



Global Insights Geopolitics Issue 4



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

*In this month's report:
China, Sudan, Peru, Myanmar*

China



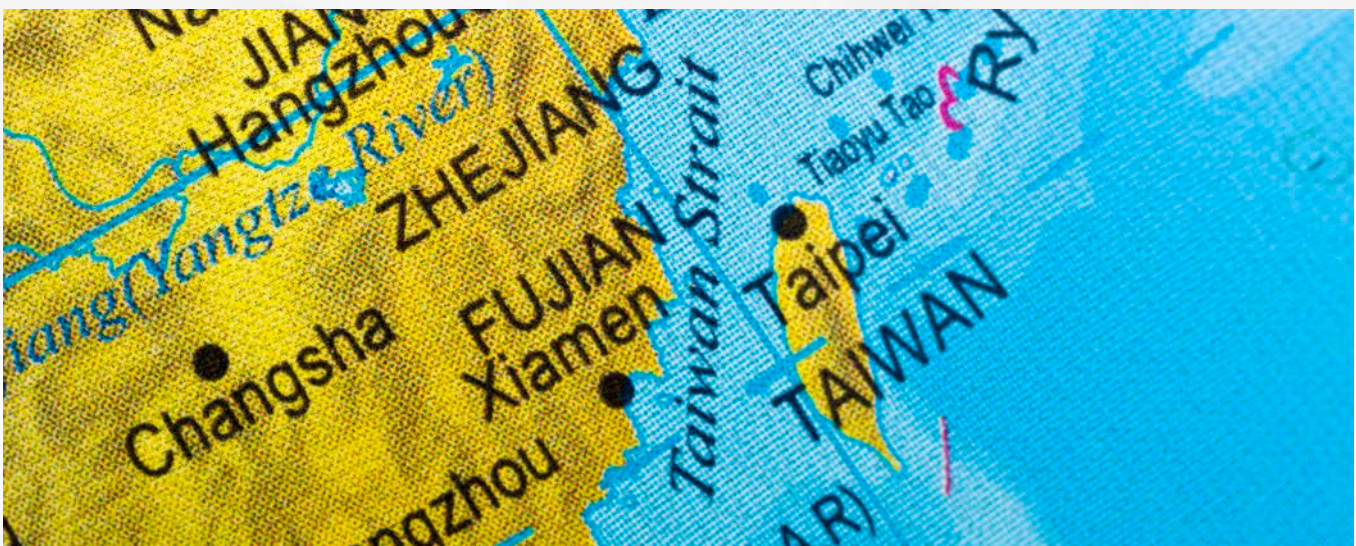
China's rise as a global power has reshaped the geopolitical landscape. Its economic miracle has transformed the nation and resulted in it becoming the second-largest global economy. All the while, the Chinese government has also continued to reinforce its political rhetoric and control, both internally and in terms of foreign policy. Since his presidency, Xi Jinping has served as the Chinese Communist Party (CCP) General Secretary three times, Central Military Commission (CMC) Chairman, and State President. Moreover, a constitutional change was made in 2018 that abolished the two-term limit of the presidency, allowing him to remain in power for life. It has indicated that US strength is now, for the first time, being challenged by a significant competitor. However, China is not without challenges, including a housing crisis, demographic decline, economic difficulties post-Covid, and various border disputes with its neighbours, demonstrating that its continued rise will not be without its hurdles.

China's rise as a significant power stems from its opening up and economic reforms by Deng Xiaoping in 1978. GDP growth has averaged around 9% a year and has resulted in lifting more than 800 million citizens out of poverty. Today, China is an upper-middle-income country but still faces issues with poverty and other socio-economic problems. Its high growth comes from investment, low-cost manufacturing, and significant comparative advantages in exports. However, in recent years, the record growth attained during much of the economic miracle has slowed. This was partly driven by Covid-19 and the lack of a successful Chinese vaccination campaign, but longstanding obstacles remain. Overarching state constraints, a housing crisis, demographic weaknesses necessitating a declining labour force, and limited returns on expensive state investment have begun to erode the country's record growth rates. China needs to seek new drivers of growth while acknowledging the social and environmental challenges that will prevent such rapid expansion, according to the World Bank. Following its reopening after the Covid-19 outbreak in late 2022, China's economy has rebounded and returned to its gradually slower, albeit strong, path of growth. However, manufacturing, services, and both rural and urban sectors have all been affected by such intense lockdowns.

