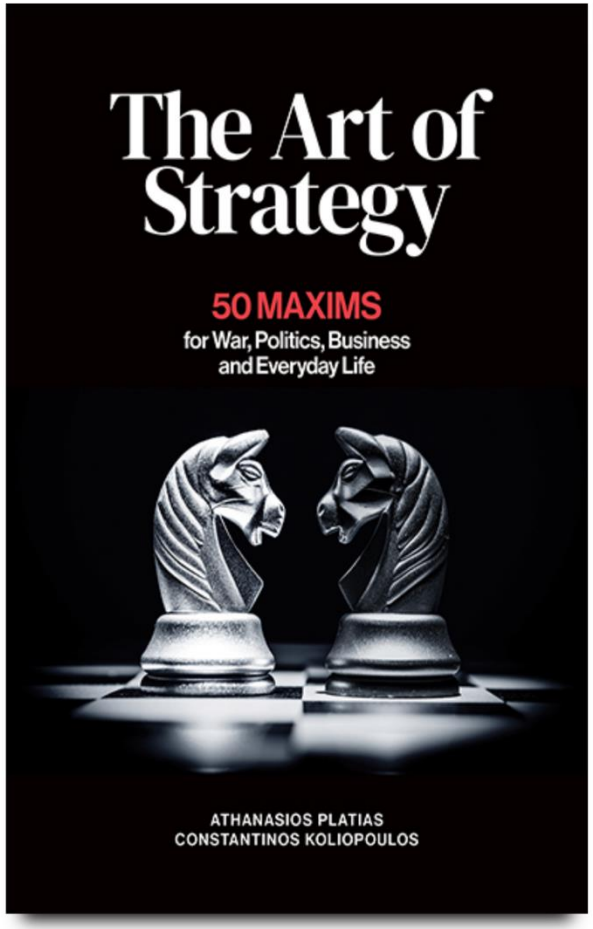
Europe today faces a complex **geopolitical predicament** shaped by:

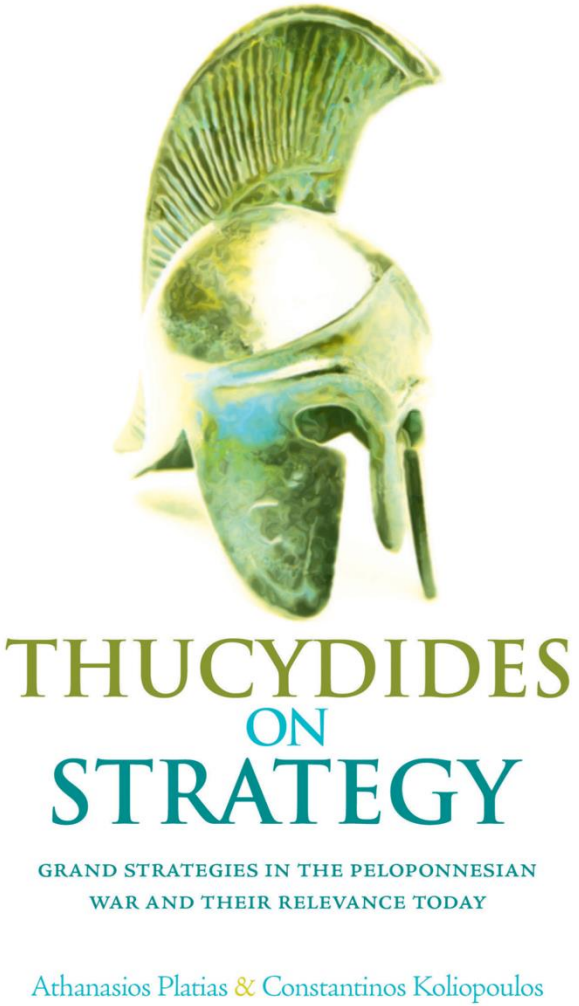
- The **return of war** (Ukraine) and **the rise of the Russian threat**
- US strategic Decoupling, **loss of US security umbrella**
- **Internal fragmentation** amid rising populism and economic divergence
- **Loss of cheap Russian energy,** American pressure to decouple from China

Europe is no longer the strategic centerpiece of global order, nor is it a cohesive actor. To remain a consequential actor and achieve **strategic autonomy** it must:

- **Rebuild capacity** across defense, tech, and energy
- **Reinvent alliances** without becoming subordinate

Further Reading…





Geopolitical trends influencing maritime security

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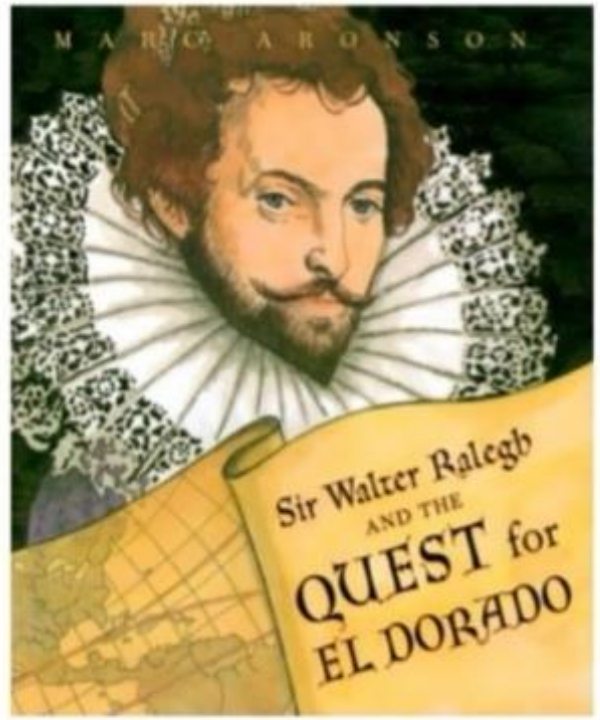
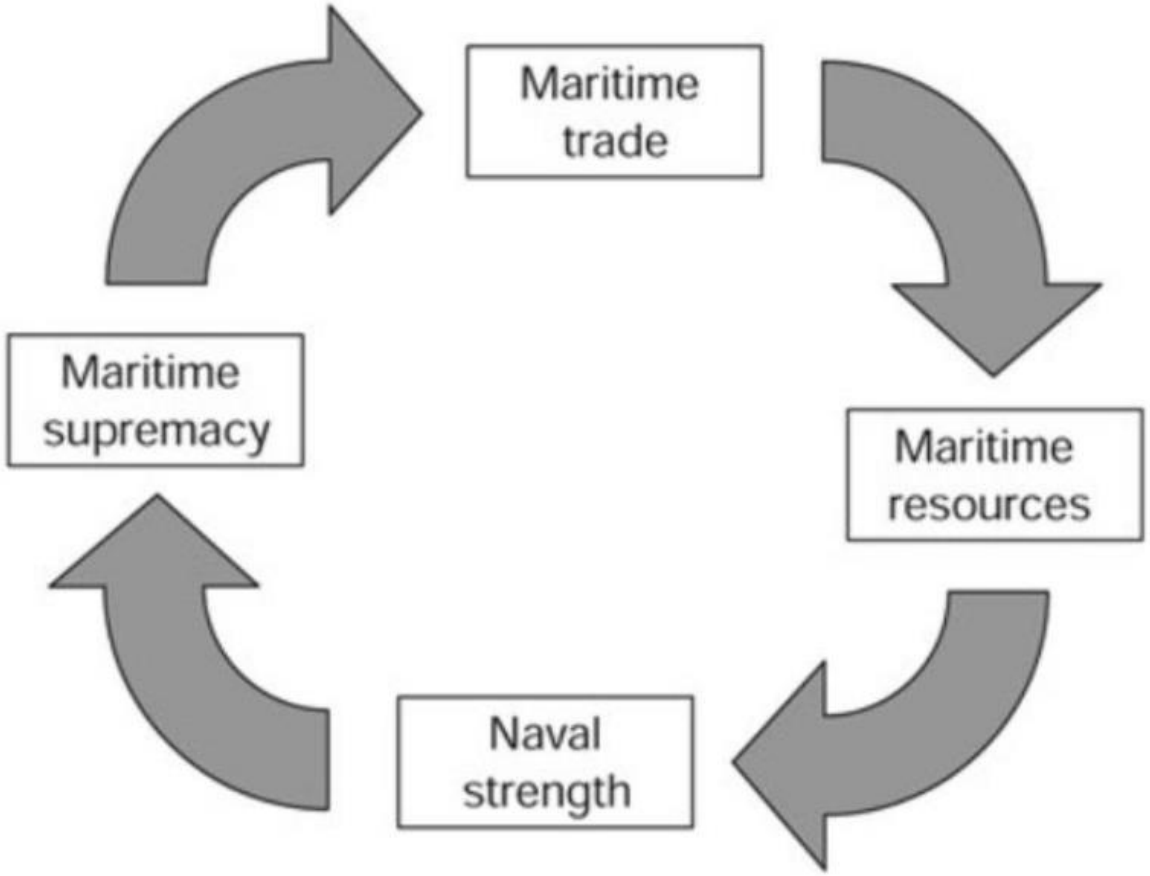
"Whosoever commands the sea commands the trade; whoever commands trade of the world commands the riches of the world, and consequently the world itself." –Sir Walter Ralegh, 1616.




Maritime trade
Maritime resources
Naval strength
Maritime supremacy

Evolving Global Framework

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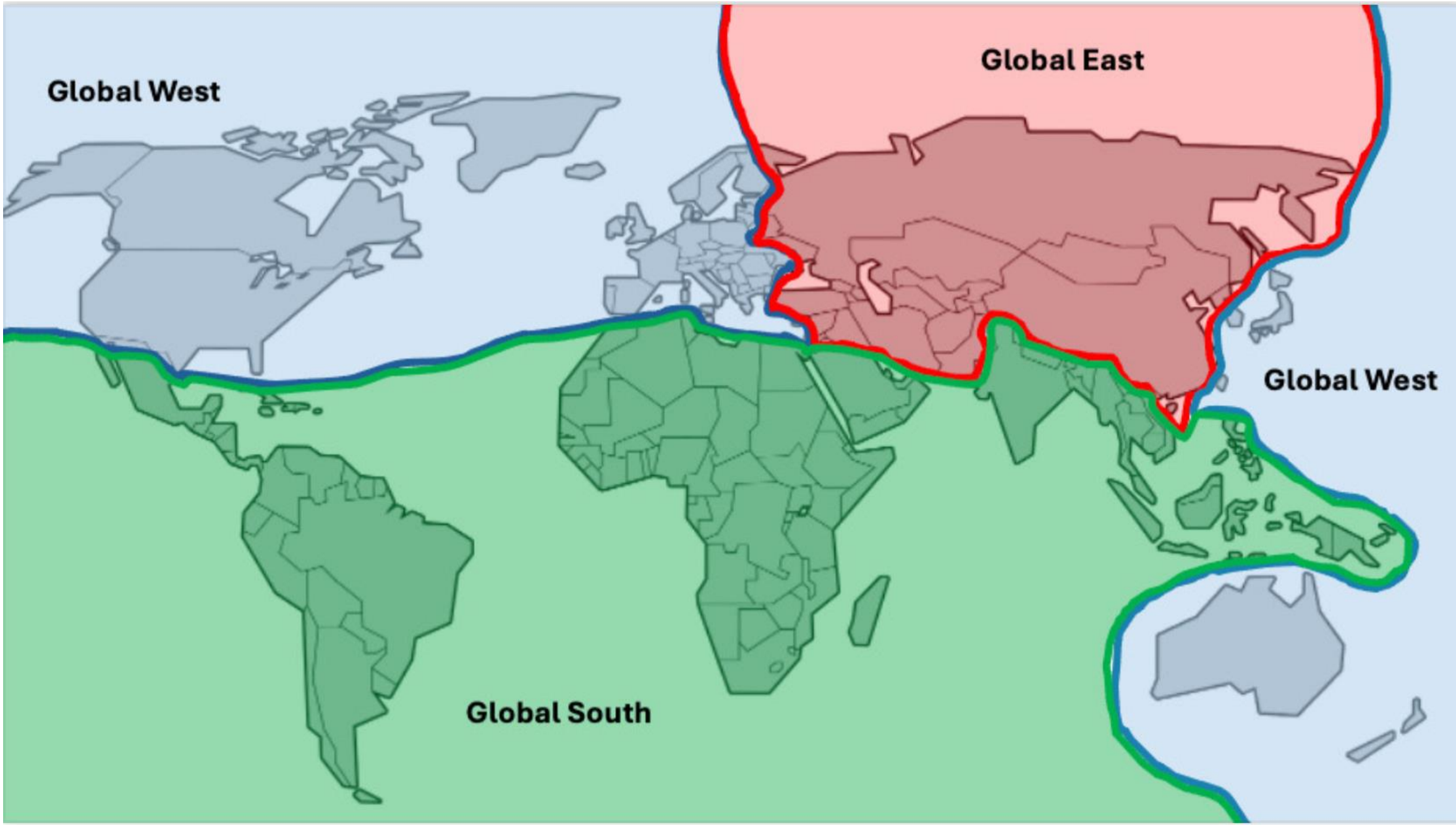
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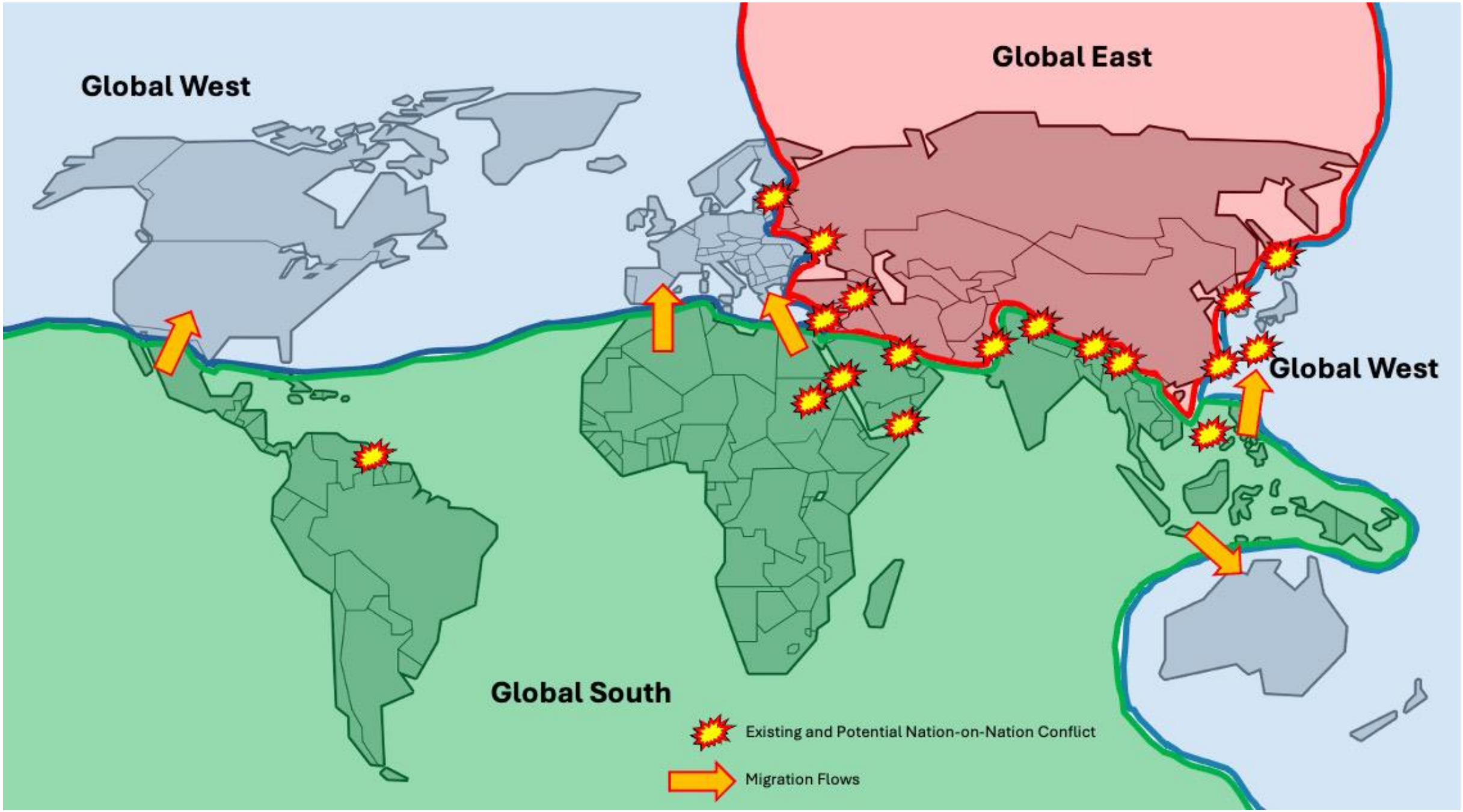
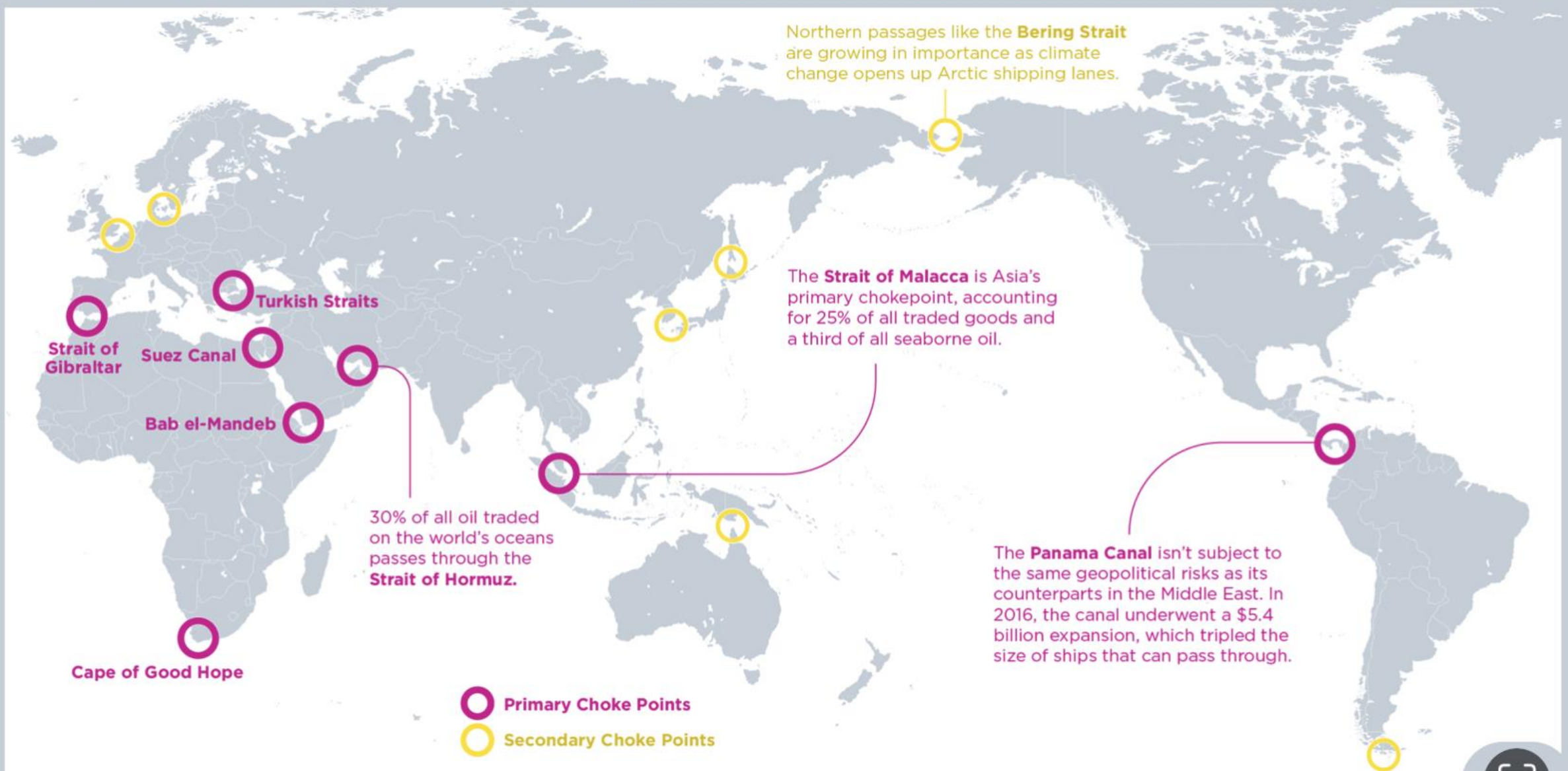

Global West
Global East
Global West
Global South
Existing and Potential Nation-on-Nation Conflict
Migration Flows

- Importance of shipping in world trade: **80%** of global trade is seaborne.
- Ensuring the security of maritime routes is essential for maintaining the flow of goods worldwide, impacting economies globally. Maritime security protects shipping lanes from illegal activities that could disrupt trade.

THE WORLD'S KEY MARITIME CHOKE POINTS



Source: GIS visualcapitalist.com

Table 1. Assessment of security and geopolitical and security risks per chokepoint

	Suez Canal	Strait of Hormuz	Bab el Mandeb Strait	Strait of Malacca	Lombok Strait	Ombai Strait	South China Sea	East China Sea
Great power rivalries	M	M / H	M / H	H	H	H	H	H
Littoral rivalries	M	H	H	M / L	L	L	H	H
Maritime disputes	L	L	M	M / H	L	L	H	H
Internal instability	M / H	H	H	M / L	L	L	M	M
Piracy and armed robbery against ships	L	M / H	H	H	M	M	H	M
Terrorist attacks	M	M / H	H	M	M	M	M	L
Climate hazards	M	M	M	H	H	H	H	H

Global transport corridor face major risks

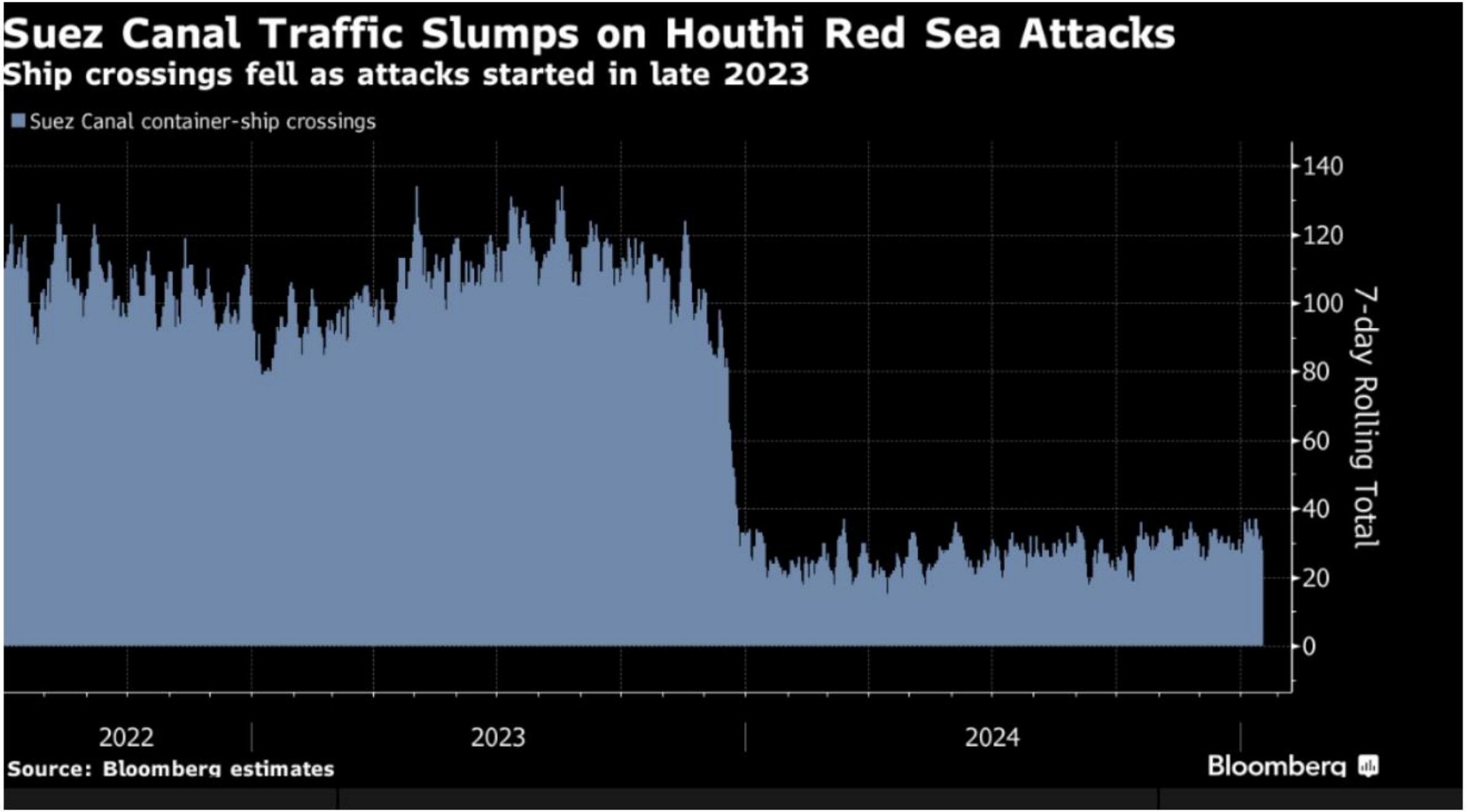
Zones of danger today:

- Black Sea
- Red Sea
- Eastern Mediterranean
- Persian Gulf
- Horn of Africa

Future danger zones:

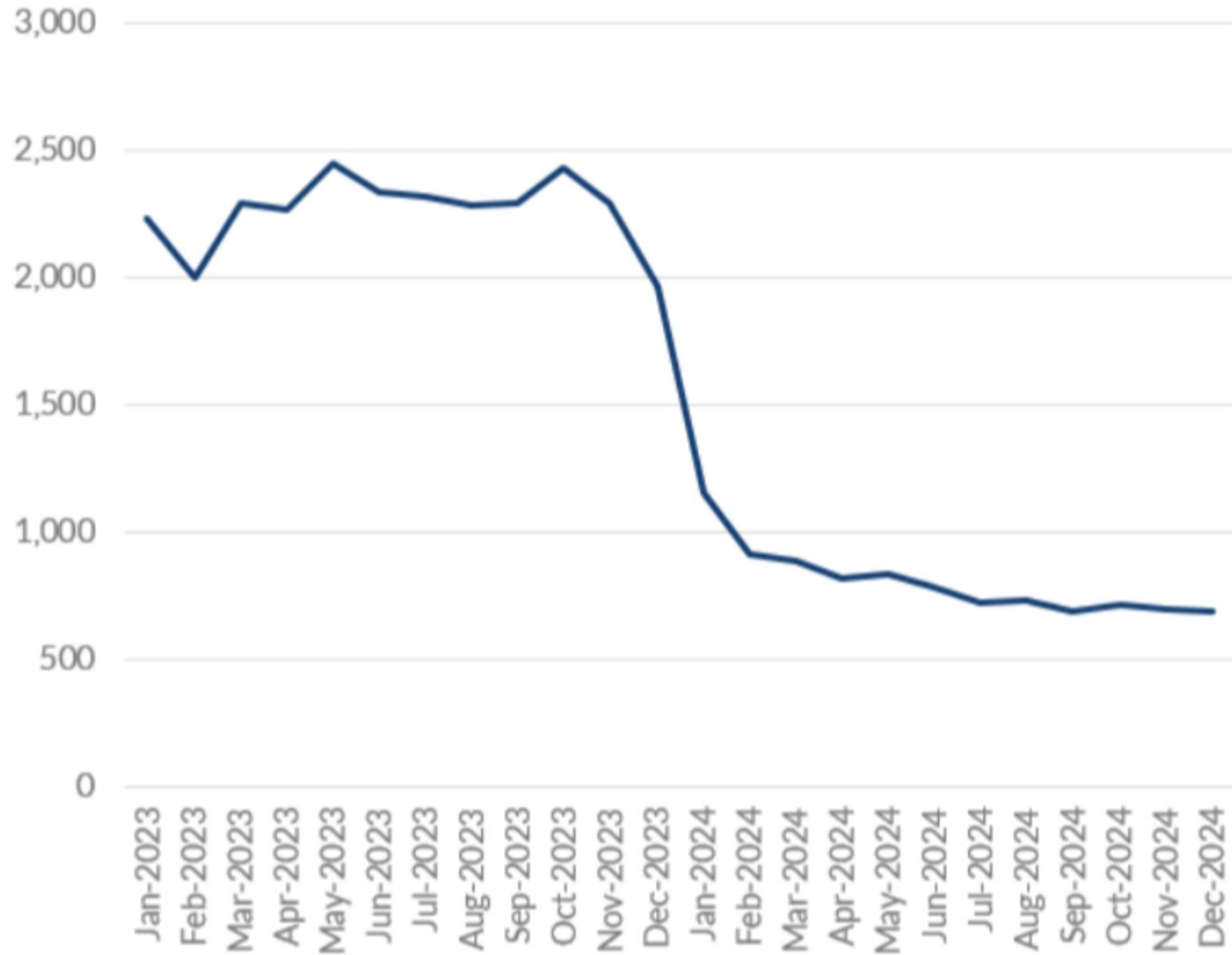
- Southeast China Sea
- East China Sea/ Taiwan
- Arctic

Red Sea attacks


Suez Canal Traffic Slumps on Houthi Red Sea Attacks
Ship crossings fell as attacks started in late 2023
Suez Canal container-ship crossings
140
120
100
80
60
40
20
0
7-day Rolling Total
2022
2023
2024
Source: Bloomberg estimates
Bloomberg

Lingering Uncertainties Will Prevent Rapid Normalisation

Bab-el-Mandeb Strait - Transit calls



Threat levels

- Frequency of (successful) Houthi strikes varies due to range of factors; threat level for individual ships differs
- Houthi threat to extend campaign to eastern Mediterranean and Indian Ocean not credible

Vessel type	Threat type	Threat level
Vessels specifically linked to Israel through ownership, port calls, trade with and/or commercial relationship between Israeli companies and owners/operators	Kinetic attack (missile, aerial/waterborne drone), possibly seizure and detention	**Severe**
Vessels linked to the United States, United Kingdom and other countries involved in Operation Poseidon Archer	Kinetic attack (missile, aerial/waterborne drone), possibly seizure and detention	**Severe**
Vessels linked to other countries participating in or supporting Operation Prosperity Guardian or Operation Aspides	Kinetic attack (missile, aerial/waterborne drone), possibly seizure and detention	**Elevated**
Other merchant ships in transit through the Red Sea/Gulf of Aden	Kinetic attack due to misidentification, potential proximity to the above threats ('collateral damage')	**Elevated**

Rerouting global shipping

Container shipping companies have been avoiding the Red Sea and rerouting vessels around the Cape of Good Hope in order to avoid Houthi attacks on vessels.

Note: These times assume an average vessel speed of 16 knots. Routes shown are illustrative.

