



The Perch Pod Episode 20

A Year in Review

Jacob:

You're listening to the Perch Pod from Perch Perspectives. Hello listeners, welcome back to another episode of the Perch Pod. As usual, I'm Jacob Shapiro. I'm your host. I'm also the founder and chief strategist of Perch Perspectives, which is a human-centric business and political consulting firm. Joining me on the podcast for our 20th episode and for our last episode of 2020, thank God, we've all had enough of this year, is Xander Snyder. He's the vice president of analysis at Perch Perspectives. Xander also has his own podcast called ReConsider. You can find out more about it on reconsidermedia.com. In it, we talked about the geopolitics of, 2020 and we look forward a little bit and start brainstorming what we think some major risks on the horizon might be for 2021.

Jacob:

Thanks so much Xander for coming on. Thank you listeners so much for being with us on this journey. Also, thank you to so many of you who have either left reviews on the podcast or ratings on iTunes or wherever you're listening to podcast. We've gone from something like 13 ratings to 52 ratings just in the last week and a half and that's really awesome, but you've got my expectations up. If you haven't rated the podcast, please consider doing so. If you haven't shared the podcast with friends or anybody you think would be interested in what's going on in the world politically today, please share them with us. Otherwise, you can write to us at info@perchperspectives.com if you just want to chat, or if you want to talk about what Perch Perspectives can do for your business.

Jacob:

I read everything and I reply to just about everything too. Take care of each other, have Merry Christmases, happy holidays, whatever you celebrate out there. Please for the love of all that is good and holy, wear some masks if you're going outside and take care. We'll see you out there. We'll see you in 2021, happy New Year. All right Xander, I've got a beer. I hope you've got a beer. I can't do this without a beer now.

Xander:

I have a glass of cabernet sauvignon. Does that count?

Jacob:

Yeah, that does. That's way classier than my Sapporo light over here, but...



Xander:

Oh, don't knock on the Sapporo. I'm a fan of Sapporo.

Jacob:

Yeah, but it's a Sapporo light so I'm basically whatever. I like it, it's good, but I get made fun of a lot by my wife for it. Anyway, Xander, I know we're going to struggle a lot in this podcast because we're going to look back at what happened in 2020 and look ahead to top developments in 2021, and not a lot happened this year. It was pretty, pretty boring, wouldn't you say?

Xander:

Even killed, pretty neutral year.

Yeah, I mean everything completely as we expected it would be. No, it was a crazy year and I think that obviously, we're going to get to COVID and stuff like that, but when I think back and I try to think about the full scope of the year, I mean I think we forget it almost started with a US-Iran war. You remember that? I remember you were looking at that pretty closely around the time with Soleimani?

Xander:

Sure do. I bet most people who are either angry or happy about Soleimani being killed a year ago don't even remember who he is right now.

Jacob:

Well remind us. Who was Soleimani, Xander?

Xander:

He's the head of the Quds Forces which was the expeditionary force of the IRGC which is like already the elite class military in Iran. The elite within the elite that are sent to fight the foreign wars on behalf of the Islamic Republic.

Jacob:

Yeah, and I think looking forward, I mean that's probably going to be one of the biggest things that changes because Biden is already on record saying that he wants to go back into the Iran nuclear deal, and it's pretty hard to exaggerate what a big sea change that is in the balance of power in the Middle East because when the United States is maximum pressure on the Iranian regime and taking out IRGC leaders and assassinating Iranians, I mean it lends a whole different balance of power to the region. Whereas if the Biden administration is going to have to re-engage with the Iranian government, you can already see the Saudis are worried about this. The Israelis are probably worried about this. The Turks might even be worried about it. I think it's going to be a very different year ahead under Biden at least.

Xander:



Yeah, for sure. I think Turkey just as a general conversation point is something else we should talk about, because while two years ago when we were both at GPF, I remember forecast call when we were figuring out the 2019 forecast, the end of 2018. The Eastern Mediterranean came up and we debated how serious of a conflict zone we thought that was going to be in the next couple of years and clearly, that entire situation has deteriorated. I think that's going to be another element that between Turkey and all of the natural gas finds in the Eastern Mediterranean going to further complicate the already complicated geopolitics in the Middle East.

Jacob:

Yeah, and I mean there's so much that happened even just this year, and it's not just the gas. I mean Turkey is on the ground and Libya. It's actually been pretty incredible to watch Libya basically take forward steps towards resolution in the last couple months. I mean for most of this year, it looked like that was going to be an interminable civil war proxy conflict, but they've started pumping oil again. It seems like there's at least some kind of movement towards a ceasefire on the ground there between the Turkish-backed side and the Russian, Egyptian, even French-backed side, but just to say that that's another area where Turkey is obviously involved.

Then earlier this summer, there was a moment where I think it was with France. I think it was a French frigate or something, where like Turkish radar like actually locked onto their ships at one point because the French were trying to enforce a blockade of weapons into Libya. It's just a lot of stuff there.

