

# CROSSROADS

*At the Intersection of Geopolitics and Geoeconomics*

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Here are some critical issues to watch around the globe over the coming month:

## North America

- The summit between US President Donald Trump and the leader of North Korea was abruptly called off without signing an agreement. The Trump Administration has said that North Korea was willing to close some, but not all, of its nuclear testing facilities in exchange for the lifting of all international sanctions. President Trump boarded Air Force One without signing an agreement and returned to Washington. It is not clear why the negotiations fell apart so quickly, but it can likely be attributed to the lack of diplomatic groundwork prior to the meeting.
- President Donald Trump agreed to hold off on raising tariffs on Chinese goods, which would have escalated a damaging trade war between the world's two largest economies. The president cited the progress of the ongoing talks as his reasoning. Markets reacted positively to this development, however the latest developments signify that there are many issues that remain unresolved.
- Fed Chairman Jerome Powell gave a fairly positive outlook on the state of the US economy. He has, however, began to hint at concerns about overseas growth (specifically Europe and China). Chairman Powell testified before a Senate panel that the trajectory of Brexit and the development of US-China trade talks would largely dictate the movement of interest rates, but he asserted that current economic conditions were healthy.
- In December, President Trump announced the withdrawal of all US troops from Syria. However, the administration has begun to backtrack and announced that the US will leave 400 troops split between two regions: 200 at the al-Tanf base and around 200 more soldiers in north-eastern Syria as peacekeepers. The backtrack has been met with praise from European leaders and less than warm remarks from Turkish officials. The US is now trying to both withdraw and stay in Syria, and please both its partners and allies, while both Russia and Iran look on, waiting for any sign that US policy cannot do both.

## Europe

- Jeremy Corbyn and the Labour MPs Party in the U.K. officially support another vote on the Brexit question. Prime Minister Theresa May agreed that Parliament should have the option to seek a delay in

Britain's exit plans. A delay would prevent a disastrous hard Brexit as the deadline of March 29 approaches.

- Italian bonds are outperforming their European peers after the country avoided a credit rating downgrade. A cut would have left Italy's rating on the brink of junk status, which could have triggered selling by other institutional holders of the debt.

## Eurasia

- Russian President Vladimir Putin, in his annual address to the nation, threatened to use new weapons systems to target both countries that host missiles seen as posing a threat to Russia and those that deploy them, calling out the United States in particular. Shortly after Putin's speech, Russian state television listed US military facilities that Moscow would target in the event of a nuclear strike and said that a hypersonic missile Russia is developing would be able to hit them in less than five minutes. The episode is just the latest escalation in the brewing arms race between the US and Russia.
- Members of Ukraine's parliament have begun the process to impeach President Petro Poroshenko amid the fallout of an explosive report linking high-ranking defense officials to a corruption scandal. Defense officials were, allegedly, receiving kickbacks for obtaining contraband military vehicle parts at inflated prices. Perhaps most controversial, many of the parts appear to have been smuggled in from Russia.

## Asia-Pacific

- Pakistan announced it will release a captured pilot from India after days of conflict stemming from India striking across the Line of Control. Pakistan shot down Indian fighters in retaliation, and many have feared the situation was reaching a boiling point. The release of the pilot offers a face-saving opportunity for each party, and we can only hope a diversion away from war.
- Japanese Prime Minister Shinzo Abe said the relocation of a US base on Okinawa Island cannot be postponed even though 72% of voters in the prefecture opposed the move in a Sunday referendum. Early construction at the new site, on the island's northeast, began last December. The Abe Administration is well within its right to ignore

the outcome of the election. The Okinawa situation is just the latest episode in the saga of the discontent of the Japanese people with US military presence. Such discontent is interesting when one considers that Shinzo Abe has expressed a desire to revise the Japanese Constitution to allow for rearmament.

### Middle East

- Saudi Arabia has begun a shift eastward after facing condemnation and retribution for its murder of Jamal Khashoggi. Crown Prince Mohammed bin Salman has just concluded a high-profile tour of Asia, discussing billions of dollars' worth of trade and investment deals in China, Pakistan and India. However, Saudi Arabia has not given up on its charm offensive toward the West. Saudi Arabia appointed its first female ambassador to serve in Washington. Also, Britain on behalf of Saudi Arabia has called on Germany to end its freeze on weapons sales. Germany seems to be unrelenting and the US Congress remains highly critical of the regime.
- Iran's President Hassan Rouhani on Tuesday rejected the resignation of his Foreign Minister, Javad Zarif. Zarif's remarks are believed to be linked to his absence in two separate meetings between the Assad regime and the government of Iran. Other internal disagreements over Iran's international policies were also reported to be the reasons behind his resignation; however, Zarif gave no other reason for his resignation other than that he hoped it would return the ministry of foreign affairs to its proper place. The Tehran Stock Exchange recorded a drop of more than 2,000 points on Tuesday.

### Latin America

- President Nicolás Maduro's military blocked help and humanitarian aid from entering Venezuela. At least four people had reportedly been killed in the area and along the country's border with Brazil; hundreds more were injured. Maduro has insisted that the humanitarian supplies are unnecessary and spent the weekend celebrating his continued rule with his supporters — even as the United States and other international leaders ramped up calls for him to step down. This all comes after some 50 countries, including the US, acknowledged Juan Guaido as the interim President of Venezuela.
- Brazilian President Jair Bolsonaro has put forward a plan to revamp the country's pension system, as

pension reform is considered critical to boosting economic growth. The proposal would set a minimum retirement age of 65 for men and 62 for women, among other changes. The government said the overhaul would save more than 1 trillion reals (\$270bn) over the next decade. However, opposition parties argue the changes would penalize the poorest. The new president will soon have his first legislative test, as the proposal must be approved by both houses of Congress.

### Sub-Saharan Africa

- Nigerian President Muhammadu Buhari won re-election over his opponent Atiku Abubakar. The People's Democratic Party, the party of Atiku Abubakar, has alleged that there were irregularities in the voting. The run-up to the election was marred by violence and unrest; however, no independent observer has said that there was electoral fraud.
- The Reserve Bank of Zimbabwe announced a new monetary policy this month: Bond notes and all electronic money will be merged into a new currency to be called the RTGs dollar with a fixed exchange rate 1:1 parity policy on the surrogate bond note currency and the US dollar for a managed floating system. It will remain to be seen if Zimbabwe can finally tame hyperinflation; however, the inability of the central government to generate forex reserves will continue to be an issue even if this gambit is somewhat successful.

### Suggested Reading

#### [The Stealth Power](#)

Oriana Skylar Mastro

#### [Pandas Can Fly](#)

The Economist

#### [What Trump Got Wrong, and Right, on North Korea](#)

The New York Times