



Daily Intelligence

Geopolitical Outlook Intelligence Service

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1. Ukraine's New Phase

There is simmering unrest in Moldova, which borders southwestern Ukraine. For now, tensions have not led to military action, but intelligence services from all sides are heavily involved. To the northwest, Belarus, which is dominated by Russia, saw a Russian warplane shot down by pro-Ukrainian operatives. This means that Russia, having failed to defeat Ukraine by direct frontal attack, has begun to attack from the flanks in hopes of forcing Kyiv to spread its forces and thus weaken the center. If the first phase of this pincer was covert, the newer phase is becoming more overtly military. Just as importantly, it could also draw two NATO countries — Poland and Romania — deeper into the war.

Bottom Line: Russia's strategy in the first year has failed to achieve its goals. This is Plan B. Successful flanking maneuvers could change the war's dynamic, but a failure would leave Russia with few other options. The West will have to block this.

2. China's Economic Maneuvers

Two decisions Beijing has made recently indicate it is taking more radical steps to fix China's economy.

First, China has dramatically increased the construction of coal-burning power plants. It had tried to move away from coal because it is difficult to acquire and move, and because it is environmentally unsound. Not only is this a strategic failure, but it could alienate China, or at least give other countries a new avenue to exploit or attack it. Second, China has also launched a campaign to increase the rights of women to own land. The country's interior is poor and agrarian, a place Beijing tends to neglect in favor of industrialization and technology in coastal provinces. This has left the interior lands with many grievances, including an antiquated patriarchal system that blocks female land ownership.

Bottom Line: Neither of these measures will magically fix China's economy. But they are both important in that they signify not structural shifts within the economy but social shifts that could create as many problems as they solve.

3. Latin American Economic Growth

The Community of Latin American and Caribbean States (CELAC) is meeting in Buenos Aires, and there's reason to believe this is more than mere formality. The global system is changing. Many advanced countries are suffering from everything from inflation to recession. This creates an opening for new players — think China in the 1970s. The difference, of course, is that whereas China was a unified country, Latin America is a regional hodgepodge of differing interests and agendas. Only economic and political integration will give the region the weight it needs to act abroad and the stability it needs for outside investment.

Bottom Line: For Latin America more than others, overcoming political division is a geopolitical necessity. Organizations such as CELAC exist at least in part because they understand as much. One meeting is hardly the start of a new regional bloc, but even the European Union started extremely modestly. Regional integration efforts are always to be noted.

MAR. 1, 2023

1. Russian Oil Earnings

Russia's oil earnings have returned to a robust half-billion dollars a day. The usual caveats apply: Valuing total income of any commodity at the national level is always difficult because production and sales are complex; because it can be influenced by any number of true or false claims; and because governments can and do plant stories like this to serve their interest. Still, the figure seems plausible. After the opening salvos of the Western sanctions campaign, Russia has found ways to rebound, working around banking and trade restrictions and frequently collaborating with dependent countries in creative ways.

Bottom Line: The attempt to break Russia economically has bent but not broken the Russian economy. Continued improvement could deprive the West of a source of leverage it likely was counting on to resolve the conflict.

2. China Hashes Out Workers' Rights

China maintains rigorous expectations for workers, particularly in lower classes. But as the country's economy struggles to recover, the pressure on workers — even through repressive measures — has increased. Resistance and unrest have followed in kind. Thus, the Chinese People's Political Consultative Conference is holding meetings to resolve issues such as long hours and

working conditions. The irony, of course, is that the CPPCC was founded — and fought a revolution — partly to help workers' plight. That fear is deeply embedded in the minds of China's ruling class, but it is particularly pronounced now, amid signs of slowing growth and pandemic-related discontent.

Bottom Line: In China's perennial struggle between economic growth and public opinion, it has traditionally prioritized the former, which worked, so long as workers were relatively content. Tensions like these will put more economic and political pressure on Beijing, forcing it in unexpected policy directions.

3. Philippine Defense of the South China Sea

The South China Sea is ringed by a group of islands and narrow passages that could be blocked by a hostile power — i.e., the United States. China has therefore deployed its own naval and air forces to protect the passages, including near the Philippines, and has recently undertaken a diplomatic offensive designed to move the Philippines away from the United States. Manila wants to avoid any conflict with China, even while evading its embrace. Hence, we are somewhat surprised by President Ferdinand Marcos Jr.'s recent statement that the Philippine military should urgently focus on protecting its territorial integrity in the South China Sea. Marcos never called out China by name, but it's clear whom he is addressing.