Source: Flexport

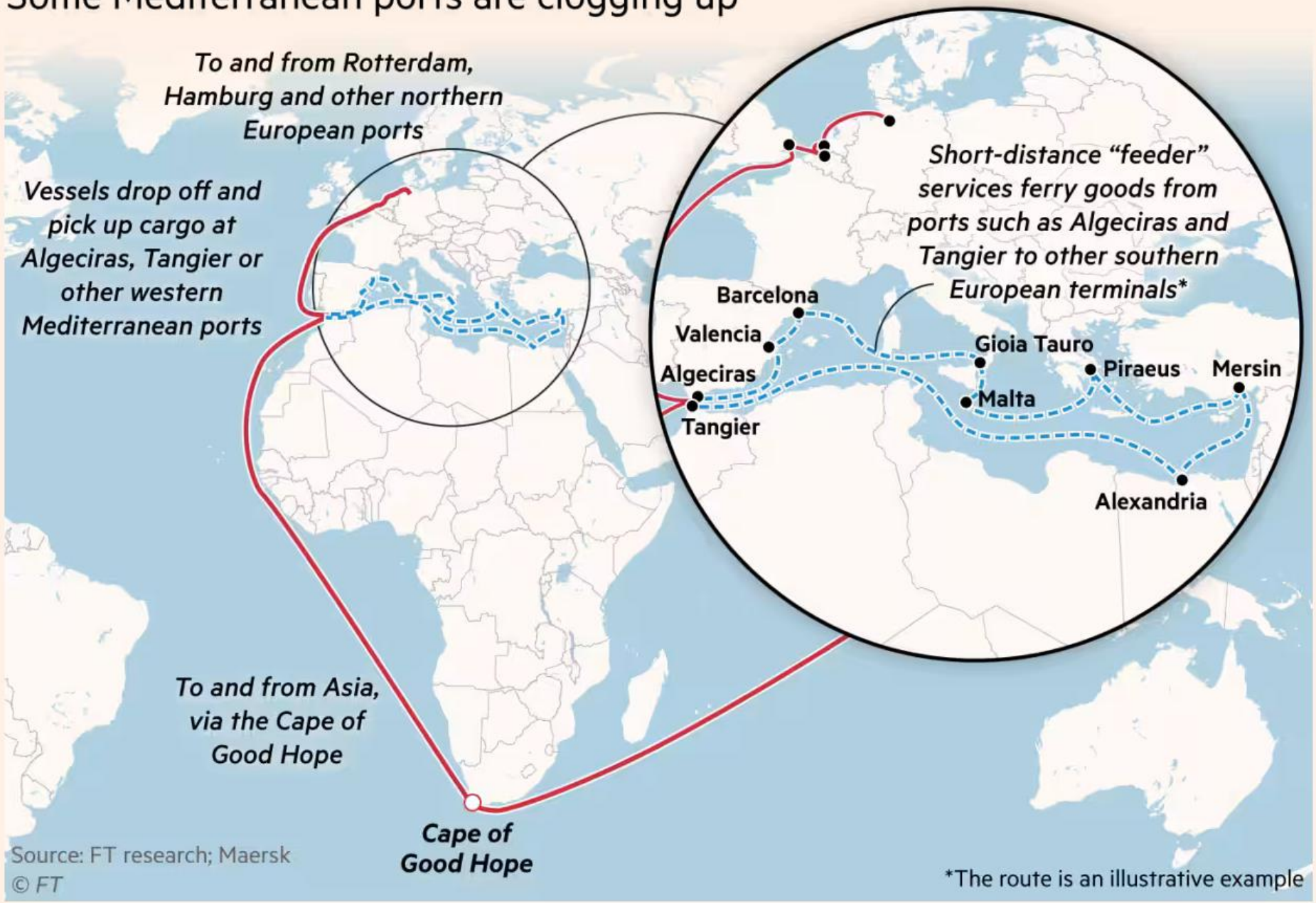
“

Rerouting requires a significant change in the supply chain, trade route and conditions for vessels that normally follow a rigid schedule and process

Additional nautical miles sailed when rounding the Cape of Good Hope compared to using the Suez Canal

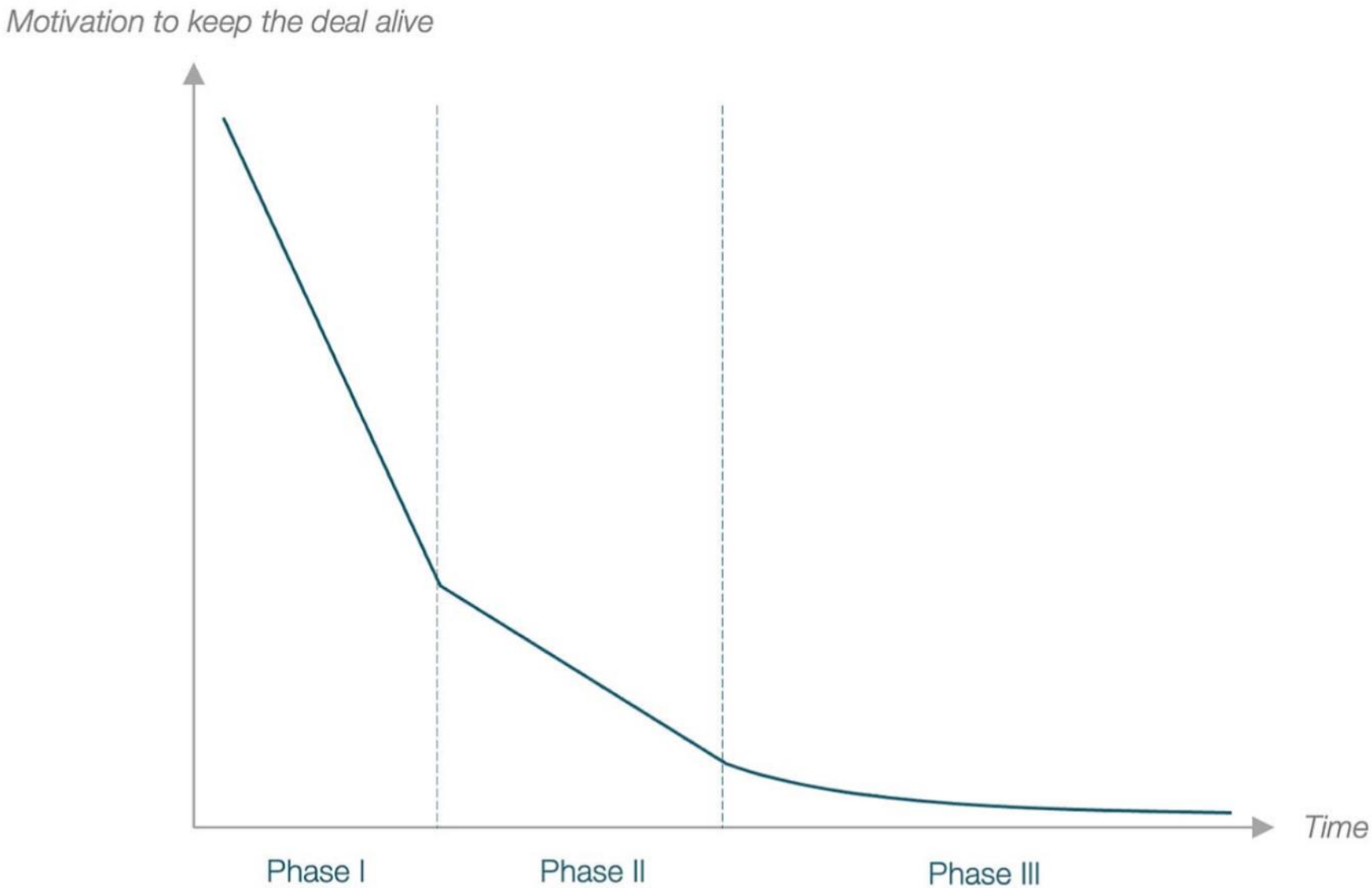
3,000+

Some Mediterranean ports are clogging up



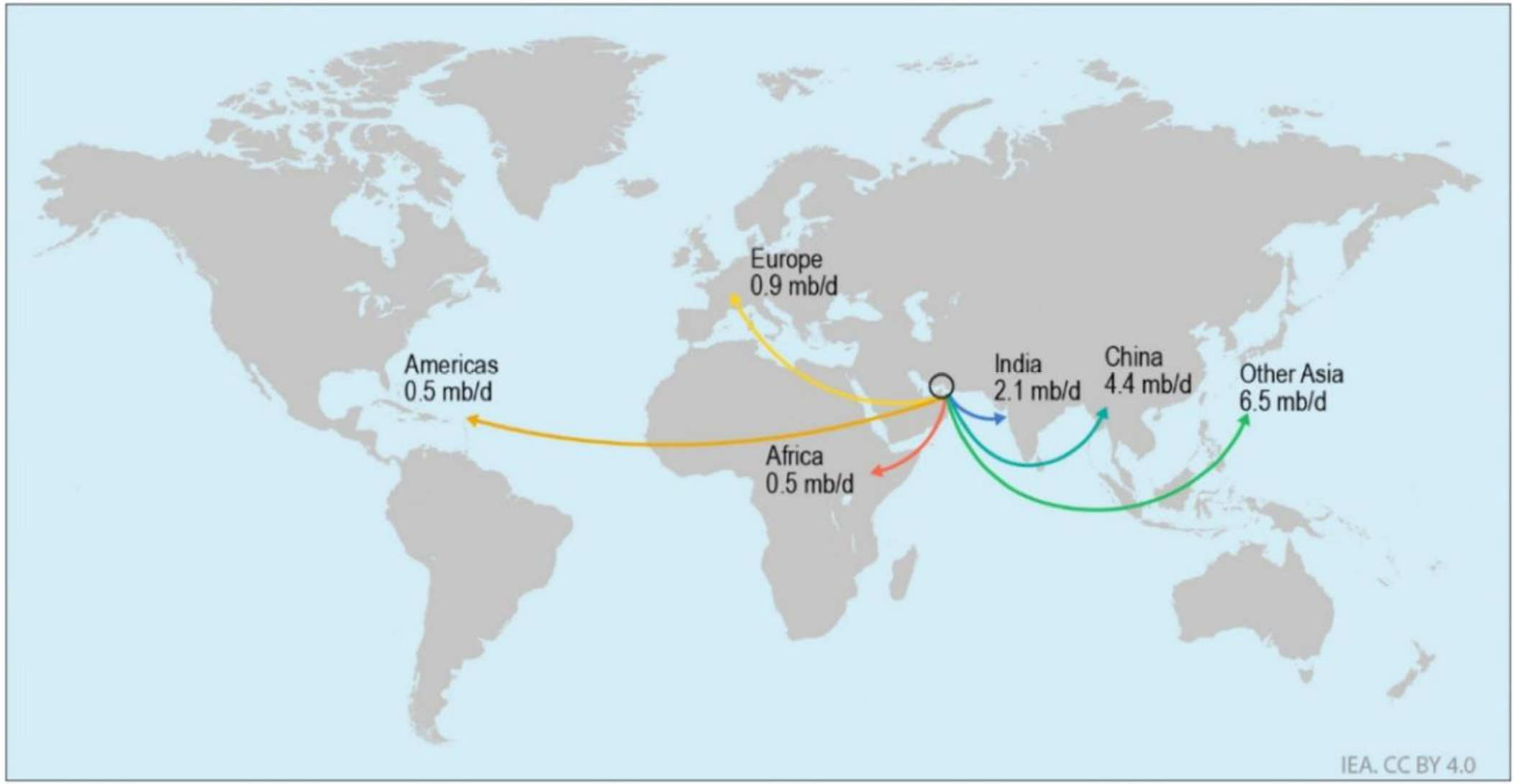
Gaza ceasefire agreement

Motivation for Israel to Keep the Ceasefire Alive



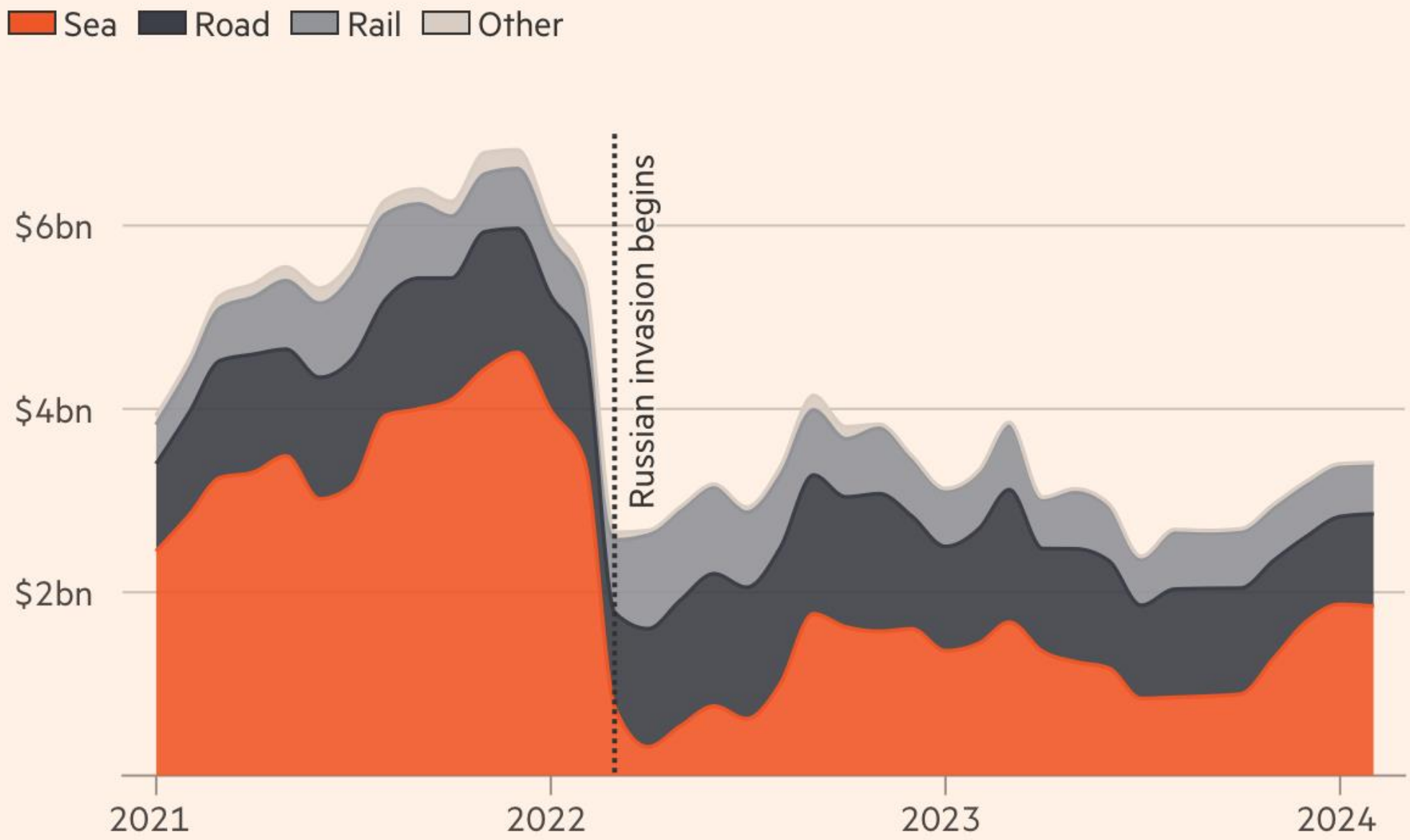
Dangerous zone: Strait of Hormuz

Impact of potential Israeli-Iranian conflict on the Strait of Hormuz

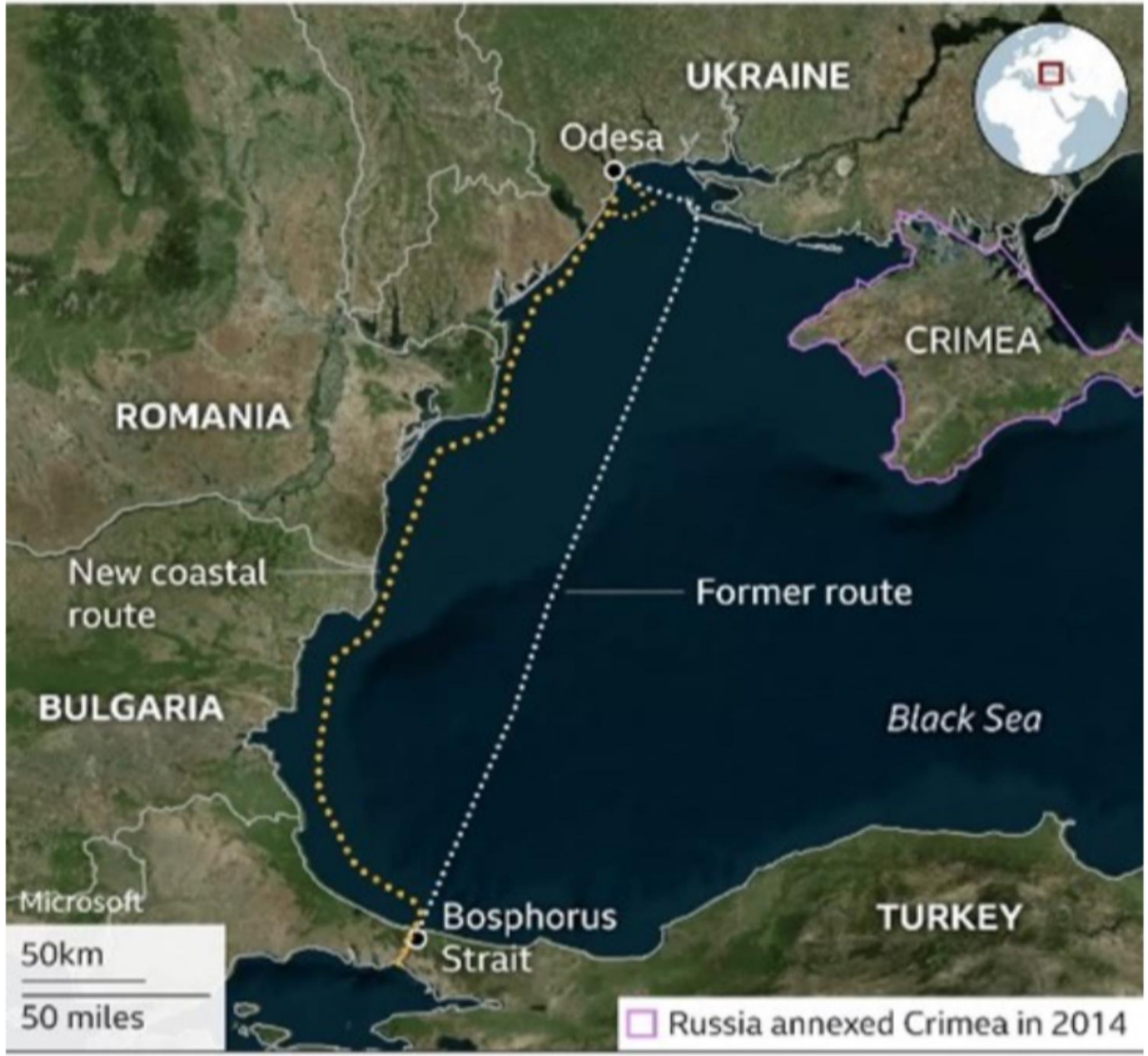


Black Sea conflict

Broader Black Sea region connecting Euro-Atlantic area to Indo-Pacific



Source: Trade Data Monitor


UKRAINE
Odesa
CRIMEA
ROMANIA
New coastal route
Former route
BULGARIA
Black Sea
Microsoft
Bosphorus Strait
TURKEY
50km
50 miles
Russia annexed Crimea in 2014

Dark/Parallel Fleet

- UN Sanction violations
- Old ships
- No insurance
- Environmental risk
- MV Pablo accident (Malaysia)
- MV Ceres (Singapore)

A Long War Ahead, Intensity Of Fighting To Subside

2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033

Current Phase

The current phase of the conflict can be described as a **high-intensity** or full-scale war.

This refers to a situation where the maximum deployable resources of the belligerents, including weaponry, manpower and financial capital are engaged in the war.

This phase is characterised by large-scale mechanised offensives, involving fighter jets, tanks, artillery and other heavy vehicles.

Protracted Stalemate

We believe the emerging 'stalemate phase' of the war will closely resemble the 2015-2021 period of the Russia-Ukraine war.

In a military stalemate, the frontlines tend to remain relatively static. A military stalemate does not necessarily mean a cessation of fighting. **Battles may still occur, but they do not significantly change the balance of power or overall strategic situation**.

As stalemates are less resource-intensive, **we believe the war will be locked in this state for several years.**

Outcome – Frozen Conflict

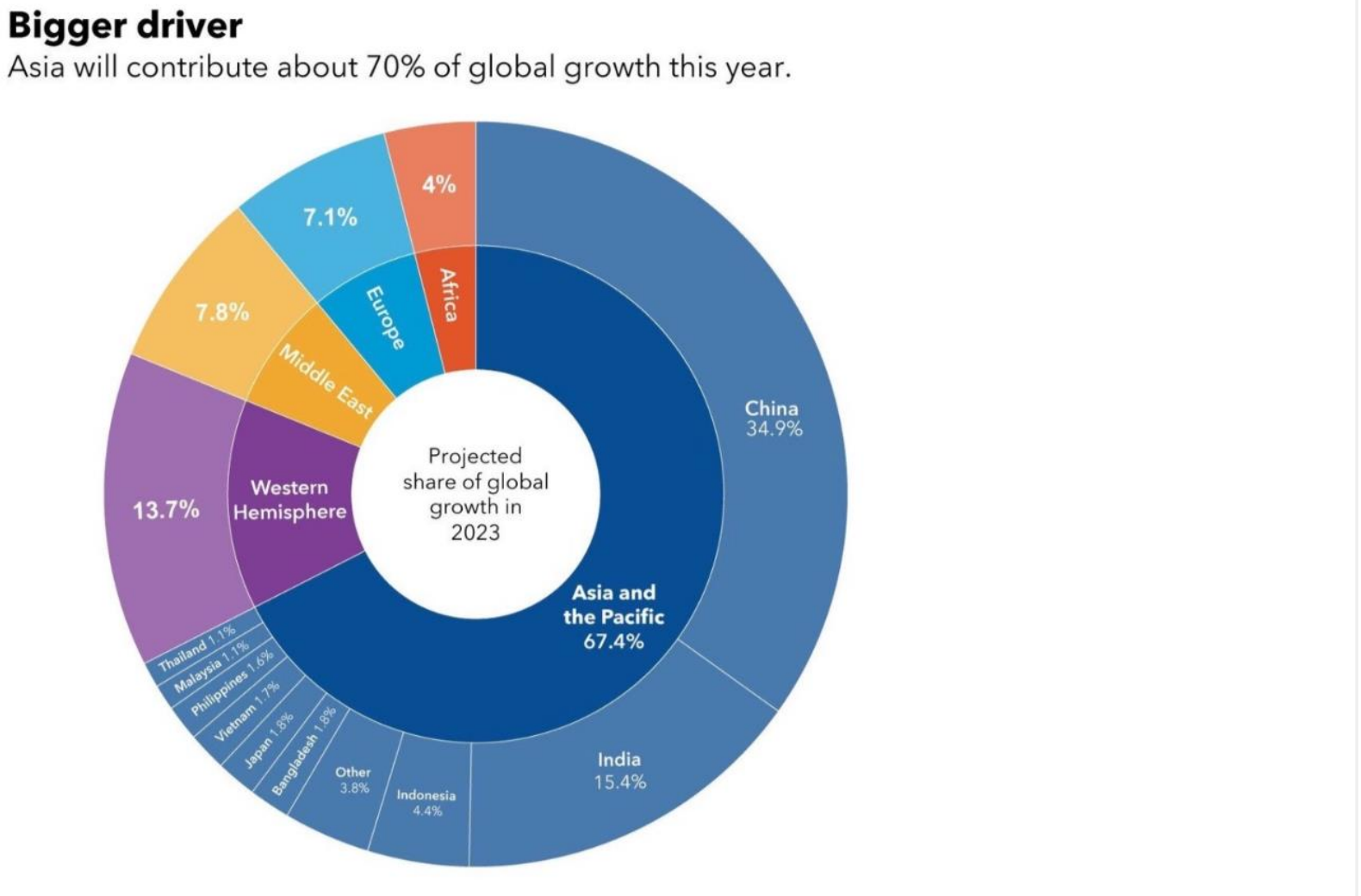
Akin to the situation between North and South Korea after the Korean war (1950-1953).

Active armed conflict has ended, but no formal peace treaty or peace agreement has been signed between the parties involved, resulting in a de facto situation of 'cold peace'. The demarcation line between Ukrainian and Russian forces could evolve into a quasi-permanent structure within Ukraine, **potentially analogous to the 'Demilitarized Zone' (DMZ) that separates the two Koreas.**

Both governments would refuse to recognise territory held by the opposing force but refrain from undertaking new military offensives to capture territory. This phase could emerge with or without a formal ceasefire.