China

China's economic miracle has not come without close observation. As it grows to challenge the US, the rivalry between the world's superpowers becomes ever more tense. In recent months, rising tensions between the United States and China are now seriously impacting business activities. Chinese authorities recently arrested a Japanese citizen on espionage charges as well as sentencing a United States citizen to life imprisonment. This was coupled with the raiding of US companies Bain & Co and Capvision Chinese offices. The Chinese accused the firms of leaking state secrets to foreign intelligence agencies in the latest escalation of tension. This was followed by a recent ban on Micron technology software as both sides escalate tit-for-tat technology and trade restrictions, in response to the US warnings of a ban on TikTok. All this represents increasing risks to business and travel within China, especially where US interests are involved. The trade war could potentially increase business and travel risks from operations within China and Hong Kong, with political detentions and collapsing supply chains reminiscent of the Cold War era. However, such a trade war not only threatens China and the US's economic stability but also global stability, with the potential fallout of a full economic decoupling being astronomical.

These risks discussed above stem from China's foreign policy aspirations. Its economic ascendancy has compelled Beijing to increase its geo-economic influence through means such as the Belt and Road Initiative, which aspires to span 68 countries through land corridors and maritime routes, covering approximately 40% of the world's GDP. It has been seen as a revival of the ancient Silk Road that connected major civilisations in trade and commerce. With Xi Jinping controlling the levers as Central Military Commission (CMC) Chairman, it is fundamental for China's economic interests to be protected as it attempts to achieve its goal of being the preeminent power in the Asia-Pacific region. China's militarisation of the South China Sea, coupled with the objective of controlling Taiwan, demonstrates most clearly China's intent. Islands in the region now serve as Chinese aircraft carriers and missile launchpads, which has unsettled many countries in its periphery. For Washington, Taiwan serves as an example of the democratic norms in the Pacific that it seeks to promote, but for Beijing, it is part of its own territory. Therefore, Taiwan will be a major geopolitical flashpoint that can further disintegrate global security.



Sudan

At the beginning of 2023 Sudan was hopeful, as the military-led government which had taken control in 2021, were initiating a plan supported by the international community to transition towards a civilian-led government. By early April, the final deal was ready for signing, however on April 15 large-scale fighting erupted throughout Sudan, most intensely in the capital city of Khartoum and western Darfur regions. Dialogue broke down over the transition plunging the nation into deadly conflict. As of the end of May, the fighting has resulted in over 850 deaths and the displacement of more than 840,000 citizens, according to the World Health Organization (WHO).



The conflict primarily stems from the self-interest of the two most powerful military commanders in the country: General Abdel Fattah al-Burhan, the leader of the Sudanese Armed Forces (SAF) and ruling council, and General Mohammed Hamdan Dagalo, also known as Hemedti, the leader of the Rapid Support Forces (RSF) and al-Burhan's former deputy. The leaders' personal ambitions clashed with the need to establish a restructured army during the transition to civilian rule. Neither leader was willing to serve as the second-in-command in the integrated SAF, which would have included the RSF forces. Additionally, the negotiation process faced significant challenges due to the proposed timeline for integration. Instead of progressing towards democratisation, the personal aspirations of these leaders have pushed a nation already struggling with 15 million people in severe food insecurity and over 1.3 million refugees, according to the World Health Organisation (WHO), into further conflict and suffering.

