



# Reading between the lines: Geopolitical Risks & their Impact on Shipping & Trade

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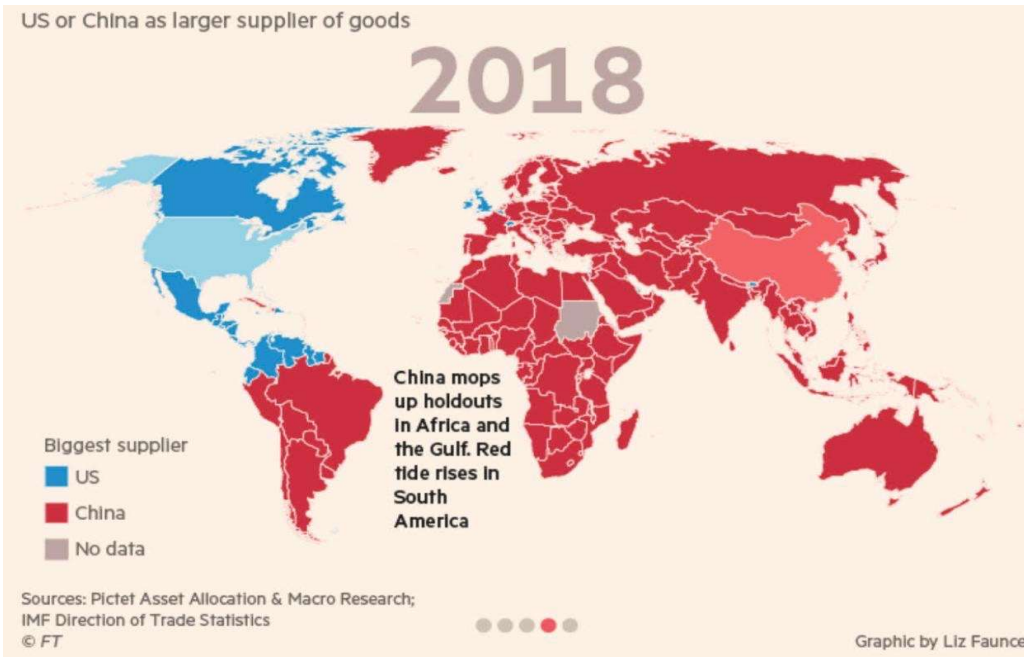
Founder, Maritime NXT



# My Chat about Geopolitics & Trade (My ChatGPT)

- **Seatrade Maritime Podcast –**  
<https://player.captivate.fm/collection/ec92fe08-6015-4a87-8c8d-0c13e958cf59>
- **Ship Owners' Viewpoints**
- **Cargo Owners' Viewpoints**
- **Research Companies' Viewpoints**
- **Finance & Investment Viewpoints**
- **Technology & Solution Providers' Viewpoints**
- **Insurance & Underwriting Viewpoints (Upcoming)**
- **Contractual & Legal Viewpoints (Upcoming)**





Source: Financial Times

# Changing colors of the world trade

# Geopolitics & Shipping – Impact Factors & More

Trade & Geopolitics

Barriers & Free Trade

Critical Pathways

Demographics

Economic  
Dominance

Alliances & New  
Trade Flows

Technology's impact

Change is constant

Managing Risks &  
Harnessing  
Opportunities



# Two Dimensions of Geopolitics

## Public Dimension



- Political Impact
- Economic Consequences
- Sensationalism
- Opinions
- Personalities

## Unseen Dimension



- Sourcing Choices
- Trade Routes
- Security concerns
- Development of hubs
- Memories of yesteryear

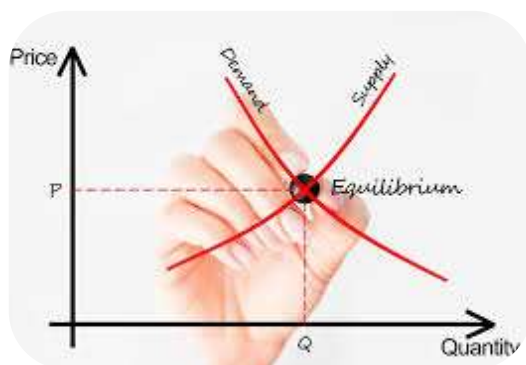


# Trade & Geopolitics

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# Why trade? – Main Considerations



Economic



Strategic



Geopolitical



# Barriers & Free Trade





What upsets  
the  
equilibrium?

Resource  
Nationalism –  
Wolf in Sheep's  
Clothing!

**Indonesia's growing resource  
nationalism stirs Global South**

Jokowi's export bans seen as a wake-up call to leading industrial powers

**With a Rare Earth Ban, Malaysia Is  
Poised to Join the Regional Resource  
Nationalism Trend**

**Chile lithium move latest in global  
resource nationalism trend**



# Critical Pathways

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# Key Geopolitical risks for the Trade Pathways

- **Piracy** incidents impacting security of People & Property
- **Wars or Proxy Wars** threatening the security of these pathways
- **Climate Change** & its effects on current and new pathways

# Impact of Russia-Ukraine conflict

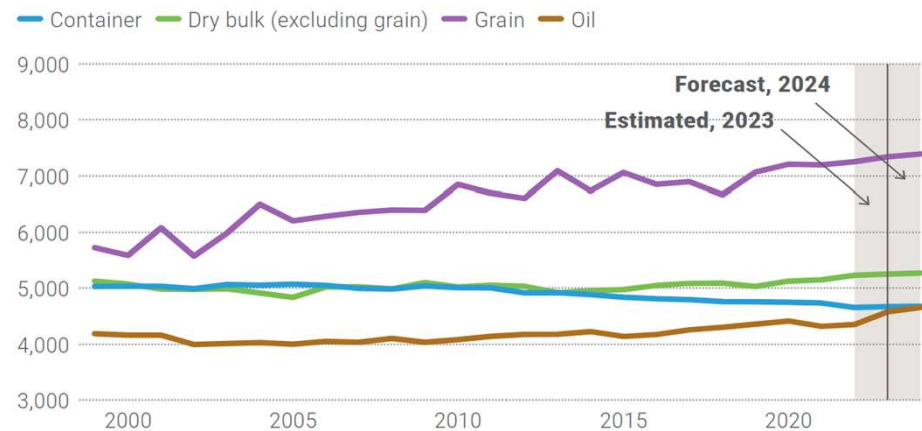
Grain cargoes have seen the largest increase in shipping distances (ton-miles)

This trend is likely to continue as Russia looks for new markets in a “sanction filled world.”



## The war in Ukraine has increased shipping distances

Average distance travelled, nautical miles, 1999–2024



Note: The data for 2023 are estimates and for 2024 are forecasts.

