

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

- Surprisingly, global equity markets have continued their rebound, making up the ground lost in March. Many economists and investors attribute the soaring numbers to the trillions of dollars of government stimulus that has been pumped into the markets. Gold has hit its highest level since 2012 as the fresh coronavirus outbreaks and the need for inflation hedges push investors towards the safe haven.
- This week, the US reported a record number of 50,000+ new Covid-19 cases in one day. Spikes have been seen across the states prompting some governors to slow down reopening efforts. As of Thursday afternoon, the US had confirmed about 2.74 million cases and registered 130,000 Covid-19-related deaths.
- In response to the nationwide protests against police brutality and the call for racial equality, Democrats unveiled broad police reform legislation. The bill would ban chokeholds, create a national database of police misconduct, and make it easier to sue police officers. As the demonstrations continue, more and more individuals, companies, and communities across the country are coming together to identify systemic injustices and create equitable solutions for all.
- The US and Russia began nuclear arms control talks in Vienna last month. The talks aim to create a new agreement to replace the New START treaty which will expire in February. The New START treaty is the last remaining pact between the two countries that imposes limits on the number of US and Russian long-range nuclear warheads and launchers. Both sides agree that the strategic environment has changed significantly since the treaty was signed in 2010 and thus a new agreement is required.
- President Donald Trump has moved to curb immigration by temporarily suspending new work visas and green cards issued outside of the US for the remainder of the year. The administration has cited the pandemic, as well as foreign competition as the reason for the executive order. The action has been highly criticized by several business leaders

and companies that thrive off of the skilled labor provided by foreign employees.

- The US has pulled out of talks with European countries on digital taxes. The US says the talks were not making any progress. Several European countries have been rolling out digital services taxes which will greatly impact American internet companies. France has called the US' self-removal a "provocation" and a top EU official said the bloc would act on its own if a deal with the US cannot be reached. France said it will apply duties on US tech companies regardless, increasing the likelihood of a trade and tariff dispute between the two countries.

Europe

- European leaders have kicked off negotiations over the European Union's massive €750 billion Covid-19 fiscal stimulus package. The pandemic has once again highlighted the deep political divisions between the European countries of the North and those of the South. The bloc has been comparatively slow at rolling out emergency response measures as many countries, including the US, launched programs and pumped stimulus into markets months ago.
- Flash purchasing managers' indices (PMI) hit a 4-month high in June, signifying that the global economic downturn may be easing. However, levels still remain below 50, indicating less than ideal economic conditions. The eurozone composite index expanded to 47.5 from 31.9 while the United Kingdom's (UK) composite went up to 47.6 from 30.0. In comparison, the Japan composite rose from 27.8 to 37.9 and the US composite score rose from 37 in May to 46.8 in June.
- German payments company, Wirecard, finds itself in hot water. Auditors discovered €1.2 billion missing from its balance sheet. CEO Marcus Braun has been arrested on the suspicion of falsifying accounts and the company has admitted that the money may have never existed. After news of the scandal broke, the company's stock lost nearly 99% of its value, equating to \$12 billion. Last week, Wirecard filed for insolvency.

- As countries relax restrictions, Covid-19 cases are on the rise in Europe. Thirty countries have seen an increase in cases over the past two weeks. A World Health Organization official warned that 11 countries/territories have displayed a “very significant resurgence” and that if the situation is left unchecked, the health systems could be pushed to the brink.
- Chief negotiators from the UK and EU will meet face-to-face in Brussels on Monday for the first time since March. There is only six months left for the parties to negotiate a trade agreement before the UK finally breaks its ties with the bloc. Little to no progress has been made on an agreement so far. The next few weeks of negotiations will determine the fate of the UK and EU’s relationship for years to come.
- Russia just completed a one-week referendum in which citizens voted on a variety of amendments. Most importantly, citizens voted yes to resetting President Vladimir Putin’s term limit in 2024. This measure allows Putin to extend his now 20-year reign to 2036. Both the Russian legislature and judiciary had approved the legislation, but the Kremlin was committed to having the public’s support. Critics believe the vote was rigged.

Asia and the Pacific

- China’s legislature officially approved the new national security law for Hong Kong despite the international backlash and criticism received against the move. The new law stipulates that a person who “undermines national unification” of Hong Kong with the mainland will face punishment up to life in prison, depending on the offense. The first man arrested under the law was taken into custody for waving a Hong Kong independence flag. Dozens of other protesters have been arrested in the last couple of days. The US has begun rolling back Hong Kong’s preferential trade status and has announced visa restrictions on Chinese officials in response to the law’s approval.
- The India-China border clash became deadly after 20 Indian soldiers were killed in a violent confrontation with the Chinese military near the poorly demarcated Line of Actual Control. Indian and Chinese military officials have agreed to “cool down” the dispute, however, the Indian government has recently banned 59 mostly Chinese apps.
- Beijing and some surrounding areas have once again been put under lockdown as the country rushes to contain a new Covid-19 outbreak. Only essential workers are allowed to leave their homes and only

one member of the household is allowed to go out to shop for necessities. The outbreak linked to a food market in Beijing has only resulted in 311 positive cases so far. Though this seems pale in comparison to the US’ daily numbers, China has moved very quickly to contain the spread.

