



Global Insights Geopolitics Issue 9

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

*In this month's report:
Argentina, Lebanon, Zimbabwe, Poland*

Argentina



Argentina has recently celebrated the 40th anniversary of democratic rule, marking the longest consecutive period of democratic rule in its history. Throughout this time, the country has been a paradox, experiencing a fluctuating and highly turbulent economic history but maintaining a well-functioning and stable political system. Freedom House has long rated Argentina as a free nation, with a ranking two points better than the United States. However, recent developments and a continuing highly turbulent economic environment in the country may finally be challenging the nation's political stability. The country is in the midst of a divisive second-round presidential run-off election leaving the Peronist incumbent economy minister, Massa, to face the political upstart Milei in the November 19th runoff.

In August, Javier Milei surprised the political establishment by winning the presidential primaries

on a mandate of economic liberalisation, gun reform, the dollarisation of Argentina's economy and his brash approach in taking political swipes at the Pope and rivals. While Massa's pre-election populist tax cuts led to a surge in support and the Peronists claiming 36% of the vote, with a lead over Milei at 30%, the second-round contest now largely hinges on the ability of the left and right-wing candidates to garner the support of approximately 6.5 million centre-right conservative third-party supporters. Pollsters, who proved inaccurate predictors of the first-round vote, remain cautious with their predictions, as the second-round vote is likely to be a closely fought affair between divergent political figures.

In the backdrop of this election, Argentina's economy is mired in turmoil, teetering on the brink of hyperinflation, with the International Monetary Fund (IMF) predicting year-end inflation to exceed a staggering 121%. To compound this dire situation, the country bears a substantial public debt, amounting to 89.5% of its GDP, according to the IMF. The terms of repayment for this debt appear increasingly precarious as the nation's currency continues to depreciate, shedding over 50% of its value against the US dollar in the past 12 months. These mounting concerns heighten the probability of a potential default on the nation's debt, which was staved off in August as the country secured a \$775 million (USD) emergency loan from Qatar to address outstanding IMF obligations. Post-election negotiations will be of paramount importance to re-establish IMF loan conditions, which the country's economic stability heavily relies upon. In the political aftermath, the IMF will be keen to impose stricter policy conditions in an attempt to assure debt repayment, yet Argentina has a history of such terms being often violated, raising fears and a possibility of an IMF withdrawal from future economic assistance, which would have devastating implications for the nation's economy

Argentina



The candidates' approaches to these severe economic challenges diverge significantly: Massa's economic policies seem to reflect a continuation of the boom and bust cycles, offering assurances of modest improvements and political protection for the most vulnerable, without a significant uplift to Argentina's economic stability. In contrast, Milei advocates a radical overhaul of the economy, vowing to dollarize the country dismantling the powers of the central bank, and eliminate the government's ability to print pesos. Additionally, he pledges a wave of liberalisation to stimulate export potential and deregulate the economy. These sweeping reforms stem from the academic theory of economic liberalism currently being challenged globally and whose implementation could be a painful economic medicine. Furthermore, such policies raise concerns about the nation's long-term dependence on the US economy and the Federal Reserve, a vulnerability underscored by Greece's experience within the Eurozone.

The results of the elections will have profound long-term effects. While the media have been quick to characterise the support for the political newcomer as a symptom of economic anger, this explanation fails to reflect reality. Milei's support breaks

conventions, forming most strongly in northern regions—the first national political movement not to originate from Buenos Aires. His strongest support stems from younger, suburban, notably male voters. This demographic does not align with the "left behind" voter theory often utilised in the description of support for politically similar figures like Trump and Bolsonaro. Instead, Milei's support appears ideological, which means that regardless of the final election result, the liberal movement looks set to fundamentally alter Argentina's political establishment in years to come. If Massa secures power, the country appears set for a continuing resemblance of political normality. The candidate has so far offered limited policies to fundamentally improve the country's economic predicament, and high inflation will likely continue to undermine purchasing power, driving the growth of internal unrest and crime. Alternatively, Milei's victory would lead to questions over Argentina's political stability. A split legislative and executive would diminish his ability to make the sweeping reforms promised but would likely drive further divisions and polarisation in society. Therefore, while the election result remains undecided, the country's future stability will remain fragile.

