

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

- **Congress passed a sweeping economic bill that includes major legislation on healthcare, taxes, and climate change.** While the bill is significantly scaled back from the Democrats' original \$3.5 trillion proposal, the now \$700 billion economic package - named the Inflation Reduction Act - seeks to lower the cost of some medicines, increase corporate taxes, and reduce carbon emissions. The bill allocates \$369 billion for climate action measures, making it the largest investment in climate action in US history. After months of deadlock, Democratic Senate majority leader Chuck Schumer and Democratic Senator Joe Manchin - who had blocked the passage of the Democrats' original economic package due to fears it would exacerbate inflation - were finally able to reach an agreement.
- **US President Joe Biden has signed off on the "CHIPS+" act which will pump more than \$50 billion into the American semiconductor industry.** The legislation, passed in a 243-187 vote in the House, aims to alleviate the chip shortage and bolster US competitiveness with China.
- **Despite heightened tensions over the war in Ukraine, Secretary of State Antony Blinken announced that the US has offered to release Russian arms dealer, Viktor Bout, in exchange for the freedom of Brittney Griner and Paul Whelan.** Brittney Griner, a WNBA player, was arrested in February after Russian customs officials said they found vape containers containing cannabis oil in her luggage. Paul Whelan, a former US Marine, was arrested in Moscow in 2018, convicted of espionage in 2020, and sentenced to 16 years in prison. After several weeks of waiting, during which Griner was sentenced to 9 years in prison, Russian Foreign Minister Sergei Lavrov said Moscow is ready to discuss the US' proposal.
- **The US, Canada, and Mexico entered a 75-day period of trade talks over claims that Mexico violated the US-Mexico-Canada Agreement (USMCA) by favoring state energy companies over private investors.** The US and Canada argue Mexico's nationalist energy policies have undermined international investment in the country's

clean energy sector. If no agreement is reached in the 75-day period, a dispute settlement panel may be formed.

Europe

- **As Russia's attack on Ukraine rages on, Russian-occupied Crimea has become the next battleground.** Last week, 9 Russian warplanes were reportedly destroyed at an air base in Crimea and an ammunition depot was blown up. While Ukrainian authorities have not claimed responsibility for the events, Ukrainian President Volodymyr Zelenskyy alluded that Ukrainians were behind the attacks, but Russia has blamed the attacks on "sabotage". These blasts in Crimea have exposed Russia's vulnerabilities and underscored Ukraine's ability to strike behind enemy lines. In other related news, the US continues to increase its support for Ukraine. Over the last month, the US has announced \$1 billion in additional military aid to Ukraine and has imposed new sanctions on Russia.
- **In talks brokered by the United Nations (UN) and Turkey, Russia and Ukraine reached an agreement to free more than 20 million metric tons of grain** that have been stuck in blockaded ports in Ukraine. Ships have already begun shipping grain out of Ukrainian ports once again. The agreement seeks to alleviate soaring grain prices and prevent a global hunger crisis.
- **Turkish President Recep Tayyip Erdogan met Russian President Vladimir Putin in Sochi this month in what was publicly considered a meeting to discuss economic cooperation** following the grain deal Turkey and the UN brokered with Russia. However, the Ukrainian government reported that Putin would seek Russian stakes in Turkish oil refineries ahead of the planned EU oil embargo, as well as seek correspondent accounts for large Russian banks to circumvent western financial sanctions. Turkey's relationship with Russia has typically been one of convenience. There are considerable tensions between the two countries due to Turkey's NATO membership and their positions on opposite sides of the Syrian conflict, so the

purpose of Erdogan and Putin's meeting remains foggy.

- **The European Union reached a deal to reduce natural gas consumption as it faces a potential energy crisis this winter and a possible shut-off of Russian gas flows.** Under the agreement, EU countries agree to voluntarily limit their gas use by 15% from August to March, and such cuts could become binding in the case of a supply emergency, with the exception of some industries and countries. The deal comes as Russia's Gazprom has slashed gas flows to Germany through the Nord Stream 1 pipeline in half. Gazprom claims the reduction is due to problems with a turbine, but the energy chief of the EU has called the move "politically motivated." The war in Ukraine has exposed Europe's dependence on Russian energy and vulnerability to supply shocks.

Asia, Eurasia & the Pacific

- **Despite numerous warnings from Beijing, US House Speaker Nancy Pelosi visited Taiwan in a clear demonstration of the US' support** for the island nation over which China claims sovereignty. In response to what China deems a "provocative" visit which "threatens peace and stability of the Taiwan Strait", Beijing has sanctioned Nancy Pelosi and her immediate family. China also staged the country's largest ever military exercises in the Taiwan Strait, which included air and naval drills that encircled Taiwan. Beijing has warned it would take additional action if the US does not exercise "restraint".
- **Earlier this month, South Korean Foreign Minister Park Jin met with Chinese Foreign Minister Wang Yi to discuss semiconductor supply chains** and other developments. More than 60% of South Korea's semiconductors are exported to China and Hong Kong. In light of the celebration of the 30th anniversary of their diplomatic ties, Jin stressed that both countries should maintain a cooperative relationship of mutual respect. Wang agreed that the two countries should "maintain stable and smooth production and supply chains, adhere to equality and respect and non-interference in each other's internal affairs." However, Beijing expressed its concern over Seoul's interest in joining the US-led Chip 4 group, a planned semiconductor supply chain that could include Japan and Taiwan.
- **Indian police detained several lawmakers and hundreds of supporters from the opposing congressional party as they attempted to march to the president's palace and prime minister's**

residence. The demonstration was in response to India's decision to impose a tax on packed milk curd, cheese, buttermilk, packed rice, flour, and wheat while also raising fuel prices. One of the party's leaders, Rahul Gandhi, states "What we are witnessing is the death of democracy in India." On the other hand, Finance Minister Nirmala Sitharaman reaffirmed the government's decisions and said there is a "zero" percent chance of India experiencing a recession.

