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REPORT

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Executive Summary

In the face of an intensifying conflict in Ukraine, the nation's persistent pursuit of EU membership amidst the war with Russia highlights a significant geopolitical shift. Ukraine's aspirations, coupled with Moldova's EU accession path amid regional tensions, feature a transformative period in European integration and foreign policy. Concurrently, the European Parliament elections signal potential shifts in the EU's political landscape, with rising right-wing populism posing challenges to key policy areas and the bloc's stance on international issues, such as support for Ukraine.

In the United Kingdom, the Labour Party's potential ascendance to power, advocating pro-EU stances and economic reforms, may redefine the UK's role in Europe post-Brexit, impacting its economic stability and European relations. Meanwhile, Germany's internal challenges, characterised by economic stagnation and rising far-right populism, threaten its leadership role within the EU and its capacity to effectively support Ukraine.

Russia's march toward greater political repression, underscored by crackdowns on dissent and a rising tide of public intimidation, deepens concerns for its civil landscape. Targeted international sanctions, especially on the energy sector, seek to throttle Russia's military capacities but also ripple through global energy markets and diplomatic ties, reflecting the complex nexus of Russia's internal policies and international relations.

These regional dynamics are interconnected, with each nation's internal political and economic developments holding significant implications for neighbouring countries and the broader international community. The potential for increased refugee flows, resource scarcity conflicts, and global supply disruptions demonstrates the urgent need for strategic and coordinated international responses to address these multifaceted challenges.

The following report focuses on Europe's geopolitical landscape, internal political dynamics, and economic challenges for 2024. Here, we discuss pivotal developments in Ukraine and Moldova's EU accession efforts, analyse the ramifications of the European Parliament elections, evaluate the UK Labour Party's prospective governance, assess Germany's economic and political predicaments, and examine repression and authoritarianism in Russia.

Matthew Johnson, Programme Director, Europe



EU Accession

1.1 Ukraine's EU Accession Ambitions in the Shadow of War

Christopher Healey

- Ukraine continues its EU accession efforts amidst the ongoing conflict with Russia.
- The country demonstrates resilience and reform in governance, notably in anti-corruption efforts, despite military and economic strains.
- Formal EU accession negotiations have started, but full membership is contingent on resolving the conflict and further reforms.
- Ukraine's accession could influence the EU's geopolitical stance, especially with potential shifts in U.S. foreign policy.

The ongoing conflict in Ukraine, now nearing its two-year mark, has wrought substantial devastation. The Russian invasion has exacted a heavy toll, claiming tens of thousands of lives, displacing millions, devastating Ukrainian infrastructure, and exacerbating global economic instability in the aftermath of the COVID-19 pandemic.

Despite these harrowing challenges, Ukraine's military and civil society have exhibited the resilience and adaptability to continue to keep their country "alive and kicking," as Ukrainian president Volodymyr Zelensky put it in his address to a joint session of the U.S. Congress in December 2022.¹ This steadfastness not only sustains national morale but also preserves Ukraine's aspirations of joining the European Union, with the EU initiating formal accession negotiations with Ukraine in December 2023. With a population of roughly 43 million (the war has rendered an accurate present-day reading infeasible), Ukraine would be the fifth largest member state after Spain (48 million) and before Poland (38 million).² Its military is also the most battle-hardened of any in Europe as its troops continue to face down the Russian threat. In a time of rising populism and Euroscepticism, Ukraine would bring much-needed dynamism into the European project.

¹ "Watch Zelensky Address Joint Meeting of Congress." YouTube, December 22, 2022. Accessed [here](#).

² "Country Comparisons-Population." Central Intelligence Agency, 2023. Accessed [here](#).

However, accession is not without risk, and is unlikely to occur until after 2024. Ukraine's victory in the war is far from certain, and the protracted conflict has left the military severely strained and "visibly running on fumes," as Michael Kofman, Rob Lee, and Dara Massicot recently wrote in *War on the Rocks*.³ Ukraine's 2023 counteroffensive was unsuccessful, as the military managed to retake just 400 square kilometres of territory (less than .1% of Ukraine's landmass) against entrenched Russian positions.⁴ Russia maintains a manpower advantage and is ramping up defence spending to its highest levels since the fall of the Soviet Union, while Ukraine's supplies of critical material dwindle as its forces grow exhausted and lack adequate replacements.⁵

The geopolitical ramifications of the US 2024 presidential election further compound these uncertainties. The United States, the largest backer of Ukraine's war effort, faces a contentious 2024 election; should Donald Trump retake the White House, attempts to close the spigot are likely and stand in contrast to the current Biden administration's foreign policy agenda. Moreover, although EU membership does not carry a collective defence obligation (unlike NATO), the prospect of the accession of a war-torn country whose territory is partially occupied by an enemy poses a serious conundrum to an already divided political bloc. The issue raises intricate questions about territorial integrity and market inclusion. As one European diplomat put it, "Would Crimea be part of the single market?"⁶

Post-conflict and looking towards reconstruction efforts, should Ukraine successfully expel the Russian invaders, it will necessitate an enormous international financial commitment to rebuild the country. Ukraine has already begun the process of planning its reconstruction and is seeking over \$750 billion in international financing through 2032.⁷ In such a scenario, while allies across the Atlantic would provide support in Marshall Plan-style aid, the United States would likely occupy its traditional role as the guarantor of security, with the EU expected to step up as the lead economic partner.⁸

³ Kofman, Michael, Rob Lee, and Dara Massicot. "Hold, Build, and Strike: A Vision for Rebuilding Ukraine's Advantage in 2024." *War on the Rocks*, January 26, 2024. Accessed [here](#).

⁴ "Europe Needs to Step up Support for Ukraine." *The Economist*, November 13, 2023. Accessed [here](#).

⁵ Kantchev, Georgi. "Russia's Economy Goes All In on War." *The Wall Street Journal*, October 6, 2023. Accessed [here](#).

⁶ "Ukraine Inches Closer to Joining the EU." *The Economist*, November 8, 2023. Accessed [here](#).

⁷ Shatz, Howard J., Gabrielle Tarini, Charles P. Ries, and James Dobbins. "Reconstructing Ukraine: Creating a Freer, More Prosperous, And Secure Future" RAND, 2023, 51. Accessed [here](#).

⁸ *Ibid*, 64.



Concurrently, Ukraine's fight against corruption and the enhancement of its judicial system remains imperative for EU accession. Although the success of Ukraine's domestic institutions amid the war has been remarkable, further progress must be made to fight corruption and improve access to justice before accession. According to a recent report from the European Commission assessing Ukraine's EU candidacy, Ukraine has made "some progress" in combatting corruption, "in particular with the establishment and consolidation of a comprehensive anti-corruption institutional framework and the gradual building of a track record in investigating, prosecuting and adjudicating high-level corruption cases."⁹ One recent case involved the public defenestration of the former head of Ukraine's Supreme Court, who was detained over allegedly accepting a \$2.7 million bribe.¹⁰

Like most countries in the former Soviet bloc, corruption in Ukraine has been endemic—especially within the highest rungs of political power. Ukraine, with the support of the EU, has placed a premium on prosecuting high-level corruption cases as it attempts to build public trust in its judicial system. While the efforts made on the aforementioned bribery allegation demonstrate the country's progress, the EU Commission's report emphasised that Ukraine "should continue building a credible track record of investigations, prosecutions and final court decisions in high-level corruption cases, including the seizure and confiscation of criminal assets," while improving the financial transparency of public officials.¹¹

Parallel to the anti-corruption efforts, the modernisation of Ukraine's judicial system, limited by outdated technology, jurisdictional overlaps, and procedural gaps, is critical to increasing access to justice for Ukrainian citizens and building its capacity to combat illicit activities. According to the same EU Commission report, prior efforts to digitalise case management in the criminal justice system and create legal mechanisms to recover stolen financial assets were devastated by the Russian invasion.¹² Therefore, resuming progress in the digitalisation of the judiciary, strengthening IT infrastructure, and solidifying legal mechanisms to fight criminal activity must be a priority for the Ukrainian government.

Another key hurdle will be the economic integration of Ukraine into the EU's single market. With the decimation of Ukrainian infrastructure and the mass exodus of millions of its population as a result of the war, it will require significant financial investment and improved

⁹ European Neighbourhood Policy and Enlargement Negotiations, and Directorate-General for Neighbourhood and Enlargement Negotiations, Ukraine 2023 Report § (2023). Accessed [here](#).

¹⁰ Halushka, Olena. "The Fight against Courtroom Corruption Continues in Wartime Ukraine." Atlantic Council, June 1, 2023. Accessed [here](#).

¹¹ European Neighbourhood Policy and Enlargement Negotiations, and Directorate-General for Neighbourhood and Enlargement Negotiations, Ukraine 2023 Report, 5-6.

¹² *Ibid*, 6.

legislation for Ukraine to re-establish a functioning market economy and connect its energy grid with the rest of Europe. Still, Ukraine has made some progress in aligning with EU regulations, such as in the establishment of intellectual property law.¹³ As a result of the war, however, progress in the area of market surveillance has been suspended and remains vulnerable to corruption, while other measures, such as competition policy and the stabilisation of financial services, remain limited.¹⁴ Ensuring the preparation of Ukraine's economy to join the competitive single market remains a priority of policymakers in Brussels and Kyiv alike.

