



# Global Insights Geopolitical Forecast Issue 11

Reliable intelligence on political unrest, economic stability and international relations around the world...

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**El Salvador**

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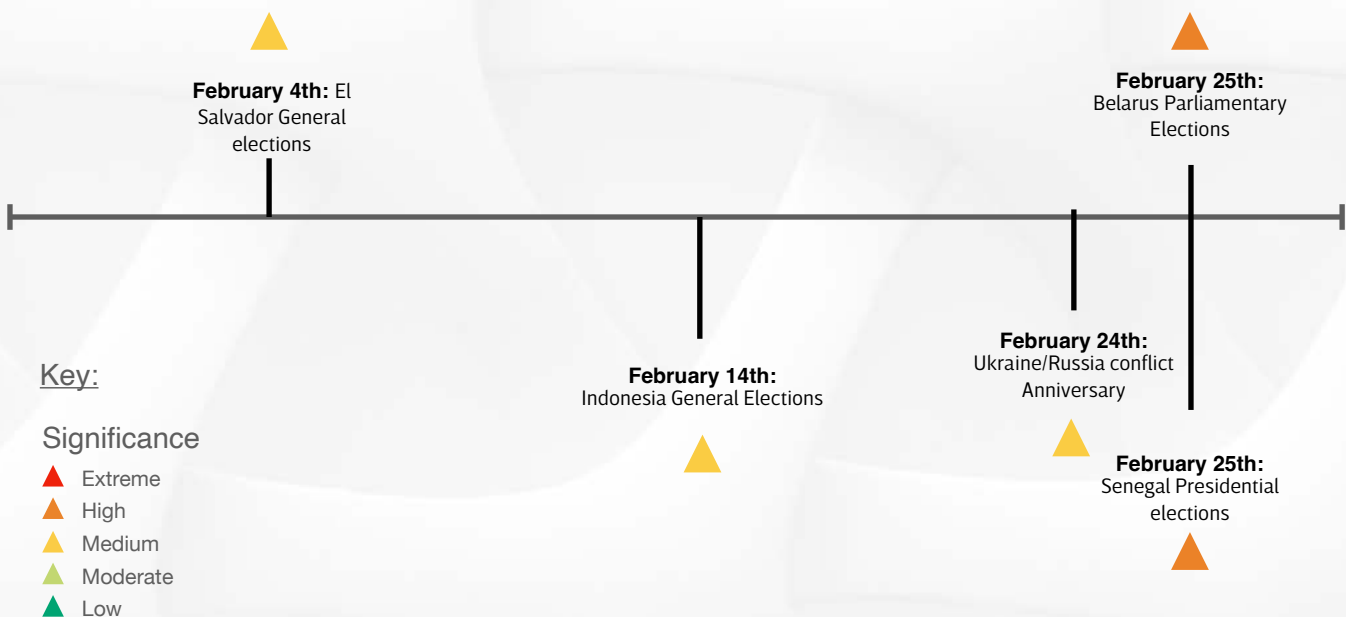
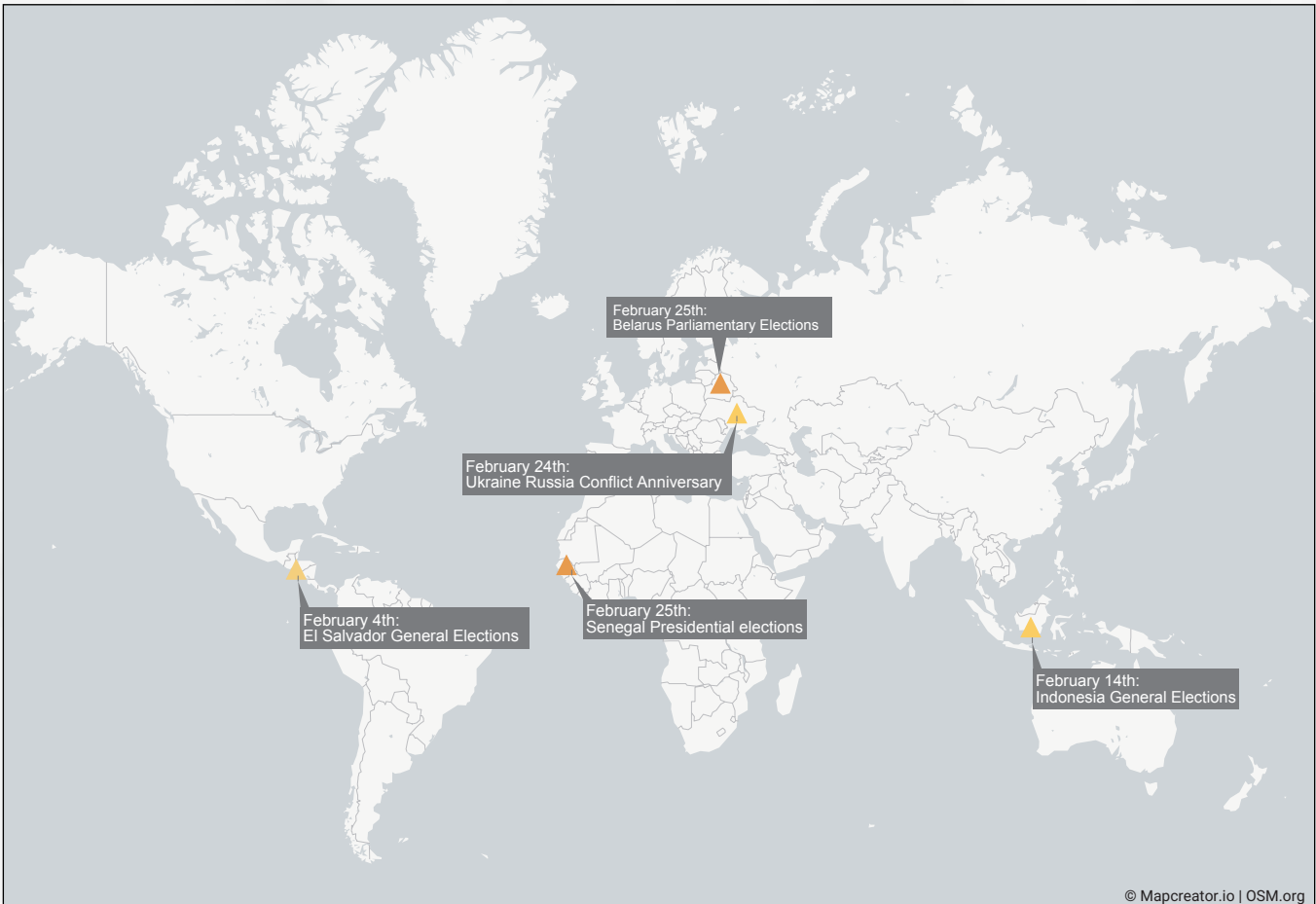
**Pakistan**