Xander:

Yeah. The relationship between France and Turkey has always been from a historical perspective an interesting one for me, because I've really dug into the Ottoman Empire's past. At one point, when they had immediate enemies on their western borders, so it would be in Eastern Europe, they would sometimes actually ally with France because France was so far away that they could never directly challenge the Ottoman Empire's interests, but they would sometimes have common adversaries that sat in the middle, but now with France essentially trying to be the military arm of the EU, it makes sense that that confrontation happened between the two.

Jacob:

Yeah. I think the one thing that, and I wonder if it's going to constrain Turkey in the year ahead, it almost seems like as we say back on the farm in Georgia, that Turkey got too big for its britches. They just bit off more than they could chew, and they actually had a nice success there in the Nagorno-Karabakh conflict earlier this year, but the Biden administration incoming is going to be a lot more hostile I think to Erdogan than the Trump administration was. I think you can already see the Erdogan government trying to play nicer. I mean they got rid of the crazy monetary policy and their crazy interest rates policy shortly after Biden became president. Suddenly, there was an ambassador to Israel again.

Jacob:



They'd held off on that for years. I'm wondering if we're going to get a nicer facing Turkey at least towards the United States, because they realize their position is not secure on the ground in Syria. They want to keep the gains that Azerbaijan got in the Nagorno-Karabakh conflict. It just feels like there's a lot on their plate, and they're going to have to prioritize, rather than basically lashing out in all directions which is how I would describe their geopolitical strategy this year.

Xander:

Yeah, they've been trying to build that depth as... ah, what was his name? I think it was [Kava Solu 00:07:31] wrote a book in like 2001 about the contemporary Turkey's geopolitical like strategy, right? Unfortunately, no editions of this book exist in English I remember because I looked for it, but there were some summaries here and there. It was just interesting because already 20 years ago, thought leaders in Turkey were talking about reestablishing depth which is something they had when they controlled lots of territory surrounding the modern day Anatolia. It does seem like they're going in that direction, doesn't it?

Jacob:

Yeah, it really does, but if we're also thinking about stuff that happened in the world before COVID, the other big geopolitical development of 2020 was the US-China phase one trade deal. I mean that was also back in January and February. It almost seemed like not that there was going to be any overall agreement between the US and China. I think conflict there was pretty well locked into place, but when you think about where the US and China were in January and where they've come since then with the US blaming China for the COVID-19 pandemic.

Jacob:

Whether rightfully or wrongfully we can go into that if you want, but certainly blame them, really stopped cooperating with them, talking with them to the point that these huge restrictions on Huawei forcing, or even thinking about forcing Chinese companies from delisting on the New York Stock Exchange, blacklisting tens if not hundreds of Chinese companies for their alleged relations to the people's liberation army. There's been a serious degradation I think in US-China relations, and I think that it's actually the one area where I expect the tactics under the Biden administration to change, but I'm really, really pessimistic about the future of US-China relations.

Jacob:

I don't know if you feel this way Xander, but I feel like one of the only things I hear people in the American foreign policy establishment agreeing about on both sides are that China is bad. Now I've been a couple times on this podcast, I've tried to infuse a little bit of nuance there and point out yes, there are national security threats from China, but China is not this boogeyman that everybody's making it out to be, but I'm pretty sure the Biden administration is really not in a material way going to look at China any differently really than the Trump administration. Do you think that's true?



Xander:

That is a good question. I don't know, I think there is growing consensus and maybe in 2017, if you would ask some folks on the left in the US, the immediate response would have been anything that isn't what Trump is saying. Trump was anti-China, and so maybe they would be pro-China, but China does pose lots of serious challenges to the United States in the world order that it's built over the last 30 years. No, I don't feel particularly optimistic about it. I may even be more on the boogeyman side than you are, in part because of what they're doing in Xinjiang. They've just shown the whole world how willing they are to commit.

Xander:

I mean I don't know if you call it atrocities at this point, because the information coming through on people actually being killed is few and far between, but it is there, but they're locking up millions of people to try to brainwash them. That is a scary form of government for me, and I say that with all the nuance required recognizing that the US government has not always been a very good government, either in terms of like acting ethically, but if you get into the world of security challenges, right now, I would say it seems more circumscribed. There are those areas in the pacific that... I mean China's already there, so I feel like as much as their foreign policy administration will say we won't allow for a fait accompli, they're the ones accomplishing the fait accomplis.

Xander:

They're already there, so that will become challenging and as you've talked about before, the biggest wrench in that gear really remains to be Taiwan.

Jacob:

Yeah, but I just think we're so far away from that. I mean I agree that we need to be thinking through that, but I just think we're so far away from that being the big issue. I mean we should really delve into the Xinjiang stuff a little bit here and talk about it a little more depth, but one thing I want to bring up was so I just looked at the COVID relief package that passed I think the house earlier today. I'm going to read a section here from you. It's over a 5000 page bill, okay. Here's one of the sections. This is section 342. Statement of policy regarding the succession or reincarnation of the Dalai Lama. Findings, congress finds the following: Tibetan Buddhism is practiced in many countries including Bhutan, India, Mongo... Guys this is the COVID rescue package.

