

# 2025 Annual Forecast



- Russia/Ukraine
- Middle East
- Indo-Pacific
- Country Hotspots
- Connectivity Themes





Left to right: Ukrainian soldiers mourn a fallen comrade; an Israeli army vehicle guards a gravel truck in the Gaza Strip; the Chinese aircraft carrier CNS Fujian is towed from dry dock. (Getty Images)

## Introduction

2025 will be headlined by the domestic and global impact of Donald Trump's return to the U.S. presidency. Key diplomatic and security shifts will occur in the Russia/Ukraine conflict as well as in the Middle East, while geopolitical tensions between the United States and China will intensify, both bilaterally and in the wider Indo-Pacific. There will be significant changes – particularly added restrictions – to global trade flows and advances in technologies related to energy and AI, while climate change will pose and exacerbate global challenges related to political and economic stability, food security, water, and migration.

Key dates/events in 2025:

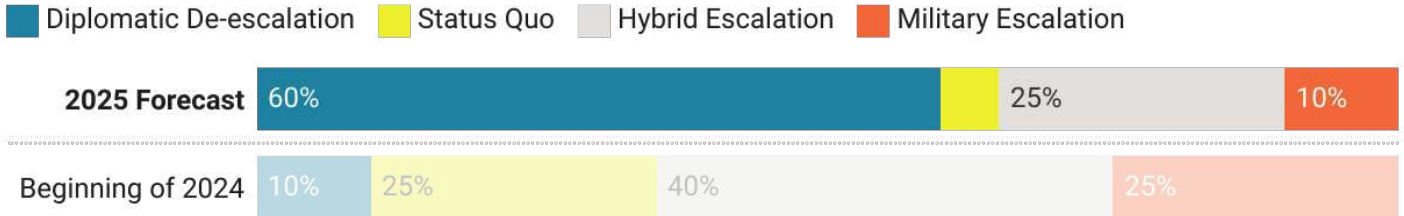
- **Jan. 1** – Romania and Bulgaria become full members of Schengen Area
- **Jan. 20** – U.S. presidential inauguration
- **Jan. 26** – Belarus presidential election
- **Feb. 9** – Ecuador general election
- **Feb. 23** – Germany federal elections
- **Feb. 10-11** – AI Action Summit
- **May 1** – May Day, (potential for labor-related protests)
- **May 12** – Philippines general elections
- **June** – G7 leaders summit in Canada
- **June 24-25** – NATO summit in the Netherlands
- **November** – U.N. Climate Summit in Brazil

COVER PHOTOS: (Top) Supporters of U.S. President-elect Donald Trump fly flags near Trump's resort in Mar-a-Lago, Florida. (Bottom left) A Ukrainian soldier fires his weapon in the Toretsk region of Ukraine. (Bottom right) Lebanese visit the site where Hezbollah leader Hassan Nasrallah (on poster) was killed by an Israeli strike.

# Global Hotspots

## Russia/Ukraine Conflict

### Scenario probability chart



Percentages are calculated using The New Lines Institute's forecasting methodology.

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### Overview

- The Russia/Ukraine conflict enters 2025 trending toward military escalation in the immediate term and diplomatic de-escalation in the short to medium term.
- In 2024, Russia ramped up its offensive in eastern Ukraine, gradually seizing more territory in the Donetsk region. Ukraine launched a surprise incursion into the Russian border region of Kursk, prompting a counteroffensive by Russia that included the direct participation of troops from North Korea. Approval by the U.S. and European countries for Ukraine to use long-range weapons inside Russia at the end of 2024 was met with a high uptick in Russian missile and drone attacks across Ukraine.
- There was a significant amount of activity in the hybrid realm, with Russia and Ukraine attacking each other's energy and critical infrastructure. The U.S. and EU expanded sanctions against Russia, while preparations were made to use frozen Russian assets to fund Ukraine.
- Diplomatic activity toward a cease-fire began to pick up toward the end of the year, particularly in the lead-up to U.S. elections, and accelerated after the victory of President-elect Donald Trump.



