

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

- **Last Thursday, the US hit its \$31.4 trillion borrowing limit, forcing the US Treasury to employ “extraordinary cash management measures”** to stave off default until June 5th. The situation has kicked off a battle in Congress over raising the debt borrowing limit. House Republicans will not agree to raising the debt ceiling unless Democrats agree to cut federal spending, but Democrats have rejected negotiations around raising the limit. A US default would surely bring market volatility and could downgrade the US credit rating. Treasury Secretary Janet Yellen is warning that the failure to raise the debt ceiling could result in a financial crisis with global ramifications.
- **A Special Counsel has been appointed to investigate the presence of classified documents found at President Joe Biden’s home in Wilmington, Delaware.** The Presidential Records Act strictly governs the handling of classified materials by former presidents. The appointment of the special counsel mirrors the ongoing investigation into former president Donald Trump on similar grounds. The Biden investigation will likely complicate any prosecution against the former president.
- This month, **Mexican President Andrés Manuel López Obrador (AMLO) hosted Canadian Prime Minister Justin Trudeau and US President Joe Biden for the 2023 “Three Amigos” summit.** Migration was a key topic of discussion as approximately 2.3 million migrants arrived at the US-Mexico border last year, while President Biden’s recent expansion of Title 42 will only add to the pressure. Other issues at the top of the agenda were strengthening regional supply chains, promoting clean energy policies, and fighting fentanyl trafficking. In the days immediately before the summit, it was announced that Canada and Mexico won in their dispute with the US on the US interpretation of contents rules for cars under the USMCA (US-Mexico-Canada) free trade agreement.
- **Following 14 unsuccessful ballots, Republican Representative Kevin McCarthy was finally elected Speaker of the House.** A few hardline

Republicans stalled McCarthy’s appointment to pressure him in making significant concessions, particularly regarding spending cuts and restrictions on his leadership. The drawn-out vote highlighted fissures in the Republican party.

- **President Biden announced several new immigration policies** ahead of his visit to the southern border. The administration will accept 30,000 migrants per month from Cuba, Haiti, Nicaragua, and Venezuela. It will also implement a new regulation that prohibits migrants from applying for asylum in the US before first seeking asylum in a transit country.

Europe

- After rejecting Ukrainian President Volodymyr Zelensky’s peace plan that would include a war crimes tribunal and the Kremlin giving up occupied territories in eastern Ukraine, **Russia has doubled down with attacks on Ukraine’s power grid. Despite the onslaught, there continue to be setbacks for the Kremlin’s troops,** particularly in the Kharkov region and the city of Kherson. As a result, Russian President Vladimir Putin has replaced the top commander of Russia’s “Special Military Operation” in Ukraine. Meanwhile, the US and nine other NATO countries have each announced new military aid packages for Ukraine. However, there is an ongoing standoff over the delivery of main battle tanks; Germany will not commit to sending Leopard 2 tanks unless the United States pledges to send its own main battle tanks, which is not a part of the most recent aid package from the US.
- **Beginning February 1st, Russia will ban oil exports to countries that have imposed a price cap on Russian oil.** The Group of Seven (G7) nations, the European Union, and Australia adopted a \$60 per barrel price cap for Russian oil late last year in an effort to shut down Russia’s war machine.
- **The decision on Sweden’s membership to the North Atlantic Treaty Organization (NATO) rests in the hands of Turkey.** Since their bids for membership were submitted in May, Turkey has objected to Sweden and Finland becoming members

of the defense alliance. The NATO alliance would have significantly more control over the Baltic Sea if Sweden and Finland joined the group. Now, a list of demands from Ankara is standing in the way of Sweden's ratification. Sweden's Prime Minister Ulf Kristersson said Turkey's demand to extradite people who Ankara links to terrorism in Turkey is a step too far. Negotiations are ongoing.

- **More than 1 million people in Paris and other French cities protested French President Emmanuel Macron's proposed pension reforms last week.** If passed by lawmakers, the reforms would increase France's retirement age from 62 to 64. While the government argues this is the only way to stabilize the pension system, protesters view the act as an attack on hard-fought worker's rights and believe it would weaken the welfare state. Attempts made to reform the pension system in 2019 were met with mass demonstrations as well. France has one of the lowest retirement ages; every French citizen receives a state pension.

