

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

- **Former vice president Joe Biden has been declared the winner of the US presidential election.** However, President Trump has yet to concede, launching dozens of lawsuits in swing states providing no proof of fraud.. So far, the lawsuits have not gained any traction as states recounted votes, reconfirming Biden's victory. The Democrats have maintained control of the House of Representatives and a run-off election in January will determine which party takes control of the Senate. The President-elect has begun naming his cabinet, including Janet Yellen as Treasury Secretary, Antony Blinken as Secretary of State, and John Kerry as Climate Envoy.
- Iranian President Hassan Rouhani said **US-Iran relations can "return to conditions" prior to President Trump's time in office.** Restoring the 2015 nuclear agreement will be one of President-Elect Joe Biden's top foreign policy priorities when he enters office. Just this week, President Rouhani rejected a bill approved by parliament which would stop international inspections on the country's nuclear program and boost uranium enrichment, as such approval would hurt diplomatic efforts between Iran and the US.
- Over the last month, the US has struggled to control a second wave of the Covid-19 pandemic. The number of Covid-19 cases in the US reached 4 million in the month of November alone. **The continued rise has prompted some state governors to reinstate stay-at-home orders and reimpose social-distancing restrictions** through the end of the year, especially as we head into the holiday season.
- **The US formally withdrew from the Open Skies Treaty after accusing Russia of violating the agreement.** The pact, which has more than thirty signatories, allows members to fly unarmed aircraft over each other's territory for reconnaissance. Russia has denied any violations and sees the action as the latest move by the Trump administration to abandon major arms-control agreements.

- **The Pentagon issued a statement that the US would be reducing its troop presence in Iraq and Afghanistan,** keeping only 2,500 troops in each country. The drawdowns are slated to occur by January 15th, days before President-Elect Biden takes office. The move has drawn criticism at home and abroad, as the US comprises the bulk of NATO military and logistical support in the region. Critics are concerned the decreased presence will permit the growth of terrorist cells and the self-proclaimed Islamic State.

Europe

- The European Union is drafting a new plan to reset its relationship with the US. **The EU hopes to facilitate cooperation on a host of issues, such as digital regulations and Covid-19 vaccines, specifically to counter the "strategic challenge" presented by China.** It is expected that the plan will be presented for approval next month and calls for an EU-US summit sometime next year.
- European leaders are facing a difficult December. Brexit negotiations have restarted after being temporarily suspended when senior negotiator, Michel Barnier, tested positive for Covid-19. This week's talks in London have made some progress, but **gaps still remain just weeks before Britain will transition out of the EU on December 31st.** Furthermore, the bloc is dealing with a **budget standoff after Hungary and Poland vetoed the European Union budget and the coronavirus package** contained within it. January's EU leader's summit will be crucial in finding a solution to the standoff.
- British Prime Minister Boris Johnson has laid out a new plan for a **"green industrial revolution" with hopes that the recovery from the Covid-19 pandemic can be green.** He has pledged that the UK will end the sale of new gas- and diesel-powered cars by 2030 and will become the "Saudi Arabia of wind."
- **Russia is imposing sanctions on Germany and France in retaliation for the sanctions imposed on Russia over the poisoning of Russian dissident Alexey Navalny with a Soviet-era nerve agent.**

While Russia has denied any involvement, German Chancellor Angela Merkel's spokesperson said use of the nerve agent was "a serious violation of the Chemical Weapons Convention and so of international law."

Asia and the Pacific

- **Tensions between Australia and China have been escalating** due to trade disputes as well as due to how China provoked Australia with a doctored image of an Australian soldier holding a knife to an Afghan child's throat. Australia has demanded an apology from China.
- **China, Japan, South Korea, Australia, New Zealand and the 10 ASEAN member countries have signed the world's new largest trade deal.** The trade deal is called the Regional Comprehensive Economic Partnership (RCEP) and aims to reduce tariffs, strengthen supply chains, and codify new e-commerce rules in the region. Beijing sees the RCEP as an opportunity to influence regional rules and diversify supply chains amid its trade war with the US.
- **India and China are closing in on a plan to ease border tensions** after fighting broke out on their shared border earlier this year, resulting in the death of 20 Indian soldiers. The plan will involve no-patrol zones, removing tanks and artillery from the border, and using drones to verify the withdrawal. The undemarcated 3,800-km long India-China border has been the source of tension between the two countries for decades.
- **Hong Kong's pro-democracy lawmakers resigned after four of their colleagues were disqualified from serving on Hong Kong's legislature** by a new law imposed by Beijing. Under the new rule, people are barred from serving on Hong Kong's Legislative Council if they support independence, do not recognize Beijing's sovereignty, or "endanger national security", among other things. The mainland has denounced the resignations as an "open challenge" to Beijing's authority.
- **Armenia and Azerbaijan have agreed to a truce in the disputed region of Nagorno-Karabakh.** The Russia-brokered agreement has prompted protests in Armenia and celebrations in Azerbaijan, which will be allowed to keep the territory it claimed during the conflict. Turkey will be jointly enforcing the deal with Russia as both send peacekeepers to monitor the truce.

