



Global Insights Geopolitical Forecast Issue 14

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

Panama

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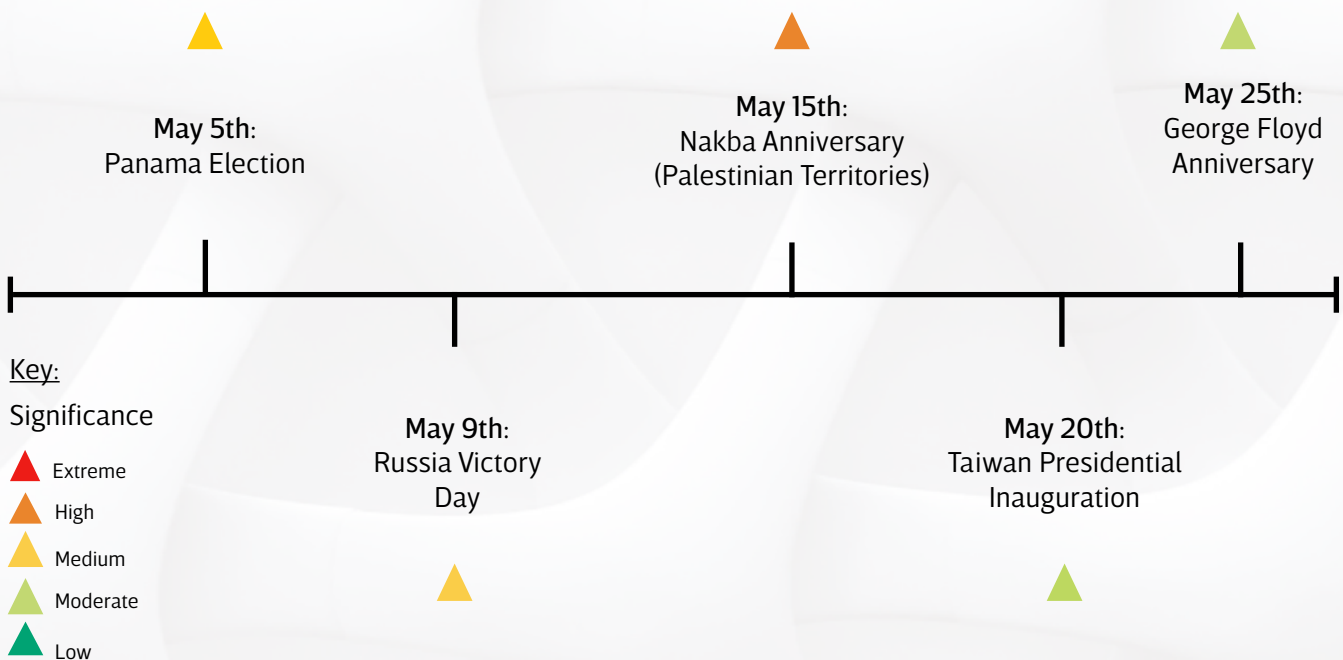
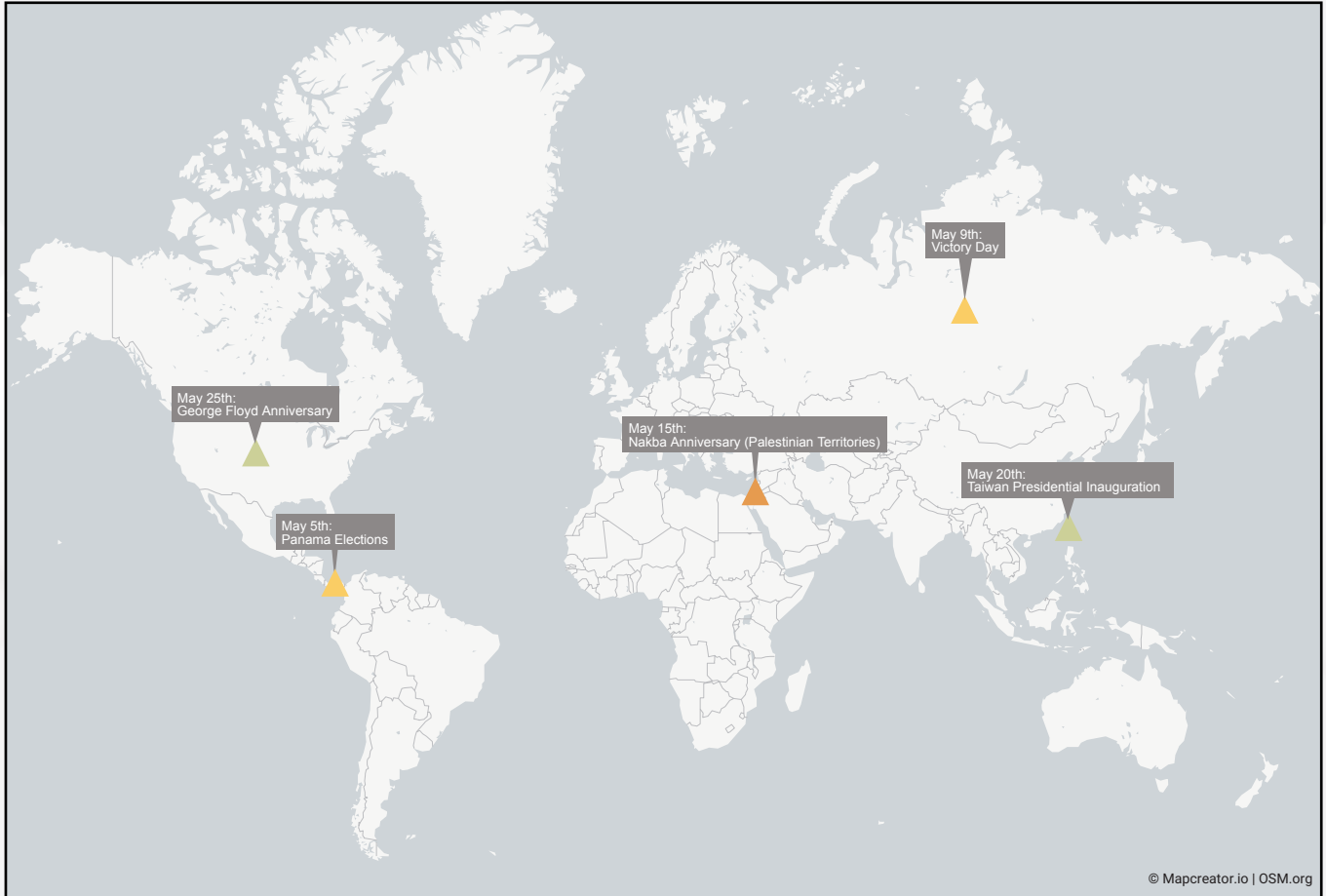
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May Timeline



