

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 Federal Reserve is stepping up to calm fears of financial instability after the respective collapses of Silicon Valley Bank (SVB), Signature Bank, and First Republic spread fears of financial contagion.** In a deal promoted by the Federal Reserve and Treasury Department, 11 of the US' largest banks came together to form a rescue plan for First Republic Bank. Just a few days before, the fallout of SVB and Signature Bank due to a wave of withdrawals was successfully contained after the Federal Deposit Insurance Corporation (FDIC) promised to make depositors whole again. In other measures to dispel the crisis of confidence, Treasury Secretary Janet Yellen assured the Senate Finance Committee late last week that the US banking system is healthy, and the Federal Reserve joined the central banks of Canada, England, Japan, Switzerland, and Europe in increasing the frequency of dollar auctions to daily, improving the global access to dollar liquidity.
- **Chinese President Xi Jinping aired grievances against the US during China's annual National People's Congress,** claiming that the US is leading a concerted effort to contain and suppress China's development. Beijing has criticized the US's Indo-Pacific strategy as an effort to create an Asian version of NATO and has condemned the actions the US is taking to suppress China's chip industry. Also this month, the new Special House Committee on China kicked off its work as China and the US enter "an existential struggle over what life will look like in the 21st century."
- **Across over 100 cities in Mexico, more than 100,000 citizens protested a newly passed law to cut the national elections agency's budget.** Demonstrators are calling the measure an effort by Mexican President Andrés Manuel López Obrador (AMLO) to weaken the country's democracy. In support of the election agency, which helped bring an end to Mexico's one-party rule 20 years ago, protesters wore pink – the official color of the electoral watchdog – and chanted "Don't touch our vote." Mexico's Supreme Court will hear a challenge to the overhaul in the coming months.

- **US Secretary of State Antony Blinken began an African tour last week,** beginning in Ethiopia to support the country's peace process and emphasize the Biden administration's goals of increasing US engagement in Africa. Secretary Blinken also traveled to Niger where he touted the Sahel country as "a model of resilience, a model of democracy, a model of cooperation" and spoke against the expansion of Russian mercenaries in the region. While in Niger, he announced \$150 million in direct assistance to the Sahel, a region that has been plagued by military coups and violence from Islamic extremist groups.

Europe

- **As the one-year anniversary of Russia's invasion of Ukraine came and went, Ukraine's Western allies stepped up their support.** To mark the anniversary, the United Nations General Assembly passed a resolution calling for Russia to withdraw its troops and US President Joe Biden made a surprise visit to Ukraine prior to the White House announcing \$2 billion in new military aid and new sanctions. Last week, Poland and Slovakia announced plans to send MiG-29 fighter jets to Ukraine, becoming the first NATO country to send warplanes. Meanwhile the International Criminal Court (ICC) announced that it had issued an arrest warrant for Russian President Vladimir Putin for war crimes, specifically against children. On the other hand, Chinese President Xi Jinping traveled to Moscow this week to visit his "dear friend" Putin and promote their close ties.
- **French President Emmanuel Macron's government survived two no-confidence votes** yesterday that were triggered by the president pushing through a bill to increase the retirement age from 62 to 64. The bill will now become law despite the grumblings of opposition lawmakers and the protests of thousands in France who have been demonstrating against the measure for weeks.
- **The European Union (EU) announced its own subsidies plan earlier this month that will rival the US' Inflation Reduction Act.** Under the new plan, green industries in the EU will be eligible to

receive subsidies that “match” those offered outside of the bloc. To prevent wealthier European nations from monopolizing the subsidies and developing their green industries to the detriment of other member states, the green subsidies must be requested by a lower-income country or by a group of three countries, two of which are from a less wealthy region. The move was made to prevent companies from leaving the EU and moving to the US for the subsidy benefits offered by the Inflation Reduction Act.

- **The United Kingdom (UK) and the EU have secured a deal to end their dispute over the post-Brexit fate of the Northern Ireland protocol.** The ease of trade between the Republic of Ireland and Northern Ireland, which was threatened by Brexit, was an important part of putting an end to the island’s troubled political history. The new deal, called the Windsor Framework, hopes to settle the dispute by reducing the number of checks on goods entering Northern Ireland.
- **Protests broke out in the country of Georgia this month after lawmakers proposed a Russian-style "foreign agents" bill** that would have required any organization receiving 20% or more of its funding from abroad to register as a foreign agent or suffer fines, mirroring a law passed by Russia that was used to greatly suppress the activity of non-governmental organizations in the country. During the protests, Georgian security forces used tear gas and water cannons to beat back the protestors, some of whom attempted to storm the parliament. However, due to the unrest, the bill was shot down in parliament in a 35-1 vote.

