

Weekly Forecast Monitor: July 12, 2024

The Weekly Forecast Monitor is a forward-looking assessment of geopolitical dynamics shaping our world. To get more in-depth analysis of these issues and learn more about analytical products from New Lines Institute – including simulations, training sessions, and forecast reports – contact us at analyticalproducts@newlinesinstitute.org and visit <https://newlinesinstitute.org/analytical-products/>.

Global Hotspots

The Global Hotspot Tracker examines the outlook for key geopolitical hotspots around the world.

Russia/Ukraine Conflict [Go to forecast reports](#)

Summary – The Russia-Ukraine conflict is trending toward military and hybrid escalation scenarios as NATO members held a summit to pledge increased support for Ukraine. Saudi Arabia warned against a G7 plan to use frozen Russian assets to fund Ukraine. Hungarian Prime Minister Viktor Orban toured Ukraine, Russia, and China to promote a cease-fire, though Ukrainian President Volodymyr Zelenskyy rebuffed his efforts.

FORECAST INDICATORS

Military escalation scenario

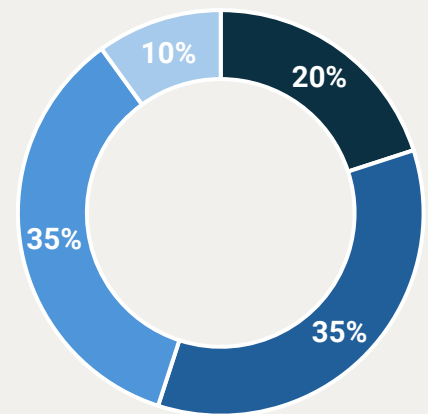
- NATO countries pledged additional support for Ukraine during a summit in Washington, D.C., including a baseline funding of \$43 billion for next year, a new military command center in Germany to train Ukrainian troops, and additional air defense commitments.
Risk level – medium
- A Russian missile attack hit a children’s hospital in Kyiv, killing more than 20. Russia reportedly captured the Ukrainian village of Chigari.
Risk level – low/medium
- China and Belarus conducted joint military drills for “anti-terrorist training” purposes near the Ukrainian border.
Risk level – low/medium

Hybrid escalation scenario

- Saudi Arabia has reportedly warned that if the G7 uses frozen Russian assets to fund Ukraine, Riyadh could sell off its European debt holdings, including those issued by the French Treasury.
Risk level – medium
- Ukraine seized a foreign cargo ship in the Black Sea that the Ukrainian prosecutor general's office said contained grain illegally exported from Crimea.
Risk level – low

Diplomatic de-escalation scenario

- Orban visited Ukraine, Russia, and China to promote an immediate cease-fire between Russia and Ukraine. Zelenskyy dismissed the plan.
Opportunity level - low



- Status quo (down 5 pts from start of 2024)
- Military escalation (up 10 pts from start of 2024)
- Hybrid escalation (down 5 pts from start of 2024)
- Diplomatic de-escalation (static from start of 2024)

Middle East [Go to forecast reports](#)

Summary – Tensions in the Middle East trended toward both military escalation and diplomatic de-escalation scenarios as reformist candidate Masoud Pezeshkian won Iran’s presidential election. Hamas and Israel began negotiations on the first phase of a three-phase cease-fire deal laid out by U.S. President Joe Biden in May. Tensions between Israel and Hezbollah remain high after two Israeli civilians and a senior Hezbollah member were killed.

FORECAST INDICATORS

Military escalation scenario

- Israel and Hezbollah continued to exchange fire, as the Israel Defense Forces (IDF) hit a Hezbollah site deep in Lebanese territory, a separate IDF drone strike killed a senior member of Hezbollah’s air defense unit, and Hezbollah attacks killed two Israeli civilians and one soldier.

Risk level – medium

- The IDF continued its offensive in northern Gaza and in Rafah, saying it killed dozens of gunmen in Gaza City’s Shejaiya neighborhood.

Risk level – low

- Satellite imagery indicates Iran is expanding two key ballistic missile facilities.

Risk level – low

- Seven Palestinians were killed during an IDF raid in the West Bank city of Jenin.

