

CROSSROADS

At the Intersection of Geopolitics and Geoeconomics

June 13, 2023 | Volume 6, Issue 5 | The BlackSummit Team



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

- Following weeks of touch-and-go negotiations between Republicans and Democrats, **Congress passed a bipartisan debt ceiling package to increase the debt ceiling and avert a potential US government default.** While the turmoil in equity and bond markets created by the fear of default has largely subsided, economists and policymakers warn that the US still finds itself in a very precarious debt situation that has created instability in the US financial system. Fitch Ratings has warned that it is considering another credit downgrade for the US government following the debt ceiling brinksmanship.
- **Smoke from the worst fire season on record for Quebec, Canada drastically reduced air quality in the eastern US,** especially on the East Coast. Cities such as Washington DC, Philadelphia, and New York were hit with severe air pollution, with pictures of New York being compared to “living on Mars” at the height of the smog. The smoke caused multiple flight cancellations, concurrent with a flurry of health advisories warning individuals with health risks to stay indoors. Some experts have expressed concern that even worse fires are on the horizon, with global warming increasing the likelihood of ever-more destructive wildfires and pollution in the future.
- Daniel Kritenbrink, assistant US Secretary of State for East Asian and Pacific Affairs, met with and senior Chinese officials in Beijing. **Mr. Kritenbrink’s visit makes him the most senior US official to meet with the Chinese since the “Chinese spy balloon” was shot down in February.** Leading up to the Beijing trip, top Chinese and US business officials met in Washington on the heels of a Chinese delegation trip to Detroit, where officials met with representatives of US firms with presence in Shanghai such as Johnson & Johnson, Honeywell, and Merck. During her meeting with Chinese Commerce Minister Wang Wentao, US Trade Representative Katherine Tai raised complaints about China's state-led economic policies while Wang reiterated Beijing’s objections to US tariffs on Chinese goods and trade issues

related to Taiwan. However, both sides reaffirmed their commitment to continue communication regarding trade.

- **US Secretary of State Antony Blinken has finished his three-day visit to the Kingdom of Saudi Arabia.** On the agenda were an array of regional issues of concern to the US, including Iran, Sudan, the Islamic State, regional infrastructure, clean energy, and Saudi-Iranian rapprochement. While the relationship between the US and Saudi Arabia under President Biden has been a contentious one, **recent actions by Saudi Arabia to work more deeply with Russia and especially China have reinvigorated US interest in maintaining strong ties with the Saudis,** even as the House of Saud balances its relationship with the US against its other interests.

Europe

- **Ukraine’s “spring counteroffensive” has officially begun, with the intensity of fighting increasing significantly** across the line of contact and especially along the southern front in the Zaporozhe region. Early reports indicate that Ukrainian losses of men and material are higher than expected due to stiff resistance from Russian defensive units. In tandem with the uptick in fighting, **the Nova Kakhovka dam was destroyed, with accusations flying from both sides of the other’s culpability.** It is unclear whose advantage the dam’s destruction serves, as both sides receive benefits and drawbacks from the event. The counteroffensive comes after a month of consistent Russian aerial bombardment on targets across Ukraine, with Ukraine sending a small number of drones in retaliation, including against the city of Moscow.
- **Hundreds of thousands of people took to the streets in protest against the ruling Law and Justice Party of Poland in Krakow, Szczecin, and other large cities controlled by the opposition.** The protests were in support of former Polish Prime Minister and President of the European Council Donald Tusk and his political party Civic Platform. Joining the protestors was former president and leader of the Solidarity movement in the 1980s Lech Walesa. The protests donned the mantle of Solidarity

against the ruling party, arguing that recent legislative action is weakening democracy in the country. While Civic Platform is strong in certain cities, the party performs poorly in the countryside and as Poland gears up for elections in October, expectations are for another Law and Justice victory, though with a slimmer number of elected officials than the party has at present.

- Last month, **violent protests broke out in the Serb-majority border town of Zvecan**. A violent group of protesters stormed the city's municipal offices, resulting in injuries to 30 NATO soldiers and 50 rioters. The unrest was sparked by the installment of an Albanian mayor and other Albanian officials in an election that was overwhelmingly boycotted by the Serb majority. **In response to the unrest, NATO has increased its troop deployment to the region**, and international leaders in Europe and the US have called for urgent de-escalation. The protests have since turned peaceful, with demonstrators calling for the withdrawal of ethnic Albanian officials and also of the special police force in northern Kosovo. The situation has stirred fears of a repeat of the 1998-1999 Kosovo War that left 10,000 dead and more than a million displaced.