Asia, Eurasia & the Pacific

- **The US, UK, and Australia have unveiled the details of their plan to build a fleet of nuclear-powered submarines aimed at countering China in the Indo-Pacific.** Australia will be given three nuclear submarines from the US, and the allies will begin to construct new state-of-the-art vessels. The announcement comes at the same time the UK is increasing its defense spending by \$6 billion, citing the growing threat of China and Russia as the driving force of the increase. The new spending would increase the country’s defense budget from 2.2% of its GDP to 2.5% by 2025.
- **For the first time in 12 years, Japanese Prime Minister Kishida met with South Korean President Yoon Suk-yeol to repair relations** between the two countries. In the spirit of goodwill, Japan lifted export controls on South Korea prior to

the meeting, while South Korea dropped a WTO complaint it had filed against Japan. At the Tokyo summit, the leaders announced new cooperation on intelligence sharing and trade, and also vowed to cooperate against the growing threat of North Korea.

- **Australian Prime Minister Anthony Albanese and Indian Prime Minister Narendra Modi have announced their intention to conclude the Comprehensive Economic Cooperation Agreement** by the end of 2023. The ambitious agreement has been stuck in negotiations for over a decade. The two leaders also spoke about strengthening defense ties between their countries to counter China’s growing threat in the Indo-Pacific region.
- **Sri Lanka’s election commission announced April 25th as the date for local government elections.** The elections had been delayed by a lack of funds, given the country’s dire cash shortage. The announcement comes after large protests that swept the country last year forced the former president to resign. Sri Lanka has endured one of the worst economic crises in its history since early 2022, leaving the country with shortages of basic necessities. The weakness of the new government threatens the country’s ability to implement critical economic reforms which would alleviate the crisis.

Middle East & North Africa

- **Israeli Prime Minister Benjamin Netanyahu’s government is pressing ahead with controversial plans to overhaul the country’s judicial system.** The proposed changes would give the government control over the committee that appoints judges and would neuter the Supreme Court’s powers to strike down legislation. Mass protests have been ongoing for weeks against the country’s most right-wing government ever. At the same time, violence is escalating in the West Bank, with the Palestinian death toll nearing one hundred. Israeli raids on Palestinian militants are responsible for most of the deaths.
- **Pakistan’s military announced that it would arrest former Prime Minister Imran Khan on March 14th.** Khan’s supporters surrounded his house, protecting him from the police that used tear gas and water cannons to attempt to breach the home. Khan insists that the charges are political and are due to his attempts to dismantle the military’s hold on power in Pakistan during his tenure as prime minister.

- China brokered a breakthrough agreement between Iran and Saudi Arabia to re-establish diplomatic ties between the two countries. Diplomatic normalization comes after years of soaring tensions and marks a "shared desire to resolve the disagreements between them through dialogue and diplomacy" per the joint communique released by Riyadh, Tehran, and Beijing. The move is seen as a major defeat for Israel, whose ambition to build an anti-Iran coalition has been damaged by this renewed partnership.
- **The UN Nuclear Chief visited Iran this month after uranium particles enriched to near weapons-grade were discovered at an underground facility in Iran.** Following the nuclear chief's visit, Tehran has agreed to make sweeping changes to facilitate the UN atomic agency's inspections. Iranian leaders have agreed to reconnect cameras and monitoring equipment and increase the pace of inspections at its nuclear sites. However, skepticism remains as talks over reviving the 2015 Nuclear Agreement between Iran, the US, and Europe are at a standstill. A recent report from the International Atomic Energy Agency (IAEA) says the uranium particles were enriched up to 83.7% which is very close to the 90% needed to produce an atomic bomb.