Source: UNCTAD secretariat calculations, based on Clarksons Research, Shipping Intelligence Network timeseries (as of 8 June 2023) • [Get the data](#) • [Download image](#)

Source: UNCTAD



# War or no war, Russia continues to export!

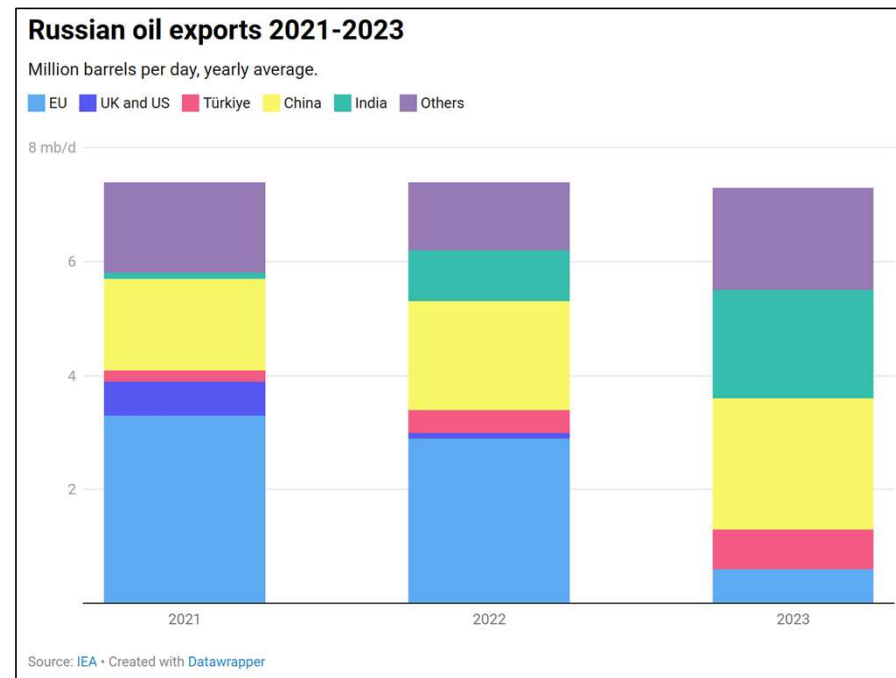
Fossil Fuels exports mainly to China, India & Turkey.

Surprise buyer is EU – Impact of the “ceiling”!

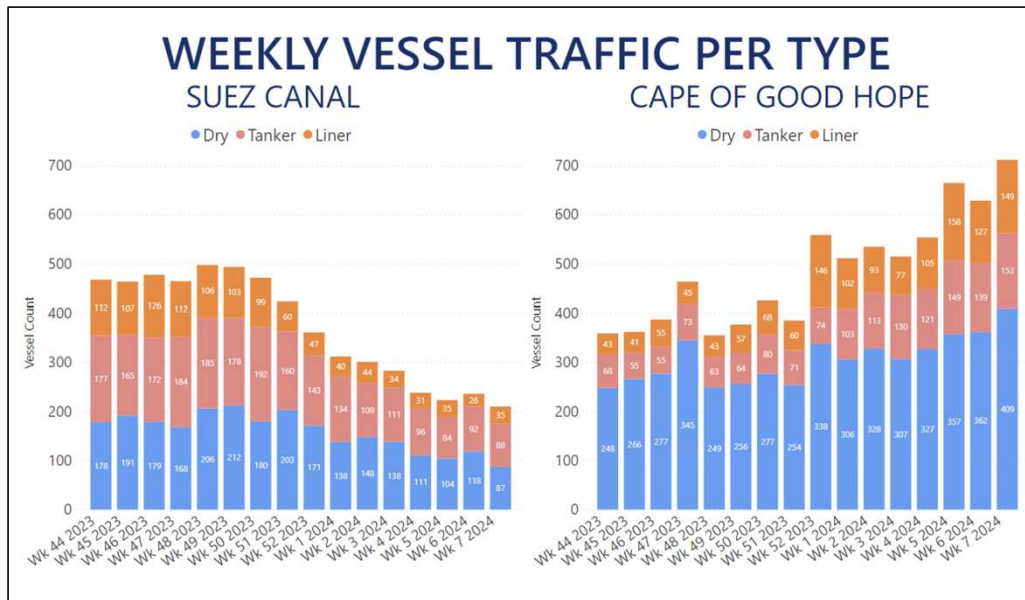
Previous Trade Route – Crude Oil or Products directly from Russia to EU

New Trade Route – Crude Oil to India, Refined in India & then shipped back to EU

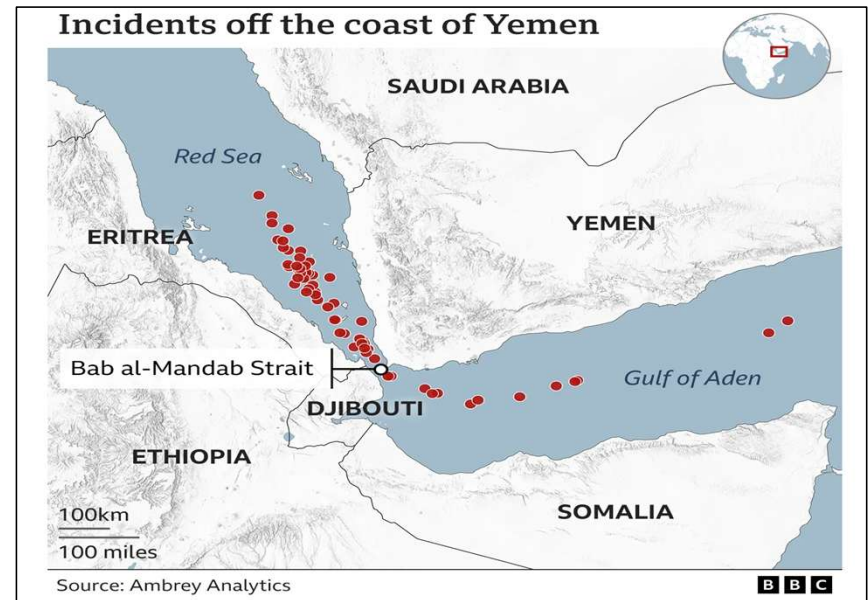
Huge Ton-Mile increase!



