

# 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 shooting down of multiple balloons and other unidentified objects flying in US airspace has heightened US-China tensions** over the last two weeks. US officials have alleged that China has launched a fleet of surveillance balloons over five continents. Japan and India are among other nations that have also reported cases of suspect balloons flying over their nations. China has since lodged a formal complaint with the US embassy in Beijing and US Secretary of State Antony Blinken has canceled a planned trip to China.
- **American and Indian government officials have unveiled plans to enhance cooperation in military-related industries, specifically in the Indo-Pacific region.** Key military provisions are cooperation on developing jet engines, specifically by General Electric, and military munitions technology. The meetings fell under the Critical and Emerging Technology (iCET) framework, established by US President Joe Biden and Indian Prime Minister Narendra Modi last year, to bring together government and business officials on military and non-military technology issues. Also this month, Air India agreed to purchase 470 jets from Boeing in one of the world's largest aviation deals ever. President Joe Biden said the \$34 billion purchase will support over one million US jobs.
- **The Philippines has agreed to provide the US with expanded access to its military bases,** broadening US-Filipino cooperation under 2014's Enhanced Defense Cooperation Agreement (EDCA). The move will expand the US strategic position in the region as tensions with China continue to mount over Taiwan and territorial disputes in the South China Sea. The moves come as a reversal of the trend under former president Rodrigo Duterte, who was moving closer to China. China has criticized the move as heightening tensions in the region and threatening regional peace and stability.
- **In response to Canadian tariff rate quotas (TRQs), which limit export of American dairy products into Canada, the US has set up a dispute settlement panel** to enforce trade provisions under the USMCA trade agreement for American dairy

exports, such as milk, butter, yogurt, and ice cream. Although Canada revised their TRQ measures in response, the US position is that issues at the core of that ruling remain unresolved.

## Europe

- **Over the last month, Russia stepped up its offensive against Ukraine, specifically targeting Ukrainian infrastructure.** As the war continues, Ukrainian President Volodymyr Zelensky has been visiting his European allies pleading for support. Western countries have pledged additional aid and military equipment to Ukraine this month, including the delivery of German Leopard 2 tanks. Additionally, **the European Union (EU) has stepped up sanctions against Russia's war machine, banning the import of diesel fuel** and other refined oil products from Russia, and setting a price cap on Russian oil. In response to the sanctions, **Russia announced it would cut its oil output by 500,000 barrels,** or around 5% of Russian oil production. The global price of oil has risen as traders anticipate tightening supplies.
- **Multiple high-ranking Ukrainian officials have been dismissed or resigned over allegations of corruption,** including Zelensky's deputy chief of staff and the deputy defense minister, among others. The anticorruption effort comes amidst an increased Ukrainian push for EU membership, with anticorruption one of the key provisions for joining the EU. The push likewise comes amidst a backdrop of growing Republican skepticism for aiding Ukraine, as concerns over the misuse of US aid disbursements grow. While the dismissals raise questions regarding the potential use and misuse of US funds, White House officials nonetheless are pointing to the move as proof that Ukraine is serious about fighting corruption.
- **Germany and Oman are reportedly in advanced talks to sign a 10-year deal for liquefied natural gas (LNG) in a bid to replace Russian energy supplies** to the German market. The deal would encompass .5 - 1 million tons per annum (mtpa) of natural gas over the contract's lifespan. German energy giant Uniper and the Omani Economic Minister are said to be involved in the talks. While a

deal would represent a positive step in Germany's bid to replace Russian energy, the deal alone would be insufficient to remedy Berlin's current energy crisis.

- **Petr Pavel, a retired general and former chairman of NATO's military committee, won the Czech presidential runoff** with 58.3% of the vote compared to populist Andrej Babis' 42.7%. He is viewed as being strong on foreign policy and has already expressed strong support for Czechia's NATO commitments. While the president has little executive power, the president is nonetheless tasked with the key responsibility of picking the prime minister, which is the head of government in the Czech Republic.

