

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

- An airstrike launched by the US government in Iraq killed top Iranian general Qassem Soleimani, escalating tensions between the US and Iran to a point many feared would lead to war. In retaliation, the Iranian government attacked two US military bases in Iraq, but no casualties were reported. Aside from a fresh set of sanctions on Iran, the intensity of the tit-for-tat conflict has simmered. Markets do not seem to have dismissed completely further escalations.
- US President Donald Trump's impeachment trial in the Senate formally began on January 16th and is already coming to a close. Before the weekend, the Senate voted 51 to 49 to block the consideration of additional witnesses and evidence leading to what is expected to be a swift acquittal in the coming days.
- The US and China signed phase one of a trade agreement that halts, for the time being, the trade war between the two countries that has rattled global markets for the last two years. This phase of the agreement includes intellectual property protection, tariff rollbacks, and an increase in imports of US goods and services to China. Both countries reserve the right to reimpose tariffs if the other party falls short of its commitments. Market impact could be limited due to remaining tariffs as well as uncertainty regarding further agreements.
- Puerto Rico has been rocked by a string of earthquakes over the last month. More than 950 earthquakes and aftershocks have hit the island since December 31st. Dozens of buildings and homes have crumbled to the ground, cutting power and water to large portions of the island. Families have begun fleeing as the earthquakes and tremors continue.
- On the evening of January 31st, the United Kingdom formally left the European Union. The departure fulfills UK Prime Minister Boris Johnson's Brexit plan and ends nearly four years of Brexit uncertainty. The UK will remain in the single market and customs union through 2020 but will no longer be represented by EU decision-making bodies. Now, the clock begins to tick on a new trade agreement the UK will have to strike up with the EU. We are not holding our breath, since we expect further turmoil by year's end.
- Russia's prime minister and entire executive cabinet resigned after President Vladimir Putin's annual state of the nation address. In the address, President Putin proposed big changes to the country's political system. Included in these big changes is a new leadership role for Putin after his presidential term comes to an end in 2024, therefore extending his 20-year reign.
- Italy's far right party lost in regional elections this past month. Matteo Salvini, leader of Italy's far right League party, failed to defeat his counterpart Stefano Bonaccini to overturn decades of leftwing rule in the northern region of Emilia-Romagna. Salvini has campaigned relentlessly to bring victory to his rightwing party and bring down the national government which is much divided internally.
- German Chancellor Angela Merkel is pushing for accession talks for Albania and North Macedonia in March. In October, EU leaders failed to reach an agreement on inviting the two countries to begin accession talks. French President Emmanuel Macron has been a particularly outspoken opponent to starting membership talks because he believes the EU's enlargement process is flawed and needs revised.

Europe

- Amidst the US-Iran crisis in early January, Iran announced they would end compliance with the Joint Comprehensive Plan of Action, also known as the Iran Nuclear Deal. After intense pressure from the US, the E3 countries – France, Germany, and the United Kingdom – triggered a mechanism in the agreement that allows them to further sanction Iran.

Asia and the Pacific

- In a first major leadership change since the protests began in Hong Kong, the Chinese government has replaced its top representative in Hong Kong with Luo Huining. Mr. Huining believes Hong Kong can return to normal and says the one country, two systems policy must be offered in the long-term. Chief Executive Carrie Lam has recently announced

that Hong Kong's autonomy can be guaranteed past the original 2047 deadline. Further market turmoil is expected.

- Many in India continue protesting a controversial citizenship law that was passed in December, giving citizenship rights to non-Muslim minorities. Over the last two months, protests have grown to include not just Muslims but also many students, and those who are anti-Prime Minister Narendra Modi. As the protests have endured, protesters are not just acting against the citizenship law, many are challenging Modi's Hindu-nationalist agenda and calling for secularism and religious coexistence.
- In a huge win for democracy, Taiwan's President Tsai Ing-wen was re-elected in a landslide victory. Her re-election shows the people of Taiwan want formal independence from China. Many have reported that the elections were energized by the pro-democracy protests in Hong Kong which further expressed to mainland China the growing desire for democracy.
- Record-breaking temperatures and months of drought have led to devastating wildfires across Australia. The wildfires raged across 110,000 square miles of land, killing 33 people and billions of animals, and destroying thousands of homes. Though fires have subdued due to cooler weather and rain, there are still more than 50 fires burning in New South Wales and Victoria. The world has come together to provide billions in dollars in aid for Australia's recovery.

Middle East

- On the heels of Iran's retaliation against the US, a Ukrainian commercial airplane leaving the airport in Tehran was mistakenly shot down by two Iranian missiles, killing all 176 people onboard. Though there were a variety of nationalities represented on the plane, the majority of the passengers were from Iranians. As a result, many Iranians began protesting against their government once again. For some months before the US-Iran crisis in early January, anti-government protests raged across Iran but simmered after the death of General Soleimani as emotions of anger towards the US heightened.
- After multiple attempts at peace talks to end Libya's years-long civil war, rebel forces once again broke a temporary cease-fire. At the beginning of January, rebel general Khalifa Haftar walked out of peace negotiations being held in Moscow without agreeing to a cease-fire. A few weeks later, Berlin hosted a Libya peace summit inviting several world leaders to join in the dialogue alongside Libya's government

and rebel forces. The peace talks in Berlin resulted in a temporary ceasefire but, since then, rebel forces have advanced towards Libya's second-largest city of Misrata, prompting clashes.