Source: IEA



Source: AXS Marine

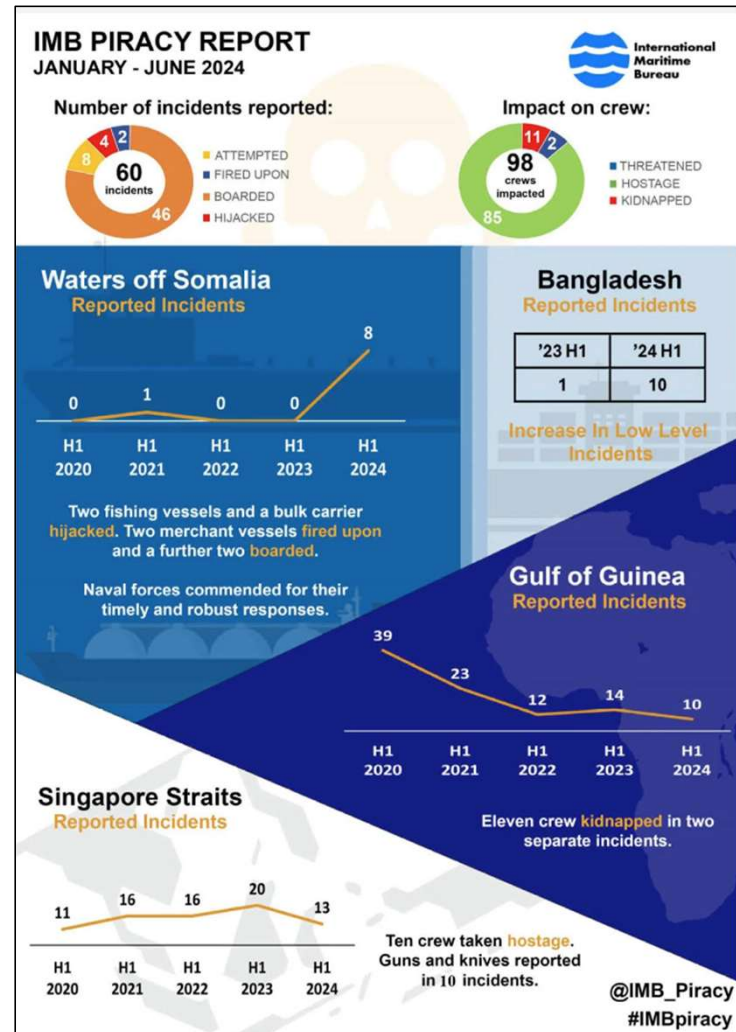


# Red Sea Attacks – Impacts, Diversions & Delays

# Red Sea Attacks – Trade flow impacts



# Piracy Impacts – Diversions, Premiums & Unpredictability



Source: IMB

# The wild card: Climate Change

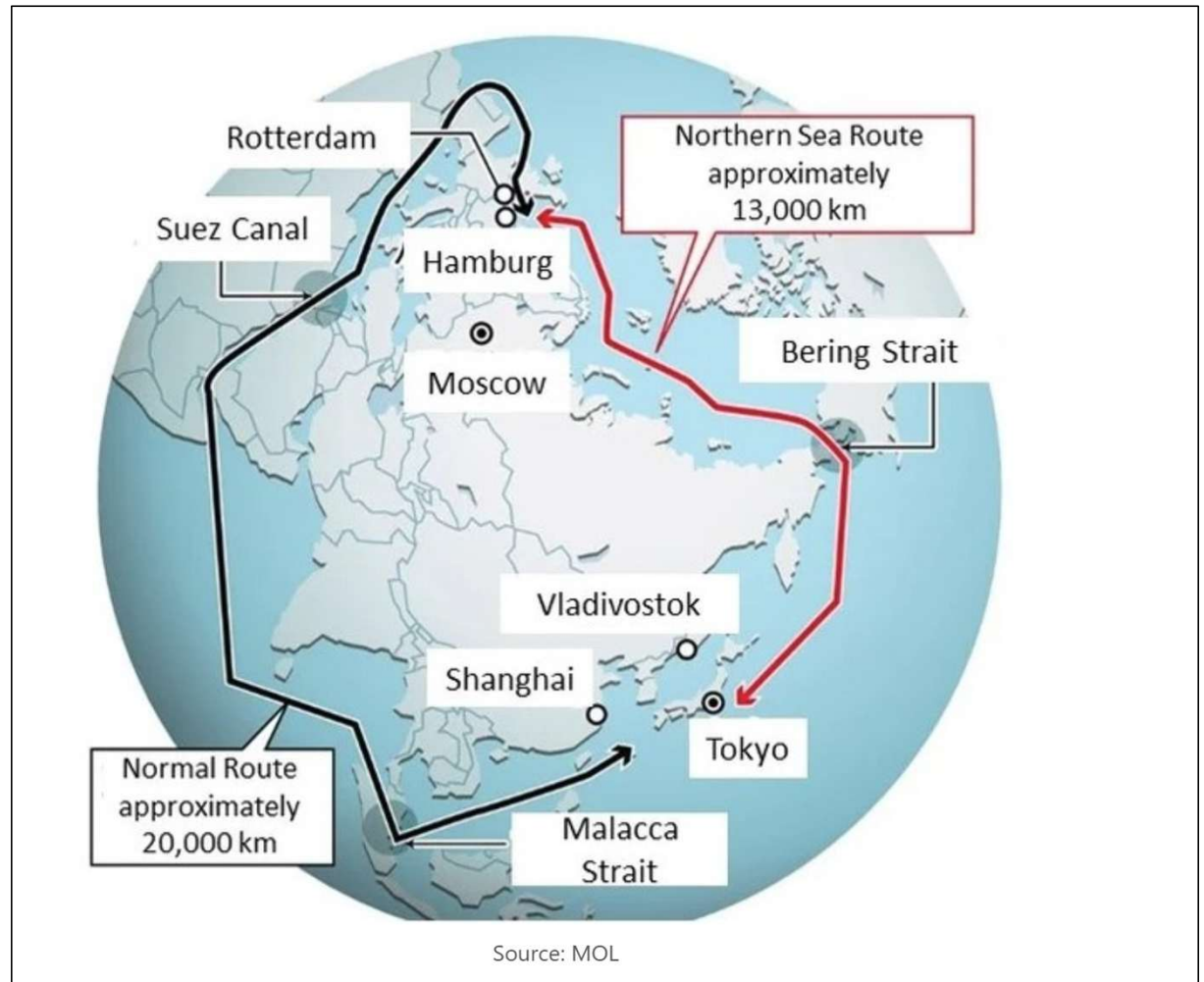


Image Source: MOL



Oil + Add to myFT

## Russia routes thin-hulled oil tankers through Arctic for first time

Use of unreinforced vessels raises risks of environmental disaster as Moscow diverts sanctions-hit exports