Potential dangerous zone: Southeast Asia

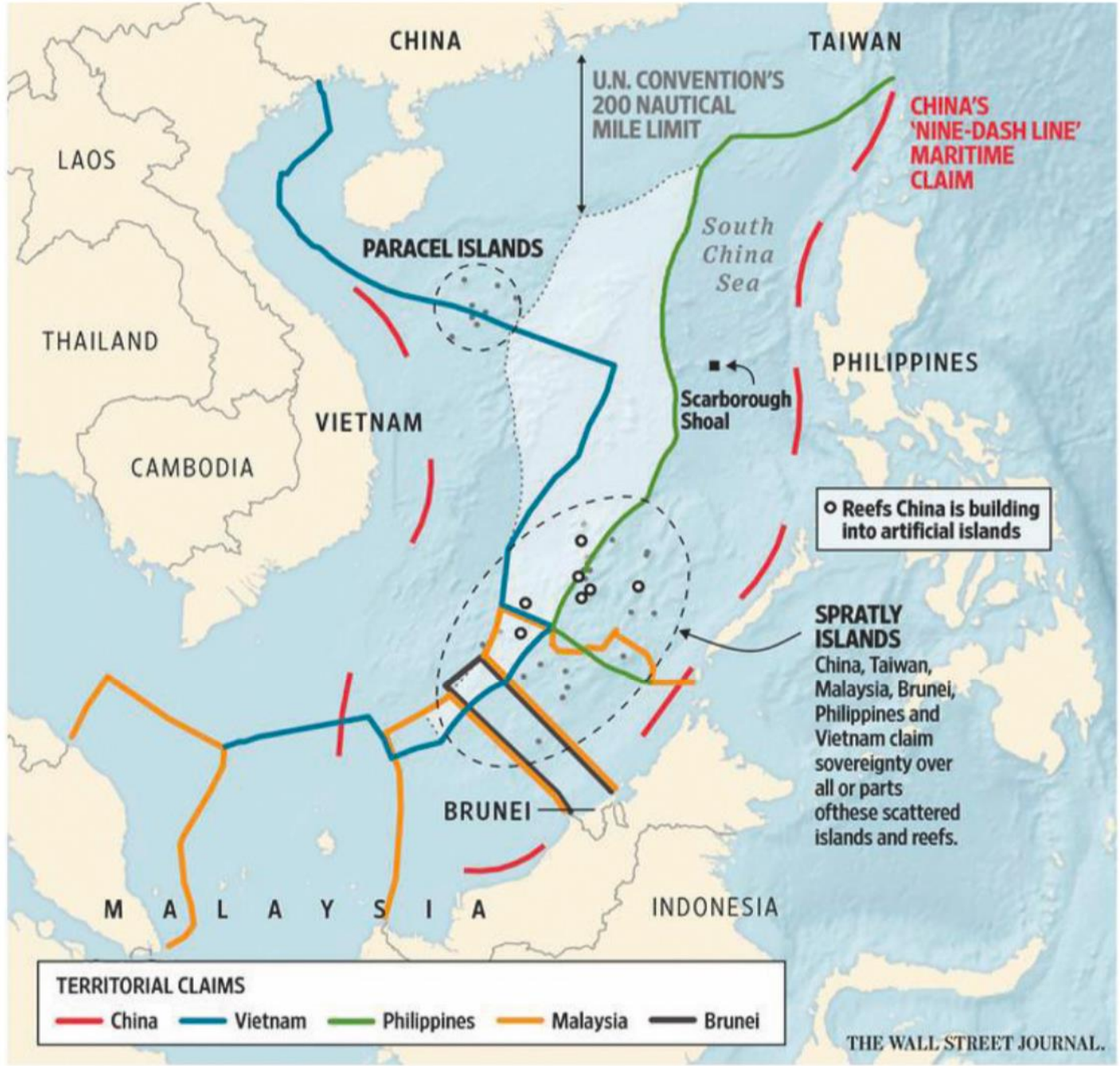
The center of gravity of the world

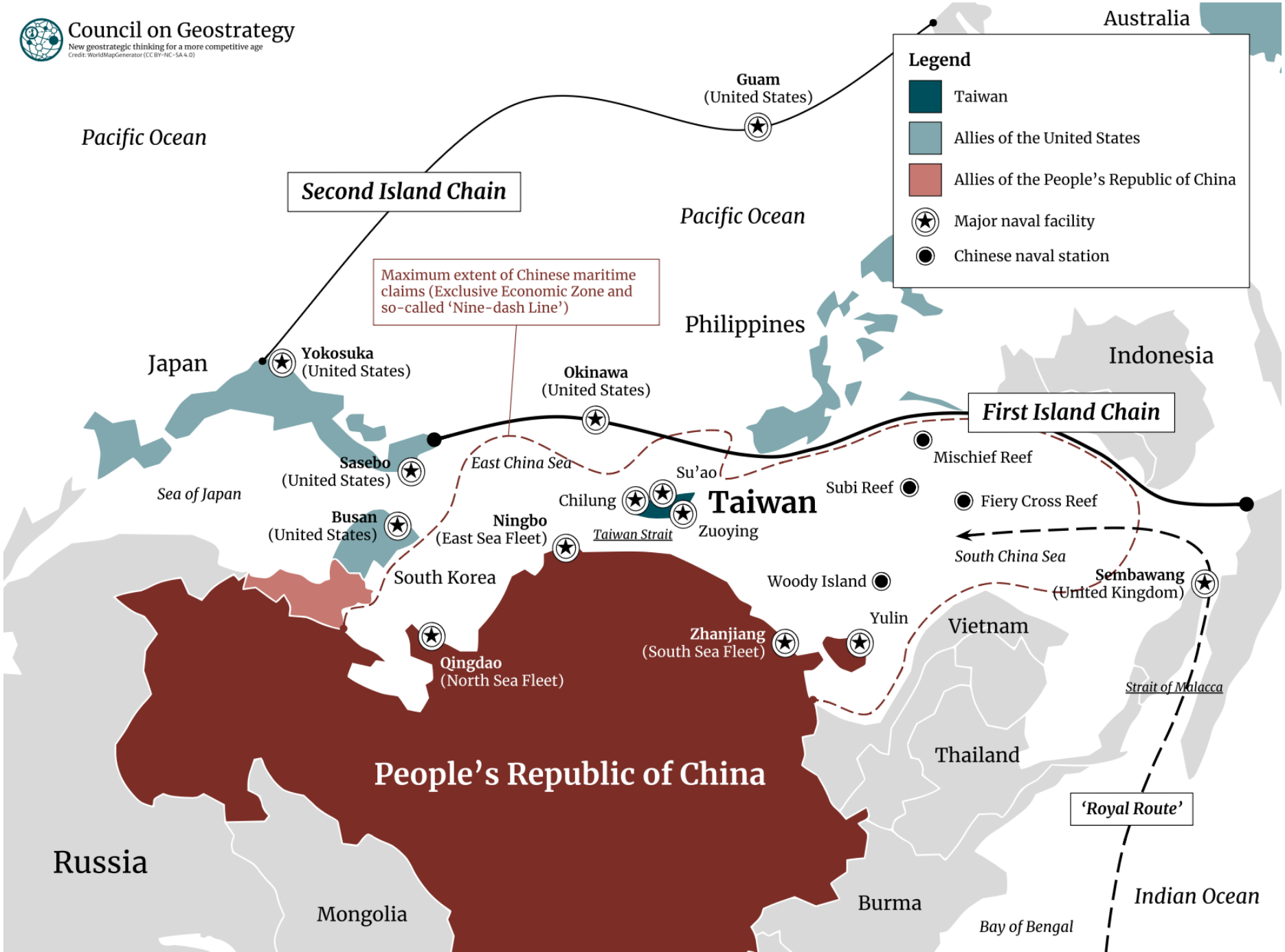


Meet My Five Billion Neighbors

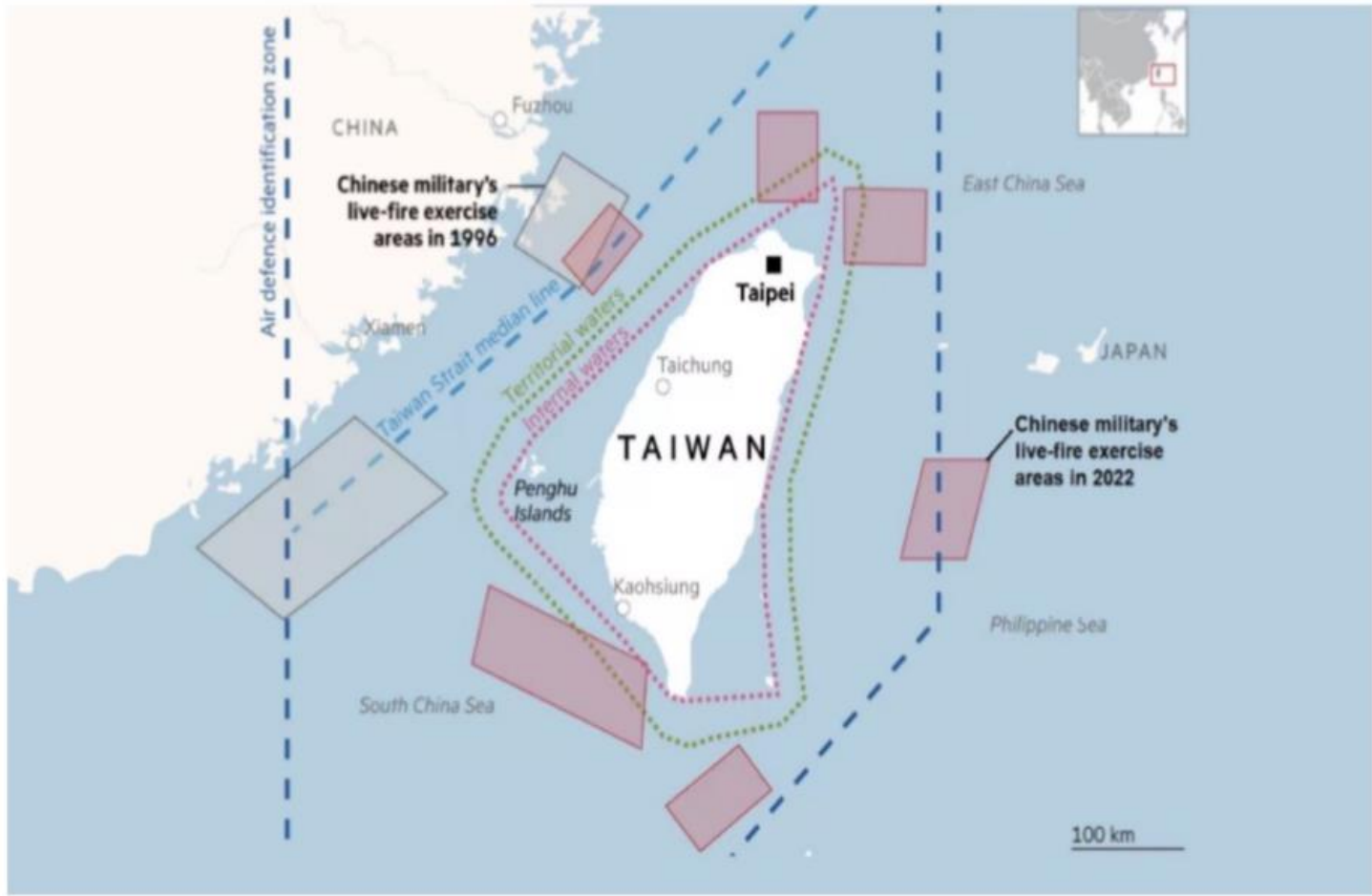
POPULATION: Asia = 5 Billion > Americas (1 Billion) + Europe/Middle East/Africa (2 Billion)


High value-added goods
Medium value-added goods
Low value-added goods
Strait of Hormuz
Suez Canal
East China Sea
South China Sea
Bab el Mandeb
Strait of
Malacca
Ombai Strait
Lombok Strait


CHINA
TAIWAN
U.N. CONVENTION'S 200 NAUTICAL MILE LIMIT
CHINA'S 'NINE-DASH LINE' MARITIME CLAIM
LAOS
PARACEL ISLANDS
South China Sea
THAILAND
PHILIPPINES
Scarborough Shoal
VIETNAM
CAMBODIA
Reefs China is building into artificial islands
SPRATLY ISLANDS
China, Taiwan, Malaysia, Brunei, Philippines and Vietnam claim sovereignty over all or parts ofthese scattered islands and reefs.
BRUNEI
M A L A Y S I A
INDONESIA
TERRITORIAL CLAIMS
China
Vietnam
Philippines
Malaysia
Brunei
THE WALL STREET JOURNAL.


Council on Geostrategy
New geostrategic thinking for a more competitive age
Credit: WorldMapGenerator (CC BY-NC-SA 4.0)
Legend
Taiwan
Allies of the United States
Allies of the People's Republic of China
Major naval facility
Chinese naval station
Australia
Guam
(United States)
Pacific Ocean
Second Island Chain
Pacific Ocean
Maximum extent of Chinese maritime claims (Exclusive Economic Zone and so-called 'Nine-dash Line')
Philippines
Indonesia
Japan
Yokosuka
(United States)
Okinawa
(United States)
First Island Chain
Mischief Reef
Sasebo
(United States)
East China Sea
Su'ao
Sea of Japan
Chilung
Taiwan
Subi Reef
Fiery Cross Reef
Busan
(United States)
Ningbo
(East Sea Fleet)
Taiwan Strait
Zuoying
South China Sea
South Korea
Woody Island
Sembawang
(United Kingdom)
Yulin
Vietnam
Zhanjiang
(South Sea Fleet)
Qingdao
(North Sea Fleet)
Strait of Malacca
Thailand
People's Republic of China
'Royal Route'
Russia
Indian Ocean
Mongolia
Burma
Bay of Bengal

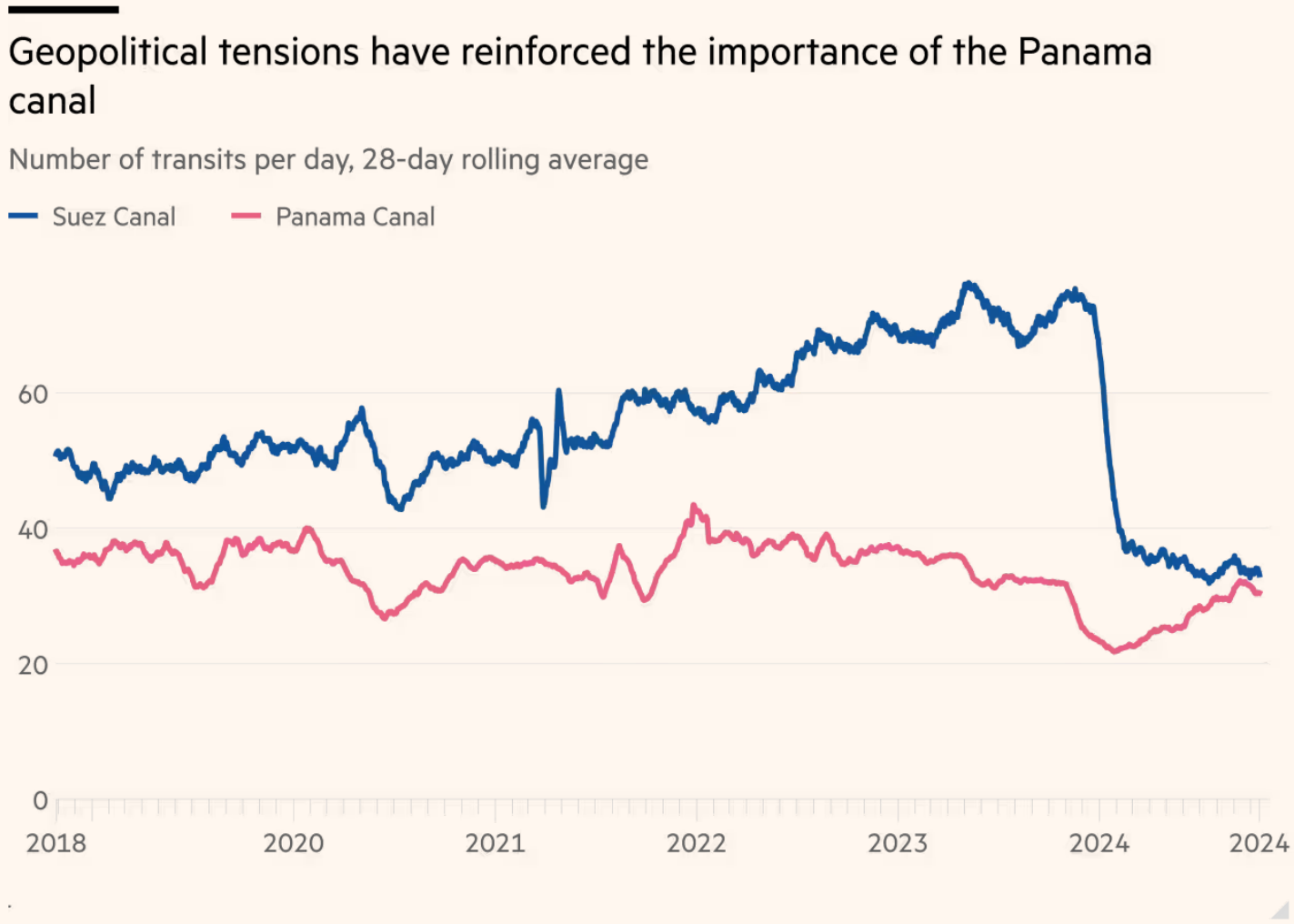
East Asia: Impact of China and Taiwan conflict on shipping



The geopolitics of Panama Canal

Trump says US will take back Panama Canal

US President Donald Trump said the US would take back the Panama Canal, decrying China's influence over the important waterway and the high rates being charged to American ships.



The Panama Canal is crucial to US shipping routes

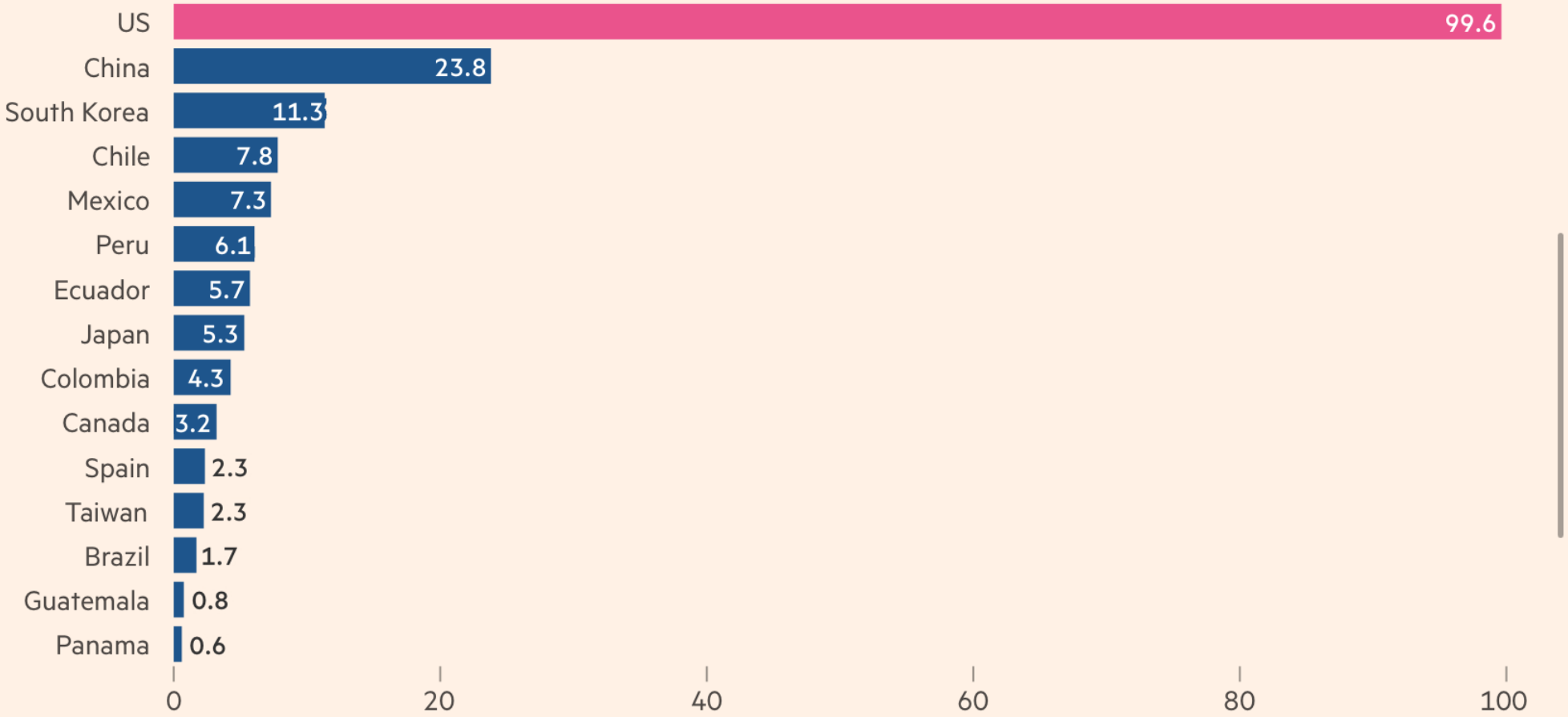
Source: FT research

© FT

The US dominates traffic through the Panama canal

Cargo by country, 2024 (Long tons, mn)

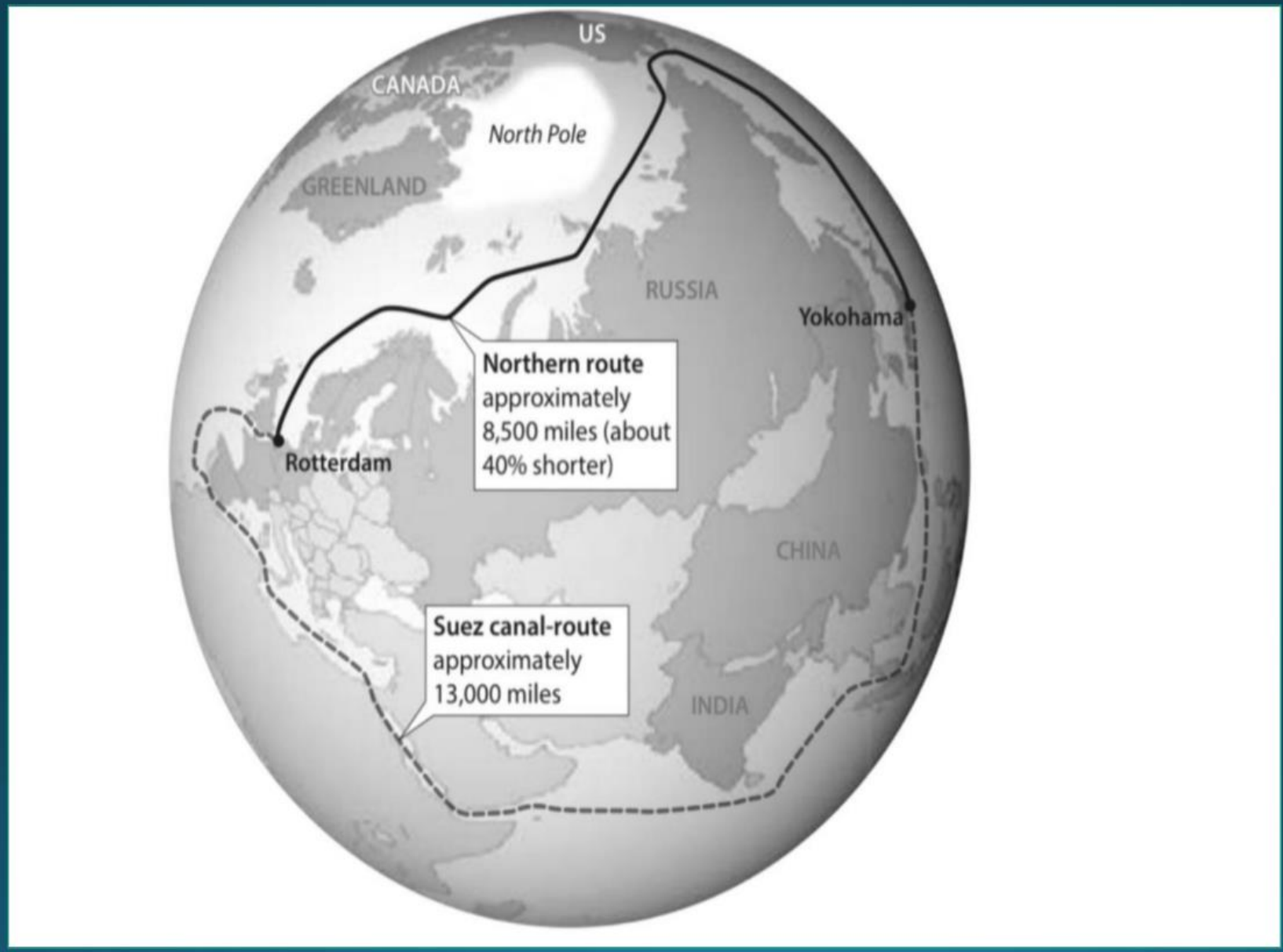
Origin | Destination



The geopolitics of Greenland


GREENLAND


TRUMP


US
CANADA
North Pole
GREENLAND
RUSSIA
Yokohama
Northern route
approximately
8,500 miles (about
40% shorter)
Rotterdam
CHINA
Suez canal-route
approximately
13,000 miles
INDIA


Command AOR
Northern sea route
Northwest passage
US Arctic Research and Policy Act boundary
Military base
Bases include a subset of ground, maritime, air, and space force sites.
Eareckson Air Station
NORTH PACIFIC OCEAN
USEUCOM
JAPAN
Occupied by the Soviet Union in 1945, administered by Russia, claimed by Japan
Aleutian Islands
Bering Sea
USNORTHCOM
USINDOPACOM
Sea of Okhotsk
Bering Strait
USEUCOM
Gulf of Alaska
Joint Base Elmendorf-Richardson
Alaska (UNITED STATES)
Fort Greely
Clear Space Force Station
Eielson Air Force Base
Fort Wainwright
Yukon
Chukchi Sea
Arctic Circle
Wrangel Island (RUSSIA)
East Siberian Sea
Lena
Mackenzie
CANADA
Beaufort Sea
Banks Island
New Siberian Islands (RUSSIA)
Laptev Sea
Victoria Island
Queen Elizabeth Islands
ARCTIC OCEAN
North Land (RUSSIA)
RUSSIA
North Pole
Ellesmere Island
Yenisey
Foxe Basin
Baffin Island
Pituffik Space Base
Franz Josef Land (RUSSIA)
Kara Sea
Baffin Bay
Novaya Zemlya
Ob'
Svalbard (NORWAY)
Barents Sea
Greenland (DENMARK)
Greenland Sea
Bear Island (NORWAY)
Davis Strait
Jan Mayen (NORWAY)
Nuuk
Arctic Circle
Kola Peninsula
White Sea
Labrador Sea
Denmark Strait
Iceland Sea
Norwegian Sea
FIN.
USNORTHCOM
USEUCOM
Reykjavik
ICELAND
SWEDEN
Helsinki
Moscow
NORTH ATLANTIC OCEAN
Faroe Is. (DENMARK)
NOR.
Oslo
Stockholm
EST.
LAT.
Shetland Is. (U.K.)
North Sea
Baltic Sea
LITH.
BELA.
U.K.
DEN.
UKRAINE
0 200 400 Nautical Miles
0 200 400 Kilometers
Projection: Stereographic
Names and boundary representation are not necessarily authoritative.

The geopolitics of global trade and supply lines

sanctions, tariffs, trade shifts

RESHORING	Transferring operations back to its primary country of operations, reducing exposure to outside risk (such as the disruption of supply chains by geopolitical events) and choosing local businesses with whom to partner.
NEARSHORING	Relocating business operations to a nearby country, often with a shared border, with the aim of ensuring faster speed to market and quicker transit from manufacturers to customers.
OFFSHORING	Relocating existing operations to a different country, usually with the goal of reducing labour or manufacturing costs and/ or ensuring the ready provision of certain skills and raw materials.
FRIENDSHORING	Rerouting supply chains to countries that are political or economic allies, where these countries may be perceived as politically and economically safe or low-risk to avoid disruption to the flow of business.

Geopolitical Shifts Likely To Re-Shape Global Supply Chains

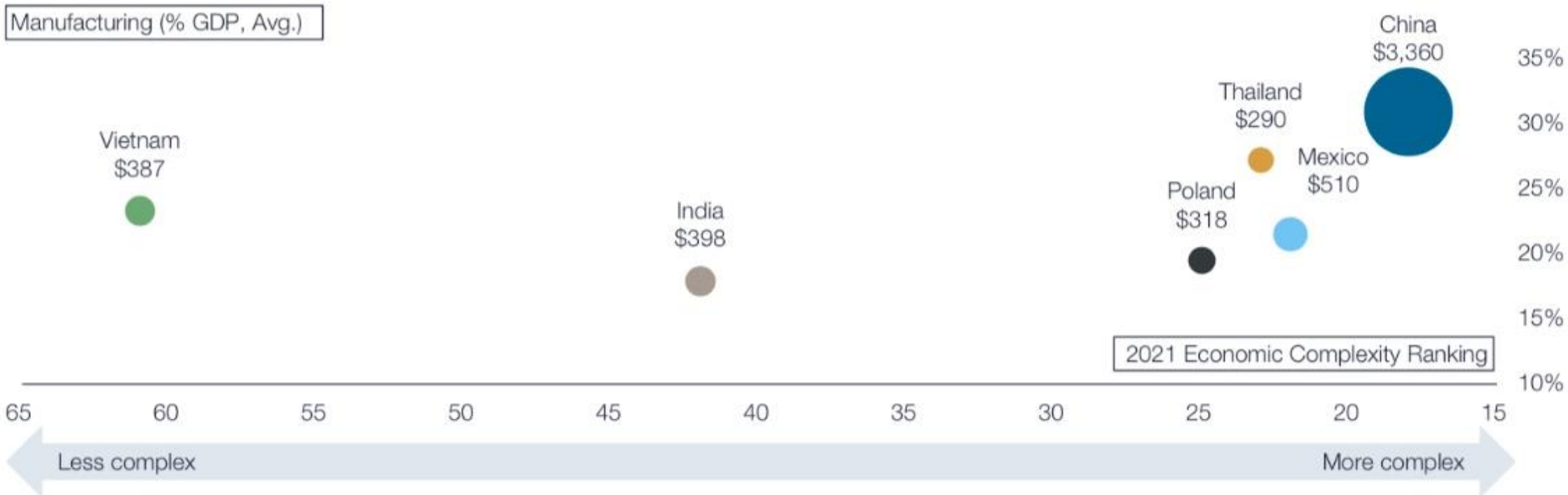
- Major economies will seek to source essential products closer to home (near shoring) or from geopolitical allies (friend shoring)
- Geopolitical reliability of trade partners will become more important

Three Main Options, All Of Which Will Take Years To Implement

Supply Chain Diversification Options

Type	Description	Impact
China Plus One	• Firms keep a large portion of their manufacturing in China but develop a second supplier outside of the country, often in the same region (e.g. Vietnam, Thailand)	• Improves supply chain security by removing the risk of a single point of failure while maintaining access to the Chinese manufacturing capacity and consumer market. This is usually the cheapest option
Near/Friend Shoring	• Firms bring business operations to the same region as the primary consumer base (e.g. Mexico, CEE) or to friendly nations	• Reduces transit time and/or helps avoid geopolitical risk. In some sectors (e.g., autos and heavy manufacturing) this option allows companies to take advantage of better agglomeration effects
Reshoring	• Firms move manufacturing back to their home market	• Usually too costly unless there is significant investment in automation or government support, but it substantially cuts logistics and geopolitical risk

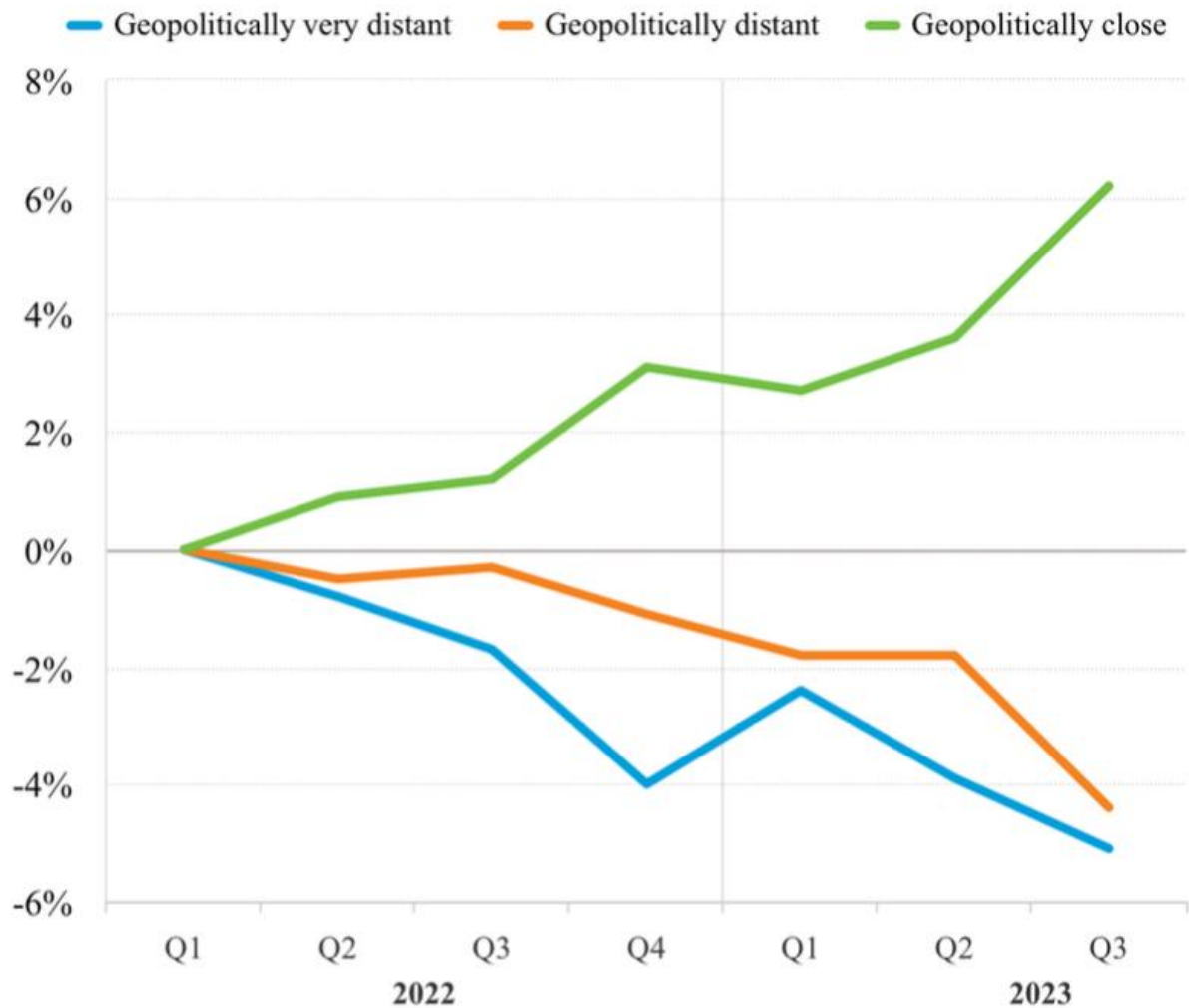
Figure 4: Economic Complexity (Ranking, X Axis), Manufacturing as % of GDP (%, Y Axis), and Total Manufacturing Exports ($bn, Size of Bubble)[13]