Risk level – low/medium

Hybrid escalation scenario

- Al-Houthi rebels targeted a U.S.-flagged Maersk vessel in the Arabian Sea, marking their longest-range attack on a commercial vessel since they started attacking shipping in November 2023.

Risk level – low/medium

Diplomatic de-escalation scenario

- Significant progress was made in cease-fire negotiations between Hamas and Israel. After Hamas agreed to the framework of the deal, the two sides began negotiating phase one of the three-phase cease-fire proposal introduced by Biden in May.

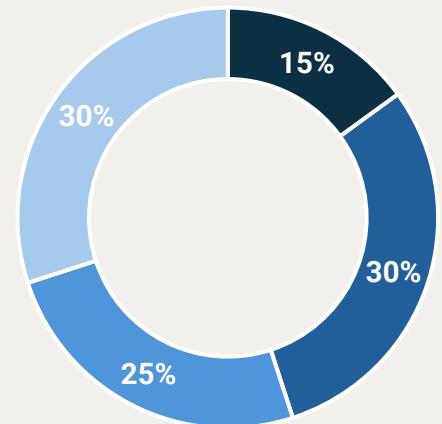
Opportunity level - medium

- IDF troops withdrew from parts of Gaza City.

Opportunity level – low/medium

- After reformist candidate Masoud Pezeshkian won Iran’s presidential election, he pledged to open Iran to the West.

Opportunity level – medium



- Status quo (down 5 pts from start of 2024)
- Military escalation (up 5 pts from start of 2024)
- Hybrid escalation (down 10 pts from start of 2024)
- Diplomatic de-escalation (up 10 pts from start of 2024)

U.S./China/Indo-Pacific [Go to forecast reports](#)

Summary – Tensions in the Indo-Pacific trended toward a hybrid escalation scenario, as NATO, seeking to strengthen ties with Indo-Pacific partners, labeled China a “decisive enabler” of Russia’s war in Ukraine. Australia warned of a China-backed hacker group that stole information from Australian networks in 2022. The EU expanded its investigation into Chinese wind turbine companies to include those operating in Germany. A record number of Chinese military aircraft crossed the median line of the Taiwan Strait.

FORECAST INDICATORS

Military escalation scenario

- Taiwan reported 66 Chinese military aircraft around the island in a 24-hour period, as China carried out training exercises off Taiwan’s southeastern coast. Of the 66, 56 crossed the median line of the Taiwan Strait, setting a 24-hour record.

Risk level – medium

- South Korea said it will deploy laser weapons to take down North Korean drones later this year, which would make it the first country to use laser weapons for military purposes.

Risk level – medium

Hybrid escalation scenario

- In its Washington Summit Declaration, NATO called China a “decisive enabler” of Russia’s war in Ukraine, saying the growing partnership between the two powers is a concern.

Risk level – low/medium

- Japan, South Korea, Australia, New Zealand, and NATO discussed expanding defense industrial cooperation during the NATO summit in Washington. The Indo-Pacific countries stressed the interconnectedness between European and Indo-Pacific security.

Risk level – medium

- The Australian Cyber Security Centre accused the China-backed hacker group APT40 of stealing passwords and usernames from two Australian networks, saying the group carried out the operation on behalf of China’s Ministry of State Security. The Australian agency considers the group an ongoing threat.

Risk level – low/medium

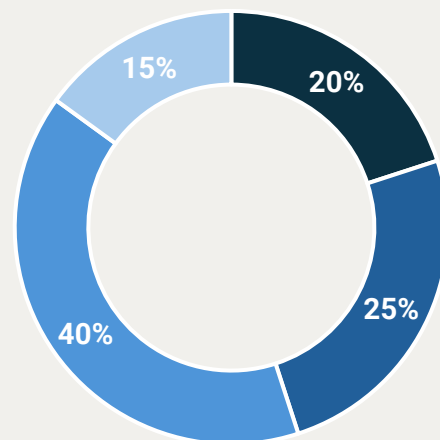
- The EU expanded its probe into Chinese wind turbine companies to include ones operating in Germany.