The desire to join the European Union was one of the driving factors behind the 2014 Euromaidan protests in Ukraine. Ukraine's demonstrated resilience across all levels of society—from the presidency to local leaders and individual citizens—in the face of Russia's invasion underscores the value the country would bring to the European Union. Moreover, with the looming possibility of America abandoning its NATO allies in a second Trump term, the accession of a battle-hardened Ukraine to the EU's ranks should not be undervalued.¹⁵

Still, accession occurring before Ukraine and the EU have prepared would cause more harm than good. Ukraine must demonstrate progress in the war supported by its Western backers, which is a tall task as is.¹⁶ Further progress must also be made in aligning its domestic institutions to EU directives and values, as has been the case with the past waves of accession of former Soviet bloc countries.¹⁷ Finally, Ukraine's devastated economy must show signs of recovery before joining the EU single market; failure to do so would hamper an EU already struggling to maintain growth while disrupting Ukraine's fragile path back to stability. These efforts, while demanding, are worthwhile for Ukraine and the EU, and policymakers stretching from Kyiv to Washington ought to prioritise them.

RECOMMENDATIONS FOR STAKEHOLDERS:

- **Monitor Official EU Documentation on the Accession Process:** The European Union conducts frequent thorough analyses of Ukraine's domestic institutions to ensure

¹³ Ibid, 96

¹⁴ Ibid, 89,99.

¹⁵ "Europe Must Hurry to Defend Itself against Russia-and Donald Trump." The Economist, February 12, 2024. Accessed [here](#).

¹⁶ Melchior, Jillian Kay. "Western Weapons Are Ukraine's Only Hope." The Wall Street Journal, February 15, 2024. Accessed [here](#).

¹⁷ Dimitrov, Vesselin. "WORKING PAPER 42 - POLITICAL TRANSITIONS IN CENTRAL AND EASTERN EUROPE: DOMESTIC AND EXTERNAL DIMENSIONS ." Instituto Português de Relações Internacionais, August 2009. Accessed [here](#).



alignment with EU directives before accession. Stakeholders seeking to get a better grasp of Ukrainian economic prospects and assess relevant risks should actively monitor these publications. Similarly, given the centrality of establishing security to Ukraine's EU accession ambitions, stakeholders should familiarise themselves with the state of play on the ground in the war. Similarly, they should monitor the political dynamics impacting Russia's ability to prosecute the war on the one hand, and the United States' willingness to support Ukraine on the other.

- **Prepare for Adverse Contingencies:** 2024 is a critical year for Ukraine. Vladimir Putin, coming off a recent election "victory," is emboldened to press his military advantage in Ukraine, and he is counting on the West to lose its resolve. If Donald Trump manages to retake the White House and isolationist-minded parties take control in European capitals, Ukraine will face more of an uphill battle. Ukraine has demonstrated profound resilience. Still, stakeholders and policymakers should prepare for a challenging year ahead, especially as it relates to Ukraine's security.

1.2 Moldova into the EU: A Path of Many Challenges

Boyan Tsonev

- Moldova, led by President Maia Sandu, is navigating its EU accession path amid regional tensions and internal challenges.
- The country faces economic hardships, demographic decline, and corruption, impacting its EU integration prospects.
- Moldova's relationship with the breakaway region of Transnistria and Gagauzia adds complexity to its EU aspirations.
- Russia's influence and geopolitical interests in Moldova present ongoing challenges to its EU integration.

Moldova is aiming for a complete one-eighty-degree turn. At the height of the first peak of renewed tensions between the West and Russia (2014-2016), the country was under the control of the Party of Socialists of the Republic of Moldova (PSRM) and President Igor Dodon. Nonetheless, cracks in the power of old elites and generational division among the population had already started to appear. After many ups and downs, the 2019 Parliamentary elections led to a Constitutional Crisis that resulted in Maia Sandu and the Party of Action and Solidarity (PAS) securing full power between autumn 2020 and summer 2021. Russia's failure in the first stages of its full-scale invasion of Ukraine, which, according to some sources, could also have

included actions in Moldova's breakaway region of Transnistria, reinforced the West's influence in this small country. Furthermore, Moldova found itself under a state of emergency from early 2022 until the final days of 2023.¹⁸

Moldova was granted EU candidate status in June 2022. Following a November 2023 European Commission recommendation, the European Council started accession negotiations in December 2023.¹⁹ The Moldovan President set 2030 as an EU accession target and announced an EU integration referendum that would coincide with the autumn 2024 presidential elections.²⁰ As a result of this, the anti-Sandu opposition (a mixture of Russian-aligned politicians, businessmen, and former Gagauz regional leaders, among others) will try to show all its power, with several possible candidates such as Igor Dodon, Renato Usatii, Ion Ceban (the current mayor of Chisinau), or Irina Vlah.

The situation in the immediate neighbourhood has profound effects, leading to fast political decisions that sometimes overlook severe factors that continue to hamper the country. Moldova struggles with deep-rooted poverty, and its growth model relies heavily on remittances for consumption.²¹ With its ageing population, the small country displays the fastest-shrinking demographics in Europe, behind even the poorest EU members, such as Romania and Bulgaria, in terms of average life expectancy.²² According to UN data, since 1989, Moldova's population has shrunk by almost a third (a rough estimate for Transnistria

¹⁸ Zabrodskyi, Mykhaylo, Watling, Jack, Danylyuk, Oleksandr, Reynolds, Nick. "Preliminary Lessons in Conventional Warfighting from Russia's Invasion of Ukraine: February-July 2022." Royal United Services Institute, November 30, 2022. Accessed [here](#).

Dominic Culverwell. "President of Belarus reveals Russian invasion plans in viral video." Bne IntelliNews, March 2, 2022. Accessed [here](#).

"Moldova: State of emergency ends, but some restrictions continue to be applied". Cso Meter, 22 January, 2024. Accessed [here](#).

¹⁹ "Commission adopts 2023 Enlargement package, recommends to open negotiations with Ukraine and Moldova, to grant candidate status to Georgia and to open accession negotiations with BiH, once the necessary degree of compliance is achieved." European Commission, November 8, 2023. Accessed [here](#).

"European Leaders decide to open accession negotiations with Ukraine and Moldova in a historic summit." European Commission, 18 December, 2023. Accessed [here](#).

²⁰ "Moldova sets 2030 as EU accession target at massive pro-EU rally in Chisinau." Romania-Insider, 22 May, 2023. Accessed [here](#).

Bigot, Jules. "Moldova: A referendum to solidify EU integration." The New Federalist, 10 January, 2024. Accessed [here](#).

²¹ The World Bank in Moldova, Overview. Accessed [here](#).

²² Macuhin, Alexandr. "The Vanishing People: Is it possible to stop the rapid decline in the Moldovan population?." Ostwest Monitoring, 19 October, 2023. Accessed [here](#).

included).²³ Other future estimates offer an even bleaker picture.²⁴ Moldovans have benefited from their EU neighbour Romania, acquiring citizenship and being able to emigrate abroad. The exodus could worsen when emigration procedures become more accessible, undermining Moldova's productivity levels and increasing its dependence on EU funds.²⁵

These challenges can be addressed with the help of Romania, but at a cost. Romanian leaders want to develop tighter relations with Moldova as part of their foreign policy objectives. Furthermore, energy and transport corridors along the Romania-Moldova-Ukraine borders are part of comprehensive plans for linking the Baltic and Black Seas with the Trans-Caspian route (also known as the Middle Corridor) with Asia, which would avoid Russia.²⁶ As a result of the war in Ukraine and the interruption of energy flows, Romanian companies have quickly stepped in with their proposals for energy interconnection, and they have already started to operate the Moldovan gas system.²⁷ Gradual integration between the two countries should not be discarded in the future.

Pervasive corruption is another problem for a country suffering a clear state capture case. PAS's efforts to wrestle political control of key positions from old elites continue to experience hardship because of their inexperience in dealing with the sophisticated networks that characterise many post-socialist states. An example is the blockade of judicial power orchestrated by several judges in the Supreme Court of Justice in a desperate attempt to delay reforms.²⁸ To better illustrate this, Moldova ranks below Georgia, Armenia and Belarus

²³ United Nations, World Population Prospects 2022. Accessed [here](#).

²⁴ Judah, Tim. "Moldova faces existential population crisis." *Balkan Insight*, 16 January, 2020. Accessed [here](#).

²⁵ Necsutu, Madalin. "Quarter of Moldovans now have Romanian passports." *Balkan Insight*, 27 May, 2021. Accessed [here](#).

²⁶ "Rail infrastructure projects essential for Romania and Moldova." *Railway Pro*, 17 October, 2023. Accessed [here](#).

Eldem, Tuba. "Russia's War on Ukraine and the Rise of the Middle Corridor as a Third Vector of Eurasian Connectivity." *SWP*, 22 October, 2022. Accessed [here](#).

²⁷ "Romania starts sending natural gas to Moldova through pipeline. Radio Free Europe/Radio Liberty, 5 December, 2022. Accessed [here](#).

Derewenda, Filip. "Romania and Moldova to continue gas and power interconnection projects." *CEENERGY NEWS*, 22 May 2023. Accessed [here](#).

"Romania's Transgaz to operate Moldova's natural gas transport system." *Romania-Insider*, 5 September, 2023. Accessed [here](#).

²⁸ Onisim, Milena, Mosneag, Victor. "16 judges of the Supreme Court of Justice have resigned. But why?" *Ziarul de Garda*, 18 February, 2023. Accessed [here](#).