### Forecast Scenarios

#### Military escalation scenario

- **Low probability:** The conventional phase of the war is likely to diminish over the course of the year.
- The active military phase of the conflict is likely to slow as the diplomatic phase picks up following Trump's inauguration.
- There will still be military activity along the front lines of the conflict, but Russia will reduce its major offensive operations.

### ***Hybrid escalation scenario***

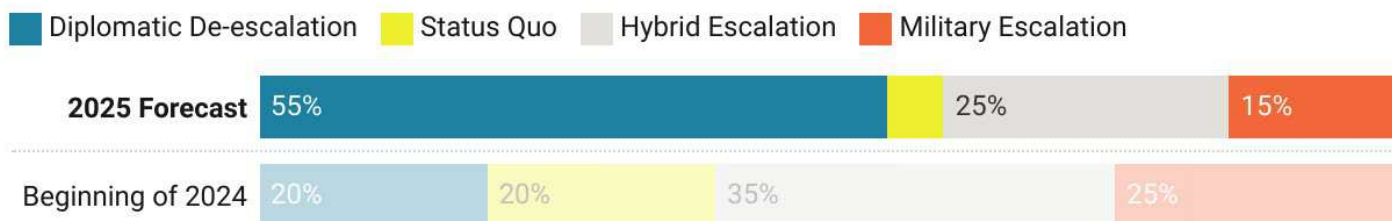
- **Moderate probability:** Economic restrictions, cyberattacks, intelligence operations, proxy conflicts, and energy/critical infrastructure attacks by both Russia and Ukraine are likely to increase.
- The U.S., EU, and aligned states are likely to maintain sanctions and other forms of economic restrictions against Russia over the course of 2025. These could intensify if Russia stalls or undermines conditions of a cease-fire deal.
- Ukraine is likely to receive disbursements of billions of dollars in frozen Russian assets during the year.
- With the December 2024 expiration of a Russia-Ukraine deal to transit Russian gas to the EU, Ukrainian gas transit infrastructure will be more vulnerable to attack/sabotage.

### ***Diplomatic de-escalation scenario***

- **High probability:** Exhaustion after nearly three years of fighting, the emergence of new conflicts, and results of the U.S. election will prompt diplomatic activity and preparations for negotiations between Russia and Ukraine.
- The Trump administration will push for a freeze of the conflict and security guarantees for Ukraine but will not support offering it NATO membership.
- A second Ukraine peace summit is likely, this time with the participation of officials from Russia and mediation by nonaligned states such as India, Türkiye, or the Gulf states.

# Middle East

## Scenario probability chart



Percentages are calculated using The New Lines Institute's forecasting methodology.

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## Overview

- The Middle East conflict enters 2025 trending toward military escalation in the short term and diplomatic de-escalation in the medium to long term.
- In December 2024, Israel and Hezbollah agreed to a 60-day cease-fire, intended to allow Israel to conduct a phased withdrawal from Lebanon and for the implementation of UNSCR 1701, which stipulates a combined U.N. peacekeeping/Lebanese national army force to secure the territory between the Israeli-Lebanese border and the Litani River.
- In Syria, the rebel group Hayat Tahrir al-Sham (HTS) initiated a surprise offense that resulted in the rapid capture of Aleppo, Hama, Homs, and Damascus as President Bashar al-Assad fled the country after key allies Russia and Iran did not intervene or escalate further on his behalf.
- While the conflicts in Lebanon and Syria moved toward a diplomatic de-escalation scenario, the conflict in Gaza showed mixed signs of escalation and de-escalation despite increasing domestic political pressure on Israeli Prime Minister Benjamin Netanyahu to secure a hostage release deal with Hamas and end the war.
- Israel continued to conduct raids, air/drone strikes, arrests, demolitions, and other operations in the West Bank, and senior Netanyahu cabinet officials advocated for Israel to formally annex the territory following the victory of President-elect Donald Trump.
- Hybrid activity in 2024 was primarily characterized by increased U.S. and EU sanctions against Iran for providing weapons shipments to Russia, cyberattacks from Iran against incoming Trump administration officials, and the continued operation of oil black markets by Iran in defiance of western sanctions.



