Weekly Intelligence Brief

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China's Belt and Road Initiative expanding in the Peruvian energy sector

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On 22 FEB, Beijing changed its approach to the Belt and Road Initiative in Latin America, shifting from large infrastructure projects to smaller and more strategic ones in line with China's economic growth objectives. China has started to move away from governmentto-government loans and appears to be switching to direct investment in electrical utilities.

In Peru, China Southern Power Grid has agreed to pay \$2.9 billion in order to

acquire substantial assets from Italianowned Enel Distribución. The company provides power to approximately ten million residents in the Peruvian capital Lima, along with more than half of the country's territory. Enel would be the third electrical company owned by Chinese companies in Peru along with Three Gorges and Yangtze Power. The National Institute for the Defense of Free Competition and the Protection of Intellectual Property has established conditions stating that distributors could not buy energy from generators linked to the Chinese group Three Gorges and Yangtze Power without supervised bidding, which will now encapsulate Enel. This prohibition lasts

until 2030. From this, there is potential for all non-Chinese companies to be driven out of Peru.

We are able to assess with moderate confidence that Chinese companies will look at establishing a monopoly in the generation and distribution of the Peruvian energy sector, controlling Peru's energy. We can also assess with low confidence that this could have a detrimental impact on American energy industries in Peru. If American companies are priced out of the market, there could be a strain on US-Peruvian relations.

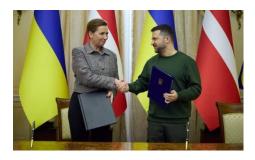
European Countries sign 10-year agreement with Ukraine

Lex Martin Deputy Head of Desk Europe Desk

On 24 FEB, Denmark and Italy signed a 10-year bilateral security agreement with Ukraine, joining Britain, Germany, and France. The agreement is intended to strengthen Ukraine's security until it can become a member of the North Atlantic Treaty Organization (NATO).

Since this agreement started, France has promised \$3.23 billion in military aid to Ukraine, with Germany also sending a \$1.22 billion support package, and Canada sending \$2.2 billion. The United States has yet to sign the agreement but is expected to be signed after the US Congress approves \$60 billion in aid to Ukraine and the NATO summit in July. French President Emmanuel Macron has considered sending troops to Ukraine, specifically for mine clearance, cyberdefense, and the production of weapons on-site. German Chancellor Olaf Scholz mentioned that such a move would make a direct military conflict between NATO and Russia more likely. Russian President Vladimir Putin has yet to issue any responses to the agreement or the French President's proposal. However, close Putin ally and member of the lower house of Russia's Parliament Vyacheslav Volodin claimed Ukraine's Western allies would meet the same end as Napoleon.

We can assess with high confidence that the support Ukraine is receiving from allies could start a turn in the war slowing Russian advancement. However, it is very unlikely that any country will send actual troops to help Ukraine fight.



EU launches Red Sea naval mission to protect ships from Houthi attacks

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On 19 FEB 2024, European Commission President Ursula von der Leyen announced the decision to launch a naval mission to protect cargo ships in the Red Sea from Houthi Attacks. The mission will consist of European warships and airborne early warning systems sent to the Red Sea, Gulf of Aden, and surrounding waters. France, Germany, Italy, and Belgium have all stated their intent to supply this mission with ships. Italian vessels will specifically be set up within the Greek city of Larissa, with orders to fire on Yemen Houthis only if they attack first, as these vessels are not authorized to shoot preemptively.

Houthis have been attacking commercial and military shipping in the normally busy Red Sea since November. This has led to severe economic setbacks for countries that primarily use the Red Sea as a maritime trade route, as they must use routes around South Africa's Cape of Good Hope instead. This has created major shipping delays and a 248 percent increase in the cost of shipping goods between Europe and China. Aggression from Yemen Houthis was sparked by the Israel-Hamas war. The Houthis have continuously declared anti-Western sentiments reflected in their targeting of any ships connected to or in support of Israel. There have been no signs of slowing aggression from Yemen Houthis. Instead, they stand by their declaration that strikes will end once a ceasefire is reached within Gaza.

We are able to assess with moderate confidence that it is likely the Houthi attacks within the Red Sea will not be deterred by the EU Naval Mission.

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