- **Sri Lankan President Ranil Wickremesinghe proposed new economic reforms to stabilize the country's economy and appease protesters.** The Sri Lankan economy is currently heavily indebted, has shortages of essential items, and is attempting to ease its 60% inflation rate. The government said it will officially send its debt restructuring plans to the International Monetary Fund (IMF) "in the near future," with progress being delayed by street protests. Wickremesinghe is also attempting to please protestors by endorsing constitution reforms that limit the power of his presidency.

Middle East & North Africa

- **Negotiators have reportedly reached a final draft of a new Iran Nuclear Deal.** The EU has offered the official document to the US and Iran to sign off on in agreement. This deal discusses the actions required of Iran and the US to return to the Joint Comprehensive Plan of Action, which was established in 2015. Iran still refuses to communicate directly with the US since former president Donald Trump pulled away from the agreement and re-imposed sanctions roughly four years ago. Foreign ministers will gather in Vienna to restore the 2015 nuclear accord if there is an official agreement from both parties.
- **Hundreds of demonstrators in Iraq who support populist Shiite Muslim cleric Moqtada Sadr are protesting a nomination for prime minister by a rival Shiite faction** in the Iraqi parliament. In response, Moqtada Sadr, who won the most seats in Iraq's previous election, called for new elections to be held, and demanded parliament be dissolved. Iraqi's judiciary shot down Sadr's requests last weekend. Demonstrations continue.
- **US President Joe Biden authorized the deployment of two Hellfire missiles in an airstrike against al-Qaeda leader Ayman al-Zawahiri which resulted in his death.** Biden later stated that al-Zawahiri "was deeply involved in the planning of 9/11" and is said to have acted as bin Laden's personal physician. One of the leaders of the Taliban

responded with a tweet stating that the Islamic Emirate of Afghanistan "strongly condemns this attack on any pretext and calls it a clear violation of international principles and the Doha Agreement." The Biden administration claims the Taliban knew Zawahiri was in Kabul, calling into question the Taliban's commitment to prevent Afghanistan from being used as a safe haven for terrorist groups.

Latin America & the Caribbean

- **Venezuela and Iran are, once again, increasing their oil cooperation.** The two economies, both hampered by western sanctions, have ramped up their cooperation in recent months to boost their oil production and exports. Over the last month, Iran has increased its supplies of a key crude grade that Venezuela is using to boost its refineries' productivity and free up domestic oil for export. In July, Venezuela's state-owned oil company PDVSA signed a contract with Iranian state firm Naftiran Intertrade Co. (NICO) to increase Iran's heavy crude exports to Venezuela by nearly 3 million barrels per month. More attention has been given to Venezuela's and Iran's oil activities in recent months as Europe and the US seek alternatives to Russian oil.
- **Argentina's new economic minister, Sergio Massa, has pledged to stop printing money** as he outlined the country's strategy to turn around its economic crisis and bring down its surging inflation rate. Argentina's inflation rate currently stands at 60% and is expected to reach 90% by the end of the year. The country has been cut off from international financial markets in recent years, so the government has relied on printing money to cover its fiscal deficit. Among other measures, Massa's strategy also focuses on boosting exports, reducing the country's fiscal deficit, and increasing the central bank's reserves.
- **Colombia's first leftist president, Gustavo Petro, was sworn into office this month.** President Petro, a former member of Colombia's M-19 guerilla group, has promised to fight inequality and bring an end to the country's longstanding bloody feuds between the government, drug traffickers, and rebel groups. He has already proposed sweeping tax reforms to fund his social agenda and reduce the country's fiscal deficit. The proposal marks a significant shift in economic policy for the traditionally conservative nation as it targets the country's wealthiest citizens and its commodities exports.

Sub-Saharan Africa

- **William Ruto was announced the winner of Kenya's presidential election by the nation's electoral commission with 50.49% of the vote.** He defeated former Prime Minister Raila Odinga who was running in his fifth election. However, the integrity of the election results is now being questioned as Odinga's coalition publicly denied the results before they were ever announced by Kenya's Independent Electoral and Boundaries Commission (IEBC). Odinga's chief advisor Saitabao Kanchory said they want to verify the results before announcing the victor "because a result that is not verifiable is not a result."
- **More than two dozen people have died as a result of anti-government protests in Sierra Leone that began last week.** Hundreds of demonstrators took to the streets in the country's capital Freetown last Wednesday to protest inflation and rising costs of living. According to various news sources, at least 21 civilians and eight police officers were killed in various locations across the country as some of the protests became violent. Protests due to rising inflation and living costs have begun to spark in many regions across the globe. There is a significant historical correlation between rising cost-of-living and social unrest. Sierra Leone may just be the beginning of a wave of unrest in Western Africa as countries struggle to keep inflation down and manage spiraling debt.
- **Chad's military government has signed a peace deal with at least forty rebel groups.** The peace deal attempts to launch a national reconciliation dialogue that commits to a ceasefire during the planned N'Djamena talks. The military has also agreed to keep the rebel leaders who attend the discussions under protection. However, one of the main rebel groups in Central Africa, the Front for Change and Concord (FACT), did not sign the agreement because it believed that it wouldn't treat all the participants equally. The group later demanded that a new committee be established to organize the talks and negotiate the release of rebel prisoners.

Suggested Reading

[Xi Jinping's Guns of August](#)

Richard Haass, *Project Syndicate*

[Latin America's Second Pink Tide Looks Very Different from the First](#)

Oliver Stuenkel, *Americas Quarterly*

[How America Can Foster an African Boom](#)

Zainab Usman, *Foreign Affairs*