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Private Market Talks:

Assessing Geopolitical Risks with Tina Fordham

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As capital allocators look out at the global and domestic landscape, escalating geopolitical risks cannot be ignored. Change is happening rapidly and capital allocators are looking for new ways to understand and assess these risks. This is why we are thrilled to welcome Tina Fordham, Founder of Fordham Global Foresight, to Private Market Talks.

Tina regularly advises investors, military professionals and government agencies about assessing geopolitical risks. She has drawn upon her extensive experience studying geopolitics, financial markets and the drivers of social change to develop a new way of thinking about risk, which is especially relevant in these turbulent times.

During our podcast, Tina discusses how historical frameworks for evaluating geopolitical risks are simply outdated and can lead to faulty decisions. She also talks about how investors need to change their methodology for assessing geopolitical risks, including learning to “firewalk” and raising their political quotient (PQ) beyond just reading headlines.

Peter Antoszyk: Welcome to Private Market Talks, a Proskauer podcast. I’m your host, Peter Antoszyk. Today, I have a very special episode – I’m joined today by: Tina Fordham, a Geopolitical Strategist & Advisor.

Tina was the first Chief Global Political Analyst on Wall Street, and previously Head of Global Political Risk at Eurasia Group. She has over 20 years of experience advising senior leaders – from prime ministers and 3 Star generals, including the UK Ministry of Defense, to C Suite executives, the United Nations and institutional investors and capital allocators – about the implication of global, political, security and socioeconomic developments. In 2022, Tina founded Fordham Global Foresight, an independent consultancy.

Tina takes a holistic, data driven approach. She focuses on breaking down the complexity of geopolitics and provides actionable, forward looking guidance. And I can tell you from personal experience, her discussions and presentations are incredibly informative and help provide analytical framework for assessing geopolitical risk.

I was able to catch up with Tina to speak with her in person in Key Biscayne, Florida where she was speaking with industry leaders. During our conversation, Tina discusses the tectonic global and domestic political shifts, how investors have to learn to "firewalk," and her must read books for those wanting to better understand the Russia/Ukrainian conflict. I think you'll find our conversation to be very unique – I only wish we had more time!

If you wish to learn more about Tina, her analytical frameworks, her deep dive research, Masterclasses and other information, you should go to tinafordham.com. We'll put that link in our show notes. I also highly recommend you sign up for her newsletter.

So, without further delay, I am very pleased to welcome Tina Fordham to Private Market Talks.

Tina, thanks for joining us on Private Market Talks.

Tina Fordham: Thanks for having me.

Peter Antoszyk: Great. Here we are in beautiful Key Biscayne, Miami, Florida, and it gives us an opportunity to think about geopolitical events from a beautiful environment.

Tina Fordham: It's hard to imagine the world as complicated and volatile as it is when you're somewhere as lovely as this, but we will give it our best shot.

Peter Antoszyk: Indeed. So, before we dive into geopolitical risks, et cetera, why don't you tell me a little bit about how you got into this field.

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Tina Fordham: Thank you. I'd love to. I have a very unusual background for someone who spent over 20 years in finance, combining geopolitics, markets, and advising the C suite. But I think maybe what's important about it is it came 100% from intellectual curiosity and from watching history unfold, and for me the pivotal event was the fall of the Berlin Wall in 1989 when I was doing my undergraduate degree in San Francisco and studying literature. And I thought to myself that this is the most transformational event of my lifetime, and I packed myself off to Prague in 1991, which was the soonest I could get there with just a tiny bit of money, and wanted to observe these processes of change – political, social, and economic, after over 50 years – as is the case in East Central Europe – of communist rule. And that took me to a career, really, of not only studying these processes, but wanting to help advise and inform investors and businesspeople during this period when what we used to call emerging markets were booming.

