

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

- The House of Representatives Committee formed to investigate the attack on the US Capitol on January 6th, 2021, **has recommended that the Department of Justice pursue criminal charges against former President Donald Trump for his role in the incident.** The committee argues Trump should be prosecuted for insurrection, obstruction of Congress, conspiracy to defraud the US, and conspiracy to make a false statement. It is up to the Department of Justice as to whether or not Trump is charged. If he is charged, tried, and convicted of insurrection, he would not be allowed to hold public office again.
- The US is strengthening its commitment to support Ukraine as it defends Russia's ongoing attack. In addition to **the White House announcing a \$53 million plan to support Ukraine's energy grid, the Pentagon plans to increase the number of Ukrainian troops it is training** as part of a program in Germany from 300,000 to 500,000. Additionally, **the Department of Defense announced it was finalizing plans to supply Ukraine with the prestigious US air defense system, the Patriot.** Ukrainian President Volodymyr Zelenskyy has been urgently pressing the US for more advanced weaponry and he hopes the Patriot can potentially shoot down Russian missiles and drones miles away from their intended targets.
- **Moscow has unilaterally postponed arms control talks with Washington "abruptly and without explanation"** according to White House officials. Talks were scheduled for the first week of December in Egypt to discuss the last remaining nuclear-weapons treaty between the US and Russia – the New START treaty. Inspections under the treaty have been paused since 2020 due to the Covid-19 pandemic, however both sides have reportedly been adhering to the limits in the agreement which cut long-range US and Russian nuclear arms. The US State Department says it has not received an answer from Russia as to why the talks have been postponed but Moscow has promised to suggest new dates. The treaty is set to expire in early 2026. The US has pushed for the talks to mitigate the risk of nuclear conflict in the war in Ukraine.

- **The US Inflation Reduction Act passed this summer by Congress has become a point of contention with the European Union (EU).** The EU believes the generous subsidies being offered under the new US legislation for green investments lures business away from the bloc. European Commission President Ursula von der Leyen says in response, the EU should consider shifting funds and improving its state aid framework to facilitate public investment in green technologies in addition to working with the US on the act's impact. Delegates from the US and EU held a Trade and Technology Council meeting earlier this month in Maryland to discuss the issue. Also at the trade meeting, the US and EU agreed to work together to bolster semiconductor supply chains and to support digital infrastructure in Jamaica and Kenya, among other areas of collaboration.
- **US basketball star Brittney Griner was released from a Russian prison in a prisoner swap between Washington and Moscow.** Griner, who had been detained since February for the possession of marijuana, was exchanged for Russian arms dealer Viktor Bout. The US has received criticism over the swap given Bout's violent reputation, with many questioning why former US marine Paul Whelan was not part of the deal. However, US President Joe Biden said Russia was "treating Paul's case differently."

Europe

- **A \$60 cap on the price of Russian oil came into effect on this month** following an agreement between the Group of Seven (G7) nations and Australia. Under the deal, Russian oil can be shipped to third-party countries using G7 and EU tankers only if the cargo is purchased at or below the \$60 per barrel cap. Ukraine's President Volodymyr Zelenskyy criticized the agreement, calling it "quite comfortable for the budget of a terrorist state." In response to the price cap, Russia has said it will redirect its oil supply to "market-oriented partners" and will work on mechanisms to prohibit the use of the price cap. In other European energy news, **beginning February 15th, the price of natural gas**

will be capped in the EU if prices exceed more than \$191 per megawatt hour for more than three days in a row. The measure aims to contain the energy crisis and reign in prices.

- **Istanbul's mayor, Ekrem İmamoğlu, has been sentenced to more than two years in prison and banned from politics** for allegedly calling the election board “idiots” in 2019 after overturning his narrow win and forcing a repeat of the election in which İmamoğlu beat Erdogan's handpicked candidate in a record margin of victory. **İmamoğlu was the likely opposition leader to challenge Turkish President Recep Tayyip Erdoğan in next year's June election.** İmamoğlu has called the verdict “a great injustice” and has said it is “proof that the aim of those running this country is not to bring justice and democracy.” Support for President Erdogan and his Justice and Development party (AKP) has waned as Turkey endures a long-running economic crisis.
- **Four people have been charged with corruption and money laundering** after almost €1.5 million was seized from the homes of two EU legislators: one former and one current minister of the European Parliament. The money is allegedly connected to bribes from Qatar and Morocco to influence European policy. **The scandal has rocked the European Parliament and threatens to negatively impact security and energy cooperation between the bloc and Qatar.** Qatar has denied involvement and has been vocal about its frustration in how the EU is handling the case. The incident comes as Qatar has received harsh criticism globally, but especially in Europe, for the human rights abuses connected to its hosting of the FIFA World Cup.
- **Germany has signed a 15-year deal with Qatar to purchase its liquefied natural gas (LNG).** Under the agreement, which is set to begin in 2026, Qatar would send up to 2 million tons of LNG to Germany via a terminal at Brunsbuettel that is currently under construction. Germany has been scrambling to replace the Russian gas supplies that have been cut due to the war in Ukraine. Prior to the war, Germany received more than half of its gas supplies from Russia. Since the end of August, it hasn't received a drop from Russia. As part of its plan to replace Russian LNG, Germany is building 5 LNG gas terminals.