Asia, Eurasia & the Pacific

- **China is dealing with a resurgence of the Covid-19 virus after repealing its zero-Covid policies late last year following protests.** China's top health officials calculate almost 250 million people were infected in the first 20 days of December. Though the surge has overwhelmed healthcare facilities, parts of the economy are beginning to rebound. Beijing has made restoring China's economy a priority, and central planners are aiming for higher than 5% GDP growth this year. The sudden spread of the virus has prompted several countries to require negative Covid-19 tests from Chinese travelers. Though China imposes similar testing requirements for all travelers arriving to China, **Beijing has suspended the issuance of short-term visas from Chinese embassies in South Korea & Japan** in retaliation for imposing the testing requirement on Chinese arrivals into their countries.
- **Japan and the United Kingdom (UK) formally signed a defense agreement** a few weeks ago in London when Japanese Prime Minister Fumio Kishida was visiting British Prime Minister Rishi Sunak. The pact, which was agreed to in principle last year, will allow the countries to deploy forces on each other's soil. Both leaders expressed their desire to stand together against competition in the Pacific, noting China's challenge to the stability of the Indo-Pacific region, and Sunak stated that the agreement cements the UK's commitment to the Indo-Pacific region. The two leaders also discussed the UK's

accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a regional trade agreement.

- As a result of simmering tensions with China on its shared border and China's increased militarization of the Pacific region, **India is purchasing air defense missiles to support the country's northern border.** Last month, Indian and Chinese troops clashed at the Line of Actual Control in the Himalayan region of Ladakh. Since a deadly clash in 2020 resulted in the deaths of 20 Indian and at least four Chinese soldiers, the two countries have been unable to completely defuse the border crisis. The two countries have held 17 rounds of talks, but progress has been slow.
- Myanmar continues to be oppressed by the military junta which overthrew the country's elected government in February 2021. **This month, the United Nations Security Council (UNSC) adopted a resolution on Myanmar that demands an end to the violence** and calls for the military junta to release all political prisoners, including the country's former leader Aung San Suu Kyi. Human rights groups estimate that at least 16,000 thousand people have been arrested on political charges and at least 2,400 civilians have been killed by the junta as it cracks down on any form of dissent, including peaceful protests. **The UNSC resolution also calls for the return of Rohingya Muslims**, an ethnic minority group that was forced out of Myanmar in a military operation in 2018.
- **Indian Prime Minister Narendra Modi hosted the "Voice of the Global South" summit** this month, bringing together nearly 120 envoys from lower-income countries, often referred to as the Global South. As India begins its Group of 20 (G20) presidency this year, Modi proclaimed to its Global South counterparts, "Your voice is India's voice. Your priorities are India's priorities."

Middle East & North Africa

- **Benjamin Netanyahu has been given yet another chance to govern Israel.** Netanyahu was sworn in as prime minister after forming a coalition of far-right officials. His government contains Jewish supremacists who will have unprecedented influence on the occupied West Bank. As the country's most far-right government ever, it is expected to move towards annexing the West Bank, making the establishment of a Palestinian state impossible. Such a move risks breaking down the Abraham Accords, a series of diplomatic agreements with Israel's Arab neighbors.

- **The Taliban have banned women from working for aid organizations, forcing the shutdown of many humanitarian organizations** across Afghanistan who cannot or will not work without their female staff. The Taliban's order will exacerbate the ongoing humanitarian crisis in the country. Non-governmental organizations (NGOs), which are often heavily staffed by women, provide services that the government does not, including providing food, healthcare, and education. While UN agencies are still operating, the extent and enforcement of the ban is still unclear. **The Taliban have also rolled back the right to education for women.** The government has banned women from attending universities and girls from attending secondary schools, a move that blatantly contradicts the Taliban's promise to the US of softer rule after retaking power in 2021.
- **Saudi Arabia and the Iran-backed Houthi rebels in Yemen have reportedly reengaged in talks to strengthen the unofficial truce** in place and lay out a plan to end the eight-year civil war. The conflict has remained, more or less, at a stalemate for the past few years as neither side has made recent territorial gains. However, the internationally recognized government of Yemen has voiced concern that Saudi Arabia may make unacceptable concessions to the Houthi rebels, and it is not currently a part of the conversations.
- **Pakistan's primary opposition party is seeking to force the country into holding early national elections.** The opposition party led by former prime minister Imran Khan dissolved its provincial government in Khyber Pakhtunkhwa just days after doing the same in Punjab, Pakistan's largest province. According to the law, provinces should hold snap elections within 90 days of dissolution, but Khan's party is betting on the national government being unable to afford to hold the provincial elections and deciding to hold the national elections early, which are currently scheduled for October. Imran Khan had led nationwide protests since last October when his successor Prime Minister Shehbaz Sharif was shot and wounded at a rally. So far, Sharif's government has repeatedly rejected calls for early elections.

Latin America & the Caribbean

- **Supporters of former Brazilian President Jair Bolsonaro stormed multiple government buildings** in the capital city of Brasilia in riots that many have compared to the January 6th riots at the US Capitol building in 2020. Like former US

President Donald Trump, Bolsonaro claims the election was stolen from him. Current President Lula da Silva has pledged to prosecute all those responsible.