Rusnac, Corneliu. "Magistrates boycott justice reform in the Republic of Moldova." *Veridica*, 10 April, 2023. Accessed [here](#).

in terms of corruption indicators, with Transparency International placing it alongside the Philippines in the Corruption Perception Index.²⁹

Russian political influence is still around, as the Moldovan government alleges strong meddling despite taking action against multiple networks inside the country.³⁰ The banning of websites and TV channels deemed as pro-Russian or perceived as a “threat to information security” has been criticised by non-government journalist organisations. In 2023, around 40% of Moldovans condemned Russia's invasion of Ukraine, 22% saw it as justified, and 25% remained undecided.³¹ 47% did not believe Russia to be a threat to Moldova, while 42% believed it was. Almost half of Moldovans support their country's joining the EU, with the other half split between favouring relations with Russia and remaining undecided. The breakaway region of Transnistria, supported by Russia, will continue to be a challenging factor.³²

The Kremlin is aware of the quick pace at which it is losing its influence over Moldova, as Chisinau has increased its pressure on Tiraspol authorities.³³ Several sabotage and assassination attacks, some of them deemed as false flags and surrounded by mutual accusations between Moldova, Russia and Ukraine, have taken place since 2022.³⁴ The Operative Group of the Russian Troops (OGRT) in Transnistria, comprised of around 1,000-1,500 personnel, or the Soviet-era arms depots, are not enough to exert pressure now that NATO is reinforcing its eastern flank.³⁵ From the Russian perspective, its forces there are now

²⁹ Merkle, Ortrun. “Overview of corruption in Moldova.” Transparency International, 19 January, 2022. Accessed [here](#).

³⁰ Obreja, Aurel, Stephen McGrath. “Moldova: Anti-government protest stirs fears of more unrest.” AP News, 28 February, 2023. Accessed [here](#).

³¹ “Moldova blocks access to more than 20 Russian media websites.” Reuters, 24 October, 2023. Accessed [here](#).

“IJC, APEL and the “Access-Info” Center express their concern related to the lack of transparency related to the suspension of licenses for television broadcasters” Centrul Pentru Jurnalism Independent, 30 October, 2023. Accessed [here](#).

“Sondaj: 40% din moldoveni consideră războiul din Ucraina o invazie nejustificată.” Replica media, 3 February, 2023. Accessed [here](#).

³² “Survey: Nearly half of Moldova's population supports the country's accession to the EU.” Radio Moldova, 13 March, 2023. Accessed [here](#).

³³ “Russia summons Moldovan ambassador, denounces unfriendly actions.” Reuters, 10 January 2024. Accessed [here](#).

³⁴ “Moldova urges calm, boosts security after Transnistria blasts.” France24, 26 April, 2022. Accessed [here](#).

³⁵ “Оперативной группе российских войск в Приднестровье - 24 года.” Novosti Pridnestroviya, 1 July, 2019. Accessed [here](#).

threatened.³⁶ Another question to look at, which could generate reactions from Russia, will be the possibility of Moldova allowing the passage of Ukrainian F-16 fighter jets from Romania through its territory or even hosting some of them. This kind of information has been spread by Telegram channels during the last months, but it has been denied by Moldovan officials. The information appeared as Ukrainian pilots are now receiving training in neighbouring countries like Romania, and it is still being debated where these newly provided planes could be based in order to reduce the risk of a Russian attack.³⁷

Many Transnistrians hold Moldovan passports, have family or do business with Moldova. Thus, European integration could be used by Chisinau to stimulate a slow but peaceful settlement that doesn't guarantee success.³⁸ On the other hand, Russia won't easily concede its influence over the region, as was recently demonstrated by Tiraspol's request for Russian help and international attention.³⁹ For now, it is clear that new Russian troops won't be reaching Moldova anytime soon, and Transnistria doesn't have the capacity to defend itself from multiple fronts. Nonetheless, the networks of covert operatives and local supporters will continue to operate. Russia can only hope to keep the status quo for as long as possible. This, however, will be difficult, as Moldova has signed a defence pact with France and also suspended its participation in the Treaty on Conventional Armed Forces, making clear the intention to rebuild and renovate its armed forces for a new era of conflict.⁴⁰

It can be argued that further isolation and tougher pressure from Moldova, Ukraine, and their allies against the Transnistrian breakaway authorities can dislodge them from power, but many

³⁶ Kotliar, Mikhail. "«Зеленский готовится напасть». Что происходит вокруг Приднестровья." *Gazeta.ru*, 26 February, 2023. Accessed [here](#).

³⁷ "Минобороны не одобряло размещения украинских самолетов F-16 на Маркулештском аэродроме." *Noi.md*, 5 February, 2024. Accessed [here](#); see also, "Moldova's Defence Ministry refutes fake reports about transit of F-16s for Ukraine." *Ukrainska Pravda*, 5 February, 2024. Accessed [here](#).

Basmat, Dmytro. "Pentagon: Ukrainian pilots expected to complete F-16 later this year." *The Kyiv Independent*, 5 January, 2024. Accessed [here](#).

³⁸ Nicoleta Mirza, "Passportisation in Transnistria". *CBAP*, 8 February, 2021. Accessed [here](#); see also, Mihai, Catalina, "EU integration process key to solving Transnistria conflict, Moldovan official." *Euractiv*, 7 July, 2023. Accessed [here](#).

³⁹ "Приднестровье обратится за помощью к России из-за давления Молдавии." *TASS*, 28 February, 2024. Accessed [here](#).

⁴⁰ Kayali, Laura, Gavin, Gabriel. "Moldova turns to France in face of threats from Putin." *Politico*, 7 March 2024. Accessed [here](#).

Treaty on Conventional Armed Forces. *OSCE*, 19 November, 1990. Accessed [here](#).

"Defense Minister says 90 percent of Moldova's military equipment is outdated." *Radio Free Europe/Radio Liberty*. Accessed [here](#).

citizens of Transnistria have already protested against what they perceive as hostile actions.⁴¹ The scenario of augmented economic pressure could also hurt Moldova, as the eastern bank of the Dniester holds around 90 industrial enterprises and factories on which its economy depends.⁴² Leading them to closure would mean an economic shock, as the unemployed would have to look first to Moldova for limited job opportunities. Integrating this industrial complex won't be cheap either. This whole process can diminish Moldova's control over its internal affairs even more, trigger further foreign intervention, and, eventually, a new armed conflict.

EU officials promising the European dream for Moldova seem to be refraining from negative statements regarding the unresolved territorial dispute to prevent provoking Moscow and Tiraspol.⁴³ Still, whether Moldova can join the EU without Transnistria should be addressed at some point. As of now, Transnistria's future greatly depends on the outcome of the war in Ukraine, and the risk of new escalation in the region will remain high. Further down the road, Moldovan authorities will also find some trouble engaging with Gagauzia.⁴⁴ It is a territory inhabited by a Turkic-speaking population that practices Orthodox Christianity. Gagauzia has its own autonomy act and a history of sympathy for Russia and Turkey, which exerts notable political and cultural influence.⁴⁵ The 2023 gubernatorial elections in Gagauzia were won by Evghenia Gutul, a candidate supported by the SOR Party, declared unconstitutional because of its ties with Russia, among other threats perceived by Moldovan authorities.⁴⁶ For years, the central government has been weary of future Gagauzian steps in case Moldova advances towards the EU. For its part, the Gagauzian leadership fears its autonomy rights are in danger under Sandu's rule and demands support from Moscow.⁴⁷

⁴¹ "В Приднестровье тысячи человек вышли на митинг против давления Кишинева." Lenta.ru, 24 January, 2024. Accessed [here](#).

⁴² Экономический потенциал. Торгово-промышленная палата Приднестровья. Accessed [here](#).

⁴³ Ernst, Iulian. "Moldova doesn't rule out settling Transnistrian conflict only after joining EU." Bne IntelliNews, 15 November, 2023. Accessed [here](#).

⁴⁴ Alber, Elisabeth, Cuijuclu, Elena. "The autonomy of Gagauzia and its uneasy Centre-Autonomy relations." IACL-AIDC, 19 October, 2023. Accessed [here](#).

⁴⁵ "New Gagauzia's head promises to develop relations with Russia, Turkey." TASS, 20 July, 2023. Accessed [here](#); see also, "Gagauzia voters reject closer EU ties for Moldova." Radio Free Europe/Radio Liberty, 3 February, 2014. Accessed [here](#); and Coffey, Luke. "The autonomous territorial unit of Gagauzia: A new focal point for Russo-Turkish competition?" Middle East Institute, April 29, 2021. Accessed [here](#).

⁴⁶ Tanas, Alexander. "Moldova president rejects regional leader over Accessed with fugitive magnate." Reuters, 13 November, 2023. Accessed [here](#).

⁴⁷ В. Матвиенко провела встречу с руководителями Гагаузской автономии Молдавии Е. Гуцул и Д. Константиновым. Совет Федерации, 1 March, 2024. Accessed [here](#).

Stur, Beata. "Governor of Gagauzia Gutsul doesn't exclude a referendum for Moldova's EU accession." European Interest, 21 December, 2023. Accessed [here](#).



The rift will likely continue to increase as mutual understanding seems off the table for now. Chisinau expects that economic measures against Gagauzia will make them rethink their position, as Sandu claimed in December 2023 that opposing the EU path meant opposing money for the development of Moldova.⁴⁸ If the situation further deteriorates, the Centre-vs-Autonomy scenario already seen in nearby states could be capitalised on by foreign actors.