Asia, Eurasia & the Pacific

- **In the wake of protests which cropped up late last month, Beijing is loosening its Covid-19 restrictions in its first move away from the zero-**

Covid policy it has promoted since the start of the pandemic. People with mild symptoms will be able to quarantine at home instead of quarantine centers, health passes will no longer be needed to enter public venues, some testing requirements have been dropped, and residential complexes with Covid-19 cases will no longer be completely closed off from the outside world. As expected, cases have risen since the reopening. While the government has not reported a major surge in cases, **China's health system is reportedly overwhelmed. Amidst the Covid-19 turmoil, the World Bank has cut its 2022 growth forecast for China from 4.3% to 2.7%.**

- In a new revision to its national defense strategy, **Japan will double its defense spending by 2027.** Within the revision, the traditionally pacifist country also lifted a self-imposed restriction on its ability to strike other nations with missiles. The remilitarization strategy comes as tensions with China and North Korea have heightened. Purchases of US-made missiles that are capable of reaching North Korea and parts of China will likely be part of the boost in military spending, allowing Japan to “deter an attack or force an enemy to stop one”, according to Japanese Prime Minister Kishida Fumio.
- **Following a border clash with China, India tested a long-range intercontinental ballistic missile capable of carrying a nuclear warhead.** Last Friday, Indian and Chinese troops exchanged blows in the Indian border state of Arunachal Pradesh. India alleges that hundreds of Chinese soldiers crossed into their territory while China says its soldiers were conducting a routine patrol when they discovered an “illegal obstruction” resulting from an incursion by Indian troops. Flare-ups on the countries' shared border have arisen from time to time since the 1962 Sino-Indian war as the border dispute has yet to be fully resolved.
- **While Russia's energy market is being sanctioned by the West, Moscow has found two other countries to reroute its energy supplies to: India and China.** Russia is the top supplier of oil for China, with Beijing importing 1 million crude barrels a day in October. Russia just replaced Iraq as India's top oil supplier, supplying 946,000 barrels a day to India in October which accounts for 22% of India's total crude imports. Moscow has had to sell its oil at a discount to Asian countries as Western sanctions, and a new oil price cap, have hampered its energy revenues. The same can be said for Russian fertilizer exports; **India has reportedly become**

Russia's top fertilizer export destination as it has offered substantial discounts.

- **Tensions in the disputed region of Nagorno-Karabakh have flared again** as Azerbaijani protesters block the only road from the territory to Armenia, cutting the people of Nagorno-Karabakh off from the rest of the world. The protesters claim they have blocked the highway to protest environmental issues linked to Armenian mining in the region, but Armenia believes the blockade was organized by the Azerbaijani state to escalate tensions over the disputed territory following its recent gas supply cut to the region. Meanwhile, Azerbaijan's foreign ministry says it was Russian peacekeeping forces that closed the route. The region of Nagorno-Karabakh, technically part of Azerbaijan but predominantly Armenian, has been the site of conflict between the two nations ever since their independence in 1991 following the collapse of the Soviet Union. **The conflict has tested Russia's credibility as a security guarantor for former Soviet states.** Moscow has expressed concern that the blockade could incite a breakout in fighting, while the US and EU have called on Azerbaijan to restore movement on the highway, which is an important corridor for food and medical supplies.

Middle East & North Africa

- **Iran has begun executing people who have been arrested for their involvement in the ongoing protests.** The demonstrations against Iran's morality police that were sparked by the death of Mahsa Amini, have quickly spiraled into nationwide anti-government protests. The Iranian government has executed two people since protests erupted in September. At least 26 others have been sentenced to death as Iranian authorities crack down on protesters. Rights groups suggest at least 18,000 people have been detained and at least 469 people have been killed in the unrest.
- **Saudi Arabia and China signed a strategic partnership agreement** to strengthen diplomatic ties and cooperate in the global oil market during Chinese President Xi Jinping's visit to Riyadh. In a separate deal, Chinese tech giant Huawei – which is sanctioned by several Western nations - will begin providing cloud computing and other services in Saudi Arabia. **China described the summit as its "largest-scale diplomatic activity between China and the Arab world"** in modern Chinese history. Following the meeting between the two leaders, Xi attended a summit with other Arab leaders. News of

the partnership comes at a time when US-Saudi relations have come under strain.