Panama



Panama's riches and vices can both be traced to the influence of its geographical positioning. As a narrow strip of land between the Atlantic and Pacific Oceans on the midpoint of the American continent, Panama's geography primed it to act as a hub for international transit. Since the construction of the Panama Canal, it has served as one of the globe's principal routes for trans-oceanic commercial shipping, while its use as the sole land crossing from South to North America has made it the epicentre of irregular migration directed towards the United States. Together, these dual factors of international shipping and irregular migrant traffic continue to shape Panama's economics, internal politics, and foreign policy.

On the economic front, shipping passing through the Canal has long granted Panama both direct and indirect economic benefits: the passage of roughly 5% of all global maritime trade provides nearly \$3 billion (USD) total revenue through tolls which, together with associated foreign investment, amounts to around 5.2% of Panama's total GDP. The importance of the Canal for the United States' interests has also provided the indirect benefit of facilitating the elimination of Panamanian military spending. This allows Panama to focus its public spending in other areas, financing the development of civilian infrastructure and technological innovation.

However, the Canal's revenue stream has recently come under strain; last year, low rainfall caused by climate change and the arrival of an El Niño weather event caused water levels in the source of the Canal, Lake Gatún, to drop drastically. Shipping rates have declined by a third, while simultaneous disruption of the Suez Canal shipping route has increased congestion. Pressure has also been applied by the inauguration of Mexico's "Inter-Oceanic Train" last December, promised by policymakers to present an alternative, competitive method of transporting cargo between the Atlantic and Pacific. Each of these dynamics holds the potential to harm the Canal's profitability over the longer term. Adding to those troubles, the drying up of the Canal also poses a threat to the country's potable water supplies: it currently provides around half of Panama's population with their drinking water, including the residents of the capital, Panama City.