So, I spent 20 years in banking at Citi as the first Chief Global Political Analyst, a role that I pitched to Citi, which didn't exist, and at Citi I kind of developed this mission of mine, which is to kind of translate and interpret the world, if that doesn't sound ridiculously ambitious. But I'm an American who's been living outside of the United States for most of the last 25 years. I ended up spending time living in Russia, Azerbaijan, and I've been in the UK for over 20 years. And I thought that there was a gap in the market, and in kind of knowledge, really, as people were pouring into other parts of the world, particularly emerging markets, but also the two way side of investing. And so, the mission of Fordham Global Foresight, the firm that I founded a year ago in the aftermath of the Russian invasion of Ukraine, is to raise what I call the PQ of organizations.

We have EQ, obviously, which is in the management lexicon, we need to raise our PQ. And I don't just mean by being better informed. I'm not advocating that we all become news junkies, although a lot of people in business love news and current events. It's really about doing a better job of understanding these data points, understanding something about history, and really challenging our own perceptions.

Peter Antoszyk: Sure. And I think you've been advocating as part of investors upping their – as you said, their political quotient, you've been advocating your approach. And you've called that firewalking. Can you tell me what that is and how they should do that?

Tina Fordham: Yes. Well, I was inspired by a quote from the American poet, Charles Bukowski, who said, “What you need to do is learn how to walk through the fire,” and for all of these years that I’ve been talking to investors about geopolitical risk, and I also talk a lot about social change. So, protests and revolutions, obviously Arab Spring and things like this, the discussion about geopolitics and the social upheaval has really been seen as something in the background that happened in faraway, remote, exotic places.

Peter Antoszyk: Yes. Especially to Americans.

Tina Fordham: Yes. Especially to Americans who are inclined toward isolationism, frankly, in the best of times. But one of the things that happened during the Global Financial Crisis and then the Eurozone Crisis as well was that political risk moved to developed markets. And so that’s become the other side of the coin about what I talk to investors about as well, because believe me, the rest of the world is mystified by U.S. politics.

Peter Antoszyk: Really?

Tina Fordham: Yeah. Deeply. The #1 question I am asked about, is will Trump return? And this is from global investors and it’s not because they’d be very happy about it. And so political risk and understanding PQ has become very much a two way street and not something that is about understanding exotic places or the kind of can you find Ukraine or Iraq or Afghanistan on a map, which is how Americans tend to think about it. It’s permeated everything that we do, and geopolitics has moved to the center stage.

Peter Antoszyk: Certainly, from an investor’s perspective, it’s become not only global but local in some ways, I would think. Everything that goes on in the world is now affecting us locally.

Tina Fordham: So, firewalking. Firewalking, apart from the poem, is that sort of image of Indian gurus walking barefoot over hot coals …

Peter Antoszyk: Yes.

Tina Fordham: … but without getting burned. How do they learn to do that? They learn to walk through the fire. And my reference to things happening in exotic lands and geopolitics moving to the center is really about we’re not going to be able to swerve this set of geopolitical risks that is before us.

It’s not only the Russian invasion of Ukraine, U.S./China trade. We’re looking at massive protests in democracies like Mexico, Israel, et cetera., and then a big year of elections coming in 2024. We’re going to have to learn to walk through that fire and I’m suggesting we can reduce the chances of getting burned if we learn to firewalk.

Peter Antoszyk: Got it. And so, in the last few years, the world has been more confrontational, less flat in some ways. What would you say are the big things that investors should pay attention to? Where should they be looking?

Tina Fordham: Well, in answer to that question, you’re probably going to expect me to identify a bunch of markets that are risky that we need to be concerned about. And instead I’m going to give you a more sort of poli sci wonk kind of answer. After all, we’re talking to lawyers here, so I figure you can take it.

One of the things I think that we allowed to happen without paying enough attention to has been the erosion of norms at institutions. Just too kind of fast forward how history has accelerated in the last couple of years, we find ourselves taking the U.S. as an example in the unprecedented situation where we don’t even have a majority of Americans who believe that the Supreme Court can be trusted. Now if people don’t believe that the judicial branch is trustworthy, you have a big problem.

Peter Antoszyk: Right.

