

ZeroFox Intelligence Geopolitical Brief for June 2023



TLP: CLEAR

B-2023-06-01a

Executive Summary

During the G7 Summit in Japan, Western leaders firmly established that containment of China is their top priority. A joint communiqué, issued at the end of the conference, included the members' shared position on constraining China and creating alternative supply chains away from it. Summit attendees strategically included non-G7 members, such as Brazil, India, Indonesia, the Cook Islands, South Korea, and Vietnam. Including Brazil and India is noteworthy because they are members of the BRICS grouping that includes China, sees itself as a rival to the G7, and has its own key summit in August 2023. All other included nations were there because the G7 views them as key allies in curtailing Chinese growth or because China has made overtures to include them in its sphere of influence. This demonstrates a move away from actions taken in the early onset of the pandemic—when Western leaders urged companies to reduce their reliance on China by homeshoring, friendshoring, and nearshoring—and towards building new economic and trade infrastructure in non-G7 states, a strategy that China has used to increase its alliances in places like Vietnam, Brazil, and across Africa. It also shows that the Asia-Pacific region will be key going forward; G7 members in Europe, the United States, and Japan will strive to use their fellow Quad members, Australia and India, to create a security pact that prevents China from dominating the region, which includes Indonesia and the Pacific Islands states. In the coming weeks, the United States and the European Union (EU) plan to release more data on their policies to contain China.

Western efforts to contain China present a key risk to Western firms operating inside China. In the last month, China has launched a crackdown on consulting firms that provide valuable information to Western companies on how to conduct business inside China. China now considers that information national security data and sharing it as potential espionage. China is also likely to further crack down on Western firms that have domestic Chinese competitors. This means that Western financial institutions and technology firms will struggle to compete inside China going forward unless they provide a service unavailable to China.

While there are other key geopolitical topics—including Ukraine's long-awaited offensive against Russia, which has begun, and elections in key emerging markets—most issues will be viewed through the prism of how they fit into the wider geopolitical dispute between the United States and China. The Western position is quite clear—containment of China is their key policy imperative—and China has demonstrated its priority lies with national security and self-sufficiency over economic growth; what is less clear is how other nations will react. A key summit of the BRICS nations in August in South Africa could shed some light on their policies going forward. Growing the BRICS grouping is likely; as many as 20 nations, including Western allies, are hoping to join and further efforts to reduce dependencies on the U.S. dollar.

Key Findings

- Social unrest is possible in Nigeria where fuel subsidies will be removed in the near future.
- Crime has emerged as a key political issue in Latin America, especially in places accustomed to low crime rates like Chile, Ecuador, and Costa Rica. "Tough on crime" policies in places like El Salvador are also gaining traction across the region.
- An unstable coalition government that maintains the existing power structures of the monarchy and the military while limiting Thailand's economic growth is likely but not guaranteed.
- Power outages leading to social unrest are likely in South Africa just ahead of a key summit in August 2023.
- Spain called snap elections for July 2023 to keep the ruling Socialists in power.
- Western firms with key domestic competitors in technology and financial services are likely to experience a wider crackdown from China in response to Western trade restrictions.
- The risk of social unrest during the Champions League Final in Istanbul is less following the re-election of President Erdogan.
- Expect a wave of pro-business decrees in Ecuador before elections in August 2023, after which a less pro-Western government is likely.
- Fighting in the geographically important state of Sudan is likely until a power-sharing agreement that rules out democracy is in place.
- Unrest that spiked and ended in Pakistan is likely to resurface again in 2023.
- China is increasingly concerned with indebted nations' ability to repay loans but also has its own domestic debt problem that risks spiraling.

Key Threats and Developments



Due diligence services in China are increasingly considered espionage.



Germany will likely be an economic drag on the EU for years.



French pension reform protests will continue on June 6, 2023.



Mexico's aim of attracting business from China is threatened by President Andres Manuel Lopez Obrador's intervention in the private sector.



Widespread social unrest in Senegal tied to presidential powers is likely.



Ukraine's counteroffensive against Russia has likely begun.



Ethnic violence in northern Kosovo will worsen tensions with Serbia.



Turkey is unlikely to alter its foreign or economic policy after elections.