Bottom Line: The confrontation in the South China Sea between the U.S. and China is a flashpoint in world politics. Chinese diplomatic advances in the region have been less successful lately, partly because of China's focus on events in Russia. This therefore opens military and economic doors for the U.S. in particular, as Marcos seeks shelter.

MAR. 2, 2023

1. Sanctions Affect Russian Internet

Mobile internet speed in Russia (save Moscow) fell by an average of 7% year over year to 18.3 Mbps in February 2023. The fall is due to a shortage of network equipment, especially from Taiwan, and to the fact that operators tend to install new systems primarily in larger cities. This explains Moscow's recent emphasis on developing the country's tech industry, including semiconductors. Local semiconductor producer Mikron, for example, has received 7 billion rubles from the Russian government to scale up production. However, Moscow's ability to solve the problem is limited. Producing the type of semiconductors required in modern society takes time. Increased reliance on China would also be insufficient since it does not yet produce the high-end chips required by the automotive and telecommunications industries. All of this basically means that Russia will find it extremely difficult to continue developing high-end products and services, which will ultimately prolong the country's polarization.

Bottom Line: Sanctions are taking a toll on Russian digitization.

2. Renewed Rumors of a Middle East War

Hezbollah claims that a regional war between Israel and Iran and its proxies could erupt this month, according to local media. A recent speech in which group leader Hassan Nasrallah discussed unprecedented escalation should be seen as more than merely empty rhetoric, according to Hezbollah. Other sources, meanwhile, suggest Israel has received U.S. approval to launch a large-scale military operation against Iran and its proxies. Israeli drones dropped warning leaflets on Syrian army troops near the Golan Heights on Tuesday, urging them to remove Hezbollah members from the area. Many of

these rumors surfaced the same day that Iran's nuclear energy chief dismissed concerns in the latest International Atomic Energy Agency report about the discovery of uranium traces enriched to 83.7% purity at the Fordow enrichment plant. Clearly, tensions are high. The U.S. cannot negotiate, but it is concerned that nuclear enrichment is expanding and that the IAEA is not receiving answers to key questions about the program. Washington, then, could authorize an Israeli strike on Hezbollah, Hamas and Syrian militias, but even a limited attack would force Iran's hand. Given Iran's internal problems, Tehran may decide to intervene directly this time.

Bottom Line: Iran's reaction to a possible Israeli strike constrains Israel in the Middle East.

3. Russia Uses Panama Against Washington

The Russian Embassy in Panama said in a statement that Russia's actions in Ukraine are for all countries that share its vision of a multipolar world. It said that U.S. and U.N. initiatives conceal neocolonial, anti-Russian sentiments and that sanctions have caused worldwide socioeconomic problems but have not achieved the desired effect on Russia. This came after Ukraine's deputy foreign minister, Andriy Melnyk, during an interview with Panamanian press urged Latin America to offer more concrete support to Ukraine. The embassy's statement also coincided with U.S. Secretary of State Antony Blinken's tour of Central Asia, whose relationship with Russia geopolitically is somewhat analogous to the U.S.-Caribbean relationship. Moscow wants to improve relations with Latin America as part of a broader strategy to distract Washington and constrain its ability to support Ukraine. Given the immense strategic value of the Panama Canal, the Russian statement in Panama will get Washington's attention.

Bottom Line: Russia views the Caribbean as an ideal space to provoke and agitate Washington.

MAR. 3, 2023

1. China and India Meet Over Border Conflict

Chinese and Indian foreign ministers held a meeting to discuss border issues, the first meeting at such a high level. There are disputes all along China and India's shared border — some economic, concerning potentially valuable land; some strategic, regarding domestic security; some merely habitual, engaging in intermittent skirmishes for decades; and some cautionary, signaling to the other not to meddle. The forces that have clashed with one another have never been large enough to dramatically affect the future of either country, but the fact that two nuclear powers have clashed at all is cause for concern. The decision to hold high-level talks, then, is notable in that it indicates that China and India understand what's at stake despite their differences. Although the U.S., Russia and Europe are engaged in their own conflict, both China and India have piqued their interest, especially as Russia looks to both amid the Western-led sanctions campaign. It's clear that neither wants to be pulled into that war and that they would prefer to resolve their issues without outside help. So far, nothing has come from the talks, but mutual interest is the bedrock of resolution.

Bottom Line: The war in Ukraine is forcing countries to resolve their conflicts in a way that avoids involvement by or with any of the war's primary belligerents.

