



Global Insights Geopolitics Issue 8

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

In this month's report:

Chile, South Korea, Ethiopia, Saudi Arabia

Chile



Chile, a nation blessed with abundant natural resources, particularly copper, stands at a complex impasse, shaped by its tumultuous 20th-century history marked prominently by a military dictatorship. Following the conclusion of the Pinochet regime and the adoption of a market capitalist system, Chile witnessed a period of remarkable economic expansion. However, this rapid growth came at the expense of exacerbating socioeconomic inequalities and not addressing the widespread discontent that culminated in the violent protests of 2019. In the wake of these events, Chile finds itself entangled in contemporary political

dilemmas, with deep divisions straining the nation's unity and hampering its progress toward a more prosperous future.

In the aftermath of the 2019 troubles, the country promised to address concerns by drafting a new constitution. Yet in 2023, this issue is more divisive than ever. Following a 2020 referendum in which over 80% of the population voted in support of forming a new constitution and a landmark presidential election in 2021, where the progressive left-wing liberal candidate, now President Boric, was elected with 56% of the vote at the age of just 39, political commentators could be excused for believing Chile was on course for a progressive liberal future. However, since then, the country has rejected the proposed constitution, which many saw as too progressive. It elected a new constitutional committee whose political leanings are towards the far-right, and now it looks set to revote on a second constitution with a design critics say will be similar to that of the military legacy.

Such political events have led to the increasing partisanship and divisions of Chilean politics and society. The country's parliament has been left ineffectual, with 22 parties unable to form a consensus, and the promise of unity in Boric's campaign is now a distant past. In the face of political stagnation, the country continues to suffer from poorly run state institutions that increase public anger and division and unfolding a system unable to effectively respond to the country's global and geopolitical challenges.

Economically, Chile has long remained dependent upon the exports of raw materials, notably copper. Due to such dependency, the country has been adversely affected by the increasing trade wars between China and the United States, Chile's most significant trading partners. The country remains a pioneer amidst Latin America in fostering relations with Beijing, and with a complex US history, it has



increasingly leaned to the global east to provide infrastructure development in return for resource extraction, with China receiving nearly 39% of Chile's exports, more than double that of the US. Despite this, global divisions and inflationary pressures have undermined the country's exports and inward investment, putting the country on track to be the sole country in South America this year to be in a recession according to the International Monetary Fund (IMF). Such economic performance further fuels mounting populist voices in Chilean politics and heightens the divisions over inequality that led to the 2019 unrest.

In the face of the mounting wider political polarisation and economic stagnation, the country has witnessed elevating security risks. Earlier in the year, the country saw a spate of police killings, with three officers killed within a month. As criminal organisations are forced out of Central America they are reportedly expanding operations throughout Chile, such threats to security are of increasing concern to businesses and citizens further undermining investment confidence. In response, the country has adopted stricter measures, giving police greater protections and also greater liberty to use force, coupled with a \$1.5 billion (USD) additional security spending. Boric's popularity rates have plummeted, in part due to the security challenges, with a 32% increase in the homicide rate

through 2022, and 75% of Chileans expressing fear of becoming victims of crime in a nationwide poll. In addition to the expansion of neighbouring criminal organisations, Chile has recently reported an increased presence of the Chinese mafia, who have reportedly made steady inroads across the country, fuelled by a burgeoning drug production market and links to Chinese trade. As witnessed in other parts of Latin America, the mounting risks of criminality threaten to undermine the state's authority, enhancing the future risks of domestic unrest and political anger, which will only worsen if political and economic challenges remain unsolved.

With the geopolitical environment unlikely to be beneficial to international trade, criminality flourishing and the political impasses looking ever-entrenched, the country's future stability looks set to be challenged. A second constitutional referendum vote defeat, now a realistic possibility, could trigger nationwide unrest. Deeply entrenched and ever-extreme liberal and conservative political parties seem unable to forge a compromise for the country, whose political divides are increasingly undermining economic progress and indeed the nation's wider stability. The shadow cast by Chile's 20th century legacy continues to undermine political progress, and the country's once progressive prospects are increasingly under threat.



South Korea



South Korea, often hailed as an economic success story, has rapidly ascended the global economic ranks. This Asian powerhouse has transitioned into a developed, high-income country within a single generation. Yet, South Korea has recently grappled with a series of challenges that have tested its resilience. The nation, which holds the 12th spot among the world's largest economies and ranks 4th in Asia, faced an unprecedented economic slowdown. Factors like China's decelerating economic growth, and the pervasive impacts of the COVID-19 pandemic all converged to push South Korea into its most severe economic slump in over five decades during the tumultuous year of 2020. Moreover, the Korean Peninsula, despite the strides made towards peace, continues to linger as one of the most enduring and unpredictable conflict zones worldwide. The security and political dynamics in this region remain highly complex.