Tina Fordham: And this didn’t happen overnight, and it didn’t happen because of one administration or another, but we have allowed this to happen. And inasmuch as the United States has been, and to some extent still, is moral authority when it comes to democracy, when this happens in the U.S., it’s not surprising that there is a demonstration effect elsewhere.

Peter Antoszyk: Right.

Tina Fordham: So, the uprising over the validity of the elections in Brazil, not surprising. Afterall, it happened in the United States. Used to only happen in places like Nigeria by the way.

If people don't believe in the result of an election, democracy is finished. We're not quite there, but the frog boiling, to use the very non technical term, has taken us to a place where we're willing to contemplate and rationalize a lot of developments that would have been unthinkable, even a decade ago.

Peter Antoszyk: To your point, we've seen it in Israel now, you saw it in Mexico where they're changing the laws on voting, you just saw the demonstrations in Georgia. All to this point, where it is a follow on from the example of the United States in terms of what's going on here.

Tina Fordham: Yes. You can't draw a correlation, but in a sense, a green light has been given. And if you don't like the result, you don't agree with the result, to fight it. And by the way, I said before this past U.S. election in a *Financial Times* op ed that I thought we'd reached a point where every U.S. election outcome would be in dispute regardless of, you know, this is not a partisan operation, and that every U.S. president would face impeachment proceedings. And that's exactly what's happening. How did we get there again? It's low trust.

Low trust is something that has been increasing steadily with each administration. A lot of people in my world, and social and political science, point to tech and the access to more information. That is complicated, but the effect is dramatic and I think it makes it much more difficult for business leaders and for investors to filter, to your point, what's signal, what's noise or have these relationships all changed.

Peter Antoszyk: Although you are starting to see some pushback to that.

Tina Fordham: Yes. Yeah. And the U.S. midterm result was really welcomed by the rest of the world in that the more extreme candidates, with a couple of exceptions, didn't win. You had relatively high turnout for a midterm and that complacency, which is linked with kind of affluent stable democracies, was put in its place.

Peter Antoszyk: Yeah, and you've also seen it, for instance, in Israel where the tech industry …

Tina Fordham: We've seen big outflows.

Peter Antoszyk: Big outflows. The Georgia law was just rescinded without qualification.

Tina Fordham: Yeah.

Peter Antoszyk: So in some sense, that gives me a little hope.

Tina Fordham: Yes. When norms are tested and people come out into the streets, I've written about this in the past, I call it Vox Populi risk.

Peter Antoszyk: Yes.

Tina Fordham: I've written extensively about it. They're testing the waters. And the resultant in Georgia, which is a tiny country, but quite pivotal in the post Soviet space, where they tried to past a Russia styled law against civil society NGO organizations, people now are not willing to allow these things to go forward.

I think in Israel, it's going to get even more dramatic, because in these countries, people know that democracy is fragile. I think in the U.S. we've taken it for granted, but the kind of silent majority, the center has had its mind focused.

Peter Antoszyk: So, zooming out from the political aspect, the international order, generally speaking, is in flux. We've seen a realignment of interests over the last several years, Russia and China being the most prominent among that. These realignments don't always align with economic interests, and sometimes it's more power over money in that sense. How does that change the calculus of thinking about geopolitical risk?

Tina Fordham: Well, the Russian invasion of Ukraine, which I could go on far too long about, but I won't, has really put the brakes on one of the most important kind of themes that has underpinned the professional lives of all of us. And that is the notion of kind of globalization, the integration of financial markets, the convergence toward global norms, rules of the game, international institutions.

That period, which we might say lasted from 1989 until the collapse of Lehman Brothers in 2007, was the most peaceful and prosperous in all of human history. But we see it as the way that things will always be. That's the kind of normality bias. What's been challenged is that participation in the global system financial and trade would bring peace. The Germans had a term. It was literally peace through commerce. That's the foundation upon which they proceeded with Nord Stream 1 and 2, the pipelines, making themselves and the rest of Europe in the process dependent upon Russian energy supplies, because the thinking was, well, that will keep us talking and mutually interdependent.