Jacob:

Why are we talking about the Dalai Lama? This is great, I'm glad we want to talk about Tibet. This is a major geopolitical issue, but this is what I mean about the boogeyman stuff. How an incompetent functioning democracy, suffering from a global pandemic this fiscal stimulus bill that we've all been waiting on, that we all know needs to get done and we're making policy on the Dalai Lama? There's something fundamentally broken there, and it tells me that something's happening in the US blaming



China for all the stuff that is just completely out of proportion. Now, to your point though about Xinjiang, yes that is the rejoinder. I've heard some pro China, I've talked to some pro China analysts, I've talked to some people in China.

Jacob:

They try to explain it to me, it's the one part of China's behavior that I can't wrap my head around. I cannot put myself in their shoes and explain it. I mean folks will tell you. "Oh, the United States was hit on 911 by Islamist terrorists. The Uyghurs have relations to Islamist terrorism, and there's the Arumki Wyatts and all this other stuff," but it's just really hard for me to understand what the Chinese government is doing there and not to judge them horribly for what they're doing there, but again Xander, that's not what people are talking about when they're talking about China. They're not sanctioning SMIC because of Xinjiang. They're doing that because of their bottom lines, or because they want China to open up their markets or because of their supply chains.

Jacob:

I hate this two-faced thing, where folks are willing to denigrate China for what's going on in Xinjiang, and then claim that their positions, or all the things that they're supporting are part of that resistance to China. If we really think that China is doing what people are accusing it of in Xinjiang, great, go at them, isolate them, use the dollar, use whatever you want to do, go at them 100%. That's not what's happening. I'm not saying that we shouldn't be talking about this stuff.

Jacob:

I'm just saying that it's a little more complicated, and that if we really do think that what's happening in Xinjiang is as bad as some of the reports are sounding, we could be doing a lot more to put pressure on China to stop that specific behavior, rather than trying to wrap that into a conversation about tariffs and supply chains which is it's important, but it's a completely different topic.

Xander:

Well, maybe what we need to do is have another episode where we just dive into that issue honestly, because it's something I'm very interested in. It's something that I find very hard to wrap my head around as well, and it's just the one thing... Well, it's not the one thing. It is one thing of perhaps several things that China's doing that I just find completely utterly ethically unjustifiable and utterly useless to do anything about, because it's all the way over there. I don't know man, that says something about human nature as a whole that we don't need to get into on this particular episode about geopolitics. If we are going to pivot back to COVID and I'll start from the fiscal stimulus bill that passed which...

Jacob:

Yup. You're right because I mean that is the big development of 2020. I think we'll look back and this will be... I wonder what history we'll call this year, but it'll be about COVID.



Xander:

It will. Eric, my colleague at ReConsider has been saying that in the future when historians focus on 2020, there will be PhD students who do their theses not on the year, but on the specific month of 2020.

Xander:

Okay. Yeah, so Eric thinks that every month will be a PhD dissertation, at least because so much has happened and an idea that I've been toying with recently, I haven't even really talked about it much publicly, is the idea that something has fundamentally changed about the GOP in America. I say this in a very non-partisan way. I say it as an observer of what's going on. The GOP, the republican party has traditionally been the party of conservatism. I mean a lot of my friends would identify me as a traditional "liberal" in some of my personal policies, and I think I'm far more conservative than that personally, but I value conservatism greatly as an idea in a society, because I do think when you have rapid change too quickly, you often get periods of great bloodshed and violence.

Xander:

I'm generally against that, but while the GOP has historically been the conservative party, it seems like in the last couple of months at least, they have been pushing for things, whether or not you would call them policies, that are pretty radical. I mean everything that's been going on around trying to overturn the election, and I know that that's a partisan issue, but more and more, it seems like the republican party is advocating for greater change more rapidly than the democratic party is. I wonder if that means that some sort of major change is coming to the GOP in the future.

Jacob:

Yeah, I would say I'm not sure that it's just the republican party, and I say that because I think something is happening in American politics where political parties are almost becoming extensions of personal identity, rather than statements about your political positions about something. When you say now that you're a democrat, it's supposed to signal something not just about the positions you want the government to take, but it says something about the ethical positions that you hold. We're talking about political parties. It's not really supposed to be that way, or at least I don't think of it that way. I'm a registered independent for that reason. I've never really ascribed to any party affiliation.

Jacob:

The other part of this also though is that on both sides, I mean what it traditionally meant to be a democrat or a republican in terms of positions, it's not necessarily true anymore. I mean to your point, the republicans used to be the party of free trade and fiscal conservatism, and that's all gone. I mean look at the way that the budget deficit has ballooned under the Trump administration. Trump has gone total protectionist and has taken large factions of the republican party along with him. Ditto on the democratic side. I mean the democratic side, the positions that they used to hold are not always the positions that they want to do going forward.



Jacob:

I think Biden being chosen as the nominee and eventually as the president tells you that he was the compromise candidate. He was the one who could take from all of the different buckets and put them together, but I wouldn't say that Biden stands for any overall policy position. He was anti-Trump and that was basically about all he was. I mean he was able to get back some of those votes that the democratic party lost to Trump, but we're still talking about style and aesthetics, not anything about positions in a real way. Do you think that's fair, or do you think that I'm not being hard enough on the republican party?

