



IMPACT ANALYSIS

August 4, 2022

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RECENT DEVELOPMENTS

Monkeypox

Brazil, Spain, and India have reported the first deaths from Monkeypox outside of Africa. They occurred only days after the World Health Organization (WHO) declared monkeypox a public health emergency of international concern. The declaration signals a public health risk requiring a coordinated international response. It is assessed that the outbreak will take a year or more to control, and there will likely be hundreds of thousands of cases. Monkeypox also has the potential to become endemic in some countries. The disease continues to affect mainly men who have sex with men, but many infected people report no known source of infection, indicating undetected community spread.

Figure 1 — Monkeypox Global Spread
Monkeypox tally.info



International Monetary Fund (IMF) World Economic Outlook

The International Monetary Fund (IMF) released its World Economic Outlook on July 26. It forecasts global growth to be 3.2% in 2022. This is a 0.4% decrease since the last forecast in April and half of the 6.2% growth last year. The economic slowdown has been primarily caused by inflation, an economic slowdown in China related to its zero COVID policy and associated lockdowns (as well as real estate debt crisis), and the war in Ukraine.

There are several risk factors that could cause a further reduction in growth. A sudden stop to already slowed Russian gas supplies to Europe; a prolonged period of high inflation associated with higher interest rates and financial instability; COVID outbreaks and lockdowns in China; and geopolitical instability.

In this scenario, the IMF forecasts that global economic growth would fall to 2.6% this year and 2% in 2023 which would equal some of the lowest growth since the 1970s. If economic difficulties increase, there will be an elevated risk of civil unrest in multiple countries.

COVID-19 Origins

Two new peer reviewed studies provide the strongest evidence yet that the COVID-19 pandemic began at the Huanan Seafood market in Wuhan, China. One of the studies used mapping tools and social media to demonstrate how the first cases were clustered around the market.

The second study, using genomic data, identified that that two strains, A and B, occurred early in the pandemic. They were unlikely to be circulating in humans prior to November 2019 and the lineages are thought to be the result of at least two cross-species transmission events into humans.

The studies did not determine which animals may have carried the disease, but mammals known to be infectable with the virus, including red foxes, hog badgers, and raccoon dogs, were all sold live in the market. Although the studies do not conclusively rule out other scenarios such as a laboratory leak, zoonotic transfer is the most likely origin. The studies are unlikely to placate conspiracy theorists that believe the pandemic was a deliberate event meant to control people.

Speaker Nancy Pelosi Arrives in Taiwan

Speaker Pelosi arrived in Taiwan on August 2 during her tour of several Asian countries. The trip comes after warnings from the Chinese government indicating any visit by the Speaker would provoke a retaliatory response. In the leadup to her visit, several Taiwanese government websites were hit by distributed denial of service (DDoS) attacks, and Chinese media touted claims of scrambled Chinese fighter jets as her plane neared Taiwanese airspace. However, the Speaker landed in Taipei without incident.

China has indicated they intend to conduct multiple live fire military exercises, as well as military flights, in a show of force following Speaker Pelosi's visit. The visit will likely increase tensions between the U.S. and China in the short-term and may lead to additional military posturing. Corporations and organizations in the U.S. may also be at an elevated risk of multiple forms of cyberespionage carried out by Chinese backed threat actors in response to the visit.

European Union (EU) Gas Rationing Plan

The European Union (EU) has agreed to a voluntary reduction in gas consumption among member states for the coming winter. Roughly 40% of the EU's gas supply is imported from Russia, sparking supply fears after Russia's invasion of Ukraine and subsequent sanctions.

Gazprom, Russia's largest energy company, announced a reduction of gas flow to Europe through the Nord Stream 1 pipeline, citing maintenance issues. The German government claims the maintenance issues are a "farce" and that Russia's actions are meant to increase tensions. With a reduced Russian energy supply, it is expected that energy costs will greatly increase as people heat their homes in winter.

Spain and Portugal pushed for the agreement to be voluntary, as their energy markets are isolated from the Russian supply. Forcing a reduction in their energy consumption would do little to mitigate the supply issues in other European countries.