Peter Antoszyk: Right.

Tina Fordham: The scales have now fallen from everyone's eyes, but that leaves a big question about what do we now do with China, where the U.S./China, the E.U./China trade inter dependence is much more significant than it ever was with Russia. So, there's been an attempt on that relationship to put what diplomats call guardrails in. But then we had the balloon incidents, which kind of was treated as a joke, but it highlights how countries don't control everything. And if you have that low trust and lack of mechanisms for resolving disputes, you end up having to shoot down balloons over Montana and statements trolling from the state media of China saying look at Americans and how they can't kind of fight their way out of a paper bag. So, it's all quite fragile.

The system being in flux. Does that mean we're headed for World War III? I mean, if economists love to over predict recessions, then people in my world love to over predict World War III, Cold War, the new Cold War, the new Hot War, you name it. I think what we have is a lot of jockeying for position, and a very scratchy global environment. And if we look at what Russia tried to do after it invaded, it tried to restore what we used to call the non aligned movement during the Cold War, which is to get India, African countries, Latin American countries behind it, and kind of stand up to the United States in the neo liberal order. That hasn't really worked, and just to put a fine point on it, I think India has been a very interesting country to watch, part of a wider trend that we could call rising middle powers that have tried to take a nuanced position. Meaning they've pushed back on Russia in Ukraine, including at the U.N. Security Council, but that hasn't stopped them from buying cheap Russian gas because it's now not going to Europe.

Saudi likewise has tried to do that, siding with Russia on OPEC, which caused it some problems. And countries in Africa, especially South Africa, frankly, are looking to bid up what they get from the West which has ignored them for the last 20 years while China has made in roads. So, it needs to be understood, I think, as positioning, as looking for advantage, the U.S. continuing to be pivotal, but fighting its own very long standing, as we said at the beginning, isolationist tendencies.

Peter Antoszyk: Yes. And so, what would be the key implications of these tectonic shifts that we haven't seen in many, many years to investors or other market participants searching for growth in alpha?

Tina Fordham: Well, you can look where the money is going, and that's fascinating and not surprising, I suppose. The Gulf is benefitting, and certainly law firms that I talk to are particularly interested in the United States, which I have reminded them that they're not talking about red states and blue states even in America. We're talking about red law firms and blue law firms and insurers and asset managers. It's, I think, a more complex market than a lot of firms appreciate. But we have to break our love affair with unitary, explanatory narratives.

Peter Antoszyk: So, what do you mean by that? Explain that.

Tina Fordham: Just China rising, right. China is rising and it's going to eclipse everybody else. Well, as it turns out, it may be that China becomes old before it becomes rich. That's something that Xi Jinping is very concerned about. But what it reminds us of is that there are very few one way bets. So now, we hear a lot more about the China Plus strategy, because after all, Indonesia, the Philippines, South Korea, many huge markets in Asia, besides China which all of that kind of lack of transparency, not to mention the COVID aftermath, sort of decisions taken that probably weaken the Chinese leadership. We did have a period during the pandemic where it became very fashionable to say that China did a better job during the pandemic because it was autocratic.

Peter Antoszyk: Right.

Tina Fordham: I hope that has been done away with, but that's exactly what I mean by the kind of rush for these explanatory narratives.

Peter Antoszyk: Yes. Well, we experienced that also during the ‘70s and ‘80s when we thought about Japan.

Tina Fordham: Japan. Japan was going to take over and buying Rockefeller Center.

Peter Antoszyk: They did everything better.

Tina Fordham: Yes.

Peter Antoszyk: They did what we did, but they just did it better, and that proved to be short lived.

Tina Fordham: Well, whenever I see anybody going the same direction, yes. I am the person in the room that says “have we thought about this?” The assumption about these stories is that certain actors are in control of the moment.

I used to work with a rural economic forum with all those people and there are these huge scenario planning exercises. And they just ended up deteriorating into what I thought was just fantasy, whimsical kinds of scenarios that are never going to be right. But that’s why I’m really interested in unintended consequences as well.