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# February Timeline





# El Salvador



The political, economic, and foreign policy persuasions of El Salvador are intimately tied to current president Nayib Bukele and his administration's radical posture regarding three key policies: the combatting of crime, the use of cryptocurrency, and a rejection of the unipolar, US-led world order.

On the domestic front, Bukele is seen by many Salvadorans as having been largely successful in tackling the issue of endemic violent crime. He declared a state of emergency in 2022, allowing national security forces to rapidly arrest and jail suspected gang members without going through traditional court approvals. 75,000 suspected criminals have been arrested since the removal of those legal procedures. According to the Salvadoran

government, this has coincided with a substantial 70% drop in the homicide rate over 2023. These impressive figures, along with Bukele's energetic rhetoric, have endeared him to the Salvadoran public; he is currently understood to be the most popular political leader in the Americas, with an approval rating of over 90% according to a November 2023 CID Gallup poll. This popularity has no doubt emboldened Bukele to challenge the Salvadoran constitution, which formerly required an acting president to wait 10 years between terms. In March 2023, following persistent efforts by the ruling *Nuevas Ideas* (New Ideas) party, four out of five members of the Supreme Court's Constitutional Chamber confirmed that consecutive presidential reelection is lawful, permitting Bukele to contest the upcoming elections set for the 4th of February. While various journalists, lawyers, and politicians from the traditional parties in opposition, ARENA and FMLN, have accused Bukele of corruption and authoritarianism, he is still likely to win a fair election and be permitted to continue his popular crackdown on criminal gangs.

Meanwhile, the Salvadoran economy continues to bounce back from pandemic lows on the back of a diminishing threat from criminal gangs, significant public investment, and government efforts to promote tourism. According to the World Bank, growth was at 2.8% in 2023 and is expected to hold at 2.1%, above historical averages, during 2024. While these statistics paint a positive picture of Bukele's fiscal management, his economic policy has not been without controversy. In 2021, the government elected to adopt Bitcoin as one of the country's official currencies. The cryptocurrency's volatility, along with significant drops in its value, led to widespread criticism of this policy in 2022. However, after its price rallied and netted El Salvador a \$3.7 million (USD) profit in 2023, that criticism died down and is currently unlikely to negatively affect Bukele's popularity. Bitcoin may encourage international investment in the future, though its unpredictable price drops will also inevitably continue to threaten El Salvador's long-term development.

