

2023: A Geopolitical Review

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9 MIN READ

Dec 26, 2023



As 2024 approaches, we look back at the previous year and consider the top five events as measured by geopolitical impact. (YAHYA HASSOUNA/AFP via Getty Images)

As geopolitical analysts, our primary task is to look to the future. But with the turning of the year, it is also instructive to take stock of the previous year and consider what events had the largest geopolitical impact. Some things are obvious: The Oct.7 Hamas attack on Israel and the subsequent Israeli response in Gaza, for example. Others seem significant at the time, but are more marker than inflection point, such as the hullabaloo surrounding a certain Chinese balloon over the United States that saw one of the year's most mismatched dogfights as an F-22 took on the unarmed dirigible.

Several trends also emerged in 2023 that won't make our top five list this year, but that were still certainly significant, such as the erosion of support for ESG-driven investment strategies (especially in the United States and the United Kingdom) or the calming of Latin

America's "pink tide" (as exemplified by the election of a libertarian president in Argentina). And there were numerous runners-up. These included the seizure by Azerbaijan of Nagorno-Karabakh, highlighting Russia's continued decline in the Caucasus. They also included the Shan militia entry into the Myanmar civil war, raising concerns of the Balkanization of Myanmar and drawing Chinese political intervention. And they included the Venezuelan referendum on Essequibo, the expansion of the BRICS bloc and the Wagner Group's failed drive on Moscow.

In narrowing the list for this year, we looked at the scope and scale of the actual or potential future impact, preferencing events and issues that had broader reach and lasting implications. Our shortlist includes emerging technologies, economic challenges and, not unexpectedly, conflict.

5. The EU Reaches a Compromise on AI Restrictions (Dec. 8)

Only a few weeks past the first anniversary in November of the release of ChatGPT, the European Union compromised Dec. 8 on a new Artificial Intelligence Act that seeks to erect controls on the rapid expansion and adoption of AI tools worldwide, motivated by the growing use (and misuse) of generative AI. ChatGPT and its various spinoffs and competing systems have shaken up education, raised new fears of AI challenges to white-collar jobs, and facilitated a new wave of mis- and dis-information around the globe. Generative AI tools make spoofing imagery and video much easier for anyone, including nefarious actors, intensifying trends toward selective disbelief in information flows and potentially exacerbating widening political and ideological rifts in many democratic nations while strengthening the hand of information control in more autocratic areas. Governments have responded by scrambling for advantage in the development and deployment of AI tools and to establish regulations

to control, or at least manage, their use. The European Union AI Act will likely be approved and enter effect in early 2024. The act may constrain AI development in the Continental bloc due to its stringent reporting and transparency requirements, and the compromises that led to the act highlight divergent views inside the European Union on the balance between innovation, economic opportunities, information security and personal rights in a microcosm of global differences on the issue.

4. The Netherlands and Japan Join U.S. Semiconductor Restrictions on China (Jan. 27)

At a meeting in Washington in late January, Japan and the Netherlands agreed to impose export controls on advanced semiconductor manufacturing equipment, moving into alignment with U.S. restrictions in place since October 2022. In June, the Netherlands announced its new restrictions, followed by Japan in July.

Washington has identified technology as a key component of its competition with China, highlighting both the economic and military significance of advanced microchips. Overall, Washington gained more traction this year with its European and Asian partners on restricting semiconductor trade with China, limiting Beijing's access to more advanced chips and strengthening concerns regarding the growing division of global technology development. In response, Chinese firms sought alternative paths to manufacture chips (like SMIC's 7 nm chips rolled out in a Huawei phone), and Beijing engaged in countermoves against U.S. companies such as Micron. China also enacted restrictions on gallium and germanium exports, as well as graphite, key minerals for semiconductor and electric vehicle battery industries, exploiting China's critical role in mineral supply chains and keeping alive fears of the impact of decoupling or even derisking efforts in U.S.-China trade. Adding Japan and the Netherlands — the two most important countries outside the U.S. producing equipment for semiconductor manufacturing — makes U.S. export controls on China more effective, closing some of their loopholes. It also gave China an incentive to begin striking back against the United States and others with

retaliatory moves given it now faces a growing global, not just U.S., front against its tech sector.