Panama

Further challenges stem from irregular migration. Last year, a record of over half a million people crossed the Darien Gap, the area of inhospitable jungle connecting Panama to Colombia and the rest of the South American continent. Armed gangs control zones on both sides of the border, financed through human, arms, and drug trafficking. Their presence continues to drive security and humanitarian concerns, alongside economic problems, as Panama struggles to provide basic aid to impoverished immigrants. President Laurentino Cortizo's government has announced several policies to counter the mounting challenges of the Canal and irregular migration issues. However, the scale of such policy announcements is unlikely to match the ever-mounting pressures.

We assess that these efforts will be incapable of comprehensively addressing the two global issues of climate change and irregular migration flows. Furthermore, current mitigating policies may be affected by imminent internal political changes. Due to constitutional limits on consecutive presidential terms, incumbent President Cortizo is ineligible for the upcoming 5th of May elections. His centre-left party is now represented by a less popular candidate, leaving room for the main centre-right party, led by former president Ricardo Martinelli, to take a substantial lead in the polls. Martinelli has, however, been barred from running for the presidency due to a money laundering conviction which landed him an almost 11-year prison sentence. The relative wealth enjoyed by Panama due to Canal profits throughout the twentieth and early twenty-first centuries, alongside a *laissez-faire*, small-state economic style, have attracted high levels of corruption at private and government levels; it is estimated that around 1% of Panama's total GDP is lost each year to corruption. The last four presidents preceding Laurentino Cortizo have each been convicted of various forms of corruption.

Nicaragua's authoritarian leader Daniel Ortega offered to grant Martinelli asylum in February, though the Panamanian authorities have so far blocked his exit. Operating from within Nicaragua's embassy, Martinelli has invested his support in alternative candidate José Mulino, who currently retains promising polling figures. Should Mulino win May's election, reductions in public spending, the degradation of anti-corruption measures, and an improved relationship with Nicaragua could pose threats to regional stability and current projects designed to mitigate Canal and irregular migration issues.



India has emerged as a significant economic force, currently ranking as the world's fifth-largest economy. In April 2023, India surpassed China to become the most populous country globally. However, despite its economic prowess, India is confronted with challenges due to geopolitical volatility. Additionally, national elections are scheduled to be held from April 19 to June 1, with Prime Minister Narendra Modi expected to win amidst a backdrop of growing authoritarian practices.

Despite recent bouts of instability, including protests by farmers, it is anticipated that these events will not impact Modi's leadership significantly. Furthermore, India maintains a balanced foreign policy approach, actively participating in intergovernmental groups such as BRICS while also exercising caution in its dealings with China, its northern neighbour. As part of this strategy, India has sought to strengthen its ties with Washington, emphasising cooperation and collaboration due to the threat from China. The upcoming political landscape in India will witness a historic event as the nation prepares for elections spanning from April 19 to June 1, encompassing a record 44 days of voting. With nearly a billion eligible voters, this election is set to be the largest in history. The ruling Bharatiya Janata Party (BJP), led by Narendra Modi, holds considerable popularity in India and is widely anticipated to secure victory.

Historically during elections, West Bengal has experienced deadly clashes between supporters of rival political parties, which have disrupted electoral processes. We anticipate the continuation of such a threat through the upcoming election. Also, concerns are still present on whether such elections will be free and fair as the Hindu nationalist BJP party has been accused of utilising increasingly authoritarian measures. The arrest of the Chief Minister of New Delhi Arvind Kejriwal as part of a laundering probe that his party said was politically motivated, is one example of recent clampdowns on government opposition.

Amidst the election backdrop the country continues to witness ongoing disruptive economic protests. Since the 13th of February thousands of farmers have blocked roads and highways and clashed with police as they attempt to reach the capital, New Delhi. The protesters are demanding that the government guarantee a minimum support price for all crops they grow. While negotiations between the government and farmer unions have taken place, no solution have to date been reached. Consequently, such protests are likely to escalate in the coming months with no apparent political compromise.

Positively the economic outlook for India at the beginning of the fiscal year 2023-24 demonstrates

India

robust growth driven by public investment and private consumption. India has also retained its title of the world's fastest-growing economy, expanding by 8.4% in the fourth quarter of 2023. While indicators suggest continued macroeconomic improvements, domestic inequalities and Indian lived experiences are stark with global economic uncertainties persisting. Youth unemployment remains high leading to elevated crime rates and the presence of juvenile criminal gangs. Additionally given the agricultural sector is a pillar of the Indian economy, ongoing farmers' protests will continue to be of significance. As food and energy prices continue to be vulnerable to weather conditions and geopolitical tensions which will only heighten inequalities in years to come.