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Russia-Ukraine Conflict

Ukraine's spring counteroffensive has likely begun. Since mid-May, Ukraine has launched increased strikes on Russian logistics and communications targets, as well as targets within Russia. Ukraine is likely in the initial phase of its offensive, in which it will seek to test Russian positions on the frontlines to identify vulnerabilities before moving a significant number of troops to retake territory.[1] Ukraine has several options for its advance and has prepared multiple counteroffensive plans, which it has kept secret even from Western partners. It remains unclear which option Ukraine will choose, and it may feign different advances to confuse the Russians.[2]

Russia began fortifying its positions on the frontlines during the winter and has established an intricate system of defenses that may prove difficult for Ukraine to break through.[3] Ukraine is armed with its most advanced Western equipment yet, however, it is unclear whether these weapons will be sufficient to overcome Russian defenses.

Forward Look:

- This offensive will likely prove decisive in the war's trajectory whether it ends in stalemate, negotiated settlement, or a victory by either side.
- The Ukrainian side wants to demonstrate it can retake significant land from Russia. This will 1) damage Russian positions and morale; 2) strengthen Ukraine's position at a potential negotiating table; and 3) show a return on investment to Western countries that supplied aid.
- Meanwhile, Russia will seek to withstand Ukraine's counteroffensive with minimal losses and preserve its positions for later battles. Putin believes a protracted war will favor Russia in the long run. Delays are almost an unwritten tactic in Russian military doctrine. Additionally, Ukraine's largest supplier of aid—the United States—faces presidential elections in 2024. If a Republican takes power, the United States may stop providing as much military support to Ukraine, which would allow Russia to more easily deplete the Ukrainian military.

Elections in Greece in June 2023

- Runoff election on June 25, 2023, after Mitsotakis fails to secure majority[4]
- Second round allows minority government to form majority

Forward Look:

- On May 21, 2023, Prime Minister Kyriakos Mitsotakis' New Democracy party did not win enough votes to form a one-party government but likely can easily form a coalition government. However, Greek law allocates additional seats to the winner of a second-round election; if the same voting pattern emerges, this would likely allow New Democracy to continue leading Greece alone.
- A victory for New Democracy would benefit the international business community, which expects Greek assets and stocks to rise in the event of their victory.
- Social unrest tied to a spying scandal, the high cost of living, and a recent rail disaster is possible.
- A caretaker government will rule until the June 25 elections.

European Protests and Policy Updates

- Security and political concerns likely to escalate between **Serbia and Kosovo**
- **Spain:** Snap general elections on July 23, 2023
- **France:** Pension reform protests on June 6, 2023, and re-industrialization effort

Forward Look:

- On May 30, 2023, the U.S. ambassador to Kosovo announced that sanctions would be imposed on the country due to its mishandling of the unrest in northern Kosovo, which resulted in injuries to 30 NATO troops from the peacekeeping mission during violent clashes with protesting Serbs.[5] Kosovo Serbs protested in front of municipal buildings in the Serb-dominated northern Kosovo municipalities of Zvecan, Zubin Potok, and Leposavic against the ethnic Albanian mayors who were installed under Kosovo police protection on May 27, 2023. The first sanction will be the suspension of Kosovo's participation in the U.S.-led military exercise Defender Europe 2023. Additionally, the United States will cease all efforts to aid Kosovo in gaining recognition from states that have not yet acknowledged it and integrating into international organizations. NATO announced that it was deploying additional troops to bolster its peacekeeping mission in the region, while Serbia moved its armed forces closer to the border with Kosovo. The issue has the potential to escalate, with Russia strongly backing Serbia's position—in part because it knows it would be problematic for the West. The issue could also help distract from recent protests against Serbian President Aleksander Vucic for two recent mass shootings. Serbs are widely supportive of his policies in regards to Kosovo, and Vucic has little political incentive to cede to Kosovar demands, which are generally supported in the West—despite their recent disapproval of Kosovo's actions in late May.
- On May 29, 2023, Socialist Prime Minister Pedro Sanchez dissolved Spain's parliament and called for a snap general election, which is now scheduled to take place on July 23, 2023.[6] This occurred after the governing Socialist Party (PSOE) suffered significant losses in regional and municipal elections on May 28, 2023. The center-right Popular Party (PP) was the main winner during this round of voting, successfully taking over nearly all of Spain's largest cities—including the traditionally left-wing stronghold of Seville. In many cases, however, the PP fell short of an outright majority and may therefore need to form coalitions with the far-right Vox Party in order to pass legislation. The general election was originally scheduled for December 2023. The country will now experience an accelerated campaign season, focused primarily on the continuing cost-of-living crisis, the negative impact of climate change, and Spain's immigration policy.
- French unions, student organizations, and anti-government activist groups plan to hold the next round of nationwide strikes and demonstrations against the government's pension reform on June 6, 2023. It is likely that these protests will lead to disruptions and delays on all forms of transport, as well as the closure of many government offices, schools, and medical facilities. In addition, the National Assembly is scheduled to debate a bill that seeks to repeal the pension reform on June 8, 2023, which could spark further disturbances within the country.
- On May 11, 2023, President Emmanuel Macron announced a series of measures to promote France's reindustrialization and spur the development of green technologies.[7] It remains to be seen how much of this domestic economic agenda can be accomplished given the continuing political divisions over the pension reform.