# El Salvador



Given that remittances currently comprise around a fifth of the country's GDP, another crucial dynamic to monitor concerning the economy will be the return of Salvadorans to their home country. The adoption of Bitcoin as an official currency had been justified by the government on the basis of aiding these international transfers and avoiding intermediary costs. Bukele's crackdown on crime and efforts to present an attractive image of El Salvador have, however, led to reductions in outward migration to the United States and even the return of some migrants. This trend may impact the flow of capital into El Salvador in the longer term, particularly if the security situation continues to improve.

Bukele's economic and social domestic policies have had a profound impact on El Salvador's international influence. Leaders throughout Latin America are now appealing to Bukele for advice and openly seeking to emulate the success of his hardline stance on criminal gangs. El Salvador's foreign relations have not, however, improved

across all of the Americas; the suspension of legal rights for suspected gang members under the state of emergency has drawn significant criticism from the United States, which alleges that human rights and democratic institutions are both threatened by Bukele's leadership. From the Salvadoran side, Bukele has also proactively worsened relations by vocally criticising the unipolar, US-led world order, appealing to Latin American experiences of violent or unsuccessful American interventions as proof of the superiority of self-governance and multipolarity. American opinion towards El Salvador has also been soured by Bukele's opening of relations with China, acceptance of the One China policy, and his open stance on the possibility of closer economic cooperation with China in the future. It is possible that El Salvador may become another bulwark of the multipolar opposition to US hegemony in the region, developing closer ties to Russia, Venezuela, and China while fostering a rejection of American influence in the countries which seek to emulate its economic and social success.



# Indonesia

Indonesia is set to hold its general elections on February 17. The country's presidential frontrunner is Prabowo Subianto, the current defence minister. Despite Indonesia's relative stability in a region marked by political upheavals and coups, Subianto's potential victory raises concerns. His leadership is seen by some as a return to the era of the military New Order dictatorship during Suharto's 32-year rule. Conversely, Indonesia's economic outlook appears stable as it heads into 2024, with a projected GDP easing by 4.9% over the next two years. In terms of foreign policy, Indonesia aims for a balanced stance on critical issues, including the Russia-Ukraine conflict and Sino-US tensions. However, as the country with the single largest Muslim population, Indonesia has expressed condemnation of Israel's actions in the conflict in Gaza, calling for a ceasefire and mediation.

Poll numbers consistently place Subianto with over 40% support, while his competitors, former Central Java governor Ganjar Pranowo and Jakarta governor Anies Baswedha, lag with poll numbers in the low 20s. Moreover, Subianto's running mate is Gibran Rakabuming Raka, the son of the outgoing president, Joko Widodo, providing Subianto with a formidable advantage with Widodo leaving office with high approval ratings. However, apprehensions

have arisen about potential interference from supposedly neutral state institutions, police, and the judiciary to secure Subianto's victory, casting uncertainties throughout Indonesia's democratic trajectory. As a former general and alleged human rights violator, Subianto could bring Indonesia back to authoritarian rule. Furthermore, Prabowo has exhibited an unwelcoming stance towards Rohingya refugees in the country, raising concerns that there could be a potential expulsion of the Rohingya population under his leadership.

On a contrasting note, Indonesia's economic outlook is projected to maintain stability, with inflation expected to ease to 3.2% this year, compared to an average of 3.7% last year. The World Bank attributes this decline in inflation to a moderation in commodity prices and a resurgence of normal growth rates in domestic demand post-pandemic. In 2024, services exports in Indonesia are anticipated to experience positive effects from an ongoing recovery in the tourism sector. Despite Indonesia having the largest economy in Southeast Asia, its full recovery to pre-pandemic trajectories, including in labour markets and productivity growth, is still in progress. Overall, the economic outlook for Indonesia faces potential downside risks, particularly those originating from external sources.





# Indonesia

Persistent higher interest rates in major economies could impact global demand, raise borrowing costs, and pose challenges for securing loans on world markets. Moreover, being situated in a region marked by growing geopolitical volatility, there is a risk of disruptions to supply chains. Sustaining GDP growth above 5% is crucial for generating employment opportunities, especially with over one million Indonesians joining the workforce annually.

