

# ISA Global Update #1004

2<sup>nd</sup> of August 2023

International Strategic Analysis (ISA)



# Highlights from the Past Seven Days

## Political and Security Highlights

- Russian President Vladimir Putin claimed that he was prepared to hold peace talks with Ukraine.
- Russian defenses proved tough to crack as Ukrainian armed forces remained on the offensive.
- Former United States President Donald Trump faced mounting legal troubles.
- A major cabinet shuffle was undertaken in Canada.
- Niger's president was overthrown in a military coup.
- China's foreign minister was replaced after a prolonged absence from public view.

## Economic, Trade and Investment Highlights

- The United States economy expanded faster than expected in the second quarter of 2023.
- The European Union recorded minimal economic growth in the second quarter of this year.
- Economic growth in Saudi Arabia slowed sharply in the second quarter of 2023.
- Mexico's economy continued to grow at a steady pace.
- Argentina reached a crucial deal with the International Monetary Fund (IMF).

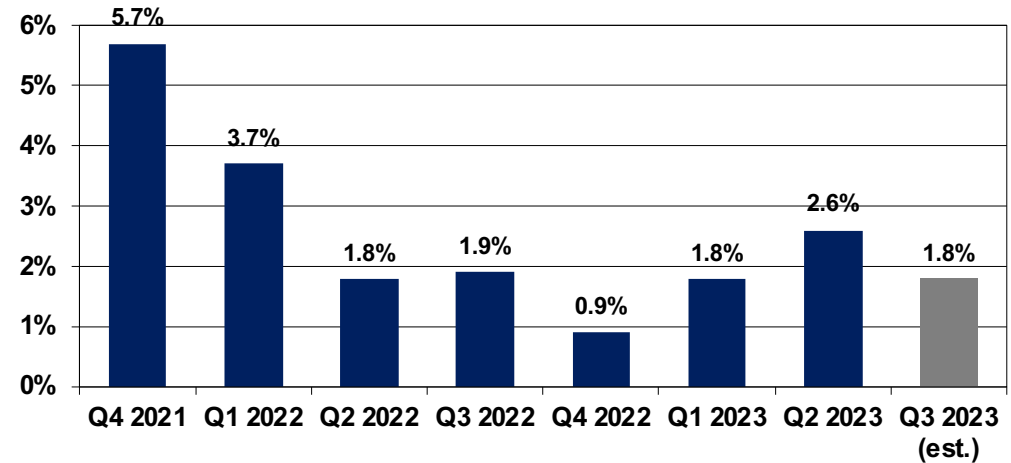
## Other Highlights

- El Salvador will hold mass trials for gang members in that country.

## Weekly Highlights

- The United States economy expanded at a faster pace than expected in the second quarter of 2023.
- Former United States President Donald Trump was charged with more crimes.
- Canadian Prime Minister Justin Trudeau carried out a major cabinet reshuffle.
- The Conservatives remain in the lead in terms of voter support in Canada.

## USA: GDP Growth Rates (Year-on-Year)



## The US Economy

- There was another stronger-than-expected performance by the United States economy in the second quarter of 2023, with GDP growth coming in at 2.4% on an annualized basis.
- Much of this growth was the result of a strong surge in fixed investment.
- Even as consumer spending and exports slowed sharply, they remained stronger than had been anticipated in the second quarter.

## More Trump Charges

- Former United States President Donald Trump's legal challenges continued to mount.
- Federal prosecutors in the US filed a series of additional charges against Mr. Trump over his refusal to hand over classified documents held at his residence in Florida.
- A short time later, Mr. Trump was charged with a series of crimes related to his efforts to overturn 2020's presidential election results.

## Cabinet Reshuffle

- Canadian Prime Minister Justin Trudeau carried out a major cabinet reshuffle as his government moved to focus its efforts on improving Canada's economic outlook.
- Seven government ministers were replaced, although most of the key members of the cabinet retained their positions.
- While the next national elections in Canada are not due until 2025, many experts expect early elections to be called.