Risk level – low/medium

Diplomatic de-escalation scenario

- While U.S.-Philippine security relations remain close, Manila announced it would remove the recently installed U.S. midrange missile system in the coming months. The decision is likely to ease tensions with China.

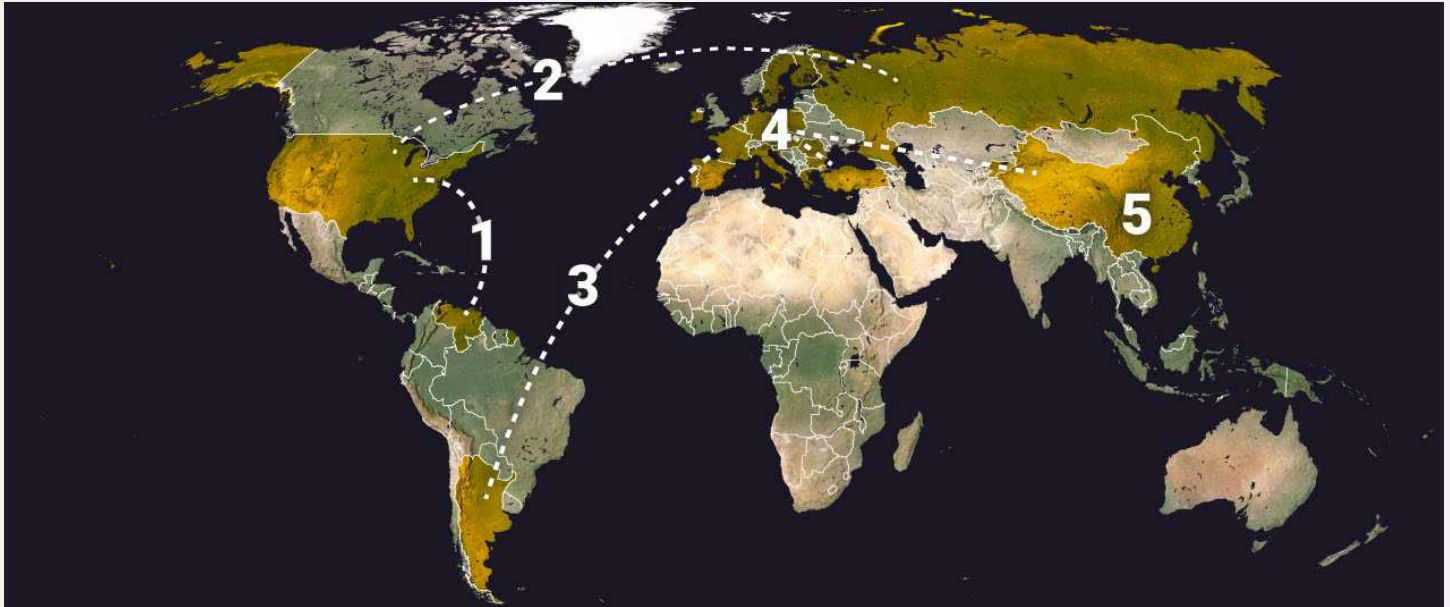
Opportunity level – low/medium



- Status quo (down 20 pts from start of 2024)
- Military escalation (down 5 pts from start of 2024)
- Hybrid escalation (up 15 pts from start of 2024)
- Diplomatic de-escalation (up 10 pts from start of 2024)

Global Connectivity

The Global Connectivity Tracker examines the sectoral impact of geopolitical dynamics on key themes like the global energy/climate transition, trade, and technology.



Energy/Climate

1. U.S./Venezuela: Oil

What happened: Venezuelan President Nicolas Maduro has accepted a U.S. offer to discuss his country's upcoming presidential elections and U.S. oil sanctions.

- **Significance/Outlook:** The U.S. has demanded election reform in Venezuela as a condition for removing sanctions on its crude oil exports. After reaching an agreement in talks mediated by Qatar last year, Washington granted Venezuela a six-month waiver on the oil embargo, increasing the supply of Venezuelan oil on the market and helping lower fuel prices. However, after a major Venezuelan opposition presidential candidate was effectively barred from the July 28 ballot, those sanctions were reinstated. Oil production is a vital part of the Venezuelan economy, and if increased exports improve economic conditions, migrants who have recently fled to the United States in record numbers could be persuaded to stay in Venezuela.