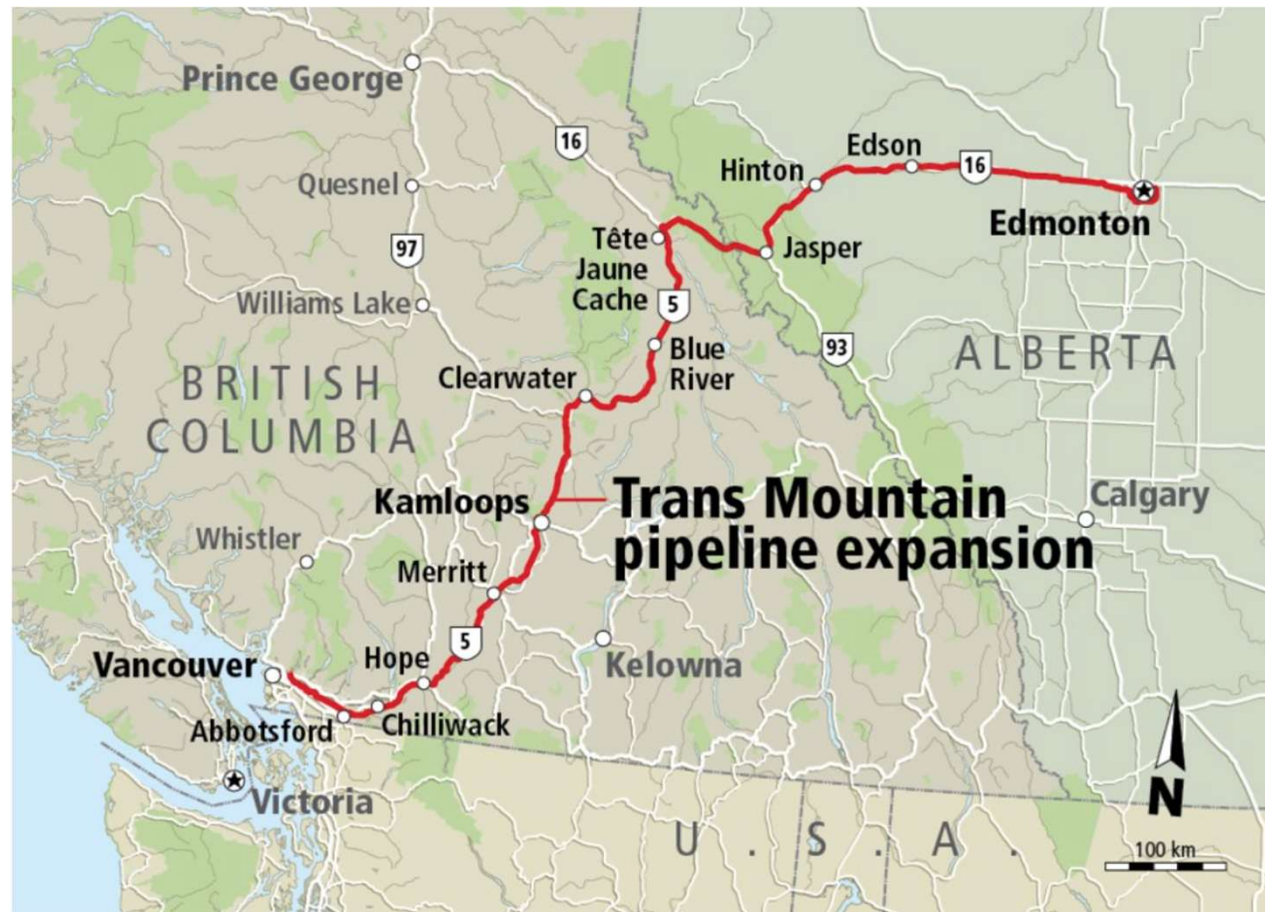


Source: Financial Times

The wild card:  
Climate Change

- Russia plans to keep this route “open” throughout the year from 2025
- Impact of sanctions & routing

Another Critical  
Pathway: Trans  
Mountain  
Expansion



- Tripling of capacity to 890,000 Barrels Per Day
- Additional Capacity of 600,000 Barrels Per Day focused on Asia
- Dramatic change in trade flows from Intra-North America to Asia!



# Demographics

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# Demographics: Future is skewed

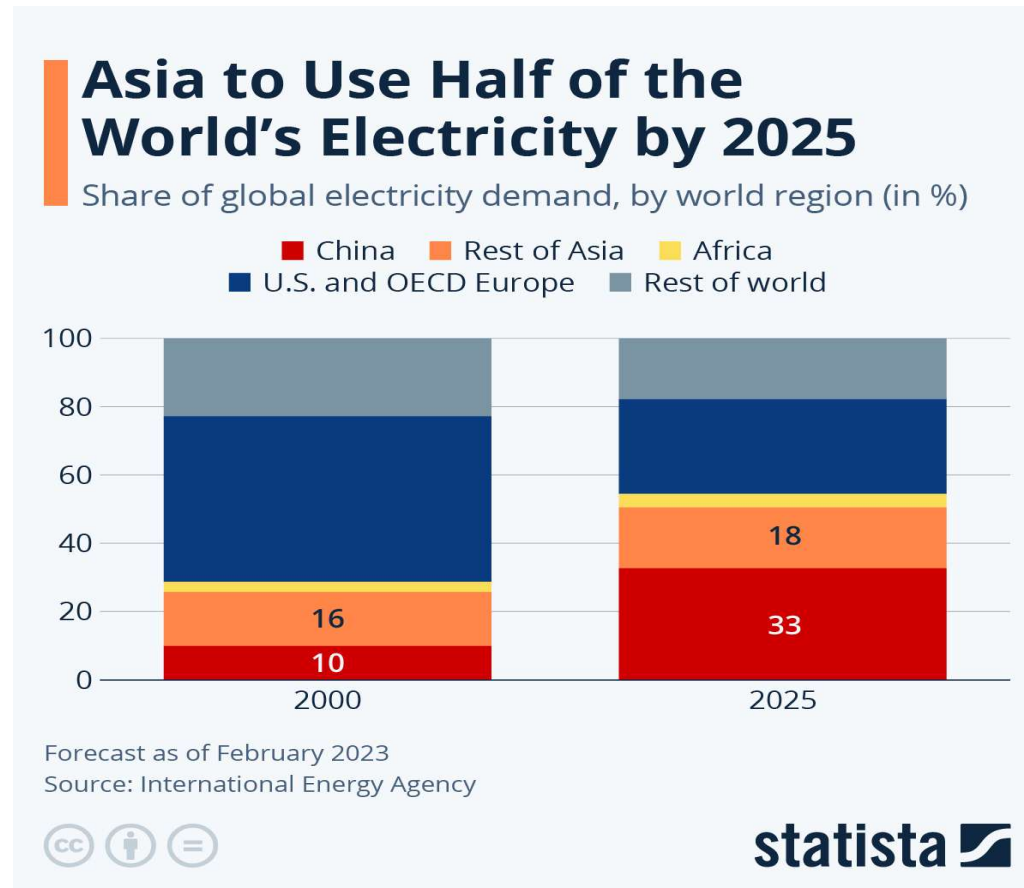
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- World population is growing fast however the growth is skewed towards Asia and Africa.
- Key questions affecting demographics & trade flows are:
  - Where are the pockets of growth?
  - What kind of goods will they consume most?
  - Where will these goods be sourced from?
  - Will their preferences change as their purchasing power rises?
  - Countries have very little control over the geographical features, but can they influence the demographic trends?
  - How will technology affect these trends & impact trade flows?





In absolute terms, trade's transition towards Asia is happening quick & fast.



- Source: Statista

Trade flows have adjusted to these demographic trends



# Demographics 2.0: Africa's age

## By the End of the Century, 40% of People Will Be African

World population forecast with Africa's percentage share

World's Population

1950  2.5 billion

2015  7.3 billion

2050  9.5 billion

2100  11 billion

Africa's  
Population Accounts for

230 million



1.2 billion



2.4 billion



4.2 billion



Source: UNICEF

Mashable  statista 

Source: Statista



# **Economic Dominance**

## Colonization: Impact on trade flows

- Colonization and Imperialism have been key influencers of shipping trade flows.
- In fact, the maritime might was the prime reason for the colonization to take place and the wars to be fought.
- Once colonized, these countries became principal suppliers of raw materials for the empires and also the major consumers of finished goods that these empires and their companies were looking to sell.
- Thus, laying down a steady trade both ways and creating channels that exist even today.