### Asia, Eurasia & the Pacific

- **Turkey and Syria experienced a magnitude 7.8 earthquake, followed by a second of 7.5 magnitude, completely devastating both countries.** The death toll, as of Friday's estimates, is nearing 44,000 with more than 100,000 injured. Miraculously, international rescue teams have found survivors in the rubble even days after the earthquakes. Significant damage to infrastructure across the affected regions has been recorded, while hundreds of thousands of individuals have become homeless due to the destruction. Humanitarian aid has begun flowing to assist victims, including \$85 million to be disbursed through USAID and an appeal from the World Health Organization for \$84.5 million to address the crisis.
- **Japanese and Filipino leaders agreed on Thursday to boost their defense ties,** allowing greater access for Japanese troops on Philippine territory as tensions with China rise in the Asia-Pacific region. The move comes shortly after the Philippines and US announced increased basing access for US troops on the islands. Separately, discussions have begun on a potential trilateral defense pact between the US, Japan, and the Philippines to bring the three countries more deeply into alignment; however, these discussions are in the early stages.
- **India's Adani Group, which continues to deny any wrongdoing, has begun taking countermeasures to stymie the fallout from Hindenburg Research's report.** Earlier this month, the research group released a report claiming the multinational conglomerate improperly used offshore tax havens and manipulated stocks. The report has prompted calls for a formal investigation from opposition party lawmakers who are skeptical

of the Adani Group's close relationship with Prime Minister Narendra Modi. The Adani Group has hired Grant Thornton to conduct independent audits to discredit the report. Simultaneously, an Indian regulator has confirmed that investigations have begun and are ongoing in response to the report. While concerns have abounded that the Adani stock rout could spark financial contagion in India's markets, the markets have nonetheless remained stable so far.

- **Myanmar's military regime has extended the nationwide state of emergency for another six months,** delaying elections that were expected to take place in August. State media has reported that the extension comes in response to increasing challenges posed by armed resistance groups and civil protests. The extended emergency powers grant the military control over all government functions until elections take place. Despite repeated criticism from the international community, the military regime has retained control of the country since the civilian government was ousted in February 2021.

### Middle East & North Africa

- **Recent rocket exchanges between Israel and Palestinian groups highlight the rising tensions in the region, exacerbated by Israel's new far-right government.** Israel's new National Security Minister Itamar Ben-Gvir's decision to move forward with toughening conditions for Palestinian prisoners likely added fuel to the fire. Top U.S. diplomats have been in talks with Israel and its Arab neighbors to pursue de-escalation between the two parties. The trajectory of Israel's far-right regime threatens to derail democracy and peace in the region.
- **Iranian President Ebrahim Raisi and a delegation that includes 6 of his cabinet members, the governor of Iran's central bank, and Iran's top nuclear negotiator, began a 3-day visit to Beijing this week.** The publicly known purpose of the visit is to put into action the 25-year cooperation pact signed in 2021 between Iran and China. The visit marks the first by an Iranian president in two decades. As Iran has been hampered by Western sanctions, China has become its largest trading partner. However, China invested less in Iran's economy than Turkey and Afghanistan in 2021, the first year of Raisi's presidency.
- **A fresh round of anti-government protests was reported in Iran this week,** as men and women across the country commemorate 40 days since two men were executed on protest-related charges.

Widespread anti-government protests first broke out after the death of a young woman, Mahsa Amini, in the custody of Iran's morality police. Protests have slowed significantly following the regime's brutal crackdown, which has killed over 500, including 70 minors. In an effort to dispel public unrest and perhaps save face with international leaders, Ayatollah Ali Khamenei has pardoned tens of thousands of prisoners, a move that would free recently detained anti-government protesters.

However, Iranian state news said the pardon would not affect those charged with capital offenses (four of whom have been executed), nor those charged with espionage.

- **Pakistan's security forces conducted a raid on a Pakistani Taliban hideout**, leading to the death of 12 militants. The raid came after a terror attack that killed 101 in Peshawar, a large city near the border with Afghanistan. The Pakistani Taliban seeks adherence to Islamic law, the release of its members in Pakistan's custody, and the drawback of Pakistan's security forces in provinces it uses as its base. The group is also a close ally of the Afghan Taliban and has become emboldened after the pullout of U.S. and NATO troops in 2021. The escalation in violence from the Taliban in Pakistan comes amidst ongoing political turmoil in Islamabad.

### Latin America & the Caribbean

- **Over the last month, Brazilian President Luiz Inacio Lula da Silva has stepped up the pressure on his fellow Mercosur leaders to ratify a trade agreement with the EU before negotiating a trade deal with China.** In 2019, the EU reached a trade deal with Mercosur – a trade bloc that is made up of Brazil, Argentina, Uruguay, and Paraguay. The agreement, which is the result of nearly 20 years of negotiations, has yet to be ratified. Despite opposition from Mercosur, Uruguay has been pursuing its own bilateral commercial deal with Beijing, bringing tension with its bloc partners and spurring rumors that the bloc could break up. Uruguay has also applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership without the support of its Mercosur partners.
- **Following a miscommunication last month between the Colombian government and the National Liberation Army (ELN) regarding a national ceasefire, the two sides have resumed peace talks.** Negotiations between the ELN – Colombia's largest remaining rebel group – and President Gustavo Petro's government officially

began in November, but the first round of talks yielded only modest results. Leaders on both sides desire a more permanent solution to the conflict that dates back to the 1960s. President Petro says the peace talks with the ELN are the cornerstone of his plan to bring "total peace" to the country as some rural areas remain in the clutch of drug gangs and rebel groups despite reaching a peace deal in 2016 with the Revolutionary Armed Forces of Colombia (FARC).