On the geopolitical front, New Delhi continues its delicate balancing act amid global divides. India's cautious approach towards China persists, particularly as competition for influence in the region seems to be on the horizon remains a pivotal factor in India's foreign policy. This was seen in the election of Mohamed Muizzu as president of the Maldives in September 2023, who after campaigning explicitly for closer ties with Beijing ordered the post election withdrawal of 80 Indian troops stationed there by May 2024, reflecting a diminishing Indian influence in the region and a recent challenge for influence. For India, this represents a notable setback, as it has historically maintained a degree of influence in the Maldives, crucial for projecting power in the Indian Ocean region. Moving forward, we anticipate that such competition for influence will only increase. India's active efforts to bolster its influence in neighbouring areas to counteract China's presence was demonstrated in March, when Prime Minister Modi's visited Bhutan. Such geopolitical competition will invariably stoke tensions and potential economic challenges in the region. Indian foreign policy moving forward will fundamentally aim to adhere to the principle of strategic autonomy, fostering good relations with Russia while cooperating with the West across various domains such as military collaboration, defence procurement, economic partnerships, and technology transfer all while competing for regional influence.



Iraq

Iraq is a nation steeped in a tumultuous history marked by conflict, invasion, and internal strife. Its political landscape has been marred by sectarian tensions, ethnic divisions, and a struggle for power since the fall of Saddam Hussein's regime in 2003. The country operates under a fragile democratic system, with political institutions mostly weak and fragmented. In 2022, the Economist Intelligence Unit rated Iraq as an "authoritarian regime", and it is largely understood to be one of the most corrupt countries in the Middle East. In December 2023, Iraq held its first provincial elections in over a decade. A loose affiliation, known as the Shia Coalition Framework, secured a victory. The outcome was perceived as a triumph for the Iran-aligned military-political factions within the coalition, which have steadily been expanding their influence in anticipation of the parliamentary election slated for 2025. To the northeast of the country, there is the autonomous administrative entity called the Kurdistan Region, a Kurdish-majority territory. In recent years, Baghdad has tried to reign in the region's autonomy, creating tension.

Iraq's economy, is heavily reliant on oil revenues, which have fuelled volatility and over-dependency. Over the past ten years, oil revenues have constituted over 99% of Iraq's exports, accounted for 85% of the government's budget, and 42% of GDP. It would be fair to surmise that the immense oil wealth of the country has made the government hesitant to diversify its economy and diminish its reliance on oil exports. The risks associated with a lack of diversification became obvious during the COVID-19 pandemic. The reduction in global travel, industrial activity, and overall economic output plummeted oil prices and exacerbated Iraq's economic woes, leading to budget deficits, current depreciation, and rising unemployment. Despite these issues, the Iraqi government continues to develop and expand its current oil refining capacity.

Iraq's abundant oil reserves have attracted numerous multinational oil and gas companies including Shell, BP, Gazprom, CNPC, and ENI. Currently buoyant oil markets facilitate an uneasy peace and bloated state employment, yet future challenges including the mounting crisis of water scarcity and the wider global green transition places Iraq's oil dependant economy, and hence stability, on a crash course.

The persistent threat posed by insurgents and terrorist organisations targeting foreign nationals, as well as critical oil and gas infrastructure, has transformed Iraq's security sector into one of the most thriving and profitable industries in the country over the past decade. As long as oil remains a dominant industry, and as long as the security threat remains, private defence contractors will continue to play a significant role in the internal dynamics of the country.