FOOTNOTES

- [1] <https://www.understandingwar.org/backgrounder/ukraine-conflict-updates>
- [2] <https://www.theguardian.com/world/2023/may/12/ukraine-has-choice-of-targets-as-it-plots-counteroffensive>
- [3] <https://www.bbc.com/news/world-europe-65615184>
- [4] <https://www.thenationalherald.com/greeces-center-right-in-landslide-election-victory-but-will-need-new-vote-to-form-government/>
- [5] <https://balkaninsight.com/2023/05/30/us-penalises-kosovo-after-unrest-in-serb-majority-north/>
- [6] <https://en.mercopress.com/2023/05/29/general-election-in-spain-in-july-following-the-disastrous-showing-for-socialists-in-regional-voting-mercospres-alert>
- [7] <https://www.bloomberg.com/news/articles/2023-05-11/macron-sets-out-plan-to-accelerate-france-s-industrial-revival>



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Mexican Operating Environment

- President Andres Manuel Lopez Obrador (AMLO) defied the Supreme Court to expropriate some land held by private interests.
- Opposition protests in support of Supreme Court are likely in June 2023.
- The actions demonstrate the difficulty for multinational firms in Mexico in the age of nearshoring.

Forward Look:

- Opposition protesters have seized on AMLO's decision to disobey a Supreme Court order to expropriate land in southern Mexico and around the capital to build rail infrastructure.[8] Further protests, ostensibly in support of the court but mainly in opposition to AMLO, are likely.
- This follows efforts to renege on energy privatization by an earlier administration that angered the United States and Mexico and pushed out private energy companies in exchange for less efficient, state-controlled ones. The actions will likely deter international investment in Mexico, with more companies eager to take advantage of Mexico's close U.S. proximity to relocate business from China, known as nearshoring.
- AMLO leaves office in 2024, but his popularity means a successor will have similar but likely milder policies.

Mexican And Guatemalan Elections

- **Mexico** holds elections in two states on June 4, 2023.
- **Guatemala** holds general elections on June 25 followed by a likely second-round presidential election on August 20.

Forward Look:

- On June 4, Mexico holds elections in the sparsely populated state of Coahuila and the populous state of Mexico (Edomex). Coahuila is the source of most of Mexico's natural gas. Edomex consists of the sprawl from Mexico City and, while it has major problems with crime and poverty, is also key to the Mexican economy as the largest state by population. The Edomex election in particular looks likely to favor the Morena party of President AMLO. The victory would end the dominance of the PRI party, which has ruled the state for decades, and provide a political boost for Morena ahead of general elections in 2024. Following these elections, Morena will likely announce its successor to AMLO; meanwhile, the Va Por Mexico party, which is an up-and-coming rival to Morena and the likely winner of the Coahuila elections, will also start unofficial campaigning.
- On June 25, Guatemala holds elections for the president, all 160 deputies in Congress, 20 members of Parliament, and 340 mayors.[9] On May 19, leading presidential candidate Carlos Pineda became the latest to be disqualified by the government of term-limited President Alejandro Giammattei. The next leading candidate is former first lady and presidential runner-up Sandra Torres. Despite the crackdown, President Giammattei's proposed successor is polling poorly. However,, the conservative party apparatus is likely to win the most seats in local elections, which could allow them to restrain whoever the next president is. If no candidate gets over 50 percent of the vote, which looks likely, new elections will be held on August 20, during which Giammattei could have a wider influence on the final outcome. Domestically, the key issues are the cost of living and insecurity. Internationally, Guatemala is the largest country in Central America and plays a key role in U.S. immigration policy, which critics argue has left the United States unable to criticize the anti-democratic crackdown.