3. China Reports Youth Unemployment at 21.3 % (July 17), Qin Gang Replaced as Foreign Minister (July 25)

China's report for youth unemployment figures in June emerged July 15, showing the figure had reached 21.3% for the month, a number expected to climb again in July. But when August rolled around, however, Beijing was no longer publishing youth unemployment figures, citing statistical adjustments. The cessation of data only emphasized China's challenges with rising youth unemployment and its disappointing post-COVID economic recovery. China's real estate market continues to be both a focus of reform and a drag on economic recovery, with more than 40% of China's major developers having defaulted since 2021, according to figures from October 2023. While China's overall 2023 economic growth rate will clock in at around 5%, it comes from a low base rate, and is much less robust than many initially anticipated from a post-COVID rebound. A slower than expected Chinese economy has significant implications well beyond China, as the country is the key trading partner with much of the world and a major source of investment, particularly in infrastructure, for many developing nations. At the same time Beijing struggled with economic confidence, it also saw a series of disappearances and removals of key figures, including Foreign Minister Qin Gang and Defense Minister Li Shangfu (both apparently hand-picked by Xi Jinping), as well as several members of the People's Liberation Army Rocket Force, which oversees much of China's nuclear weapons. Beijing has provided little information about the political changes, and speculation regarding reports of leaked secrets and internal corruption abound. Chinese leaders had expected to come out of the COVID era in a strong international position, but instead have found their economic efforts lagging, their political house in disarray, and their international space constrained by stronger U.S.-European economic and technology cooperation and strengthening U.S.-Asia security ties.

2. Finland Joins NATO (April 4)

Finland officially joined NATO in 2023, while Sweden's membership remains held up by Turkish politics. The NATO expansion is a direct response to Russia's invasion of Ukraine, and has seen the strengthening of defensive positions along the northern NATO frontier, from the Arctic through the Nordic countries down through the Baltics. Although there was already cooperation between Finland and Sweden and NATO countries, Finland's membership (and Sweden's impending membership) removes any potential ambiguity and expands the contact zone between NATO and Russia. The Russia-Finland border is around 830 miles long (or 1,340 kilometers) making it the longest land border between Russia and a NATO country. Moscow has announced plans for an expanded force presence along the Finnish frontier, and triggered a brief migrant crisis that prompted Finland to close its border with Russia. In October, the potential risks to the Baltic Sea, now fully encircled by NATO up to the narrow Russian coastline, was once again highlighted when an undersea pipeline and telecommunication cable were both damaged, allegedly by a Chinese cargo ship dragging its anchor along the seafloor. Coming just more than a year after the attack on the Nord Stream gas pipelines under the Baltic, the incident has reinvigorated European and NATO attention to subsea infrastructure and the importance of security in the Baltic Sea. While NATO expansion remains limited to the northern frontier for the moment, the European Union agreed to open membership talks with Ukraine and Moldova (despite, or perhaps because of, Ukraine's failed summer offensive and the stagnation of the fighting front), and to grant candidate status to Georgia, showcasing the political dynamics that will likely shape any future end to the Ukraine conflict and a post-conflict settlement.

1. Hamas Attacks Israel (October 7)

On Oct. 7, Hamas militants attacked from Gaza into Israel, killing more than 1,200 people and kidnapping more than 200 civilians. The attack shocked Israel, exposed a

major intelligence failure, and led to a major counteroffensive by Israeli forces that has drawn growing international condemnation. Beyond the humanitarian tragedy on both sides, the conflict has suspended the Saudi-Israeli normalization process, which was reshaping intraregional security dynamics, and raised the specter of an expanding regional conflict. Iranian-linked militia in Iraq and Syria carried out additional localized attacks on U.S. forces and interests in Iraq and Syria, and Hezbollah has increased cross-border shelling from Lebanon and expanded its forward-force presence. Houthi forces in Yemen have meanwhile taken a more aggressive approach, attacking shipping in the Red Sea, triggering several major shipping companies to reroute around Africa and leading to a new U.S.-led multilateral maritime operation to protect ships. Outside the region, the conflict has inflamed social divisions between support for Israel and support for the Palestinians, leading to protests, clashes, localized violence and political posturing. Israel's decision to blockade Gaza, and to attack hospitals as part of its counteroffensive, has led to a steady erosion of political support, and is challenging U.S. and European government responses. The U.S. administration is trying to walk a balance between supporting Israel's intent to eliminate Hamas' capabilities and growing condemnation of Israeli actions from within the Democratic Party base and from the international community. Even as Israel advances in Gaza, the unresolved question remains of what form of security and governance for the territory will be acceptable to all parties after the initial conflict winds down, straining internal Israeli government stability and the evolution of U.S. support for Israel.