- After the border conflict in Syria escalated last month, Turkish President Recep Tayyip Erdoğan and Russian President Vladimir Putin discussed the importance of **establishing a 30 km security zone at the Turkish-Syria border which was originally agreed to in 2019.** The security zone would be patrolled by Russian MP and the Syrian army to separate Turkey and the rebel groups it has accused of carrying out terrorist attacks in Istanbul in November. During the phone conversation, the two leaders also discussed the creation of a base in Turkey for the export of Russian natural gas.
- **The Arab Monetary Fund (AMF), an organization of the 22-member Arab League, signed a \$1 billion agreement to aid Yemen's economic reform.** The AMF package will assist the Yemeni government's efforts to stabilize its economy from 2022 to 2025 following years of civil conflict, humanitarian crisis, and economic crisis. Yemen's civil war between the Saudi-backed government and Iranian-backed Houthi rebels has entered its eighth year.

Latin America & the Caribbean

- **Nationwide protests have broken out in Peru following the impeachment and subsequent arrest of President Pedro Castillo Torres.** Last Wednesday, Castillo tried to dissolve parliament and rule by decree in order to retain power and prevent himself from being impeached by Congress. In response to his actions, which some are calling an "attempted coup", lawmakers immediately voted to impeach him and then had him arrested for breaking constitutional order. Supporters of Castillo have taken to the streets to protest the events of the last week and call for his reinstatement. Newly sworn-in President Dina Boluarte has declared a month-long national state of emergency in response to the violent unrest. She also announced general elections could be scheduled for as early as December 2023.
- **Argentina's Vice President Cristina Fernández de Kirchner has been sentenced to 6 years in prison for corruption and fraud** during her 2007-2015 tenure as the nation's president. She will be barred for running for public office again. Vice President Kirchner has vowed to appeal the verdict but announced she would not be running for any office in 2023.
- **The US has issued a license to Chevron for the limited expansion of energy operations in Venezuela,** lifting some of the oil sanctions it has on

Venezuela's economy. The announcement comes following the resumption of talks between Venezuelan President Nicolas Maduro's government and the opposition in Mexico late last month. After negotiations between the two sides had stalled for more than a year, the parties agreed to unfreeze billions in government funds and move them to a United Nations-administered humanitarian fund. The Venezuelan economy has spiraled into a deep economic and humanitarian crisis under Maduro's leadership. Maduro depends on foreign investment to restart the economy and re-enter the global oil market. US foreign policy towards Venezuela has shifted as Russia's invasion of Ukraine has reduced global oil supplies.

- **The Colombian government and the country's largest remaining rebel group – left-wing National Liberation Army (ELN) – have begun peace talks** in an attempt to end nearly 60 years of violence. Colombian President Gustavo Petro, the first left wing leader and a former M-19 rebel, has led the push for peace negotiations. So far, the two sides have agreed to guarantee the safe return of indigenous peoples displaced by the conflict to their homelands. There are an estimated four thousand ELN fighters in Colombia and Venezuela. The rebel group is known for running illegal gold mines and drug trafficking routes in the two countries.

Sub-Saharan Africa

- **South Africa's parliament voted against impeaching President Cyril Ramaphosa.** The president was accused of holding undeclared foreign currency at his farm in 2020, allegedly hiding at least \$580,000 in cash in a sofa. The ruling African National Congress (ANC) party largely voted in support of the president, preventing a two-thirds majority vote needed to proceed with the motion. Last week, Ramaphosa was re-elected as leader of the ANC party, setting the stage for him to be re-elected for a second term as South Africa's president in 2024.
- **Ghana has reached a preliminary deal with the International Monetary Fund (IMF) for a \$3 billion bailout loan.** The West African nation is suffering an economic crisis as it is burdened by high debt, more than 40% inflation, and a collapse in the value of its currency. On Monday, Ghana suspended payments on most of its foreign debt effectively sending the nation into default.
- **Sudan's military government signed a framework deal this month with opposition parties after months of peace talks.** The agreement paves the

way for a two-year civilian led transition to democratic elections and formally ends the civil political conflict that was triggered by a coup in October 2021. However, several thousand people protested the deal in the capital city of Khartoum.

- In a demonstration of the US' renewed commitment in the continent, **US President Joe Biden hosted nearly 50 African heads of state this week in the first US-Africa summit since 2014.** At the meetings, leaders discussed critical topics such as the environment, public health, food security, and democracy. In his speech, President Biden announced billions of dollars in new trade investments, particularly in digital infrastructure, as well as voiced his support for a permanent seat at the G20 for the African Union. In the years since the last US-Africa summit, China and Russian influence has spread throughout the continent.

Suggested Reading

[The World Ahead 2023](#)

The Economist

[Ten Most Significant World Events in 2022](#)

Council on Foreign Relations, James M. Lindsay

[The Qatar World Cup Showed That Sports and Politics Are Inseparable](#)

World Politics Review, Judah Grunstein