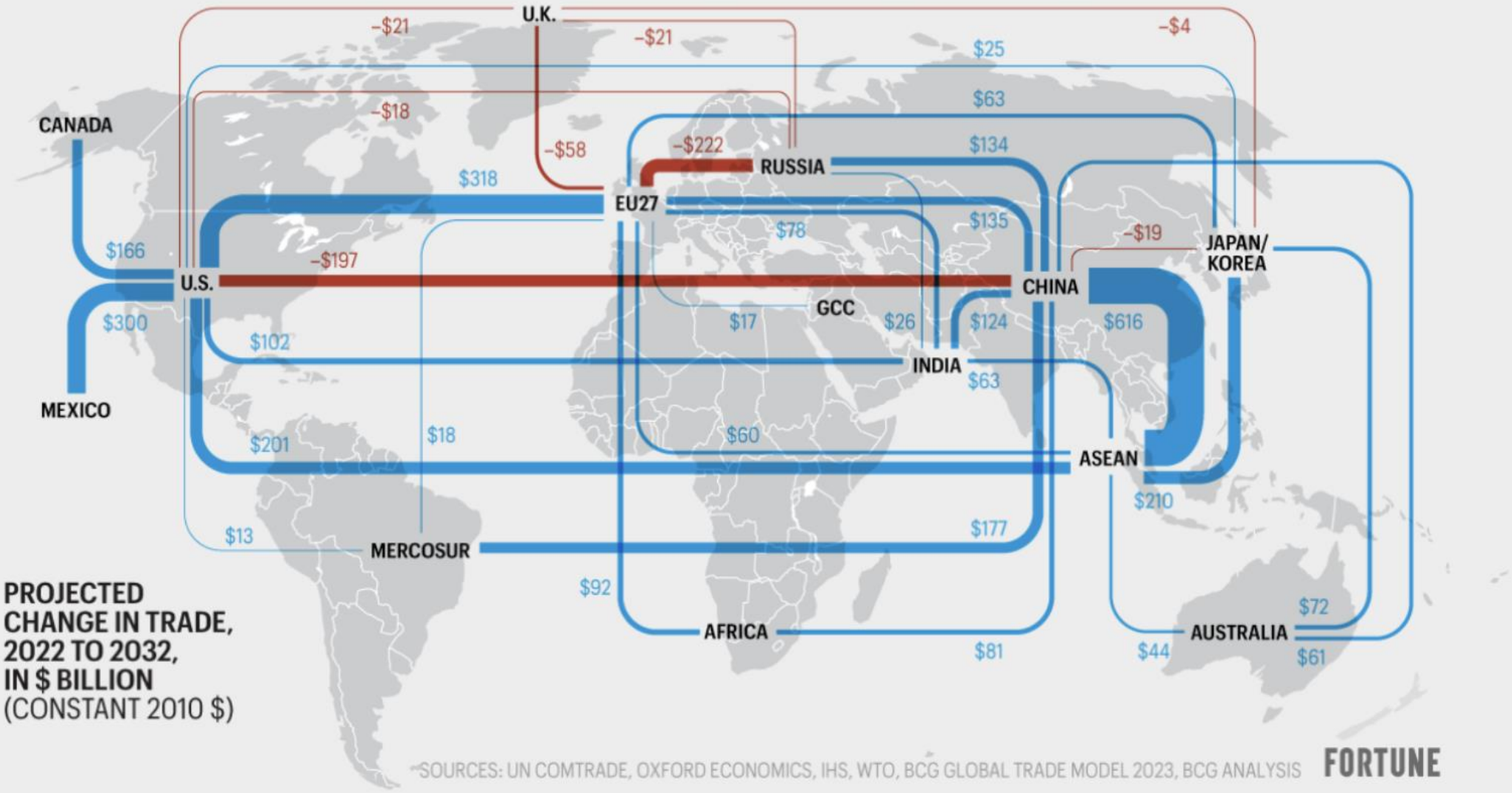
UNITED NATIONS
UNCTAD

Global trade patterns take a geopolitical turn

Average change in bilateral trade with each group since Q1 2022



How trade flows will be reshaped by 2032

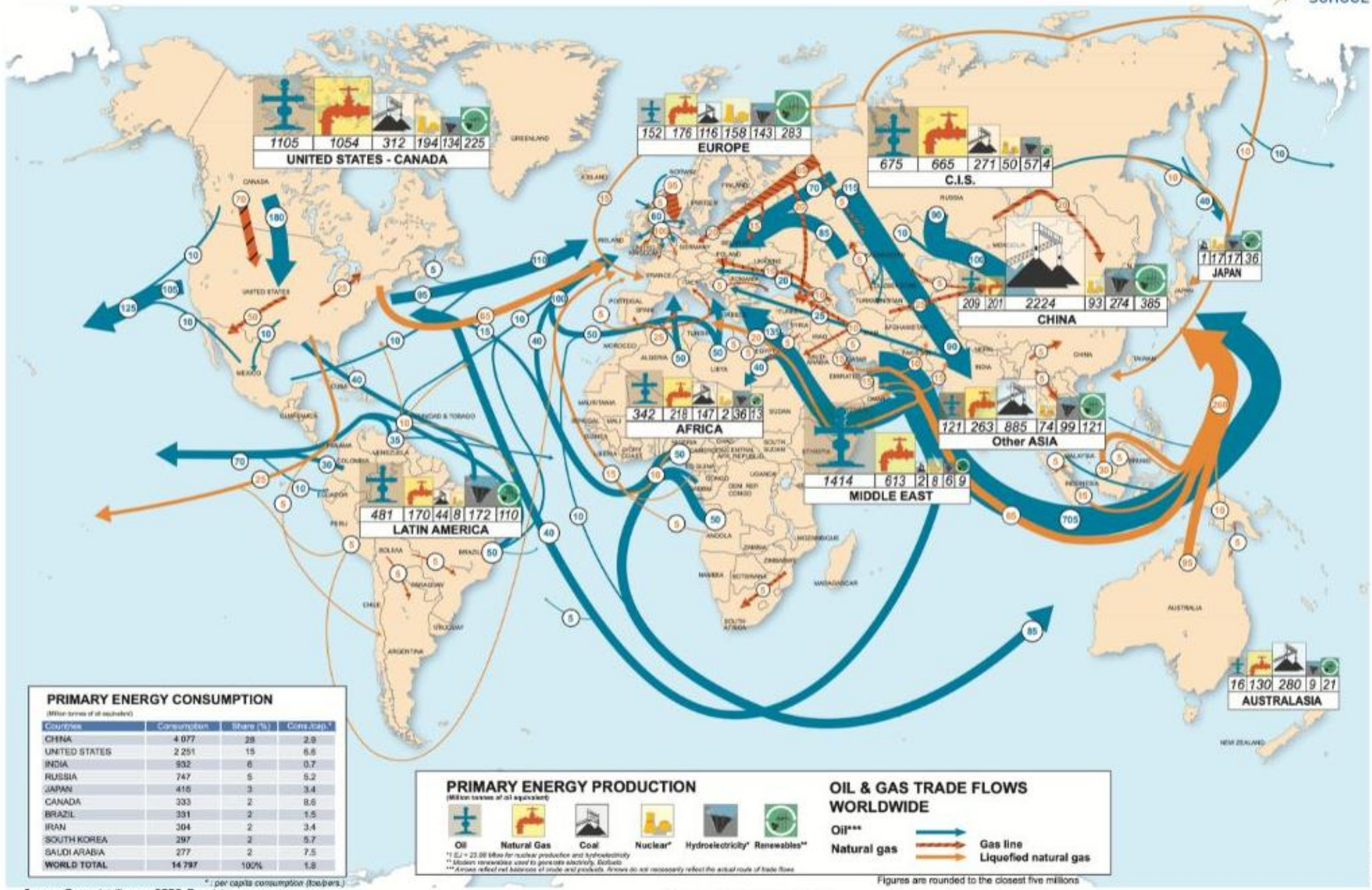


PROJECTED CHANGE IN TRADE, 2022 TO 2032, IN $ BILLION
(CONSTANT 2010 $)

SOURCES: UN COMTRADE, OXFORD ECONOMICS, IHS, WTO, BCG GLOBAL TRADE MODEL 2023, BCG ANALYSIS

FORTUNE

ENERGY WORLDWIDE IN 2023



PRIMARY ENERGY CONSUMPTION

(Million tonnes of oil equivalent)

Countries	Consumption	Share (%)	Cons./cap.*
CHINA	4 077	28	2.9
UNITED STATES	2 251	15	6.6
INDIA	932	6	0.7
RUSSIA	747	5	5.2
JAPAN	416	3	3.4
CANADA	333	2	8.6
BRAZIL	331	2	1.5
IRAN	304	2	3.4
SOUTH KOREA	297	2	5.7
SAUDI ARABIA	277	2	7.5
WORLD TOTAL	**14 797**	**100%**	**1.8**

*: per capita consumption (toe/pers.)

PRIMARY ENERGY PRODUCTION

(Million tonnes of oil equivalent)

Oil | Natural Gas | Coal | Nuclear* | Hydroelectricity* | Renewables**

* 1 EJ = 23.88 Mtoe for nuclear production and hydroelectricity
** Modern renewables used to generate electricity. Biofuels
*** Arrows reflect net balances of crude and products. Arrows do not necessarily reflect the actual route of trade flows

OIL & GAS TRADE FLOWS WORLDWIDE

Oil***
Natural gas
Gas line
Liquefied natural gas

Figures are rounded to the closest five millions

Sources: Energy Intelligence, OPEC, Eurostat

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Thank you for your attention!

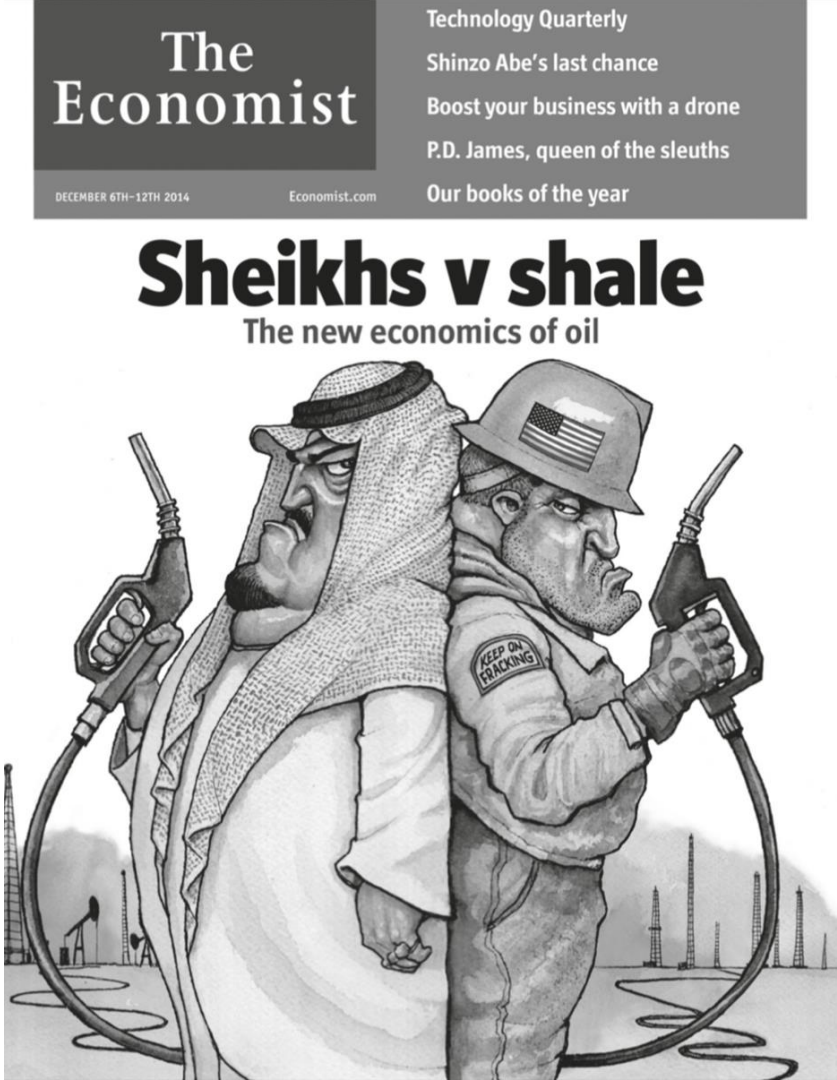
Geopolitics of Energy

Professor Athanasios Platias

November 2024

ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ

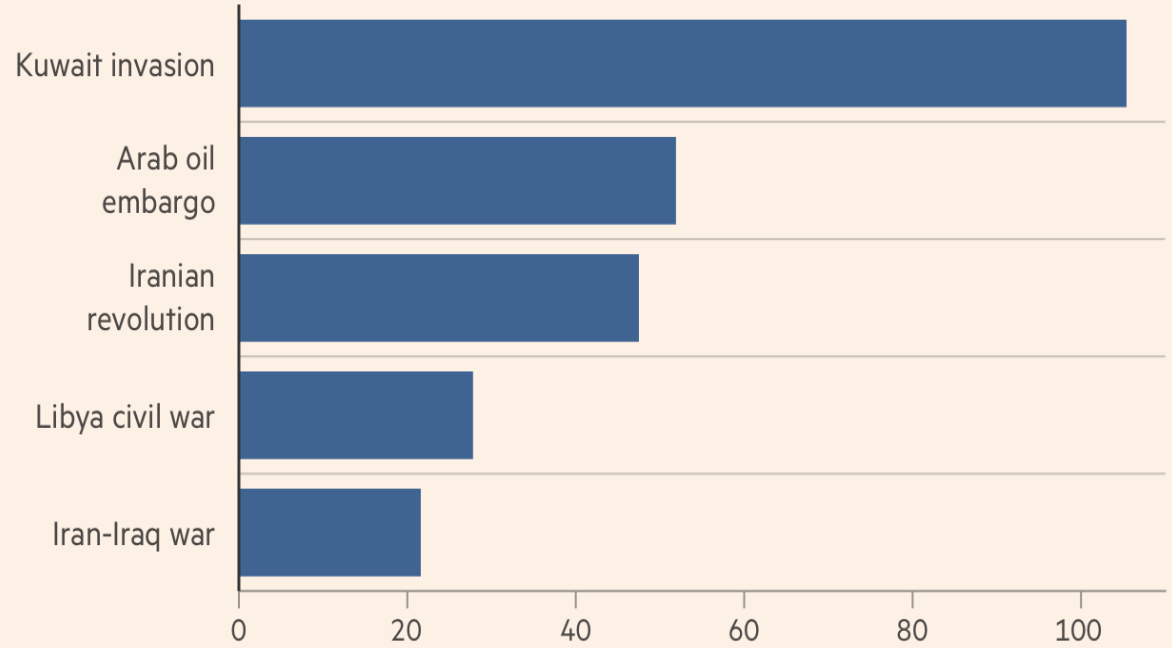
UNIVERSITY OF PIRAEUS




Real oil prices ($ per barrel)
Arab oil embargo
Iranian revolution
Kuwait invasion
Iraq war
150
100
50
0
1970
1980
1990
2000
2010
2020
FINANCIAL TIMES
Source: World Bank, Bloomberg • Brent crude price deflated by US CPI

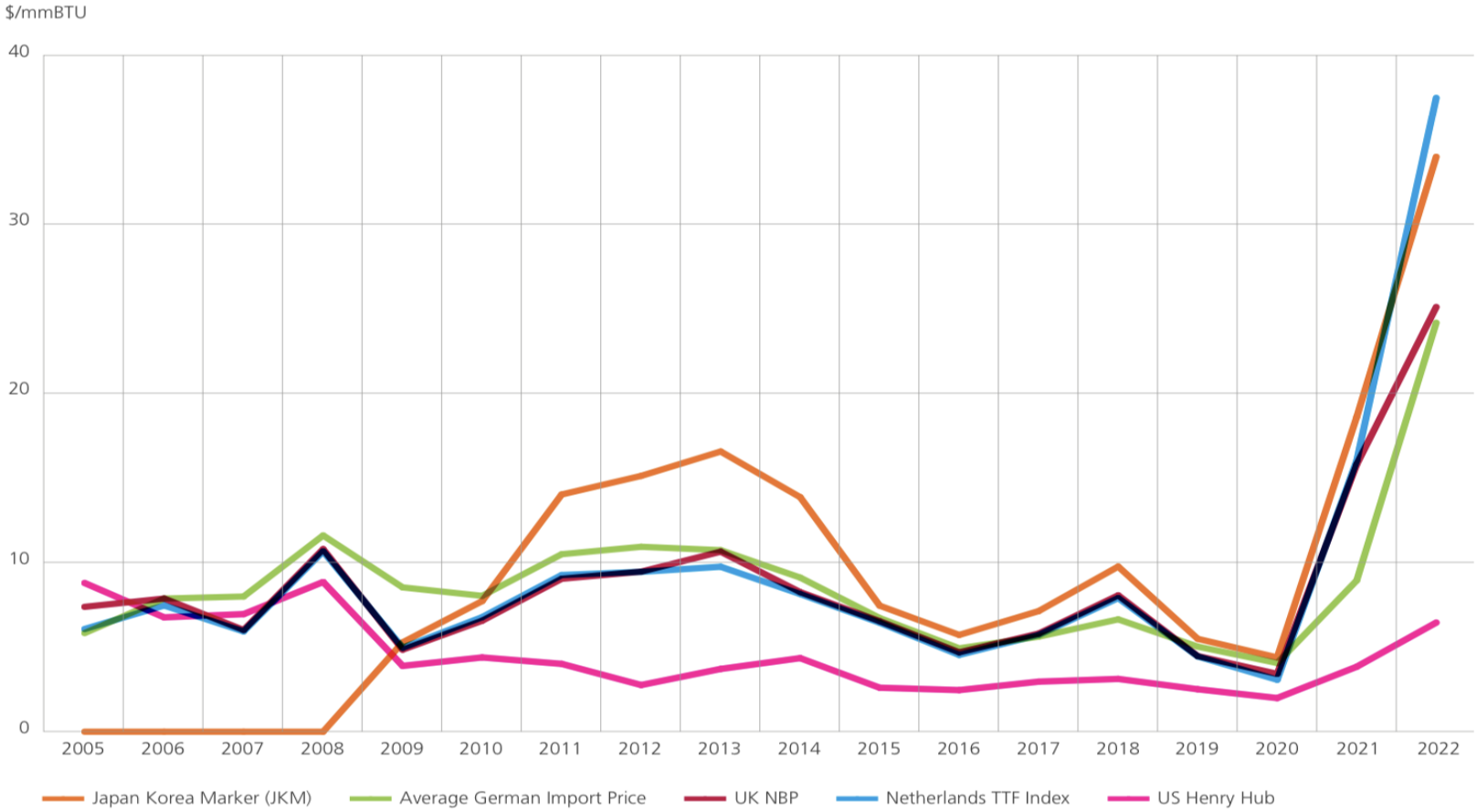
Past oil shocks have caused big price jumps

% change in average monthly oil prices three months after the onset



FINANCIAL TIMES

Source: World Bank


$/mmBTU
40
30
20
10
0
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Japan Korea Marker (JKM)
Average German Import Price
UK NBP
Netherlands TTF Index
US Henry Hub

ST. LOUIS POST-DISPATCH

SUNDAY EDITORIAL SECTION

NEWS ANALYSIS AND INTERPRETATION

SUNDAY MORNING, JUNE 4, 1961 — SECTION B PAGES 1—5B

Oil a New Soviet Weapon In Economic and Political Offensive Against West

U.S. Moving Toward Policy Revision to Meet Threat of Reds' Increased Production and Exports —Officials Uncertain of Main Danger of Barter Deals That Open Way to Infiltration.

By RAYMOND P. BRANDT
Chief Washington Correspondent of the Post-Dispatch.

WASHINGTON, June 3.

SHARPLY INCREASED PRODUCTION and steadily rising exports of Russian oil have confirmed fears in American official and private circles that the Kremlin has begun an economic and political offensive against the West with petroleum as a powerful weapon.

In the words of one official, "Oil is Russia's largest, easiest and most flexible export." Both in production and marketing, the Communists have decided advantages over the competitive, capitalistic producers, who have billions of dollars invested in the overseas trade.

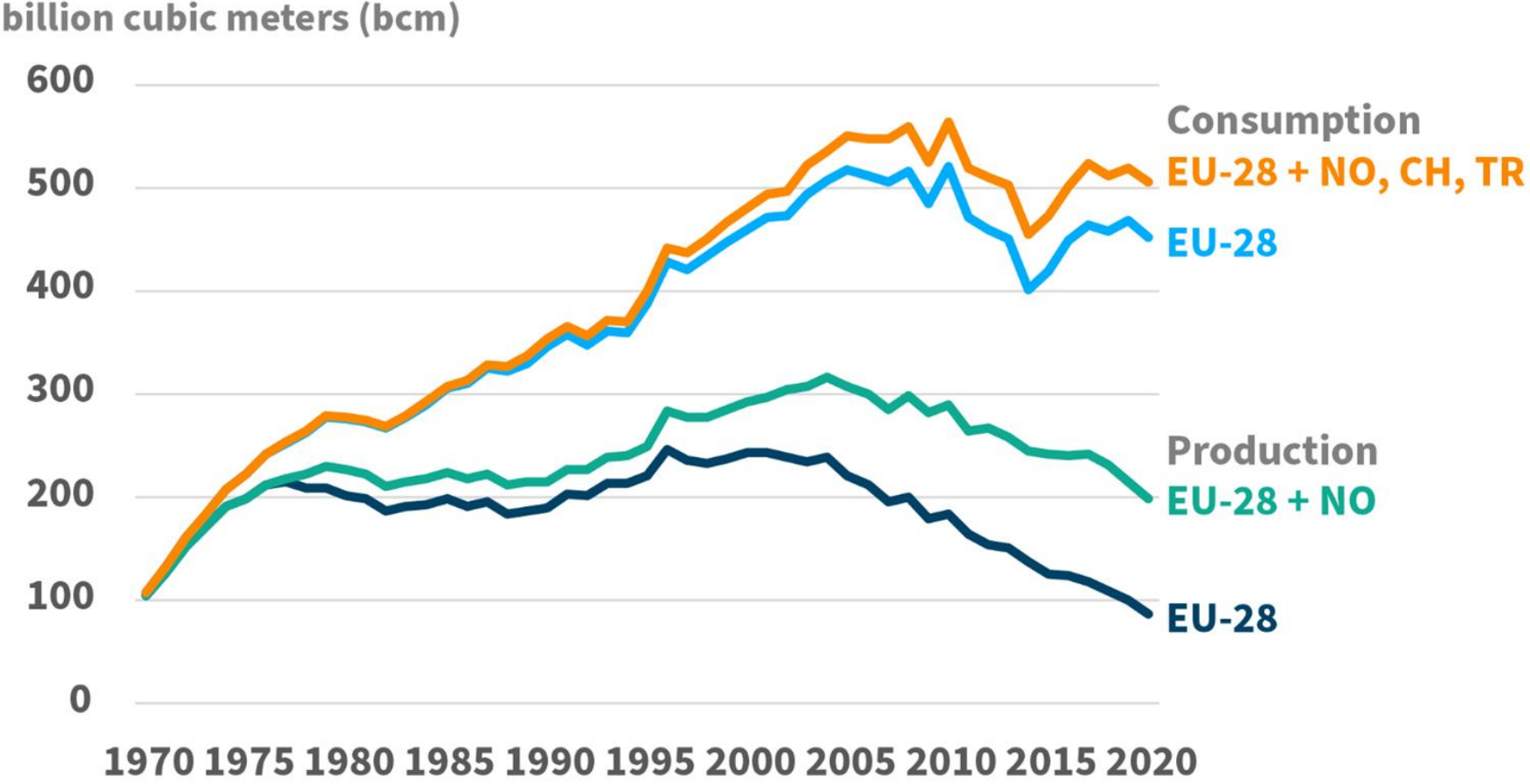
Fidel Castro's seizure of American-owned refineries in Cuba to process Russian crude oil dramatized the need for a new Ameri-

tions to maintain their refusal to lend money to foreign governments for the extraction of oil. The World Bank, in which the United States has the largest minority interest, is maintaining this position on its loans, and the Development Loan Fund, an affiliate of the International Co-operation Administration, has made no such outlays.

The Export-Import Bank, a govern-

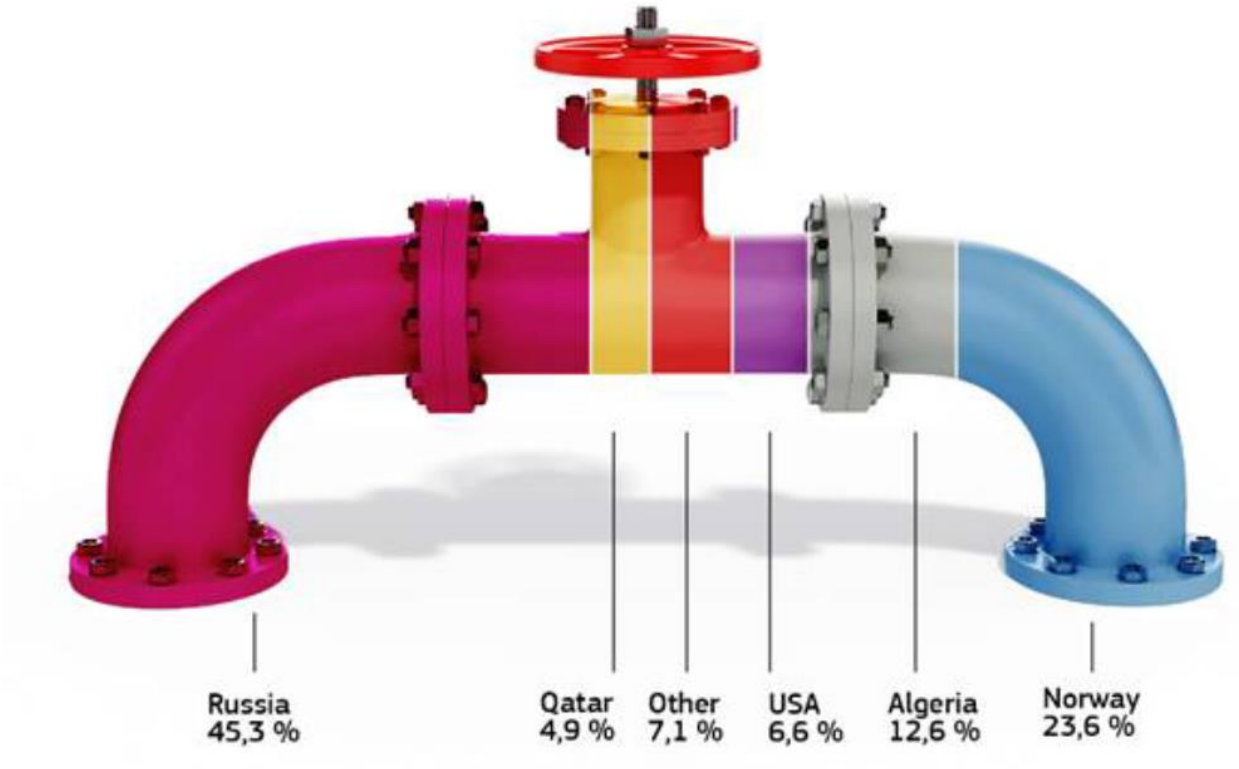
For many decades, debate has raged about how much political power Moscow would gain from Europe's importing oil and natural gas from the Soviet Union and now Russia, as in this article from 1961.

Europe's Gas Supply and Demand Balance

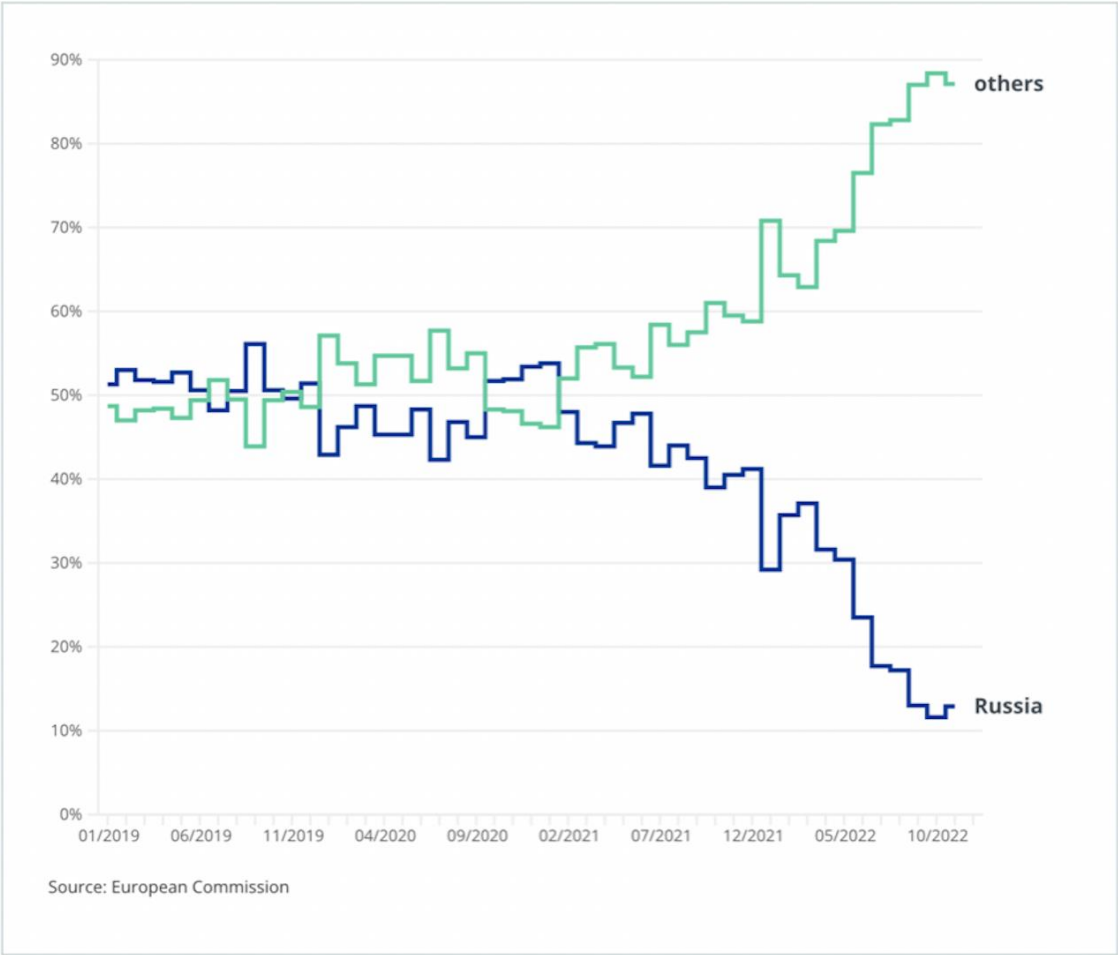


Source: BP Statistical Review of World Energy, July 2021.