Lebanon

The recent security developments in the Middle East have deteriorated after the October attack by Hamas on Israel. Hezbollah, operating from southern Lebanon, has continued its border hostilities with Israel which has introduced instability to the situation in Lebanon. Moreover, internal divisions have resulted in sectarian conflicts and hindered political consensus among various parties. Since its independence in 1943, Lebanon aimed to implement a proportional governance system that would adequately represent Maronite Christians, Shiite Muslims, and Sunni Muslims. Lebanon's political landscape is currently at an impasse in selecting a suitable compromise candidate, effectively leaving the nation in a state of interim governance. Additionally, Lebanon's economy has faced substantial setbacks since 2019 due to the compounding economic effects of the COVID-19 pandemic and the devastating explosion at the Port of Beirut in 2020.

The geopolitical situation has witnessed Israel, Lebanon's southern neighbour, engaged in a conflict with Hamas in the Gaza Strip. The recent attacks by Hamas on Israel in October have led to a swift deterioration of the security landscape in the region. For Lebanon, troubling signs have emerged within the country as Hezbollah, designated as a terrorist

organisation by the United States and other Western countries and heavily funded by Iran, has pledged support for Hamas in its conflict with Israel, even threatening to open additional fronts in the north of Israel. Already, there have been missile exchanges between Israel and Hezbollah, resulting in casualties on both sides. This Shiite militant group is estimated to possess over 100,000 missiles, posing a significant challenge to Israel and its military. Iran's Foreign Minister, Hossein Amirabdollahian, has made it clear that a second front is a real possibility if Israel maintains its blockade of Gaza. Consequently, there is a substantial risk of the conflict escalating regionally, as Iran could decide to back its proxy forces in the event of further escalation. The current state of affairs teeters on a precarious edge, with around 10,000 Israeli troops already positioned along Lebanon's southern border. With mounting uncertainty, any misjudgment could swiftly trigger a full-scale conflict. The deployment of US aircraft carriers underscored Washington's commitment to supporting Israel and dissuading entities like Hezbollah from becoming involved in the conflict. Consequently, the current situation in Lebanon is poised for rapid deterioration, impacting its already fragile political environment and security landscape further.



