

ISA Global Update #1063

25th of September 2024

International Strategic Analysis (ISA)



Highlights from the Past Seven Days

Political and Security Highlights

- Israel continued to carry out large scale attacks on Hezbollah targets in Lebanon.
- Ukraine unveiled its plan for winning its war against Russia.
- The leaders of the “Quad” group of countries met in the United States.
- France’s new government took office with little support in that country’s parliament.
- This year’s United Nations General Assembly took place in New York.
- A far-left president was elected in Sri Lanka.

Economic, Trade and Investment Highlights

- Interest rates were cut in the United States and a host of other major economies.
- China introduced a series of economic stimulus measures amid growing concerns about that country’s economy.
- There was a series of disconcerting economic news from Europe.
- The German economy has grown more slowly than any other large developed economy in recent years.
- Argentina’s economic slump worsened in the second quarter of this year.

Other Highlights

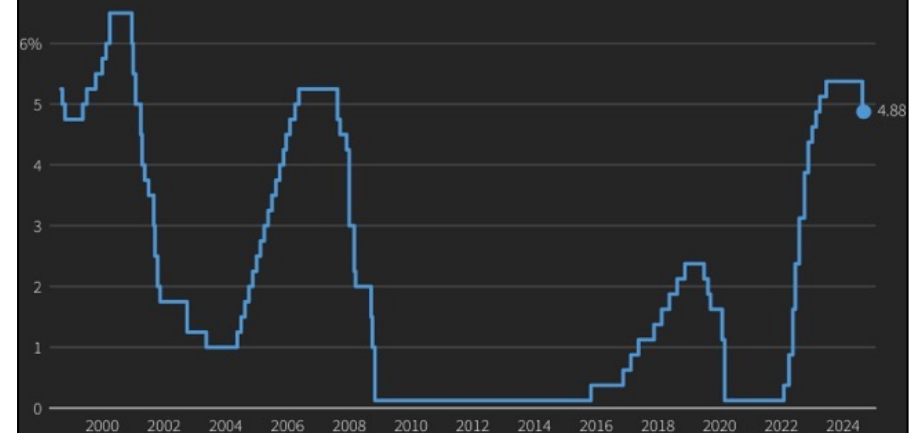
- Many areas of South America remained in the grip of a severe drought.

Weekly Highlights

- A large interest rate cut was made in the United States.
- This year's United Nations General Assembly took place in New York.
- Polls continued to point to a very close presidential election in the United States.
- Illegal immigration into the United States continues to decline.

US federal funds target rate

The interest rate was lowered 0.50 percentage points in September.



Data is the midpoint of the federal funds target range. Published September 18, 2024 at 6:02 PM GMT
Sources: Federal Reserve, LSEG

Interest Rate Cut

- The United States Federal Reserve cut interest rates by 50 basis points to a range of 4.75% to 5.00%.
- Some experts had expected only a 25-basis-point rate cut.
- This indicated that the Fed was confident that inflationary pressures in the US were easing.
- Furthermore, it showed that the Fed was concerned about the weakening labor market which could suggest a slowing US economy.

The 2024 UNGA

- The 79th session of the United Nations General Assembly took place in recent days in New York.
- Once again, many of the world's most powerful leaders gathered in New York for this event.
- There were also many meetings of some of these leaders on the sidelines of the General Assembly.
- There has been a great deal of criticism of the UN and its struggles to deal with major conflicts in recent years.

The Latest Polls

- Recent polls in the United States painted a mixed picture ahead of November 2024's presidential election there.
- Overall, Vice President Kamala Harris' lead over former President Donald Trump grew nationally.
- Moreover, her position strengthened in three northern swing states.
- However, Mr. Trump had some good news in polls in the southern swing states of Nevada, Arizona and Georgia.