Latin America & the Caribbean

- **Honduras has taken steps to begin official diplomatic relations with China, ultimately severing ties with Taiwan.** Up until now, Honduras had been one of 14 countries worldwide that diplomatically recognized Taipei over Beijing. However, China refuses to maintain ties with any country that recognizes Taiwan's independence and has used economic pressure on Taiwan's diplomatic allies as a means of isolating the self-ruled island. Following Honduran President Xiomara Castro's announcement, Taiwan stressed that it remained a partner of Honduras and warned the nation not to "fall into China's trap."
- **Brazilian President Luiz Inácio Lula Da Silva has plans to reestablish the South American Union of Nations (Unasur).** News of the Brazilian president's intentions to bring the bloc back together came as he met with his Paraguayan counterpart Mario Abdo Benítez. A diplomatic priority of Lula's government is to strengthen ties with Brazil's South American neighbors after years of former President Jair Bolsonaro's protectionist policies deteriorated relations with some of its regional partners.
- **Argentina's inflation rate has soared past 100%** for the first time since its period of hyperinflation in

the 90s came to an end. In February, the nation recorded an inflation rate of 102.5% which signifies that the price of consumer goods has more than doubled since early 2022. The South American country has been mired by economic crisis for several years now and the global increase in food and energy costs due to the war in Ukraine has exacerbated inflation to historic levels. Also preventing Argentina from emerging from its deep economic crisis are political divisions over its economic policies. However, the International Monetary Fund recently approved a \$6 billion bailout, bringing some hope to the struggling country.

- **Bolivians lined up outside the country's central bank offices last week to buy US dollars** as fears of currency devaluation and debt default spread. Bolivia's foreign exchange reserves have dwindled to a point that not even three months of imports can be covered. The country's low foreign reserves are threatening the currency's peg to the US dollar and investors are fleeing at the possibility of devaluation. In a sign of deepening financial crisis, the rating agency Fitch downgraded Bolivia's debt, sparking concerns that a default is near.

Sub-Saharan Africa

- **South Africa's new electricity minister warned the country that electricity outages may get worse.** The country has been rocked by record outages over the past few months, largely due to the state-controlled energy company's decrepit plants. The energy company, Eksom, has supplied less than half of its capacity to the country's electrical grid. South Africa's central bank estimated that the blackouts will cost the country 2% of its growth this year. The energy crisis may lead to the ruling ANC party's worst performance since it was unbanned at the end of Apartheid in 1990.
- **Bola Tinubu, the representative for Nigeria's governing All Progressive Caucus, was declared the winner of the Nigerian presidential election** with about 37% of the vote. While the election is the first to incorporate new changes to the voting system, such as the use of biometric data to ensure voter identity and the transmission of results electronically, six Nigerian states have asked a court to void the election results, claiming that the Nigerian electoral commission failed to follow its own rules and election laws in conducting a vote and declaring a winner. In addition, Labour Party candidate Peter Obi, who came third place in the

vote, rejected the results and has vowed to contest them in the courts.

- **Mali's ruling military junta announced it would delay a constitutional referendum aimed at restoring democracy.** The military claimed that it needed more time to get the electoral management authority established throughout the country before any referendum but gave no timeline as to when that would be completed. The country has experienced two coups since 2020 spurred by frustration over the failure of authorities to fight back against Islamic insurgency in the region.

World

- **The Group of 20 (G20) has become overshadowed with geopolitical conflict** as demonstrated by the group's latest summit in India. The meeting ended with no joint statement due to irreconcilable differences over the issue of Ukraine. While the United States directly blamed the Russians for the impasse, the Russians accused the West of an "emotional" approach. This is the second year in a row that the G20 has failed to produce a joint statement due to disagreements over Ukraine.
- **In a refreshing display of cooperation, UN member states reached a historic deal to protect international waters** after nearly two decades of negotiations. The new UN High Seas Treaty will provide a legal framework for establishing vast marine protected areas for almost two-thirds of the oceans that lies outside of national boundaries. The High Ambition Coalition – a group that includes the EU, US, UK and China – was a critical player in brokering the deal, and it was Global South nations that lead the effort in how the treaty could be put into practice in a fair and equitable way.

Suggested Reading

[Taiwan Needs a New Approach in Latin America](#)

James Bosworth, *World Politics Review*

[Innovation Power: Why Technology Will Define the Future of Geopolitics](#)

Eric Schmidt, *Foreign Affairs*

[Price Stability vs. Financial Stability?](#)

Willem H. Buiter, *Project Syndicate*