

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 United States has announced it will impose tariffs on Mexico to pressure them to curb migration. Starting in June, there will be a 5% tariff on all goods from Mexico that will rise to 25% over the next four months. With a possible rollback of steel and aluminum tariffs it seemed like the US, Mexico, and Canada were moving toward further negotiations of the USMCA. However, these tariffs the US is planning to impose on Mexico are in complete violation of such an agreement and give the impression that US President Trump will always turn to tariffs to resolve his frustrations.
- Trade disputes with China escalated this month with Chinese tech-giant Huawei at the center of trade war news. The White House added Huawei to a trade blacklist, limiting the company's ability to buy and use American products from suppliers like Google. At the beginning of the month, trade talks fell apart and US President Trump's tariff threats rattled the stock market. Since then, the President has announced a reprieve of tariffs on US allies as more efforts are focused on China. In response to the escalation, China has put the buying of US soybeans on hold. The escalation could intensify and may result in a new tech paradigm while distorting prices and inflicting pain in many sectors.
- President Trump's legal battles continue with no end in sight. The president walked out of an infrastructure meeting with Democrats last week complaining about their investigations into his administration and saying he is no longer willing to work with them until such investigations cease. It is unlikely President Trump will see an end to the investigations anytime soon, as House Democrats issued a subpoena for his tax returns and Special Counsel Robert Mueller gave a statement on his report stating allegations of election interference "deserves the attention of every American" and refusing to absolve the president regarding criminal charges of obstruction of justice.

- The US believes Russia is not adhering to the ban on nuclear weapons testing established by the Comprehensive Test Ban Treaty (CTBT) in 1996. The director of the US Defense Intelligence Agency, Lt. General Robert Ashley, made a statement saying Russia is "probably" conducting nuclear weapons tests.

Europe

- The European Parliament election results this month reveal growing polarization and fragmentation in the European Union. The EU's traditional centrist parties lost a number of seats to populist, Eurosceptics and non-traditional parties. While the populists did secure 23% of Parliament seats, it was not as large of a populist wave as was predicted by many. Populist gains were evident primarily on the national level in France and Italy, as Marie Le Pen's far-right party and Matteo Salvini's far-right Anti-Immigration League party won the most seats in their respective countries. However, the conservative European People's Party and the center-left Progressive Alliance, Socialists, and Democrats took the most seats with pro-EU parties maintaining the majority. It was the largest voter turnout the EU has ever seen, demonstrating that voters are more concerned about what is going on in European politics than ever before.
- Internal fights have erupted for the top EU positions between France and Germany, a fact that demonstrates how dysfunctional the EU has become.
- UK Prime Minister Theresa May announced her resignation this month but not without stirring the Brexit pot once more. In reaction to Brexit chaos, the sterling pound hit a 3-month low. At least eight contenders are expected for the leadership of the Tory party which has been taking a hard (no deal) Brexit stand.
- Greek Prime Minister Alexis Tsipras announced a snap election to be held at the end of June after his party, Syriza, suffered a devastating defeat to the New Democracy party in the European Parliament elections. It is clear the Greek people are frustrated

with broken promises and failure to bring growth to the country's economy.

- Italy's bank stocks and bonds fell after the EU announced that the country faces a four-billion-dollar penalty for failing to curb debt levels. A final decision on Italian public finances will be made by European Commission President Jean-Claude Juncker and announced on June 5th.

Asia

- Japan's Emperor, Akihito, abdicated the throne to his oldest son, Prince Naruhito, making him the first emperor in two centuries to abdicate. US President Trump was the first world leader to meet the new Emperor when he traveled to Japan for a week of festivities, dining, and golf with Prime Minister Shinzo Abe. Trump's visit to Japan was seen as a success for Japanese foreign policy.
- Deadly protests erupted in Indonesia after President Joko Widodo, or Jokowi, won the election in April. Supporters of Jokowi's chief opponent, Prabowo Subianto, have engaged in violent protests that have killed six people and injured dozens more. The election and ensuing protests expose a growing religious and ethnic divisions in the country.
- In India, Prime Minister Narendra Modi was re-elected for another five-year term. Prime Minister Modi and his BJP party are expected to push a more aggressive Hindu-nationalist agenda, which would heighten the fears of Muslim and Christian minorities in the country. On the other hand, investors are confident that Modi is good for business and will continue to bring stabilizing economic reforms and prosperity to the country.