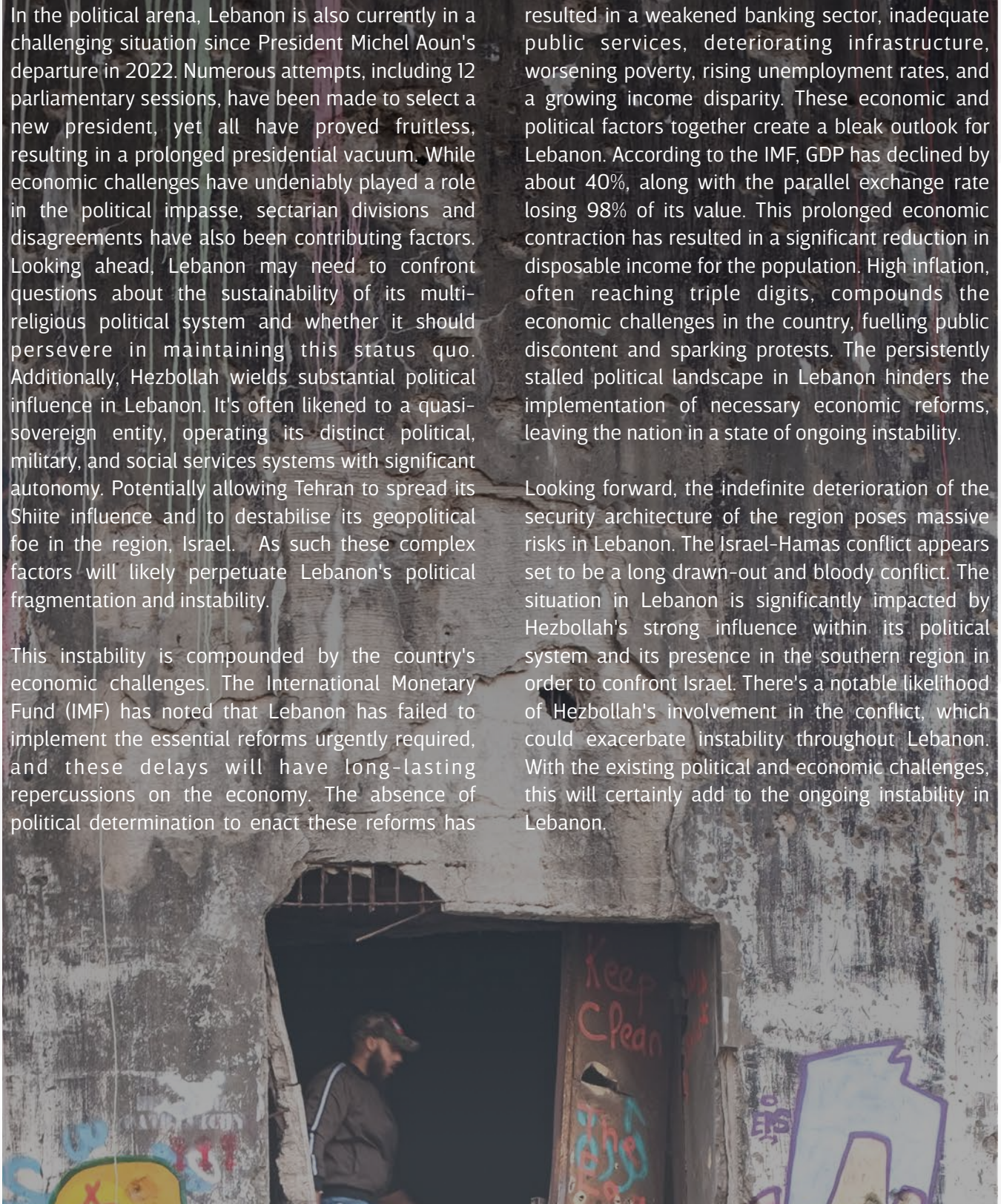
Lebanon

In the political arena, Lebanon is also currently in a challenging situation since President Michel Aoun's departure in 2022. Numerous attempts, including 12 parliamentary sessions, have been made to select a new president, yet all have proved fruitless, resulting in a prolonged presidential vacuum. While economic challenges have undeniably played a role in the political impasse, sectarian divisions and disagreements have also been contributing factors. Looking ahead, Lebanon may need to confront questions about the sustainability of its multi-religious political system and whether it should persevere in maintaining this status quo. Additionally, Hezbollah wields substantial political influence in Lebanon. It's often likened to a quasi-sovereign entity, operating its distinct political, military, and social services systems with significant autonomy. Potentially allowing Tehran to spread its Shiite influence and to destabilise its geopolitical foe in the region, Israel. As such these complex factors will likely perpetuate Lebanon's political fragmentation and instability.

This instability is compounded by the country's economic challenges. The International Monetary Fund (IMF) has noted that Lebanon has failed to implement the essential reforms urgently required, and these delays will have long-lasting repercussions on the economy. The absence of political determination to enact these reforms has

resulted in a weakened banking sector, inadequate public services, deteriorating infrastructure, worsening poverty, rising unemployment rates, and a growing income disparity. These economic and political factors together create a bleak outlook for Lebanon. According to the IMF, GDP has declined by about 40%, along with the parallel exchange rate losing 98% of its value. This prolonged economic contraction has resulted in a significant reduction in disposable income for the population. High inflation, often reaching triple digits, compounds the economic challenges in the country, fuelling public discontent and sparking protests. The persistently stalled political landscape in Lebanon hinders the implementation of necessary economic reforms, leaving the nation in a state of ongoing instability.

Looking forward, the indefinite deterioration of the security architecture of the region poses massive risks in Lebanon. The Israel-Hamas conflict appears set to be a long drawn-out and bloody conflict. The situation in Lebanon is significantly impacted by Hezbollah's strong influence within its political system and its presence in the southern region in order to confront Israel. There's a notable likelihood of Hezbollah's involvement in the conflict, which could exacerbate instability throughout Lebanon. With the existing political and economic challenges, this will certainly add to the ongoing instability in Lebanon.



