RHODES POINT ADVISORS

Geopolitical Risk

Written by:

Rodney Gollo
Founder & CEO
Rhodes Point Advisors

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Geopolitics is hard to define. However a useful frame we use at RPA is it's the rules, norms and ideas by which countries operate.

Throughout history such rules, norms and ideas have significantly shaped how countries are run and interact. However, we're now living in a period where conventional norms are being challenged, and there is no clear ideological framework setting the rules by which countries interact. As a result we expect geopolitical risk to remain elevated for the foreseeable future for two reasons.

Firstly, it takes time for new rules and norms to be established. During this time we are likely to see countries experiment with different ways of governing. This week's events in South Korea are one such example.

A democratically elected president (Yoon Suk Yeol) attempted to govern through undemocratic means (invoking martial law by emergency decree). I expect we will see more instances of governments diverting from conventional norms and rules. In this space geopolitical risk arises.

Secondly, there are now more countries with economic and political influence (particularly in the developing world) who operate based on their own set of rules, norms and ideas. This means converging on competing ideas will be harder as countries seek to exert their influence. This is a challenge the BRICS grouping of developing countries will face as its membership grows.

Measuring and quantifying geopolitical risks can be difficult. However understanding the cause and effect of key trends can help manage risks and identify opportunities.

Such as understanding which countries are more likely to enact government supported industrial policies, which sectors will be strategically prioritised and how this influences their interactions with other countries.

Knowing this can potentially help get ahead of geopolitical events.

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