Latin American Political Updates

- **Mexican:** President AMLO declared persona non-grata in **Peru**
- **Colombia:** Total peace unlikely in 2023
- **Chile:** Far-right wins veto-proof majority in constitution writing committee
- LATAM nations with historically low crime rates experiencing elevated crime risks led by Ecuador and Chile
- **Peru:** Protests to resume in June and July 2023

Forward Look:

- Colombia has backtracked on three peace initiatives: one involving dissidents from the FARC; another with FARC key ally, ELN; and a third with right-wing paramilitary group-turned-drug traffickers Gulf Clan.[10] Prospects for agreements with the ELN and FARC are still likely during the tenure of former rebel President Gustavo Petro, but violence with the Gulf Clan could harm business operations as they maintain a large presence in major population centers.
- Violent crime has emerged as the top political issue in places that have historically been among the safest in the region, including Chile, Ecuador, Argentina, Uruguay, Costa Rica, and Peru. In Chile, where crime remains low in comparison to the region but high by its standards, it likely contributed to the lopsided victory for the far-right in the constitutional rewriting process. It was the left in Chile who originally got the government to agree to rewrite the conservative constitution; due to crime, the new constitution to be voted on later in 2023 may be even more conservative than the existing one—if there is any change at all.
- Anti-government protesters in Peru are planning a third "Toma de Lima" event when thousands will march from the south to the capital Lima, with independence day on July 18 being the most likely date.[11] Support from Mexican President AMLO and Colombia's Petro have worsened relations with Peru, but expect no harm to supply chains.

Ecuador Elections in August 2023

- Snap elections will be held on August 20, with candidates needing to declare by June 10 and campaigning from August 8-17.[12]
- Elections will be for president, vice president, and 137 seats of the National Assembly.
- Unpopular President Guillermo Lasso can rule by decree until elections, which means there is a high likelihood of pro-business reforms.

Forward Look:

- Only one presidential candidate has officially declared himself: indigenous leader Yaku Perez. Lasso has ruled out running again, as his tenure has been marked by economic issues and the worst crime rates in Ecuadorian history.
- The most likely winners are candidates affiliated with former President Rafael Correa, known as Correismo. The first iteration of Correismo was characterized by excessive social spending from mining and energy profits, which is less sustainable given lower commodity prices and environmental concerns. At home, it was socially conservative, and there was a major crackdown on dissent. It was also categorized as having a far-left foreign policy akin to Venezuela. Correismo candidates have done well in the last year, mainly as a more moderate version of the Correia years.
- Moderation when it comes to social spending, cultural issues, and some foreign policy areas is likely under the new Correismo. However, retribution against political rivals and censorship are likely. Correismo also has no clear policy on drug-related crime, which is likely to continue. International investors will not welcome Correismo's return.

FOOTNOTES

- [8] <https://thelodestar.com/mexican-rail-seizures-give-near-shoring-interests-pause-for-thought/>
- [9] <https://elpais.com/internacional/2023-05-27/el-candidato-que-lidera-encuestas-queda-fuera-de-las-elecciones-en-guatemala.html>
- [10] <https://colombiareports.com/petro-ends-ceasefire-with-farc-dissidents-in-south-colombia/>
- [11] <https://www.infobae.com/peru/2023/05/30/puno-dirigentes-confirmaron-la-reanudacion-de-protestas-contra-el-gobierno-de-dina-boluarte/>
- [12] <https://www.prensa-latina.cu/2023/05/24/aprueban-calendario-y-fondos-para-elecciones-anticipadas-en-ecuador>



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South Africa Eskom Outages and BRICS Summit

- South Africa to experience intensified power outages from June–August 2023
- BRICS leaders to hold summit in Johannesburg, South Africa, in August 2023

Forward Look:

- The state-owned energy company Eskom warned of intensified power outages nationwide that could last up to 16 hours daily during winter months due to shortages of its energy supply. Winter will last from June to August. Officials will increase load shedding, or planned power outages, nationwide due to a higher demand for energy in the winter and insufficient supplies. [13] South Africa relies heavily on coal-powered plants to supply 80 percent of the country's power. [14]
- Leaders of Brazil, Russia, India, China, and South Africa (BRICS) are set to meet in Johannesburg, South Africa, to discuss adopting a common trading currency other than the dollar amid shortages. The organization is aimed at providing an alternative to the G7; critics allege the G7 relies too heavily on imposing Western standards and values. [15]

African Political Developments

- **Sudan:** Fighting will continue despite ceasefires
- **Ghana:** USD 3 billion bailout approved [16]
- **Senegal:** Trial of opposition leader Ousmane Sonko could lead to violence
- **Nigeria:** Fuel subsidies to lift likely causing some social unrest and panic-buying [17]

Forward Look:

- Fighting in Sudan has diminished in accordance with a series of ceasefires. The trend is likely to continue, which means the crisis will continue to adversely impact the strategic region, which includes direct impacts on Egypt, Ethiopia, and Chad. Neither of the two warring parties, the military and the Rapid Support Forces (RSF), has a reason to halt fighting. A power-sharing agreement that precludes democratic elections, immunity from crimes committed, and the maintenance of valuable revenue streams will likely halt the fighting, but it appears unlikely in June 2023. The prospect of Western business returning to the growing nation has been pushed back for years. The supply of gum arabic, a major input into food production, will begin to diminish as Sudan is one of the few global suppliers.
- The International Monetary Fund (IMF) bailout in Ghana, only some of which is available immediately, will help alleviate the inflation crisis.
- Nigeria's President Bola Tinubu proclaimed an end to its fuel subsidy policy, immediately plunging the country into a crisis. Long lines formed at fuel pumps across the country, and travel was disrupted as many buses were unable to refuel and run routes. The fuel subsidy will end in late June.
- Opposition leader Ousmane Sonko's trial for an alleged rape in 2021 delivered a two year prison sentence on June 1. Sonko called the trial politically motivated, providing President Macky Sall (who is running for a can illegal third term) the ability to remove his greatest threat in the upcoming election. Sonko has called on his supporters to protest en masse. Riots erupted on his initial arrest in 2021; since he has been convicted there is a strong possibility of even greater violence and disruption.

China Moves Against U.S. Companies

- An updated anti-espionage law goes into effect on July 1, 2023.
- A number of other measures that will reduce profitability and safety of Western personnel are also being imposed; there were two high-profile raids or sanctions on Western companies in May 2023.
- This is despite China's economy struggling due to high domestic debt levels, high youth unemployment, and low demand for its products.

Forward Look:

- In May 2023, China raided the office of U.S. consulting firm Capvision and then banned semiconductor chips from U.S. maker Micron. Consulting firms that advise Western business operations in China are no longer feasible, with China believing they can leak sensitive data and considering it espionage.
- Starting July 1, an updated anti-espionage law goes into effect that will limit information-sharing with Western financial firms. China has also expanded the list of offenses that Westerners can be arrested for and the use of exit bans to expand beyond Chinese nationals to include foreign business leaders.
- In response to effective Western trade restrictions and President Xi Jinping's key governing philosophy, which prioritizes national security and self-dependence over economic growth, expect the crackdown on Western companies to continue even if it harms China's economy.
- China has a debt (led by its own interior provinces) that risks spiraling in the next year and rampant youth unemployment, which risks triggering more widespread social unrest.

Risk of Unrest in Pakistan Ahead of Elections

- General elections will be held in October 2023.
- The unpopular ruling government is seeking to delay elections while there are legal cases against the leading opposition candidate, Imran Khan.
- Unrest erupted when Khan was arrested, and there are continued legal issues against him with a high probability of triggering wider unrest.