Peter Antoszyk: So, one of the things you have long argued is that market participants and our listeners, being private capital investors, have long standing bias, how to assess political risk. And we talked about you’ve hinted at it during our conversation

Tina Fordham: I try to be polite…

Peter Antoszyk: Yeah. But I’d like you to be a little more explicit. If they’re out there investing capital, having a clearer sense of what these blind spots or biases might be, are the only way to really overcome it, or at least be aware of it. So, what would you say some of those are?

Tina Fordham: Well, this comes from 25 years of conversations with people who are very intelligent, highly educated, access not only to every type of expertise and information but to powers that be members of the elite and everything else. And what has kind of blown my mind, we could call it heuristics, which is the kind of shortcuts that we all take as humans to make sense of an incredibly complex environment.

It got to the point where if I was talking to investors about Europe in the United States, the entire conversation, 9.5 times out of 10, was about when the European Union was going to break up, and they couldn't be convinced otherwise. This is what I mean, that it couldn't possibly work, and so it was doomed to fail. Along comes something like the pandemic – one particular type of crisis – followed by the Russian invasion of Ukraine, and with the kind of car crash that was Brexit thrown into the mix, cohesion in the European Union is at a recent all time high. We need new heuristics. Binary thinking is another one. Let's take those attitudes towards China. China is on a one way rise perhaps with some bumps in the road, or globalization is dead.

Now, people in my world who write those stories and papers get a lot more attention than someone like me who's being nuanced and balanced and everything else. But the reality is that the most dramatic outcome rarely occurs. And so, when you're in a room with your leadership team or your practice group, it tends to be the loudest person who wins the argument. And whether it's about geopolitics or anything else, and I suppose that's why – I think I became exasperated and thought it almost doesn't matter what experts say if people aren't ready to believe it.

It's also why I advocate stress testing for plausible scenarios rather than their more conventional approach, which is a base case and tail risks. Tail risks has moved to the center.

Peter Antoszyk: Interesting. And this sort of is full circle to what you were saying at the beginning of this conversation. It dovetails with the idea of the firewalking as opposed to binary thinking.

Tina Fordham: Yes. Or we'll just avoid the risk because we won't work in that jurisdiction. I talk about zeitgeist leadership, which is a famous Harvard Business School case study, and how CEOs who manage the zeitgeist, the spirit of the times, end up being the most successful CEOs, not the ones who are the best at understanding their product or their business. And our zeitgeist in this period is by no means all bad news, unless you are unlucky enough to be in one of the war zones, God forbid, because adversity often produces some interesting unintended consequences and by products in the human experience. But we can't just be in denial, be avoidant and think it has nothing to do with us. Trotsky said "you may not be interested in politics, but politics is interested in you." And I think that's kind of where we are.

Peter Antoszyk: So, to put a finer point on it, what would be the top three themes or geopolitical risk to keep in mind as investors are looking forward?

Tina Fordham: I think that technology is going to be a hugely double edged sword. The advent of ChatGPT, the generative technology, has made huge waves. A lot of people are going to get very rich from ChatGPT. But why I am interested in it, apart from the philosophical side of it, which is language and thinking are so intertwined in the human experience – it's not just pattern recognition that allows us to talk – which is what ChatGPT does. ChatGPT is going to put a lot of people out of work who've never been previously touched by automation. And I really worry that our fearless leaders in Government around the world are too removed from technology to start with, to appreciate what the likely socioeconomic consequences are going to be. I mean, after all, look at the kind of rust belt and the de industrialization, which displaced older generations.

ChatGPT is coming for your kids and their jobs with all that university education that you paid for. And I don't think it's going to go over all that well.

Peter Antoszyk: Yeah. When you talk about how our fearless leaders aren't technologically up to speed to deal with ChatGPT, they haven't even caught up to the internet yet. They haven't even figured out Facebook.

