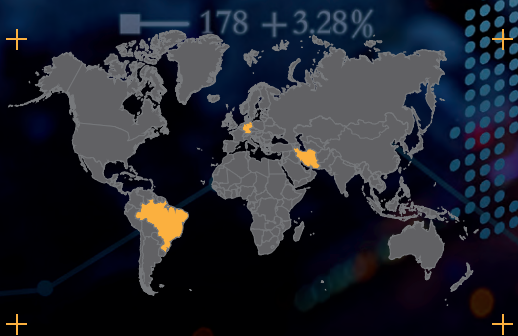


# Global Insights Geopolitics Issue 1



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

In this month's report:  
Israel, Iran, Germany, Brazil





Prime Minister Benjamin Netanyahu continues to split the opinion of the Israeli public after the fifth election in 4 years resulted in Israel's most right-wing administration ever. Israel has a history of coalitions as parties often find it difficult to gain a majority independently and this most recent election was no different. Since taking power, the administration has been under severe pressure as within a month, Netanyahu was forced to fire a leader of one of the coalition's parties as well as the Interior & Health Minister, Aryeh Deri as he was convicted for tax offenses last year. Netanyahu himself has also come under the scrutiny of the High Court as he is currently under investigation over allegations of bribery, fraud and breach of trust. This all comes in the midst of the government attempting to pass legislation to limit the power of the Supreme Court and to grant near-complete sovereignty to the Knesset.

Consequently, limiting the ability of the High Court to monitor and moderate the policies of the coalition. This has caused widespread anger among some of the Israeli population as protestors have come out in their tens of thousands across the nation's largest cities.

With almost 150 documented Palestinian deaths in the West Bank last year, 2022, it is the worst year since 2004, as a result of the escalating tensions over the past year. The situation looks set to deteriorate, as the current ultranationalist right wing coalition have enacted policies antagonistic to the Palestinian community; they reject any plans for a Palestinian state and wish to boost Jewish settlement growth into the West Bank. Netanyahu has in the past claimed that he wishes for a peaceful end to the Israel-Palestine conflict and has even offered plans for a Palestinian state with strict

regulations. However, his current allies within the coalition have opposing views, particularly Ben-Gvir who, throughout his career has consistently fought against proposed peace agreements. He was even a member of the Kach party, who believed in a pure Jewish society, until the group was officially disbanded in 1994 after charges of incitement of terrorism. In the coming months to appease coalition party members and maintain the stability of the coalition, Israel's defence policy may become ever aggressive, risking already fragile regional stability. This was seen following consecutive terror attacks in Jerusalem in late January, as the government responded with large punitive measures against the wider Palestinian community, as well as proposing the relaxation of gun reform; both of which could fuel escalations.





Despite political turbulence and a year which saw many countries falter, economically 2022 was widely regarded as a successful year for the Israeli economy and was reportedly the fourth best-performing nation, as GDP grew by 6.3%. This was mostly down to a booming high-tech industry coupled with having their own fuel reserves, which allowed them to mitigate the impact of the Russia-Ukraine conflict. However, this kind of growth does not look set to continue as we move through 2023, as many international reports forecast a moderation of growth to around or below 3%. While this performance is still strong in comparison to much of the developed

world, it still represents a significant fall from last year's high. This is in part due to the impending global recession that will have ripple effects, even in well prepared economies. Another major issue for the nation's economy could be the new administration; we are already seeing reports that investors in Israel's \$500 billion tech sector are concerned, particularly about the proposed judicial reform and how it will affect the protection of their intellectual property. The tech sector is responsible for over half the nation's exports and is essential to the country's defence and economy. If reports are accurate, that some technology companies are looking to offshore

operations when the legislation is passed, there may be vast ramifications for the economic and military security of the nation. Netanyahu's attempts to quell these concerns have thus far failed, as he relies on unsubstantiated arguments that this reform will boost growth by cutting down on extended legal procedures, without harming intellectual property rights. Deprived of the advanced technology sector Israel becomes vulnerable, both economically and militarily, meaning the trade-off for Netanyahu's court reform may prove too costly, as the policies go up against the wishes of technology firms.





# Iran

The political situation within Iran is highly unstable after the current president Ebrahim Raisi, increased the number of laws and the enforcement of wearing the hijab. Societal unrest came to a head on September 16th, 2022, as Mahsa Amini, a 22-year-old woman died in the custody of the morality police after being arrested for the “incorrect wearing of the headscarf”. Since this, protests have multiplied resulting in a brutal government crackdown with over 20,000 arrests and at least 522 deaths, including the loss of 70 minors, as reported by external human rights charities – with the actual death toll likely far higher. Tehran’s security forces have responded with increasingly aggressive measures in attempts to quell the unrest. The supreme leader has sought to regain

control by utilising the full strength of the Iranian state, including a series of public executions – a barbaric form of execution still carried out in only four countries around the world – that has attracted international condemnation.

