

Our 3 calls for global politics

Geopolitics continue to be an important driver for financial markets and the global economy. Predicting future geopolitical moves is always a bit of a fool's game but here are three developments to watch out for



The Russian President, Vladimir Putin's next moves on Ukraine will continue to dominate the international agenda

1 The war in Ukraine goes on

It's not nearly a year since Russia invaded Ukraine, and the biggest geopolitical story of the year will continue to dominate the news and economic agenda in 2023. It's still a conventional military conflict, but the range of potential future paths is wide, whether that be a ceasefire or a nuclear escalation; neither of those seems highly likely at the moment. There is, of course, much condemnation of Russia's actions. But there's no global alignment on the conflict, so next year will be a real test of commitment by the G7 group of countries and the NATO military alliance as to how it continues to support Ukraine both militarily and financially. Russia will continue to seek more economic cooperation with former Soviet 'CIS' countries, 'BRICS' nations, such as China and India, and OPEC.

The conflict will continue to impact global economies, not least with the reformatting of global energy-supply chains, the risks to the agriculture market, higher inflation, changed capital flows, altered bilateral imports and exports, along with increased defence spending. Let's also not forget the shifting regional role of the US dollar, the euro and other currencies given their continued

sanction 'weaponisation'.

2 Risk of more territorial claims

The war in Ukraine shows us, yet again, that aggressive foreign policy and even a regional military conflict can sometimes be used by national elites as a way of distracting their people from domestic political and economic issues. One of the biggest potential flashpoints is China and Taiwan. But let's not forget that disputes such as those between Turkey and Northern Cyprus, and Azerbaijan and Armenia over Nagorno Karabakh continue to bubble away. Taiwan could become more of a focus for financial markets next year, although any moves here are highly unlikely.

Turkey is set to hold presidential and parliamentary elections in June. Current economic issues, including the depreciation of the lira and extremely high inflation, have already forced the government to be more active on the foreign policy front as we saw in its attempts to moderate the Russia-Ukraine and EU talks.

3 On the lookout for more political unrest

We saw unusual and potentially serious cases of civil unrest in both Iran and China towards the end of 2022. The exact triggers for the protests were different but were broadly related to human rights. They drew global attention, of course, because of the great personal risk the participants were taking. Those demonstrations are perhaps reminiscent of the 'Arab Spring' pro-democracy protests in 2010. Those came just a couple of years after the Global Financial Crisis. Right now, the world is battling with high inflation and particularly high food costs. There are enough examples throughout history where economic crises and sharp hits to disposable income have triggered unrest and that will be high on people's minds in 2023.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the

Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.