- Tensions between North Korea and South Korea escalated in June over anti-North Korean leaflets that were sent across the border. In response to the leaflets, Pyongyang rejected Seoul’s offer for a meeting between special envoys and said it would deploy troops near the countries’ shared border. Shortly after, North Korea refused to answer routine calls and threatened to cut all communication with Seoul. Surprisingly, North Korea has since suspended military action and scrubbed anti-Seoul articles in a sudden effort to end hostilities.
- As part of the Group of 20 (G20) debt relief program, China has agreed to pause debt payments for 77 low-income countries. In addition to the debt suspension, China has pledged \$2 billion to help countries recover from the Covid-19 pandemic, \$50 million of which was donated to the World Health Organization.

Middle East

- Israeli Prime Minister Benjamin Netanyahu hinted this week that he won’t advance his West Bank annexation plan on July 1st as he had originally promised. Israel’s plan to annex parts of the West Bank has been highly criticized. The United Nations has called the plan a “most serious violation of international law” and has called on the country to abandon its plans.
- The director general of Lebanon’s financial ministry, Alain Bifani, resigned in protest of the way the country’s leaders are handling the country’s deepening economic crisis. Bifani had held his position for two decades and was an important actor in talks with the International Monetary Fund (IMF) to negotiate financial assistance for Lebanon. The country is on the brink of collapse after years of economic mismanagement and corruption. Since anti-government protests began in October, the Lebanese pound has lost nearly 75% of its value.
- At the beginning of June, rebel general Khalifa Haftar agreed to enter peace talks with Libya’s UN-backed government after his 14-month campaign to capture Libya’s capitol, Tripoli, failed. However, the talks once again failed and now Haftar is mobilizing mercenaries in preparation for a battle over the city of Sirte. Libya’s United Nations representative has called on the US and EU to impose sanctions on

those supporting Libya's armed groups. Earlier in the month, Germany, Italy, and the US pushed for a cease-fire in the country after Egypt threatened military intervention.

Latin America and the Caribbean

- Covid-19 is jeopardizing decades of poverty reduction in Latin America. Cases of the virus are surging throughout the region, but especially in Brazil. Deaths in Brazil alone have quickly reached beyond 60,000. Brazilian President Jair Bolsonaro has been widely criticized for his handling of the virus. Aside from the health crisis the virus has created, the already struggling economies of Latin America are being crushed by the weight of Covid-19's economic impact. The IMF has predicted the pandemic will hit Latin America's economy the hardest.
- Venezuelan-US-Iran tensions are heating up. The US imposed fresh sanctions on Iranian ship captains for doing business with the Maduro regime. Iranian ships have been delivering oil and supplies to the outcasted countries despite international warnings. Venezuelan leader, Nicolás Maduro also made headlines in June when he restricted the return of Venezuelan migrants, blaming them for the spread of the coronavirus. Hundreds of Venezuelans remain stuck in camps in neighboring Colombia.
- An independent study conducted by the New York Times concluded that the assessment of the Organization of American States (OAS), which found evidence of fraud in Bolivia's 2019 presidential election, was based on faulty statistical analysis. Former President Evo Morales was pushed out of power several months ago partially because of the OAS' report.

Sub-Saharan Africa

- The Democratic Republic of the Congo (DRC) has declared an end to the Ebola outbreak which began nearly two years ago. The outbreak, which killed at least 2,280 people, was the second-largest Ebola outbreak in history.
- Opposition leader, Lazarus Chakwera, won Malawi's presidential election re-run. Chakwera lost last year's election which was overturned by Malawi's constitutional court in February due to widespread rigging. The court order annulled incumbent Peter Mutharika's poll win to make way for a fair election. Chakwera pulled away with 58.57% of the votes. The new president vows to unite and serve Malawians.

- The United Nations security council has engaged in discussions over the Nile dam dispute between Egypt, Sudan, and Ethiopia. After tripartite negotiations faltered in early June, Egypt asked the Security Council to weigh in on the Grand Ethiopian Renaissance Dam (GERD). Ethiopia insists on filling the dam's reservoir in July and believes the council should not be involved in the matter due to the fact the dam solely seeks to lift the country out of poverty. On the other hand, Egypt sees the dam as a "threat of potentially existential proportions" which could encroach on the water source of over 100 million Egyptians.
- Burundian President Pierre Nkurunziza died of heart failure this past month at the young age of 55. Evariste Ndayishimiye, a ruling party candidate, was recently elected to take over for Nkurunziza whose autocratic government was investigated for crimes against humanity.

World

- The fund has downgraded its global growth forecast 1.9 percentage points from April's prediction - the IMF now expects the global economy to shrink 4.9% in 2020. The group holds the belief that advanced economies will experience the brunt of the damage and will shrink 8% in 2020 whereas emerging economies will only shrink by 3% (April's predictions were 6% and 1% respectively). The contraction in developing economies is likely to exacerbate global inequality, making international cooperation and collaboration even more important.

Suggested Reading

[How Hegemony Ends](#)

Alexander Cooley and Daniel H. Nexon, *Foreign Affairs*

[The Global Problem with Israeli Annexation](#)

Dahlia Scheindlin, *The Century Foundation*

[Hong Kongers look to the exits as China imposes security law](#)

Alice Woodhouse, Nicolle Liu and Primrose Riordan, *Financial Times*