Zimbabwe



Zimbabwe's political landscape has long been challenging, but in November 2017, Zimbabwe appeared poised to enter a new political age following the eventual succession of President Robert Mugabe after 37 years in power by President Emmerson Mnangagwa. However, since then, the country's political, economic, and security outlook has seen limited improvements and reverted to the status quo of a failing state. Two staged elections, in July 2018 and again in August 2023, have brought international condemnation as Mnangagwa has strengthened his hold on the presidency and on the governing ZANU-PF party. In the aftermath, the few international observers given partial access strongly concluded that the elections failed to meet international standards as Mnangagwa won a second term in power with a reported 53% of the vote. In the buildup to the elections, there were widespread fears surrounding potential political unrest in the vote's aftermath, yet the violent and deadly scenes of 2018 witnessed in Harare did not materialise, in spite of strong opposition support and the widespread understanding of electoral manipulation and intimidation.

The political result highlights an entrenchment of pseudo-democracy. The ruling ZANU-PF party continues to dominate Zimbabwean politics, as they have done since liberation, which have raised concerns about the prospect of meaningful political competition. The government's commitment to democracy and the rule of law remains highly questionable, as evidenced by incidents of human rights abuses and suppression of dissent. However, a glimmer of democratic hope occurred as the results did prevent ZANU-PF from attaining the two-thirds majority required for legal constitutional reform. This is significant as it may prevent the long-term and widely regarded corrupt political elite from further undermining the political system, notably through the extension of presidential term limits that will prevent Mnangagwa's re-election in five years. However, in light of this, a recent staged and highly contentious fake resignation letter campaign has forced 13 opposition parliamentarians to face by-elections after claiming their resignation. As a result, despite legal challenges, the opposition faces by-elections in December that will likely reaffirm ZANU-PF's supermajority. The latest political theatrics highlight the lack of democratic rule in the country and the capture of judicial systems. Such an institutional environment continues to pose extreme risks to the personal safety of dissenting opposition, which, in part, has led to the exodus of an estimated 750,000 Zimbabweans to South Africa, as well as the extreme risks to organisations that can frequently face legal and regulatory harassment.

Coupled with the unending political frailty, the country continues to witness economic despair. Triple-digit inflation, predicted by the IMF to surpass 314% this year, currency devaluations, and major infrastructural degradation continue to undermine the country's development. In spite of a wealth of natural resources and a young workforce, the country continues to witness limited progress and high extreme poverty rates. The reliance on low-

Zimbabwe



productivity agriculture places the country's economy at the mercy of increasingly fluctuating global weather patterns, with erratic rainfall patterns predicted over the next six months likely to contribute to a continuing destabilisation of the country's food supply. The continuing corruption of local and national governments undermines the provision of basic services and has left the nation's infrastructure in decay, with 18-hour rolling power outages and a lack of sewage and sanitation contributing to current fears of a worsening cholera outbreak.

The economic instability of Zimbabwe has compounded issues of inequality, housing, and crime, which have remained long-term structural risks in the country. Within townships, crime rates have reportedly spiked in recent years as economic pressures continue to mount on highly vulnerable communities. In the face of such mismanagement, the international community has long been apathetic. Economic sanctions from the West, which prevent much inward investment into the country, only compound the suffering of citizens and have so far not yielded their political aspirations. Regional

neighbours have long been slow to criticise the country's human rights record, not wanting to ostracise a party and government of similar liberation efforts to many of themselves. Concurrently, Western powers have been more focused on securing some repayment on the \$14 billion (USD) external debt the country accumulated, primarily through President Robert Mugabe's tenure. In this international void, Zimbabwe has focused attention on securing investment from notably China, Russia, and South Africa, yet the investment secured remains limited in the face of the socioeconomic challenges, as high-level corruption deters larger investment and international engagement. The country's natural reserves of precious resources, including lithium, could provide a path to developing an integral role in the global economy. However, such a future looks set to continue to be undermined by widespread political oppression, corruption, and mismanagement, which will likely continue to pose elevated security concerns and prevent the investment required for a fresh start many had hoped would be achieved in 2017.