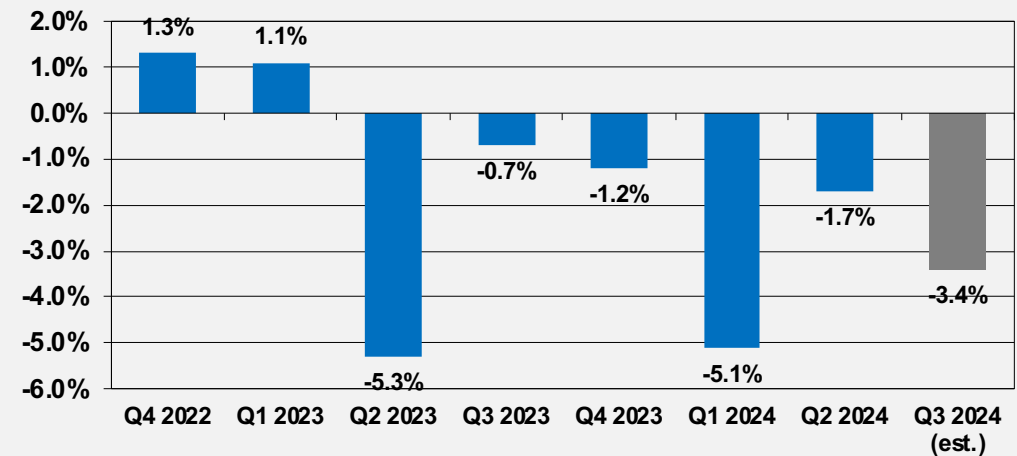
What to Watch

- The level of illegal immigration into the United States continued to decline in recent months.
- The Teamsters trucking union, one of the largest in the United States, will not endorse a candidate in this year's presidential election in the US. Despite traditionally leaning to the left, an internal poll showed that 58% of Teamster members intend to vote for Donald Trump.

Weekly Highlights

- Argentina's economy fell into a deeper recession.
- Venezuela's opposition candidate was coerced to recognize his defeat in that country's recent presidential election.
- South America is in the midst of a massive drought.
- A fall-out between Bolivia's past two presidents is destabilizing that country.

Argentina: GDP Growth Rates (Year-on-Year)



Argentina's Slump

- For the fifth consecutive quarter, the Argentine economy contracted.
- In the second quarter of 2024, Argentina's economy shrank by 1.7% on a year-on-year basis, a worse result than had been expected.
- While the agricultural sector recorded very strong growth in the second quarter, the manufacturing, construction and trading sectors all declined markedly.

Gonzalez Was Coerced

- Venezuela's opposition presidential candidate, Edmundo Gonzalez, claimed that he was forced to recognize President Nicolas Maduro's "victory" in his country's recent presidential election.
- He was coerced while he was in hiding in the Spanish embassy in Caracas, shortly before he fled to Spain.
- Widespread evidence points to the fact that Mr. Gonzalez likely won this election by a wide margin.

South American Droughts

- Many areas of South America remain in the grips of what has been the most severe drought in that region in 60 years.
- In Ecuador, the country has experienced some of its worst blackouts, as this drought has led to a sharp decline in electricity production this year.
- In the Amazon Basin, some rivers have fallen to record-low levels.
- Meanwhile, forest fires have broken out in many areas of South America.

What to Watch

- Tensions between President Luis Arce and his predecessor, Evo Morales, have raised political tensions in Bolivia to dangerous levels as street protests grow in terms of both size and intensity.

Weekly Highlights

- The outlook for the Eurozone economy continued to worsen.
- France's new government was unveiled.
- Germany's economy has performed worse than any other large developed economy.
- The far-right Freedom Party is expected to win this weekend's parliamentary elections in Austria.



Downgraded Forecasts

- The European Central Bank (ECB) downgraded its economic growth forecasts for the Eurozone to just 0.8% in 2024 and 1.3% in 2025 as the outlook for growth in Europe continued to deteriorate.
- Furthermore, there was more bad news for the Eurozone's manufacturing sector as new data showed a further contraction of the manufacturing sectors of many Eurozone countries.

France's New Government

- A new government in France was unveiled, one that leans much more to the political right than its predecessors.
- The government is led by Prime Minister Michel Barnier and has a balance between more right-wing ministers and a number of centrists.
- The new government is expected to struggle to remain in power, as President Emmanuel Macron has little support in the French parliament.