# Today the form has changed to “economic dominance”

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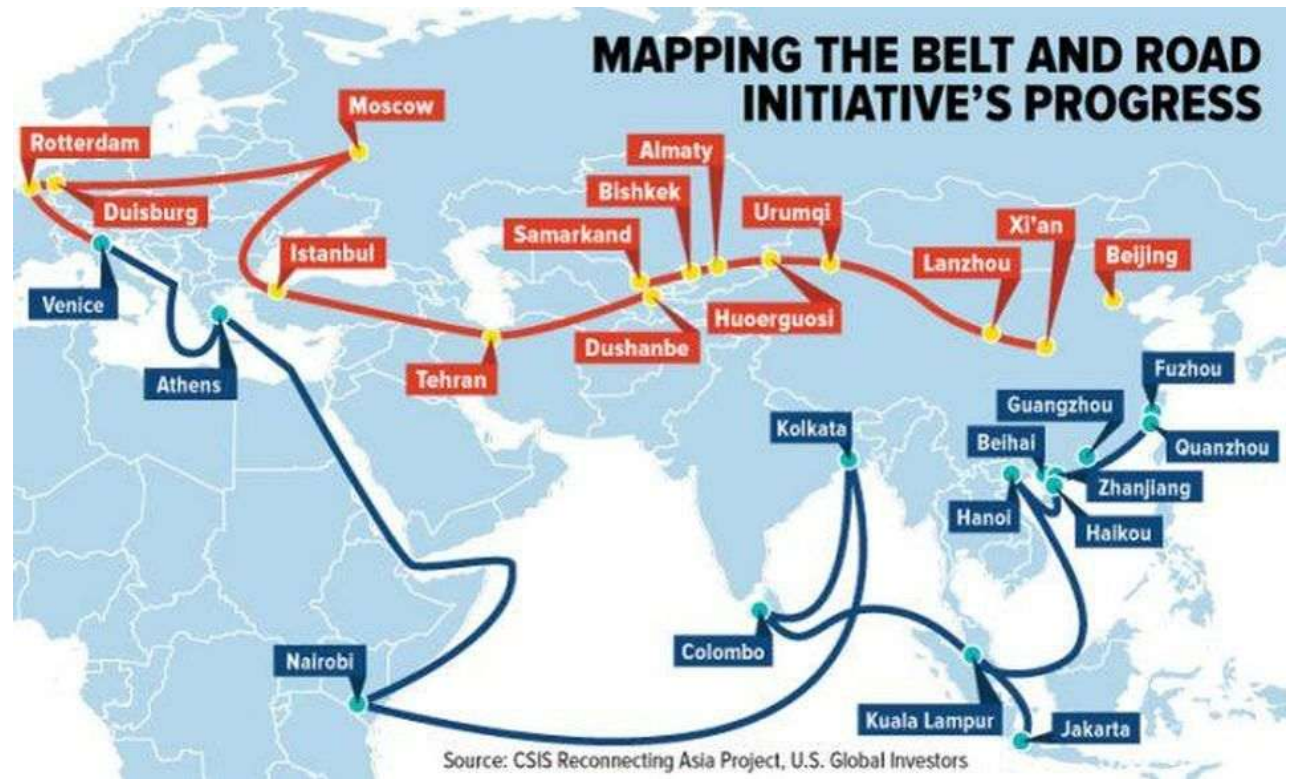


- Post cold-war, the economic blocs have been shaken up with USA & China emerging as the competing superpowers.
- However, in the last 15 years, the dominant political superpower (USA) is no longer relevant as the economic superpowers (China & others) are crucial in determining the economic and trade considerations.
- In this regard, China is the undisputed leader and is calling its shots with huge investments in the developing countries as well as the advanced economies.
- The most ambitious project is the Belt and Road Initiative (BRI)

# Belt & road initiative: ambitions & impact

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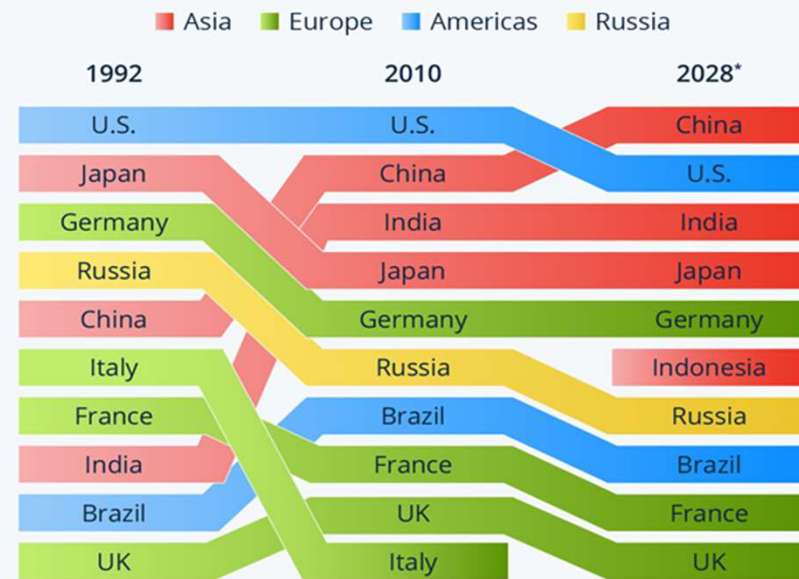
- Re-inventing the Silk Road
- Will need huge infrastructure investments creating challenges for these countries
- Negative for trade flows for finished goods
- Extremely positive for the trade flows for raw materials



It's the economy, stupid!

## Continental Shift: The World's Biggest Economies Over Time

Countries with the highest GDP on Earth in 1992, 2010 and 2028\*



Based on purchasing power parity, intl. dollars

\* projection

Source: IMF

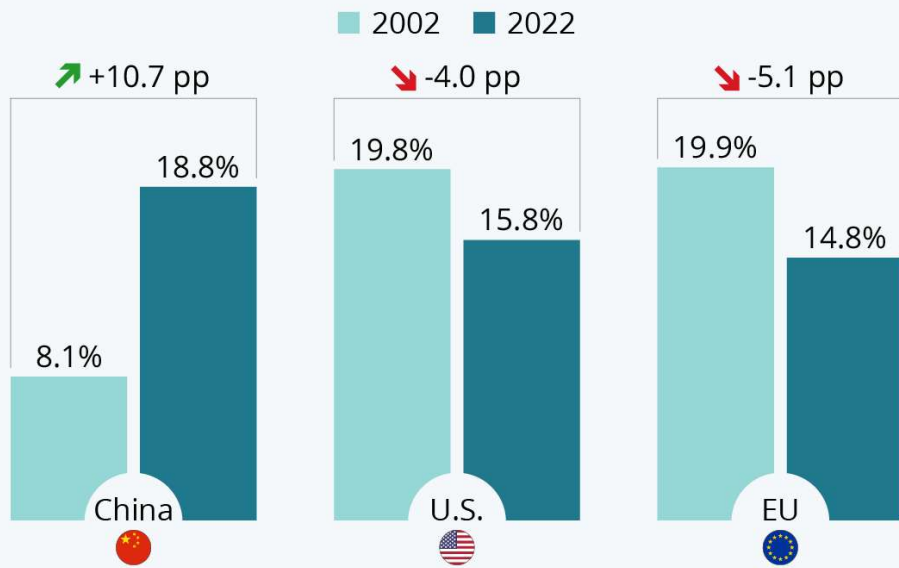
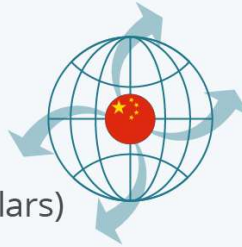


statista

Source: Statista

# China's Rise to Economic Superpower

China's share of global GDP (PPP, current dollars) vs. the United States and the EU