Opportunity level – low/medium

2. U.S./Russia: Oil

What happened: U.S. officials are discussing a potential new strategy to go after Russia's oil revenues by sanctioning a "shadow fleet" of tankers that enable Russia to sell oil above the \$60 per barrel cap imposed after its 2022 invasion of Ukraine.

- **Significance/Outlook:** The U.S. has urged further steps to sideline the fleet of aging oil tankers that conveys Russian oil to clients worldwide in defiance of Western sanctions, but some White House advisers fear those measures could push up oil prices before the November election. The dilemma for the U.S. administration in dealing with Russia is how to impose new energy sanctions to reduce Russian oil revenue while preventing a jump in energy prices. Shadow fleet fines would not eliminate Russian oil from the market, but they would force Russia to sell more at reduced prices under the cap.

Opportunity level – low/medium

3. Argentina/France: Lithium

What happened: French mining company Eramet inaugurated Argentina's first industrial-scale direct extraction lithium plant with the potential of producing enough lithium to build 600,000 electric vehicle batteries annually.

- **Significance/Outlook:** Eramet and its Chinese partner Tsingshan plan to begin producing battery-grade lithium at the plant in northern Argentina by November and expect it to reach full capacity by mid-2025. At full capacity, Eramet says, the plant will produce 24,000 metric tons of battery-grade lithium annually, enough for 600,000 EV batteries and equal to 15 percent of Europe's lithium needs. Direct extraction technology speeds the process of removing lithium through evaporation from the brine water where it is found from 12 to 18 months to just one week, according to Eramet. The technology promises to be a greener alternative to traditional lithium extraction, as most of the water used in the process can be recycled. The project, one of the first commercial-scale plants in the world using the technology to go into production, will serve as an important test for DLE technology. Eramet and Tsinghan plan to start construction on another DLE plant.

Opportunity level – medium/high

4. EU/Turkey/China: Electric Vehicles

What happened: Chinese automaker BYD plans to announce the construction of a \$1 billion manufacturing facility in Turkey to produce electric vehicles for the Turkish and European markets.

- **Significance/Outlook:** The EU imposed additional duties of up to 38% on battery electric vehicles (BEVs) imported from China in addition to its already existing 10% tariff after the European Commission determined Chinese manufacturers had unfairly benefited from substantial government incentives for over a decade. By building vehicles in Turkey, a member of the EU customs union, Shenzhen-based BYD, the leading EV manufacturer in China, hopes to avoid paying the EU tariffs. The company had previously disclosed its intention to bring BEVs priced at less than 20,000 euros to Europe.

Opportunity level – low/medium

5. China: Renewable Energy

What happened: China remains the world's largest producer of solar and wind energy, building nearly twice as much renewable energy capacity as the rest of the world combined in 2023.

- **Significance/Outlook:** China remains significantly ahead of the U.S. when it comes to renewable energy production, adding twice as much capacity of industrial-scale solar and wind in 2023 compared to any other year. Renewable energy production is one of the key elements of the technological and broader geopolitical competition between the U.S. and China, with Beijing retaining the advantage in both price and scale. Despite significant investment in this sector under the Biden administration, China is likely to remain the leader in both solar and wind production for the foreseeable future, as it could reach 1,200 GW of installed wind and solar capacity by the end of this year which, is six years ahead of schedule for the country.

Risk level – low

Key Stats of the Week

- Argentina is the world's fourth-largest producer of lithium after Australia, Chile, and Bolivia and has seen an uptick in investment in lithium extraction this year.
- Roughly 60 percent of global lithium reserves are found in the "lithium triangle": Chile, Bolivia, and Argentina.
- In the first four months of 2024, lithium production in Argentina was up nearly 50 percent year-on-year.

Sources: <https://www.reuters.com/business/autos-transportation/frances-eramet-targets-november-production-start-argentina-lithium-plant-2024-07-03/>

<https://www.mining.com/web/argentine-lithium-output-up-by-almost-half-in-first-four-months-of-2024/>