Xander:

Hmm. Well, I think it's fair to have reservations about what particular policies presidential candidates stand for because at the end of the day, they can say whatever they want. When they get into office, they usually end up doing different or slightly different things, although coincidentally, Trump didn't. He accomplished a lot of what he said he was going to, but more often than not, it's easier to just lie on the campaign and do whatever you want when you're an officer.

Jacob:

Well, he didn't accomplish the one thing I wanted him to accomplish, which was the massive infrastructure spend. That was the one thing I was rooting for and we couldn't get that.

Xander:

I do think that great changes are happening in both political parties. Absolutely, I don't disagree about that. The only reason I pointed out the GOP in particular is because it seems like the thing that more often than not, I would say like the average republican, someone who's not that politically engaged, but who's voted republican all his life, some people in my family, for example, from North Carolina, they're just not going to not vote republican because it's just what they've done. It's who they are. The thing that the republican party has stood for all this time has been that strain of conservatism. Did I say that right conservatism?

Jacob:

Conservatism, I don't know. Yeah.

Xander:

Conservatism, moving slowly enough and not implementing any radical changes. I think that that is something fundamentally different about the identity of the GOP today. Whereas with the democratic party, I also see like massive changes, but nothing so central to its core identity. I don't think that that's something that a lot of people have picked up yet, but I think it's coming.

Jacob:



Yeah, no, that's fair, but we're on a bit of a tangent because I wanted to ask you because I know you've spent a lot of time looking at COVID. You actually one of the first reports that we published on Perch Perspectives. You were the guy who spearheaded the COVID-19 report that we have on our website at perchperspectives.com. What were you thinking about COVID when it first started and when you wrote that report back in April, and how has your thinking evolved now or changed now? Is there anything in particular that stands out that you feel like you had gotten wrong and wish you could get back, or have things developed generally along the path that you were expecting once we got to April and May? How are you feeling about your initial analysis of COVID?

Xander:

Yeah, that's a good question. I think well, the US has performed so much worse than I ever could have imagined that I think some of the conclusions that I drew in that paper maybe aren't necessarily incorrect, but just overshadowed by other things that have happened since then. It seems like China has been able to very forcefully lockdown parts of the country when necessary, and it's been able to do so in part because it's an authoritarian power.

Xander:

At the time, I anticipated that with a lot of the opposition that was already occurring, that was already going on in different parts of China, you saw protests over the last couple years and issues related to the smog in Beijing, that this would be another grain to the pile of sand in that direction, where people were just not going to be willing to tolerate the fact that the Chinese government had encouraged all of these mass gatherings during the Chinese new year when they already knew about COVID. I mean compare that to how the US performed, I don't know how upset the average Chinese person is going to be about their government's performance, or relative to what's gone on in other parts of the world, I don't know.

Xander:

I recently as part of a final project in grad school looked at some COVID numbers in California specifically, and this is a bit of a tangent, but just because I've been deep in them lately, something interesting that I found is that we looked at movement data as collected by Google and anonymized. It's like all GPS geolocation data and said, "Okay. Based on people's movement, how has COVID transmission changed in California?" Coincidentally, there's a really high correlation between increased movement and parks and new COVID transmission seven to 14 days later, which is strange because you think it'd be a low risk scenario and outside. It doesn't mean that one is causing the other.

Xander:

These are just descriptive figures, but that to me says that at least within California, there may be some justification to shutting down things like playgrounds. Maybe that is a transmission mechanism. That's how my perspective compared to the paper earlier in the year has changed and some of the more recent stuff I've been working on.



Jacob:

Yeah. When COVID originally happened, I was describing it as an accelerant, and I still feel like it was an accelerant. I don't think it's necessarily changed anything in a fundamental way, but I do think it's accelerated a lot of trends and issues that were already happening and questions that might have taken three years or five years to emerge much quicker, because supply chains really did shut down, or because US-China relations really couldn't improve once both sides were blaming each other for things. The EU really did have to come together to pass stimulus and rescue packages, and all sorts of other things in a way that they wouldn't have had to so quickly if COVID hadn't been a thing.

Jacob:

That's still how I think about COVID in general. Zooming back out Xander, is there anything else you feel like you want to call out that happened in 2020 as major geopolitical events we'll look back on? I have a few on my list, but I wonder if there's any that stick out in your mind before we turn our gaze to the future a little bit?

Xander:

The ones that came immediately to mind, we've actually already touched on. There were some of the ones in the Eastern Med and Turkey and Libya, and then of course some of the things we just talked about on China, so let's turn to your list.

Jacob:

Yeah, just a couple. We don't have to go through them all in any depth, but I think the recent civil war in Ethiopia, that was not something that I was expecting quite in that way this year and the way that Abiy Ahmed's government has really gone from being media darling. He won a Nobel Peace Prize for making peace with Eritrea to what was really a grizzly civil war. We're not even sure what the casualty numbers on the ground are, but I mean that's the big regional power in East Africa. I think east Africa is going to become increasingly important in the future, and that's one spot that I wasn't quite expecting that I've had a close eye on. I think when you also look in Africa, just look across the way to Nigeria and the NSAR's protest.