Middle East

- **Pakistani opposition is rallying its supporters for the resignation of Prime Minister Imran Khan** over incompetence and bad governance. The protests took on new strength after hundreds of activists were arrested and a ban was placed on public gatherings. Police say they have arrested only 400 people, but activists say the number is closer to 2,000.
- **Iranian President Hassan Rouhani has blamed Israel for the death of Iran's top nuclear scientist** and founder of Iran's nuclear program, Mohsen Fakhrizadeh. The Iranian government says they will respond "at the right time" and has called for an end to international inspections of its nuclear facilities in response to the killing. This latest event in a string of alleged covert attacks threatens US President-Elect Joe Biden's hopes to reset relations on the Iran nuclear deal.
- This week, Israeli lawmakers passed a preliminary proposal to dissolve parliament and hold new elections after Defense Minister Benny Gantz's party and Prime Minister Benjamin Netanyahu's party could not agree on the state budget which must be passed by December 23rd. **The vote puts Israel one step closer to its fourth national election in less than two years.**
- **Libya's rival factions have begun peace talks** after agreeing to a ceasefire at the end of October. Representatives from both sides traveled to Tunisia to begin UN-brokered negotiations aimed at ending the conflict that raged for nearly a decade.

Latin America and the Caribbean

- **Central America was devastated by Hurricanes Eta and Iota last month.** Just weeks after Category 4 Hurricane Eta ripped through, killing more than 130 people, Category 5 Hurricane Iota made landfall on Nicaragua's northern coast, leading to the deaths of at least 16 people in Nicaragua and dozens more in Honduras. The hurricanes affected more than 3 million people across seven countries. Shelters have taken tens of thousands of people, but relief efforts have not been enough, so many have started migrating north.
- Peru's congress has chosen Francisco Sagasti, a centrist lawmaker, as the country's interim president. **Sagasti is the third president to take office in two weeks** following the impeachment of former President Martin Vizcarra and the resignation of interim President Manuel Merino. Presidential elections are scheduled for April, which will hopefully bring an end to Peru's political crisis.

- **Thousands of people protested in Guatemala's capital city after a budget bill was passed which cut funding for healthcare and education.** One group of protesters even set fire to the Congress building. In response to the outcry, Guatemalan lawmakers decided not to ratify the budget bill and will instead base the 2021 budget on this year's budget.
- **Deforestation in Brazil's Amazon rainforest has reached its highest level in 12 years.** The Amazon rainforest houses three million animal and plant species as well as one million indigenous people. Because of the amount of carbon dioxide, the forest absorbs, it is a critical part of the world's efforts to arrest climate change. However, Brazilian President Jair Bolsonaro continues to encourage mining and agriculture in the Amazon. Last year, 4,280 square miles of the forest was destroyed, amounting to a 9.5 percent increase from the year prior.

Sub-Saharan Africa

- **The violent conflict between the Ethiopian government and the Tigray People's Liberation Front (TPLF) has intensified.** Last weekend, Ethiopia's central government declared victory after the military took control of Tigray's capital. However, the TPLF has vowed to continue fighting. Fighting initially broke out in the region of Tigray after the central government accused the TPLF of attacking a military base and attempting to steal artillery. Hundreds of people have been killed and more than a million people have been displaced, sparking fears of a civil war and a larger humanitarian crisis.
- Burkina Faso's President Roch Marc Christian Kabore was re-elected for a second term. However, **hundreds of thousands of people were unable to vote in Burkina Faso's presidential elections due to security threats, sparking suspicions of election fraud.** Polls were closed in parts of the country where jihadists regularly launch attacks. President Kabore has been criticized for his inability to handle the surge of extremist violence in the country which has resulted in the death of more than two thousand people this year.
- **Somalia has expelled its Kenyan ambassador over alleged election interference.** The country also recalled its own envoy in Nairobi after claiming Kenya has interfered in elections in the semi-autonomous state of Jubbaland. Kenya has denied the allegations. Recently, relations between Somalia and Kenya have been tense over the ownership of

potential oil and gas deposits, some of which are located off the coast of Jubbaland.

World

- November was a month filled with positive vaccine news, bringing new optimism to households and to markets. Most recently, the United Kingdom became the first country to grant emergency use authorization for the Pfizer vaccine. The first doses of the vaccine will be available in the UK next week, with priority given to elderly people, care-home residents, and health-care workers. In the US, Pfizer, BioNTech, and Moderna, whose vaccines boast 95% success rates, are all awaiting approval for emergency use from the FDA. **If all goes well, the companies should gain approval by mid-December and could begin vaccine deliveries before the end of the year.**
- Members of the Organization of the Petroleum Exporting Countries (OPEC), along with Russia and the others that make up **the OPEC+ coalition, have agreed to modestly increase production by 500,000 barrels a day.** The OPEC+ meeting that was originally scheduled for November 30th was delayed a few days after OPEC members failed to agree to extend production cuts ahead of their planned meeting with Russia and other oil producing allies. Saudi Arabia had urged caution in unleashing more barrels of oil into the market as the pandemic rages on, but compromised with several countries, including the UAE, who wanted to increase production by two million barrels a day. The group plans to hold monthly meetings to sign off on further production adjustments.

Suggested Reading

[The Transatlantic Reunification Agenda](#)

Sigmar Gabriel and John B. Emerson, *Project Syndicate*

[How Should Democracies Confront China's Digital Rise? Weighing the Merits of a T-10 Alliance](#)

Steven Feldstein, *Council on Foreign Relations*

[How the Wealthy World Has Failed Poor Countries During the Pandemic](#)

Peter S. Goodman, *The New York Times*