## Forecast Scenarios

### Military escalation scenario

- **Low probability:** In the conflict between Israel and Iran and its proxies, the defeat of Assad and the denial of a friendly operating environment in Syria to the Islamic Revolutionary Guard Corps and will severely hamper Iran's ability to support the re-armament of Hezbollah.

- Türkiye and Turkish-backed militias likely will escalate their attacks against Kurdish militants in northeast Syria in the short term.
- Israel will likely continue to hold territory in southern Syria along the Golan Heights in the long term.
- Israel will likely escalate its campaign in Gaza in the short term while hostage release negotiations advance, mirroring operations in Lebanon before the 60-day cease-fire period.
- Trump's inauguration will likely have at least a short-term deterrent effect against military escalation from Iran.

### ***Hybrid escalation scenario***

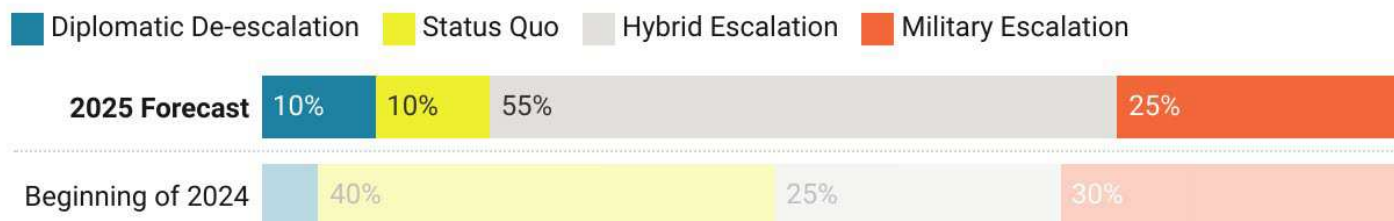
- **High probability:** The narrowing of its military options and Trump's inauguration will make Iran more likely to pursue non-kinetic courses of action against its adversaries.
- The incoming Trump administration is likely to renew its policy of "maximum pressure" against Iran and increase sanctions targeting the Iranian oil sector.

### ***Diplomatic de-escalation scenario***

- **High probability:** The continued implementation of the 60-day cease-fire between Israel and Hezbollah and the impending implementation of UNSCR 1701 are likely to drive diplomatic efforts.
- The Israel/Hezbollah cease-fire and the regional ramifications of Assad's ouster will likely increase the willingness of Hamas to negotiate with Israel in the medium to long term.
- The Trump administration is unlikely to intervene in Syria.
- Despite an initial escalation of military operations against Kurdish militants, domestic political considerations will likely cause Turkish President Recep Tayyip Erdoğan to reduce the tempo of operations to pursue a more stable Syria that allows for the mass return of millions of Syrian refugees out of Türkiye, leading to diplomatic de-escalation in the long term.
- Qatari and Egyptian mediators will continue efforts to negotiate a hostage release deal between Hamas and Israel as the first steps in a phased end to the war in Gaza.

# U.S./China/Indo-Pacific

## Scenario probability chart



Percentages are calculated using The New Line Institute's forecasting methodology.

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## Overview

- The Indo-Pacific enters 2025 trending toward a hybrid escalation scenario.
- Throughout 2024, tensions increased between the United States and China as the U.S. continued to support the administration of Taiwanese President Lai Ching-te through multiple military aid deliveries and sales while China increased the scope and intensity of its military exercises around Taiwan.
- The Chinese navy and coast guard have routinely clashed with their Philippine counterparts in the South China Sea despite several attempts at enhancing communication and de-escalating the situation.
- The administration of U.S. President Joe Biden focused on strengthening regional and multilateral alliances to deter China, such as the Quad and AUKUS. These alliances are likely to remain in place.
- Tensions between the U.S. and China continued in the hybrid realm, as both countries have exchanged multiple trade restrictions, sanctions, and tariffs in the semiconductor, electric vehicle (EV), and critical minerals industries.
- The EU has imposed its own tariffs on Chinese EVs, and tensions have worsened due to China's support of Russia's war efforts in Ukraine.
- Diplomatic de-escalation between China and the U.S. and its allies is unlikely in the short term, although Japan has expressed willingness to work with China in certain sectors, while China and Australia have reduced bilateral trade restrictions.