Jacob:

I don't know if that's going to make major change in the future, but that's just an example of the sorts of unrest I think we're going to see going into 2021, where it's that mix of a country whose government is dependent on energy prices and there's inflation, and there's higher food prices, and there's multiple ethnic groups and multiple tribes that are not agreeing on political issues. I feel like Nigeria is a little bit of foreshadowing of what we might see in the fallout, some of the political fallout of COVID-19 in the world. Then I think I'd be remiss if I didn't call out, we had a record-breaking season for hurricanes in the Atlantic.

Jacob:



I'm somebody who I make my way back and forth between Austin and New Orleans. I'm spending more of my time in New Orleans these days, and it's become deeply personal for me in a way that it wasn't before, but I just think we're going to see more of that. The waters in the gulf are warmer, and we saw it over and over and over again this season that caused storms that people thought were going to be cat ones and cat twos. They would quickly accelerate into category fours, and it wasn't just Texas and Louisiana, but I mean large swaths of Central America still going to be dealing with the fallout of some of these storms for years in the future. Again, I think that's just foreshadowing, and I'm remiss if I didn't talk about what was happening for storms in the pacific as well.

Jacob:

I mean Korea got pounded, the Philippines got pounded, a lot of these countries were dealing with storms that unfortunately I don't think it's an aberration. I think as we get further into the future, you're going to see more of these intense weather events happening. In that sense, it feels like we crossed some climate Rubicon in 2020. I don't know if you feel that way. It might just be because I'm here in New Orleans and having to batten down the hatches so often.

Xander:

I mean it is a testament to the intensity of this year that it didn't even occur to me to mention the hurricanes, or the fires that happened in my own state. Some of the largest fires that have ever happened in California. I mean there's a whole month where the air quality here was so bad that we were advised to just not go outside at all and that includes walking your dog, which is one of the few things a few things you can do at least in quarantine. I agree, I think there's been so much controversy over the idea of climate change over the last five years, 10 years, 15 years. We are now currently observing many of the events that were predicted by models and usually, if you're working from an empirical standpoint, you make predictions and then see if they happen, right?

Xander:

If they don't, then your theory is wrong, but man, it was bad here in California in August and September. The sky turned red, not just in California, but my mother who lives in Las Vegas sent me a photo back in September of the sky turning red there too from the fires in California. It seems like there is now going to be a fire season every year with all of these weird things that we've never had before. Fire tornadoes, like, "What?" It sounds like something out of a Philip K. Dick novel, right? It almost doesn't make any sense, but I do think that climate change is going to be the inescapable element of all geopolitics in the next 50 years. Why? Because geopolitics is the aggregation of geography and politics, and geography is intimately tied to the climate.

Xander:

Geography determines climate in certain areas of the world. Climate determines geography as in the arctic, right? There's no getting away from the fact that climate change is going to impact how nations interact with each other in the years to come.



Jacob:

Yeah. I mean before COVID when I used to be on the speaker circuit and I would be giving presentations at conferences or corporate events and stuff, one of the first maps I always show is I have a succession of three maps. I have a map of where water scarcity and certification is happening in the world. The next map is where agricultural yields are projected to go down because of climate change and temperature changes. Then the third one is where is the population growing, and those maps all of the areas where population is growing, where agricultural yields are going down, where water is scarce, and where land is degrading, they're all in the same areas.

Jacob:

We're talking about southeast Asia, we're talking about Sub-Saharan Africa. To a limited extent, we're talking about portions of Latin America. Those are the real places where that stuff is happening, and that's not the sort of thing that I think we're going to see happen on a year time basis. For all we know, next year might be a very mild year, but when you start zooming out and you start looking at that 5-, 10, 20-year time horizon, I think you're right. I think this is really the major issue. I think one of the reasons it's so hard for us to wrap our brains around it as societies and as governments is it's like the frog that's boiling in the water. If you just slowly turn up the temperature, you really don't realize what's happening to you, and I worry that that's going to happen.

Jacob:

I think you're exactly right. If the geography is changing, you can bet the geopolitics is going to change along with it.

Xander:

Coincidentally, I heard recently that if you gradually increase the water temperature and try to boil a frog, it'll just jump out.

Jacob:

Well, let's hope that we're smarter than frogs [crosstalk 00:32:31], which after this year, I'm not sure we are, Xander. I'm not sure we can make that case.

Xander:

I don't know either man. I want to come back to Ethiopia real quick because-

Jacob:

Yeah, yeah.

Xander:



... something you said earlier was you saw COVID as an accelerant and continue to. As I understand, the situation on the ground in Ethiopia, part of the reason it went from let's hold hands and get a Nobel Peace Prize to civil war again possibly, has to do with a regional election that was postponed by the federal government because of COVID. In this case, the prevalence of the pandemic of this damned virus seem to not just accelerate a trend. Because if the 2019 trend in Ethiopia and Eritrea was accelerated, it'd be more peace more quickly, but now it seems to have gone the other direction.