Source: IMF

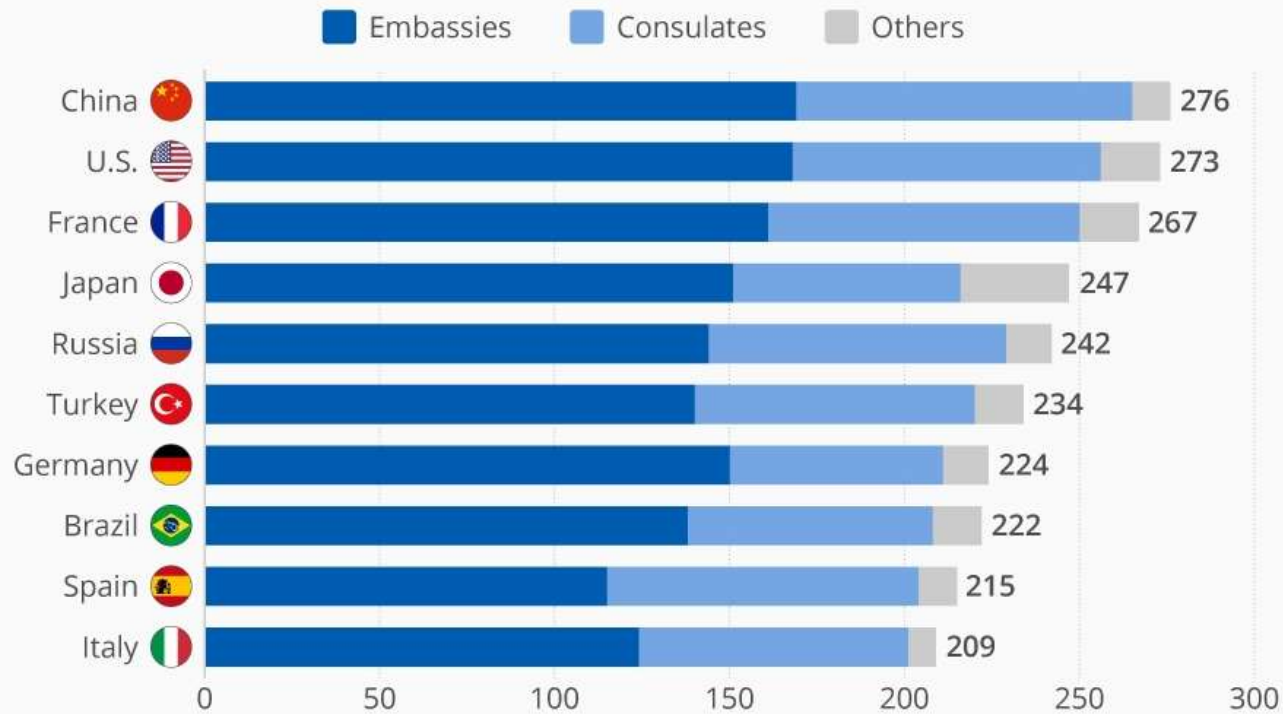


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With wealth comes trade

## China Has Most Diplomatic Ties

Countries with the most diplomatic posts abroad (2019)

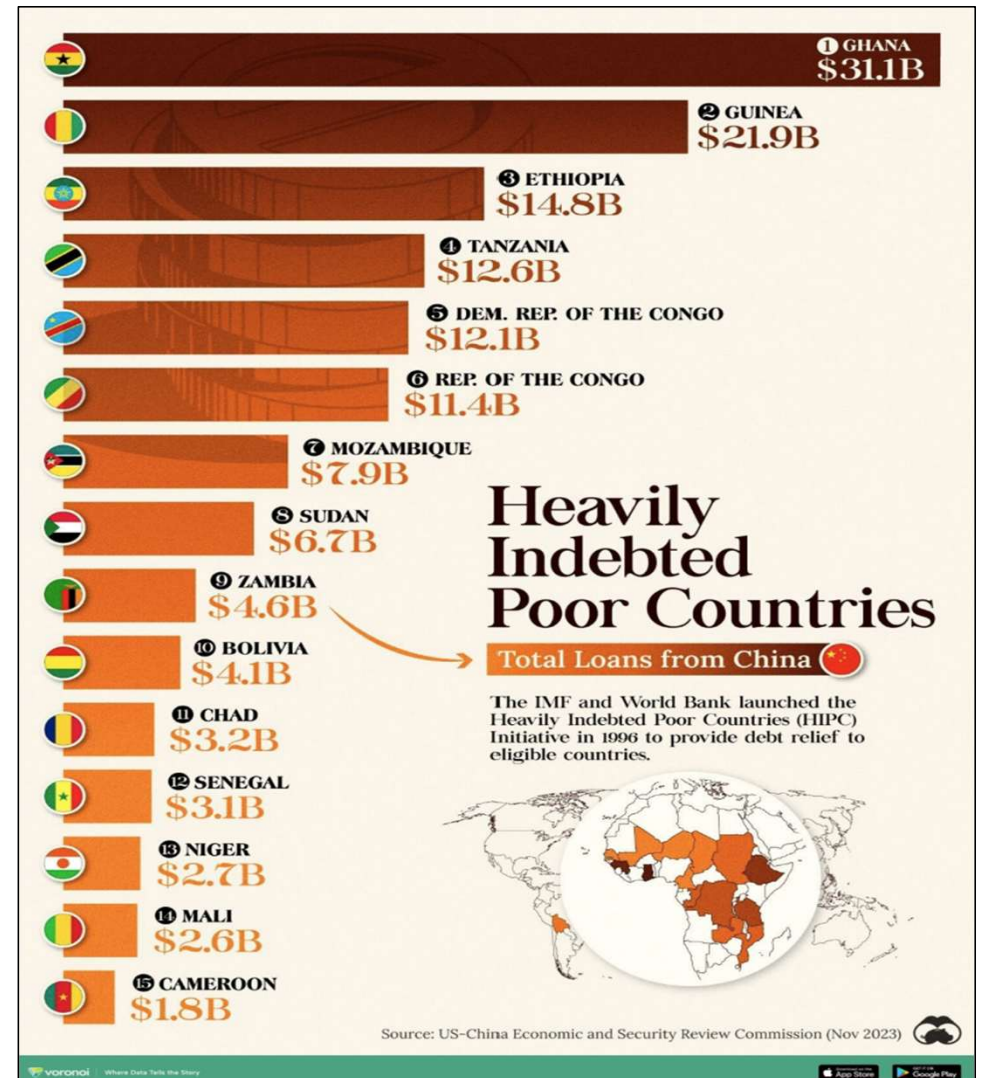


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Trade is tied closely with Geopolitics



# China & Africa: a classic case



Source: US-China ESRC

# Impact of “eco-dominance” on trade flows

- New raw material sources for China:
  - Bauxite from West Africa (in addition to Australia & India) – Huge ton-mile impact
  - Logs from West Africa (in addition to Australia & New Zealand)
- New markets for the finished products from China:
  - Project cargoes into West Africa
  - Steel products into Europe & USA





# The TRUMP Card

In the casino of Global Trade, the Americans have played their TRUMP card!

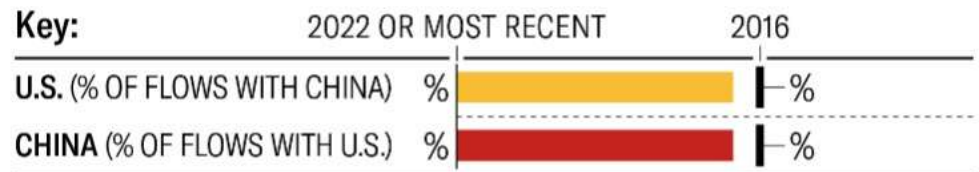
Some key observations:

- Tariffs did NOT work for USA during Trump's last term.
- With no re-election possible, Trump will maximize this term – interested in deal-making & “leaving a legacy”.
- Very little regard for historical ties
- Fossil Fuels are in for a bumper season.
- Everyone will lose a little, but Europe will lose the most.