## Forecast Scenarios

### Military escalation scenario

- **Low probability:** China is likely to continue to intimidate Taiwan with military incursions into the island's airspace and territorial waters, and actions by the Taiwanese government deemed separatist by Beijing will

continue to elicit a strong reaction from China, short of a full invasion or blockade, in the form of military drills around and cyberattacks against Taiwan and trade restrictions on its allies.

- The incoming administration of President-elect Donald Trump has promised a tough stance on China that may result in it making bold moves in favor of Taiwan, for instance by inviting a Taiwanese delegation to the U.S. or Taiwanese armed forces to take part in U.S.-led exercises, which China likely will respond to through a strong show of military force and hybrid attacks on the U.S.
- Clashes between China and the Philippines in the South China Sea are likely to continue throughout 2025. The U.S. Navy has said it could assist the Philippines in its operations in their exclusive economic zone if tensions escalate. Considering the incoming Trump administration's good relationship with the administration of Philippine President Ferdinand Marcos Jr., similar arrangements are likely to continue, though the Philippines has stated it does not want to escalate tensions.
- Tensions on the Korean Peninsula are likely to continue escalating, as North Korea is likely to ramp up ballistic missile tests and expand its military capabilities with support from Russia.
- Taiwan, the Philippines, and Japan are likely to continue receive weapons and security assistance from the U.S., though the transactional nature of Trump's foreign policy may result in more weapons sales rather than donations.

### ***Hybrid escalation scenario***

- **High probability:** The trade and technology escalations that ramped up in 2024 will likely continue in 2025.
- The incoming Trump administration has repeatedly threatened to impose upwards of 60% tariffs on all Chinese imports, with additional 10% tariffs to reduce drug and immigration flows into the U.S., and tariffs if China helps develop an alternative currency as part of BRICS.
- China is likely to continue its cyber espionage and disruption campaigns against the U.S. and its allies.
- The EU may impose further sanctions and trade restrictions against China if it continues to support Russia's war in Ukraine.

### ***Diplomatic de-escalation scenario***

- **Low probability:** The U.S. and China have displayed little willingness to cooperate and compromise on security issues.
- In the long term, the U.S. and China likely will use their respective trade restrictions as bargaining chips in negotiations.
- Smaller nations in Southeast Asia, as well as Japan and the Philippines, may seek closer ties with China if they see U.S. demands in exchange for security guarantees as unreasonable or unreachable.



# Country Hotspots

## United States

### Overview

- The U.S. will kick off 2025 with the inauguration of President-elect Donald Trump. The Republican Party has won majorities in both the House of Representatives and the Senate, making it easier for Trump and his party to pass legislation until at least the 2026 midterms. The Trump administration has promised sweeping reforms to the country, including stopping/slowing migratory flows, deporting undocumented migrants, increasing domestic fossil fuel production, enacting tax cuts, and placing tariffs on imports.



### Forecast Scenarios

#### *Stabilization*

- The threat of domestic politically motivated security de-stabilization has been alleviated in the short-term, as most threats of violence surrounding the transfer of power were geared toward a Kamala Harris election victory. However, isolated incidents of security destabilization such as shootings, hate crimes, or violent protests are likely to occur throughout the year.
- The employment growth seen at the end of 2024 will likely continue as the overall economy will likely expand through the first half of 2025. However, as Trump's proposed policies are put in place, consumer prices are likely to rise.
- Democrats will likely push for bipartisanship and involvement in many of Trump's decisions and appointments rather than taking the purely partisan line.

#### *Destabilization*

- Trump has announced plans for major reforms to the functioning of government, appointing Elon Musk and Vivek Ramaswamy as heads of a potential "Department of Government Efficiency" in an advisory role. Musk has repeatedly asserted his ambitions to cut at least \$2 trillion from the federal budget, a process likely to face major opposition in Congress.
- Many of Trump's more controversial nominees to lead governmental agencies are likely to face opposition throughout Senate confirmation hearings. Several of them advocate for reforming various governmental processes, including the Department of Justice. It is likely that confirmed candidates will continue to face heavy opposition within Congress and from the public, though this opposition is unlikely to yield significant changes from the government's actions.
- If Trump realizes his ambitions to cut income taxes and place tariffs on imports, the U.S. will likely face an inflationary period.