In the realm of international relations, Indonesia took the helm at the 56th ASEAN conference in 2023, where it advocated for a peaceful resolution to the conflict in Myanmar. Given its strategic geographical location and the potential for regional tensions, Indonesia is actively committed to maintaining stability in its periphery, positioning itself as an emerging power in the process. Such diplomatic strategies, under a potential Subianto leadership, are expected to persist, encompassing broader international issues like the Russia-Ukraine conflict and Sino-US tensions. Within two weeks of Russia's invasion of Ukraine, President Joko Widodo affirmed Russia and Ukraine as friends of Indonesia. In alignment with nations such as South Africa, Brazil, and Türkiye, Indonesia has proactively engaged in negotiations to end the war, a trajectory it aims to continue in 2024. This approach extends to managing the global power struggle between

Beijing and Washington. With China being Indonesia's largest trading partner, and with economic ties to the US strong, Jakarta is particularly concerned about potential conflicts in the South China Sea or a Chinese invasion of Taiwan. Such conflicts could jeopardise Indonesia's economic stability, and potentially lead to the country being drawn in.

Moreover, Indonesia strongly condemns Israel's actions in the Gaza conflict, advocating for an immediate cessation of hostilities. The country attributes the root cause of the conflict to the Israeli occupation of the Palestinian Territories and has supported the United Nations' position on a resolution to the conflict. With the world's largest Muslim population, Indonesia's policies regarding the conflict in Gaza are expected to persist in 2024, resonating with the concerns of its people who have expressed dissent through protests. This stance may strain relations with the United States, a staunch supporter of Israel, potentially leading to Indonesia openly criticising such policies.





# Pakistan



Pakistan's political landscape has been characterised by a legacy of military coups, corruption, and a delicate balance of power between the military and civilian institutions. The military wields considerable sway over security and policy matters, operating with impunity when deploying indiscriminate or extralegal forces. The authorities selectively impose restrictions on civil liberties, whilst attacks by Islamist militants targeting religious minorities and perceived opponents are prevalent. The inability of state institutions to address public grievances has prompted people to resort to violence. Protests are therefore commonplace in Pakistan. The arrest of Imran Khan in May 2023 led to thousands of his supporters taking to the streets. His incarceration marked the culmination of a concerted effort by Pakistan's influential military to eliminate him and his Tehreek-e-Insaf (PTI) party from the political landscape, demonstrating heightened military involvement in Pakistani politics.

September also saw mass demonstrations against rising electricity and petrol prices, with many setting their electricity bills alight in opposition. These

protests turned violent in Karachi, when a worker from the utility company, K-Electric, was attacked by an enraged mob. Moreover, in December a protest condemning the alleged enforced disappearances of men in Baluchistan province led to the arrest of hundreds. Pakistani police employed tear gas and water cannons to disperse the female-led protests in Islamabad. The upcoming parliamentary elections set for February are anticipated to fall short in terms of fairness and freedom. The independent human rights commission in Pakistan has cautioned that the electoral process will be manipulated, aiming to exclude one of the nation's most popular politicians, Imran Khan. Despite Khan's incarceration, the former cricket star has continued to campaign for office through the use of an AI clone. Whilst there has been a military crackdown on Khan's supporters over the past few months, the outcome of the next election may potentially lead to further clashes between the PTI and the police. Further civil unrest will likely provide challenges to businesses and personal safety.

Pakistan's economy remains in crisis. Challenges to growth and stability are numerous, including energy shortages, fiscal deficits, and climate change. The country has sought assistance from international financial institutions, such as the International Monetary Fund (IMF), to stabilise its economy. Economic reforms, including taxation reforms and privatisation initiatives, implemented to address issues and attract foreign investment, have proven to be ineffective. The 2022 floods laid bare the country's vulnerability to climate disasters and troubling weaknesses in government and economic stability. Record monsoon rain and melting glaciers resulted in flooding that submerged over one-third of the country, affecting around 33 million people. With the agricultural sector being one of the dominant sectors in Pakistan, the economy was paralysed. Protests over the poor economic climate have only deepened the crisis, with demonstrations leading to transit hubs being blocked, as well as shop and market closures.