Sandu looks firm and determined to consolidate her power and to fully consolidate Moldova's EU path in 2024, despite some recent setbacks in the local elections. Poverty, dwindling demographics, internal strife, increased vulnerability to external shocks and limited economic diversification are some of the many hurdles to be found along the way.

RECOMMENDATIONS FOR STAKEHOLDERS:

- **Engagement in Economic and Infrastructure Development:** Given Moldova's economic challenges, including its reliance on remittances and the potential for increased emigration, it would be worth exploring opportunities for investment and engagement in sectors crucial for Moldova's economic diversification and growth. This includes sectors like energy, where Romania has been active, and other infrastructure projects that can strengthen Moldova's economic independence and resilience. Investing in Moldova's infrastructure, particularly in energy and transport, aligns with broader European interests in connecting the Baltic and Black Seas and reducing reliance on Russian energy.
- **Monitoring and Mitigating Risks in Transnistria and Gagauzia:** Closely monitor the developments in Moldova's breakaway region of Transnistria and the autonomous region of Gagauzia. Given the geopolitical sensitivities and the potential for increased tensions in these areas, stakeholders should be prepared to navigate and mitigate risks. This includes understanding the local dynamics, potential for conflict, and the implications of these regions' situations on Moldova's overall stability and EU integration process.

⁴⁸ Discursul Președintei Maia Sandu la Forumul Primarilor. Prezidentia Republicii Moldova, 9 December, 2023. Accessed [here](#).

European Elections

2.1 Report on EU Elections

Giulia Fiorile Acciarini

- The following section describes the main possible outcomes of the upcoming EU elections. Results encompass and derive from main domestic shifts stemming from issues like climate change and related industries, Brexit, terrorist threat, conflict management, and populism. We outline that abstentionism and fragmentation hinder predictability while being at the crux of the policy evolutions and possibly contributing to the rising right-wing consensus.
- Potential shifts toward right-wing parties could impact key policy areas, including environmental initiatives and migration.
- Voter abstentionism and party fragmentation may influence the elections' outcome, affecting the EU's ability to address critical challenges.
- The elections will play a crucial role in determining the EU's approach to pressing issues, such as support for Ukraine and fiscal policies.

The European Union Parliament (EP) elections are often seen as a secondary political event by national electors. However, they can provide a clear outlook of the overall alignments and trends of the single governments and parties in Member States by virtue of their (perceived) less impact on local and direct administration and policies. Nonetheless, the results are subject to the shifts of domestic consensus, influencing the seat distribution in the EP, and consequently shaping how the main issues on the EU agenda are tackled. Furthermore, the Parliament, together with the European Council, approves commissioners and appoints the President of the Commission, who is responsible for leading the interests of the EU.

Over the past five years, the agenda of the EU has unfolded relevant and ground-breaking topics. In 2019, the most recent year of elections, key issues encompassed the climate crisis, the ongoing Brexit process and its consequences – both political and bureaucratic –, the aftermath of terrorist attacks, the immigration and asylum climax, and the rise of populist

parties. Yet, there was a feeling of economic optimism fuelled by reassuring markets and low inflation trends.

Nevertheless, foreshadowing the factors that shaped the current EU agenda proved challenging to even the most cutting-edge predictors and analysts. The current agenda entails energy and climate-related policies, the economic recession and currency depreciation due to the COVID-19 pandemic and the war in Ukraine, the wobbling stance on defining a collective EU geopolitical position on major ongoing conflicts and their potential enlargement, security and defence strategy to deal with exogenous weaponisation risks and dependencies, immigration and asylum procedures and approaches, industry, trade, and investment competitiveness and decisions, AI regulations, borrowing practices and a fiscal framework.⁴⁹

The new Parliament and Commission will have to address all these looming issues, with the risk of weak and short-sighted policy applications due to the highly fragmented consensus and the hindrances from the far-right. Infighting and standoffs would lead to delaying necessary transitions and collective stances, especially from environmental and strategic perspectives. For instance, German, French, and Italian farmers' strikes caused by their discontent over diesel taxes, economic recession, and agriculture imports are supported and welcomed by right-wing parties and could thwart the Green Deal and energy transition. Polls reveal that the alliance between farmers and populists is serving to intensify the appeal of far-right parties within the EU.⁵⁰

Implementing many measures ahead of an increase in support for the far-right consensus before the elections would expedite some processes that might be hindered once the new configuration of the EP is shaped. However, making certain decisions that displease far-right parties would further increase their support by voters, thus making it more challenging to uphold such agreements – as those related to migration and asylum, the Green Deal, and support for Ukraine – with the new parliamentary configuration.

Inter alia, abstentionism and fragmentation are two variables that warrant careful consideration in the upcoming elections. Their level could lead to the rise or decrease of right and far-right parties and, to a lesser extent, left-wing extremism.

⁴⁹ Thurn, Leo von Breithen. 2023. "European Elections: A Game-Changer in 2024?" Geopolitical Monitor. 11 December, 2023. Accessed [here](#).

⁵⁰ Leali, Giorgio, and Victor Goury-Laffont. 2024. "France Axes Tractor Fuel Hike, Cuts Red Tape to Appease Angry Farmers." POLITICO. January 26, 2024. Accessed [here](#).

On the one hand, abstentionism has been progressively increasing since 1979,⁵¹ reaching its peak in 2014 with a 42.61% turnout (European Parliament 2019).⁵² An interesting example of abstentionism fluctuation might be the possible increase of turnout in Slovakia due to the recent breakthrough of Robert Fico's party SMER, which has been at the head of the government coalition since September 2023; the Parliament's relative majority turned to extremist and populist wing. Slovakia's abstentionism has always been remarkably high in EU elections – a 22% turnout value in 2019, the lowest in the entire EU (European Parliament 2019)⁵³ – therefore, potential shifts in electoral participation might be lurking around the corner, deepening polarisation. In fact, heightened abstentionism notably corresponds to a rise in extremist consensus, as there is an enhanced will to express resolute standpoints, while the political centre vanishes amid polarisation due to lacklustre commitment.

On the other hand, fragmentation influences the Parliament's and Commission's capability to address the EU's interests. There are three main parties with relevant political backing that outline the main unpredicted outcome from these elections since they still must place their support towards a main EU party: the Hungarian Fidesz on the far-right (ID) or conservative right (ECR), the Italians Brothers of Italy on the centre-right (EPP) or conservative right (ECR), and Five Stars Movement on the non-attached MEPs (NI), the Greens (G/EFA) or on Left party. Their arbitrary convergence will contribute to shaping the level of fragmentation of the resulting PE.⁵⁴

Overall, there might occur an increase in support for the right, likely forming a majority shifted beyond the centre and towards the right. Norms, addresses and approaches to the agenda of the past three mandates have been mainly defined by a cross-coalition formed by the EPP, the socialists and democrats (S&D), and liberals (RE) – with occasional shifts towards the right or left – representing a total majority of around 60% (421/705 seats). However, this stable balance could change if a significant right-leaning coalition composed of ECR, ID, and part of NI were to reach a substantial 45% to 50% in the next round, altering the approaches to the aforementioned agendas.⁵⁵

⁵¹ Bertoincini, Yves. 2014. "EUROPEAN ELECTIONS: THE ABSTENTION TRAP". Accessed [here](#).

⁵² European Parliament. 2019. "Turnout | 2019 European Election Results | European Parliament." Accessed [here](#).

⁵³ *Ibidem*.

⁵⁴ Learmonth, Kevin Cunningham, Susi Dennison, Simon Hix, Imogen. 2024. "A Sharp Right Turn: A Forecast for the 2024 European Parliament Elections." ECFR. (23 January 2024). Accessed [here](#).

⁵⁵ *Ibidem*.

Regarding potential *spitzenkandidats*, in 2014 parties reached an agreement, with Jean-Claude Juncker becoming President of Commission. In 2019, no active pre-election selection occurred, and Ursula von der Leyen (VDL) emerged post-election. This year, with VDL known and EPP likely to dominate, she may be reappointed. The *spitzenkandidat* mechanism may be withdrawn in the next elections, requiring agreement among parties and the European Council to identify the EU president. S&D's choice of Nicolas Schmit⁵⁶ as *spitzenkandidat* signals reluctance, impacting different left-wing votes if a more appealing candidate had been chosen.

Finally, as a result of this right-leaning turning point, the most impacted policies are likely to be: i) dampening financial and political support to Ukraine due to an increased sympathetic stance towards Russia; ii) increased scepticism towards common fiscal and regulatory framework; iii) more difficulty in implementing environmental policies; vi) restricted and severe approaches on migratory and asylum policies; and v) difficulties on defining a proper and determined external geopolitical strategy.

RECOMMENDATIONS FOR STAKEHOLDERS:

- **Proactive Engagement in European Political Dynamics:** Actively engage in the evolving political landscape of the European Union, particularly in the context of the EP elections. This involves closely monitoring the shifts in party alignments and the rise of right-leaning factions, which could significantly impact policy-making at the EU level. Engagement could include participating in policy discussions, engaging with a broad spectrum of political groups, as well as assessing which policies align with their interests.
- **Strategic Adaptation to New Policy Directives:** With the potential for a right-leaning shift in the EP, stakeholders must prepare for changes in policy direction, particularly regarding the Green Deal, migration, and the EU's external relations. Preparation would call for a strategic review of how such shifts could impact their operations or objectives within the EU framework. Organisations should consider scenario planning to anticipate and respond to changes in EU policies, especially those related to environmental regulations, trade, and industry competitiveness. Adaptation strategies could include diversifying engagement across political groups, enhancing lobbying

⁵⁶ Camut, Nicolas. 2024. "Socialists Pick Nicolas Schmit to Lead EU Election Campaign", in *POLITICO* (18 January 2024). Accessed [here](#).



efforts, and revising compliance and operational strategies to align with new EU directives.