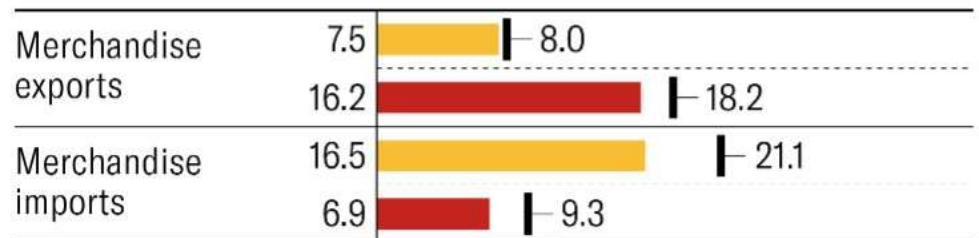
# Tariffs did not work last time – will Trump learn from that?

- In spite of the Tariffs, the US –China Trade remained robust.
- Why? US had no choice to source from any other destination.
- Impact: US Trade Deficit with China swelled even further.
- Price: The US consumers paid the price, literally, importing the same goods as before but at a higher price.
- Question: Will Trump learn a lesson and try and strike a “deal” with China?

## U.S.-China flow shares

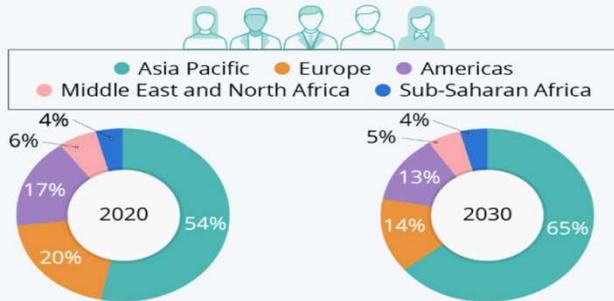


## Trade



## The Rise of the Asian Middle Class

Share of the global middle class by region (in percent)



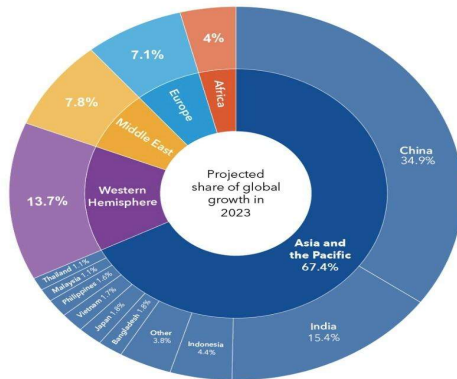
Middle class = household with incomes between \$11-\$110 per person/day (PPP) in 2011  
Source: Brookings Institution



statista

### Bigger driver

Asia will contribute about 70% of global growth this year.



Source: IMF, World Economic Outlook, April 2023.  
Note: Groupings based on IMF Regional Economic Outlook classifications.

IMF

# What can Asia offer Trump?

- With a rising middle class, Asia is the most important market for USA.
- “Drill Baby Drill” means larger production & export of Fossil Fuels from USA and Asia is a key consumer!
- Asia now has some key trade alliances – BRICS+ and ASEAN among them. USA would like to make inroads into some of the markets they control & operate in.
- Asia has the ability to make Trump “look good”, while still securing trade deals with USA, due to the variety & cost of goods being exported.
- Asia will also capitalize on the rocky relations between USA & Europe on issues such as NATO & Climate Change.
- This will impact trade & help shipping with long haul trades.



# Alliances & Rise of New Trade Flows

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# New commodity flows: changing dynamics

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- Demand changes – new consumers or technological change
- Supply changes – new sources or new discoveries
- Influence changes – Shifting centre of gravity
- Strategic decisions – take the economics out of the equation
- No choice but to change – forces of economic might





# BRICS to BRICS+: Significant Trade Impact

- In 2023, the BRICS group accounted for around 30% of the world's GDP and 46% of its population
- Recent enlargement of the BRICS confirms the group's economic and demographic weight on the international stage, with 34.5% of world GDP in PPP
- The BRICS+ now account for 43.1% of oil production and 44% of oil reserves. As for gas, they account for 35.5% of global production and 53% of global reserves.
- In terms of food commodities, the enlarged group currently produces 42% of the world's wheat, 52% of its rice and 46% of its soya.
- While the BRICS+ account for around 25% of global exports, intra-BRICS+ exports represent only 15% of the group's exports.
- India, China & Africa on the same table.
- Russia & Iran need to circumvent US Dollar trades – Barter Deals!



# Technology's Impact

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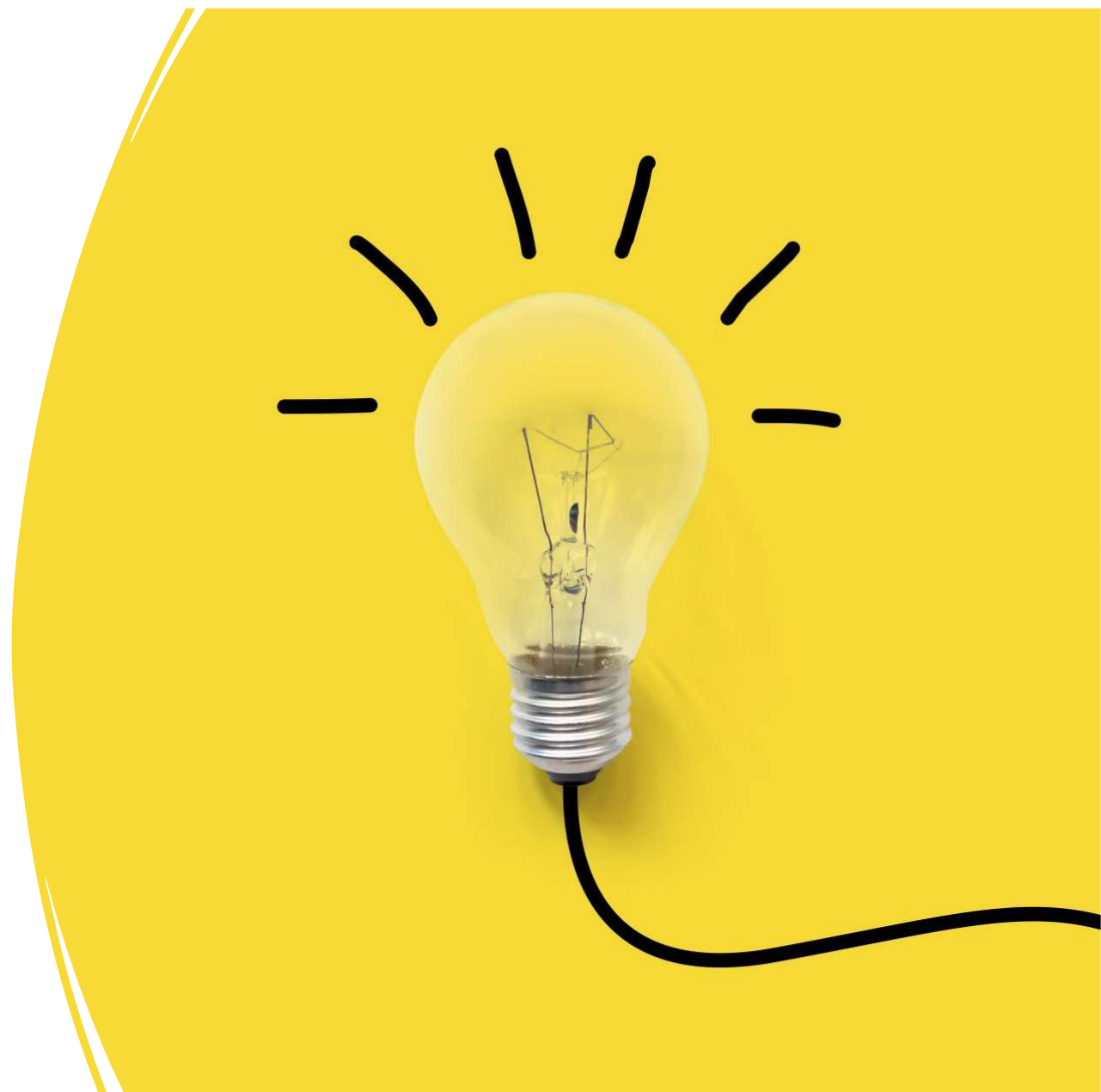




# New Technologies & their impact on trade flows

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- This is the one of the most “under-researched” aspects of trade.
- Very unpredictable to start with but as the technology becomes public, the impact is more visible and therefore predictable.
- This will be the biggest “geo-political” weapon available to economies and therefore we will see “non-economic” trade flows come into place as well.
- An example is Spodumene ex Australia, which is a raw material for Lithium, to produce batteries for electric cars etc. This was a trade that never existed earlier but has come up on back of technological advancements.