# Venezuela

## Overview

- Venezuela is trending toward political destabilization. President Nicolás Maduro has faced criticisms about the integrity of the July 2024 presidential election from Western countries and organizations, the United Nations, and several Latin American states. Brazilian President Luiz Inácio Lula da Silva denied Venezuela's bid to join BRICS. On Dec. 3, the U.N. Human Rights Council began a probe into the election.
- Several members of the opposition party have fled or gone into hiding, including presumptive presidential election victor Edmundo González, who fled to Spain in September, and party leader Mariá Corina Machado, who went into hiding in Venezuela.
- González has been recognized as president-elect by the United States, the EU, and several Latin American states, including Peru, Ecuador, and Argentina.



## Forecast Scenarios

### *Stabilization*

- As the Trump administration works to curb illegal migration, it presents an opportunity for a deal with Maduro to ensure Venezuelans are logistically able to be deported and accepted back into Venezuela.
- With an 11% increase in the annual budget, the Maduro administration is likely to focus more of its efforts in upgrading oil infrastructure, creating jobs with livable wages, restoring public infrastructure, and regulating compulsory schooling.

### *Destabilization*

- The Jan. 10 presidential inauguration represents an inflection point for Venezuela. Maduro will most likely remain in office, which could lead to mass protests similar to those surrounding the disputed election. Maduro will likely use government forces to suppress the demonstrations. It is also likely upon González's return to Venezuela he could be imprisoned or charged with treason.
- The incoming Trump administration likely will reinstate the strict economic sanctions it previously imposed on Venezuela, which the Biden White House eased to facilitate elections. Such sanctions could be strengthened in response to the security threat posed by the emergence of the Venezuelan criminal gang Tren de Aragua in the United States.

# South Africa

## Overview

- South Africa is trending toward political stabilization, as the renewed reliability of its electricity supply and the formation of the Government of National Unity (GNU) after the May elections boosted business confidence and eased investors' economic concerns.
- Unpaid municipal debt to utility boards threatened service delivery, and an ongoing water crisis, particularly in Gauteng, resulted in several water-cuts and disruptions in the province towards the end of the year.
- The growing prominence of construction mafias, who use threats of violence to extort money from construction projects, delayed the development of critical infrastructure, resulting in both economic and security destabilization last year.



## Forecast Scenarios

### *Stabilization*

- Despite disagreement between the GNU's two major parties, the African National Congress and Democratic Alliance, on some key issues, the weakening of GNU opposition parties and economic optimism from international actors point to political stabilization in 2025. The GNU will largely be able to overcome its internal divisions, particularly over contentious education legislation and attitudes toward foreign partners, through internal structures, boosting international confidence in the sustainability of the government.

### *Destabilization*

- Growing municipal debt and nonpayment to utility boards will hinder the delivery of key services, especially water and electricity, pointing to economic destabilization. Two major water boards will likely face bankruptcy in 2025 due to unpaid municipal bills. Government efforts to provide debt relief are unsustainable, and municipalities will likely face cut-offs if nonpayment continues.
- The Trump administration will pose economic threats to South Africa, particularly through uncertainty surrounding the future of the African Growth and Opportunities Act (AGOA) which is up for renewal in 2025. Trump has previously expressed disdain over AGOA, and an existing amendment enabling a party to suspend or restrict AGOA benefits for another member threatens South African access to U.S. markets. South Africa's reliance on the U.S. as a trading partner will likely result in a larger GNU effort to appease Trump over foreign policy related to BRICS and Russia.



Getty Images

# Connectivity Themes

## Energy/Climate

### Energy and Geopolitics

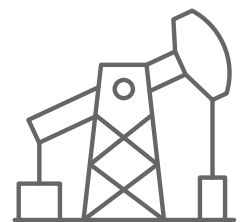
The world's energy landscape in 2025 will continue to be shaped by ongoing conflicts that disrupt markets and trade flows as tensions spark competition for vital energy resources. Simultaneously, leading economies in the renewable energy transition, including Western nations and China, will accelerate investments in clean energy technologies to reduce dependence on unpredictable fossil fuel markets, redefining the global energy landscape.