Looking forward, South Korea's President Yoon Suk-yeol is set to grapple with a new set of challenges over the coming months. Political gridlock potentially looms on the horizon, stemming

from the narrow base of electoral support for the President, ongoing power struggles within the People Power Party, the Minjoo Party's hold on parliament, and a growing sense of dissatisfaction among citizens grappling with the rising cost of living. South Korea's parliament has given the green light to a budget that underscores the new government's commitment to a more disciplined fiscal strategy. This move is seen as an effort to equip the nation with the means to confront the mounting economic challenges it faces.

In addition, President Yoon Suk-yeol, who secured victory over his left-wing rival by a narrow margin of just 0.74% in the 2022 election, is now grappling with another intricate issue—shifting public sentiment toward a substantial change in the country's foreign policy. In South Korea's unique winner-takes-all political landscape, there's a growing concern that significant shifts in foreign policy could be swiftly reversed, potentially as early as 2027. This inherent political characteristic adds an extra layer of complexity to the country's evolving policy dynamics.

South Korea



While the nation has navigated the economic challenges brought on by the pandemic with relative stability, there are projections from the IMF indicating a GDP growth of 2% in 2023. South Korea's judicious use of stimulus packages has kept public finances in check throughout 2021 and 2022. In 2022, South Korean exports exhibited resilience, growing by 6.1%, but imports surged even more significantly, rising by 18.9%. This trade dynamic culminated in a trade deficit of \$4.7 billion in December, marking the first annual deficit since the global financial crisis. Elevated oil prices had a noticeable impact on several trade-dependent nations, including South Korea. In the early months of 2023, exports continued to decline, signalling a potential cooling of global demand, exacerbated by higher interest rates that are beginning to weigh on consumption patterns. These economic factors present multifaceted challenges for South Korea's policymakers as they steer the country through a changing economic landscape. South Korea, often hailed for its remarkable economic journey, has made significant strides in reducing poverty. Despite maintaining a low unemployment rate in 2023, the nation grapples with a pervasive issue - a substantial number of irregular workers. Moreover, social inequalities are on the rise, necessitating government intervention, particularly concerning the pressing concern of low birth rates.

On the geopolitical front, tensions between North and South Korea are poised to escalate. In February 2023, South Korea's annual defence white paper marked a significant shift in relations between the two nations, by labelling North Korea as an 'enemy' for the first time in six years. While, during President Yoon Suk-yeol's meeting with President Joe Biden in April 2023, North Korea sought to portray Yoon as a puppet of Washington, and highlighted his lack of leadership experience. This all comes at a time when Seoul seeks to forge deeper defence ties with Washington, while Pyongyang looks towards Moscow, and continues its quest to bolster its nuclear arsenal. All of which has the potential to impact the security of the Korean Peninsula, and the economic prowess of Seoul. However, amid the broader geopolitical landscape, South Korea is strategically cautious not to align too closely with the United States in its rivalry with China. Safeguarding its economic interests takes precedence. Encouragingly, at the ASEAN summit in Jakarta, signs of ties between Beijing and Seoul emerged, emphasising the importance of cooperation. Yet, the ongoing Chinese support for North Korea and the enduring influence of the United States in the region create diplomatic and strategic pressures that may strain these relations.



Ethiopia

Ethiopia is a country marked by its rich ethnic diversity, comprising approximately 86 distinct ethnic groups. The nation's history has been marred by recurrent political crises, and 2023 has witnessed a new surge in tensions following the conclusion of the Tigray war in November 2022. In the past 12 months, the Armed Conflict Location & Event Data Project (ACLED) have recorded over 4,000 fatalities from political violence, with many victims being civilians as Ethnic tensions and violence, recently in the Amhara region, continue to erode national stability.

After federal forces attempted to disarm regional and paramilitary groups in the Amhara region in April 2023, many local civilians fled to rural areas and resistance fighters joined large-scale protests in Gondar, Kobo, Sequoia, and Welidya, plunging the region into further uncertainty. The situation escalated in August 2023 when Amhara Fano forces seized several regional towns. As a result, August witnessed a 90% increase in political violence, as clashes between state and Amhara Fano forces reached their highest level since August 2021 during the Tigray war. Subsequently, violence has receded but persisted, as government forces, bolstered by various ethnic allies, have retaken strategic locations across the region. Concerns persist

regarding the potential for a prolonged conflict, as simmering violence continues. The initial intense conflict saw the tragic targeting of journalists, NGO workers, and local officials, leading to the temporary withdrawal of some international aid and fears of a long-term humanitarian crisis. As the regional conflict remains unresolved, with recent media reports of fresh fighting, Ethiopia appears poised for more political instability and periods of ethnic unrest, echoing its history.