The early success of the RSF in gaining footholds in the nation's capital has allowed them to overcome the airpower superiority of the Sudanese armed forces and engage the government in an urban conflict. Both sides have entrenched themselves, increasing the likelihood of a regionalised civil war. This is only more likely due to the limited prospects for peace agreements, and the lack of a clear military outcome. Although several attempts have been made to establish ceasefires for the evacuation of foreign nationals and the distribution of humanitarian aid, their effectiveness has frequently been limited. As Sudan approaches the rainy season starting in June, the immediate outlook suggests continued violence, worsening the country's humanitarian crisis.

Sudan



The conflict is not only having internal effects on Sudan, with already some 255,000 citizens fleeing the country as refugees. Upon arrival in bordering countries such as Chad, refugees face overcrowded and under-resourced humanitarian operations. In Chad, about 80% of new arrivals are women and children, making them acutely vulnerable to the risks of extortion and trafficking as seen in previous conflicts throughout Africa. The United Nations (UN) has estimated that some 25 million people - more than half the population - require humanitarian aid as we approach the rainy season, where some areas of the country will become inaccessible.

Further to the humanitarian burden, international attention has predominantly come from regional stakeholders. Both Hemedti and al-Burhan gained close relations after supporting Saudi Arabia's conflict in Yemen, and as such, the Gulf nation has been one of the most involved in the conflict, which alongside the United States, has sought to bring about peace talks and humanitarian ceasefires, with mixed success so far. Further interest from the Gulf comes from the UAE, having invested heavily in Sudan's agriculture and through the construction of

seaports on its Red Sea coast. The Gulf nation will seek to gain influence in the unfolding events, seeing this as an opportunity to shape the country's future religious and political stability. The final close observer of the conflict is Egypt. Egypt's military ruler, Abdel Fattah al-Sisi, has close ties to the Sudanese army, and during the process of evacuating Egyptian nationals, he was accused by some of sending military aid to the SAF. Sisi will closely monitor the unfolding conflict and is perhaps the most likely nation to gain direct involvement, especially if the RSF ever looks like achieving an improbable victory.

While the conflict in Sudan primarily revolves around the political disputes among military elites, its repercussions will have lasting effects on regional stability. With a resolution unlikely in the short term, the conflict will exacerbate humanitarian suffering and trigger more refugee flows. Moreover, the risk of criminal and terrorist activities, which often surge during times of war, will increase. These factors will contribute to a decrease in regional stability and pose risks to businesses and travel across the region.

Peru

Peru has generally been considered one of Latin America's success stories. However, in recent months, the country has experienced widespread political unrest, marking one of the most turbulent periods in its history. Following former President Castillo's attempted self-coup and subsequent arrest on the verge of his third impeachment hearing in December 2022, waves of public demonstrations have unfolded. Consequently, Dina Boluarte assumed office as Peru's first female president and the country's sixth president in five years. Since then, the nation has witnessed months of political protests, resulting in at least 66 fatalities, reports of disproportionate and indiscriminate acts by security forces, and thousands of protesters demanding Castillo's reinstatement in Lima and across the country.

Peru has long been a politically and economically divided nation. Its history showcases a mix of democratic periods, dictatorships, and chaos. Presently, the nation remains divided, albeit economically successful. Peru is characterised by a division between the prosperous urban coastal regions and the poorer highlands of the Andes, where many indigenous communities reside. This division has been instrumental in the recent unrest. While the media often focuses on Castillo's ousting as the flashpoint, it is important not to overlook the

longer-term trend. Boluarte now assumes the presidency as the sixth president in five years. Such frequent political turnover is not uncommon in the country, but it was Castillo's left-wing commitments to the poorer regions, coupled with Peru's devastating experience with Covid-19, that fuelled such discontent. Peru witnessed over 200,000 Covid-19 deaths, far exceeding regional averages. The coalition of supporters Castillo assembled, largely made up of the rural poor, became angered by his removal, and protests spread from the southern highlands to the capital of Lima. This resulted in increased business and travel risks, as witnessed by the air evacuation of foreign tourists caught in the protests. The initial flashpoint sparked protests that soon escalated into near-daily violence, even leading to the temporary closure of national airports and travel. This extreme level of unrest was driven by a deep entrenchment of economic and political divisions. Many Peruvians believe that the Andean highland communities, who extract the nation's valuable resources, are trapped in a system governed "from Lima for Lima". Despite a decrease in the frequency of protests nearly six months later, tension remains high, with a paralysed congress and 83% of Peruvians feeling unrepresented by Boluarte in a recent Gallup poll.



