

# CROSSROADS

*At the Intersection of Geopolitics and Geoeconomics*

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

## North America

- The US House of Representatives has launched an official impeachment inquiry into President Donald Trump. The inquiry comes after a whistleblower complaint that President Trump pressured Ukrainian President Volodymyr Zelensky to investigate the son of former Vice President and the leading Democratic candidate, Joe Biden, after freezing nearly \$400 million in military aid to Ukraine.
- There has been a slight easing of tensions in the US-China trade war this past month. US President Trump has delayed a tariff hike on some Chinese goods at the request of Chinese Vice Premier Liu He. In response to this gesture of goodwill, China has lifted tariffs on US soybeans. A new round of trade talks is being held in Washington this past month.
- The US and Japan reached a trade deal this past month. Under the agreement Japan will remove or reduce tariffs on over 90 percent of US food and agricultural products. In return, the US will remove or reduce tariffs on \$40 million of Japanese agricultural imports and some industrial goods.
- Just days before September 11<sup>th</sup>, President Trump canceled a secret meeting with the Taliban and Afghan President Ashraf Ghani at Camp David. President Trump has called off all peace negotiations with the Taliban after they admitted they were behind a recent attack in which a US soldier was killed.
- The US Federal Reserve cut interest rates another quarter point this past month to sustain US economic expansion. Fed Chair Jerome H. Powell said that the US economy remains strong and unemployment low but that they are watching the situation and are prepared to act aggressively if the US economy shows signs of weakening. US President Trump has criticized the move saying the cuts are not enough as he has been continuously pushing the central bank to cut rates to zero.

## Europe

- The United Kingdom's top court ruled against Prime Minister Boris Johnson's suspension of Parliament, therefore widening the window for the legislature to

approve a Brexit deal before the scheduled October 31 exit. Today, the UK published its official Brexit proposal to the European Union. The success or failure of the proposal will rely heavily on the reaction of Northern Ireland which seeks to remain part of the customs union without any hard borders or customs checks.

- Russia's ruling party, United Russia, took a big hit in the Moscow city elections this past month. Although it remains the majority leader, the party lost a third of its seats signaling a weakening of the current system. This may be a small win for the Russian protest movement, but they have yet to gain enough strength to push through major political change.
- As part of a stimulus package, the European Central Bank cut interest rates and approved a new round of bond purchases to encourage eurozone growth. In response to the rate cuts and bond purchases, the euro dropped sharply and weakened against the Swiss franc and Japanese yen.
- In April of this year Pedro Sanchez was elected Spanish Prime Minister and his center-left Spanish Workers' Socialist Party won the most seats, but not the outright majority of Parliament. Since then Sanchez has failed to form a new government, leaving the country with no choice but to hold another round of national elections in November.

## Asia

- As China celebrates 70 years of Communist rule this week, protests in Hong Kong have erupted to new levels. Protestors have seen increasingly violent police tactics used to thwart their peaceful protests. Tuesday marked the first day that real bullets were used by police. An 18-year old protestor was shot in the chest using real bullets and live fire was used five other times throughout the day. In response to the escalation by police, protestors in the Sha Tin suburb have started forming barricades and launching projectiles at police officers. Though these protests have gone on for several months now, mainland China has yet to propose a peaceful democratic solution.
- Thousands have been detained in India-administered Kashmir since India revoked the special status of the

region. Indian government officials say the detentions were made in attempt to prevent violence and the majority of those detained have been released. Indian military forces currently occupy the region, putting increased pressure on India-Pakistan relations. At the United Nations General Assembly, Pakistan's Prime Minister Imran Khan warned of a "bloodbath" in the region.

- The bilateral trade dispute between South Korea and Japan has escalated this past month as South Korea removed Japan from its list of trusted trading partners. Though it may seem like a local trade dispute, it could have major impacts on the global tech industry if tensions drag on.
- Just a few weeks ago there was increased hope for talks between North Korea, South Korea, and the US. However, just hours after the US and North Korea confirmed a new round of working-level nuclear negotiations, a ballistic missile was launched today toward the Sea of Japan from a North Korean underwater platform. Both the US and South Korea have insisted on concrete steps towards denuclearization before any sanctions relief.
- India and Nepal have opened South Asia's first cross-country oil pipeline allowing Nepal to receive an uninterrupted supply of oil from its southern neighbor and largest trading partner. The pipeline is seen as a major step of friendship between the two countries whose relationship has historically been strained.