- Russia-Ukraine Conflict: Diplomatic efforts will lessen the disruption of energy trade between Russia, Ukraine and the West, though the EU will maintain diversification of energy supplies from Russia.
- Middle East: Persistent unrest in the region will heighten risks at critical energy chokepoints, including the Strait of Hormuz and the Red Sea, potentially escalating risks to global energy markets.
- China-Taiwan: Rising tensions could disrupt global trade routes and energy supplies across the Asia-Pacific. Taiwan's planned nuclear energy phaseout in 2025 will further complicate its energy security, leaving it more vulnerable amid geopolitical uncertainties.
- Arctic Competition: A strategic rivalry over Arctic resources will intensify as melting sea ice opens new trade and energy exploration opportunities. The growing Russia-China rapprochement will add a new dimension, with both collaborating to expand Arctic energy projects and secure access to key resources, challenging Western interests.

### Fossil Fuels

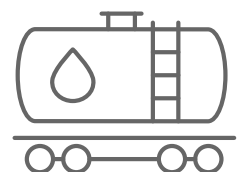
#### Oil

- Oil and natural gas markets are expected to remain volatile in 2025, influenced by fluctuating demand, supply chain disruptions, and OPEC+ strategies to stabilize prices. OPEC+ is projected to maintain its current production caps of 5.86 million barrels per day to prevent oversupply, keeping Brent crude prices within a range of \$73 to \$76 per barrel. However, any rapid increase in output could destabilize the market and trigger sharp price declines.
- Oil consumption growth in China will continue to slow as it shifts toward cleaner energy solutions.



#### Natural Gas

- The natural gas market is expected to tighten in 2025, with rising demand from Asia and Europe outpacing supply expansions. This imbalance is projected to drive prices higher, with Henry Hub natural gas prices estimated to average \$2.90/MMBtu fueled by the growth of U.S. LNG exports.



- Despite policy shifts more favorable to the fossil fuel industry, investment in U.S. oil and gas development could lag because of profitability concerns. U.S. LNG production will ramp up as new export terminals move forward after the incoming Trump White House lifts the Biden administration’s moratorium on permits.

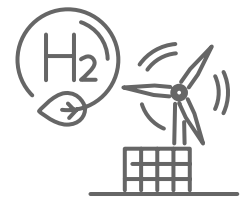
## Energy Transition

- Inadequate funding of climate change mitigation and adaptation measures for poorer nations and the energy policies of the incoming U.S. presidential administration will likely slow, but not stop, the global transition to carbon-free energy.
- Renewable energy capacity will continue to expand at a rapid pace, but balancing the variable output of wind and solar resources will prove an increasing headache for electric grid managers. Grid infrastructure upgrades and increasing energy storage likely will fall short of efficiently integrating renewables into existing networks in the short term.
- The unfavorable economics of some transitional energy technologies such as green hydrogen, offshore wind, and photovoltaic panel production will likely prompt some investors to back away from those sectors.
- The rapid pace of AI adoption will prompt big tech companies to increase efforts to secure sufficient electricity to power energy-intensive data centers, including deals for nuclear generation.



## Emerging Energy Technologies

- Emissions are likely to continue to rise because the world’s energy use has outpaced efficiency advancements. Governments will push for more renewable energy and efficient systems to offset emissions. These innovative digital technologies will be used to meet these challenges and advance the decarbonization of the energy sector: Data-driven distributed grid management, AI-powered energy forecasting, predictive maintenance, and digital twins for the optimization of energy systems.
- As global energy demand rises and environmental concerns grow, improved and innovative solar energy technologies will be adopted and developed. These new and innovative solar technologies will help to address the limitations of current solar technologies such as low electrical efficiency and space constraints. Advanced solar technologies include perovskite and tandem solar cells, floating, bifacial solar PV, and agrivoltaics.
- Due to the global push for renewable energy, wind energy will see substantial investment and development. Advanced wind energy technologies with higher efficiency will make wind projects promising. New technologies include floating wind turbines, AI-powered predictive maintenance, modular wind systems, and innovative offshore wind energy.
- The adoption of green hydrogen is projected to rise significantly for both developed and emerging economies. In developing countries, investment in green hydrogen supply chains is hindered by high capital costs and limited renewable energy development. Challenges include high initial production costs, storage, and transportation. Emerging green hydrogen technologies include advanced electrolyzers, power-to-X technologies, and advanced hydrogen storage technologies.