# Pakistan



The China-Pakistan Economic Corridor (CPEC) stands as a flagship initiative designed to bolster connectivity and foster collaboration between China and Pakistan. As an integral component of the broader Belt and Road Initiative, aimed at enhancing regional connectivity, CPEC has indeed brought about certain improvements to the country's infrastructure. However, it has also become a considerable strain on the country's already substantial debt. Approximately one-quarter of Pakistan's total debt is owed to China. The return on Chinese investment will likely fall short of repaying these Chinese loans. Economic instability and corruption should be of serious concern to businesses operating in the country.

Operating in a manner akin to that of a security state, Pakistan's foreign policy is heavily shaped by its security imperatives and the ambition to establish itself as a formidable military power. As a result, the military exerts significant influence on foreign policy decisions, with the head of the military, currently General Asim Munir, occupying the most powerful position in Pakistan in practice. Munir has strategically aimed to steer Pakistan away from the challenging decision of aligning solely with either the US or China, opting instead for a more nuanced approach to avoid entanglement in global binary politics. However, escalating fiscal debt to Beijing is likely to anchor Islamabad more firmly under Chinese influence over the coming decades.

Tensions with India significantly shape Pakistan's foreign policy. The Kashmir region has been a persistent source of conflict between the two nuclear-armed neighbours for more than six decades. Despite both countries asserting complete

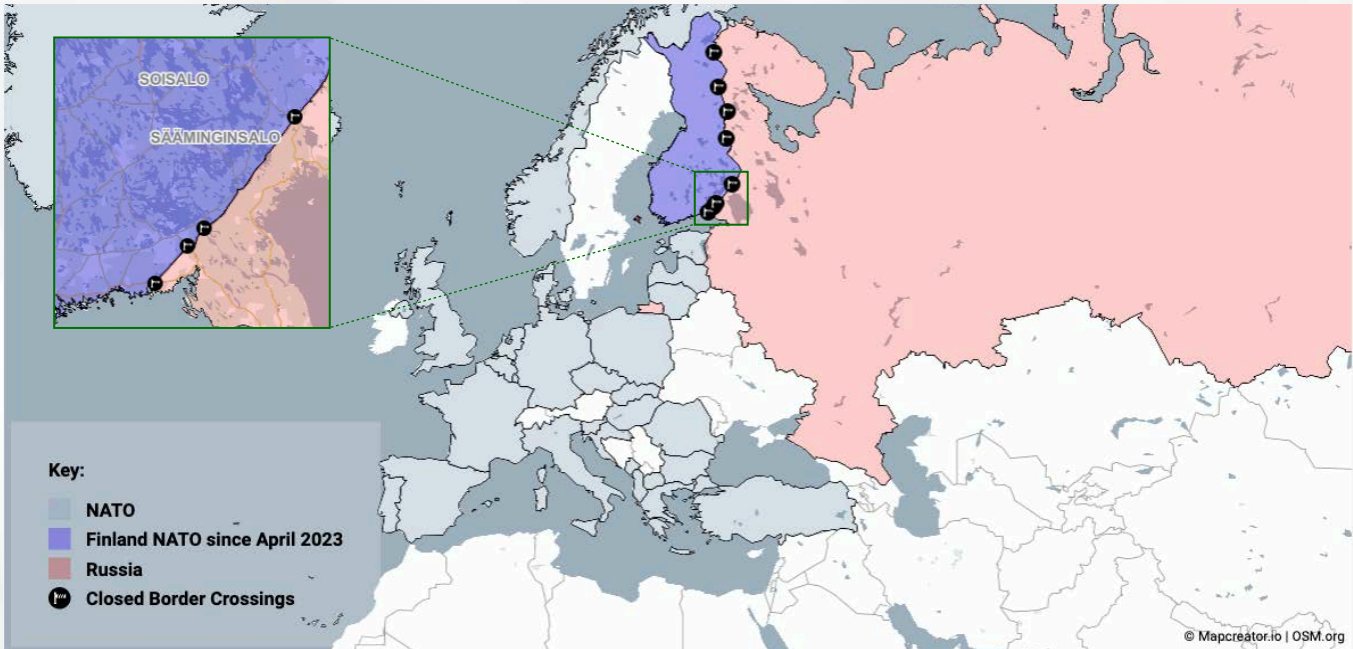
claims, they only control portions of the region. Presently, Kashmir remains heavily militarised, serving as a focal point for the contentious relationship between India and Pakistan.