Forward Look:

- The nationwide protests that erupted in cities in May have subsided but are highly likely to resurface before the October 2023 general elections. The Supreme Court ordered the release of former Prime Minister Imran Khan, which ended the protests; however, there has been a security crackdown against the violence carried out by his supporters, and there is a high chance Khan could be arrested again. Internet communications in support of protests are in place, as are movement restrictions on Khan and his allies. If Khan were permitted to run in the elections, there is a high likelihood that his anti-establishment Pakistan Tehreek-e-Pakistan (PTI) party would win and challenge the powerful military. To maintain his popularity, Khan has used elections and large protests to highlight the poor state of Pakistan's economy, and he will need to do so again to win the elections. The risk of social unrest is high because of the dueling legal efforts against Khan and his need to rally supporters via protest.
- The legal route may be the best way for the military and the incumbent political party to ensure Khan does not return to power after being ousted in April 2022. However, unlike past jailings of political leaders, Khan has grassroots popularity that risks turning into uncontrollable social unrest, which presents a high physical risk inside Pakistani cities.

FOOTNOTES

[13] <https://www.reuters.com/business/energy/south-africas-eskom-says-power-cuts-could-increase-higher-level-2023-05-18/>

[14] <https://www.news24.com/news24/southafrica/news/difficult-winter-ahead-as-eskom-warns-western-cape-of-high-possibility-of-stage-8-load-shedding-20230525> [15]

<https://www.bloomberg.com/news/articles/2023-05-17/g-7-summit-contest-with-china-and-russia-in-key-partners-a-focus?leadSource=uverify%20wall>

[16] <https://www.bloomberg.com/news/articles/2023-05-17/ghana-gets-imf-board-approval-for-3-billion-bailout#xj4y7vzkg>

[17] <https://www.africanews.com/2023/05/30/nigeria-faces-fuel-shortages-as-subsidies-are-removed/>



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Asia-Pacific Updates

- **Cambodia:** Opposition party loses bid to overturn election ban ahead of July 2023 elections[18]
- **Thailand:** Coalition government insight but risk of social unrest is high
- **Vietnam** begins nationwide planned blackouts due to extreme heat[19]
- **South Australia:** State rapidly implements new anti-protest laws after disruptions of oil and gas conference
- **Australia and New Zealand** prepare for Women's World Cup in July–August 2023

Forward Look:

- On May 25, 2023, Cambodia's main opposition party, Candlelight Party (CP), lost its bid to overturn a ban on participating in the upcoming elections on July 23, 2023. Long-serving leader Hun Sen will likely run unchallenged. Hun Sen is among the world's longest-serving leaders and is widely accused of using the legal system to thwart opposition to his rule, particularly in the run-up to elections. CP was rejected to register by the National Election Committee (NEC) due to a failure to submit certain documents. The CP was seen as the only viable challenger to Hun Sen's ruling Cambodian People's Party (CPP). Hun Sen is aiming to extend his 38-year rule while likely preparing his son, Hun Manet, to lead Cambodia after him.
- Eight political parties that won a majority of seats in Thailand's May 14 general election signed a memorandum of understanding to form a government. However, even with those eight parties, a majority for a government led by Pita Limjaroenrat's Move Forward is not possible. Pita is largely an anti-monarchy and anti-military candidate, but he will need some votes from the 250-member Senate, which is made entirely of pro-military and monarchy politicians.[20] There is no deadline to form a government, which could extend into July or August as per previous elections. The lack of Senate support leaves open the possibility that supporters of the monarchy or military form an unpopular coalition government. In this scenario, there will likely be widespread social unrest similar to the levels seen in 2019 and 2020. A minority government led by the military or a coalition led by another party remains slim. The most likely scenario is that a few members of the Senate vote to approve the eight-party coalition but operate as a counterweight to major pro-democracy reforms or efforts to remove the Lese Majeste law, which imposes harsh prison sentences for insults to the monarchy.
- Power cuts in Vietnam, partially attributed to excessive electricity demand from EL Nino heat wave patterns, could impact business operations. Vietnam is arguably the key alternative manufacturing market to China.

Israel Protests

- The four-day conflict between Gaza Strip-based Islamic Jihad and Israel, as well as the government's passing of the 2023–2024 national budget on May 24, 2023, diverted attention from the controversial judicial reforms proposed by Prime Minister Benjamin Netanyahu, resulting in a decrease in related unrest and social strife.[21]
- However, some parts of the budget—specifically the use of a significant portion of NIS 14 billion (USD 3.78 billion) in discretionary funds as subsidies earmarked for Israel's Orthodox religious community—sparked controversy and triggered protests by left-wing activists. Those opposed to the budget view these payments as “bribes” intended to keep far-right-wing religious figures in the government coalition despite their anger over the shelving of the judicial overhaul.