Germany's Poor Results

- Of all of the world's largest developed economies, none has grown slower than Germany over the past five years.
- During this period, the German economy has grown by just 0.2% per year.
- This meant that Italy was no longer Europe's slowest-growing large economy over an extended period-of-time.
- Worse, the outlook for growth in Germany remains very poor.

What to Watch

- Parliamentary elections will take place this weekend in Austria, with the far-right Freedom Party forecast to win the largest share of the vote.

Weekly Highlights

- More than 70,000 people fighting for Russia's armed forces have died in the war in Ukraine.
- Ukraine began introducing its plan for winning its war against Russia.
- The Balkans remain one of Europe's most unsettled regions.
- The world's smallest country may be formed on Albanian territory.



70,000 Dead

- New research revealed that 70,000 people who were fighting in Russia's armed forces have died in the war in Ukraine.
- Early in the war, most of those killed were contract soldiers fighting for Russia, but now, the majority of these deaths are volunteers.
- Moreover, 19% of those killed in the war were former prisoners.
- Lately, the Russian death toll has averaged around 1,500 per month.

Ukraine's Victory Plan

- Ukrainian President Volodymyr Zelensky unveiled his "Victory Plan" to many of his country's allies in recent days.
- This plan focused on increased support from the United States, something which President Zelensky discussed with US President Joe Biden at the UN General Assembly.
- The aim of this plan is to achieve terms that are acceptable to Ukraine for ending its ongoing war with Russia.

Unease in the Balkans

- While there has not been a full-scale war in the Balkans so far in the 21st century, there are fears that the region's many disputes could trigger new conflicts in the future.
- Many of the disputes of the 20th century remain largely unresolved.
- The situation in Kosovo is of particular concern, as tensions there have been high over the past year.
- Likewise, the situation in Bosnia has the potential to significantly worsen.

What to Watch

- Albania has proposed the creation of a tiny sovereign state for the Bektashi Order, an Islamic Sufi order. If this happens, this state will replace the Vatican as the world's smallest country.
- The second round of voting in the Czech Republic's Senate elections will take place later this week.

Weekly Highlights

- Israel carried out widespread bomb attacks against Hezbollah using pagers and radios.
- Israel followed up these attacks with massive air and missile strikes on Hezbollah targets across Lebanon.
- Turkey is struggling to balance conflicting foreign policy goals.
- The United States is pressure Israel not to launch a full-scale war against Hezbollah.



Israel Targets Hezbollah

- Israel booby trapped pagers and handheld radios used by members of Hezbollah, causing them to explode.
- This resulted at least 35 deaths and thousands of injuries, and severely curtailed Hezbollah's ability to communicate.
- In response, Hezbollah's leader Hassan Nasrallah claimed that Israel's attack had "crossed all red lines", although he acknowledged that his group had suffered a serious setback.

Israel and Lebanon

- Following Israel's attacks on Hezbollah, a broader war between Israel and Hezbollah appeared to be inevitable as major clashes erupted.
- Over the past week, Israel carried out a series of air and missile strikes on Hezbollah targets across Lebanon, killing at least 570 people.
- A number of Hezbollah's top commanders were killed in these strikes, which appeared likely to continue for many days.

Turkey's Strategic Choices

- Turkey has found itself attempting to balance a number of strategic interests as conflicts are raging all around the country's periphery.
- In the north, Turkey has tried to maintain relations with Russia, despite its membership in NATO.
- In the south, Turkey has led efforts to align various Islamic countries against Israel.
- So far, these conflicting interests have not caused much harm to Turkey.

What to Watch

- The United States has called on Israel not to launch a full-scale war in Lebanon.
- The political opposition continues to carry out protests in Tunisia ahead of that country's upcoming presidential election.

Weekly Highlights

- West Africa is becoming a leading global hotspot for militant groups.
- African countries are demanding seats for their continent on the United Nations Security Council.
- Egypt continued to ship arms to Somalia.
- The southern Sahara Desert has received significant rainfall this year.



Anarchy in West Africa

- The level of unrest and violence in many areas of West Africa has continued to rise in recent years.
- Militant groups and separatists control wide areas of this region and have expanded their control in many areas.
- The recent attacks by militants on Mali's capital, Bamako, highlights the growing threat of such groups.
- US, French and other Western forces have left the region in recent years.

