

# Geopolitical Insights Issue 2



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

In this month's report:  
UK, Belarus, Turkey, Egypt

# United Kingdom



The United Kingdom (UK) is expected to encounter a wide range of economic and political challenges in 2023. While the country is still regarded as a stable democracy, several consecutive political and economic shocks over recent years have had a significant impact. Most notable are perhaps the on-going ramifications of BREXIT, which have contributed to the Conservative Party's appointment of five different prime ministers over the course of their last seven years in government (compared to the same number over

the previous 37 years)! Three served in 2022 alone, including Liz Truss in an astonishingly short tenure. The extraordinary rate of political turnover and its associated instability have been further compounded by several high-profile cases of governmental corruption and scandal, ranging from expenses to party gate. All these factors together present a political landscape more in line with developing countries than with Western Europe. In addition, being the only G7 economy that has not returned to pre-pandemic levels, and expected to

shrink further in 2023, the UK is facing economic stagnation. Although the Office for Budget Responsibility has revised its growth forecast for 2023 upward, it has downgraded longer-term predictions, with living standards projected to decline by an additional 6% before the next election in 2024/25. This, combined with increased levels of poverty and a shortage of workers, could leave the country in a precarious position in both the short and medium term.

# United Kingdom



The UK is expected to face a difficult year in the short term. The combination of stagnant wages and rising prices, partially caused by Russia's invasion of Ukraine, has led to a decline in living standards and increased public discontent with the government. In fact, a recent YouGov poll found that the satisfaction rate with the government is as low as 17%. There has also been a significant increase in inflation, resulting in waves of public sector strikes across the country that have impacted businesses and caused logistical challenges and travel delays. The government's tough stance on negotiations is warranted due to fears of cost-push inflation and financial sustainability, but finding a resolution may prolong the battle and worsen economic consequences. To ensure minimum service during strikes and to crack down on illegal migration, the government has proposed new legislation, which opposition parties criticise as limiting to the liberties of citizens and migrants who are unprotected by the EU.

Despite recent political stabilisation under Prime Minister Rishi Sunak, the UK's short-term outlook and medium-term prospects remain tenuous. High governmental debt – last calculated at 101.9% of GDP by the Office for Budget Responsibility (OBR) – leaves the country in an unenviable position, especially as the nation's ageing population will continue to put pressure on already under-resourced public services. Despite promises of a £365 million funding dividend for the NHS, this money has not materialised (representing just one of many unfulfilled Brexit economic promises). While politicians continue to argue, economists and academics are in consensus that the country has suffered economically, with estimates of a 4% reduction in productivity in the long run. Although recent success in solving the Northern Ireland protocol will provide some reprieve, the UK will continue to see business growth challenged because of Brexit. International trade disruptions will remain common as new policies are

developed to replace established EU rules, with continuing travel disruptions causing long waits at airports and channel crossings. Longer-term structural productivity challenges are expected to worsen as the working population ages. To address this issue, in its most recent budget the government proposed incentivising those aged 50 and older to return to work. How effective such policies will be can only be evaluated over time. The impact of an ageing population, post-Brexit economic challenges, an increase in the cost of living, further industrial action, and a real term decline in public sector pay are likely to drive ever greater political turbulence. This is likely to lead to more pay disputes, higher levels of unrest, and an increased risk of crime, which neither political party has the capability to resolve in the short or medium term.

# Belarus



Minsk has maintained a close alliance with Moscow since gaining its independence in 1990. This was formalised in the 1999 Union State agreement, which aimed to integrate the economies of the two nations. Belarus, being the only European country openly standing with Russia, has few political allies within its own continent. As a result, the EU has recently imposed sanctions on Belarus that resemble those imposed on Russia. The economic sanctions, combined with the current situation in Russia (Belarus's primary trading partner), have led to a surge in inflation and a deterioration of the country's economy.



Belarus' controversy does not always directly involve Russia. Its previous election, which saw President Lukashenko elected for a sixth term, was overshadowed by allegations of corruption and fraud. So much so that his inauguration was conducted in secret, and many nations – including the US, UK, and the EU – do not recognise him as the legitimate president of Belarus. Many of Lukashenko's security personnel publicly quit after his inauguration in protest of his questionable win. It has since been reported that the president has used the Gardservis, a Wagner-like private security company, almost exclusively for his private security. The Gardservis themselves are a concern for Ukraine and its allies, as they are growing in large numbers. According to Western security sources, there is a fear that Lukashenko could utilise this private militia for clandestine and unlawful operations in Ukraine and other regions, and subsequently deny any involvement and seek autonomy from the group, even if the connection is evident.