- **Enhanced Monitoring of Electoral Trends and Voter Engagement:** Given the significant role of voter turnout and electoral trends in shaping the EP's composition, stakeholders should enhance their monitoring of these dynamics. This would include understanding the factors driving abstentionism and fragmentation, as well as the implications of changing electoral participation patterns. By doing so, stakeholders can better anticipate and respond to shifts in the political landscape, enabling them to adjust their strategies in real time. Engaging in initiatives that promote voter turnout, conducting research to understand voter behaviour, and developing communication strategies that resonate with the evolving electorate demographics within the EU are some of the potential routes which stakeholders could engage with.

2.2 UK Labour Party's Path to Governance & Challenges Ahead

Kris Sokas

- The UK Labour Party is poised to lead, facing economic challenges and the need for strategic policy implementation.
- Labour's pro-EU stance and economic reforms could redefine the UK's role in Europe amid Brexit's aftermath.
- Economic uncertainties and societal divisions, along with Labour's governance approach, will be key to the UK's stability and European relations.

In the shifting sands of the UK's political landscape, the Labour Party demonstrates itself as a likely beacon of potential change, leading the polls with a robust margin over its Conservative rivals. This ascendancy signals a pivotal moment for Labour, posed on the cusp of forming the next government amid a landscape fraught with economic and geopolitical challenges. As the party navigates the complexities of Brexit's aftermath, a global pandemic, and the reverberations of international conflicts, its leadership under Sir Keir Starmer aims to chart a course towards a more equitable, sustainable, and EU-aligned Britain. It is, therefore, beneficial to explore the Labour Party's path to governance, the multifaceted challenges it faces, and the strategic decisions that lie ahead in steering the UK towards recovery, resilience, and a redefined role on the European stage.

Polls

Recent polling data reveals a significant rise of the Labour Party who have been leading the polls in the last year with no less than a 15% margin over the Conservative Party, and at the time of this report, maintains a lead of 20%⁵⁷. Even after factoring in the potential inaccuracies in the polling data, there is a very high chance the Labour Party will form a majority government. In the least favourable scenario for the social democrats, where the polls significantly misrepresent electoral sentiment, they are still likely to end up with a coalition government.⁵⁸ While a coalition government would weaken their ability to influence legislation and implement its policy agenda, Labourers would still be able to retain a manageable degree of legislative control within the House of Commons.

Economic Situation

Labour would be taking the wheel of the 3rd largest economy in Europe which faces a precarious situation marked by the lingering impacts of Brexit, the COVID-19 pandemic and the war in Ukraine. These factors have collectively inflicted discernible damage on the UK's economic framework. Modest GDP growth of 0.4% in 2024, combined with the risk of stagflation indicated by economic contraction, high inflation and rising unemployment, will present challenges.⁵⁹ Furthermore, the nation's debt-to-GDP ratio, having surged to 101.2%,⁶⁰ could herald potential fiscal instability. This outcome could prove more likely given the inclination of Labour's centre-left to feel obliged to spend on social welfare benefits in addition to a comprehensive green transition across various sectors – including steel production, the Warm House plan, and the Clean Air Act – all of which would require increased borrowing. Such commitments would prove more damaging to the economy as the plans involve constructing new infrastructure, greater financing for the public sector and a green course. The results of these actions would risk exacerbating fiscal pressures through increased borrowing, given the fact that the aforementioned projects require enormous funds and would thereby undermine economic stability. This point was very well proven by Labour's latest move to roll back on the £28bn financing package of the green investment plan by also stating that "it was no longer possible as Tories crashed the economy".

The EU

⁵⁷ Politico. 2023. "United Kingdom." POLITICO. 2023. Accessed [here](#).

⁵⁸ Bloomberg Europe, "US_Iran Response Risks, Elon Musk Brain Implant Patient, Labour's Path to Power", in *Bloomberg* (30 January 2024). Accessed [here](#).

⁵⁹ Frédérique Carrier, Thomas McGarrity, and Rufaro Chiriseri, "Global Insight 2024 Outlook: United Kingdom," in *RBC Wealth Management* (4 December 2023). Accessed [here](#).

⁶⁰ CEIC Data, "United Kingdom National Government Debt, 1975 – 2022 | CEIC Data", 2023. Accessed [here](#).



Even though Sir Keir Starmer's direction is much more pro-EU than Rishi Sunak's, the Labour Party exhibits a stance that places a greater emphasis on defence issues over economic ones. The ambition to forge a 'bespoke' defence pact, which would entail intricate negotiations, may be hard to create as it would require rigorous consideration of the interests of the European states in an ever-important defence topic.⁶¹ Whilst discussing economic cooperation, there is still a chance of pro-Brexit constituency resistance against the plans for greater cooperation with the EU causing further cleavages in the society and taking the valuable time of the government solving this problem rather than much more important ones.⁶²

Final Points

The Labour Party's significant lead in the polls suggests a high likelihood of them forming the next government, either as a majority or potentially in a coalition. However, the party faces formidable challenges ahead. The UK's economic landscape is precarious, with modest GDP growth, the risk of stagflation, and a historically high debt-to-GDP ratio. Labour's commitment to social benefits and ambitious green initiatives, while commendable, may further strain the economy due to the substantial financial outlays required.

On the international front, Labour's pro-EU stance, particularly under Sir Keir Starmer's leadership, indicates a shift towards closer cooperation with the European Union, prioritising defence followed by economic matters. However, forging a bespoke defence pact with the EU will be complex and time-consuming, necessitating careful balancing of various European interests. Additionally, potential resistance from pro-Brexit constituencies towards increased EU collaboration could deepen societal divisions and divert government attention from other critical issues.

Therefore, while the Labour Party is well-positioned to lead, it must navigate a labyrinth of economic and political challenges, both domestically and in its foreign policy, to steer the UK towards a stable and prosperous future.

RECOMMENDATIONS FOR STAKEHOLDERS:

⁶¹ Posaner, Joshua, Laura Kayali, and Jon Stone, "UK's Labour Would Target Defense 'Pact' with EU", in *POLITICO* (7 December 2023). Accessed [here](#).

⁶² Piper, Elizabeth, "'Reconnecting with Europe', UK's Labour Sets out Foreign Policy Priorities", in *Reuters*, (24 January 2023). Accessed [here](#).



- **Strategic Engagement with Potential Government Policies:** Businesses and investors should closely monitor the Labour Party's policy directions, especially regarding economic and environmental initiatives. Given Labour's focus on green transitions and social welfare, industries related to renewable energy, infrastructure, and public services may experience significant changes. Proactive engagement and strategic alignment with potential new regulatory frameworks and funding opportunities can provide a competitive advantage.
- **Preparation for Economic Policy Shifts:** With Labour's potential to take power, stakeholders must prepare for shifts in economic policy that could impact the UK's business environment, especially fiscal policies and trade relations. Organisations should conduct scenario planning to anticipate changes in taxation, government spending, and regulatory approaches to Brexit's ongoing effects and UK-EU relations. This will be crucial for businesses with cross-border operations or those reliant on trade with the EU.
- **Monitoring and Influencing EU-UK Relations:** Given Labour's pro-EU stance and the complexity of forging a new defence pact, stakeholders with interests in defence, security, and international trade should actively monitor and, where possible, engage in dialogue regarding the UK's evolving relationship with the EU. This involves understanding how Labour's approach to defence and economic cooperation with the EU could reshape the UK's geopolitical stance and affect sectors like defence, trade, and foreign investment. Establishing channels for communication and advocacy can ensure stakeholders are well-informed and able to influence policies that impact their interests.

EU Economy

3.1 Germany's Self-Inflicted Wounds

Christopher Healey

- Germany's economic and political stagnation poses challenges to its leadership role in the EU.
- Domestic policy missteps, particularly in energy and infrastructure, contribute to Germany's current predicaments.
- Rising far-right populism and internal divisions impact Germany's political landscape and its ability to address national and EU-wide issues.
- Germany's role in supporting Ukraine and navigating its economic and political challenges is crucial for its future and that of the EU.

Germany's continued economic and political stagnation poses a risk to the stability and prosperity of Europe. As the largest EU member state in terms of population (over 84 million)⁶³ and GDP (over USD 4 trillion in 2022),⁶⁴ Germany, along with France, is a de facto leader of the bloc that it helped to create after the Second World War. Today, the turmoil and malaise within Germany marks a stark departure from the optimism of the turn of the 20th century, and there is little indication that brighter days lie ahead.

As the American economy rebounded and most of the EU experienced modest growth in 2023, Germany's economy was an outlier as its GDP shrunk by 0.3% from October to December compared to the prior quarter.⁶⁵ Despite narrowly avoiding recession, the high inflation and energy prices, weak foreign demand for German goods, and elevated European Central Bank (ECB) interest rates proved too difficult for German policymakers to overcome.⁶⁶

⁶³ "Germany." Central Intelligence Agency, February 13, 2024. Accessed [here](#).

