

# CROSSROADS

*At the Intersection of Geopolitics and Geoeconomics*

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Here is a summary of the most important events that unfolded this month, and which may affect economic, financial and geopolitical issues in the months ahead:

## North America

- On October 6th, US President Donald Trump withdrew troops from Syria despite a Turkish offensive against US Kurdish allies in Northern Syria. In response to Turkey's incursion, President Trump signed an executive order to impose sanctions on top members of the Turkish government, threatening to intensify sanctions if Turkey fails to negotiate an official ceasefire agreement. Just a few days ago, the US House of Representatives approved a stinging sanctions bill against Turkey. Turkish President Recep Tayyip Erdoğan condemns the bill and vows to keep fighting in Syria.
- President Trump confirmed the death of Islamic State (IS) leader Abu Bakr al-Baghdadi who was killed in a US raid in Syria. Despite the victory, world leaders have warned that the Islamic State remains a significant threat. There is renewed fear of an IS emergence after over a hundred IS prisoners escaped from Syrian prisons. Many of the Kurdish forces guarding the Syrian prisons which are filled with tens of thousands of IS militants have left their posts to fight the Turkish onslaught.
- The US House of Representatives will vote on Thursday, October 31<sup>st</sup>, to formalize impeachment proceedings against President Trump. Several people have come forward to testify about President Trump's controversial call with the President of Ukraine, Volodymyr Zelensky. The impeachment proceedings center around a whistleblower complaint that President Trump pressured the Ukrainian President to investigate Democratic candidate Joe Biden by freezing \$400 million in military aid to Ukraine.
- After President Trump declared that talks with the Taliban were dead just over a month ago, the US has moved to restart peace talks with the Taliban. US Defense Secretary Mark Esper visited Afghanistan and House Speaker Nancy Pelosi has met with Afghan officials. The Taliban has also voiced support for resuming peace talks.
- The US and China have seemed to make progress in trade talks this past month. A rough framework has

been created by US and Chinese officials including a Chinese agreement to purchase \$40-50 billion American agriculture products in exchange for the US forgoing a planned increase in tariffs. However, China has been displeased with US condemnation of China's various human rights abuses including the treatment of Hong Kong protestors and Muslim minorities. Whether this will throw a wrench in trade talks has yet to be clearly seen.

## Europe

- The draft deal between British Prime Minister Boris Johnson and European Commission President Jean-Claude Juncker was approved by European Union (EU) and British lawmakers but rejected his request to push it through by October 31<sup>st</sup>. The EU granted Johnson a Brexit extension to January 31<sup>st</sup>. In an effort to break the Brexit deadlock, lawmakers in the House of Commons supported a bill to hold a general election on December 12<sup>th</sup>. Prime Minister Johnson is betting his Conservative Party can win a parliamentary majority.
- Protests have broken out in Barcelona over the jailing of Catalan separatist leaders. Clashes between riot police and protestors have grown violent over the last week. President of Catalonia, Quim Torra, has called for talks with the Spanish government.
- The US has imposed tariffs on \$7.5 billion worth of EU goods after the World Trade Organization ruled in favor of the US in a long-running dispute over European loans to the company Airbus.
- Mario Draghi led his last monetary policy meeting as President of the European Central Bank. He leaves the bank divided over his policies. Some members of the bank believe Draghi's easing money policies have set the stage for a financial crisis while Draghi himself has insisted that stimulus was needed. Draghi's predecessor, Christine Lagarde has a looming task ahead of her.

## Asia

- Protests are still ablaze in Hong Kong. Pro-democracy protest leader Jimmy Sham was attacked, prompting Amnesty International to launch an investigation. In addition, Beijing is planning to

replace Hong Kong leader, Carrie Lam. Local elections will be held in November, however, pro-democracy activist Joshua Wong has been barred from running in the elections. The government bases their decision on their claim that Wong has supported self-determination for the territory.

- India and Pakistan have exchanged fire over the region of Kashmir yet again. In order to tighten its control over the region, India will formally split up the disputed Jammu and Kashmir state into two federal territories. Clashes erupted in Indian-administered Kashmir as members from the European Parliament, including far-right deputies, paid a visit this past week as the first delegation to be granted access to the region since its security lockdown nearly three months ago. Critics say this is a ploy by India's nationalist government to paint a picture to the world that everything is normal in Kashmir.
- The Prime Ministers of South Korea and Japan met this month to engage in talks about how to improve the "severe state" of their bilateral ties. A trade dispute over the last few months has strained the relationship between the two countries.