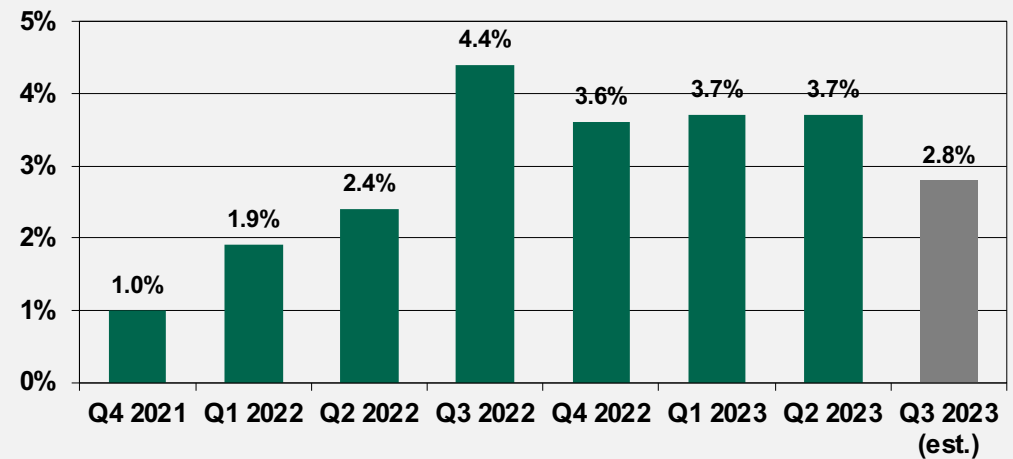
## What to Watch

- The opposition Conservatives hold a large lead over the governing Liberals according to recent polls in Canada.
- It was reported that former United States President Donald Trump has spent more than \$40 million in legal fees so far this year.

## Weekly Highlights

- Mexico's economy continued to record strong growth in the second quarter of this year.
- Argentina reached a crucial financial aid deal with the IMF.
- El Salvador will hold mass trials for gang members that have been arrested in that country.
- Peru's president is seeking to overhaul her country's political system.

## Mexico: GDP Growth Rates (Year-on-Year)



## Mexican Economy Grows

- The Mexican economy continued its run of solid growth in the second quarter of this year.
- During that period, Latin America's second-largest economy expanded by 3.7% on a year-on-year basis (0.9% quarter-on-quarter).
- Most sectors of the Mexican economy recorded strong growth in the second quarter, despite the aggressive tightening policies of Mexico's central bank.

## Argentina and the IMF

- Argentina and the International Monetary Fund (IMF) reached a long-awaited deal on unlocking \$7.5 billion in financial aid.
- Furthermore, this deal could allow Argentina to receive additional funding from the IMF sooner than had originally been scheduled.
- The IMF agreed to relax some of the conditions for this aid due to the impact of an ongoing drought on Argentina's economy.

## El Salvador Trials

- The parliament of El Salvador approved the holding of mass trials for the tens of thousands of people that have been arrested during the government's crackdown on that country's massive street gangs.
- This will allow courts to try people together who belong to the same street gang or are from the same part of the country.
- Nearly 72,000 gang members have been arrested in this crackdown.

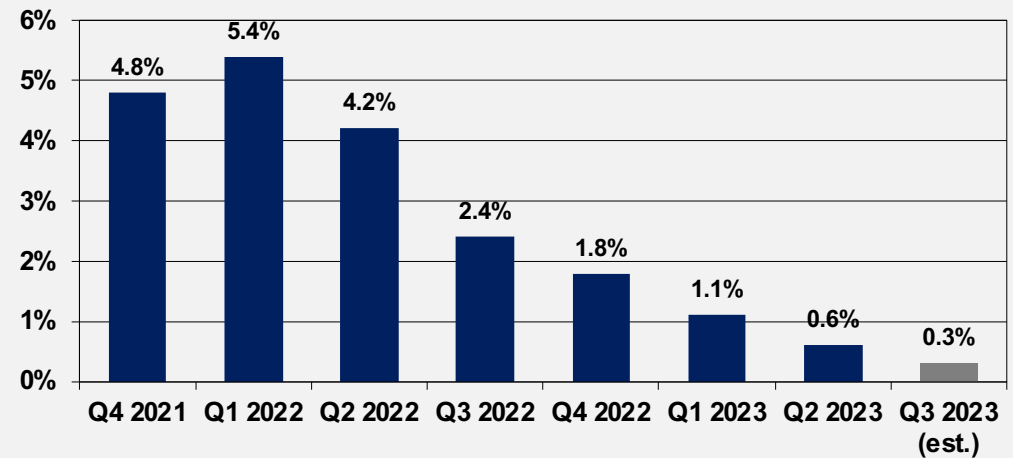
## What to Watch

- Peru's President Dina Boluarte announced that she would seek to expand her legislative powers. At the same time, she announced that she was in favor of transforming Peru's Congress from one with two houses to one with a single house.
- In an upcoming referendum, voters in Ecuador could prevent oil production in the Amazon Basin and mining near the city of Quito.