Poland



Following the transition from communism to liberal democracy in 1989, Poland emerged as one of the former communist states that experienced a significant upturn in economic growth during the late 1990s. This transformation included closer economic collaboration with Western European nations. According to the World Bank, Poland is now a high-income economy, ranked 21st globally in terms of GDP. The nation's political landscape has recently witnessed a shift, with the ruling Law and Justice (PiS) party being outvoted by the centrist Civic Coalition (KO) party, which resulted in PiS losing its parliamentary majority. Nevertheless, Poland's vulnerable geographical position has made it susceptible to invasions by various powers over its history. This historical context has driven Poland to bolster its military expenditures, notably following the Russian invasion of Ukraine.

The current political landscape in Poland has witnessed the experienced Eurocrat, Donald Tusk, make a return as his KO Party triumphed over the conservative PiS Party. Although the PiS secured the most votes, the strong showing of the KO Party will enable it to form a new government alongside other

opposition parties, namely the centrist Third Way and The Left. It's improbable that the PiS will attain the 231-seat majority in parliament, which is positive news for officials in the European Union to have a Eurocrat in charge in Poland. Tusk will now aim to forge alliances with like-minded parties to prevent further democratic erosion, a concern that has arisen during the two consecutive PiS-led administrations. However, the pro-PiS President, Andrzej Duda, could slow down this process, potentially leading to a Tusk-led government coming into power in December. Donald Tusk, the former President of the European Council, holds a staunch pro-European Union stance, and his return is expected to bring about a reversal of many policies introduced by the PiS Party during its eight-year rule. These policy changes are likely to encompass matters such as judicial independence, media freedom, and upholding the rule of law. However, implementing these policy shifts may pose considerable challenges, given that numerous institutions in Poland have been under the influence of the PiS since 2015. Additionally, President Duda still wields constitutional authority to veto legislation, potentially complicating the process.

Poland



Conversely, Poland's economic performance witnessed a decline during the first half of 2023, as indicated by the World Bank. The nation, which had previously achieved a robust growth rate of 5.1% in the previous year, faced various challenges. These included reduced household consumption due to elevated inflation, stricter financial conditions, the discontinuation of household support initiatives, and a general decline in consumer confidence. Nonetheless, Poland maintains a robust labour market with low unemployment rates, increased employment opportunities, and rising minimum wages. Looking ahead, Poland's economic performance is anticipated to significantly slow down in 2023, with a projected growth rate of only 0.7%. This is attributed to factors such as rising inflation, negative real income growth, tighter financing conditions, and reduced confidence resulting from the ongoing conflict in Ukraine. In the medium term, there is optimism for a rebound in private consumption and increased investment activity, which are likely to bolster economic growth. However, it's worth noting that the general government deficit is projected to surpass 4.7% of GDP in 2023 and remain at elevated levels in 2024.

Geographically, Poland occupies a pivotal position at the crossroads of Europe's geopolitical landscape, serving as the linchpin upon which the continental balance of power hinges. Under the auspices of the United States, Poland has emerged as an outpost on the frontier of Russian influence. The conflict in Ukraine has raised substantial concerns among Polish lawmakers, and Warsaw has emerged as one of the most vocal critics of Russian aggression. Consequently, Poland significantly boosted its defence expenditure to 4.7% in 2023, as previously mentioned. This enhanced budget allocation has been directed towards replenishing military inventories and providing surplus equipment to Ukraine. Poland has ramped up the modernisation of its armed forces and actively pursued defence agreements with the United States and South Korea. Poland has actively aimed to establish itself as a pivotal player, enhancing its regional sway by reshaping Eastern Europe's dynamics along a north-south orientation. This includes the promotion of crucial infrastructural projects like railways, LNG terminals, and pipelines. One prominent initiative in this regard is the Three Seas Initiative. Poland and the United States have collaborated closely to counter Russian economic influence in Europe. Additionally, Poland has made efforts to harmonise its national defence strategies with the Visegrad Group, a regional bloc founded in 1991 that consists of Poland, the Czech Republic, Slovakia, and Hungary, thereby fostering deeper defence cooperation among these nations. Going forward, tensions between Poland and Russia will be the focal point for Warsaw's security. In August, Russian Defence Minister Sergei Shoigu pointed out that the militarisation of Poland has emerged as a central component of the United States' anti-Russia policy which underscores potential risks in the near future.



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