

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 last week of February, global markets had the worst week on record since the 2008 financial crisis. After nearly four months of gains and hitting a record high on February 19th, global equities fell over 11% on the week. The S&P 500 lost nearly 13% and the yield on the 10-year US Treasury note hit a record low of 1.114%. Most people attribute the market chaos to the increased spread of the coronavirus outside of China. For the first time, the number of new coronavirus cases outside of China surpasses the number of new cases reported inside of China. As of Monday morning, the death toll topped 3,000 and over 90,000 cases had been reported globally.
- US President Donald Trump has requested Congress authorize \$2.5 billion dollars to fight the spread of the coronavirus, COVID-19, as the World Health Organization warned of a possible pandemic. Several congressional democrats have said the request is insufficient while others have criticized the President for redirecting funds from the Department of Homeland Security and the Ebola crisis. The Trump administration hopes this new funding package will accelerate vaccine development and support preparedness activities.
- Senator Bernie Sanders leads the democratic polls as the US approaches the 2020 presidential election in November. Former Vice President Joe Biden is close behind following his big win at the South Carolina primaries this past weekend. The results of Super Tuesday, on March 3rd, will give a clearer picture of which candidate will win the democratic nomination. If Sanders takes the bid, markets will likely become nervy and skittish of his socialist economic policies.
- The US Senate voted to acquit President Donald Trump of abuse of power and obstruction of Congress, bringing a swift end to Trump's impeachment trial. The outcome had been expected from the start, so markets remained unphased by the verdict.

Europe

- German Chancellor Angela Merkel's Christian Democratic Union (CDU) party will elect a new leader at the end of April. It was expected that current party chief Annegret Kramp-Karrenbauer would seek to become the next chancellor in the 2021 election, but she announced in early February that she would be stepping down. In state elections, the CDU lost 11.2% overall, falling behind the Greens and the Social Democrats.
- Russian-backed separatists attempted to seize territory in Ukraine, breaking through the trench line in the region's two-year gridlocked war. One Ukrainian soldier was killed, and four others were wounded. Ukraine's government sees the attack as an effort made by Russia to gain leverage during talks to end the war more than a military assault. However, Russia has denied any involvement.
- Nationalist party Sinn Fein won Ireland's general elections, beating out the country's dominant political parties, Fine Gael and Fianna Fail. The results of the election have significantly reshuffled power in Ireland. Now, the challenge is to successfully form a coalition government.
- This coming week, the United Kingdom (UK) and European Union (EU) will meet to begin trade talks. The UK has already made public its negotiating stance, calling for a liberalized market without arbitration by the EU court of justice. Furthermore, the UK has announced they will walk away from trade talks if substantial progress is not made by June.

Asia and the Pacific

- As authorities try to contain the coronavirus epidemic in China, much of China's economy remains idle. Many factories and businesses have yet to reopen which is causing a liquidity shortage in the country. A survey conducted in February of small and medium-sized Chinese companies shows that a third of respondents only had enough cash in the bank to cover a month's worth of fixed expenses. Only 30% of these companies have managed to

resume business since the start of the outbreak over a month ago.

- US President Donald Trump traveled to India this month to meet with Indian Prime Minister Narendra Modi. While there, the two leaders signed a new defense deal in which India will purchase \$3.5 billion worth of military equipment from the US. The defense deal was signed despite the fact that trade talks between the two countries have stalled. However, there is hope an agreement can be reached by the end of the year.
- Protests over a controversial citizenship law in Dehli, India have become deadly. A week ago, local leaders threatened to violently remove peaceful Muslim protesters. The clashes between authorities and protestors mark Dehli's worst communal violence seen in decades. The death toll now stands at 42.
- The Philippines have terminated a security agreement with the US. For the first time in 69 years, US troops will not be allowed in the country. The Philippines has been an important US ally and strategic outpost in the Pacific for many decades, but Philippine President Duterte feels that the US is interfering too much in domestic affairs.

Middle East

- Tensions in Syria are on the rise. On February 27th, 33 Turkish soldiers were killed and more than 30 wounded in an airstrike launched by Syrian government forces. In retaliation, Turkish forces shot down two Syrian government warplanes and struck a military airport. Later this week, Turkish President Recep Tayyip Erdogan will meet with Russian President Vladimir Putin to discuss a possible ceasefire deal for northwest Syria.
- After fulfilling a week-long reduction in violence, the Taliban and the US signed an agreement to fully withdraw US troops from Afghanistan in exchange for the prevention of attacks against the US and its allies. In addition, both the US and Taliban pledge to support the achievement of a lasting ceasefire between the Afghan government and Taliban.
- Iran held parliamentary elections in February, with conservative hardliners expecting a win. The country saw record low voter turnout as many protesters boycotted the elections and the number of coronavirus cases in the country spiked. The final results have yet to be announced, but the conservatives loyal to Supreme leader Khamenei Ayatollah won all 30 seats in the capital, Tehran, and already have enough seats from other cities to form a majority in parliament. This outcome is

expected to weaken President Hassan Rouhani who is considered a relative moderate.

- The final results of Afghanistan's general election held in September declared incumbent President Ashraf Ghani the winner with 50.6% of the votes. Ghani's opponent who won 39.5% of the votes, Chief Executive Abdullah Abdullah, has rejected the results and said he will form his own "inclusive government." Interestingly enough, the US resolved an election dispute between Ghani and Abdullah five years ago by brokering a power-sharing deal.

Latin America and the Caribbean

- Brazilian President Jair Bolsonaro has been encouraging his associates to attend nationwide protests against the Brazilian Congress on March 15th. This has sparked outrage across the political spectrum. Those who oppose the protests are warning of a return to dictatorship and an undermining of the democratic system in Brazil.
- Armed soldiers and police officers occupied El Salvador's legislature in support of President Nayib Bukele's proposal to spend \$109 million on military equipment. The President wants to improve the military and police's ability to fight against criminal gangs who have spread violence throughout the country. Opposition lawmakers have called the act an unprecedented act of intimidation.
- Argentina has agreed to begin consultations with the International Monetary Fund (IMF) to lay the groundwork for a new financing program. The IMF said recently that the country's debt situation has become unsustainable. Finance officials at the G20 meeting have expressed support and relief that Argentina has agreed to start talks with the IMF especially at a time when the global economy is facing heightened risks.

Sub-Saharan Africa

- A US airstrike killed a senior al-Shabab militant and his wife, also an active member of al-Shabab. The senior militant was behind the January attack on Kenya's Manda Bay Airfield in which 3 American soldiers were killed.
- Kenya and the US have begun trade talks, marking a shift in US policy towards Africa. The preference for many Sub-Saharan African countries is multilateral trade deals, especially since the African Continental Free Trade Agreement comes into force in July. However, the Trump administration has pushed for bilateral trade deals in an effort to counter growing Chinese influence on the continent.

- African leaders met in Addis Ababa, Ethiopia at the beginning of February for the 33rd annual African Union Summit. The discussions at the summit focused on ending regional violence, including conflicts in Libya and South Sudan.
- The World Health Organization (WHO) has extended the global health emergency status for the Ebola outbreak in the Democratic Republic of the Congo (DRC). The organization has urged sustained commitment to response measures.

Suggested Reading

[Coronavirus and the World Economy](#)

Yanzhong Huang, *Council on Foreign Relations*

[America and the Taliban prepare to sign a peace deal](#)

The Economist

[What will 'Super Tuesday' mean for US investors?](#)

Financial Times

[Beyond rockets and air strikes: The Israeli-Palestinian trade war](#)

Marc Daou, *France 24*