Forward Look:

- Bi-partisan negotiations over the future of the proposed judicial reform are ongoing. Netanyahu stated after the budget passed that “the judicial reform will return”; it remains unlikely that the legislation will move forward in its original form due to its broad unpopularity. Meanwhile, a leak detailing a proposed compromise agreement indicates that there may be some progress towards moderating the legislation's most controversial elements, including those dealing with changes to the judicial appointment process and the Knesset's powers vis-a-vis the Supreme Court.[17]
- The government also has until July 31, 2023, to pass a contentious Haredi draft bill, which deals with military draft exemptions for members of the Orthodox community. Far-right-wing United Torah Judaism (UTJ) chairman and minister Yitzhak Goldknopf threatened to leave Netanyahu's government if a renegotiated version of the bill is not agreed on, further threatening the country's political stability as the Knesset's summer session continues.[18]

Chinese Debt and German Economic issues

- Two of the world's premier manufacturing economies, Germany and China, have potentially insurmountable economic problems.
- China is struggling to recover debt owed from abroad, while its own interior provinces have debt issues as well.
- Germany's economy could drag the EU for years.

Forward Look:

- Most Chinese provinces have a debt-to-income ratio over 120 percent.[22] With little chance of repaying the debt, cities will have to undergo austerity measures while also taking a greater share of revenues from wealthier coastal cities. China will have to divert money away from growth-boosting projects to continue repaying its debt, which increases the risk of social unrest.
- Germany is the first G7 economy to enter recession on the back of high material costs and low demand for its manufactured goods.[23] In recent years, Germany's economy has relied on exports for nearly 50 percent of its gross domestic product (GDP), which is unsustainable for an advanced economy. With Germany unlikely to recover this level of exports—coupled with a failure to diversify energy sources and its overall economy—Germany will have difficulty maintaining low unemployment, and there is a high risk of social unrest. Germany will likely remain a drag on the EU economy for years.

FOOTNOTES

[18] [hXXps://www.theonlinecitizen.com/2023/05/25/cambodian-opposition-party-loses-bid-to-overturn-election-ban/](https://www.theonlinecitizen.com/2023/05/25/cambodian-opposition-party-loses-bid-to-overturn-election-ban/)

[19] [hXXps://www.straitstimes.com/asia/se-asia/vietnam-starts-planned-blackouts-as-heat-stretches-grid](https://www.straitstimes.com/asia/se-asia/vietnam-starts-planned-blackouts-as-heat-stretches-grid)

[20] [hXXps://www.reuters.com/world/asia-pacific/thai-alliance-aims-ambitious-reforms-not-royal-insult-law-draft-2023-05-22/](https://www.reuters.com/world/asia-pacific/thai-alliance-aims-ambitious-reforms-not-royal-insult-law-draft-2023-05-22/)

[21] [hXXps://www.aljazeera.com/news/2023/5/24/israel-postpones-parole-session-for-writer-walid-daqq](https://www.aljazeera.com/news/2023/5/24/israel-postpones-parole-session-for-writer-walid-daqq)

[22] [hXXps://www.bloomberg.com/news/features/2023-05-21/china-s-23-trillion-local-debt-crisis-threatens-xi-s-economy](https://www.bloomberg.com/news/features/2023-05-21/china-s-23-trillion-local-debt-crisis-threatens-xi-s-economy)

[23] [hXXps://www.bbc.com/news/business-65707206](https://www.bbc.com/news/business-65707206)



ZeroFox Intelligence Geopolitical Brief for June 2023

TLP: CLEAR

B-2023-06-01a



Turkey Election and Champions League

- Longtime Turkish leader Recep Tayyip Erdogan won reelection on May 28 in Turkey's first runoff election. Erdogan earned roughly 52 percent of the vote; his challenger, Kemal Kilicdaroglu, earned roughly 48 percent. Despite the comfortable win for Erdogan, it was the first election since he came to power in 2003 that he did not win outright in the first round, reflecting a limited but growing opposition to his rule.[24]
- The UEFA Champions League final match is scheduled to take place in Istanbul on June 10 between Manchester City and Inter Milan.