The situation is expected to worsen as demand for gas increases in the winter months. No alternatives have been proposed to meet demand in this relatively short time frame. Severe increases in energy crisis may lead to further cost of living-based social unrest through the winter.

Tunisian Referendum

On July 25, Tunisia held a referendum to approve a new constitution. The proposed constitution would grant more power to President Kais Saied and weaken parliament.

Opposition groups boycotted the referendum, with turnout at around 30%, significantly lower than all previous elections. According to the government commission that organized the referendum, 95% of voters approved the new constitution.

The U.S. State Department has released a statement on the referendum, detailing how the new constitution has the potential to limit democratic freedoms and human rights within Tunisia. After the Arab Spring, Tunisia was the only country to make significant gains from a social and political perspective. Other countries, such as Egypt and Algeria, regressed to military rule while others devolved into civil wars.

Tunisia's new constitution, under President Saied's leadership, is a potential step towards complete authoritarianism, imperiling the rights and increasing the risk of repression of those in Tunisia, specifically journalists and human rights advocates.

DNA Specific Bioweapons

U.S. lawmakers are worried about the evolving capabilities of biological weapons such as those that may have the capability to target a specific individuals' DNA. This level of specificity would pose a new set of tactical threats. Representative Jason Crow (Democrat-Colorado) told the audience at the Aspen Security Forum, "People will very rapidly spit into a cup and send it to 23andMe and get really interesting data about their background — and guess what? Their DNA is now owned by a private company. It can be sold off...with very little intellectual property protection or privacy protection, and we don't have legal and regulatory regimes that deal with that."

Rep. Crow warned that intelligence indicates these weapons are currently under development, and in some cases, fully developed. Theft of information from companies such as 23andMe remains highly likely as foreign adversaries continue to develop these weapons.

Federal Bureau of Investigation (FBI) Investigation into Huawei

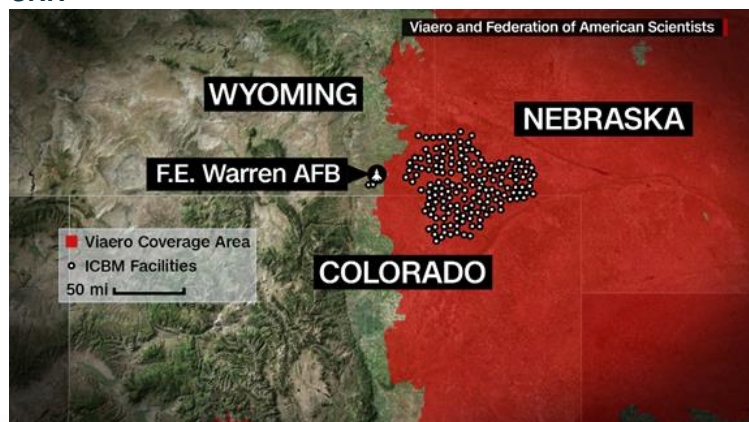
During the Obama administration, the Federal Bureau of Investigation (FBI) launched an investigation into Huawei technology that had been placed on rural cell towers. While most U.S. telecommunications companies refuse to work with Huawei, some small federally subsidized wireless carriers have used this Chinese technology as a cost saving measure. The investigation has found that some tower locations coincide with the locations of U.S. Intercontinental Ballistic Missile (ICBM) silos. Experts fear that these cell towers could be used for "suck[ing] in data and carry[ing] out Intelligence, Surveillance and Reconnaissance (ISR)", and potentially for interrupting communication between ICBM personnel.

In 2019, the Federal Communications Commission (FCC) enacted a rule that essentially barred telecommunications companies from using Huawei technology. Congress subsequently approved US\$1.9 billion in reimbursements for removal of the technology. However, many of these cell towers still have Huawei technology in use.

One of the most worrying uses of Huawei technology is by the telecom company Viaero. This organization serves as the largest provider for a section of Interstate-25, in Colorado, Montana, and Nebraska. This range connects many U.S. ICBM facilities. Investigations revealed that Huawei was likely losing money on this deal, therefore increasing the odds that the technology was put in place for current or future covert activities. While technically FCC compliant, investigations found the technology was capable of clandestine operations.

