

Elections Set the Agenda for 2024

Elections in Russia and the US may be very different in both form and substance, but they will set the tone for emerging markets in what will be a year of elections worldwide



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The world in 2024 sees possibly the highest concentration of elections in modern history. Emerging markets are very much part of this: there are key parliamentary and/or presidential elections in Taiwan, India, Indonesia, South Africa and Mexico this year – 40% of the MSCI Emerging Markets Index by weight and 1.9 billion people. In addition, there are various other elections that have the potential to affect the global macro environment that matters so much to emerging equity markets. Sanctions on China, the impact on commodity prices and trade of the Russian invasion of Ukraine, and the evolving set of overlapping conflicts in the Middle East and Red Sea have all had direct impacts on financial markets. There is a huge amount that can be written about each of these elections; in this piece we will focus on one particular characteristic of this year's political calendar.

One developing trend that affects all investors, including those investing in emerging markets, is the steady worsening of the global geopolitical environment. It is hard to date the start of this precisely, but sub-Saharan Africa, the Middle East and the former Soviet Union have all seen various combinations of coups, instability and violence in recent years, while some other international relations have been characterised by a shift from peaceful cooperation to antagonistic confrontation. Various of these conflict zones are scheduled to have elections this year that may lead to better or worse outcomes.

First up is **Taiwan**, with presidential and legislative elections in January. The governing Democratic Progressive Party's (DPP) President Tsai Ing-wen cannot stand for a third term, so the current Vice President Lai Ching-te has been nominated as the DPP's candidate and has a narrow lead in the polls. The DPP is the more pro-independence of Taiwan's two main parties and a Lai victory may see a strongly negative reaction from Beijing. The portfolio is underweight both Taiwan and China, although geopolitics is only one of the drivers that leads us to those positions.

March brings the presidential election in **Russia**. The last election was in 2018 and is widely thought to have been neither free nor fair; incumbent Vladimir Putin received 77.5% of the vote then, and the political system in Russia has become intensely more repressive since. Economic strain is substantial, many Russians have seen their ambitions destroyed and the country may have taken over 100,000 casualties so far in its invasion of Ukraine. A Putin victory has to be the expectation, but there is the possibility of protests and crackdowns that may alter Russian policy.

Similarly, the first half of the year should see a presidential election in **Venezuela**. Like Russia, the country is in no meaningful sense a democracy and the leading opposition candidate Maria Corina Machado was barred from politics in June 2023, so a victory for the governing coalition (probably for the incumbent Nicolás Maduro) has to be the expectation. The run-up to the election has seen Venezuela adopt the position that almost all of the territory of neighbouring Guyana belongs to Venezuela and that a military solution (backed by Iran, Russia and China) may be required. This would lead to a substantial worsening of global geopolitics, so the potential outcomes here are very varied.

The middle of the year sees five non-permanent members of the **UN Security Council** elected. Although almost all the power sits with the five permanent members (who have vetoes), it is here where any attempts to resolve these conflicts will start. Among the countries likely to be elected are Pakistan and Somalia. Pakistan is close to China and Iran and in dispute with India; Somalia is in a dispute with Ethiopia which has the potential to further worsen the geopolitics of the Red Sea region.

Israel does not have elections scheduled, but the country had five elections between April 2019 and November 2022 in search of a viable coalition, and the current emergency government formed after the Hamas attacks in October 2023 may not last throughout 2024. A snap election could lead to anything from a mandate to negotiate a political settlement to the current crisis to a shift to an even more overtly nationalist government that would deepen the conflict with both the Palestinians and with Israel's neighbours.

Finally, the end of the year sees the election of the next president of the **United States**. While the economic and trade policies of

whoever wins will be key for all emerging markets, so will their geopolitical stances. The relationship between China and Taiwan, the Russia-Ukraine war, the war in Gaza and related conflicts and tensions (including the navigability of the Red Sea) and whatever happens on the Venezuelan-Guyanese border will all be substantially driven by what happens in the US on the first Tuesday in November 2024.

Global geopolitics are fraught as we go into 2024 and these six elections have, between them, the potential to lead to a substantially better or worse world. Investors will need to follow them closely and react accordingly.

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