⁶⁴ "GDP (Current US\$) - Germany." The World Bank, 2022. Accessed [here](#).

⁶⁵ Frankl, Ed. "Germany's Economy Shrank at End of 2023 as Gloomy ..." The Wall Street Journal, January 30, 2023. Accessed [here](#).

⁶⁶ Martinez, Maria. "German Economy Dodges Recession despite Shrinking 0.3% in 2023 ..." Reuters, January 15, 2024. Accessed [here](#).



Investment across different sectors weakened, too. The commitment in Berlin to austerity has left its infrastructure such as railways lacking much-needed investment, and ECB interest rate hikes make spending less likely in 2024.⁶⁷ In November of last year, Germany's constitutional court struck down the government's plan to invest USD 66 billion in "emergency Covid-19 credit lines" toward infrastructure and the energy transition—spending that would have been worthwhile given the country's elevated energy costs.⁶⁸

Worries that the development of major semiconductor manufacturing hubs may soon be tabled have also spooked investors already weary about spending in Germany.⁶⁹ Meanwhile, Germany's auto manufacturers—the flagship enterprise in the industry-heavy country—have fallen behind Tesla and Chinese startups in the competitive market for electric vehicles, as the country also faces a shortage of skilled workers.⁷⁰

Many of Germany's wounds are self-inflicted. In the energy sector, while France embraced nuclear energy (over 70% of France's electricity is drawn from nuclear power), Germany took the opposite path in recent decades.⁷¹ Fear over a calamity like the Fukushima disaster in 2011 accelerated calls to eliminate nuclear power, and Germany closed its last three plants in 2023.⁷² Russia's war in Ukraine, and the subsequent divestment of Russian fossil fuels across Europe after February 2022, left Germany's energy sector particularly exposed and the country has yet to rebound.

Public approval of Germany's traffic light coalition, comprised of Chancellor Olaf Scholz's Social Democratic Party (SPD), the Green Party, and the Free Democratic Party (FDP), is near

⁶⁷ Partridge, Joanna. "It's the Same Daily Misery': Germany's Terrible Trains Are No Joke for a Nation Built on Efficiency." *The Guardian*, October 14, 2023. Accessed [here](#).

⁶⁸ "German Business Is Fed up with a Government in Disarray." *The Economist*, December 14, 2023. Accessed [here](#); Yanatma, Servet. "These European Countries Have the Lowest and Highest Energy Prices." *euronews.next*, March 29, 2023. Accessed [here](#).

⁶⁹ "German Business Is Fed up with a Government in Disarray."

⁷⁰ Boston, William. "German Carmakers Slip behind Tesla and China in EV Transition - WSJ." *The Wall Street Journal*, September 5, 2023. Accessed [here](#); "German Business Is Fed up with a Government in Disarray."

⁷¹ White, Sarah, Alice Hancock, and Laura Pitel. "The Nuclear Dispute Driving a Wedge between France and Germany." *Financial Times*, October 14, 2023. Accessed [here](#); "Nuclear Power in France." *World Nuclear Association*, August 2023. Accessed [here](#).

⁷² "The Nuclear Phase-out in Germany." *Federal Office for the Safety of Nuclear Waste Management*, January 1, 2024. Accessed [here](#).

rock-bottom, and the parties are hopelessly divided.⁷³ The recent announcement on February 5, 2024 to spend €16 billion on four natural gas plants also signals a tacit acknowledgement that despite Germany's staunch commitment to climate friendly policies, it must embrace fossil fuels to stabilise energy prices since nuclear energy is off the table.⁷⁴

In foreign affairs, Germany's situation is also uneasy. Germany's initial support for Ukraine came under scrutiny for failing to take the threat seriously (the government infamously offered 5,000 protective in the leadup to the war and failed to provide Leopard 2 tanks until caving under American pressure), but they have emerged as Ukraine's largest European supporter.⁷⁵ Still, the economic troubles at home cast doubt on Berlin's recent pledge to increase aid to Ukraine from €4 billion to €8 billion in 2024.⁷⁶ The initial enthusiasm over Scholz's *Zeitenwende* speech in 2022 appears to have cooled.⁷⁷

German discontent has led to a resurgence of illiberal far-right politics. The Alternative für Deutschland (AfD) party is polling at roughly 20% nationally, ahead of the SPD, Greens, and FDP. Only the centre-right Christian Democratic Union of Germany is polling ahead of the AfD at 31%.⁷⁸

In January of this year, senior AfD members attended a secret meeting of extreme-right groups to discuss the deportation of millions of immigrants, including German citizens, from the country should they take power.⁷⁹ News of this meeting led some 200,000 Germans to take to the streets to protest the AfD, whose poll numbers took a slight hit, compounded by a recent loss in a highly publicised local election.⁸⁰ While these signs are optimistic, the AfD's

⁷³ "Politico Poll of Polls: Germany — National Polling Intention." POLITICO, October 9, 2023. Accessed [here](#); Kinkartz, Sabine. "Will Germany's Lackluster Coalition Government Survive?" DW, January 3, 2024. Accessed [here](#).

⁷⁴ Gavin, Gabriel. "After Scrapping Nuclear Reactors, Germany to Spend Billions on New Gas Power Plants." POLITICO, February 5, 2024. Accessed [here](#).

⁷⁵ Rich, David. "Germany Hikes Ukraine Military Support, but Is Its Defence-Spending Tilt Tenable?" France 24, November 16, 2023. Accessed [here](#).

⁷⁶ Ibid.

⁷⁷ DePetris, Daniel, and Rajan Menon. "Germany's Military 'Zeitenwende' Is off to a Slow Start." Defense News, March 3, 2023. Accessed [here](#).

⁷⁸ "Politico Poll of Polls: Germany — National Polling Intention."

⁷⁹ "Germany's Scholz Condemns Alleged Plot by Far-Right Groups to Deport Millions If They Take Power." AP News, January 11, 2024. Accessed [here](#).

⁸⁰ Connolly, Kate. "AFD Narrowly Loses First Election Test since Mass Deportation Plan Revelations." The Guardian, January 28, 2024. Accessed [here](#).



continued popularity is deeply alarming in light of the fanaticism embedded in the party, and they will continue to play a destabilising role in German politics and society.

To move forward, German policymakers ought to reflect on the mistakes of the past. A successful path forward ought to embrace public spending on infrastructure, promote foreign investment in critical industries, and reduce red tape in the energy sector. The public pushback against the extremism of the AfD is essential, but centrist and left-wing parties are also to blame for the economic stagnation and divisive migration policies that enflamed right-wing populism.⁸¹

As America's commitment to European security hinges on a contentious 2024 presidential election and a Ukrainian victory appears less certain, Germany's role as the backbone of European economic and political power is as critical as ever. The 20th century proved that Germany has the capacity to rebound from dire circumstances. Today's situation is significantly more manageable in comparison and should encourage Germans about the prospect for correcting course, even if the efforts extend beyond 2024.

RECOMMENDATIONS FOR STAKEHOLDERS:

- **Expect Continued Stagnation:** The issues facing the German economy are deep rooted, and unlikely to be resolved in the near-term. Therefore, while Germany may be able to escape its present recession, notable growth soon is unlikely. Industries, such as those focused on electric vehicles, will continue to face challenges from cheaper Chinese competitors and a lack of adequate international investment. Investors, therefore, should ground their objectives in a realistic view of Germany's present situation.
- **Monitor Political Risks from the Extremes:** While Germany's ruling coalition is deadlocked, the far-right AfD has become the second most popular party, behind the centre-right CDU. Although it is unclear if the AfD will come to hold power in any future coalition, the rise of political extremism poses a continued threat to societal stability within Germany, as well as the effectiveness of government policy. Stakeholders should closely monitor the political winds in the country, as well as the statements of other major party leaders regarding the AfD; in Germany's proportional

⁸¹ Karnitschnig, Matthew. "Germany's Never-Ending Migration Crisis." POLITICO, November 9, 2023. Accessed [here](#).



representation system, the willingness of other parties to join the AfD in a potential coalition down the line will be the key to their power.

Repression and Authoritarianism

4.1 Russia

Matthew Johnson

- Russia is expected to maintain a high level of political repression into 2024, with actions against activists and dissidents, and an increasing climate of fear among the public. The death of Alexei Navalny is a significant event, exemplifying the state's approach to dissent and its potential effects on public sentiment and resistance.
- The recent presidential election, characterised by a lack of genuine competition and transparency, reflects the continuation of election manipulation under Putin's governance, with staged elections expected to continue.
- Western economic sanctions, particularly targeting Russia's energy sector, have significantly impacted Russia and its bilateral relations. Despite efforts to circumvent these sanctions, Russia faces considerable economic challenges, with implications for its military funding and broader economic stability.
- The Putin administration is leveraging increased taxation on the affluent and relying on fossil fuel exports to fund war efforts. However, international sanctions still continue to challenge Russia's economic manoeuvres.
- The Kremlin's stringent measures against "foreign agents" and independent media underscore a strategy to suppress dissent and control the narrative. New legislation continues to restrict civil society and media freedoms, marking a further contraction of civic space in Russia.