Figure 2 — Viaero Coverage and ICBM Facilities

CNN



A CLOSER LOOK...

The Impact of High Crime Rates on Businesses

Concerns over crime and safety are having a considerable impact on business as of late. Although businesses have always had to contend with crime, some have recently cited high crime as a primary reason for closing their doors.

In July, Starbucks announced that it would close six stores in Los Angeles, CA due to crime and safety issues. In a letter sent to Starbucks partners, the company highlighted several challenges employees and owners face, including personal safety, racism, a lack of access to healthcare, a growing mental health crisis, and rising drug use. Starbucks had previously announced it would be closing sixteen stores nationwide for similar reasons, including stores in Seattle, WA, Philadelphia, PA, Washington, D.C., and Portland, OR.

Walgreens closed twenty-two locations over the last five years, predominantly in San Francisco, CA. The company has cited “organized retail crime” as a main driver behind the closings. Additionally, Target announced last year that they would shorten operating hours at some San Francisco locations due to escalating retail crime.

In May, the U.S. Chamber of Commerce released a report stating that the retail industry is now faced with large-scale theft and looting, much of it stemming from organized crime. The growing crime trend is compounded by retailers already struggling from the impacts of the pandemic, labor shortages, and supply chain problems. The report also claims that retail theft is quickly emerging as a national crisis.

According to research published in the May 2022 Journal of Urban Economics, consumers consider crime rates when deciding whether to visit a business. The study also concluded that the perception of violence and the risk of victimization could drive away consumers. The perception of an unsafe area, whether accurate or not, can influence shoppers to go elsewhere.

Some have suggested that policymakers should act swiftly to help businesses affected by increased crime, though governance is unlikely to meet the immediate demands of business owners. Companies must reevaluate their strategic approach to protecting their employees and property and develop new approaches for adequate protection.

Russia and the International Space Station (ISS)

Relations between the U.S. and Russia have continued to deteriorate, with Russia announcing its intent to leave the International Space Station (ISS) and its partnership with National Aeronautics and Space Administration (NASA). The partnerships between the space programs of Russia and the U.S. are the last significant coordination between the two nations in the aftermath of Russia's invasion of Ukraine in February.

The ISS is run jointly by the space agencies of the U.S., Canada, Japan, Russia, and the European Space Agency (ESA). Each group provides different technology and resources to maintain operations of the ISS, and no single country can operate the station without the others. Russia provides propulsion technology, controlling altitude and the resupply of cargo craft. In the weeks after the invasion of Ukraine, Russia warned that sanctions on Russia and its space companies directly threaten the operations of the ISS, potentially causing it to crash, though sanctions have not been lifted, and the ISS continues to operate as normal.

Russia has not announced an exact date for their withdrawal from the ISS but has indicated it will take place after Russia completes its own self-sufficient space station. Once this station is complete, it is unclear how NASA and the other space agencies plan to continue operations of the ISS without the Russian teams and Russian propulsion technology. NASA hopes to keep the ISS operational until at least 2030.

Russia's plans to build its own space station closely follow that of China, which is not a partner of the ISS, and has been actively constructing its own permanent space station. The Chinese Tiangong space station is expected to be completed by the end of 2022 and may set a future space precedent, with countries acting more independently. The results of scientific experiments on the ISS are shared with the partner nations, allowing countries to build on the work of others to improve future experiments and technologies. The Tiangong space station will have multiple scientific labs on board when completed, and China has already announced that the space station will be open to other members of the United Nations. Whether or not Russia will implement a similar cooperation policy has yet to be seen.

Though tensions remain high between the U.S. and Russia, NASA has attempted to remain diplomatic and maintain the partnership to the best of its ability. On July 15, a deal was reached for Russian cosmonauts to travel to the ISS on SpaceX vehicles. NASA's push for cooperation has worked for the time being, but future escalations may result in Russia backing out of any established deals.

The war in Ukraine has had far-reaching implications on space policy, and potentially offers a glimpse into how countries may leverage cooperative projects and missions for their own gain. Presently, nothing has materially changed in the operations of the ISS and cooperation has continued even amid rising tensions. As new space stations are built, space will likely again become the forefront of great power competition.