Despite government hostilities, for over four months the citizens of Iran protested in increasing numbers as anger expanded from the single issue of a headscarf to fundamentally challenging the regime. In the face of the recent unrest Supreme Leader Ayatollah Ali Khamenei addressed the nation on the Anniversary of the 1979 revolution, to pardon tens of thousands of arrested citizens, to end unrest, but more cynically to ease prison overcrowding. The pardons are the regimes first public acknowledgment for the extent of such

detainments and highlight the sheer level of government crackdown. The pardons come conditional and caveat to many conditions as such it remains unclear how many protestors will actually be granted a pardon. New waves of protestors had felt more empowered in the face of increasing brutality with an energy to these protests’ unseen in the 2017–2019 riots. Yet despite this, the old state machinery, so adept at power retention, has proved resilient in the face of nationwide unrest. Remaining protestors today face an uphill struggle as government brutality continues. Under the stress of demonstrations, the regime remained resilient but fractured providing potential for future unrest as we move through 2023.







+ EMEA - Europe, Middle East, Africa +



Political motivations *for protest* are only set to heighten in the coming year as inflation rates rise to an all-time high of 50% forcing millions into greater poverty and food insecurity. The IMF have reported that they expect Iranian economic growth to fall to just 2% in 2023. While this is much higher than many European countries it still falls far below their inflationary burden and in a country with 20 million citizens in extreme poverty, they can ill afford falling living standards. This economic instability comes in the face of sanctions imposed by many western countries on the leading political and business powers of Iran. Economic sanctions have long been a means to regime reform, but they work over a long time period; Western sanctions are increasingly squeezing the Iranian economy arguably driving the protests for regime reform as well as millions more into extreme poverty. The short-term outlook resulting from the sanctions is a humanitarian tragedy. Citizens under the regime will continue to suffer due to western isolation and as a result the nation will become ever more insecure.

This isolation has also affected Iran's geopolitical outlook. While the nation has been a long term challenge for Western states, recent measures have only furthered this hostility. Over the past year trade between Iran and Russia has increased dramatically. After the invasion of Ukraine, Russia found themselves the most sanctioned country in the world, even more so than Iran, leading to the strengthening of their alliance, crucially through the exportation of surface-to-surface missiles and kamikaze drones. While Iran has some of the largest untapped oil reserves in the world, due to sanctions and dated technology, they are unable to cash in on this abundance of natural resources. Enter Gazprom, the Russian state gas and oil company, which has reportedly agreed a \$40bn deal with the National Iranian Oil Company (NIOC). These developments highlight a growing trend of global decoupling. As the world is increasingly split into cold war style alliances, global tensions rise especially when trade involves such militaristic characteristics.







Germany is braced to tackle many of the geopolitical headwinds straight on as it moves through 2023. Just 12 months ago the country was predicted to see moderate yet consistent growth for the foreseeable future. Yet facing the Russian invasion of Ukraine, global inflation and stagnant Chinese domestic demand, the German economy looks set to shrink. Through 2023 the country is expected to narrowly avoid recession yet sluggish growth and high inflation in Europe's largest economy will have extreme ramifications for the wider continent.

With Germany's national debt at 71.1% of their GDP, there is limited fiscal room for government reaction. The conflict in Ukraine has upended the economy highlighting it's crucial over dependence on Russian energy. Fears of Russia "turning off the taps" have somewhat diminished since a painful yet successful effort to find alternative energy sources, which, when coupled with sanctions imposed on Russia, have been estimated to cost the German economy between €820 million and €1.5 billion. So far, support

for these measures has outmatched economic suffering, with 70% of the public polled as backing the sanctioned measures, but, as 2023 proceeds and the economic tally continues to mount, public support may wain and politicians will face growing pressures to focus on domestic troubles. The country is likely to face growing domestic opposition to its geopolitical measures in times of economic struggle and will require strong political leadership, no longer embodied through Angela Merkel, to negotiate such an environment.



# Germany



German foreign policy is deeply integrated through its economic and political ties within the EU. Their global power comes not through military might but economic authority, which provides a unique dynamic to the nation's geopolitical outlook. Germany have played a large role in supporting Ukraine, being the 3rd largest direct military donor. The Ukrainian conflict poses many challenges for Germany, due to their unique history, exemplified through recent tensions surrounding the exportation of Leopard tanks. The lack of military might, similar to nations of their stature, eternally binds Germany to the US and allies, as without their own nuclear deterrent and powerful military, they become reliant on Western unity. This lack of autonomy will create difficulty for Scholz, who faced widespread criticism for his recent venture to Beijing after signalling a desire for closer economic ties with China, in contrast to much of the G7. Such measures are inherently rational for the German economy with China as their largest trading partner, responsible for 12% of the nation's imports and 8% of their large export prowess. Yet there was broad condemnation within Germany where recent polls showed 78% of citizens view China in a negative light coupled with international calls from the US and Western allies. Now that the realist politics of the twentieth century have returned, Germany can ensure either American security or the independence and comfort of a wealthy industrialised economy; however, it may not be able to pursue both simultaneously.