### Middle East

- Lebanese Prime Minister Saad Hariri resigned this week after nearly two weeks of nationwide protests calling for his resignation. The protests erupted over after the government announced a new tax on the use of messaging and calling platforms like WhatsApp. In addition, protestors are fed up with the country's state of economic crisis which has increased cost of living and public debt.
- Russia reached a deal with Turkey on Northern Syria. Under the agreement, Kurdish forces must withdraw from a 20-mile strip along the Syrian-Turkish border by October 29<sup>th</sup>. Russia and Turkey will jointly patrol the region and Turkish forces alone will control the area it has captured in its recent military operation.
- Civilian casualties in Afghanistan have reached a ten-year high. More than 8,000 people were killed between January and September of this year. 425 people were killed in July alone, making it the deadliest month since the United Nation's mission in Afghanistan began tracking civilian harm in 2009.
- There has been a surge of violence in Iraq after weeks of anti-government protests. Protesters are demanding jobs, public services, and an end to government corruption. Reports say 63 people died over the weekend in a security crackdown and thousands more have been wounded.

- Israeli Prime Minister Benjamin Netanyahu has failed to form a government, giving room for opposition party Benny Gantz to take his stab at forming a government. This is the first time in a decade that a different candidate will have the opportunity to create a new government. Gantz will have 28 days to try a form a coalition.

### Latin America and Caribbean

- Alberto Fernandez and his running mate Cristina Fernández de Kirchner beat Mauricio Macri in Argentina's presidential elections this month. The election brings leadership back to the Peronists, the populist party in Argentina. The outcome of the election confirms the frustration many Argentinians had for Macri and his failure to pull them out of an economic and financial crisis.
- A four percent metro fare hike in Chile ignited massive protests in the country. President of Chile, Sebastián Piñera, declared a state of emergency, installing curfews and sending military out into the streets. In the last few days, the President has promised marginally higher taxes on the rich, a higher minimum wage, more reasonable costs for medicine, and a 20 percent increase in the lowest pensions. The Chilean economy has struggled with increasing prices due to privatization and growing public debt.
- Adding to the list of protests worldwide is Ecuador. Ecuadorians took to the streets, protesting and rioting, in response to the government's acceptance of an austerity package from the International Monetary Fund which raised fuel prices. Protesters are celebrating after President Lenín Moreno's announcement that he has cancelled the austerity package. However, the country finds itself in a debt crisis and will need to take corrective measures.
- Protests in Haiti have paralyzed the country. Schools, businesses, and public offices have closed due to deadly protests over the last month. Opposition leaders are calling for the resignation of President Jovenel Moise due to anger over fuel and food shortages, corruption allegations, and a steep currency devaluation.

### Sub-Saharan Africa

- More than 67 people have been killed, and more than 200 injured in clashes between supporters of Prime Minister Abiy Ahmed and a prominent critic of Ahmed, Jawar Mohammed. Mohammed has accused Ahmed of being a dictator and claimed the police were conspiring to attack him.

- Peace talks between the Sudanese government and rebel groups continued this month. Just this week, South Sudan's main opposition group accused the government of failing to push through a peace deal and called for six-month delay to form a unity government which is part of the peace deal that was signed between the parties last year.
- The government of Zimbabwe declared October 25<sup>th</sup> a national holiday as they led protests against US and EU sanctions. The US and EU have had targeted sanctions on government leaders in Zimbabwe since 2001 for various human rights and corruption violations. The government of Zimbabwe blames the country's current economic crisis on the sanctions.

### [Suggested Reading](#)

#### [Reflections on Bretton Woods](#)

Robert Z. Aliber, *Center for Financial Stability*

#### [From financial crisis to inequality — how economists got it wrong](#)

Edward Luce, *Financial Times*

#### [What an impeachment trial of Donald Trump might look like](#)

*The Economist*

#### [Season of discontent: protests flare around the world](#)

*Reuters*