- **Venezuela's primary opposition party has officially unseated leader Juan Guaidó.** Back in 2019, Guaidó had declared himself president following Venezuela's presidential election and was recognized by the Trump administration as well as by many other Western governments in an effort to apply pressure to the autocratic government of Nicolas Maduro. However, Guaidó has lost support abroad in recent years after failing to oust Maduro. Many left-wing Latin American nations have begun to reestablish ties with Maduro's government, while the US has loosened its foreign policy towards Venezuela as the country's vast oil reserves could soften the global energy crunch.
- **Since the impeachment of Peruvian President Pedro Castillo, thousands of demonstrators have taken to the streets** to protest his removal from office and subsequent arrest. More than 40 people have died in clashes between protesters and police. Castillo's impeachment is creating problems for Peru outside of the country as well. **Mexican President Andres Manuel Lopez Obrador has sharply criticized the removal of Castillo** as undemocratic and said he continues to recognize Castillo as Peru's lawful leader. In response, Peru declared Mexico's ambassador a "persona non grata" and kicked him and his envoy out of the country. Additionally, Mexico has granted Castillo's family asylum.
- **Colombia's National Liberation Army (ELN), the country's largest remaining guerilla group, is denying President Gustavo Petro's claims that it had agreed to a national ceasefire.** On New Year's Eve, President Petro announced that the country's five largest armed groups had agreed to a 6-month armistice after peace talks reportedly began late last year. However, the ELN claims it never discussed any bilateral ceasefire agreement with the government. The incident threatens to derail Petro's promise to bring "total peace" to Colombia after more than 60 years of conflict.

Sub-Saharan Africa

- **Insecurity is threatening a successful democratic election in Nigeria next month.** There have been at least 50 attacks on election offices between 2019 and 2022, while Boko Haram and other armed rebel groups are destabilizing the northeastern part of the country. Election officials fear the elections could be

canceled or postponed by unaddressed security concerns, which could throw the nation into a constitutional crisis. There are 18 candidates vying to replace Nigeria's current president, Muhammadu Buhari.

- **Benin's main opposition party has rejected the results of the country's parliamentary elections**, accusing the allies of President Patrice Talon of vote buying and election fraud. The Pro-Talon Republican Bloc and Progressive Union for Renewal parties together won 81 seats in the 109-member parliament, with the opposition Democrats gaining 28 seats. In 2019, opposition parties were effectively barred from participating in legislative elections due to stricter election rules, resulting in a parliament dominated by Talon supporters. This election marked the return of several opposition parties to elections and the return of the Democrats opposition party to parliament.
- **Tensions between Rwanda and Uganda continue to rise.** The Democratic Republic of the Congo (DRC), the United States, and several European nations have accused Rwanda of backing the Tutsi-led rebels from M23, an armed rebel group that has captured territory in the eastern part of the DRC. **Rwanda has denied the claims and has stoked tensions by no longer accepting refugees from the DRC, as well as by accusing DRC planes of breaching Rwandan airspace.** Rwanda has also accused the international community of failing to acknowledge the DRC's alleged support for the Democratic Forces for the Liberation of Rwanda (FDLR), a mainly Rwandan Hutu rebel movement implicated in the 1994 Rwandan genocide.
- **Ghana requested debt relief this month, becoming the fourth country to apply to the Group of 20 (G20) initiative** launched in 2020 to support the debt relief efforts of poor nations after the economic fallout of the Covid-19 pandemic. The initiative has been criticized for long delays, so Ghana has requested an expedited process to restructure its bilateral debt. Under the common framework, Ghana would renegotiate its debt with the Paris Club and China, which the country owes \$1.9 billion and \$1.7 billion, respectively.

World

- **Both the International Monetary Fund (IMF) and World Bank are warning of a global recession** this year. The institutions have slashed their global economic growth outlooks for 2023 as Russia's war in Ukraine, inflation, higher interest rates, and the spread of Covid-19 in China threaten

to suppress global growth. Market analysts expect the first half of 2023 to be volatile and some believe volatility could continue if interest rates don't lower as quickly as the markets expect them to.

Suggested Reading

[There is no easy escape from America's debt-ceiling mess](#)

The Economist

[Who Will Intervene in the World's Hot Spots?](#)

World Politics Review

[Latin America in 2023: Five Trends to Watch](#)

Oliver Stuenkel, *Americas Quarterly*

[Despite Challenges, Africa's Global Role Will Continue to Grow in 2023](#)

Chris Olaoluwa Ògúnmodéde, *World Politics Review*