## Weekly Highlights

- The economy of the European Union expanded slowly in the second quarter of this year.
- Most European economies struggled to generate growth in the second quarter of 2023.
- Inflation rates in the Eurozone fell slightly last month.
- Italy's defense minister criticized China's Belt and Road initiative.

## Eurozone: GDP Growth Rates (Year-on-Year)



## European Economy

- The economy of the European Union expanded by 0.5% on a year-on-year basis (0.0% quarter-on-quarter), a slightly better result than had been expected.
- Consumer spending bounced back a little in many Eurozone countries as inflationary pressures eased in recent months.
- Nevertheless, declining levels of consumer and business confidence resulted in this relatively low rate of growth.

## Individual Economies

- Most European economies struggled to generate much growth in the second quarter of this year.
- Most notably, Germany's economy contracted by 0.1% on a year-on-year basis in the second quarter.
- Sweden's economy contracted by 2.4%, while Austria's also shrank.
- The Spanish and French economies managed to record a little more growth than had been expected in the second quarter.

## European Inflation Falls

- The inflation rate in the Eurozone fell slightly to 5.3% year-on-year in July 2023, its lowest level since January 2022.
- Inflation rates fell a little in nearly all Eurozone countries last month.
- Energy prices continued to fall, offsetting the continued increase in service prices.
- With core inflation remaining unchanged, the European Central Bank is likely to continue to raise interest rates.

## What to Watch

- Italian Defense Minister Guido Crosetto claimed that Italy's membership in China's Belt and Road (BRI) initiative was a terrible decision.
- Arctic areas of Scandinavia are facing a major outbreak of bird flu.

## Weekly Highlights

- Russian President Vladimir Putin claimed that he was willing to hold peace talks with Ukraine.
- Russian defenses proved difficult to crack for Ukraine's armed forces.
- Ukraine launched a series of drone attacks on targets inside Russia.
- Russian air traffic is being disrupted by Ukraine's drone campaign.



## Putin Open to Peace Talks

- Russian President Vladimir Putin announced that he was not opposed to holding peace talks with Ukraine.
- This followed a meeting between President Putin and a group of African leaders in St. Petersburg.
- President Putin claimed in the past that Ukraine would have to accept new borders if peace talks were to take place.
- In response, Ukraine claimed that it would cede no territory to Russia.

## Russia's Strong Defense

- Ukraine's much-vaunted offensive continued to struggle to take much territory as Russian defenses proved much tougher than expected.
- Ukraine has suffered heavy losses in terms of manpower and weaponry since the offensive began earlier this summer.
- This is due in large part to the fact that Russia had time to prepare deep defenses along much of the front line in eastern and southern Ukraine.

## Taking the War to Russia

- Ukraine carried out a series of drone attacks on targets inside Russia in recent days, including a number of attacks on targets in Moscow.
- Ukrainian President Volodymyr Zelensky had vowed to bring the war to Russia after the latest series of major drone and missile attacks on Ukrainian cities.
- So far, these small-scale drone attacks have caused relatively little damage within Russia.

## What to Watch

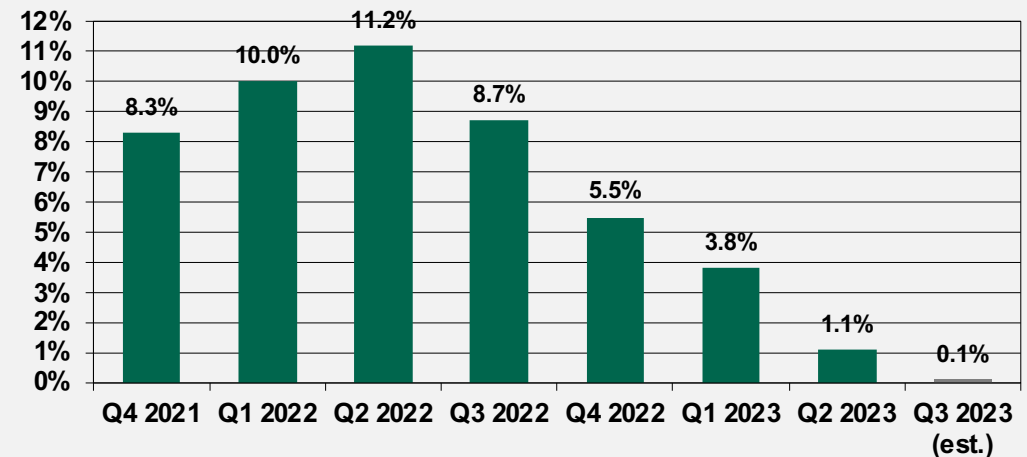
- Many airlines are considering suspending their flights to Moscow due to Ukraine's recent drone attacks on that city.
- Poland, Latvia and Lithuania threatened to close Belarus' border with the European Union due to the presence of the Wagner Group in that country.