Forward Look:

- President Erdogan will likely continue his unorthodox economic approach. He has vowed to continue cutting interest rates, despite near-record inflation and a local currency that has lost over 90 percent of its value since 2018. [25]
- Erdogan will also likely continue his independent approach to foreign policy. This includes continued purchase of Russian oil and a transactional approach to Turkey's Western partnerships. On the campaign trail, Erdogan made repeated promises to repatriate Syrian refugees, though it is unclear how quickly he will be able to do this.
- Election-related unrest is unlikely during the UEFA final, although some displays of political affiliation may take place. Protest activity against Erdogan's increasingly autocratic rule, or for other reasons such as climate change, is possible.
- UEFA will be rolling out new security procedures after it was heavily criticized for unsafe conditions at last year's final.

ABOUT ZEROFOX

ZeroFox (Nasdaq: ZFOX), an enterprise software-as-a-service leader in external cybersecurity, has redefined security outside the corporate perimeter on the internet, where businesses operate and threat actors thrive. The ZeroFox platform combines advanced AI analytics, digital risk and privacy protection, full-spectrum threat intelligence, and a robust portfolio of breach, incident, and takedown response capabilities to expose and disrupt phishing and fraud campaigns, botnet exposures, credential theft, impersonations, data breaches, and physical threats that target your brands, domains, people, and assets. Join thousands of customers—including some of the largest public-sector organizations as well as finance, media, technology, and retail companies—to stay ahead of adversaries and address the entire lifecycle of external cyber risks.

See ZeroFox in action

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Get in touch with us today

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Chinese Hacking Attempts Focus on Indebted Nations and Western Infrastructure

- A Chinese-backed hacker group, Backdoor Diplomacy, regularly targeted the government of Kenya to discern its ability to repay loans from China's key infrastructure initiative, the Belt and Road Initiative (BRI).[26] China has loaned money to 150 countries under BRI—many of them in the developing world with minimal ability to repay the debt. This also demonstrates China's unique debt sensitivities given its own heavily-indebted interior and current economic crisis.
- China also repeatedly hacked U.S. communications infrastructure at outposts in the Asia-Pacific region, led by Guam. This geographic area would be the most likely source for a military confrontation between the two sides over Taiwan or Chinese interest in the small island nations. It also demonstrates forward-thinking cyber escalations by China in the event of a military confrontation with the West.

APPENDIX: Traffic Light Protocol for Information Dissemination

TLP:RED

HOW IT IS USED

Sources may use TLP:RED when information cannot be effectively acted upon by additional parties and could lead to impacts on a party's privacy, reputation, or operations if misused.

HOW IT IS SHARED

Recipients may NOT share TLP:RED with any parties outside of the specific exchange, meeting, or conversation in which it is originally disclosed.

TLP:AMBER

HOW IT IS USED

Sources may use TLP:AMBER when information requires support to be effectively acted upon but carries risks to privacy, reputation, or operations if shared outside of the organizations involved.

HOW IT IS SHARED

Recipients may ONLY share TLP:AMBER information with members of their own organization and its clients, but only on a need-to-know basis to protect their organization and its clients and prevent further harm.

Note that TLP:AMBER+STRICT restricts sharing to the organization only.

TLP:GREEN

HOW IT IS USED

Sources may use TLP:GREEN when information is useful for the awareness of all participating organizations, as well as with peers within the broader community or sector.

HOW IT IS SHARED

Recipients may share TLP:GREEN information with peers and partner organizations within their sector or community but not via publicly accessible channels.

TLP:CLEAR

HOW IT IS USED

Sources may use TLP:CLEAR when information carries minimal or no risk of misuse in accordance with applicable rules and procedures for public release.

HOW IT IS SHARED

Recipients may share TLP:CLEAR information without restriction, subject to copyright controls.

FOOTNOTES

[24] [hXXps://www.bbc.com/news/world-europe-65743031](https://www.bbc.com/news/world-europe-65743031)

[25] [hXXps://www.cnn.com/2023/05/19/economy/erdogan-turkey-election-inflation-promise/index.html](https://www.cnn.com/2023/05/19/economy/erdogan-turkey-election-inflation-promise/index.html)

[26] [hXXps://www.reuters.com/world/africa/chinese-hackers-attacked-kenyan-government-debt-strains-grew-2023-05-24/](https://www.reuters.com/world/africa/chinese-hackers-attacked-kenyan-government-debt-strains-grew-2023-05-24/)