## Trade

### Trade Restrictions and Tariffs

- The Trump administration is likely to increase tariffs on a number of countries and blocs in 2025, including China, Mexico, Canada, the EU, Russia, and BRICS.



- It will use such tariffs – or at least the threat – as leverage to drive negotiations and address economic and security priorities, including the outflow of domestic manufacturing jobs, the dollar as a global reserve currency, immigration, and illicit drug flows.
- The level of tariff implementation will likely be less than what Trump has initially proposed (ranging from 10% on all countries to 100% against BRICS countries) in most cases.

### ***U.S./China Trade War***

- The trade dispute between the U.S. and China is likely to escalate in 2025, in terms of both tariffs and export controls on select goods.
- The global semiconductor supply chain will be particularly affected, as the U.S. will restrict technology and advanced component exports to China, while China will retaliate by banning critical mineral exports to the U.S. and partner countries such as Japan and the Netherlands
- in the short term, the U.S. will likely deepen its critical minerals trade with South Korea, Southeast Asian nations, European countries, and Central Asian states.
- The U.S. will seek trade and investment concessions from China in areas like increased imports and the manufacturing location of electric vehicles, solar panels, and wind turbines.

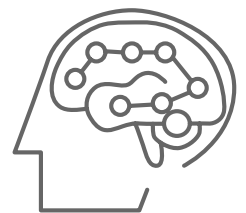
### ***Emerging Trade and Shipping Routes***

- The diplomatic de-escalation of the Azerbaijan/Armenia conflict will create new trade opportunities in the Caucasus and Trans-Caspian region.
- Melting sea ice in the Arctic will increase economic and military competition as the region becomes more navigable. As ice rapidly melts, an estimated three new major shipping routes, all over 4,000 nautical miles, will emerge in the Northern Sea Route and Northwest Passage in 2025.

## **Technology**

### ***Artificial Intelligence***

- The use of generative AI will continue to grow throughout 2025 in business decisions/ processes as new iterations continue to develop. Microsoft, OpenAI, and Anthropic will continue to be U.S. leaders in this domain. Rival Chinese AI leaders will likely continue to be Alibaba, DeepSeek, 01.AI, and Zhipu AI.
- The Trump administration is set to deviate from the Biden administration’s approach to AI regulation. It is likely that Trump will attempt to revoke aspects of Biden’s executive order on the “Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence,” which aimed to create a coordinated, multiagency approach to regulating AI development, if he deems them not in line with his vision for government tech regulation. Several bills addressing AI regulation in the congressional pipeline may face obstacles throughout the year if the administration favors a more innovation-heavy focus on AI as it did during its first term.
- The European Union’s first set of regulations under its AI Act will enter into force in February 2025, prohibiting “unacceptable” AI systems. The U.K. may seek closer cooperation with the EU on AI regulation and may have to conform to some of the EU’s regulations given the market overlap. Both the EU and U.K. may seek openings for cooperation with China over tech policy, though EU members with restrictions on Chinese infrastructure such as Huawei systems are likely to keep them in place. The U.S. is unlikely to cooperate with China on technology and AI, and it will likely restrict technological trade and cooperation with China even further.