After widespread protests following the alleged fraudulent election of Lukashenko, many Belarusians fled the country. In response, Minsk is attempting to put in place legislation that restricts international influence. Many international websites that publish anti-Russia reports have been shut down, and authorities have prosecuted a growing number of people for “dissemination of extremist materials”. These “criminals” are alleged to have circulated content from unofficial news sources and Telegram channels that has been deemed “extreme” by the government. Numerous civil society organisations – including the nation’s top human rights organisations – were also shut down. Add to this the fact that the president has recently imposed several modifications to the law to entrench his position of power, all of which were approved by the Belarusian parliament. Furthermore, many international civil society organisations claim that 1,400+ political prisoners are being held in Belarus, with criminal charges resulting in 1,200 political convictions in 2022. Victims have often been imprisoned for participating in protests or simply

expressing negative sentiment on social media relating to Belarus and/or Russia. The political crackdown is anticipated to persist into 2023, leading to even more severe outcomes for the citizens of Belarus.

Before the conflict in Ukraine, Russian troops and missiles were already present in Belarus, and joint military exercises were routinely held. However, since the conflict began, Belarus has significantly increased its military cooperation with Russia, with Lukashenko effectively ceding military control of Belarusian territory to the Russians. A recent statement made by President Putin suggests that Russia may store nuclear weapons in Belarus, which is widely believed to be a response to Finland’s imminent acceptance into NATO and ongoing Western military support in Ukraine. However, Lukashenko has not provided military support to the Russian war effort yet. Around 90 percent of the Belarusian population, including many within the armed forces, are opposed to the invasion and Lukashenko may be apprehensive that if he were to mobilise

Belarusian troops in support of Russia, it could trigger a popular uprising against his government. Furthermore, the Belarusian army, despite being fully trained, has a small number of troops, and Ukraine has had ample time to fortify their defences between the two nations. It is therefore improbable for the Belarusian army to make a significant impact in the conflict. Lukashenko’s paranoid tendencies are evident in his reaction to Ukraine’s proposed mutual non-aggression pact between Minsk and Kyiv. He stated that Ukrainians pose a threat to Belarusian security because they are allegedly training militants to overthrow him. As we progress through 2023, the likelihood of sanctions increasing is high, particularly if the nation continues to house Russian nuclear weapons. President Lukashenko is also likely to become more oppressive towards his restive population. There remains the possibility that the Belarusian army may be pressured to participate in a war, as President Lukashenko becomes increasingly dependent on Russia and Putin for economic and political backing.



# Turkey

The devastating earthquake that recently struck Turkey is likely to have far-reaching consequences, as the country struggles to cope with the aftermath of the disaster. With the death toll approaching 50,000, over 8,000 buildings destroyed, and initial estimates by the World Bank suggesting that the earthquake could cost as much as \$34 billion (USD), the damage caused is immense and will undoubtedly impact the country's economic, political, and geopolitical landscape.

As a country situated between Europe and the Middle East, Turkey occupies a unique position as a secular and modern society with deep Islamic roots. This

juxtaposition is reflected in various aspects of its geopolitics. Before the earthquake, Turkey had been working to strengthen its regional and global position by asserting its military power in the region and increasing its political influence in an increasingly multipolar world. However, the earthquake's location on Turkey's southern border will likely hinder its short-term military operations into northern Syria, causing a fundamental shift in Turkey's outlook. The country is expected to shift its priorities away from regional activism and towards domestic rebuilding, given the scale of the devastation caused. International aid and finance will play a

crucial role in this rebuilding effort, and their availability will have a significant impact on Turkey's geopolitical outlook. Given its limited fiscal resources, Turkey will likely need foreign investment to finance its reconstruction efforts. President Erdoğan is expected to turn to Turkey's strengthened relations with Gulf nations, particularly Qatar, which has already pledged millions in disaster relief aid. While Turkey's longer-term foreign policy aspirations, such as being a key negotiator in any final settlement of the Ukraine conflict, may not shift significantly, they may face short-term delays as the country focuses on domestic recovery efforts.





The earthquake's impact is compounded by Turkey's already-poor economic outlook. Even before the earthquake, Turkey was projected to fall into a recession in 2023, with the IMF forecasting a contraction of 0.3%. Inflation predictions already ranged from 50% to over 100%, further exacerbating the country's economic struggles. Compounding this issue is the fact that Erdoğan has played a risky economic game for some time. He has surmised that following traditional economic orthodoxy would have a significant negative impact on living standards and has therefore forced the central bank to cut interest rates on several occasions, despite global trends pointing in the opposite direction. This approach has caused the lira to devalue significantly against the USD, from ~3.81 to ~18.89, only exacerbating the nation's high inflation rates. Despite the threat that Erdoğan's approach poses to Turkey's wider economic stability,

he has chosen to ignore inflation and pursue ever-greater monetary stimulus in the face of rampant price rises. This leaves limited room for fiscal or monetary management in the aftermath of the earthquake. Despite these obstacles, Erdoğan has made the ambitious promise to rehouse all those affected by the earthquake within a year. During the early years of his presidency, Erdoğan led a significant housing boom, which was in part enabled by relaxed building regulations. This may have contributed to the apparent structural vulnerability witnessed during the earthquake. Given the current caution in the housing market, it is unlikely that reconstruction efforts will proceed at the same speed as during the earlier housing boom. Builders are unlikely to sign capital-negative contracts, and increased scrutiny on building regulations will prevent shortcuts in the reconstruction process. These factors combine to reduce the likelihood of

Erdoğan's rehousing promise, which could force his hand politically.