### Middle East

- Israeli Prime Minister Binyamin Netanyahu was defeated at the polls in the latest elections and indications are that he will fail yet again to form a new government. Producing a majority coalition is the only thing that could give him parliamentary immunity from being indicted on charges of fraud, bribery, and breach of trust. Israel again faces a political deadlock but the door has been opened for a unity government under opposition candidate Benny Gantz.
- Iran has been blamed for another series of attacks on Saudi oil facilities escalating tensions especially between the US and Iran, but not significantly altering global oil prices for more than a few days.
- Afghanistan held national elections this past weekend, but the results won't be announced for a couple of weeks. However, both standing President Ashraf Ghani and his opponent Abdullah Abdullah claim the lead, increasing worries of a new political crisis. There had been multiple attacks by the Taliban in the weeks leading up to the election, but

thankfully no major attack was launched on election day as many had feared would occur.

- The United Nations has established a Syrian Committee to End War which is backed by Iran, Russia, and Turkey. The UN will hold talks between representatives of the Syrian government and the opposition in Geneva. The committee signals progress towards an end to the eight-year war in Syria which has been both a military and humanitarian crisis.
- In Egypt, hundreds have been arrested for protesting against President Abdel Fatah el-Sisi. Protestors are calling for el-Sisi's resignation and an end to authoritarian rule. El-Sisi has jailed thousands of his political opponents and has control over politics and the majority of news media, making political change in Egypt very difficult.

### Latin America

- Sixteen Latin American countries have voted to impose sanctions on members of Venezuelan Nicolas Maduro's regime. The sanctions have been imposed to pressure Maduro to leave office without means of force. The Lima Group, the multilateral body who has led the regional response to the Venezuelan crisis, has been clear that it does not support the use of military force to end the conflict.
- El Salvador, Guatemala, and Honduras have all signed migration deals with the US which give them the status of "safe third country". The agreements require migrants to claim asylum in whichever safe country they enter first. The agreements also give the US the ability to send migrants back to these safe third countries to make asylum claims instead of hearing their cases in the US.
- President of Argentina Mauricio Macri is projected to lose in the October elections which may be a prelude for another bankruptcy by Argentina. The Argentinean economy has collapsed in the last few months forcing the country to default on its debt and seek help from the International Monetary Fund.

### Sub-Saharan Africa

- Niger has partnered with China to build a 1,250-mile oil pipeline which will transport crude oil from southeast Niger to Benin. The China National Petroleum Corporation will help build the pipeline adding to the growing list of development projects the country has funded in Sub-Saharan Africa.
- Neighboring countries Rwanda and Uganda have begun peace talks after political tensions have escalated due to accusations of interference, spying, and political assassinations. Rwanda closed its border to Uganda over the dispute but an ad hoc

commission has been put in place to dissolve tensions and resolve the dispute.

- There has been unrest in South Africa following the release of statistics which show a 3.9 percent rise in reported rapes in the past year. Protests against gender-based violence sprang up in Johannesburg following the release of the statistics and the issue has received an overwhelming global response.

#### World

- The United Nations hosted the 2019 Climate Action Summit on September 23<sup>rd</sup> to boost ambition and accelerate actions to implement the Paris Agreement on Climate Change. Following the summit, 77 countries have announced moves to achieve carbon-neutrality by 2050 but critics say this is not enough to combat the looming danger of climate change.

#### Suggested Reading

##### [The Last Days of Netanyahu?](#)

Shlomo Ben-Ami  
*Project Syndicate*

##### [The New Problems with Putin's Old Political System](#)

Nikolas K. Gvosdev  
*The National Interest*

##### [How Impeachment Could Matter for Markets](#)

James Mackintosh  
*The Wall Street Journal*