Repression within Russia is nothing new. As we progress into 2024, we can fully expect a continuation of a high base level of repression, such as actions against activists or dissidents, as well as a heightened sense of awareness and fear among the public. The imprisonment and recent death of Alexei Navalny in February stands to illustrate this, serving as a key moment in Russian history that could either diminish the strength of its people or embolden their willingness to stand against the Kremlin. As Russia's trajectory toward heightened political repression continues unabated, we see a deepening of problems within the country's

civil and political landscape. This section delves into various facets of Russia's political repression, detailing their mechanisms of control, Western economic sanctions, and the Kremlin's crackdown on dissent.

Erosion of Democratic Norms in Russian Politics and Elections

Since the invasion of Ukraine in 2022, Russia's political system, characterised by its high centralisation and authoritarian tendencies under President Putin, has demonstrated an accelerated decline in democratic principles. In looking at the recent presidential election, from the victory of President Vladimir Putin, reportedly winning a “historic” 87.28% of the people’s votes,⁸² to the removal of critics in the lead-up to the election, the Russian presidential election lacked a great deal in comparison to free and fair elections typically found in democratic governments. A primary example was Putin’s most prominent critic, Alexei Navalny, who gained notoriety for his outspoken views against the Putin regime and became victim to imprisonment in 2021.⁸³ Navalny's arrest highlighted his resolve to engage in Russia's pro-democracy movement despite previous assassination attempts and the risk of imprisonment. Moreover, his detention led to escalating domestic tensions ahead of Russia's parliamentary elections in 2021, with international calls for his release amplifying the incident's global visibility.⁸⁴

However, Navalny's death while in custody took place amid a backdrop of growing repression and authoritarianism in Russia, marking a pivotal moment in Russia's political landscape. On March 1st, tens of thousands of people lined up to pay their respects at his funeral in Moscow, covering his grave with a mountain of flowers, while an estimated 91 people were detained.⁸⁵ The stark contrast between the government's indifference and the public's mourning reflects a potentially deepening divide, illuminating the regime's increasing disconnect from its populace. Navalny's demise, handled with a calculated lack of transparency by authorities, symbolises not only the silencing of a key opposition figure but also the state's broader strategy to suppress dissent and maintain control, potentially fuelling further unrest and opposition within the society.

⁸² Alexandra Ivanova, “ЦИК РФ отчитался о рекордной явке и победе Путина на выборах”, by *Deutsche Welle*, (18 March 2024). Accessed [here](#); Andrew Stohlein, “Kreml schaltet Kritiker vor den "Wahlen" aus”, in *Human Rights Watch* (6 February 2024). Accessed [here](#).

⁸³ Mstyslav Chernov and Jim Heintz, “Kremlin critic Navalny detained after landing in Moscow”, in *Associated Press* (18 January 2021). Accessed [here](#).

⁸⁴ *Ibid.*

⁸⁵ Katie Marie Davies and Dasha Litinova, “Putin foe Alexei Navalny is buried in Moscow as thousands attend under a heavy police presence”, from *Associated Press* (02 March 2024).

In the past, electoral processes, notably the 2018 presidential election and the September 2021 parliamentary elections, have been marred by accusations of government interference, manipulation, and the exclusion of meaningful opposition, undermining the foundational tenets of a democratic society.⁸⁶ When observing the recent Presidential election of this year and the candidates who ran alongside President Putin, it is apparent that each candidate primarily served to maintain the appearance of electoral freedom and fairness, knowing what the outcome would be. This was made clear post-victory during a publicised conversation held on March 18th between Putin and each of the other candidates, where Putin convened a round table talk with Nikolai Kharitonov (Communist Party of Russia), Leonid Slutsky (Liberal Democratic Party of Russia), and Vladislav Davankov (“New People” Party).⁸⁷ The agenda was predominantly set by Putin, who steered the conversation, with no individual talking about any issues that weren’t first raised by Putin. The key issues discussed included national development, social equity, regional development and infrastructure, support for families, and a focus on the youth.

Putin specifically engaged with the topic of taxation and income equality in the social sector, noting the necessity for equitable tax reform. This focus point, on the surface, can reflect Putin having a positive stance on progressive taxation, emphasising the need for a tax system where the more affluent bear a greater burden.⁸⁸ While it aligns with his previous directives for a fairer tax distribution, highlighting a potential shift towards alleviating the tax load on lower-income families and individuals, Putin’s stance on income disparities through tax reform is likely a result of two factors. The first is the need to exercise absolute control over those such as oligarchs who have benefited financially from the Russian economic system. The second is to narrow the divide between the Kremlin and the people it governs. While the increase in taxation is a positive talking point for those in low- or middle-income households, the majority of tax revenue earned is unlikely to be returned to the people and instead re-directed towards war efforts.

The erosion of democratic norms in Russia, exemplified by the recent presidential election and the tragic fate of Alexei Navalny, paints a troubling picture of the political landscape under President Putin. The orchestrated electoral processes and the suppression of dissent

⁸⁶ Andrew Roth, “Vladimir Putin secures record win in Russian presidential election”, in *The Guardian* (20 March 2018). Accessed [here](#); see also, Putin’s party wins Russian parliamentary election”, in *Deutsche Welle* (21 September, 2021). Accessed [here](#).

⁸⁷ President of Russia, “Встреча с кандидатами на должность Президента России”, from *Kremlin* (18 March 2024). Accessed [here](#).

⁸⁸ TASS, “Fair taxation implies stronger tax burden on people with high incomes — Kremlin”, (13 March 2024). Accessed [here](#).

undermine the democratic foundations of the Russian state and signal a growing disconnect between the Kremlin and the Russian people. As Putin continues to consolidate power through strategies that ostensibly promote social equity but serve to fortify his regime, the international community must continue to carefully consider the implications of Russia's internal dynamics on its foreign relations as well as the broader stability of the region in 2024.

Economic Sanctions

Currently, Putin is prioritising the accumulation of war funds, with increased taxation on the affluent likely serving this objective. Notably, Russia's primary revenue source for these funds is its energy sector, especially coal, oil, and LNG exports, with China standing as the primary buyer of Russian coal and oil, while the EU remains a significant consumer of Russian LNG despite ongoing sanctions.⁸⁹ However, in January this year, Russia experienced a 10% decline in fossil fuel export revenues compared to the previous month,⁹⁰ highlighting the sanctions' impact. On top of this, Russia is also being negatively impacted by China – despite China's dominant role as a major consumer of Russian energy resources, recent developments indicate a shift, with a major Chinese bank, Zhejiang Chouzhou Commercial Bank, recently severing financial ties with Russia, a decision influenced by global sanctions as well as China's internal economic challenges.⁹¹ In addition to China, sanctions have also led banks in Turkey, the UAE, and Central Asia to delay or refuse the processing of Russia-related payments.⁹² The US government's "Executive Order 14114" regarding "secondary sanctions" exemplifies this shift, threatening FFIs with exclusion from the US financial system if they engage in significant transactions related to Russia's military or defence sectors, even if done unwittingly.⁹³

As a result, secondary sanctions directed toward the Russian energy sector have proven to be a key diplomatic tool. Immediately following Russia's invasion of Ukraine, the US government introduced the first round of secondary sanctions in March 2022. The sanctions directly banned US imports of Russian energy products and prohibited new US investments in Russia's

⁸⁹Isaac Levi, "January 2024 — Monthly analysis of Russian fossil fuel exports and sanctions", in *Centre for Research on Energy and Clean Air* (14 February 2024). Accessed [here](#).

⁹⁰ Ibid.

⁹¹ Владимир Кулагин, "Главный для российских импортеров банк Китая остановил все расчеты с РФ", in *Ведомости* (07 February 2024). Accessed [here](#).

⁹² Yulia A. Solomakhina et. al, "Impact of Recent U.S. Secondary Sanctions Authority Targeting Foreign Financial Institutions Supporting Russia's Military-Industrial Base", in *Cleary Glottlieb* (22 February 2024). Accessed [here](#).

⁹³ Adam M. Smith et. al, "OFAC Creates New Russia-Related Secondary Sanctions Risks for Foreign Financial Institutions; Expands Import Ban", in *Gibson Dunn* (04 January 2024). Accessed [here](#).

energy sector, restricted US entities from supporting related foreign transactions, and mandated compliance.⁹⁴

In looking to Europe, the EU's 12th package of sanctions package, effective as of 19 December 2023, expanded the scope of previous EU restrictions, targeting not only Russian entities but also enhancing measures to prevent circumvention of sanctions, notably in the business services sector and the trade of certain goods.⁹⁵ The package included the prohibition of a range of business services and the sale, supply, or transfer of software crucial for Russian enterprises, as well as additional import and export bans aimed at depleting Russia's military capabilities and economic resources. What is also worth noting is the "No Russia" clause, which requires exporters to insert contractual clauses prohibiting re-exports to Russia of sensitive items, underscoring the international community's commitment to thwarting Russia's access to crucial technologies and resources.⁹⁶

These concerted efforts, along with the tightened focus on financial institutions, signify a robust international strategy aimed at curtailing Russia's war machinery. While Russia has proven capable of circumventing sanctions and continues to bring in foreign revenue inflow using neighbouring countries such as Kazakhstan,⁹⁷ it is clear that sanctions have had a negative impact on Russia and its allies. This has been particularly true in regard to Russian oil; for instance, the stringent enforcement of the USD \$30 per barrel oil price cap is estimated to have reduced Russia's revenue by €41 billion (25%) between December 2022 and January 2024.⁹⁸ Yet, despite the effects of Western sanctions, Russia has shown resilience, partly due to its substantial preparation since 2014, including efforts at de-dollarization and pivoting towards Asian markets.⁹⁹ It is clear, though, that the comprehensive and expanding nature of

⁹⁴ White House, "Executive Order 14066, Prohibiting Certain Imports and New Investments With Respect to Continued Russian Federation Efforts To Undermine the Sovereignty and Territorial Integrity of Ukraine", in *Federal Register* (08 March 2022). Accessed [here](#).