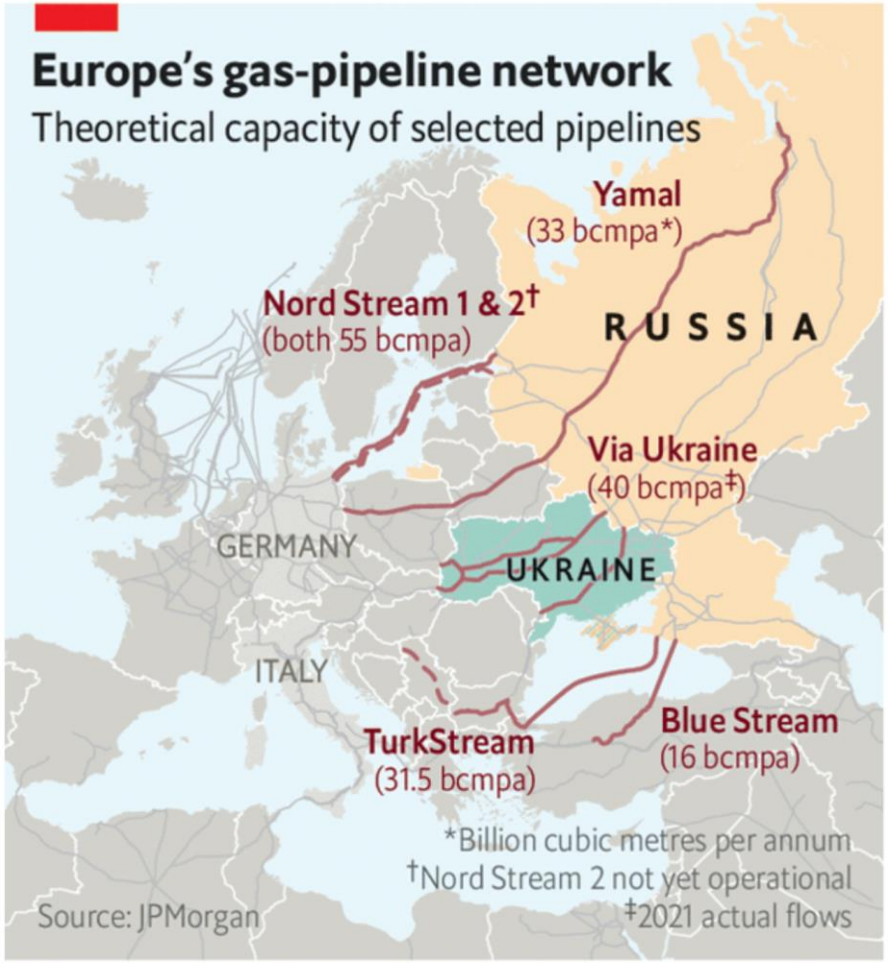
Share in EU natural gas imports, 2021



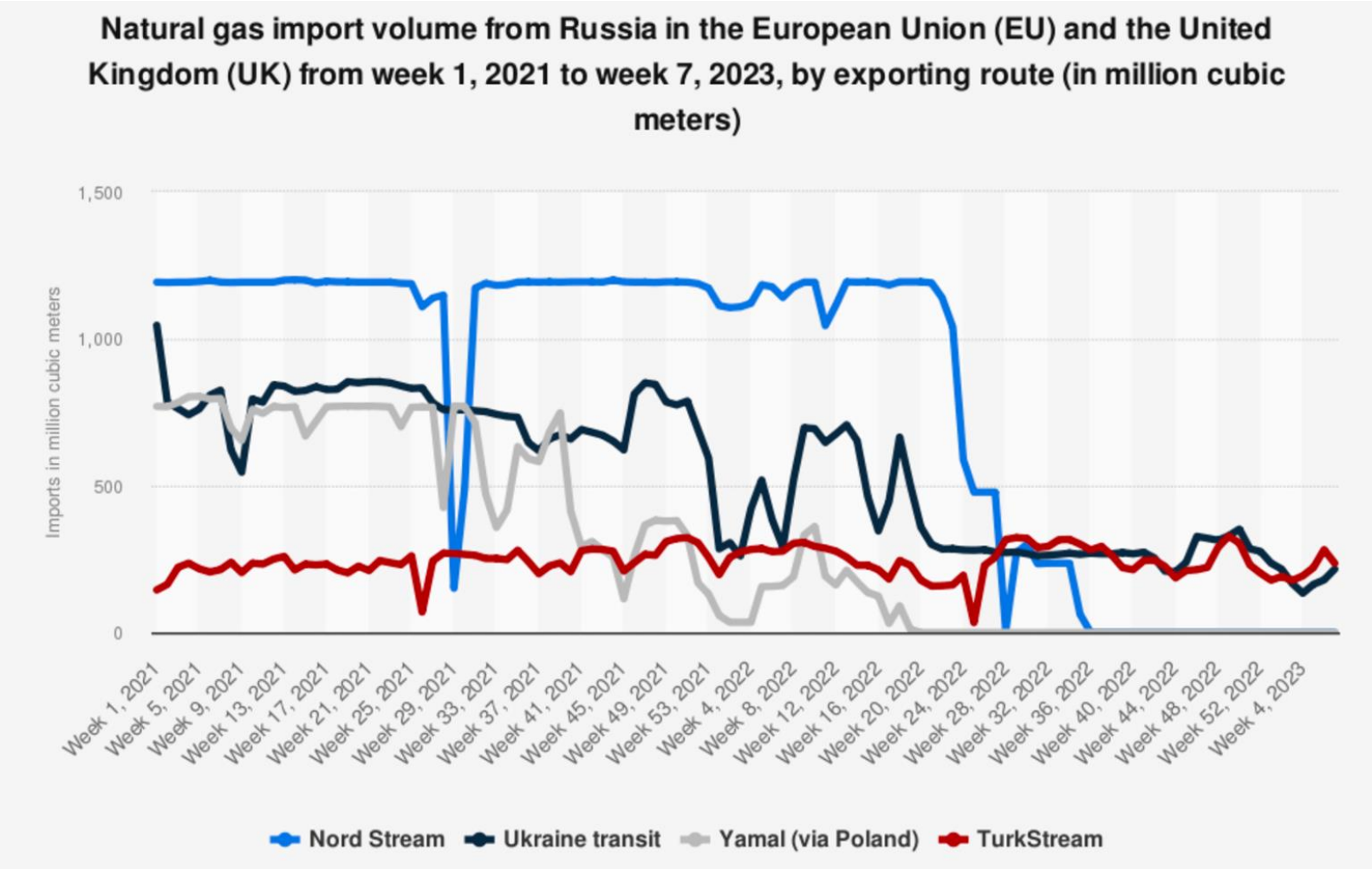
Source: European Commission



The EU's diversification away from Russian gas



The Economist



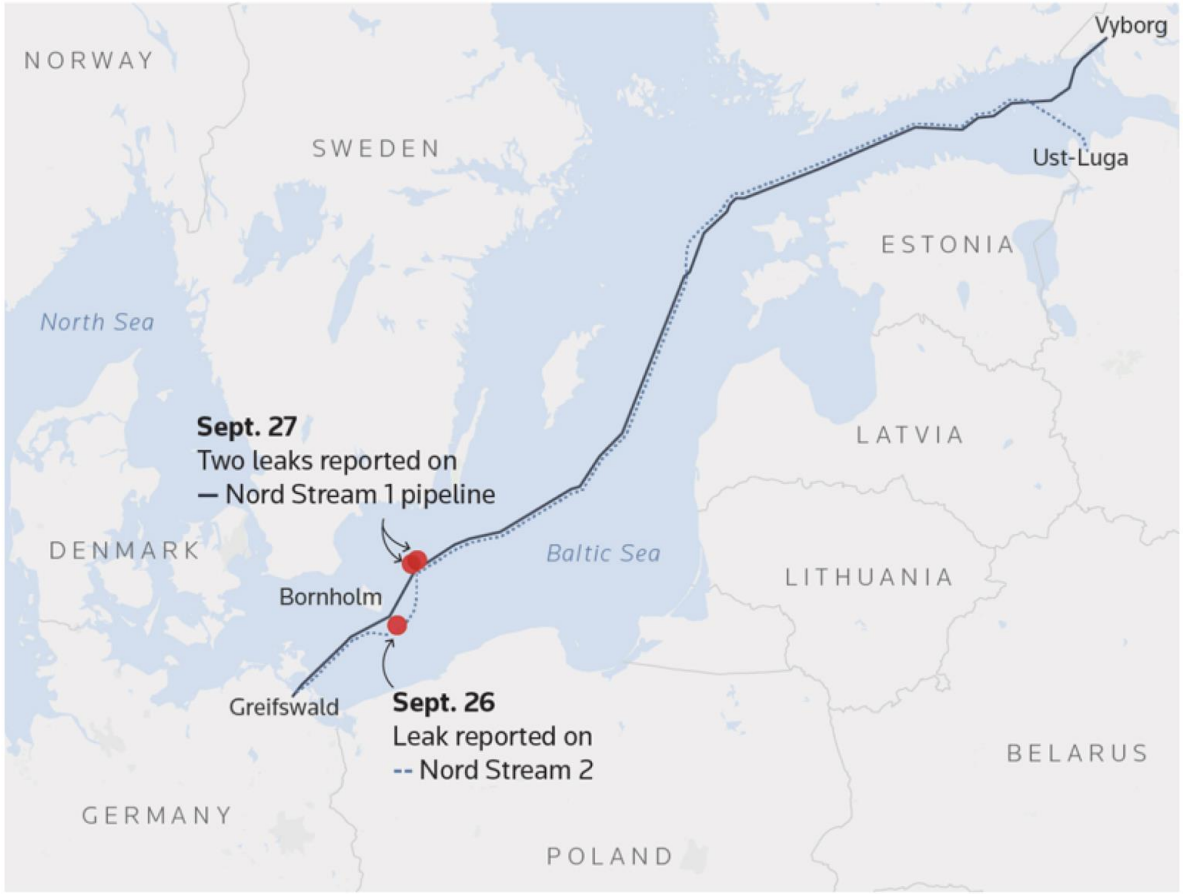
Source: Bruegel; ENTSO-E

North stream 2: Putin’s signature project is now destroyed

A specialized barge lays pipe under the Baltic Sea in 2019 for the controversial Nord Stream 2 pipeline, which is meant to carry additional Russian gas to Germany

Receiving station for the Nord Stream 2 gas pipeline, near Lubmin, Germany

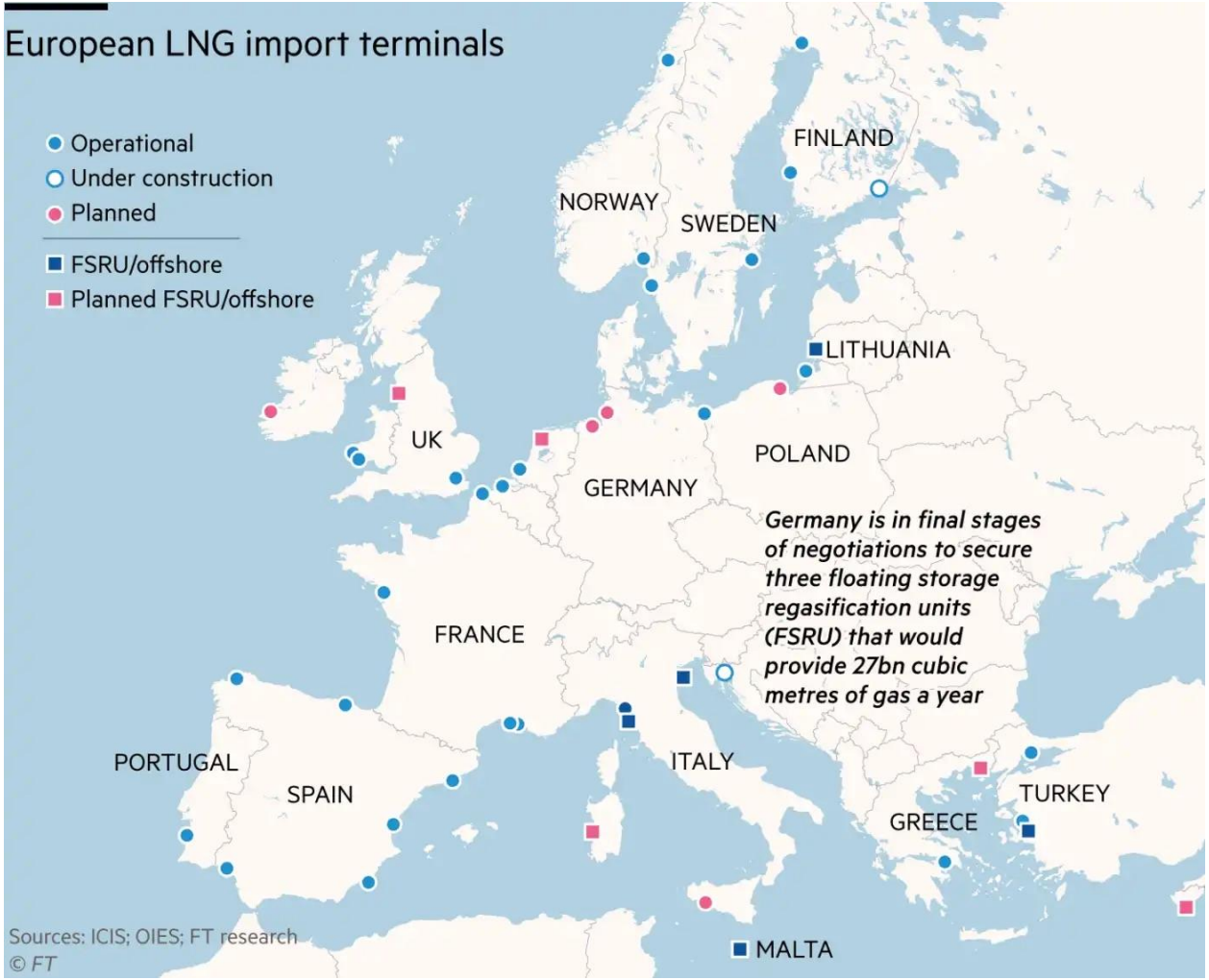
Mystery leaks reported from Nord Stream gas pipelines



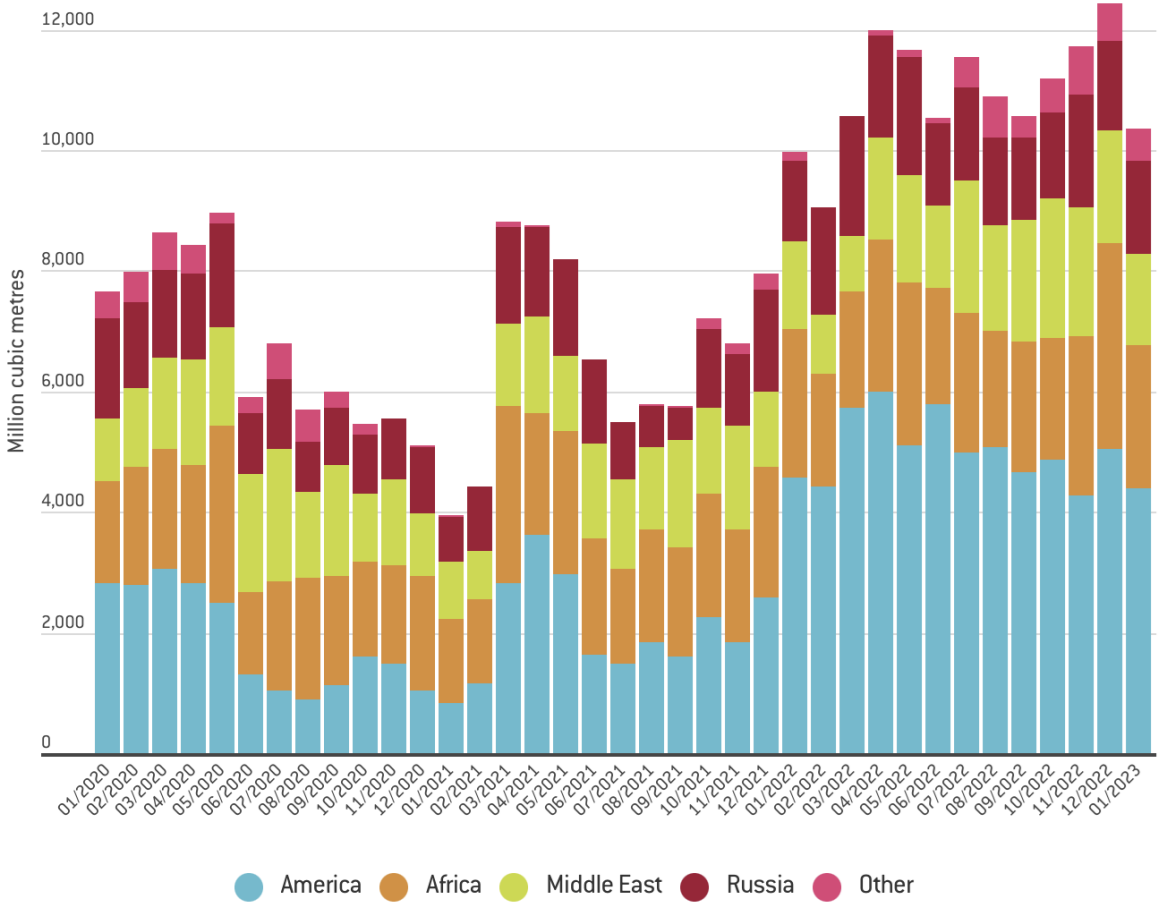
Sources: European Network of Transmission System Operators for Gas (ENTSOG); Danish and Swedish maritime authorities

Prasanta Kumar Dutta | Reuters, Sept. 27, 2022

Gas leaking from the Baltic pipeline after the September 2022 explosion

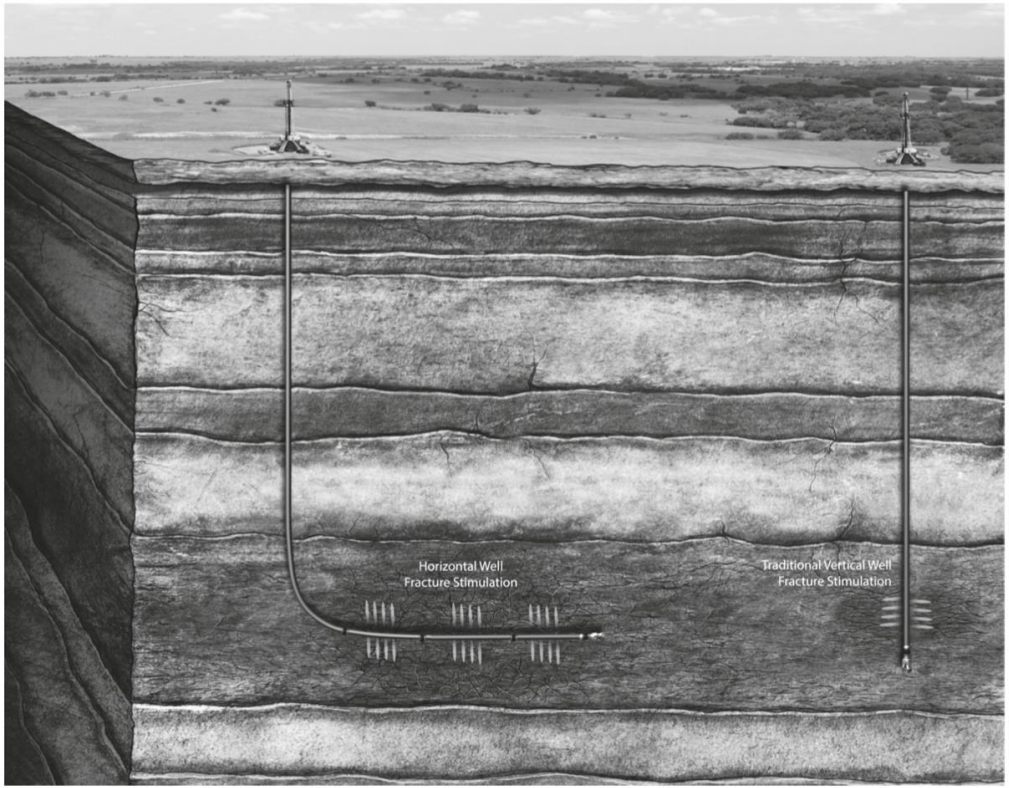

European LNG import terminals
Operational
Under construction
Planned
FSRU/offshore
Planned FSRU/offshore
FINLAND
NORWAY
SWEDEN
LITHUANIA
UK
POLAND
GERMANY
Germany is in final stages of negotiations to secure three floating storage regasification units (FSRU) that would provide 27bn cubic metres of gas a year
FRANCE
PORTUGAL
SPAIN
ITALY
TURKEY
GREECE
MALTA
Sources: ICIS; OIES; FT research
© FT

The Gate Terminal in the Netherlands is a critical entry point for liquefied natural gas, a vital fuel for Europe. Gate Terminal

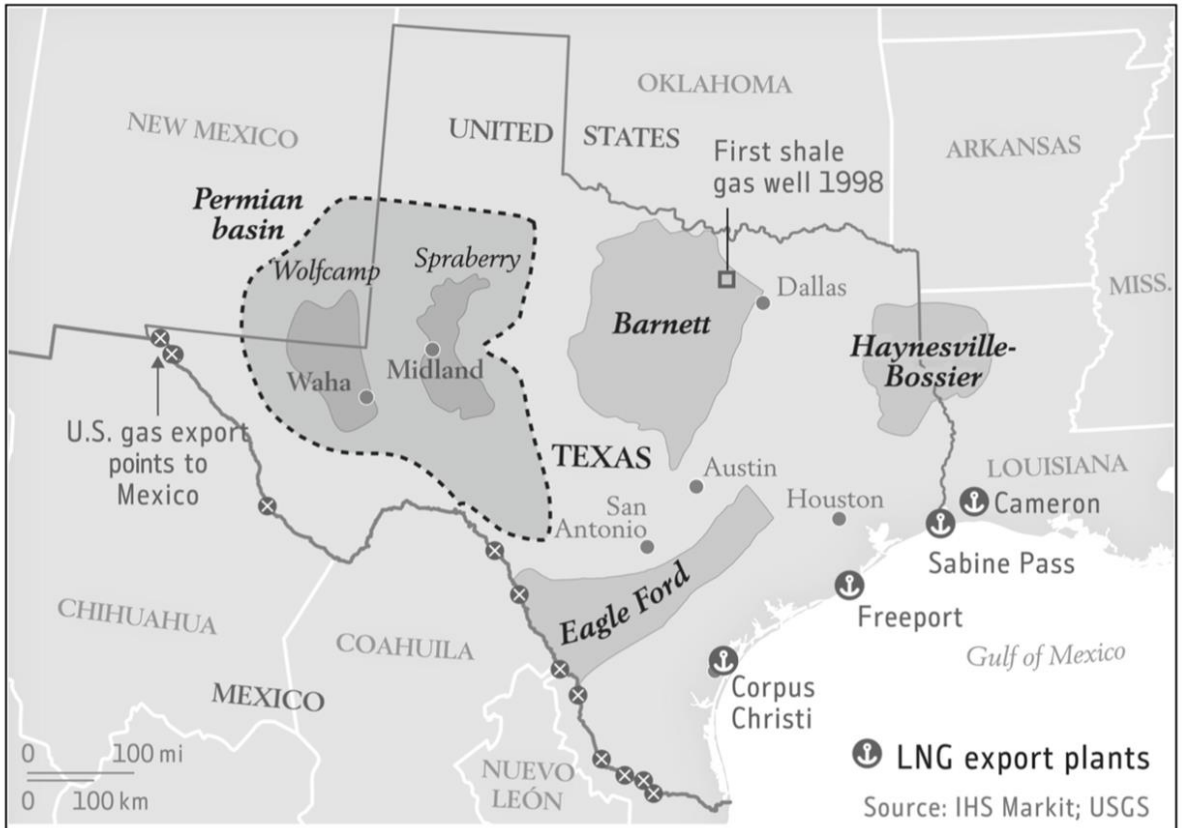


EU27 LNG monthly imports by region of origin

A floating storage and regasification unit. The ships offer the fastest way for Europe to boost LNG imports © Claudine Klodien/Alamy



The Permian Basin in West Texas and New Mexico is now the world's second-largest producing area, propelling the United States to become the world's largest oil producer in 2018, ahead of Saudi Arabia and Russia. Horizontal drilling taps multiple zones containing shale oil.

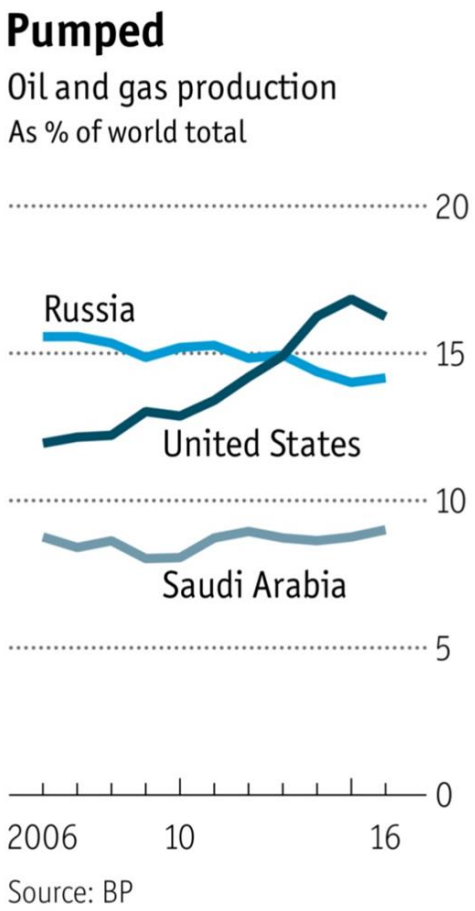


The New Shale Plays

Texas oil production increased five-fold in a decade and was larger than every country in OPEC except Saudi Arabia.

Ships at Cheniere Energy's Sabine Pass terminal being loaded with liquefied natural gas. Cheniere

In 2016, a tanker passed through the expanded Panama Canal carrying the first cargo of U.S. liquefied natural gas (LNG) to China. Oil and gas exports now loom large in U.S.-China trade battles.



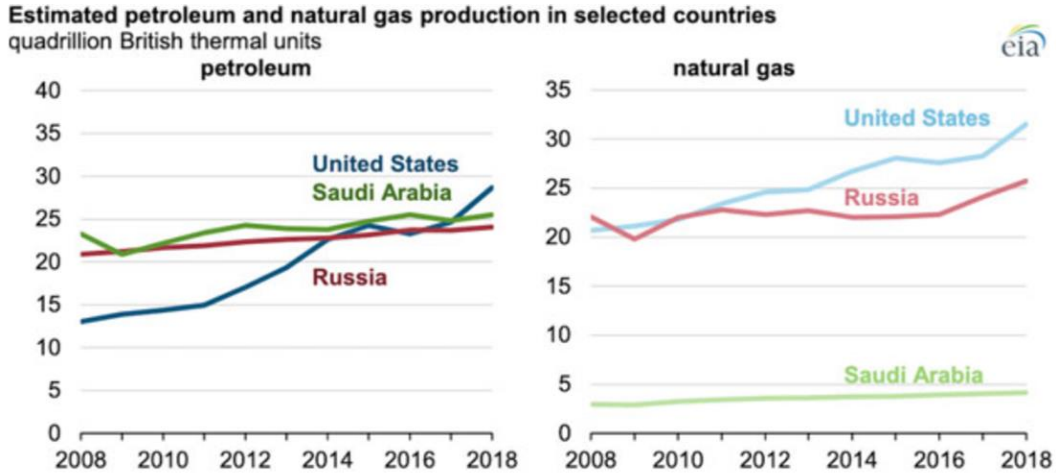
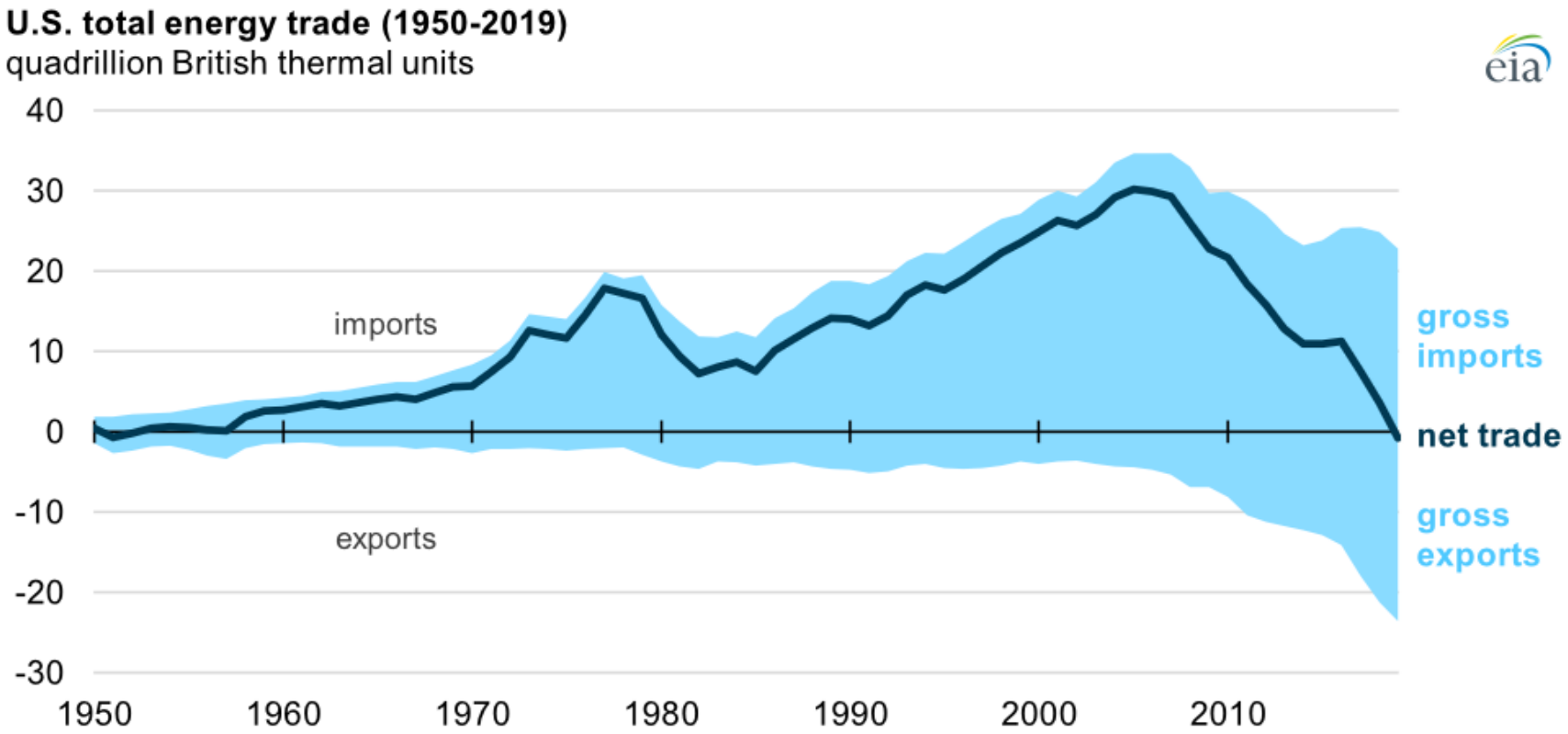


Fig. 11.1 Estimated petroleum and natural gas production in selected countries (*Source* U.S. Energy Information Administration, based on International Energy Statistics. *Note* Petroleum includes crude oil, condensate, and natural gas plant liquids)

U.S. total energy exports exceed imports in 2019 for the first time in 67 years



Source: U.S. Energy Information Administration, *Monthly Energy Review*, Tables 1.4a, 1.4b, and 1.4c

Russia: Pivoting to the East

The Power of Siberia is the first gas pipeline built to supply Russian gas to China. Image courtesy of Gazprom.

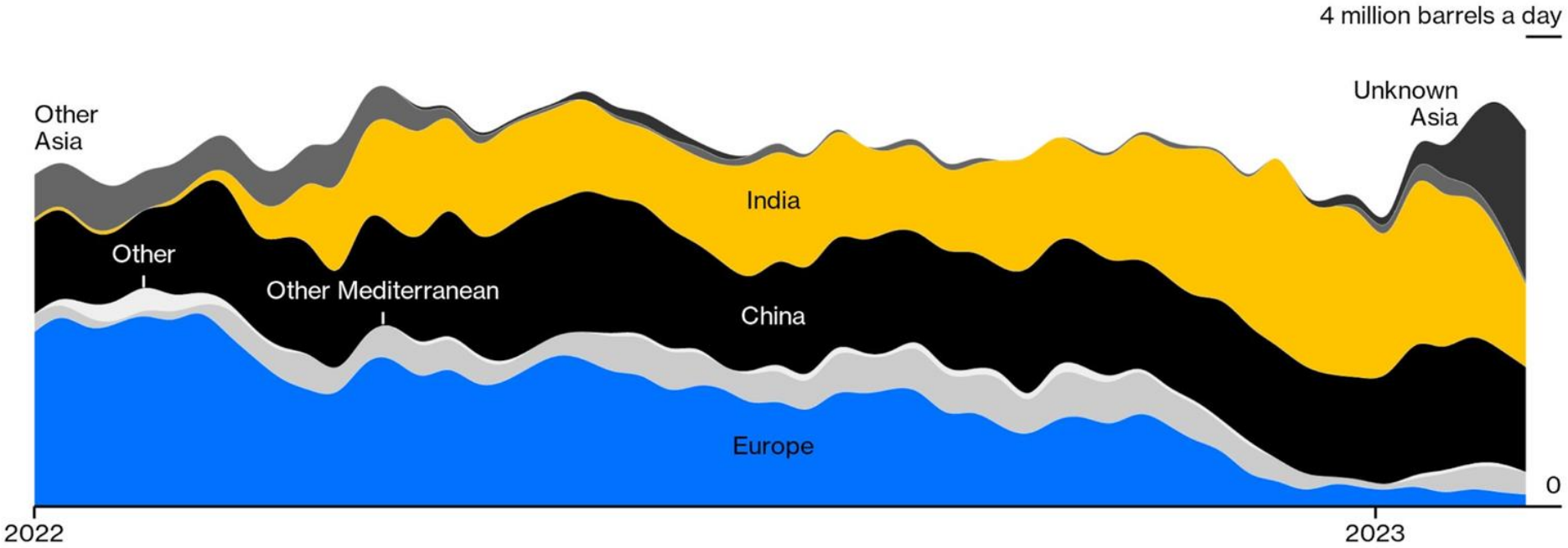
Gas supply to China through the Power of Siberia pipeline was started in December 2019. Image courtesy of Gazprom.