Peru



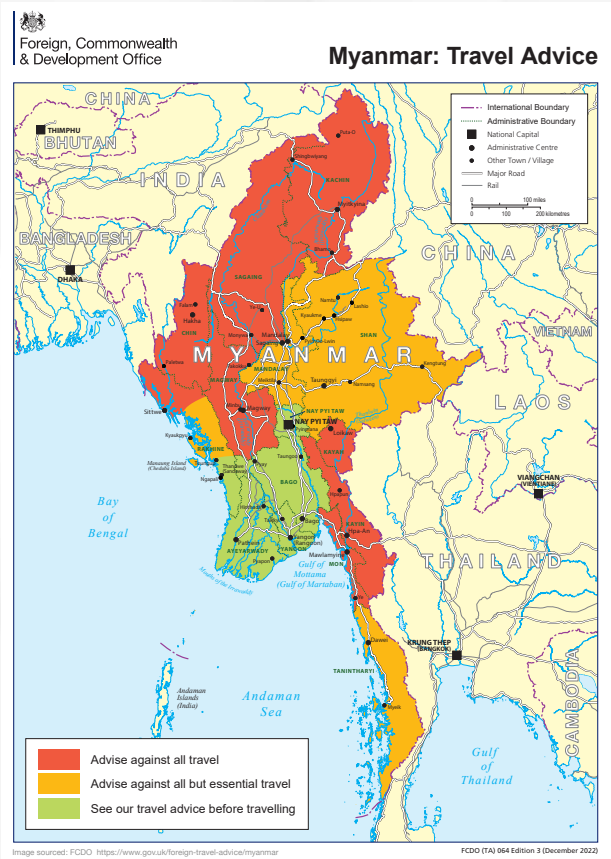
One of the challenges contributing to Peru's current political deadlock is the deeply polarising and divided nature of the country's constitution. Peru lacks genuine political parties and has been labelled "an empty democracy" by academic scholar Toledo Orozco. Since 2016, no Peruvian president has completed their term, as the highly divided congress attempts to remove any president, regardless of their mandate. Simultaneously, congress is rarely dissolved due to a one-term limit rule. Representatives would need to sacrifice their self-interests and high salaries to call for an early election, which is desperately needed. However, constitutionally, they are unable to run for the same position, risking their affluent lifestyle. Consequently, Boluarte and Congress appear to be

stuck due to self-interest. They are too unpopular to remain in power indefinitely but not yet unpopular enough to be forcibly removed from office. Therefore, they are clinging to power as democratic institutions crumble. Despite Boluarte expressing regret over Congress' unwillingness to call for early elections, self-interest prevails in Congress, resulting in Peru's political paralysis.

Despite a political system that encourages instability, the nation continues to be a relative economic success. The months of violent protests, roadblocks, business shutdowns, and mobility restrictions have had a negative impact, especially on mining, tourism, and agriculture. Nevertheless, the country's economy has shown resilience, with the IMF predicting a GDP growth rate of 2.4% this year and inflation of just 5.7%, surpassing regional averages. This resilience is partly attributed to the independence of Peru's central bank, which ensures the technocratic functioning of monetary policy in the absence of political leadership. Peru maintains one of the lowest inflation rates in Latin America and possesses the region's largest foreign reserves in proportion to its economic size.

Journalist Andres Oppenheimer summed up the situation by stating, "Peruvian heads of state come and go, but the economy has been humming along for the past three decades." While this statement holds some truth, the sustainability of economic success in the absence of political leadership and stability remains uncertain. Peru remains divided both economically and politically. While the hope of elections in 2024 brings some relief and the likelihood of a new president, it essentially resets a broken clock, and the risks of further unrest will persist.