- **Nicaragua has freed 222 political prisoners and sent them to Washington D.C., claiming that they had been deported to protect peace and national security.** The U.S. said that the former prisoners would be admitted for humanitarian reasons. Nicaragua has engaged in violent repression since anti-government protests occurred in 2018 and the regime of Daniel Ortega has grown more authoritarian, jailing opposition figures and silencing critics. The country's National Assembly met to pass a law to strip the freed prisoners of their citizenship, likely ensuring they will not be able to return.
- **Four men were arrested by US federal agents this week for their alleged role in the assassination of Haiti's former president Jovenel Moïse in 2021.** The arrests mark the latest update in an ongoing investigation that has 11 people in US custody and more than a dozen in Haitian custody for participating in the plot to murder the president. Since the assassination of President Moïse, Haiti has spiraled into complete disarray, with gangs stepping in to fill the power vacuum and now control much of the nation's capital, Port-au-Prince. There are increasing calls for foreign intervention. **Canada has sent navy vessels to provide intelligence to Haitian police** to assist them in reducing gang violence. Jamaica has offered troops to address the crisis and the US is weighing additional support.

### Sub-Saharan Africa

- **South African President Cyril Ramaphosa has declared a state of disaster over an energy crisis that imperils the country's economy.** The country has been suffering daily power outages lasting up to 10 hours, wreaking havoc on grocery stores, livestock, and businesses across the country. The blackouts are due to the deterioration of old coal-fired power stations that the state-owned power company, Eksom, is struggling to maintain. The crisis has spawned outrage against the president and his party, which has not yet offered any new plan to counter the emergency. Unless the crisis is addressed

immediately, the country risks falling into both an economic and political crisis.

- **Sudan’s ruling military government has approved an agreement with Russia to build a Russian naval base on the Red Sea** in the country. The approval of the plan comes shortly after the demands of Sudan’s ruling military party were met by Moscow which included Moscow providing the country with more weapons and military equipment. However, the plan will first need to be ratified by Sudan’s legislative body which will not be formed until a civilian government is reinstated. Since the overthrow of autocrat Omar al-Bashir in April 2019, the country has been mired by political crisis.
- **Mali’s foreign minister, Abdoulaye Diop, rejected three proposals from the United Nations (UN) to reconfigure peacekeeping forces in the country which Islamic militants are destabilizing.** The country has a security partnership with Russia, which provides training and equipment, and Russia’s Wagner Group, a private military contractor that also operates in Ukraine. The presence of the Wagner Group caused significant tensions between Mali and its traditional security partner, France, which led to French forces being pulled out after nine years of counter-terrorism work.
- **Pope Francis took an unprecedented six-day trip to Africa, visiting the Democratic Republic of the Congo and South Sudan.** He called for peace and forgiveness in the eastern DRC, a region long plagued by armed militias that have killed and displaced millions of people. In South Sudan, Francis called for an end to the civil conflict that has ravaged the world’s newest country, calling the leaders of the two sides, South Sudanese President Salva Kiir and opposition leader Riek Machar, to “let peace dawn.”
- **The UN is calling on its member countries to raise \$2.6 billion in aid for Somalia.** The East African country is in the midst of the longest and most severe drought in its history which is sending nearly half of the population towards famine. If the next rainfalls are not sufficient and humanitarian assistance is not sustained, the country will likely experience a famine from the months of April to June and potentially beyond. Due to climate change, droughts in the Horn of Africa are becoming more frequent. At least 36.4 million people across the region require emergency assistance to survive, according to the UN.

## Suggested Reading

[The world won’t decarbonise fast enough unless renewables make real money](#)

*The Economist*

[Kyiv and Moscow Are Fighting Two Different Wars](#)

Lawrence Freedman, *Foreign Affairs*

[Climate Change and Regional Instability in the Horn of Africa](#)

Michelle Gavin, *Council on Foreign Relations*