

Daily Assessment.

Wednesday, 14 June 2023.

INDIA. UNITED STATES. No tryst with destiny.

- Washington's Delhi courtship may count for little.

The US will remove obstacles to defence trade with India, the White House's national security adviser said on Tuesday. Unnamed officials said the same day that Biden wants to finalise an armed drone deal with Narendra Modi on 22 June.

INTELLIGENCE. The US likes to claim its partnership with India will be its most consequential this century but in reality the two are far apart. India would like to diversify from Russian arms, but US technology restrictions hamper defence 'indigenisation' (local IP and manufacturing) plans. Russia, on the other hand, sells the blueprints as well as the arms. Further, Delhi's fence-sitting on Ukraine grates on the West, as do deepening human rights concerns.

FOR BUSINESS. Closer ties with Delhi have long been a Washington dream, but one always out of reach. Delhi's multi-polar interests make it a problematic partner. Its sewn-up economy and development needs make it a difficult place to trade. Closer ties on tech make sense – Silicon Valley is awash with Indian talent – but the Modi government is at odds on data freedom. Twitter's former CEO on Monday said India threatened to shut his company down in 2021.

ITALY. UNITED STATES. Napoleon dynamic.

- Populism in the 21st century.

A national day of mourning began in Italy on Wednesday, following the death of former prime minister Silvio Berlusconi. Donald Trump on Tuesday pleaded not guilty to 37 felony charges, which he later said were "the most evil" in history.

INTELLIGENCE. The late *Il Cavaliere* would have had sage words of advice for Trump, having survived dozens of court cases, including for tax fraud, sex with a minor, illegal wiretap, bribery, drug trafficking, cartels, mafia collusion, embezzlement and defamation. Few in the US will want their legal system compared to Italy's, but politically, the two countries are becoming similar in that large portions of their electorates are willing to ignore court findings.

FOR BUSINESS. Trump will milk the charges as he takes media attention away from Republican challengers. He will also use the spotlight to amplify fresh allegations that President Biden accepted bribes from a Ukrainian gas firm. Regardless of the court outcome, Trump's brand of populism will continue to appeal to many in the US and beyond. Businesses will continue to find political issues tricky in a polarised landscape. Perhaps best to plead the fifth.

EUROPE. UNITED STATES. TECHNOLOGY. Against the titans.

- Regulators continue the war on, and with, big tech.

A district judge on Tuesday granted the Federal Trade Commission a stay to block Microsoft's purchase of Activision until a hearing next week. The EU may order Alphabet to sell part of its Google Ads business, media reported Monday.

INTELLIGENCE. As Silicon Valley grows more powerful, Washington and Brussels are striking back. Yet big tech – which accounts for over a quarter of the S&P 500 by market capitalisation – has options, and the sector is also by far the biggest spender on government lobbying. The investment is paying off. The Artificial Intelligence Act, which the European Parliament will vote on this week, includes 'regulatory sandbox' rules likely to favour incumbents.

FOR BUSINESS. The IT sector isn't the first industry to shape its own rules, nor is it all bad news for consumers or new entrants, with the innovation cycle still running hot and jurisdictions competing for entrepreneurs. Yet should regulators and incumbents get too cosy there is the risk of a 'tech winter' setting in. Valuations appear overcooked, venture capital is drying up against higher interest rates, and ecosystems are decoupling along geopolitical lines.

EUROPE. LATIN AMERICA. Got beef.

- **A trade deal with Mercosur is still a hard sell.**

European Commission President Ursula von der Leyen signed a value chain agreement with Argentina on Tuesday, following a pledge in Brazil on Monday to conclude the long-stalled EU-Mercosur trade deal by the end of the year.

INTELLIGENCE. The Mercosur customs union, comprising Brazil, Argentina, Paraguay and Uruguay, agreed in principle to a free trade agreement with the EU in 2019, but opposition on both sides has prevented signature and ratification. It's unlikely that 2023 will be any different, with European farmers – already angry over duty-free Ukrainian grain and climate-mandated herd limits – likely to remain opposed to an influx of Brazilian and Argentine beef.

FOR BUSINESS. As in the US, free trade is increasingly unpopular among EU voters. While the European Commission may be bullish, parliamentarians facing re-election in 2024 and rising nationalism at home will be less enthused. It's not clear how palatable a deal would be to Latin voters either. While promoting free trade within its zone, Mercosur is notoriously protectionist — a reason why it only has FTAs so far with relative minnows Egypt, Israel and Palestine.

UKRAINE. RUSSIA. Desperate times.

- **Both sides need more guns and money.**

Vladimir Putin told local reporters on Tuesday that Ukraine's counter-offensive was failing, that he might try to seize more land to protect Russian borders, and that "only he could answer" the question of whether to try again to take Kyiv.

INTELLIGENCE. In his stage-managed briefing, Putin also admitted that Russia needed more weapons. Yet the same is true of Ukraine and the West. The US announced a further \$325 million package on Tuesday to supply more Bradley fighting vehicles, armoured personnel carriers and ammunition. At least 16 Bradleys have been lost this week. The US is also reportedly considering sending depleted-uranium shells. The UK provided such munitions in March.

FOR BUSINESS. Russia is dealing with the challenge through production mandates and a windfall tax, introduced to the Federal Assembly on Tuesday, which aims to raise an extra \$3.6 billion from the oligarchs. Moscow may also be eyeing more arms imports from Pyongyang, according to the White House. Ukraine meanwhile continues to rely on US largesse, but the recent debt ceiling crisis shows that even Washington is not a never-ending money tree.

SOUTH AFRICA. RUSSIA. BRICS-bats.

- **South Africa is annoying everyone over its handling of Russia.**

Pretoria said Monday it would still host the BRICS summit, despite its obligations under international law to arrest Vladimir Putin should he attend. Pretoria said on Tuesday it was not aware of Emmanuel Macron's request to attend.

INTELLIGENCE. Moscow, and Beijing, which reportedly offered to play host instead, are upset at Pretoria's hedging. Pretoria is trying to walk a line between its traditional Western partners and its BRICS (Brazil-Russia-India-China-South Africa) friends. Pretoria is also embarrassed by US allegations it had sent arms to Moscow. The US remains livid. A Congressional group this week urged the State Department to move an annual summit from Johannesburg.

FOR BUSINESS. South Africa has dug itself into a hole, though one not as deep as the economic abyss it faces. Real GDP growth is expected to be 0.1% in 2023, versus a 4% average for the continent. Endemic power cuts have led even the ruling African National Congress to warn of South Africa becoming a "failed state" as the energy minister travels to China this week to secure a reliable supply of solar panels. Interest rates, meanwhile, sit at a 14-year high of 8.25%.