Myanmar



It has been two years since the Myanmar military, known as the Tatmadaw, took power in a coup that removed the democratically elected government of Aung San Suu Kyi of the National League for Democracy (NLD). The Tatmadaw accused the government of election fraud but lacked the evidence to prove this and has since galvanised opposition across the country, leading to brutal crackdowns from the military. This has consisted of Human Rights abuses including, indiscriminate violence, terror tactics, and mass imprisonment. The NLD then declared a 'people's defence war' in 2021 in response to the aggressive and egregious tactics of the military. Various rebel groups have been created, some affiliated with the exiled NLD, and control large swathes of Myanmar, particularly in rural areas. Thus, the conflict has now seen escalations to airstrikes targeting these rebel

groups, with civilian deaths numbering over 5,000 with more than 1.2 million displacements.

In recent developments, the military has begun preparations to stage a general election to validate its rule in 2023. Such an occurrence will be the first election since the military coup and is likely to be marred by corruption and violence. Such democratic theatrics will prove to be of limited value, with the election predicted to be a foregone conclusion. The Union Solidarity and Development Party (USDP), a military-backed political party, appointed its new leader in October 2022, former general and police chief Khin Yi. The election is seen as an effort by the military to install a puppet leader such as Khin Yi, who will adhere to coup leader Min Aung Hlaing's agenda while hiding behind a veil of democracy. Khin Yi's leadership has seen local officials replaced by people who subscribe to military rule, forced election propaganda distributed and the issuing of threats for people who do not attend politically backed meetings. Furthermore, under new registration laws, parties must register if they are going to participate in the elections or risk being deregistered. Unsurprisingly, the NLD will not participate, deeming them to be a sham. Instead, areas that are under resistance control have constructed local governments to avoid direct military rule. The National Unity Government (NUG), a Myanmar government in exile created shortly after the coup, comprised of elected lawmakers and members of parliament, prior to the coup, has slowly established greater control over the nationwide resistance to military rule and is attempting to carry out government functions in many rebel-controlled areas. Such practices, however, are limited in function and the conflict undermines the successful functioning of the state, politics, or economy.

Myanmar

Due to widespread violence and insurgency, Myanmar's economy will remain unstable and underdeveloped. While the country is expected to achieve 2.6% economic growth this year, such levels are far below the regional average, with neighbouring countries of Laos, India, China, and Bangladesh all achieving over 4% growth. Violence has, in many cases, necessitated a halting of business operations in a country that also faces a lack of trade and foreign exchange restrictions. Such economic relative stagnation is driven by the active conflict and has caused large devaluations in the Myanmar kyat, which, along with global price rises and ongoing logistics constraints, has contributed to inflation of over 14%, according to the IMF. Almost half of all households have experienced income losses compared to the previous year through 2022, leading to reduced food and non-food consumption, with manufacturing output also contracting as the country fails to operate as efficiently in times of conflict. Along with this, economic suffering has been compounded by extreme weather events, where on May 14, 2023, a recent cyclone affected

many in the country, with the UN reported around 800,000 people had been further displaced.

Conflict in the country is unlikely to end, with a United Nations report outlining that the military has imported at least \$1 billion (USD) in arms and resources since the coup. Russia and China have been the main suppliers, whereas the United States has put sanctions on the military as they have urged the military-controlled government to reinstall democratic norms. In particular, China has a vested interest, as Myanmar is of strategic importance for its One Belt One Road Initiative. Sharing a 2,200 km border with Myanmar, it has a strategic position in the Southeast region between the Bay of Bengal and close to the Strait of Malacca, the passage of the Sea Lines of Communications (SLOC), which joins Beijing's ports to maritime trade routes of the Asia-Pacific. Therefore, China will likely support the military junta in Myanmar despite the human rights violations reported - persisting military rule and the deep instability it causes.





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