Piloting to the East

Trans-Mongolian Route for Power of Siberia 2

Buyers of Russia's Crude Oil

India has provided the most important lifeline for Moscow's crude sales

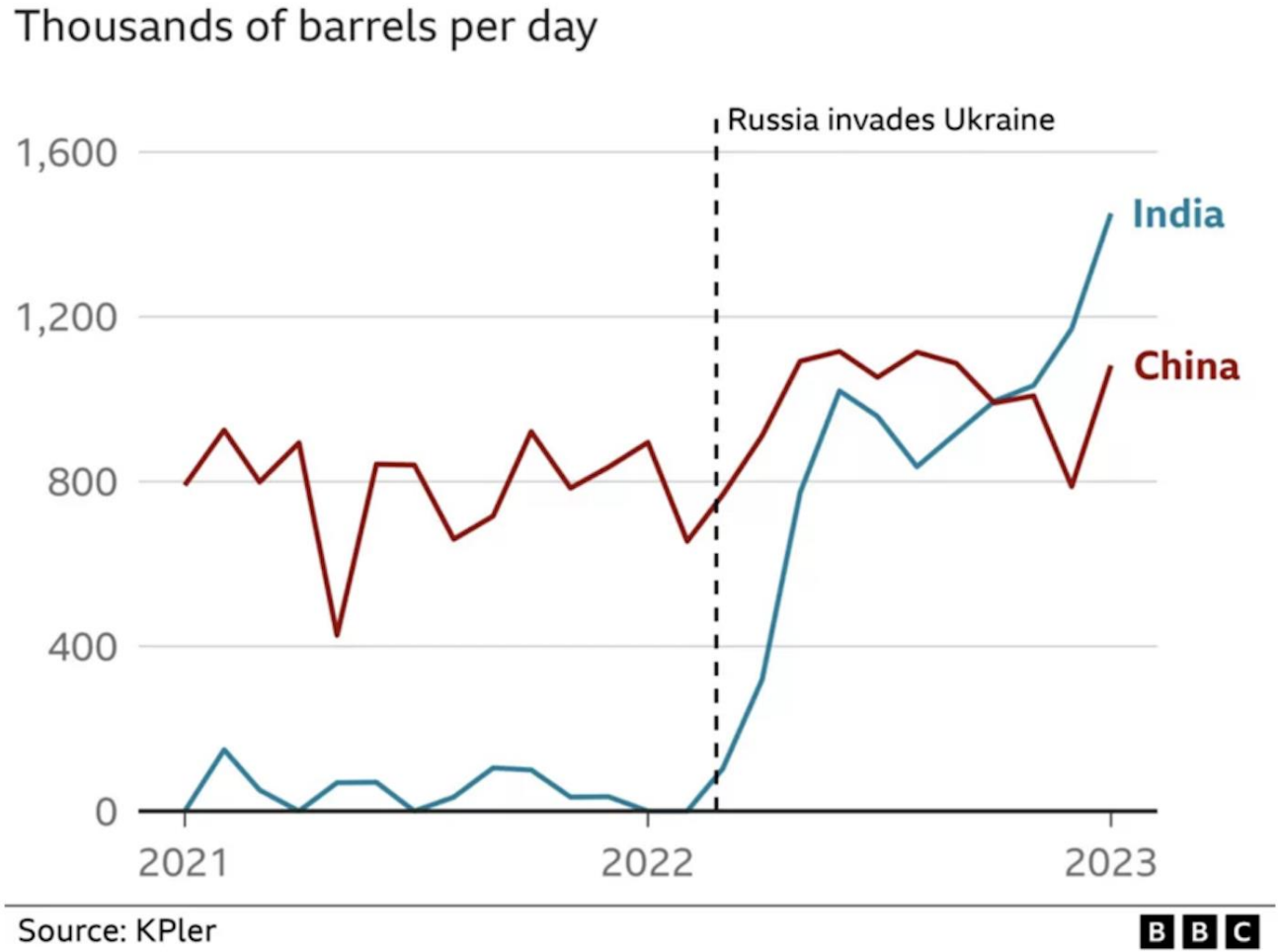


Source: Vessel tracking data monitored by Bloomberg

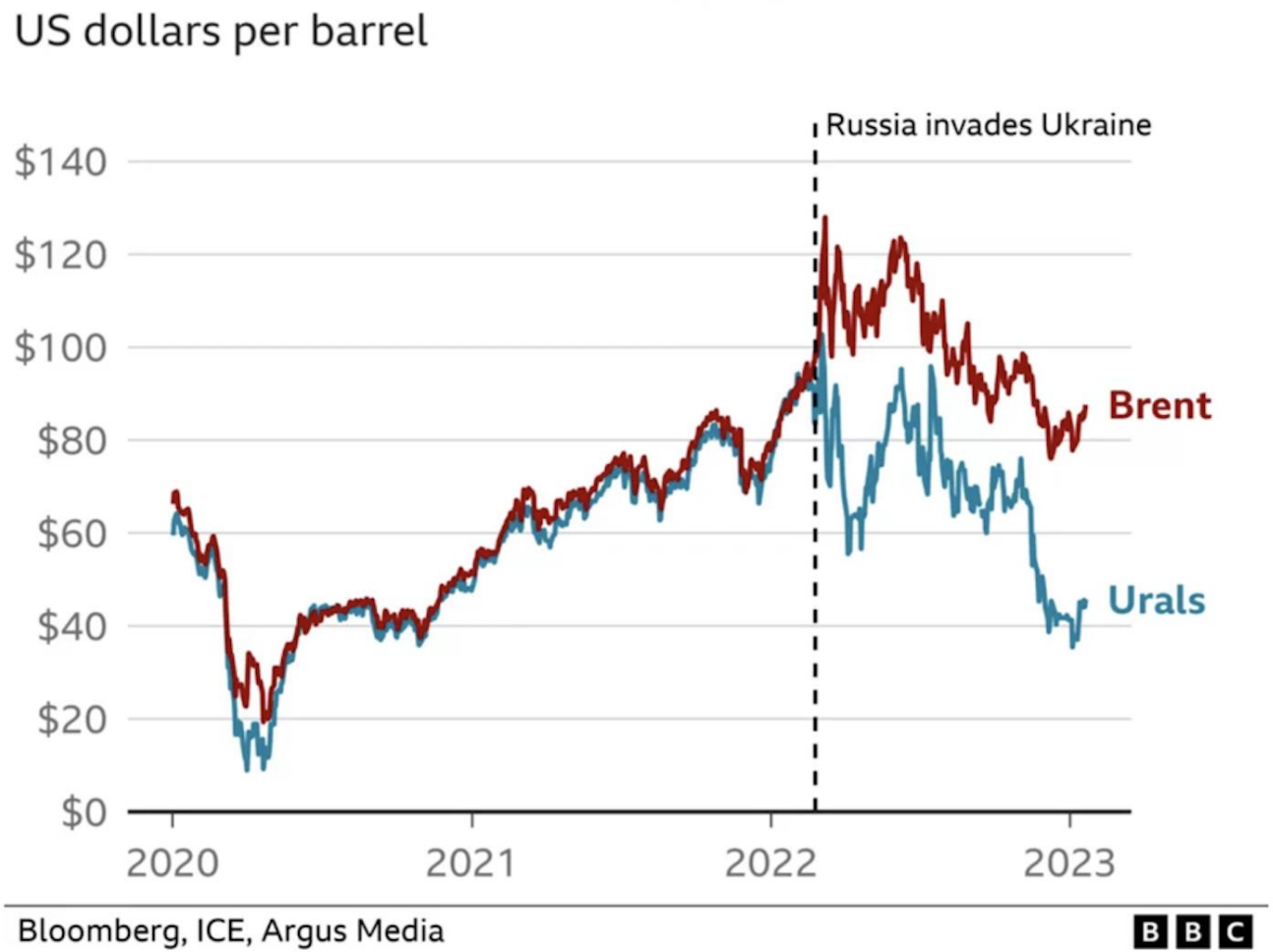
Note: Four-week average flows of Russian crude. Recent history suggests that most of the barrels heading to "Unknown Asia" destinations will end up in India, with some heading to China. "Other Med." is mostly shipments to Turkey.

BloombergOpinion

Russia oil exports to India and China



Price of Russian oil dropping faster than Brent

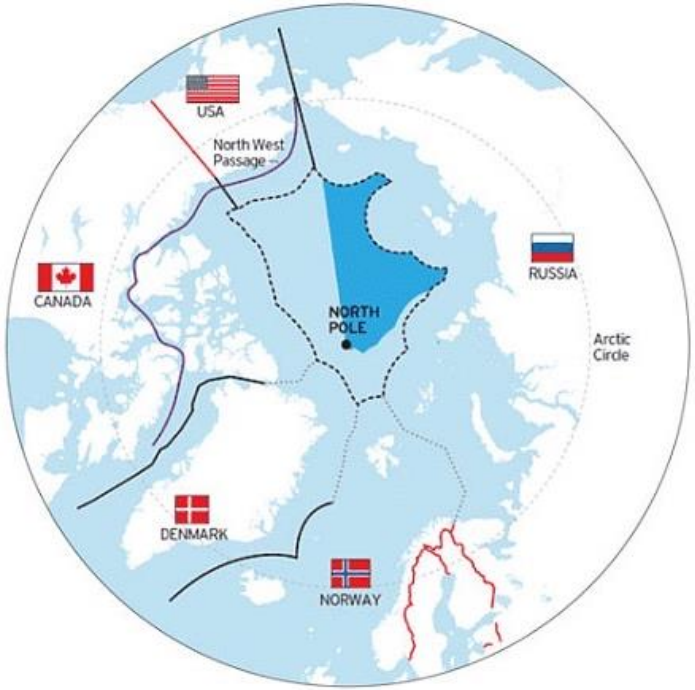


Source: Middle East Eye

At the *“end of the land”* on a remote Arctic peninsula. Russia will become one of the world’s major exporters of LNG, capable of cutting through the ice eastward to Asia or westward to Europe

Estimated Undiscovered Oil and Gas in the Arctic and Potential Trade Routes

Russian Continental Shelf Claims in the Arctic



Source: Division for Ocean Affairs and the Law of the Sea, Office of Legal Affairs, United Nations, "Outer limits of the continental shelf beyond 200 nautical miles from the baselines: Submissions to the Commission: Submission by the Russian Federation," at *www.un.org/depts/los/clcs_new/submissions_files/rus01/RUS_CLCS_01_2001_LOS_2.jpg.*

Resource competition in the Arctic

11. The consequences of melting Arctic ice for shipping.

“Icebreaker gap” benefits Russia

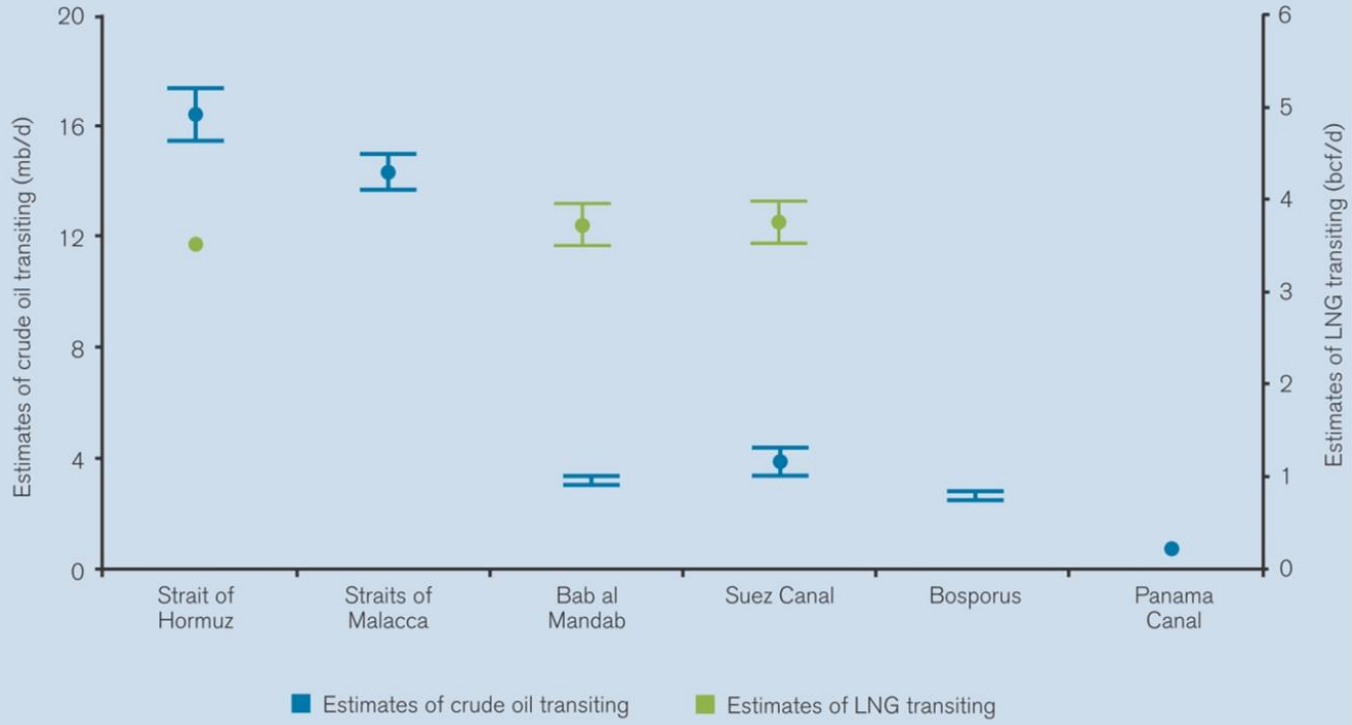
South China Sea

China is claiming most of the South China Sea with its Nine-Dash Line map, leading to tension with Southeast Asian countries and the United States.


Chokepoints and U.S. Encroachment
North Fleet HQ
SOUTH KOREA
JAPAN
CHINA
East Fleet HQ
Chokepoints
U.S. allies
Close U.S. security
Developing U.S. rela
South Fleet HQ
TAIWAN
INDIA
THAILAND
VIETNAM
South China Sea
PHILIPPINES
Guan
(U.S.
Strait of Malacca
Pacific Ocean
MALAYSIA
INDONESIA
300 mi
600 km


China
South China sea
Philippine Sea
Malacca Straits
Asian Meridian
Australia
Malacca Straits
• 15 million barrels per day of oil (18% of global total).
• 70% of China's oil imports.
• 60,000 shipping movements per year.
• 25% of all global trade.
• History of piracy.

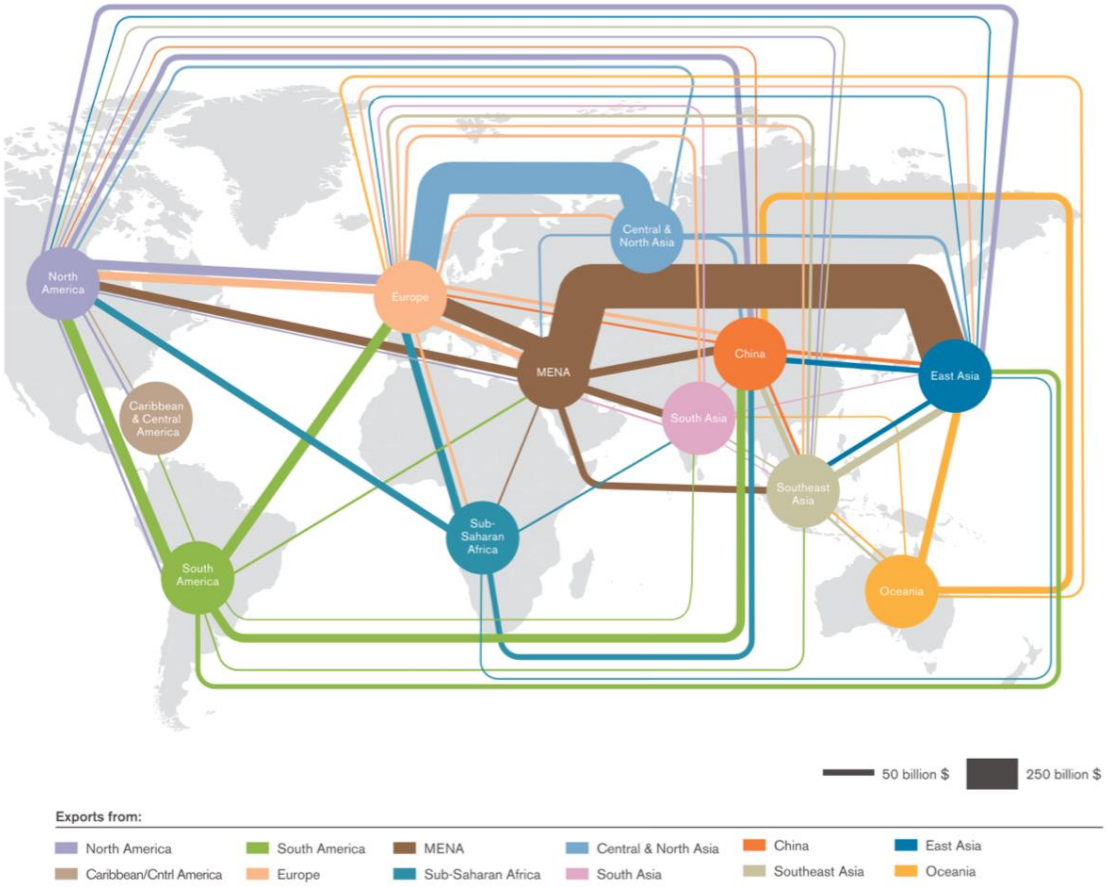
Figure 4.13: Estimated volumes of oil and gas through key choke points, 2010



Source: Stevens and Emmerson (2011).

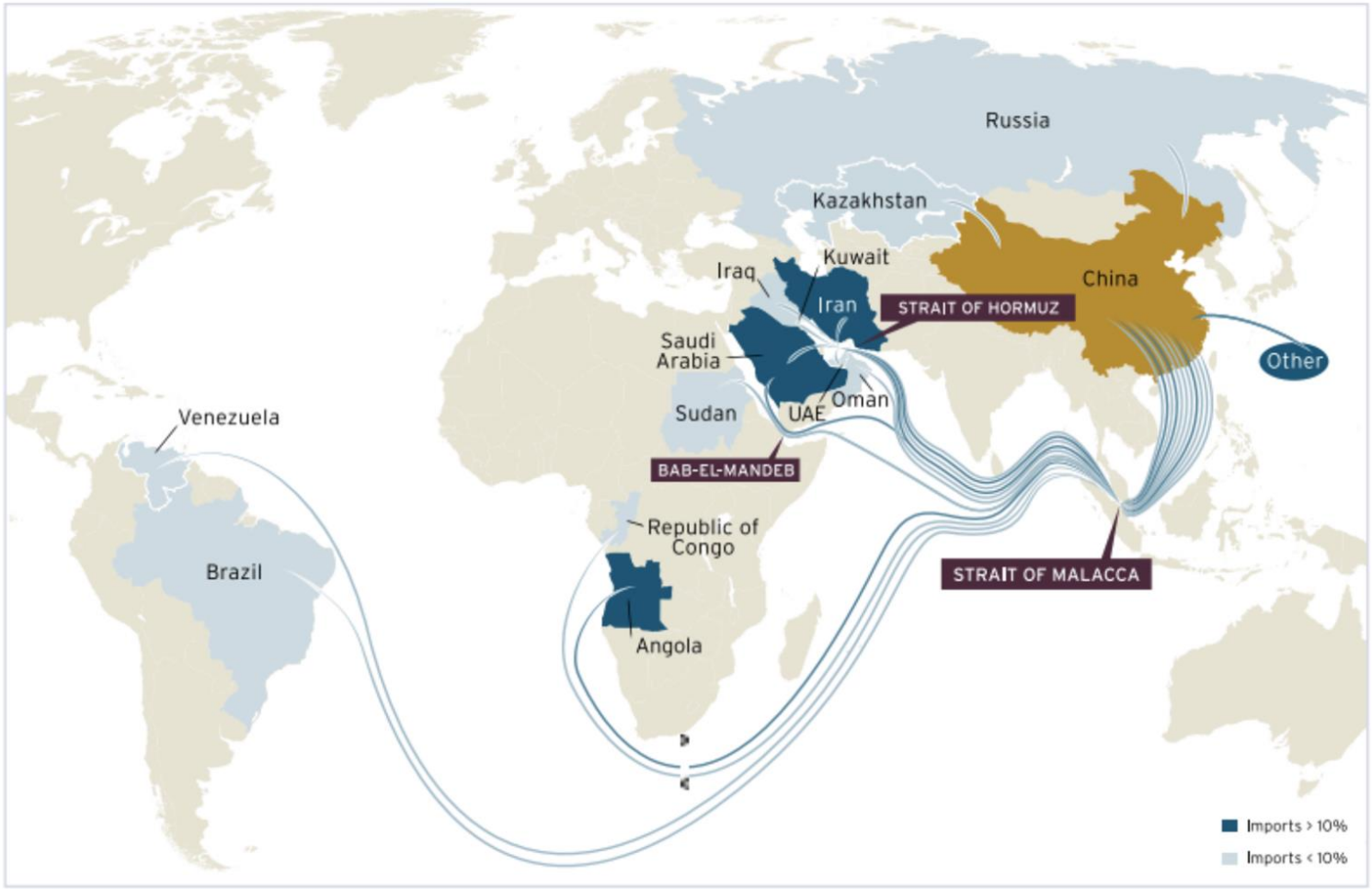
Tanker damaged in attack off the straits of Hormuz

Figure 1.2: Resource trade between regions, by value, 2010



Sources: Chatham House Resource Trade Database, BACI, COMTRADE. Resource trade flows between regions worth more than 10 bn $ in 2010.

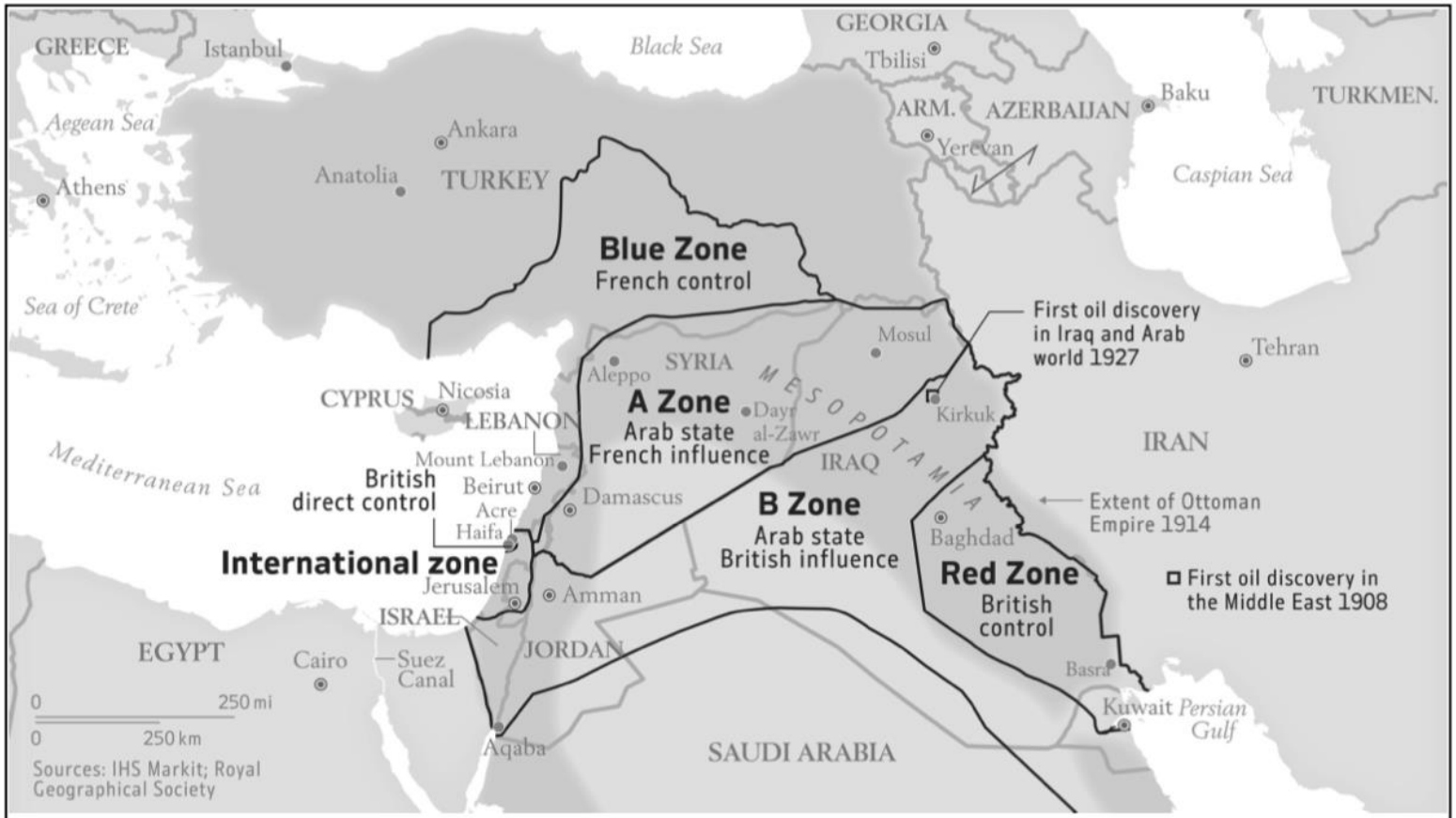
China imports: Trade vulnerability and the Malacca dilemma



China's Belt and Road Initiative

Launched in 2013, the "BRI" aims to promote "connectivity" and reorder the global economy.

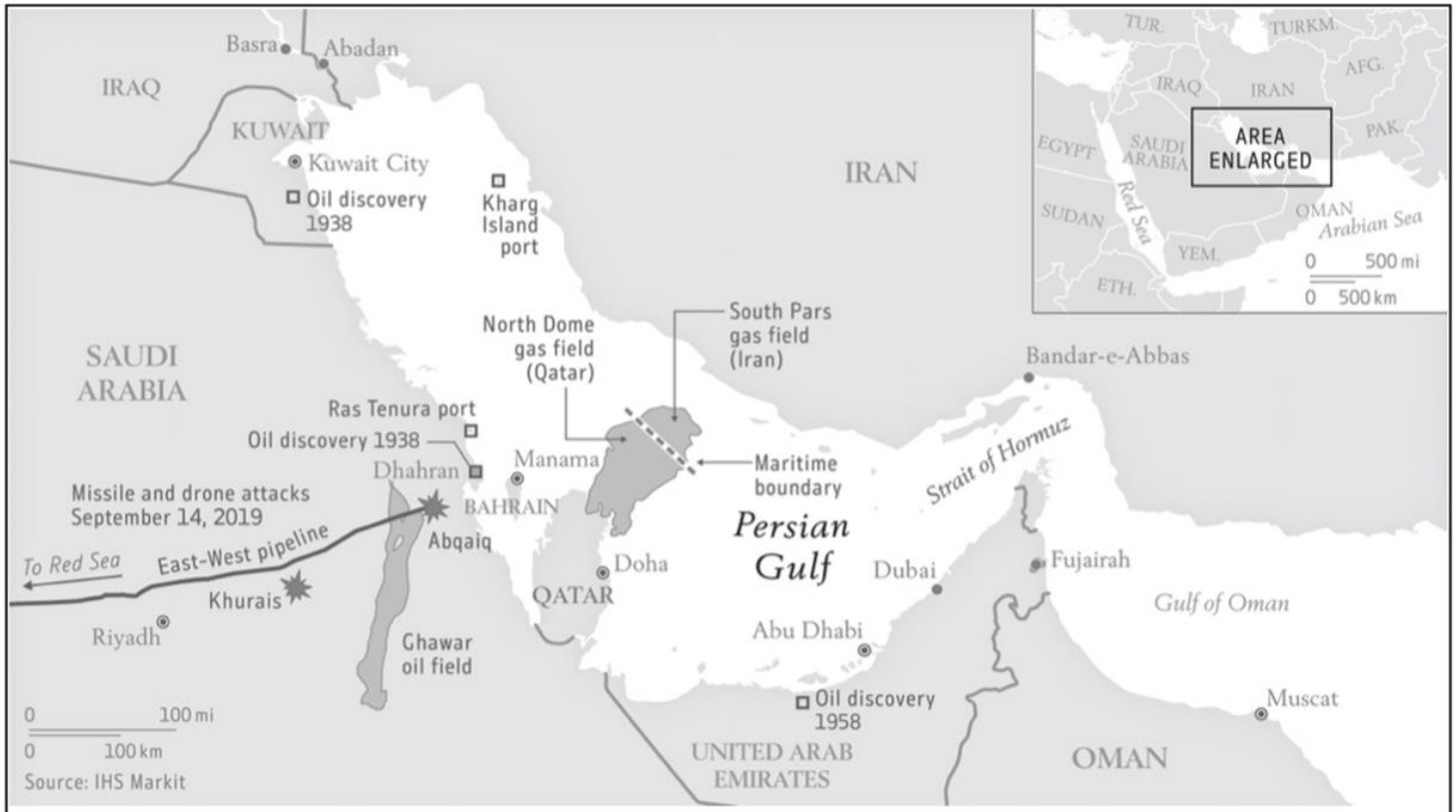
Piraeus port as part of the maritime Silk Road



Sykes-Picot Agreement 1916

The British and French drafted this interim map during World War I for the Middle East after the end of the Ottoman Turkish Empire.