Ethnic competition has long been a driving force behind conflict and political instability, often rooted in competition for limited resources among current or former nomadic communities. Recent global events, including global inflation, have further exacerbated poverty across the country and impeded economic progress. The IMF predicts an inflation rate of 31% this year in a country where GDP per capita remains a mere \$1480 (USD), driving extreme poverty. Ethiopia's economic challenges have been exacerbated by a series of shocks over the past two and a half years, including the COVID-19 pandemic, drought, conflict in the north, and the war in Ukraine, which have created significant macroeconomic and humanitarian challenges.



Ethiopia



Recent studies have indicated that in Ethiopia human-caused climate change has made severe droughts at least 100 times more likely than in the preindustrial era. Ethiopia continues to grapple with the longest string of weak rainy seasons in the past 70 years, compounding the already dire humanitarian crisis that affects an estimated 20 million people facing food insecurity. This exacerbates competition for scarce resources and ethnic divisions that further fragment the nation.

Such economic conditions have not only been a driving force behind ethnic competition but have also caused mass domestic unrest. In July 2023, following unpopular political decisions, the nation's capital saw violent demonstrations due to the cost of living crisis, with the main opposition candidate Raila Odinga rallying opposition voices, leading to violent and fatal demonstrations across the country. Such political anger highlights the divisions in society and the fluid stability of the wider country.

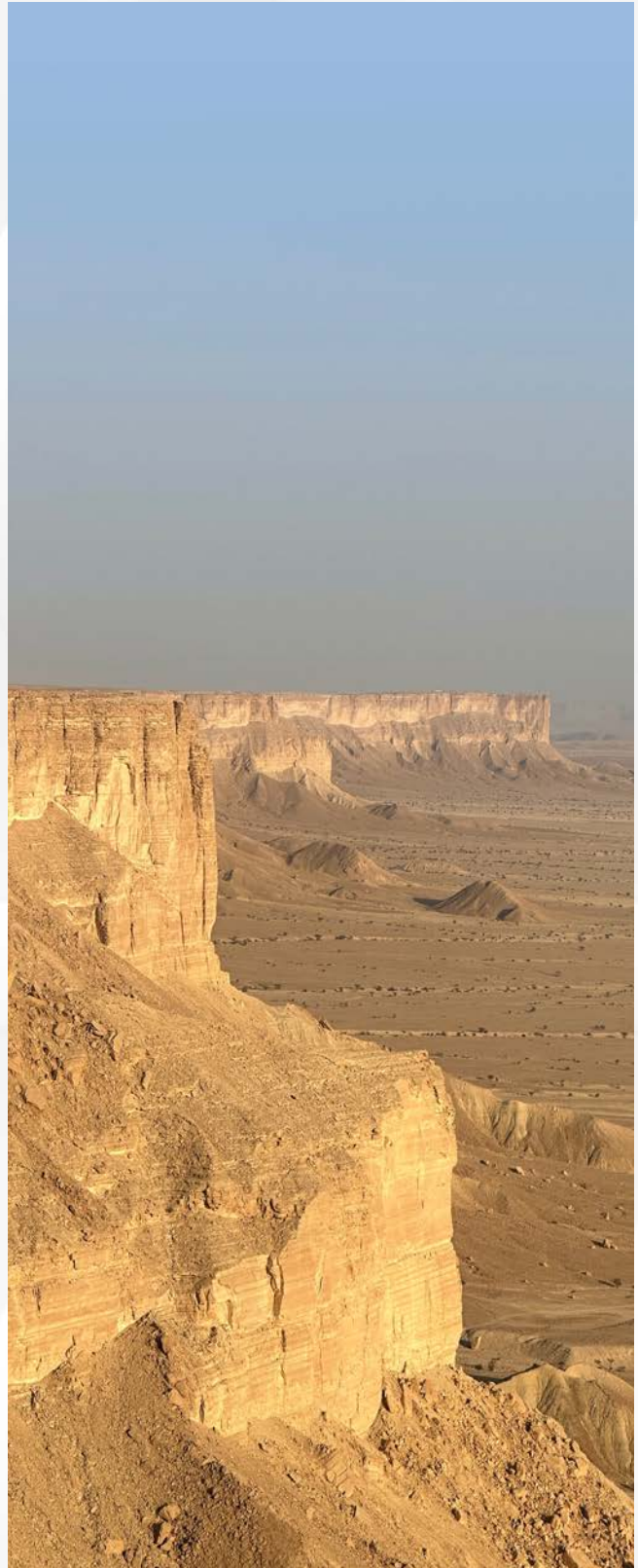
In this ongoing cycle of instability, Ethiopia is in dire need of external assistance, requiring an estimated \$316 billion(USD) to effectively adapt to the impact