New Delhi and Islamabad maintain adversarial policies toward each other, further contributing to the strained dynamic in the region. The return of the Afghan Taliban to power in Kabul in 2021 has posed considerable challenges for Pakistan. The breakdown of a robust regional security structure following the withdrawal of Western forces from Afghanistan has imposed a substantial burden on the country. The Afghan Taliban's actions have notably run counter to Pakistan's interests and security. A clear example is the Taliban's refusal to acknowledge the border between Pakistan and Afghanistan, asserting that it arbitrarily divides the Pashtun ethnic group. This poses a direct threat to the territorial integrity of the country. The porous Afghanistan-Pakistan border region provides a transit route and haven for terrorist groups. The presence of these organisations is a direct threat to businesses and their employees, increasing the risk of kidnapping and death.

The national stability of Pakistan is a complex subject encompassing political, economic, and foreign policy dimensions. The political landscape, largely defined by corruption and social unrest, has crippled the country's ability to establish any recent stability. Whilst there have been some signs of recent growth, the economic future of Pakistan remains uncertain. The hostile relationship between India and Pakistan over Kashmir will also certainly cause further issues going into the future.



# Finland



Finland is poised for a pivotal moment as voters head to the polls on 28 January and possibly a second round on 11 February to elect a new head of state, seeking a successor to Sauli Niinistö after his 12-year tenure. Current polls indicate that Pekka Haavisto, a Green Party lawmaker and former foreign minister, is in a favourable position for victory. However, against the backdrop of this political transition, Finland is bracing for substantial economic challenges in 2024. The most noteworthy hurdle is Helsinki's reconfiguration of its geopolitical position, particularly as it is now a member of the North Atlantic Treaty Organisation (NATO), a move likely to shape its future interactions with Russia.

Tensions have already escalated following Finland's accession into the alliance, with issues like the threat of migrant crossings from Russia, adding strain to its 1,340-kilometre border with its eastern neighbour. And further military cooperation with Washington will certainly be the case. This situation is expected to pose ongoing challenges for Finland's border security and diplomatic relations.

The upcoming presidential elections in Finland hold significant importance this year, as the president is responsible for the country's foreign policy. Given Finland's recent accession into NATO, voters are seeking a candidate who can effectively balance the

nation's relations with the West and address potential threats from its eastern neighbour. Pekka Haavisto, a former foreign minister with substantial foreign policy experience, is currently the frontrunner in the race. Furthermore, in the April 2023 election, the centre-right National Coalition Party secured the majority of seats and has since forged a coalition government with the Swedish People's Party, the Christian Democrats, and the far-right Finns Party. Currently, the government enjoys popular support led by Prime Minister Petteri Orpo. Despite differing policy priorities among coalition members, Finland's political landscape is anticipated to maintain stability, with the current coalition government expected to serve its full term until 2027.

Furthermore, the Finnish economy is presently experiencing a recession, with a 0.5% contraction in GDP noted in 2023 and an anticipated 0.2% contraction in 2024. The weakness in the economy is widespread with growth currently weak in Finland's main export markets resulting in the outlook for exports being rather uncertain. However, demand in the export markets will pick up gradually after a brief respite. The slowdown in inflation and a decrease in interest rates, coupled with moderately robust growth in household income, are anticipated to boost the purchasing power of households.

# Finland

Moreover, private consumption is poised to resume modest growth, gaining strength, and a reduction in interest rates is anticipated to bolster investment. This investment focus is expected to be particularly prominent in crucial sectors such as energy transition and defence. Overall, despite the potential positive turn in Finland's economic conditions, it will confront the future in a less-than-optimal state. Inflation is expected to hover around an average of 2%, and the growth in household purchasing power will likely remain subdued due to weakening employment and reductions in social benefits, constraining income growth.

On the geopolitical front, Finland is poised for heightened tensions with Russia. The invasion of Ukraine has prompted Helsinki to abandon its neutrality in Russia-US relations and firmly align with the West by joining NATO. In April 2023, Finland formally joined the alliance, signifying its alignment with NATO. This move may result in the establishment of US military installations, bases, and personnel in the country. A move such as this will pose substantial risks ahead, given Russia's longstanding opposition to NATO expansion near its borders. In response, Russian President Vladimir Putin remarked that there were no issues with Finland previously, but challenges may arise now that it has taken a side in its alignment with United States foreign policy. Furthermore, the Arctic region is gaining growing significance for Finland. Aligned with its Arctic Policy outlined in 2021, Finland's emphasis on security, climate, and the environment is likely to heighten tensions with Russia over the next 12 months. The possibility of joint military exercises with NATO in the region is anticipated. Hence, the evolving geopolitical landscape for Finland will underscore escalating risks as we begin 2024.







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