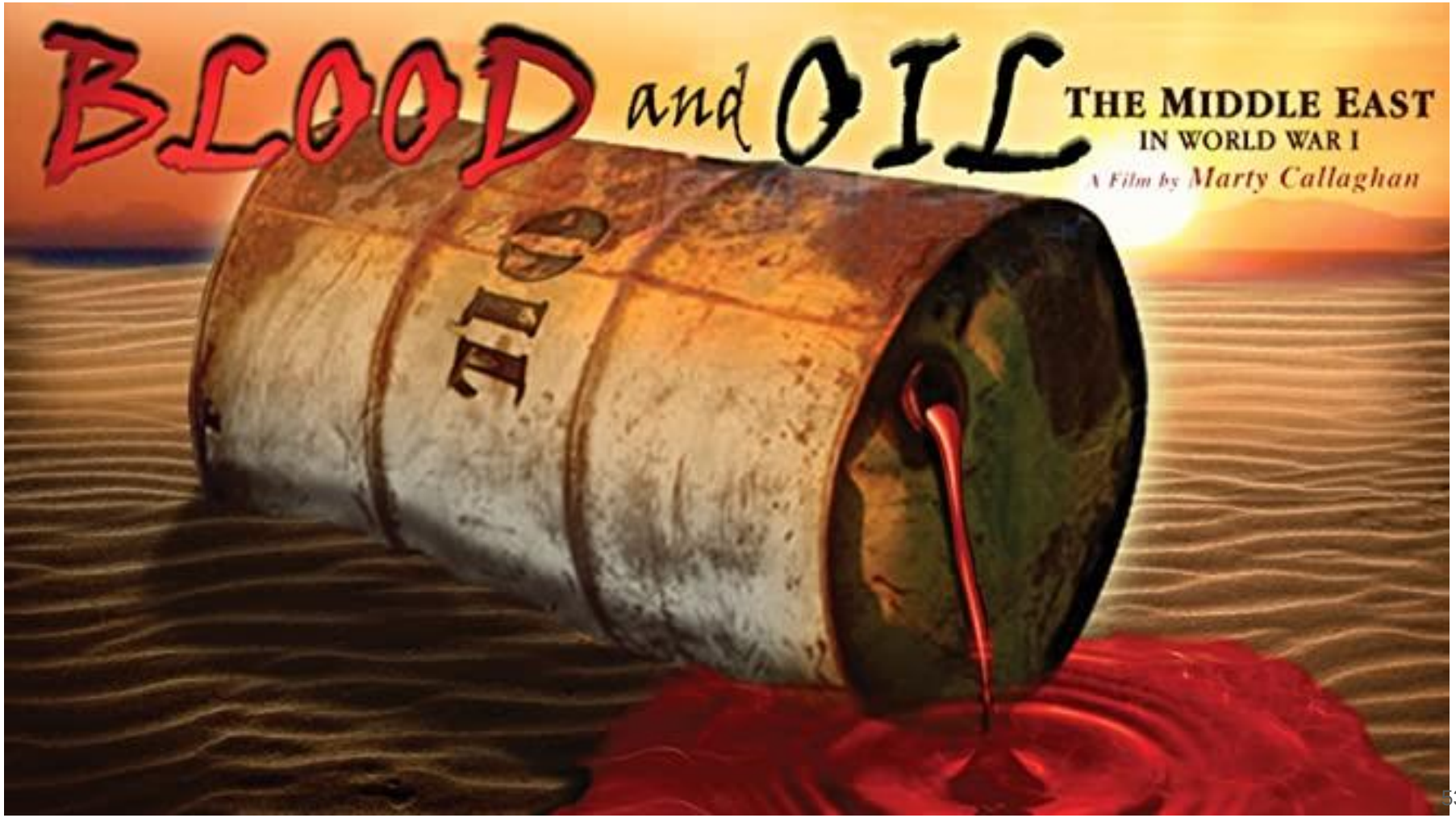
An ISIS jihadist in a 2014 propaganda video declares, “We’ve broken Sykes-Picot,” as a bulldozer erases the border between Iraq and Syria. The U.S. defense secretary said ISIS’s lightning offensive across Iraq was “beyond anything we’ve seen.”



Persian Gulf

The oil heartland of the Middle East produces about 60 percent of the oil that is sold in international markets.

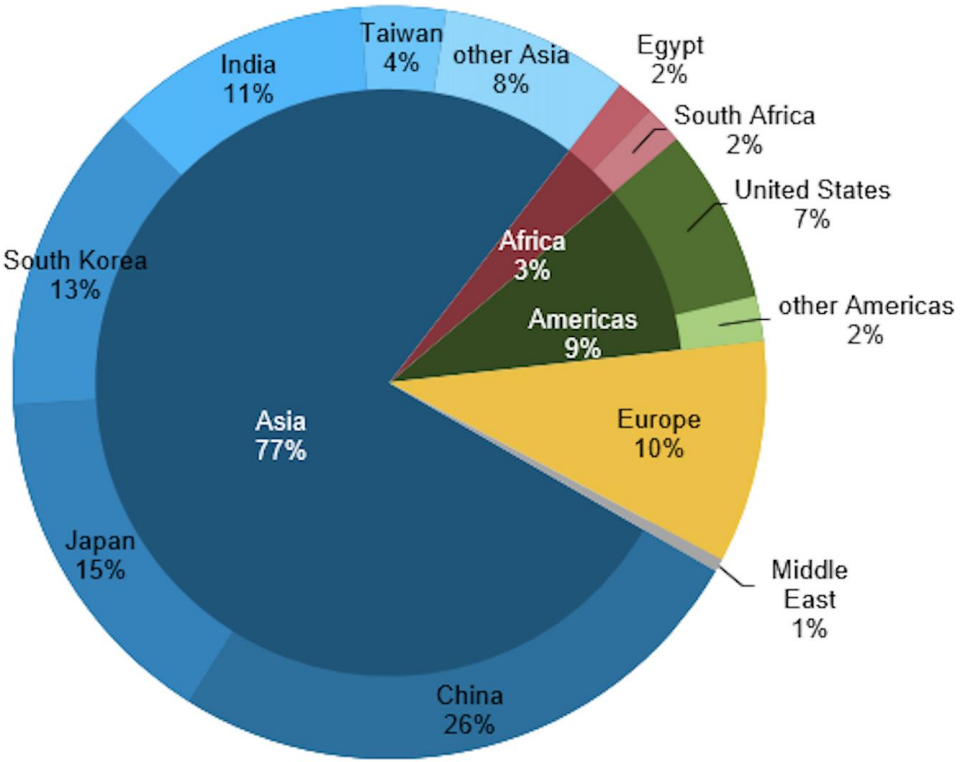

PUMPS
CLOSED


BLOOD and OIL
THE MIDDLE EAST
IN WORLD WAR I
A Film by Marty Callaghan
OIL

Coalition forces enter Kuwait in March 1991. Asharq Al-Awsat

Houthi militants in Yemen cheer the launch of a ballistic missile aimed at Saudi Arabia. The Yemen civil war led to a huge humanitarian crisis.

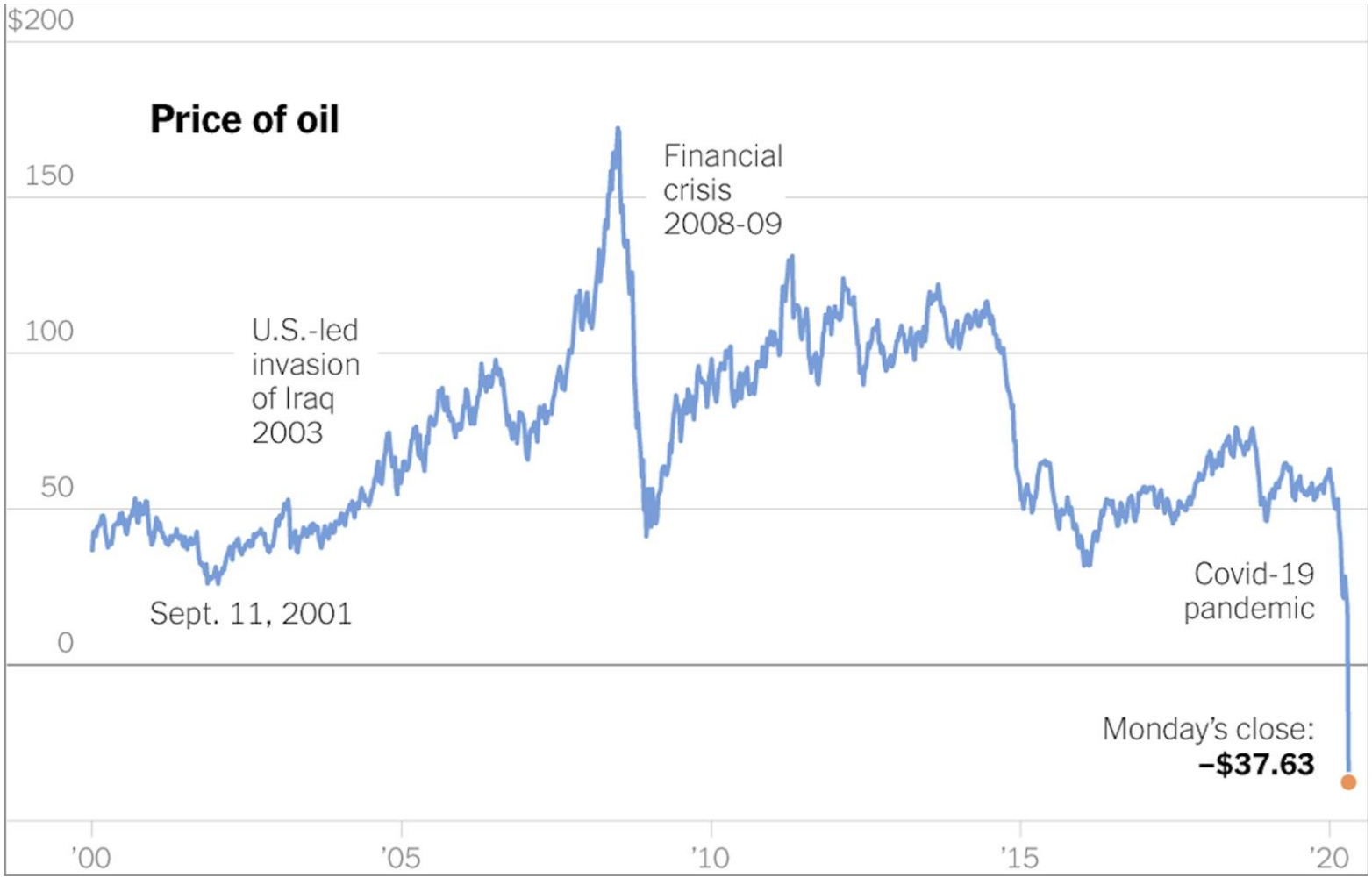
Aramco oil refineries damaged



Source: Graph by the U.S. Energy Information Administration, based on data from Global Trade Tracker

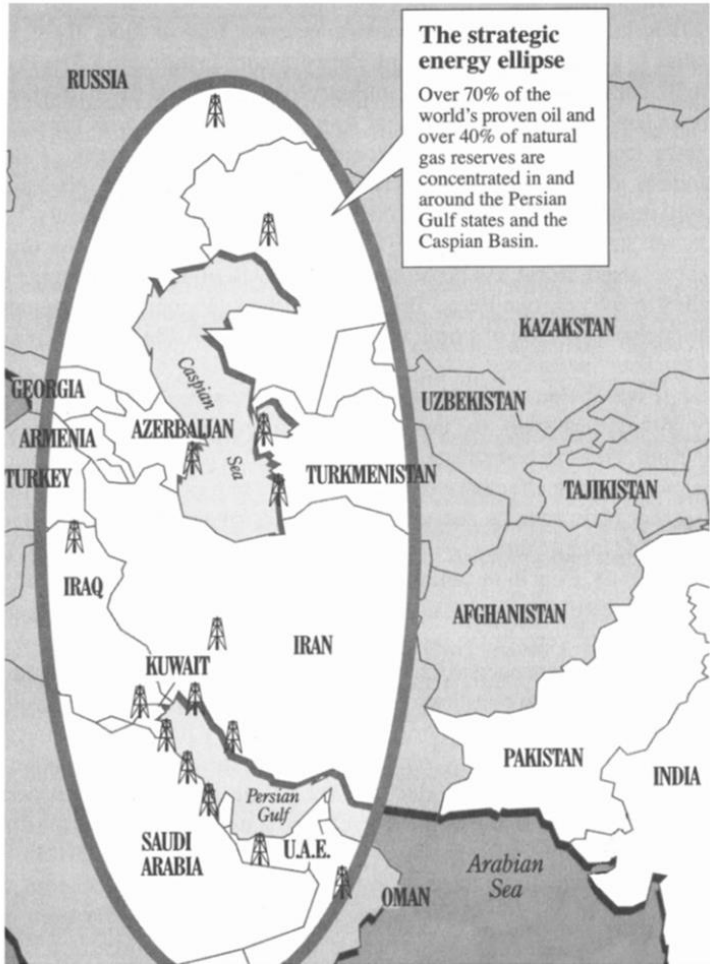
Note: Totals may not add up because of indepedent rounding.

Saudi Arabia's crude oil exports by destination, 2020



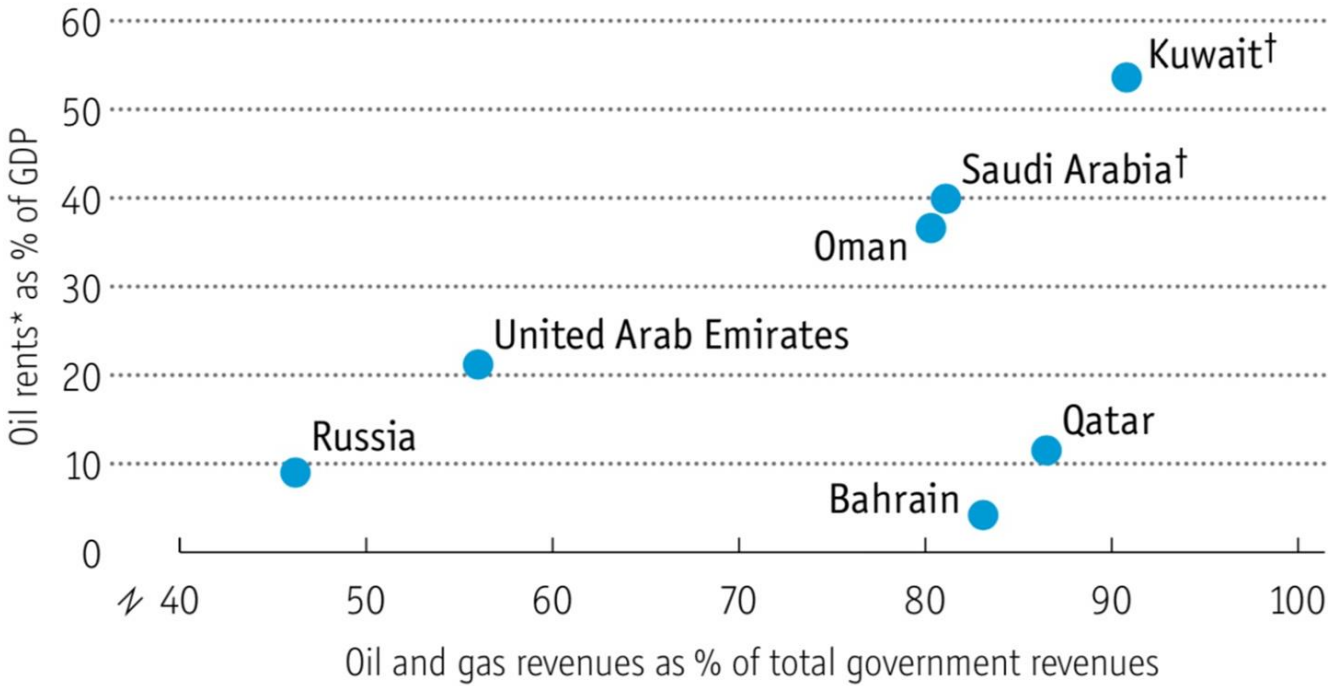
The New York Times|*Source*: Reuters; Bureau of Labor Statistics

Figure 1: The Strategic Energy Ellipse



Hooked on the black stuff

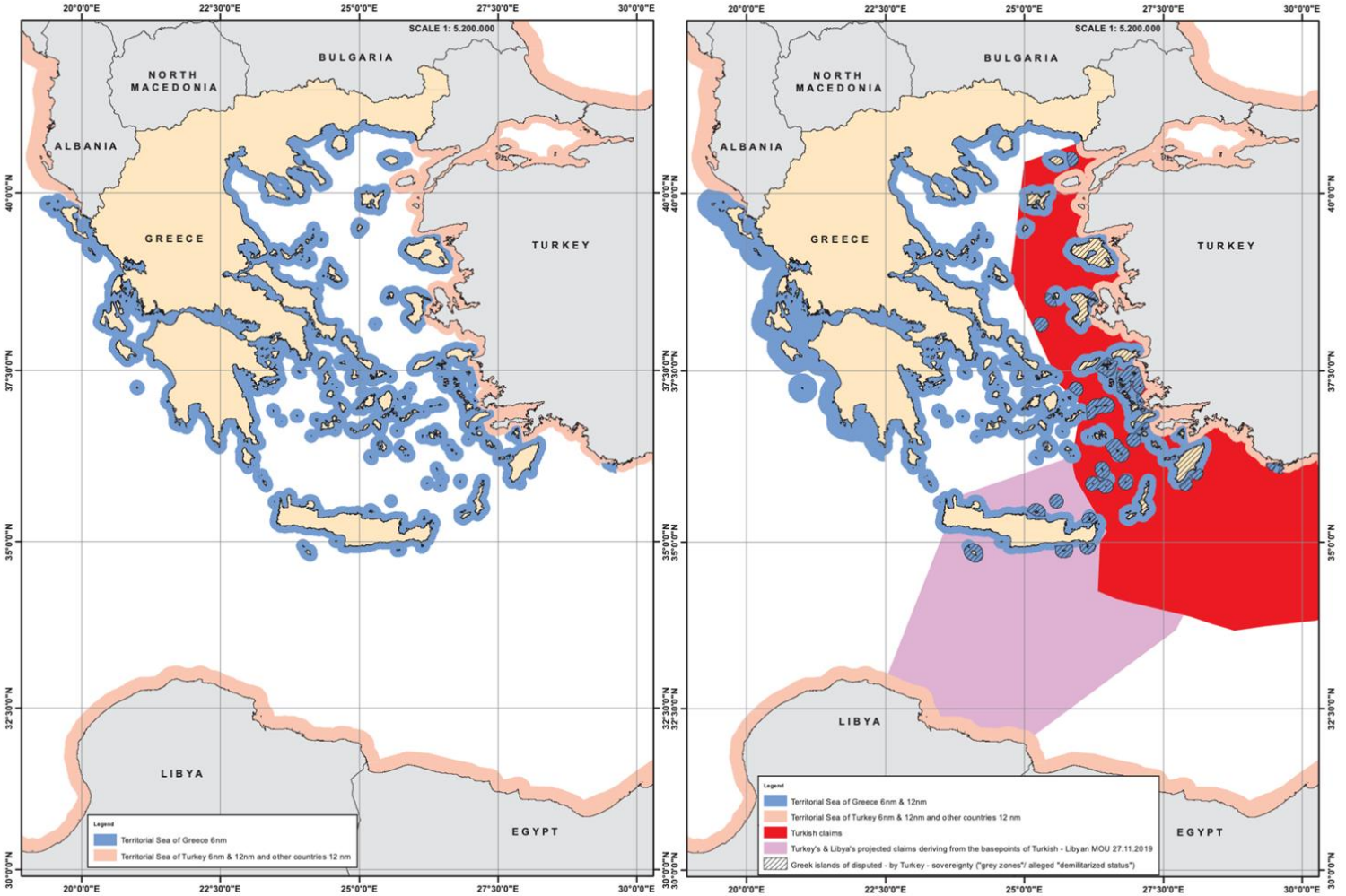
2012-16 averages



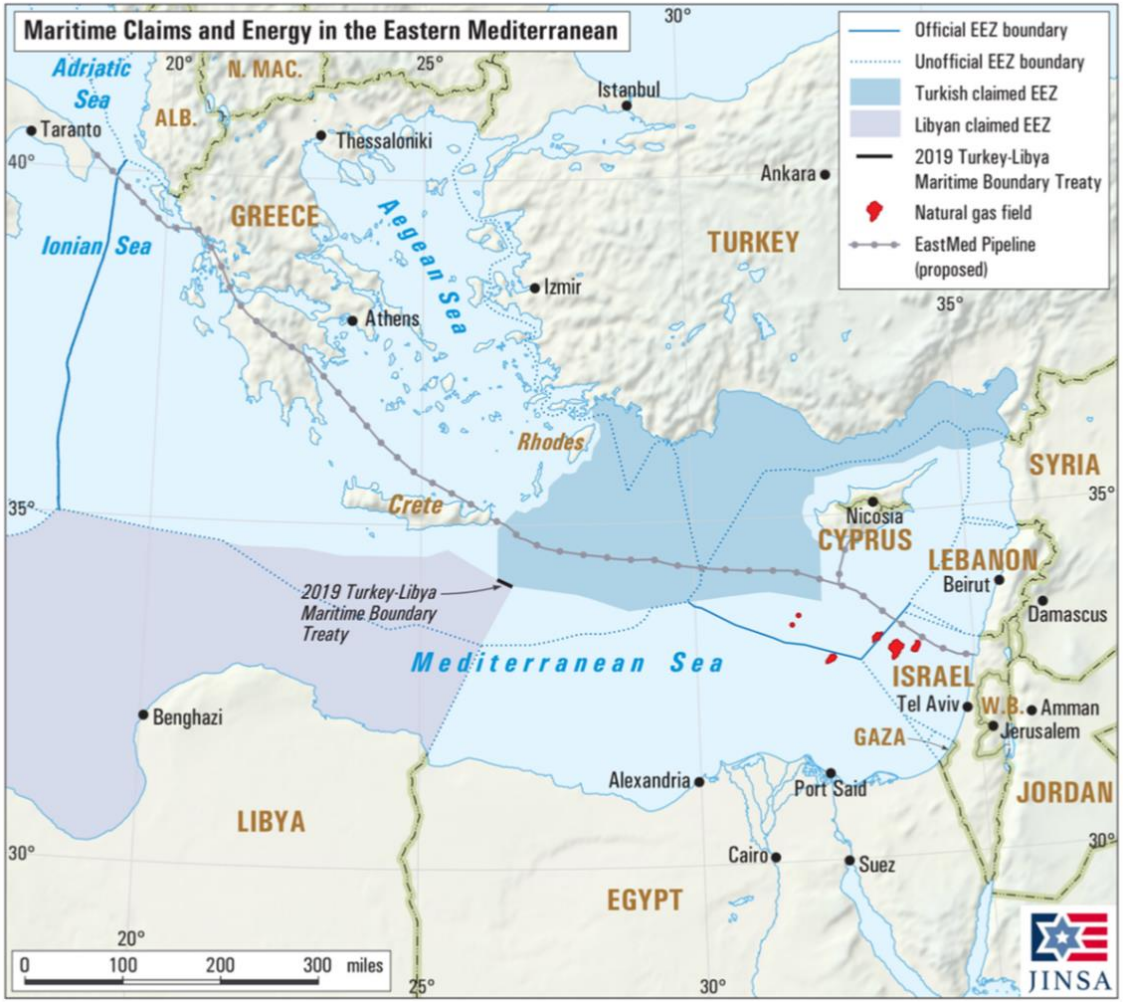
Sources: Haver Analytics; World Bank *Sale price minus production cost †Oil revenues only

Israel’s giant Leviathan natural gas field, started up at the end of 2019, marked the rise of the *“Eastern Med”* as a new energy province and possible exporter to Europe


BLACK SEA
TURKEY
BLUE HOMELAND
462 Thousand km²
ADALAR SEA
MEDITERRANEAN



Comparative mapping of Turkish claims/visions 1972-2022


Maritime Claims and Energy in the Eastern Mediterranean
Official EEZ boundary
Unofficial EEZ boundary
Turkish claimed EEZ
Libyan claimed EEZ
2019 Turkey-Libya Maritime Boundary Treaty
Natural gas field
EastMed Pipeline (proposed)
Adriatic Sea
N. MAC.
ALB.
Taranto
Thessaloniki
Istanbul
Ankara
GREECE
Aegean Sea
TURKEY
Ionian Sea
Izmir
Athens
Rhodes
Crete
SYRIA
Nicosia
CYPRUS
LEBANON
Beirut
Damascus
2019 Turkey-Libya Maritime Boundary Treaty
Mediterranean Sea
ISRAEL
Tel Aviv
W.B.
Amman
Jerusalem
GAZA
Benghazi
Alexandria
Port Said
JORDAN
LIBYA
Cairo
Suez
EGYPT
0 100 200 300 miles
JINSA

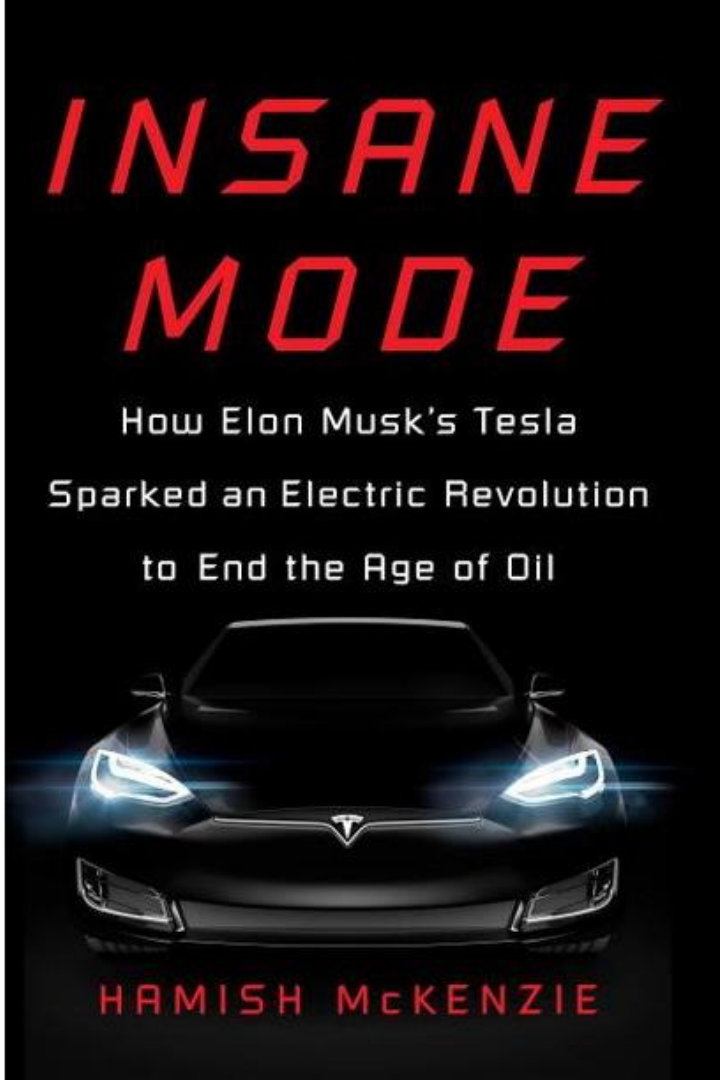
Offshore is the new frontier for wind power

Solar costs have fallen an extraordinary 85% over a decade, and deployment has grown enormously

China supplied 70% of the world's solar cells

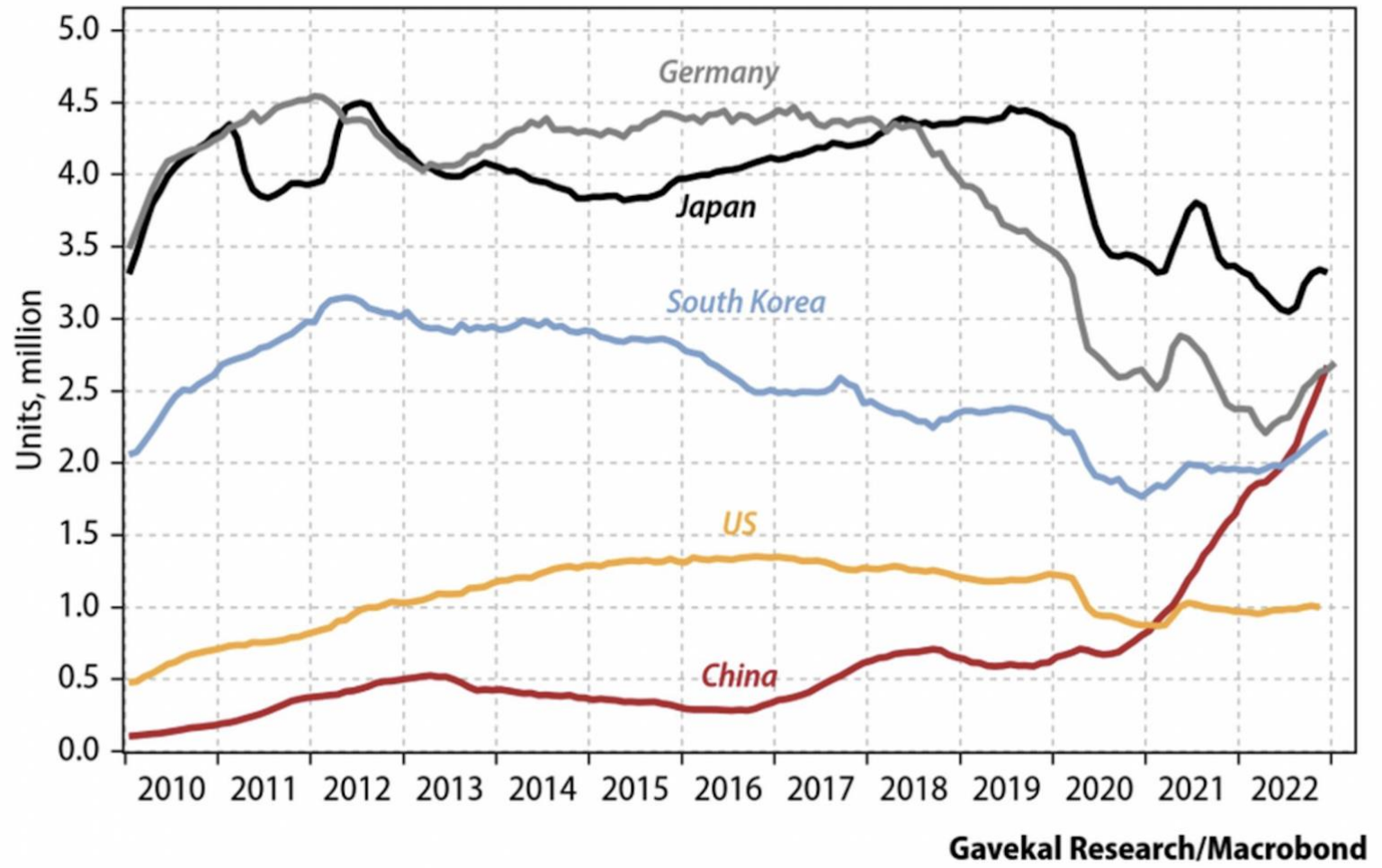
Workers are seen at a solar-panel maker in Hangzhou, Zhejiang province, on Aug. 26. Photo: IC