Middle East

- Last month saw a rise in US-Iran tensions following a series of drone strikes on Saudi oil facilities and ships in the Strait of Hormuz. The Trump administration stated that Iranian actors are responsible. While both Iranian and US officials say they do not want a war, miscommunication could have dangerous implications for escalation.
- As Saudi Arabia continues their involvement in the war in Yemen, President Trump is attempting to circumvent Congress to sell more weapons to the Saudis.
- Turkey snubbed the US' request to delay a Russian missile purchase. Turkey's action may signal a pivot away from its traditional Western allies and toward

the East. If Turkey decides to push ahead with the Russian deal, it could face serious US retaliation--pushing them into further economic turmoil. Political disorder over Turkish President Recep Erdogan's election losses in Istanbul and his excessive spending to prop up the Lira is rattling both the Turkish population and foreign investors. At the same time, Turkey is violating the exclusive economic zone of Cyprus by drilling for gas, while provoking its neighbors with military exercises. An "accident" cannot be precluded in the Eastern Mediterranean.

- Israel announced a snap election to be held in September after Israeli Prime Minister Benjamin Netanyahu failed to form a government after winning the election in April. This will be the first time in Israel's history that two elections are held in the same year. Lawmakers voted on Wednesday to dissolve the Knesset, Israel's general assembly, and set an official election date. Besides having to fight for his political survival, Prime Minister Netanyahu also has to worry about being criminally charged in three corruption cases.
- Heavy fighting continues in Tripoli. Just a few days ago, Libyan Eastern Commander Khalifa Haftar ruled out a ceasefire in the battle for Tripoli, and he has dismissed United Nations-led talks. Haftar and his troops started an offensive to take Tripoli almost two months ago. The battle has killed at least 510 people so far and shows no signs of a resolution. The conflict reveals opposing interests between EU members (especially France and Italy) as well as between the US and the UN.

Latin America

- The world's biggest mining company, BHP, is facing a five-billion-dollar lawsuit in the UK over the Brazil dam disaster from 2015. The dam burst resulted in Brazil's worst environmental disaster. The lawsuit claims the mining company disregarded warnings prior to the collapse of the Samarco iron ore mine, a mine jointly owned by BHP and Vale, a Brazilian mining company.
- Turmoil in Brazil is brewing. The Congress stands against the newly elected president who has been losing support from the public. Demonstrations against, but also in support of, the government have become a weekly phenomenon.
- Representatives from Nicolas Maduro's regime in Venezuela and the government in exile led by Juan Guaidó were sent to Oslo, Norway for talks to

address the political crisis. In a second round of talks, a plan was laid out to end President Maduro's regime and implement a transitional government, but no agreement was reached. For the first time since President Maduro stopped the publication of economic indicators in 2015, Venezuela's central bank released economic data. The data revealed that inflation hit 130,060% in 2018 compared to 862.6% in 2017. Furthermore, the GDP shrank 22.5% in the third quarter of 2018 and oil export earnings dropped 5.6% last year.

- The expected successor of President Mauricio Macri in Argentina, Cristina Fernández de Kirchner, has decided to pursue the vice-presidency instead of the presidency. In backwards fashion, she has asked her chief advisor, Alberto Fernandez, to be her running mate as the presidential nominee. President Macri's popularity has suffered greatly, as inflation soared to 56% and unemployment continues to rise during another Argentinian recession.

Sub-Saharan Africa

- The African National Congress (ANC) kept its majority in South Africa's general election this month with 58% of the vote. While the ANC, the party of President Cyril Ramaphosa, continues its reign, a record of 14 parties have made their way into the National Assembly. The election results signify a shift towards greater pluralism in South Africa.
- Last week, protest leaders in Sudan launched a two-day strike to pressure the ruling military government into handing over power to the civilian-led authorities. Talks between the military council and protestors are at a standstill. Thousands of protesters joined a sit-in outside of the military complex in the country's capital, Khartoum. Over the weekend, the situation grew violent as security forces cracked down on peaceful protestors, killing nine people. While the overthrow of former President Omar Al-Bashir brought hope to Sudanese citizens, the alternative rule of a military government has not brought relief to the country's oppression.
- To quell its mounting public debt burden, Kenya is planning to sell two billion dollars' worth of Eurobonds. Public debt has risen to nearly 60% of national output, forcing the country to spend one-third of government revenues this year on debt service. Economists predict heavy pressure on Kenya's currency this year which would further

increase the foreign debt burden and create even more economic and financial instability.

- The African Continental Free Trade Area (AFCFTA) went into effect on May 30th in attempt to create a single market and allow the free movement of goods and services across the continent. This is a huge step toward tackling economic problems on the continent and promoting intra-regional trade. So far, 52 countries have signed onto the deal. There is enormous potential for economic growth throughout the region as long as governments are diligent about implementing the agreement and working together.

Suggested Reading

[Full Transcript of Mueller's Statement on Russia Investigation](#)

The New York Times

[Escalating U.S.-Iran Tensions: What's Next?](#)

Philip H. Gordon, Council on Foreign Relations

[Biotech and the trade war](#)

The Economist

[The Crackdown that Defined Modern China](#)

Orville Schell, The Wall Street Journal