## Weekly Highlights

- Economic growth in Saudi Arabia slowed sharply in the second quarter of 2023.
- Saudi Arabia and Israel moved closer to normalizing their bilateral ties.
- Lebanon's economic and social troubles continued.
- Israel is facing an elevated risk of internal and external unrest over the near-term.

## Saudi Arabia: GDP Growth Rates (Year-on-Year)



## Saudi Economy Slows

- Economic growth in Saudi Arabia slowed to just 1.1% on a year-on-year basis in the second quarter of this year, the lowest rate of growth in that country since early 2021.
- Cuts in oil production resulted in a significant contraction of the Saudi oil sector in the second quarter.
- Meanwhile, non-oil sectors of the Saudi economy continued to expand at a healthy pace in the second quarter.

## Saudi Arabia and Israel

- There were growing expectations that Saudi Arabia and Israel were moving closer to a normalization of ties between the two countries.
- Officials from the United States recently held talks with Saudi Arabia on moving forward with establishing ties with Israel.
- Meanwhile, Iran, which recently restored ties with Saudi Arabia, warned that such a move would destabilize the region.

## More Lebanese Troubles

- Lebanon's troubles continued to mount amid that country's ongoing economic collapse.
- The country's embattled central bank chief, Riad Salameh, stepped down this week after 30 years in that position.
- He bore much of the blame for the collapse of Lebanon's currency and the country's soaring rate of inflation.
- Meanwhile, clashes at a refugee camp in Lebanon resulted in eleven deaths.

## What to Watch

- The passing of controversial judicial reforms in Israel has raised the potential for internal and external unrest in that country.
- Saudi Arabia is preparing to hold talks on finding a way to bring an end to the war in Ukraine.

## Weekly Highlights

- Niger's president was ousted in a coup.
- Rwandan armed forces were accused of being inside the Democratic Republic of Congo.
- Senegal continued to experience a high degree of political unrest.
- Unrest continues to destabilize the Amhara region of Ethiopia.



## Coup in Niger

- Soldiers from the presidential guard staged a coup in Niger.
- These soldiers detained Niger's President Mohamed Bazoum, dissolved the constitution, suspended all government organizations and closed the country's borders.
- This coup appeared to have the backing of Russia's Wagner Group.
- The coup leader, General Abdourahamane Tiani, declared himself the new leader of Niger.

## Congo and Rwanda

- The Democratic Republic of Congo accused the armed forces of Rwanda of crossing over the border between the two countries and attacking Congolese security forces.
- Meanwhile, the United Nations claimed that it had evidence that Rwandan troops had fought alongside the M23 rebel group that is active in eastern parts of Congo.
- These developments led to a dramatic escalation of tensions in the region.

## Unrest in Senegal

- Large-scale protests by the political opposition continued in Senegal, prompting that country's government to dissolve one of Senegal's leading opposition political parties, the Pastef party.
- The leader of the Pastef party, Ousmane Sonko, was arrested last week, the latest in a series of legal troubles that could prevent him from taking part in next year's presidential election in Senegal.

## What to Watch

- Ethiopia's Amhara region continues to be a dangerous flashpoint that could further destabilize that country.
- Niger's coup leaders claimed that France is preparing a military action to free President Mohamed Bazoum.



## Weekly Highlights

- Dozens of people were killed by a suicide bomber at a political rally in Pakistan.
- The political opposition staged a new round of anti-government protests in Bangladesh.
- India is rapidly expanding its navy.
- The United States and the Taliban may hold talks in the near-future.



## Bomb Attack in Pakistan

- A suicide bomber attacked a political rally in a town near Pakistan's border with Afghanistan, killing at least 45 people.
- The rally was being held by the Jamiat Ulema-e-Islam-Fazl (JUI-F) party, one of the parties that is in Pakistan's coalition government.
- No group claimed responsibility for this attack, but a branch of the Islamic State militant group has been active in the area of the attack.