- There is appetite for further integration of AI into military systems, notably in the U.S., which will likely incorporate AI into military procedures and operations, as well as further the production and acquisition of autonomous aerial vehicles and autonomous weapons systems. China is likely to do the same, without cooperation from the U.S., exemplified by China’s absence from September’s “REAIM” summit on the use of AI in the military.
- Funding is likely to increase for the development of quantum computing, with multiple governments and regions (U.S., China, EU) having shown interest in its integration in common computing processes. As such, 2025 will see developments in funding arrangements for the integration of quantum computing in military systems, for instance in the AUKUS partnership, which recently advocated for the integration of Japan’s technological expertise in its second pillar. Additionally, recent high-level cyberattacks in the U.S. will incentivize a renewed push for developing and incorporating post-quantum cryptology in government and commercial encryption processes to bolster security against threat actors.

### **Cryptocurrency**

- Trump has appointed David Sacks as his AI and cryptocurrency czar along with a number of pro-crypto government candidates, with the aim of avoiding the hindrance of cryptocurrency development and adoption. The Trump administration is likely to push for an increase in cryptocurrency regulations, aiming to “legitimize” cryptocurrency’s use. In the short term, this stance will likely manifest in the appointment of aligned officials in relevant government agencies, such as the Securities and Exchanges Commission, and will likely push for less regulation in Congress.

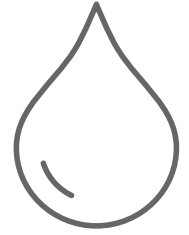
### **Food Security**

- The Food and Agriculture Organization of the U.N. (FAO) released the State of Food Security and Nutrition 2024 Report, which found that in 2023, 2.33 billion people faced moderate or severe food insecurity. Projections for 2025 estimate that 343 million people across 74 countries will face acute food insecurity, defined as individuals in imminent danger due to lack of adequate food.
- The Trump administration plans to orchestrate mass deportations could contribute to rising food prices and exacerbate existing food insecurity.
- Regions such as Sudan, Gaza, Syria, and Myanmar will be hotspots for food insecurity in 2025.
- The FAO estimates that 733 million people will face chronic undernourishment by 2030, half of them in Africa.
- Climate change will continue to exacerbate food insecurity by intensifying droughts, floods, and extreme weather events, disrupting agricultural productivity and threatening livelihoods dependent on farming and fishing. The pending La Niña, although expected to be weak, will still lead to flooding in some regions and droughts in others, further compounding food insecurity challenges in 2025.
- Armed conflicts remain a major driver of hunger, disrupting food production, supply chains, and markets, while displacing populations. The United Nations has identified 22 countries and territories where acute food insecurity is expected to worsen due to escalating conflict in 2025.
- Prolonged conflicts and mass displacement will continue to undermine local agricultural systems and increase reliance on external food aid. These dynamics create cycles of vulnerability, making recovery efforts particularly challenging and slow-moving.
- Scientific developments in the fight against global food insecurity to expect in 2025 are renewed interest in nuclear agriculture techniques, existing programs include #Atoms4Food, the inclusion of AI and technology, and climate-resilient crops.



## Water

- The pending transition from El Niño to La Niña, which is expected to spill over into the early months of 2025, will likely escalate severe weather events, including drought and flooding. Extreme drought and reduced rainfall resulting in low reservoir levels threatens hydropower generation. Regions already suffering from extreme drought, particularly South America and southern Africa, that rely on hydropower for energy, will have to look to other sources in 2025 to meet electricity needs. This will likely result in increased fossil fuel imports and construction of coal plants in countries that have coal reserves.
- The cumulative impact of water issues on agriculture will result in spikes in food prices next year. Flash drought in the U.S. will contribute to higher beef prices and threatens nearly half of the winter wheat crop. The impact of drought on Brazil's coffee bean harvests will be felt in 2025, as prices are expected to sharply increase. Sugar prices will also increase, as Brazil's drought and wildfires reduced output and delayed harvests.
- There are several hotspots for water-related issues to watch for in 2025. South Africa's ongoing water crisis, which has resulted in the government imposing water restrictions in Johannesburg, will continue into next year as weather events, infrastructural issues, and crime hinder development in the water sector. Increasingly severe weather events, combined with the looming threat of La Niña, will leave the western U.S. vulnerable to both extreme drought and floods in 2025. Dry conditions caused by La Niña will exacerbate wildfires, while rainfall in the winter is expected to take the form of severe rainstorms and floods in the region.







## Contributors


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