**Change is  
constant**



## Change has always been a constant factor in trade flows

- The severity of change has been the differentiating factor.
- Political dynamics are bringing instability to stable regions
- Direct interventions are giving way to “indirect ones” such as aid, assistance & loans.
- The trading playground is shifting closer to Asia & Africa impacting trade flows considerably
- Climate change is a key consideration in most trade discussions and may be the “joker in the pack”.



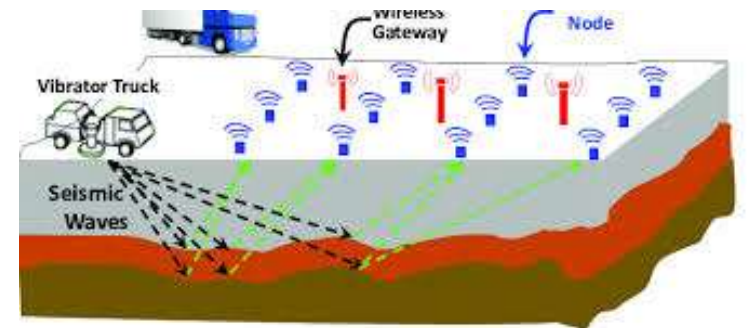
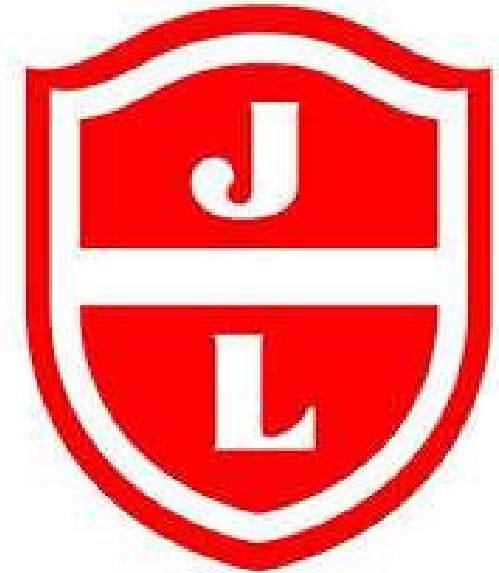
# Managing Risks & Harnessing Opportunities

# How to manage Geo-Political Risks & assess the impact on Trade Flows

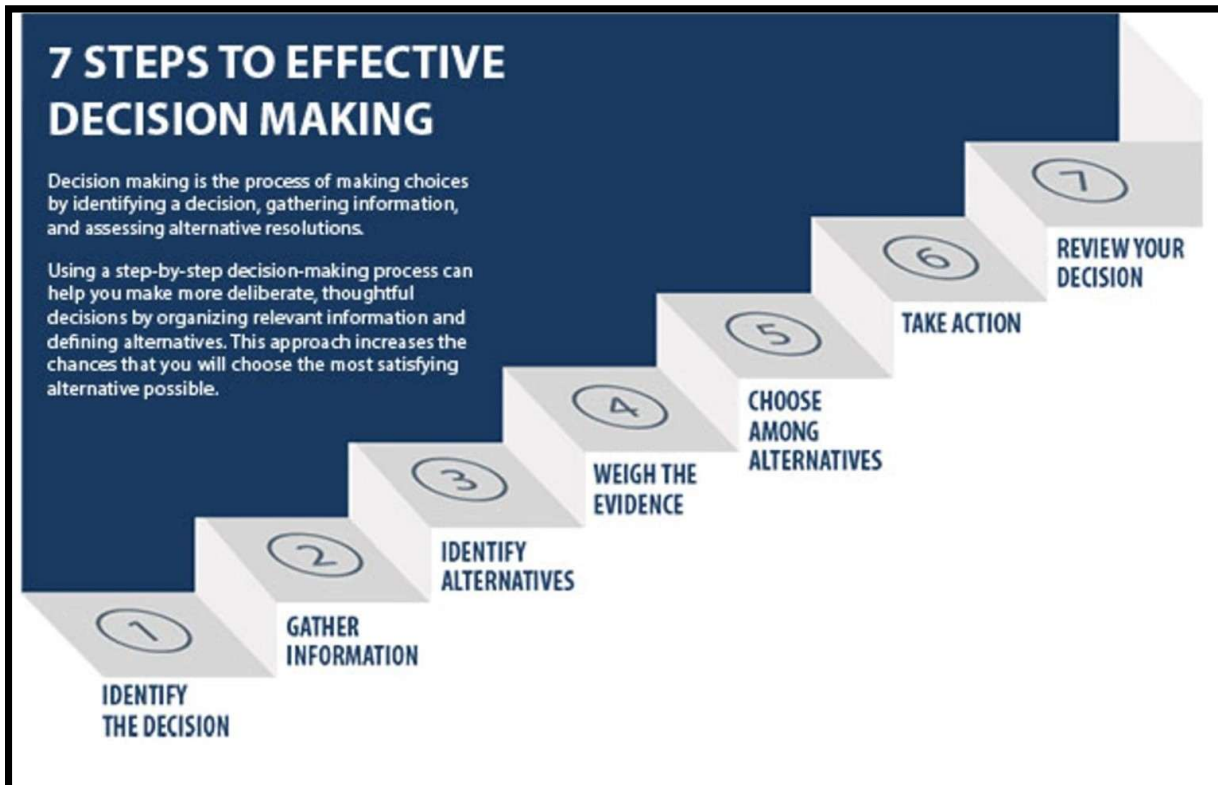
- **Knowledge** – Dividing them into “knowns” and “unknowns” and shades thereof
- **Data Analytics** – Look back to plan ahead
- **Technology** – Visibility is the key
- **Contractual** – Updating the contracts is key
- **Taking calculated risks** – Solving the puzzle and then scoring

# Think “Out of the Box”

- Lack of data on “production recovery” during COVID
- Out of Box thinking: Hi-Frequency Seismic Data from National Earthquake Information Centre, USA
- Mapping of Polygons in China representing the Steel & Power Plants
- Laden & Empty trucks have different seismic signatures – creating a pattern of truck movements
- Clear evidence of activity – acting on it to buy derivatives



# Decision Making – 3A Approach



- Step 1 requires AWARENESS
- Steps 2-5 require ASSESSMENT
- Step 6 & 7 require ACTION
  
- ALL Steps require Data, Technology & Transformation!

Credit: UMass Dartmouth





Thank you and  
keep learning

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