- US President Donald Trump unveiled his Middle East Peace Plan a few days ago after having invited Israeli Prime Minister Benjamin Netanyahu and Israel's Blue and White party leader Benny Gantz to the White House. The plan proposes Israel's control of a unified Jerusalem and all of its current settlements in the West Bank, as well as offers \$50 billion in investments to a new Palestinian state. Palestine's President has announced that he will be rejecting the plan along with the Arab League, and will be severing relations with Israel and the US.
- Iraqis have been protesting US military presence in their country over the last month. The escalation of tensions between the US and Iran have sparked fears of a proxy war on Iraq's soil. Despite a brief pause in joint US-Iraq operations after the killing of Soleimani, the two countries have resumed operations against the self-proclaimed Islamic State.
- Lebanon has named former education minister and Hezbollah-backed Hassan Diab as its new Prime Minister. Prime Minister Diab's government will seek to appease the country-wide antiestablishment protests by ending cronyism and addressing the country's economic crisis. Top US officials have criticized Hezbollah's influence in Lebanon and will call for the suspension of US aid if the country becomes too supportive of Iran.

Latin America and the Caribbean

- Venezuela's opposition leader Juan Guaido was sworn in for a second term as parliament speaker after the national guard initially blocked him from entering the building. Guaido has fought hard for the last couple of years to topple President Nicolas Maduro's regime but has not been able to win over the support of the military. Venezuela remains in a deep economic and humanitarian crisis, who many people say is the fault of the Maduro regime.
- Peru elected a new legislature last week after President Martin Vizcarra dissolved Congress over a long-standing corruption dispute in September. In a surprise to many, the leading opposition party, Popular Force, lost many of its seats after holding the majority since 2016. It was a big victory for the President's center-right party whose anti-corruption reforms had been previously blocked by Popular Force.
- Brazil and India strengthened their political and economic relationship by signing 15 new agreements

related to trade and investment, cybersecurity, oil and gas, and information technology, among other topics. Brazilian President Jair Messias Bolsonaro visited Indian Prime Minister Narendra Modi in India to sign the agreements and participate in India's Republic Day Parade as the guest of honor.

- Nearly 60,000 people have disappeared in Mexico since the "War on Drugs" began in 2006. Officials recently reached this new number after reexamining records from state prosecutors and uncovering drug-related violence data that past administrations were reluctant to publish. Mexico continues its crackdown on drug cartels with help from the US though progress over the last 14 years has been limited.

Sub-Saharan Africa

- An attack on the Kenya Defense Force Military Base killed three Americans, prompting the US to send more troops to Kenya to bolster their security forces there. Jihadist group, Al-Shabab, was responsible for the attack. The attack raises new questions about America's mission in Africa as the Pentagon weighs the potential withdrawal of troops from the region.
- The United Nation's Food and Agriculture Organization has called for \$70 million worth of emergency funding for Ethiopia, Kenya, and Somalia after the three countries experienced the worst locust invasion in decades. Swarms of desert locusts have decimated crops, threatening food security in the region.
- French President Emmanuel Macron invited the leaders of Burkina Faso, Chad, Mali, Mauritania, and Niger to a summit in southern France a few weeks ago. The summit was called to discuss France's support for anti-extremist military operations in West Africa amid growing anti-French sentiment in the region. In a joint declaration the leaders reaffirmed their commitment to fighting terrorist groups together and urged the US to maintain its support in the fight against Islamic extremism in Africa.
- Zimbabwe's opposition, Movement for Democratic Change led by Nelson Chamisa, has called for a year of demonstrations against the government's mismanagement of an ongoing economic crisis. After 30-year dictator Robert Mugabe was overthrown in a military coup in 2017, current President Emmerson Mnangagwa stepped into leadership, giving hope that corruption and economic crisis may finally come to an end in Zimbabwe. Unfortunately, President Mnangagwa has failed to bring change and continues the pattern of corrupt government leadership in the country.

World

- A coronavirus outbreak in Wuhan, China has become a global health emergency as the virus has spread to other countries in the Asia-Pacific region, Europe, North America, and the Middle East. As of Monday morning, 361 people have died and 17,205 people have been infected in China alone, with dozens more cases confirmed outside of China. Fears around the outbreak continue to negatively impact both Asian and global markets.
- World leaders met in Davos, Switzerland for the World Economic Forum. The dialogue at this year's summit centered around climate-friendly business. The investment risk of global heating is leading the financial sector to adjust its behavior and prompting companies to take a more wholistic approach to business.

Suggested Reading

[Britain's regulatory-divergence dilemma](#)
The Economist

[Trump's Lopsided Mideast Peace Plan](#)
Philip H. Gordon, *Council on Foreign Relations*

[Goldman warns coronavirus to dent 2020 global economic growth](#)
Philip Georgiadis, *Financial Times*

[Foreign Policy Has Always Been at the Heart of Impeachment](#)
Frank O. Bowman III, *Foreign Affairs*