of climate change. While contributions from notably the United States, the European Union and investment by China, provide essential lifelines for many of the country's poorest citizens, such aid levels have consistently fallen short of the growing challenges Ethiopia faces. Moreover, regional dynamics, including conflicts in neighbouring Sudan, South Sudan, and the ongoing terror insurgency in Somalia, continue to drive waves of refugees into Ethiopia. The country is now the third-largest refugee-hosting nation in Africa, home to over 930,000 refugees and asylum seekers, which places an ever-increasing strain on already stretched resources. Under this economic pressure, Ethiopia is ill-equipped to manage such inflows, which will further fuel ethnic and domestic unrest. As Western nations increasingly withdraw from aid commitments in Africa and climate change intensifies, Ethiopia appears destined to grapple with mounting economic pressures. These dynamics are likely to perpetuate longstanding ethnic tensions, hindering the country's efforts to break free from the cycle of instability by which it is constrained.

Saudi Arabia

Currently, all eyes are on Crown Prince Mohammed bin Salman al-Saud (MbS) as he steadily consolidates his position and is expected to assume full control from King Salman bin Abdel-Aziz al-Saud. Saudi Arabia remains a pivotal player on the global stage, retaining its status as the world's leading oil and natural gas producer. Riyadh's foreign policy journey is defined by a pragmatic and non-ideological approach like the ambitious 'Vision 2030,' garnering attention from diplomats and analysts alike. However, geopolitical turbulence is a possibility like the crisis in Yemen and its crossroads concerning its historical alliance with the United States and its potential pivot towards China.

At the helm of Saudi politics is MbS, and the driving force behind his flagship development roadmap, Vision 2030 is a strategic compass that unequivocally charts the nation's priorities. At the heart of Saudi officials' endeavours lies a singular and paramount objective: to forge a vibrant and diversified economy that safeguards the kingdom's prosperity and regional influence in a world where oil ceases to reign as the dominant energy source. Additionally, the risk of internal challenges to MbS's rule is minimal due to the strategic placement of loyal and trusted royal supporters within the military and security apparatus across the kingdom. MbS's authoritarian approach and refusal to embrace political diversity will also restrict the potential for significant threats to political stability. The transition of power to MbS is anticipated to be seamless and efforts to expand political freedoms are unlikely to be a priority. Amnesty International has reported the wide array of human rights abuses within the country from the targeting of individuals for expressing their freedom of expression to the abuse of migrant workers under its sponsorship system and detentions of citizens. Delving into the economy of Saudi Arabia reveals a picture of resilience and growth. Recent data, as reported by the IMF, paints a promising picture, with overall growth surging to an impressive 8.7%. This surge underscores the nation's robust oil production and a noteworthy uptick in non-oil private investments.



Saudi Arabia



A closer examination of the growth drivers reveals some compelling insights. Sectors such as wholesale and retail trade, construction, and transportation have emerged as the flag bearers of non-oil growth, which coincides with Saudi Arabia's political aims of Vision 2030. This has also collectively contributed a substantial 4.8% to the nation's GDP. However, while Saudi Arabia earned the distinction of being the fastest-growing economy within the G20 bloc in 2022, a shift in the trajectory is anticipated for the current year. Projections indicate a deceleration in growth, settling at 2.2%. This adjustment can be attributed, in part, to Riyadh's adherence to the OPEC+ consensus on oil production cuts, which is poised to contract the GDP by 2%. Nevertheless, this contraction has been cushioned by several key factors. The persistent buoyancy of oil prices, a judiciously implemented fiscal policy, and the robust growth of private credit have collectively served as stabilising forces, helping Saudi Arabia weather the economic tides.

What's more, Riyadh's foreign policy landscape recently witnessed a seismic shift with a surprising rapprochement with Iran, an event facilitated by China in March. This marked a significant departure from the status quo and hinted at a recalibration of regional dynamics. The journey to this détente

involved two years of delicate negotiations held in Iraq and Oman and Chinese President Xi Jinping to Riyadh in December as a significant mediator.

Adding to this are the promising developments on the Yemen front. In September, Houthi negotiators concluded a round of intensive talks with Saudi officials in Riyadh. These discussions, spanning five days, explored the contours of a potential agreement that could pave the way for a resolution to the protracted conflict that has plagued the region since 2014. At the crossroads of geopolitical shifts, Saudi Arabia is pursuing a nuanced foreign policy that challenges established narratives and safeguards its interests on the world stage. In a notable departure from Western orthodoxy, Riyadh has charted an independent course in its approach to the Ukraine conflict. While many Western nations have adopted a confrontational stance towards Russia, Saudi Arabia has opted to maintain cooperation with Moscow, particularly in the realm of oil policy within the OPEC+ alliance. Notably, Saudi Arabia's emergence as a future member of the BRICS bloc in 2024, has drawn significant attention and concern from Washington. This development underscores the kingdom's determination to diversify its diplomatic engagements and reduce dependence on traditional Western alliances.



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