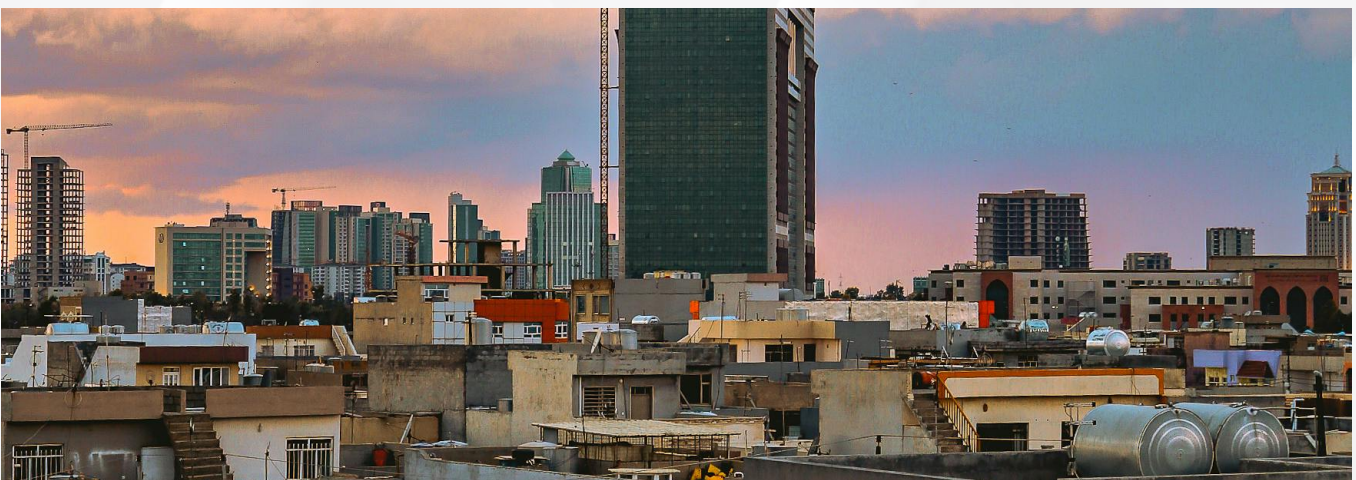
Iraq's foreign policy is shaped by a complex interplay of regional dynamics, geopolitical rivalries, and historical alliances. The country's strategic location, bordering Iran, Syria, Turkey, and the Gulf states, renders it a key player in regional affairs. Iran's influence in Iraq looms large, fuelled by shared Shia religious ties and historical connections. The ruling parties of Iraq have traditionally had a contentious relationship with the Islamic Republic, with Tehran encouraging the Shia majority population to overthrow the Baathist minority government under Saddam Hussein after the Iranian Revolution. Longstanding territorial disputes, as well as fear that Khomeini would export the revolutionary ideology to Iraq, resulted in both countries being locked in an eight-year long-war in the 1980s. Further gains by pro-Iranian groups in the 2025 election would bring Baghdad closer to Tehran, potentially threatening Western interests in the country.

Iraq's relationship with the US has remained critical over the past two decades, particularly in the realms of security and counterterrorism. However, the presence of US troops has created recent controversy, leading Iraq to engage in ongoing discussions regarding the withdrawal of several thousand service members. The US has maintained a small presence in Iraq due to the lingering threat of radical terrorist organisations, notably the Islamic State group. Despite assertions by some Iraqi politicians, many, including the US's Ambassador to Iraq, have said the organisation still poses a significant threat, casting doubt on Iraqi security post-US withdrawal.

Additionally, since the start of the war between Israel and the Palestinian militias in the Gaza Strip, Iranian-backed factions in Iraq and Syria have been attacking US assets and troops in the region, as well as threatening Israel with rocket strikes. Russia has emerged as a potential replacement for the US as Iraq's primary counterterrorism partner. The recent IS-affiliated attack at a concert hall in Moscow may motivate the Kremlin to deploy the Wagner Group, a Russian private military contractor, to Iraq with Baghdad's blessing. This shift towards closer ties with Russia, as well as the further electoral successes of the Shia Coalition Framework, could also pave the way for enhanced relations with neighbouring Iran, as Moscow and Tehran currently enjoy an amicable relationship.

Turkey has also emerged as a major partner to Iraq, with both Ankara and Baghdad seeking to solidify their relationship. This has recently been exemplified by a significant security pact aimed at addressing the Kurdish militia presence in northern Iraq. Notably, Iraq has officially outlawed the PKK, which Turkey designates as a terrorist group. Turkey plans to expand its military operation against the PKK within Iraqi territory later this year. This security agreement coincides with both nations' efforts to establish a vital trade route and resume the operation of a crucial oil pipeline that has been stopped by conflict.

Iraq faces numerous challenges and complexities in its pursuit of stability. While progress has been made in certain areas, including efforts to combat corruption and promote economic reform, deep-seated divisions and entrenched interests continue to hinder meaningful change. Moving forward, Iraq must navigate the delicate balance between competing domestic and international pressures while addressing the underlying structural and security issues that have plagued the country for decades.





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