The earthquake has not only threatened Turkey's economic stability but may also potentially undermine political stability. Presidential elections are scheduled to be held on May 14th, and the impact of the earthquake and its consequences will pose further challenges for the already highly anticipated election, which was predicted to be the closest in recent years. Allegations of voter fraud and miscounting are likely to emerge in the aftermath of the earthquake, increasing the likelihood of civil unrest. Although the regions affected by the earthquake voted 55% in favour of long-term ruler Erdoğan back in 2018, it is by no means a political stronghold. The disaster relief climate poses challenges for voter registration and identification, potentially affecting voter turnout. Furthermore, the earthquake poses a threat to democratic values, as state of emergency powers may be susceptible to political motivation. The immediate days after the earthquake showed the limiting of free speech through the blocking of social media, highlighting the strength of executive power. The declaration of state of emergency powers can easily be utilised for political gain by a leader with little concern for democratic norms, as Erdoğan has shown in the past. Therefore, the election period will be closely monitored across the nation, especially in the south-eastern affected regions, where the earthquake may further undermine democratic values.

# Egypt

When President Abdel Fattah el-Sisi took control of the government in 2013 through a coup d'état, subsequent elections in 2014 confirmed his mandate to rule. However, his commitment to democracy has since become increasingly uncertain, with domestic and international accusations of repression and anti-democratic behaviour being levelled against him. El-Sisi's government poses a threat to both domestic citizens and foreign nationals due to

its adoption of repressive policies and harsh judicial punishments. These measures target not only opposition politicians but also incite high levels of gender-based violence and widespread discrimination against the LGBTQ community, both of which are perpetrated by the authorities and condoned by wider society. Emboldened by his relatively secure position, el-Sisi's domestic tactics are increasingly used to oppress domestic and international citizens –

foreign nationals have recently been imprisoned for publicly speaking out against the regime. In 2023 to date, 40 individuals have come forward claiming that they were previously forcibly detained and held at the National Security headquarters. It is highly likely that these violations of human rights and democracy will continue, further damaging Egypt's international standing.





# Egypt



The IMF has recently pledged to provide a bailout package to Egypt for the fourth time since 2016, with a loan worth up to USD \$3 billion. Despite Egypt’s economy recovering quickly after the pandemic, the past year has witnessed the collapse of the Egyptian pound, a surge in annual inflation, and a widening deficit, leading to millions of Egyptians facing harsh economic conditions as the prices of food and commodities skyrocketed. As the world’s largest importer of wheat –the majority coming from Ukraine and Russia – the ongoing conflict in Europe has severely undermined the economic stability of Egypt. Although there was some relief from increased natural gas exports, the rising prices of oil and wheat have troubled a nation already struggling with financial mismanagement. Recent statements by the finance minister highlight Egypt’s financial instability as he emphasises the need for the nation to attract more foreign direct investment (FDI) to boost its economy and reduce its dependence on unreliable “hot money.” To this end, plans are being put in place to reduce taxation on foreign investors, particularly those from Qatar, with which Egypt is strengthening ties that may be critical for its medium to long-term future. FDI is expected to be utilised to increase tourism, with plans to expand the industry by 20–30% annually, and the Tourism Minister aiming to build 288,000 more hotel rooms by 2030. The hope is that this will incentivise greater travel and attract



more FDI in the future. However, due to the overarching influence of the state and military on the economy, Egypt has frequently failed to attract such investment in the past, and delivery may prove to be challenging in practice. Furthermore, the nation’s ongoing political challenges, particularly those related to human rights, will continue to be a major obstacle to expanding Western travel markets and diversifying the Egyptian economy.

Egypt’s key geostrategic position in the Middle East and Africa has made it of significant interest to many nations. For the US, Egypt has long been viewed as a crucial military ally in the fight against terrorist organisations in the region, as well as a broker for peace in the Israeli–Palestinian conflict. At COP27, the US announced significant funds to support Egypt in the battle against climate change. However, in Secretary Blinken’s recent trip to Cairo, he made it clear that the economic crisis in Egypt and its subsequent

international ramifications are of growing concern. This being said, it is likely that 2023 will see growing trade and strengthened ties between the US and Egypt. China is also looking to boost trade and relations in Egypt as it seeks to further the Belt and Road Initiative, with plans to invest USD\$500 million. The terms of this investment will be critical to the country’s medium-term stability, as there are concerns across Africa that Chinese investment can often result in nations holding unstable higher debt burdens, leading to future challenges to economic and political stability. This is especially concerning in a country like Egypt, which has a recent history of major economic bailouts. While Egypt has often been able to rely on a range of other nations for its short to medium-term future due to its important geostrategic location, global decoupling may affect this with significant macroeconomic consequences.



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