Thomas Edison’s electric car failed to gain traction

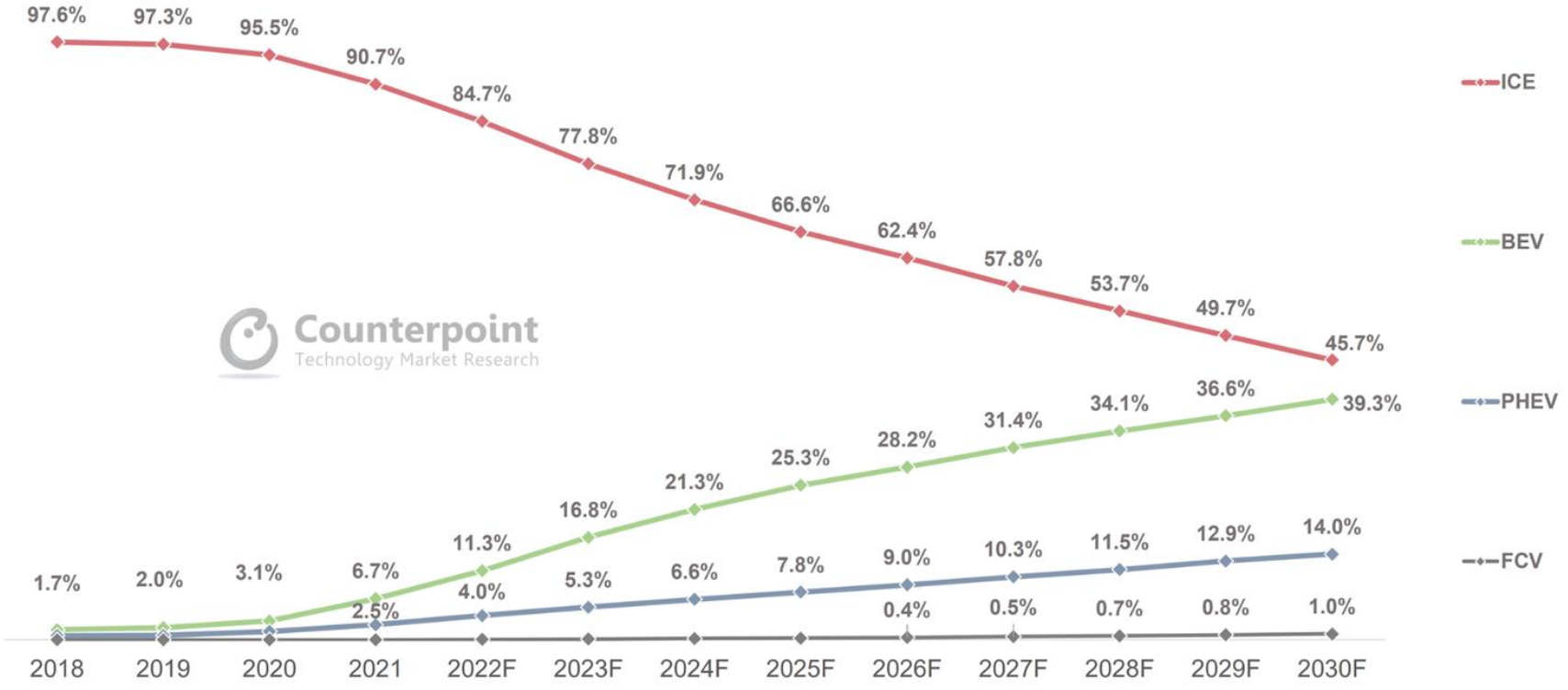


The electric car revolution has geopolitical implications

Exports of passenger cars; rolling 12m sum



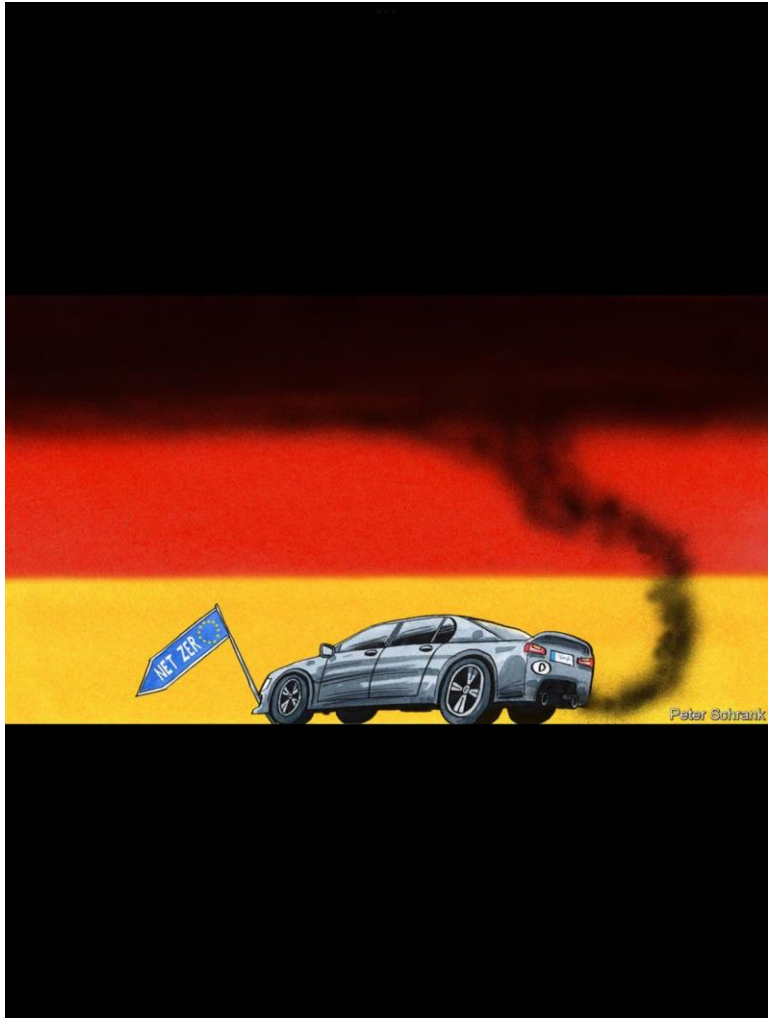
Global PV Sales Share Forecast by Powertrain



Source: Counterpoint Research Passenger Vehicle Forecast, April 2022


CSIS BRIEFS
Electric Shock
Interpreting China's Electric Vehicle Export Boom

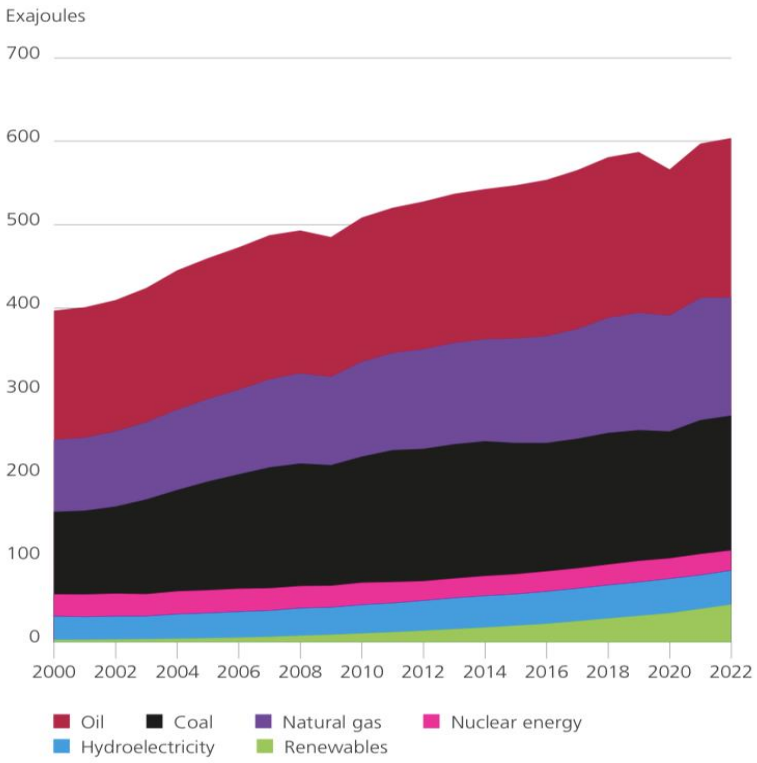

CHINA'S
TAKOVER


NET ZER
Peter Schrank

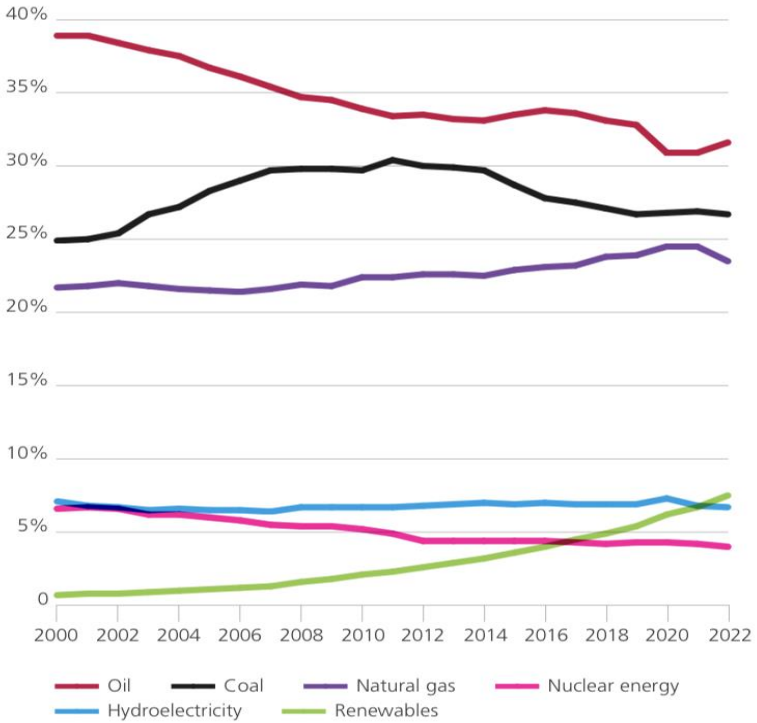
The birthplace of the Industrial Revolution: wood replaced with coal

Primary energy World consumption*

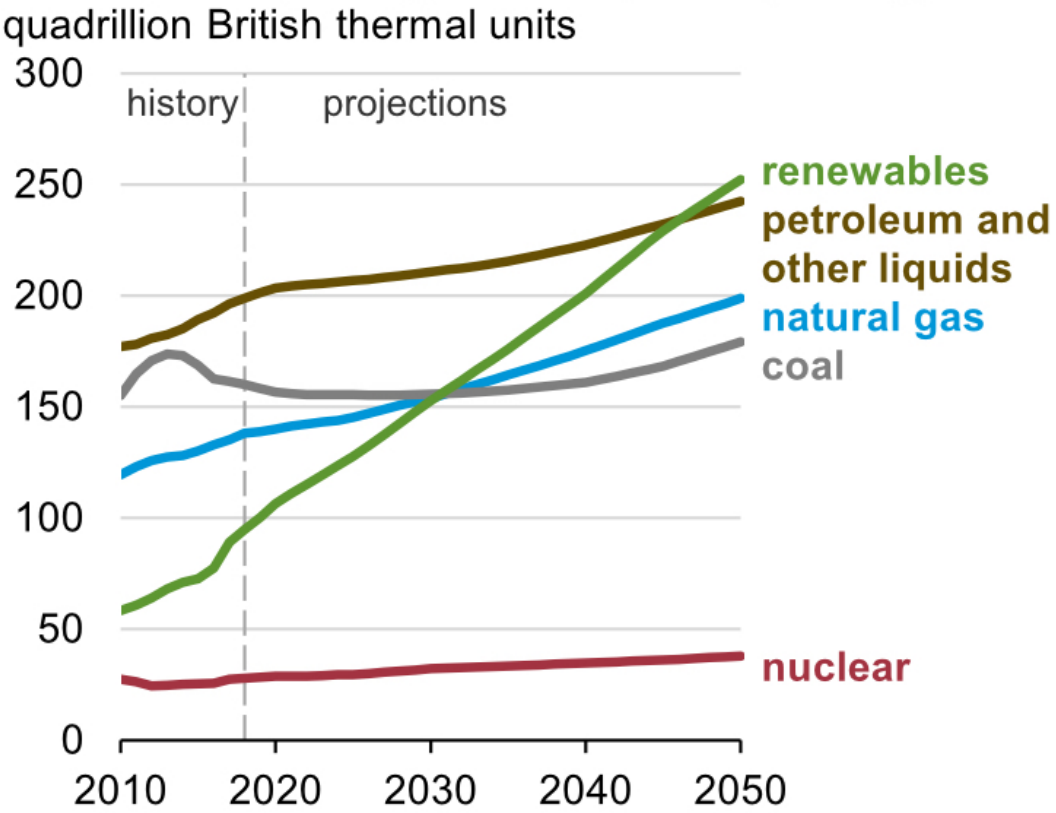
World consumption

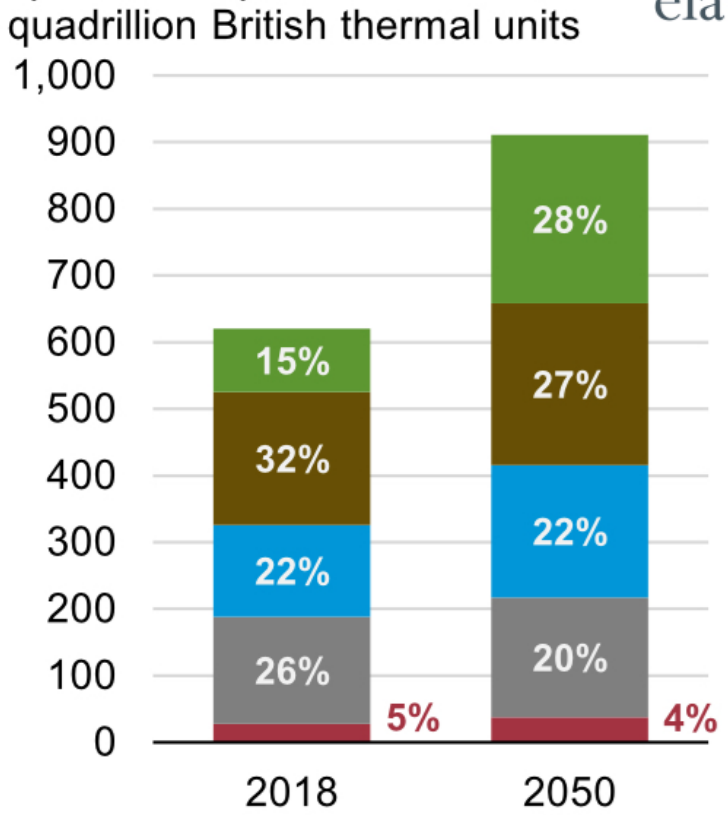


Share of global primary energy



Global primary energy consumption by energy source (2010-2050)





Source: U.S. Energy Information Administration, *International Energy Outlook 2019* Reference case

Figure 1. The energy transition framework

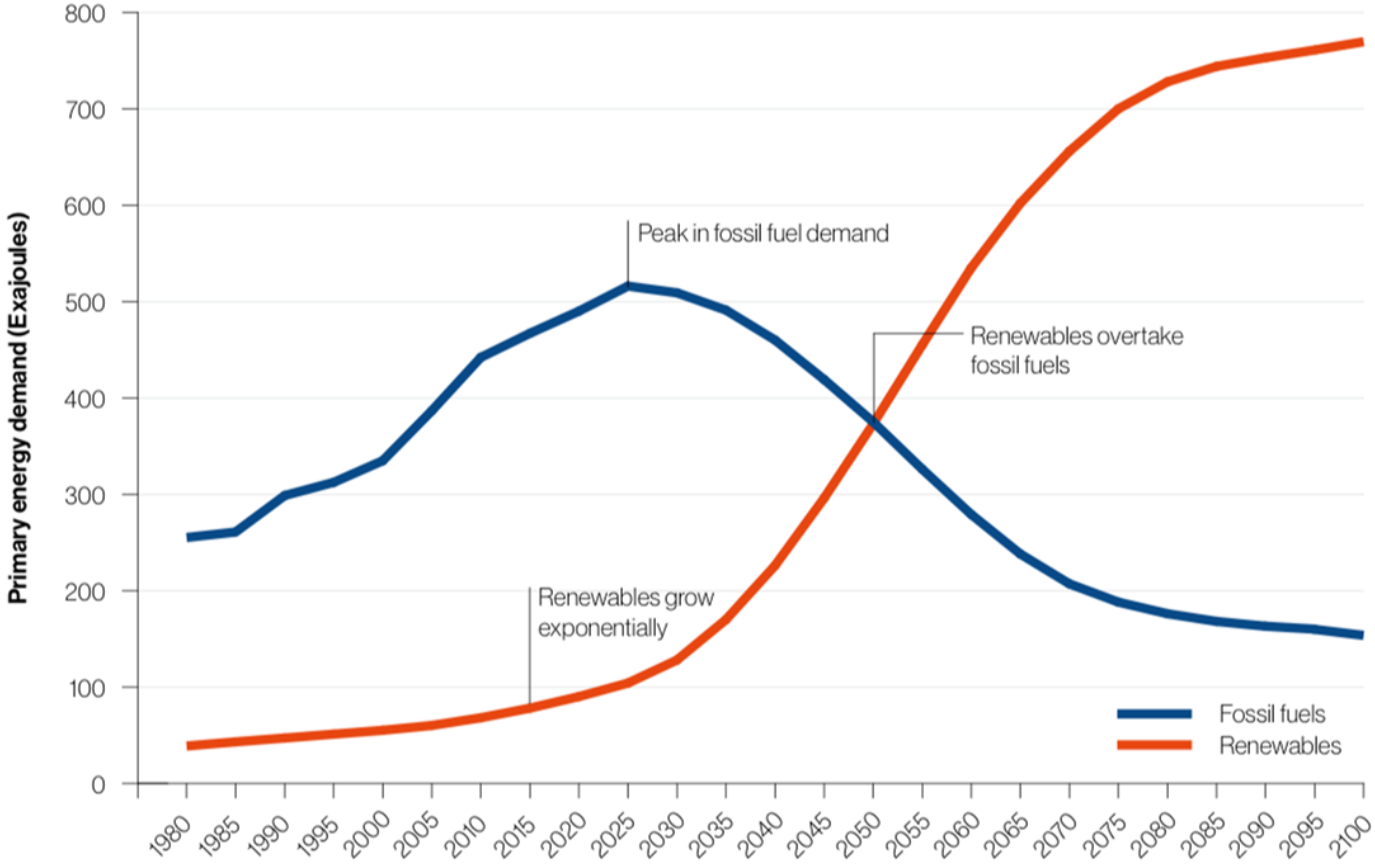
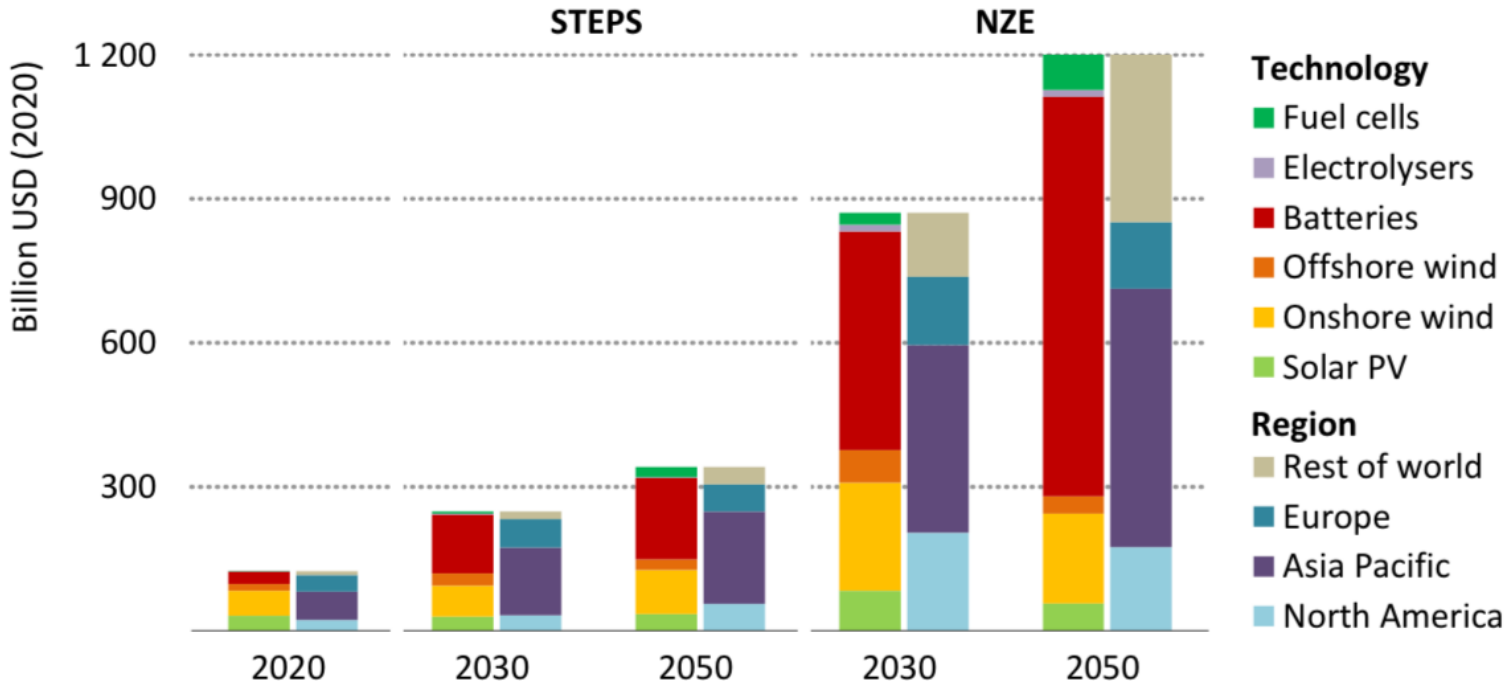
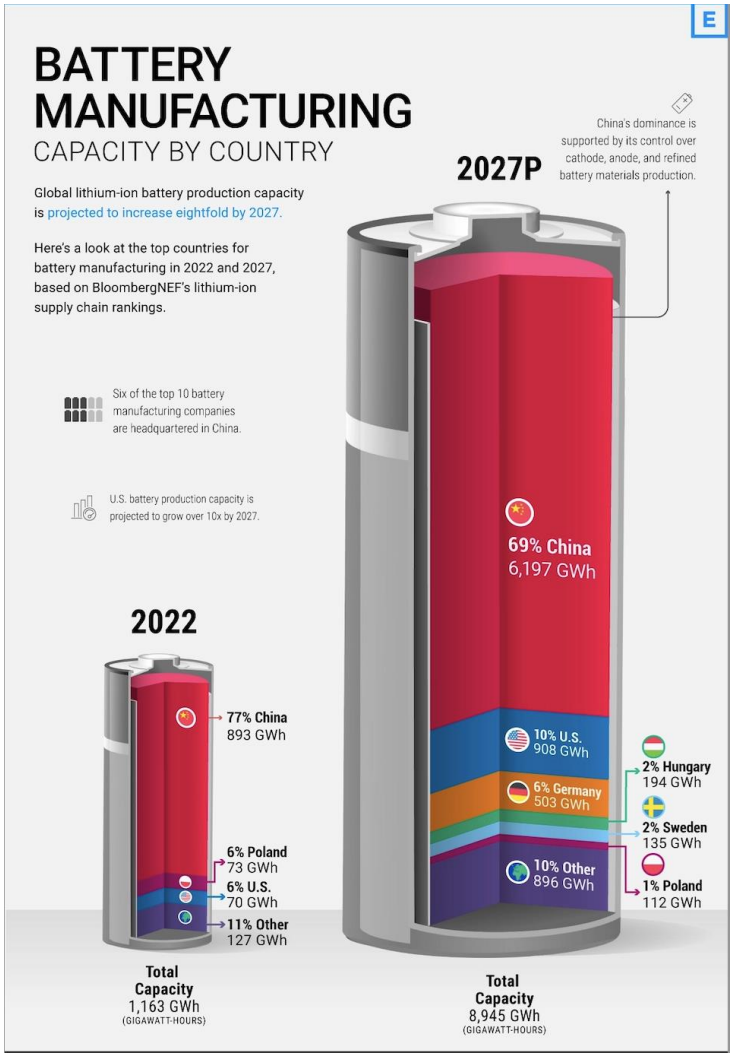


Figure 1.3 ▷ Estimated market size for selected clean energy technologies by technology and region, 2020-2050

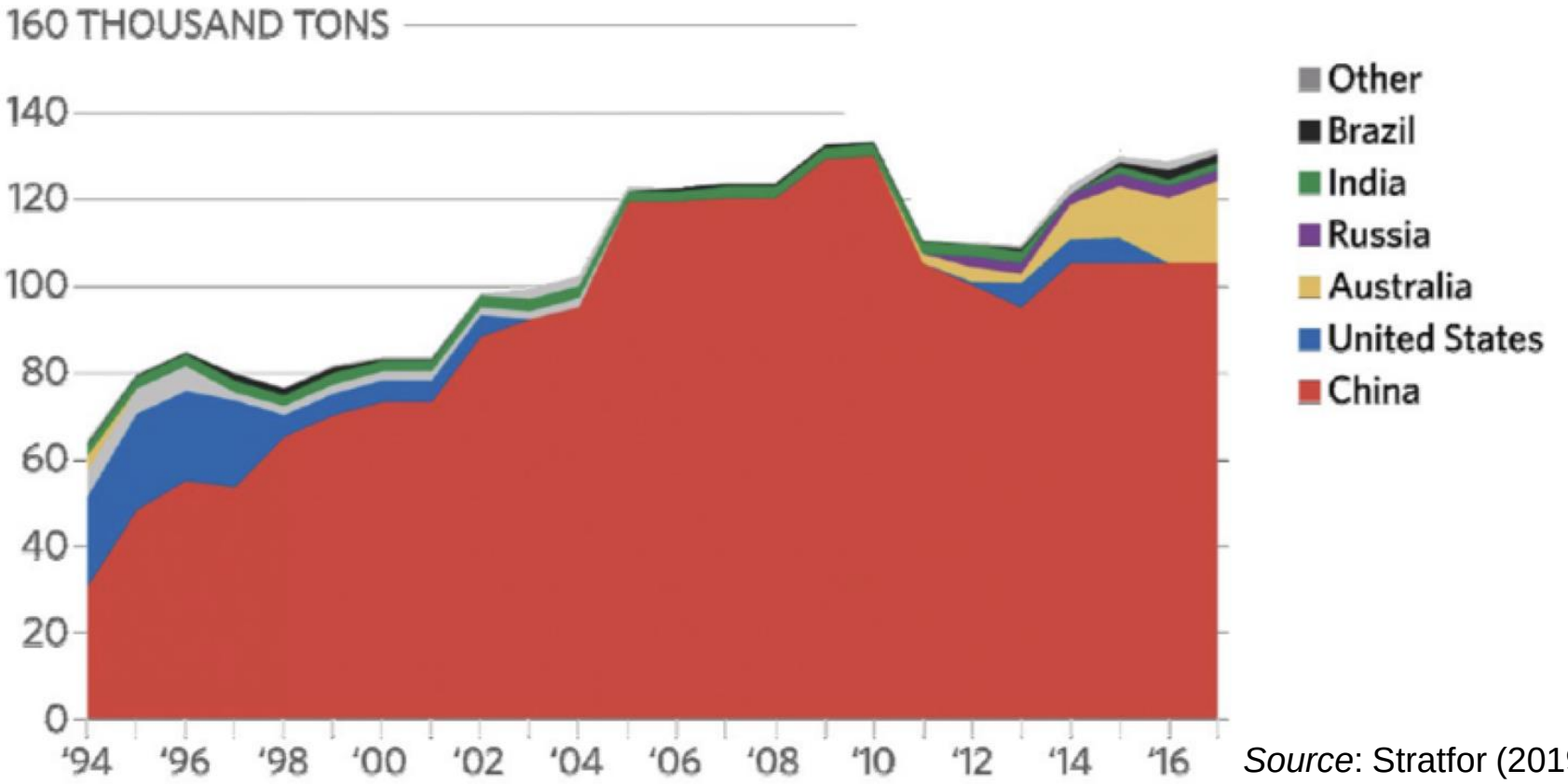


IEA. All rights reserved.

There is explosive growth in clean energy technologies over the next decade in the NZE, leading to a clean energy market worth a cumulative USD 27 trillion by 2050



Source: BloombergNEF

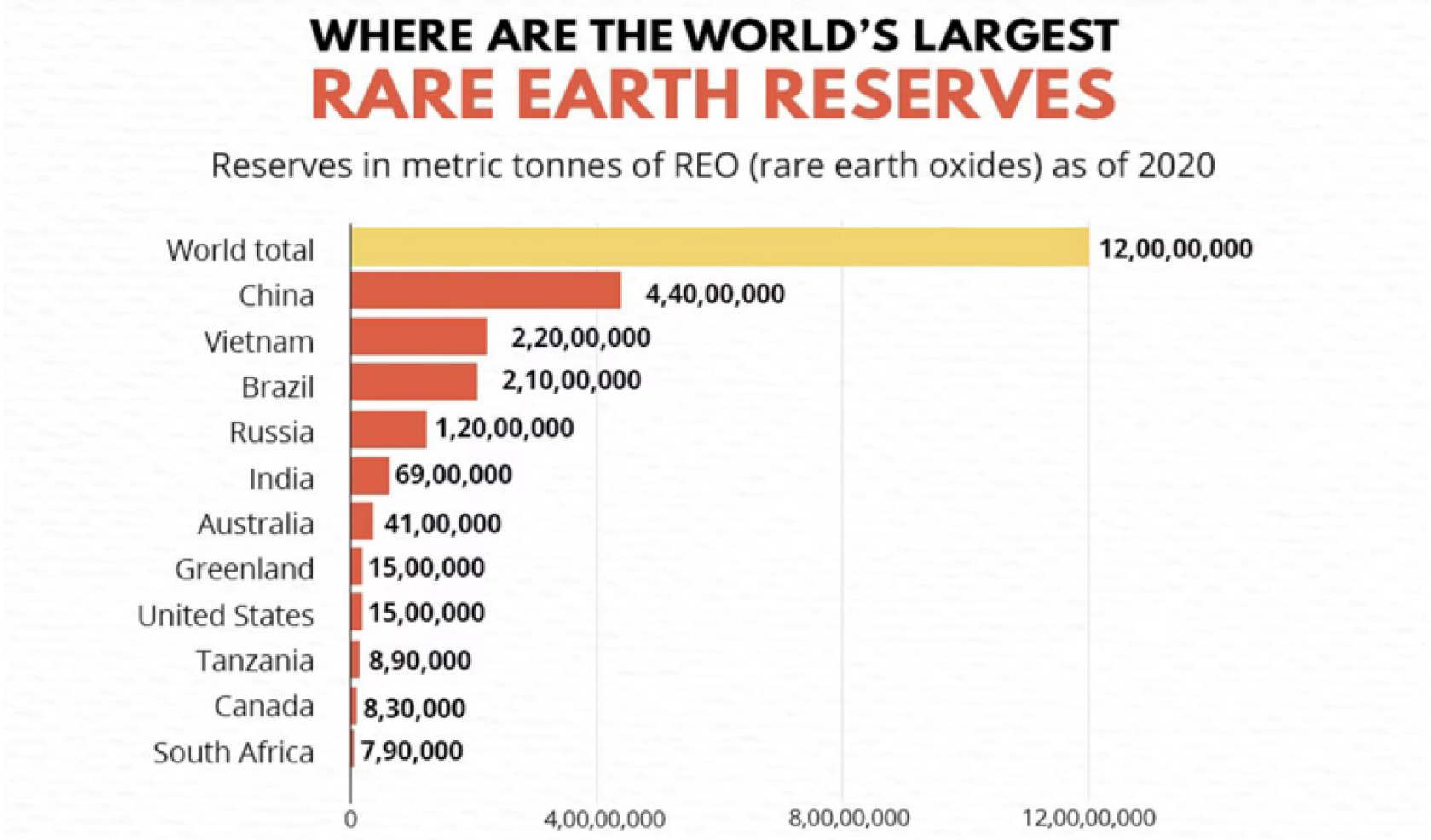


Source: Stratfor (2019)

World production of rare earths by country

A mining truck drives down a winding canyon road in Xinjiang, China. As demand for rare earth elements increases rapidly, China aims to become the dominant producer and refinner of rare earth elements. *(Photo: Getty images)*


WA500



Source: U.S Geological Survey

Thank you for your attention!