

Primacy of power



Red-line paradigm

Power has become the primary driver of international policy: who has it, who is willing to use it, and under what circumstances. International affairs has always been a matter of power dynamics, but diplomacy and negotiation had played more dispositive roles in the post-war system. Today, countries are increasingly relying on provocation, deterrence, and coercion becoming the mechanisms through which new geopolitical “red lines” are being drawn and tested. Goeconomic fragmentation has evolved into more outright power competition, regardless of the nature of that power – economic, military, or moral suasion. Political unpredictability and volatility are on the rise, both domestically and internationally, and pooling of power through coalition building and alliances is becoming more important.

Policy trends

From multi-aligned to red lines

What began as a competition between the 21st century’s two great powers, the US and China, has quickly expanded and evolved. Domestic priorities have intensified however, and both countries have shifted focus inward resulting in comparatively more muted bilateral interactions. Others, such as India, Saudi Arabia and United Arab Emirates have increasingly voiced their own perspectives and taken a larger role on the international stage. Additionally, alliances between countries such as Russia, North Korea, Iran are creating centres of cohesion and power that had not fully formed even as little as two years ago. In a world without clear leadership, the natural progression for delineating the contours of relationships between countries will be one that is based on power, red lines, and individual relationships.

Increased conflict and confrontation

The number of conflicts has nearly doubled over the last 10 years, to include the first conventional interstate conflict in Europe since WWII. This has constrained the ability of advanced economies to

fund military support and localised attention/outcry to conflicts closer to home (geographically or historically), dividing and fragmenting the interests of the global community. The result has been disagreement about which conflicts merit the greatest focus, attention, and opposition on the world stage. Consequently, consensus on what matters and the path to de-escalation is difficult to attain.

Rising role of proxies

The use of proxy forces to heighten and/or control the risk of escalation has risen. As a tool, there are clear attempts to deploy them in a similar (targeted) manner as other policy tools, such as economic sanctions. Importantly, while proxies do not have the same level of power as their sponsors, they are far more willing to use the power that they do have. Finally, while their use provides a level of plausible deniability for sponsors, control over proxies is imperfect and therefore they can quickly spiral beyond the objectives of their sponsors. One recent example of these dynamics is the Houthi attacks in the Red Sea.



What can we expect in the next 18 months?

Defence and security policy

Global defence spending rose by 9% in 2023 and will continue to rise through 2024. This will result in a redirecting of money away from social programmes and towards security prerogatives, meaning less money for addressing climate change, poverty, health care and education. Security outcomes will become a larger feature of broader economic and industrial policy, the latter becoming more weaponised to target specific sectors or countries.

Financial risk

Aside from the economic losses and direct financial risks posed by increased conflicts, financial risk will be heightened as policymakers seek to deploy (and respond to) stronger and more deleterious economic and financial policies to target and/or isolate states and non-state actors. As efforts to dissuade bad actors become exhausted – particularly as the global sanctions regime has so far not proven a sufficient deterrent – efforts will be made to extend policy measures to their international partners/supporters

and/or sectors with stronger connectivity to the international system. Banks and multilaterals will also face changing priorities/standards as governments seek to build capacity in military equipment and dual-use products, conflicting with sustainability commitments.

Elections

The 70+ elections taking place in 2024 are having impact in terms of both foreign policy and the domestic ability to govern. Campaigns increasingly focus on national security interests, turning populations and policy internally focused and entrenching proximity bias. The US Presidential election will be particularly consequential for the balance of power in the international system and could create significant uncertainty over the future of American involvement in multilateral initiatives. Regardless of outcome, the role and global standing of the US has been and will continue to be a central question.

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