Xander:

Do you think that in the case of Ethiopia and perhaps in other places in the world, and that's where I want to extend the question to you, do you feel like COVID has actually turned the direction of historical developments?

Jacob:

Yeah. Well, Ethiopia again I think it's an accelerant because like Abiy had a vision and still has a dream of a more federalized, unified Ethiopia, and that's what all of his policies are geared towards. The grand Ethiopian renaissance damn, he wants to electrify all of Ethiopia and connect it with infrastructure. When you think about his politics, when you think about him making peace with Eritrea, it's all about forming a more coherent Ethiopia, and that's not really something that's ever happened in history because it's I think it's since the pharaohs has there been like a unified Ethiopian state. Not that there wasn't a state there, but that was able to project power, that was able to really make change on the ground in East Africa the way that Ethiopia can now if it does unite.

Jacob:

I think everything Abiy was doing was about driving towards that, and I think that COVID in some ways accelerated that push that the thing with Abiy is we have to start asking whether the ends justify the means for him, because it's one thing to postpone an election because of COVID-19 disruptions. It's quite another thing to postpone it indefinitely and even if you have to change it, but to just not even set a date in the future, that begins to make me doubt your intentions. That's really what happened in Ethiopia, but the larger issue there is that Abiy has this project and for understandable reasons, you have parts of Ethiopia that don't have that vision. They want their autonomy.

Jacob:

Some of them even want their independence and in that sense, COVID was accelerating things. I'm not sure that there's any country where things changed irrevocably because of COVID. I think the most important thing for me on a geopolitical level that COVID did was it took away the off-ramps for USChina negotiation. I think for me, that's the thing that it really did. I wouldn't have bet that the US and China were going to come to a better understanding and reach a phase two trade deal, or even reach a broader understanding about their bilateral relationship, but I think COVID took away any chance that there was of that happening, and it locked it into place.



Jacob:

I think well, maybe the other one to talk about is the European Union, because I think the challenge posed by COVID-19 to the European Union really did bring France and Germany together in a way that they might not have been brought together, especially in Angela Merkel's lame duck year-

Xander:

Sure.

Jacob:

... and I think in that sense, it really did change the future course of the European Union. I was already a little more bullish on the European Union becoming more unified, but I think that need for and that waking up to how powerful China was and how they were caught in the middle of this trade war, and Trump was going after them as well. I think that all of that together has created a new political dynamic in the European Union a lot quicker than I thought it might get created. I guess the EU is where I would answer your question.

Xander:

That makes sense, yeah. It really seems like despite many challenges, the EU has found ways to I won't say overcome its diversity, but find ways to cooperate in ways that may have been unanticipated before COVID. I'd agree with that assessment.

Jacob:

Yeah, and I think the way it's not some utopian rah-rah, let's all sing Kumbaya thing. It's literally I think the forces that are threatening the EU from the outside, whether it's China or Russia or COVID-19 or supply chains or any of these other things, I think the forces that are threatening European countries from the outside have become more intense than the differences between European countries on the inside. Maybe that will flip at some point, maybe those differences will come back. We've certainly seen with Hungary and Poland, those differences are still there I'm just making the case that maybe COVID tipped the scale, so that those external threats are a bigger issue for the EU. When the external threats are a bigger issue, allies can make strange bedfellows sometimes.

Xander:

Yeah.

Jacob:

All right. Well, that's I could shoot the shit with you about the past all the time Xander, but let's challenge ourselves to look a little bit further into the future. I am bushed you a little bit with this question. I'm going to throw out the two things that I'm thinking about right now, and I've got a couple others that we can talk about. This is not my final endpoint. This conversation is very much I'm hoping is going to help me refine some of what I'm thinking too. It's just the first stuff on the page, but I wanted



to say I'm worried about a couple things. I'm going to start with this. I'm going to read you a list of countries that have important elections upcoming this year that I think also speak to deep political transitions that are happening in these countries or areas.

Jacob:

Scotland is having legislative elections, left to see what happens with Brexit. Iran is going to have presidential elections. Japan is going to have national elections. Mexico is going to have major legislative elections that will probably determine the future course of whether AMLO decides to stick around for a long time. No, I'm not even think. He's trying to make sure that there's a constitutional amendment, so that there can be a referendum on his leadership where they could technically vote him out and if they don't, he could use that as an excuse to do more. We were just talking about it Ethiopia has elections going forward.

Jacob:

There's a bunch of others, but those ones in particular all struck me for different reasons. If you want to talk about some of those countries, we can and then the other one that I just wanted to bring up was I'm really worried about food insecurity in the world ahead. I'm not really worried that you and I aren't going to be able to go to the store and get what we want. I don't think this is going to affect the developed world that much, but I'm worried about higher food prices in general. You're already starting to see some of this bubble up. Russia has already set export quotas for wheat next year, because they're worried about shortages, and they want to make sure that they have enough for their population before they start exporting.