2. Japan Considers Nuclear Fusion

Tokyo announced it is looking to develop nuclear fusion technologies. Japan has a very ambivalent approach to nuclear energy: It's the only country to have

experienced a nuclear attack, but it has one of the most developed systems of nuclear power in the world — a consequence of not having much in the way of natural resources and thus a way to avoid depending on other countries for resources. The desire to move fusion, then, is significant. It shows that Tokyo wants to emphasize nuclear power despite the threat of potentially catastrophic accidents (i.e., Fukushima). It also shows that Japan wants safer nuclear technology than conventional nuclear power. And it raises the question of whether Japan, which is now expanding its military, may be considering becoming a nuclear power in its own right. Nuclear weapons today depend primarily on fusion. The emphasis on nuclear energy has been a delicate matter in China, which is always suspicious of Japan's long-term intentions. The interest in fusion makes the question of Japan's intentions more pressing.

Bottom Line: Whatever they may be, Japan's nuclear ambitions could alter regional, even global, balances of power.

3. Belarus and China to Create an Integrated Information System

Belarus and China have reached an agreement to become a joint information zone. On the surface, it's hard to fathom what this would look like, but most likely, it's an attempt to shape public opinion throughout Eurasia. What makes this significant is that Belarus is a Russian surrogate. Russia and China believe Western media shape public opinion in a way that paints China and Russia as threats rather than victims. They think a single information system could help even the playing field. Whether or not it's successful in that regard doesn't change the fact that China and Russia share a fear of Western media and that, despite fears to the contrary, little has come from the Russia-China alliance.

Bottom Line: China and Russia feel attacked by global media and seek a system to counter it.

MAR. 4, 2023

1. U.S. Border Experts in the Caucasus

Representatives from the U.S. Border Patrol are in the Caucasus to work with Armenian, Georgian and Azerbaijani border officials. It's not immediately clear why advisers are in the area, why they're working in these specific countries or what they'll be doing, but dismissing this as routine aid is difficult. At any time, there are complex but important tensions between these countries, particularly Armenia and Azerbaijan, which recently fought a war. Washington has been a particular interest in the region in the years following 9/11, but now the focus is Russia, which considers this area within its traditional sphere of influence. Georgia tends to be cautious and sometimes hostile toward Russia, while the other two tend to maintain closer relations with Russia. The U.S. would obviously like to undermine Russian influence, but Russia is near, and challenging Russia is dangerous. That all three would be willing to cooperate with each other, not to mention with the U.S., is surprising. Certainly Russia would regard any undertaking, however minor, as hostile to its interests.

Bottom Line: Sometimes intelligence tells you something important seems to be happening but leaves the bottom line uncertain at least for a time. So this is important but uncertain.

2. South Korea and Japan

South Korea has designated Japan as a military and economic partner — an interesting development for a country that has historically regarded Tokyo as an enemy. But any bitter memories, especially those surrounding the World War II era, seem to have been overcome by practicality: Both view China with suspicion, and both have to contend with an increasingly uncertain North Korea. There is already a high degree of mutual cooperation between them on

these issues — and with the United States — so it will be important to watch what this specific agreement means in practice. Particular attention should be paid to economic and technological collaboration. Combining these two large economies could enhance their global competitiveness.

Bottom Line: This is more than a meaningless gesture of cooperation; it could in the long run be economically consequential.

3. Russia Visits Cuba

This week, the head of the Russian Security Council, Nikolai Patrushev, visited Cuba to discuss security issues. Cuba and Russia have maintained close relations, especially since the 1960s and the Cuban Missile Crisis. Missiles in Cuba are obsolete in a world full of ICBMs. The important thing here is that, geostrategically, Cuba sits in a uniquely vulnerable area for the U.S. The majority of U.S. maritime trade flows into the Gulf of Mexico; Cuba sits astride those routes. Severing those transportation lines would be extremely bad for the U.S. This is hypothetical, of course, and the risk to Russia would be similarly extreme. But Moscow is searching for levers against the United States, so while this is unlikely, it's not unthinkable. U.S. intelligence will try to gather every bit of data that it can about Patrushev's trip. At the very least, the possibility of creating tension in Central and South America may be on the table, or perhaps increasing Russian aid to the region.

Bottom Line: Cuba has been a pressure point for the U.S. since the 1800s. It's a long reach for Russia, but everything that diverts the United States' focus from Ukraine is worth a Russian effort.