## Bangladesh Protests

- Bangladesh's political opposition staged large-scale protests to demand the resignation of Prime Minister Sheikh Hasina and to demand that new elections take place in the immediate future.
- Public anger has risen in Bangladesh as the cost-of-living in that country has soared in recent months.
- The opposition Bangladesh National Party (BNP) has floundered after the jailing of its leader, Khaleda Zia, in 2018.

## India's Naval Ambitions

- India has moved quickly to enhance its naval power in recent years, fearful that the rapid expansion of China's navy will allow it to play a greater role in the Indian Ocean.
- This includes the expansion of India's fleet, as well as greater cooperation with other naval powers such as the United States and Australia.
- China has greatly increased its presence in the Indian Ocean.

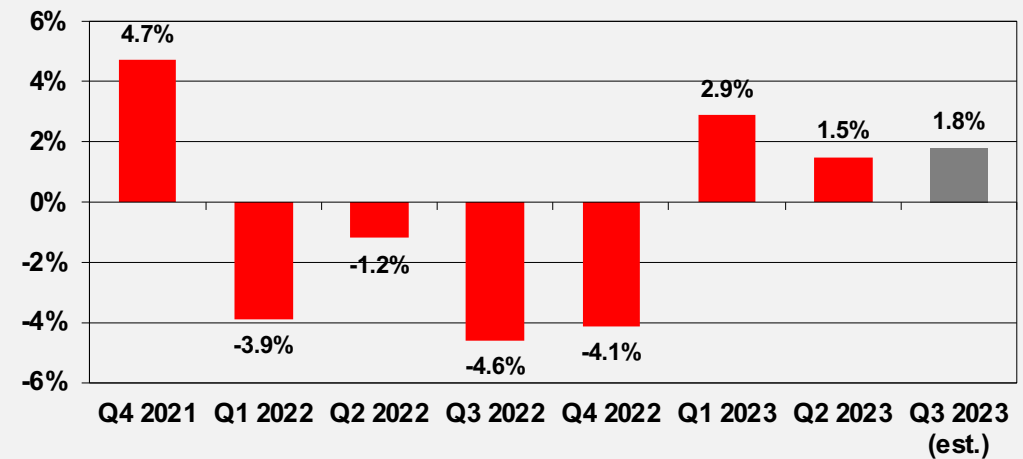
## What to Watch

- The United States and Afghanistan's Taliban government indicated that they were willing to hold talks on a range of issues.
- Afghanistan's Taliban government launched mass burnings of musical instruments in that country.

## Weekly Highlights

- Hong Kong's economy recorded sluggish growth in the second quarter of 2023.
- China's foreign minister was sacked after a prolonged absence.
- Taiwan's economy returned to growth in the second quarter of this year.
- Cambodia's prime minister will step down next month.

## Hong Kong: GDP Growth Rates (Year-on-Year)



### Sluggish Hong Kong

- Hong Kong's economy slowed sharply in the second quarter of this year, with growth falling to 1.5% on a year-on-year basis during that period.
- Government spending shrank in the second quarter, while consumer spending growth slowed.
- Growth in service exports from Hong Kong was offset by a sharp decline in manufactured exports.
- Hong Kong's economy has struggled to generate growth in recent years.

### China's Foreign Minister

- After being absent from the public eye for nearly a month, China's Foreign Minister Qin Gang was removed from his position for unknown reasons.
- While Mr. Qin was seen as an ardent nationalist, he also attempted to smooth relations with the US.
- He was temporarily replaced by the Communist Party's head of foreign affairs, Wang Yi, who had previously held a good deal of authority over China's foreign affairs.

### Taiwan Rebounds

- The economy of Taiwan expanded by 1.5% on a year-on-year basis in the second quarter of this year, a better result than had been expected.
- A sharp increase in domestic consumer spending allowed Taiwan's economy to rebound from its sharp downturn in late 2022 and early 2023.
- Meanwhile, exports from Taiwan continued to decline, albeit at a slower pace than in the first quarter of this year.

### What to Watch

- Cambodian Prime Minister Hun Sen announced that he will hand over power to his son, Hun Manet, next month, bringing an end to his 38 years in power.
- Australian Prime Minister Anthony Albanese warned that he would call for early parliamentary elections if the parliament could not pass a major housing bill.