High Debt and Social Unrest in Developing Nations

A large percentage of the developing world is currently facing a rising debt crisis that has the potential to lead to unrest and regional instability. Recently in Sri Lanka, severe economic challenges led to mass civil unrest resulting in the ousting of former President Gotabaya Rajapaksa following particularly violent protests. Leading up to the unrest, the country faced a myriad of economic challenges. The costs of essential goods such as food, medicine, and fuel, continued to rise. The Sri Lankan government was often unable to cover the cost of imports, leading to nationwide shortages. One of the main drivers behind the country's economic woes is its high amount of foreign debt, which it defaulted on in June.

The entire global economy is facing a range of issues following both the COVID-19 pandemic and the conflict in Ukraine. High levels of inflation and interest rate increases have had detrimental effects across the world, however, developing nations have been hit particularly hard by these challenges. Numerous countries are currently facing similarly high levels of foreign debt and may be at risk of problems akin to those in Sri Lanka.

In Laos, prices on essential goods continue to rise and consumers are facing widespread shortages. The government is currently struggling to repay loans and has had difficulty covering the costs of imports. The country has also faced a recent and continued devaluation of its currency.

El Salvador is scheduled to make a US\$800 million payment to lenders at the beginning of 2023. However, currently, the government does not have sufficient funds available to make this payment. The payment would likely require a loan from the International Monetary Fund (IMF) – an action complicated by the fact that the U.S. currently has sanctions in place against members of the government due to accusations of corruption. The economic situation in the country has the potential to deteriorate and become increasingly complicated.

Egypt has been hit particularly hard by the conflict in Ukraine. The country has faced various economic challenges from high inflation to devaluation of its currency. If the conflict in Ukraine continues into the long-term, it becomes increasingly likely that the government will have to enact vastly unpopular economic measures in order to combat further economic deterioration. Measures that increase the negative toll on the country's population increase the risk of widespread unrest.

The list of countries facing high levels of foreign debt stretches even further. A continued inability to stabilize developing economies may result in further future unrest and in some cases, regional instability. Multiple countries concurrently facing mass unrest and severe economic challenges will likely have a shock wave effect, with potential implications for more developed nations. All these issues may combine and serve to generally increase the global risk profile.

Al-Qaeda Leader Killed in Drone Strike

On August 2, Al-Qaeda (AQ) leader Ayman al-Zawahiri was killed by a U.S. drone strike in Kabul, Afghanistan. Zawahiri took over AQ when Osama bin Laden was killed in 2011. He reportedly relocated to Kabul after the Taliban took over the country last year.

It is likely that AQ will attempt to carry out retaliatory attacks. The highest risk arises in areas of Africa, Asia, and the Middle East where the group has an established presence and capability, such as in Afghanistan, Iraq, Kenya, Egypt, Libya, and Yemen.

While threats to attack the U.S. are also likely, AQ's capability to carry out complex coordinated attacks outside of their current areas of operation is presently limited. However, they cannot be ruled out entirely; complex attacks take a long time to plan and execute. AQ is unlikely to have had plans "ready" in case Zawahiri was killed.

The primary risk in the U.S. comes from sympathizers or self-radicalized individuals carrying out low-capability attacks in major metropolitan areas such as Washington D.C., New York, NY, and Los Angeles, CA. Attacks would likely involve the use of firearms, bladed weapons, Improvised Explosive Devices (IEDs), and vehicles. There is a similar risk in European cities including, London, Paris, Berlin, Brussels, Copenhagen, and Vienna. The most likely targets are law enforcement, crowded locations, and official buildings.

Zawahiri's death raises questions about the support for AQ from the Taliban in Afghanistan. Under the Doha agreement the Taliban is supposed to prevent AQ from re-establishing themselves in the country. However, United Nations (UN) and U.S. reporting indicates the deep ties between the two and assessments indicate AQ could plan and launch external attacks from Afghanistan in the one-two year outlook. AQ will continue to aspire to attack the U.S. in the near-term.

The strike was the first U.S. attack in Afghanistan since the military withdrawal last year. It highlights ongoing U.S. intelligence capabilities in the country, something that was considered a significant concern after the withdrawal of U.S. forces.



IMPACT ANALYSIS

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