Tina Fordham: I'll never forget Mark Zuckerberg testifying and being asked by a member of Congress how do you make your money, and he said we sell ad space, sir.

Peter Antoszyk: Yes. Yes. So, investors out there trying to figure out how to assess geopolitical risk get a little smarter, had to get a little smarter in this area. What books or book would you recommend that they read?

Tina Fordham: My favorite book, actually, that I recommend to investors who want to kind of broaden their thinking is actually not particularly about politics or geopolitics. It's *Factfulness*, by Dr. Hans Rosling who is a medical doctor who developed some fascinating ways of thinking about problems. At the beginning of Factfulness, he starts with a quiz. If I could, I would give this quiz at the start of all my presentations, because again, we're talking to highly educated, very competent, sophisticated people, but they get more than half of these questions wrong. Why? It's related to our discussion about heuristics. Because they are more or less applying massively outdated, stereotypical thinking to problems. I don't want to spoil it, but it's great fun because it, to me, is a most effective way at sort of exposing how – despite how well read we are and how much we invest in current affairs, our minds just keep us in old ways of thinking unless we actively fight against it. So, read Factfulness by Dr. Hans Rosling.

And my more recent relevance is an incredible book by lawyer and scholar Philippe Sands, it's called *East West Street*, which is about one street in present day Ukraine where two, sort of, the legendary lawyers, who came up with the terms genocide and were instrumental in the Nuremburg trials – they didn't know each other – but they came from this one tiny microcosm in Ukraine. It is fascinating at how hard they had to fight to get these on the agenda at Nuremburg, by the way, because the concept of genocide didn't exist.

Peter Antoszyk: We will post the names of those books in the show notes.

Tina Fordham: Well, we can have a book club because I guarantee you can't read those books without kind of being almost dumbfounded. I couldn't read fast enough.

There's a new book out as well by the historian *Peter Frankopan*. What is it called? I think it's called *Earth Transformed*. It is huge. But he wrote The Silk Roads, a lot of people will remember. And he is a tremendous scholar. But if I were to draw together what we've talked about over the course of this conversation, I think the way that we were all taught in school, just to be specialists and not generalists, has not helped us be prepared for the present moment.

Peter Antoszyk: Interesting.

Tina Fordham: When connecting the dots, pattern recognition you could say, across disciplines, is super useful. But we're siloed, we live in echo chambers. It's more comfortable that way, I think. Again, this is all sort of human psychology. We don't mix with people who think differently, and now we don't have the tools. But, I mean, the good news is that we can learn to firewalk, we can broaden our horizons and we can tone down some of this noise.

Peter Antoszyk: Well, listen. Thank you for joining us. I have just one last question for you, and this is sort of a prediction question, but one that is – that requires the not obvious – and that is if you put yourself five years in the future, looking back, what geopolitical event that might occur would surprise you?

Tina Fordham: Of course, if I think I am any good at my job, I would say…

Peter Antoszyk: There would be none.

Tina Fordham: … very little would surprise me. But that also wouldn't be true. I have to think, I suppose, because believe it or not, for someone who spends their waking hours scanning the horizon for risks, that some positive things must come out of this horrendous 20th center style conflict in Ukraine.

I talked to a lot of military people in my work and even people who had access to the best intelligence and knew that he was preparing for that combat, were in shock that it would go forward. But if we take a historical perspective, these periods of conflict and the intense development in the defense and security sectors I think will lead to technological breakthroughs that will ultimately be good for humanity – medical, scientific and otherwise. Because we have seen that happen in history, after World War II. I come from the Silicon Valley where the defense industry was based. It led to a huge period of innovation.

Something more prosaic, would I be surprised? I would be surprised if the girls – and they are girls – in Iran were successful in overturning the mullahs. Because the mullahs have all of the security apparatus and all of the power of the state, but I would be pleasantly surprised.

Peter Antoszyk: Well, I'm hoping that some of these surprises do occur, and I want to thank you for joining us on Private Market Talks today.

Tina Fordham: Thank you for having me.

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