Jacob:

There's already signs of some pretty intense drought in places in Latin America, where a lot of agricultural production is concentrated. When you start thinking about some of the supply chain disruptions from COVID and the fact that I think we're at least a couple months before some realm of normalcy returns, I'm worried about higher food prices and food insecurity. I'm worried about that specifically because in the 10 years that I've been doing this risk analysis, food insecurity is the best leading indicator I can find for political risk. Look at any major civil conflict or interstate conflict, you can almost always find some kind of precursor where food insecurity was the problem.

Jacob:

Arab Spring, a vegetable salesman in Tunisia drought in Syria, the Arab Spring is the answer there. Ethiopia, Nigeria, I mean all these places. I don't need to go through them all, but that's why I'm so hyper-focused on that and why things like wheat export quotas out of Russia already planned and already announced in the last week or two scare me. Those are the two major things I'm looking at. Does any of that strike home with you, or are there others you think that I've missed that you want to throw on the table?



Xander:

I think it's a good sampling for the sake of conversation right now, I would suggest we avoid Iran not because it's not important, but just because their electoral system is so complicated. This will provide the context necessary in this podcast... I feel like we'd have to do a whole show on how the guardian council relates, the supreme council relates to the blah, blah. Elections are its own thing in Iran. What you said about Scotland draws my attention what you said about the food insecurity bit and therefore, East Africa draws my attention. Scotland's particularly interesting to me, because they had a referendum on leaving six years ago, and their circumstances have changed so substantially since the Brexit vote a couple years ago, not to mention COVID this year.

Xander:

I think maybe talking a little bit about how that could impact the future of the EU given the moves towards coherency that we've seen, or we can talk about the locust swarms early in the year and all of these issues surrounding food insecurity, which frankly may have a greater impact globally. I know that they hit Kenya. To what degree did the swarms hit Ethiopia, and what other drivers of food insecurity are we seeing right now?

Jacob:

Yeah, so let's just take the Scotland bit for a second, and we'll come back to the food insecurity bit. We're recording this. This will publish in a week. It's Monday December 21st right now, so I am sure there are going to be more developments in the never-ending Brexit melodrama, soap opera that's been happening. We won't be 100% up to date when this publishes probably, but a lot of this will depend on how things go between the UK and the European Union and as Brexit negotiations go forward. If the UK has a hard Brexit, if they leave the European Union without a deal in place, I think the risks for Scotland pushing for independence and even holding an illegal referendum if the British government doesn't let them hold a legal referendum, I think it's sky high.

Jacob:

I have a hard time imagining a future in which the current political relationship between Scotland and the rest of the UK holds if there's a hard Brexit. Now that fact is why I don't think there's going to be a hard Brexit. I think Boris might take it down right to the very last minute, but I don't think that Boris Johnson wants to be the last prime minister of the United Kingdom. I just don't think that's in the cards for him, and I think that he will make whatever deal is on the table. He'll try to make it as good as possible with the best brinkmanship he can, but I think he'll take the deal. In that case, that's why those elections are so interesting to me, because they're going to be in some ways a referendum on whether Scotland wants to remain.

Jacob:

If the Scottish nationalist party gets a sizable and it would have to be pretty sizable, but polls seem to suggest that support for independence is increasing, the SNP is looking good in polls. If they pull down



impressive majorities in those elections, even if there is some kind of EU, UK deal on Brexit, I'd be pretty worried about what that's going to the internal workings of the UK.

Xander:

All right and food insecurity?

Jacob:

The UN is already projecting there's going to be more locusts and again, locust goes back to climate change. The reason they were locust in East Africa was because in 2018 and 2019, you had abnormally warm temperatures and an abnormally wet rainy system from cyclones that were coming in from the Indo-Pacific and that's what created the conditions for those locust swarms. It looks like that's gearing up to happen again. Because of the timing of some of these things, it wasn't as bad as it could have been, although it definitely hit countries like Ethiopia, like Kenya, Somalia. The countries that were worse affected were the ones that don't normally deal with locust swarms.

Jacob:

They didn't have the equipment that they needed on hand and because of COVID-19 disruptions, they couldn't get that equipment really quickly. Expect to be reading more about locusts in general in the future, but yeah. I mean East Africa is just one area that we have to worry about. I mean locust made it as far as Pakistan and India. They even made their way up into China. Now they didn't cause serious problems, and they were able to control them in those countries, but again, it's just an example of the types of disruptions that we're talking about. If you have say drought in Latin America that drives down yields, if Russia doesn't have a great yield and they have export quotas, just throw a couple more export quotas in there if people are freaking out about COVID-19.

Jacob:

You have a recipe not for drastic shortages again, but just for higher prices and if prices are going to go up, then you're going to get panic. Then you get some of the folks who are not willing to protest something might be willing to protest, or folks who might not have been willing to risk their life for whatever reason might be willing to, because they just don't simply have access to food. Those are the types of issues that I think we need to be keeping an eye on, especially in places like East Africa, West Africa where there are these genuine concerns with political governance, even in Latin America as well. I mean I don't think it's a coincidence that we've seen major political unrest in... I mean let's go down the list.

