

# 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

- The U.S. Congress nearly unanimously passed legislation that would annually require the State Department to verify Hong Kong's independent state is being upheld and implement sanctions on Chinese officials found to be in violation. The legislation, signed by President Trump, is meant as a demonstration of support for the protestors in Hong Kong but risks increasing tensions in the midst of trade negotiations. China had warned against signing the measure.
- The U.S. House of Representatives held impeachment proceedings during the month focused on President Trump's administration's handling of aid intended for Ukraine's security in exchange for political favors. A number of officials from various factions of the U.S. foreign policy establishment testified to corroborate a whistleblower's report into an alleged quid pro quo. The House will hold a vote on impeachment December 4<sup>th</sup>.
- Secretary Mike Pompeo announced that the United States will no longer consider Israeli settlements in the West Bank to be a violation of international law. The statement drastically conflicts with decades of international law and precedent and was met with rejections from the EU as well as various countries throughout the Arab world.
- The United States formally pulled out of the Paris Climate Agreement earlier this month. Withdrawal from the accord is seen as a detriment towards maintaining any global momentum on tackling the issue of climate change as the U.S. is now the only country not to support the measure. Data earlier this year showed global carbon emissions reached a new record high.

## Europe

- Venice has suffered the worst flooding in over 50 years, endangering the historic cities structure and causing damage already estimated to surpass 1 billion Euros. The flooding has revealed decades of failures and delays by the government's approach to maintaining adequate infrastructure in the city. The experience has depressed residents and tourists who

worry about the future structural integrity of the city in a world of climate change.

- Competing extremes came out on top in Spain's general elections this month. The Socialist PSOE party won the most seats while the far-right Vox party more than doubled its support finishing third behind the country's conservative party. No party won a majority and the composition of the top parties makes a functional coalition government exceedingly unlikely, putting the country on a path for its third set of elections in less than a year.

## Asia

- India is renewing momentum for privatizing major government stakes in key industries as a means of revitalizing growth, raising funds, and making the country more amenable to foreign investment. Stakes in Air India, a national airliner, Bharat Petroleum as well as refining companies will be sold down to get the country closer to its target of a 3.3% fiscal deficit. The moves come after a corporate tax cut from 35% to 25% in September.
- In the midst of protests Hong Kong went to the polls with record turnout of over 70%. The elections saw pro-democracy politicians win in a landslide, a clear rebuke of Beijing's influence in the governance of the region. Despite the clear message sent, neither Chief Executive Carrie Lam nor the Communist Party in Beijing has shown any inclination to give into any demands from protestors.
- Negotiations between South Korea and the United States on how much the Asian nation would pay the latter to host military personnel and security forces have gone quite poorly. The U.S. wants an increase on the \$940 million South Korea spent last year, already an 8% rise from the year before. Defense Secretary Esper has left the possibility of withdrawing forces if an agreement is not reached. The administration's demands have irked South Korea who subsequently reached out to China to cooperate more closely on defense matters.

## Middle East

- Benjamin Netanyahu was indicted on charges of bribery, fraud, and breach of trust stemming from three different cases of corruption. Israel's parliament remains deadlocked after recent elections and the charges will not help in reaching a stable government.
- Yemeni separatists and the Saudi-backed government signed an agreement to end a power struggle in the southern part of the country. The country has been fragmented between separatists seeking independence and supported by Sunni rivals while Shiite Houthi rebels also expand their presence in the country. Sunni leaders from Saudi Arabia and the UAE are actively involved in the agreement.
- The most serious protests since the 2009 Green Revolution have gripped Iran. Dramatic increases in fuel prices and a dilapidated economy have devastated the population who have subsequently turned against the country's religious leaders. Sanctions against the country's energy sector has wrecked public finances and the overall economy, with GDP falling by over 8%.

## Latin America

- Evo Morales stepped down as President of Bolivia earlier this month and fled to Mexico seeking asylum in the face of mass protests. Morales lost a public referendum which would have allowed him to run for a third term but his administration convinced the nation's highest court to ignore the results. Mass protests ensued, prompting the military to push Morales out. Protests have continued since and resulted in several casualties.
- In an effort to appease massive waves of protests, Chilean lawmakers agreed to hold a public referendum in April over whether to create a new constitution for the country. Months of protest have claimed the lives of dozens of people and also forced the country to cancel hosting the Asian-Pacific Economic Cooperation conference this month.

## Sub-Saharan Africa

- Ethiopia has seen ethnic violence break out in the country, taking nearly 100 lives according to the latest estimates. Prime Minister Abiy, who won a Nobel Peace Prize for resolving tensions with neighboring Eritrea, is caught between two competing nationalist forces in the country. The tensions run the risk of spreading from ethnic lines to religious, inflaming dangers to a greater degree.

- Nearly 5,000 people have died from the measles in the Democratic Republic of Congo so far this year according to the World Health Organization. Children under the age of 5 account for 90% of casualties. Mistrust of vaccines, lack of funding, and violence against health workers have contributed to spread the disease to all 26 provinces in the country. The DRC is also struggling to contain an Ebola epidemic that the WHO has labeled as the most complex health crisis in history.

## Suggested Reading

### [The Monetary Policy Challenge](#)

Jacques de Larosiere, *Center for Financial Stability*

### [Unsettling Precedents for Today's World](#)

Martin Wolf, *Financial Times*

### [Venezuela's Kids Are Dying. Are We Responsible?](#)

Nicolas Kristof, *The New York Times*