Germany faces challenges not just in its foreign politics but domestic threats too. In December 2022 an attempted coup was prevented with the arrest of 25 people; while the far right Reichsbürger group had no realistic chance of success, the episode nevertheless reveals the present threat that far-right extremists pose across the nation. Germany now records over 15 times the number of far-right attacks as it did in 1990. Furthermore, the use of the term "Reichsbürger" in government agency reports increased sevenfold between 2015 and 2019, highlighting the country's awareness of the challenge it faces. While Germany remains a secure democracy, the country experienced a startling 55000

politically motivated crimes in the previous year, with 40% having links to the far right. One does not have to look far to find links between the German State and the far right; in 2020, the German defence minister had to dissolve part of an elite wing of the special forces after uncovering far right extremism within its military ranks. Through 2023 the combination of falling real wages, rising fuel prices and the burden of approximately 1 million refugees will fuel political division and stoke the flames of an ever ambitious far right. Germany is not yet in an oceanic storm, but it is sailing into the headwinds of 2023, and the ocean's political waves are starting to swell.



# Brazil

On the 30th of October 2022, Jair Bolsonaro, lost the closest election ever in Brazil's history as he gained more than 49% of a run-off vote against the former, and now current, President Luiz Inacio Lula da Silva (Lula). The election was closely contested and at times crossed democratic lines, as allegations of fraud and lies were prominent both in the build-up and the immediate aftermath of the election. These divisions are yet to be fully healed and as we move through 2023, the shadow of the presidential election looms

large over Brazilian politics and hence the nation's stability.

In the immediate aftermath of the elections the country saw widespread protests conducted by Bolsonaro supporters. Firstly, blocking major roads, burning tyres and halting the nation's day to day life before escalating to setting busses and cars alight and attempting to invade a federal police station. Protests then flared up in the aftermath to Lula's inauguration with Bolsonaro supporters storming into various buildings in Brasilia,

including the presidential palace, the Supreme Court, and Congress; parallels can be drawn from January 6th, 2021, when similar events occurred at the Capitol in Washington DC. Whilst protests have since declined and the unrest did not alter the election, it is a worrying sign nonetheless for Latin America who have long had a questionable relationship with democracy and as we move through 2023 Lula will be confronted with the legacy of political instability.





# Brazil



A divided legislative and executive, threatens to leave the nation in gridlock as political partisanship and anger remain high following recent electoral tensions. While Lula scored a political victory in December, achieving an increase in the 2023 government budget, the house is likely to provide greater opposition to the future agenda. Top of Lula's priority will be climate reform. Bolsonaro was often coined "captain chainsaw" after his first three years in charge saw deforestation of the Amazon increase by 60%. Although Bolsonaro's deregulation efforts saw the dismantlement of Brazil's climate reforms, he also increased the extraction of abundant natural resources. With growth rates predicted to be just 1%, Lula's measures to reassert climate protections and environmental red tape may consequentially damage Brazil's short term economic output. Opposition will also come from organisations of armed illegal miners and loggers, who have been responsible for the murder of 123 citizens per year over the last five years. As the economic bounty continues to drive

internal violence within the rainforest, the battle for the Amazon looks set to enter a new contested phase where further lives will be lost.

While Brazil has long stood on a geopolitical tightrope, the reassertion of Brazil as an eco-friendly nation provides potential for climate cooperation, particularly with Western allies in the EU and US, as demonstrated by Lula's attendance at COP27. It is, by many measures, geographically blessed, yet its isolation from the rest of the world has created an international dependence for global trade which it must balance at all costs. Today China is Brazil's largest trading partner responsible for over 32% of the nation's imports, almost three times that of the next closest (US), while China is also its largest export market that receives over 22% of exports. The country is stuck between pressures of the west and east, as Beijing and Washington have long sought influence over Latin America as a means for global influence. These bipolar pressures are mounting as Beijing

and Washington become more divided. The ramifications of an economic decoupling of Brazil's two most important markets would be immense; the nation's economic stability would be dismantled, and recession, shortages, and a skyrocketing of extreme poverty would almost certainly lead to nationwide unrest. The Russian invasion of Ukraine will continue to strain Western relations with Brazil, which is unable to strongly condemn such actions due to its reliance on Russian agricultural products and fertilisers. Furthermore, throughout his time in power Bolsonaro antagonised Chinese diplomats, whilst also failing to support Western initiatives on the Ukrainian war and climate reform, that led to a loss of Western trust. Brazil must therefore walk an increasingly precarious tightrope as the pressures of geopolitical events stretch the nations resources. Lula's ability to utilise climate reform to shore up endangered relations, will be pivotal for Brazil's long-term global position.







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