The Security Council

- African countries continued to demand at least one seat on the United Nations Security Council, with many countries calling for Africa to be given two seats.
- Furthermore, African countries are demanding that they be given seats with veto power, much like the Permanent Five group of countries.
- The United States has backed Africa's call for Security Council seats, but without veto power.

Egypt Arms Somalia

- Another ship delivering weapons from Egypt arrived in Somalia.
- This was the second delivery of Egyptian weapons to Somalia in recent weeks.
- Egypt has established close ties with Somalia as both countries have major disputes with Ethiopia.
- Recently, Ethiopia's prime minister warned that Egypt and Somalia were planning to launch an invasion of his country in the near-future.

What to Watch

- Heavy rains have turned southern areas of the Sahara Desert green in recent weeks.
- Gabon's ousted President Ali Bongo announced that he was withdrawing from politics, and he called on his country's military junta to free his wife and son from their detention.

Weekly Highlights

- A new left-wing president was elected in Sri Lanka.
- Bangladesh's armed forces continue to back that country's interim government.
- The situation in the eastern Indian state of Manipur could worsen significantly.
- Sri Lanka's presidential election signaled a massive change in that country's politics.



Sri Lanka's Election

- Sri Lanka's presidential election produced an overhaul of that country's political leadership
- President Ranil Wickremesinghe finished only in third place, with 17% of the vote.
- Instead, the far-left candidate, Anura Kumara Dissanayake, was elected with 42.3% of the vote.
- Opposition leader Sajith Premadasa was second with 32.8% of the vote in an election dominated by economic concerns.

The Army Backs Yunus

- The head of Bangladesh's armed forces, General Waker-us-Zaman, vowed to maintain his support for Bangladesh's interim government that is led by Nobel-laureate Muhammad Yunis.
- The interim government has insisted that national elections will take place in Bangladesh within the next twelve months.
- Bangladesh's two main political parties want these elections to take place before the end of this year.

Manipur Dangers

- Amid the ongoing unrest between the Meitei and Kuki ethnic groups in the eastern Indian state of Manipur, there were fears that the level of unrest in that state could worsen significantly.
- It was reported that 900 Kuki militants from neighboring Myanmar had infiltrated Manipur in recent days.
- Since last year, at least 237 people have been killed in Manipur in this ethnic unrest.

What to Watch

- Sri Lanka's new president is expected to dramatically shake up that country's political system.
- Indian Prime Minister Narendra Modi has been attempting to attract more investment in India's semiconductor industry.

Weekly Highlights

- The leaders of the United States, India, Japan and Australia met in the US state of Delaware.
- China is attempting to boost its struggling economy.
- New Zealand's economy continues to struggle to generate growth.
- The potential for a clash between China and the Philippines in South China Sea continues to increase.



Quad Summit

- The leaders of the four countries that comprise the “Quad” (the United States, India, Japan and Australia) met in the US state of Delaware.
- This was the latest in a series of such meetings of the Quad, which is playing a larger role in deterring China's growing assertiveness in the Indo-Pacific region.
- The Quad was originally founded in response to the 2004 tsunami in the Indian Ocean.

Boosting China

- The Chinese government introduced series of proposals designed to boost that country's struggling economy.
- These included a series of massive economic stimulus packages aimed at reviving moribund domestic demand.
- The Chinese government remains committed to its 5% GDP growth target for that country, but growth has fallen below 5% in recent months and is forecast to slow further.

New Zealand Struggles

- New Zealand's economy remained mired in a deep slump as it contracted by 0.5% on a year-on-year basis in the second quarter of this year.
- The country's primary industries continued to shrink in the second quarter, while the service sector managed to record some growth.
- New Zealand's recent economic struggles have led to the emigration of large numbers of its citizens over the past year.

What to Watch

- The Sabina Shoal in the South China Sea has emerged as the most dangerous flashpoint between China and the Philippines.
- Japan's ruling Liberal Democratic Party will hold an election to choose a new party leader, and a new prime minister for Japan, later this week.