⁹⁵ Directorate-General for Neighbourhood and Enlargement Negotiations, "EU adopts 12th package of sanctions against Russia for its continued illegal war against Ukraine", in *European Parliament* (19 December 2023). Accessed [here](#).

⁹⁶ Sunny Mann et. al, "EU Issues 12th Sanctions Package Targeting Russia", in *Global Sanctions and Export Controls Blog, Backer Mackenzie* (19 December 2023). Accessed [here](#).

⁹⁷ Alexander Yarashevich, Aleksandr Atasuntsev, and Robert Denis, "In 'False Transit' Loophole, Russia's War Machine Is Supplied Through Kazakh Companies and Belarusian Warehouses", in *OCCRP* (21 February 2024). Accessed [here](#).

⁹⁸ Isaac Levi, "January 2024 — Monthly analysis of Russian fossil fuel exports and sanctions", in *Centre for Research on Energy and Clean Air* (14 February 2024). Accessed [here](#).

⁹⁹ Rajoli Siddharth Jayaprakash, "The Russia sanctions: Its evolution and ripple effects", in *Observer Research Foundation* (16 January 2024). Accessed [here](#).

these sanctions, especially those targeting the financial sector and critical export items, signifies increased vigilance and enforcement by the EU and US governments.

Looking ahead, the economic sanctions against Russia suggest another year of intensified economic scrutiny and strategic financial constraints. As Western sanctions, particularly those targeting the energy and financial sectors, continue to evolve, Russia will face evolving challenges manoeuvring in the global economy, particularly in instances of reluctant allies hesitant to provide support, straining bilateral ties. Despite its resilience and adaptive strategies, the cumulative impact of these sanctions, alongside global efforts to curb Russia's military-industrial capabilities, will play a pivotal role in shaping Russia's economic and political trajectory in the coming year.

Targeting of Foreign Media

The Kremlin is also no stranger to targeting independent media, and since the outbreak of the Russian invasion of Ukraine, independent foreign media that are not pro-Kremlin will face even higher levels of risk. In March 2023, the first US journalist since the Soviet era was arrested on espionage charges, which have since been regularly denied and condemned by the US government.¹⁰⁰ Moscow has continued to take harsher steps in the expansion of laws under the guise of protecting national security and public order, which has proven to be a critical tool in stifling dissent and curbing freedoms. In particular, laws targeting "foreign agents," "undesirable organisations," and those purportedly justifying or disseminating "extremism" have been instrumental in suppressing civil society, independent media, and opposition figures.¹⁰¹

Back in July 2022, President Putin signed a bill further broadening the scope of Russia's "foreign agent" legislation, intensifying the Kremlin's clampdown on dissent and independent media. The law, which came into effect in December of that year, extended the foreign agent label to individuals considered "under foreign influence," even without financial ties abroad, significantly widening the state's capacity to target critics. It was then in 2023 that we saw the Kremlin prohibiting collaboration with unregistered foreign NGOs, signifying a further contraction of civic space in Russia, aligning with the Kremlin's broader strategy to dismantle civil society and suppress dissent. The law, complementing the existing "foreign agents" and "undesirable organisations" statutes, systematically eroded fundamental

¹⁰⁰ Paul Kirby, "Russia arrests US journalist Evan Gershkovich on spying charge", in *BBC* (30 March 2023). Accessed [here](#); also see Associated Press, "US reporter held by Russia on spying charges denied release", (19 April 2023). Accessed [here](#).

¹⁰¹ Martin Russel, "'Foreign agents' and 'undesirables' Russian civil society in danger of extinction?", in *European Parliament* (March 2022). Accessed [here](#).

freedoms, isolating Russian activists and stifling international collaboration, thus intensifying the government's control over public discourse and civil activities. As of February 2024, the Russian parliament is set to introduce a new piece of legislation into law that will ban advertising on platforms associated with "foreign agents", restricting Russian entities from advertising with these labelled individuals or groups, aiming to curtail their financial resources.¹⁰²

While it is difficult to ascertain public perception toward the law, we are seeing key pro-Kremlin figures, such as Margarita Simonyan, known for pushing Russian propaganda as the editor-in-chief of "Russia Today", criticising the foreign agents' law.¹⁰³ However, the exporting of the legislation is also sparking tensions domestically and internationally, specifically in the countries of Georgia and Kyrgyzstan. In the case of Georgia, mass protests erupted last year against the adoption of the law, leading to its withdrawal.¹⁰⁴ As for Kyrgyzstan, in February this year, Kyrgyzstan introduced legislation that would allow authorities to register organisations as "foreign representatives", mirroring Russia's repressive laws on "foreign agents." The bill would target non-commercial organisations and media outlets that receive foreign funding and are involved in "political" activities, requiring them to report their activities to the authorities. US Secretary of State Anthony Blinken sent a letter in response to the legislation where he expressed "*concerns about the foreign representatives (NGOs) bill of Parliament.*"¹⁰⁵ In response, Kyrgyz President Sadyr Japarov compared the proposed Kyrgyz bill to the US's "Foreign Agents Registration Act" and shared their defensive stance against perceived external interference.¹⁰⁶ Despite this, the widespread domestic and international criticism suggests a fear that the legislation will be used in a similar Kremlin-style, that is, as a tool to suppress dissent and control civil society.

Final Points

The trajectory of political repression in Russia presents a disconcerting trend toward heightened authoritarianism, reminiscent of its Stalinist, authoritarian past. While Russia has

¹⁰² Lucy Papachristou, "Russia's parliament approves bill banning advertising on websites of 'foreign agents'", in *Reuters* (28 February 2024). Accessed [here](#).

¹⁰³ Ольга Робейко, "Глашатаи Кремля: как озолотились пропагандисты Маргарита Симоньян и ее муж", in *Unian* (01 August 2022). Accessed [here](#); also see, Карина Джордан, "МАРГАРИТА СИМОНЬЯН ВЫСКАЗАЛАСЬ О ЗАКОНЕ ОБ ИНОАГЕНТАХ: «НЕ ВСЕ ЭТО ЗАСЛУЖИЛИ»", in *WomanHit* (13 March 2024). Accessed [here](#).

¹⁰⁴ Sophiko Megreldze, "Georgia drops foreign agents law after massive protests", in *Associate Press* (10 March 2023). Accessed [here](#); see also, Tina Dolbaia and Maria Snegovaya, "In Georgia, Civil Society Wins against Russia-Style 'Foreign Agents' Bill", in *CSIS* (15 March 2023). Accessed [here](#).

¹⁰⁵ Tatyana Kudryavtseva, "U.S. Secretary of State Antony Blinken writes letter to Sadyr Japarov", in *24KG* (08 February 2024). Accessed [here](#).

¹⁰⁶ Eleonora Beishenbek-kyzy, "Japarov Accuses U.S. Of Interfering In Kyrgyzstan's Internal Affairs", in *RadioLiberty* (12 February 2024). Accessed [here](#).



rarely been one to stand as an exemplary democratic model, we can still observe how there has been further erosion of its democratic qualities, marked by increased state control over media, a crackdown on dissent, and manipulated electoral processes. These developments not only echo historical patterns of governance in Russia but also signal an increased level of concern for potential outcomes resulting from Moscow's decision-making process.

As we navigate through 2024, the international community must closely monitor these shifts, recognising that Russia's internal politics have far-reaching implications beyond its borders. Moscow's tightening grip on power, coupled with its strategic manoeuvring in the face of international sanctions and geopolitical pressures, suggests a complex interplay of domestic and international factors shaping Russia's path forward.

It will be critical for stakeholders to have a strong understanding of Russia's political landscape, fostering collaborative international responses and supporting civil society resilience within Russia. The situation in Russia serves as a critical reminder of the ongoing struggle for democracy and human rights in the face of authoritarianism, highlighting the importance of vigilance, advocacy, and collective action in the international arena.

RECOMMENDATIONS FOR STAKEHOLDERS

- **Enhanced Due Diligence:** Businesses and investors with interests in Russia and its allies should enhance their due diligence to include a thorough analysis of the political risks, focusing on the government's recent actions against dissidents and critics, the potential for further repression, as well as issues surrounding sanctions circumvention. This could extend beyond mere compliance and include an assessment of reputational risks and the potential for sudden policy shifts under the current regime.
- **Robust Contingency Planning:** Develop contingency plans informed by the deepening political and economic challenges highlighted in the Russian context. Plans should account for scenarios like the acceleration of repression, potential nationalistic policies affecting foreign businesses, or abrupt changes in the legal environment. Scenario planning could be particularly beneficial, incorporating various potential developments such as further crackdowns on dissent or international isolation due to sanctions.



- **Strengthen Advocacy and Partnerships:** Engage proactively with global advocacy networks, human rights organisations, and international coalitions to stay informed on developments in Russia and contribute to joint efforts challenging the crackdown on freedoms.
- **Compliance and Legal Vigilance:** Ensure strict compliance with international sanctions and legal frameworks, preparing for potential ramifications of secondary sanctions and the evolving legal environment surrounding the Russian government.



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