Jacob:

There's been major political unrest in Argentina, Chile, Bolivia. Brazil is a basket case when it comes to COVID, and they're still very at odds with each other. I mean Peru, I mean Peru's had, what, three presidents in the last month I think. All of this stuff is interconnected, and I think that we're able to see in a really intense way some of the areas where these pressures are going to manifest the most, and you



just have to dig down really deeply into each one of these countries and figure out whether they have the resilience to manage it going forward or whether they don't.

Xander:

Maybe as a concluding thought here then Jacob, how do you think these trends which will begin to manifest in 2021, but certainly for the climate change issues continue to manifest for many years to come? How is that going to impact the business environment for companies that may have international business be it import export, or have supply chain operations upstream that they need in order to sell wherever? How is that going to change their strategic logic?

Jacob:

Well, we can speak about it on a country by country basis and the Mercosur, EU free trade agreement is probably the best example of this. The EU led by really France doesn't want to go ahead with that free trade agreement, unless Brazil commits to doing more on climate change, specifically in the Amazon. That's a major deal. If Mercosur and the EU sign that free trade agreement, that's a major potential trading block, economic block. The potentials for that to grow into some political relationship, there's a lot there and that's all hinging on this issue of climate change in Brazil.

Jacob:

I also think when we're talking about climate change, you have to think about the fact that we've been talking a lot about 5G technology this year, but I think climate change technology is going to be one of those things that becomes a competition ground between different countries, and a lot of the materials and resources you need for some of these advanced climate change technologies and you probably know this better than me, you need things like lithium for batteries, and you need things like cobalt. When you look at what countries have these resources, that's countries like Argentina, countries like the Democratic Republic of Congo.

Jacob:

There's a reason that a country like China just announced four billion dollars' worth of investment in building Argentina railroads, because they want that Argentine lithium. They want access to some other stuff in Argentina too, but it's pretty transparent. Same thing with all the countries that are active in a lot of these places around the world that people maybe haven't heard of, but it's this new approach to, I don't know what you want to call it. Do you want to call it neocolonialism or neo-mercantilism?

Jacob:

I don't have a pretentious sounding name for it yet, but I do think that need for some of these materials that are crucial to climate change technologies is going to lead to intense competition for securing access to these resources, and a lot of those relationships are going to look vaguely imperial, whether it's a country like China building infrastructure and providing infrastructure, so that it gets a better



political relationship with that host country, or whether the US is going to threaten trade sanctions, or whether the US is going to rejoin the TPP or try and conclude new free trade agreements, so that it can have access to some of these important materials in these countries, whether it's about countries like the US and Australia rebuilding their own ability to produce rare earth elements.

Jacob:

I think all that stuff is on the table this year, and it's going to be forward in a way that it wasn't necessarily in 2020.

Xander:

I think that's right and I think regardless of what you want to call it, just because colonialism refers to a specific period in history that has a lot of associations with it. Set that aside for a moment, empirically what you're going to see in a lot of countries where there are precious resources is more active foreign government involvement, especially in the big players that you've already just talked about. That's going to be inescapable and understanding what their motivations are is going to be absolutely critical if you want to earn a profit operating in these places.

Jacob:

Yeah, and just on that, I mean and this relates back to our COVID conversation as well, I really do think that for this phase of globalization, I think we've reached a high water mark. I think things are going to start receding now, and that doesn't mean necessarily that the world is going to fall apart overnight. It just means that before, it has to be as efficient as possible. Your supply chain is to be as lean as possible. It's going to be about political relationships.

Jacob:

You might be a company that sources something from one place and if your government has a problem with that country's government, or if that country is now caught between two competing powers, whether it's China in the US or Turkey and Russia or the EU in Turkey, all these things are going to manifest in a business sense in a much more intense way. You can't afford to be in the dark about that stuff now. That's somewhat of a self-serving argument because obviously, the thing we specialize on is political risk. I guess the silver lining to that is also that periods of intense change like this, there are tremendous opportunities.

Jacob:

If you can be more activists, rather than passive about anticipating some of these disruptions, anticipating some of these changes, you're not going to get it all right. If you start that process now, if you start thinking through what potential risks there are to your supply chains, to your lines of business, you'll be ahead of your competitors I think at the end of the day.

Xander:



If you're a business operator that realizes these risks and wants to say... and yeah this is clearly an advertisement, but contract to company like Perch Perspectives to better understand how those developments are going to impact their bottom line, how would they do it?

Jacob:

Well, they would send us a note at info@pechperspectives.com and they would say, "Jacob, stop drinking Sapporo light and please give me an intense 5-page brief on how the drought in Argentina and China's investments there is going to affect my bottom line." That would be a good place to start, and then we can go from there.

Xander:

Love it. Why don't we call it a day? We'll pick another episode to maybe dig down more into some of the details of what's going on and in some of these parts of the world that we outlined. I think Ethiopia is such an interesting place, but as you mentioned, you and me on a call with a glass of wine or a bottle of Sapporo light, and we'll talk for eight hours. We got to call it at some point.

Jacob:

All right. Well Xander, thank you for taking time and it's always good to talk to you man, stay safe you.

Xander:

Too man, take care.

Jacob:

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Jacob:

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