Asia, Eurasia & the Pacific

- **The IISS Shangri-La Dialogue, an annual summit for high-ranking defense officials across the globe, was held in Singapore** from June 2nd-4th. Attendees included Secretaries of Defense from the US, China, Australia, Britain, South Korea, and Japan, among others. Simmering tensions between the US and China constituted the backdrop of the summit. On the plus side, both sides seemed to indicate that dialogue is preferable to conflict; yet the Chinese nonetheless rejected a request for a US-China meeting. In the end, no headway was made in reducing tensions, especially over Taiwan. At the same time, defense officials for the US, Japan, Australia, and the Philippines met, strengthening defense ties ostensibly for the purpose of countering Chinese influence in the Asia-Pacific. Ultimately, the summit comes at a time of heightening tension and conflict across the globe and the event was marked by great power tension and conflict with little in the way of resolution to the security issues at hand.
- **Indian Prime Minister Narendra Modi and Australian Prime Minister Anthony Albanese signed new agreements between the two countries on migration and green hydrogen**. The Indian diaspora makes up 3% of Australia's population but

is the country's fastest-growing ethnic minority. The migration agreement will promote mobility of students, graduates, academic researchers, and businesspeople between the two countries. The two leaders also agreed on a bilateral Green Hydrogen Task Force that will promote cooperation on producing clean energy. They also said that negotiations on a free trade deal between the two countries would likely be completed before the end of the year.

- **US and South Korean forces participated in their largest-ever joint live fire drills in a simulation held near the border with North Korea**. The exercise simulated a "full-scale attack" from North Korea, and it also served as a demonstration of the "overwhelming" military force of the US and South Korea. This comes after Kim Jong Un had approved final launch preparations for his country's first military spy satellite, which would enhance the North's military intelligence. North Korea denounced the drills, which it claims are preparations for a US-South Korea invasion.
- **Tens of thousands of Rohingya refugees in Bangladesh joined in protest last week, demanding to be repatriated to Myanmar** so that they could leave the crowded refugee camps they have been living in since a military crackdown in 2017. The protests come after the World Food Programme cut the monthly food allocation from \$10 per person to \$8 on June 1st. More than a million Rohingya have been living in the world's largest refugee settlement in southeastern Bangladesh. The largely Muslim ethnic minority has seen persecution from Myanmar's military junta for the last 6 years and beyond. The military junta is unlikely to welcome the Rohingya back, nor offer them the citizenship rights Rohingya leaders are demanding.

Middle East & North Africa

- **Saudi Arabia and China signed a \$5.6 billion electric car deal yesterday** at an Arab-China business conference that began in Riyadh this week. Under the deal, Chinese firm Human Horizons Technology will manufacture electric cars in Saudi Arabia. **The announcement comes amid heightened suspicions from Saudi Arabia's Western allies over the two countries' growing ties**. Saudi officials have praised closer ties with China at the conference, with Saudi Arabia's energy minister emphasizing that the country aims to collaborate with China to diversify its economy away from oil. In 2022, Saudi Arabia's bilateral

trade with China rose 30%, reaching a record high of \$430 billion.

- **Iran has seen a flurry of diplomatic activities over the past few weeks.** Iran has signed a deal with Russia to finance and construct an Iranian railway line intending to connect India, Iran, Russia, Azerbaijan, and other countries via rail and sea in a corridor that Moscow claims could rival the Suez Canal's importance in global trade. Closer to Tehran, Iran has reopened its embassy in Saudi Arabia after decades of regional struggle between the two countries. This development comes three months after the two agreed to restore ties in a Chinese-brokered deal. Iran has also signed a preferential trade agreement with Indonesia aiming to grow economic relations between the two countries, which would include both giving one another greater access to important products such as food, pharmaceuticals, oil, and more.
- **Kuwait held its third parliamentary elections in as many years as the Gulf state's political gridlock continues.** Parliament has been repeatedly dissolved due to disagreements between the government and lawmakers, stalling important fiscal reforms. This gridlock has led to a decay of social services in the country despite it holding the world's largest oil reserves and keeping a healthy fiscal and external balance sheet. It is still unclear whether the recent elections will push the country past its political stalemate.
- **Companies from the UAE, including Abu Dhabi's Masdar, have signed an agreement with the Egyptian government to acquire land for a \$10 billion wind farm.** The farm is projected to produce 47,790 gigawatt hours of clean energy annually and offset 23.8 million tons of CO2 emissions, and it will likely save Egypt \$5 billion in annual natural gas costs. The project will be the largest wind farm so far on the African continent.

Latin America & the Caribbean

- **Leaders from the US and Canada are facilitating talks in Jamaica this week with Haitian political leaders to discuss solutions to Haiti's political impasse** and outline a pathway to democratic elections. Since Haitian President Jovenel Moïse's assassination in 2021, the country has failed to hold elections and gangs have brought violence and disorder to communities. Experts estimate as much as 60% of the capital Port-au-Prince is controlled by gangs. Last week, US Vice President Kamala Harris met with Caribbean leaders in the Bahamas to renew calls for a military response to Haiti's security crisis.

- **Brazilian President Luiz Inácio Lula da Silva hosted South American heads of state** in Brasilia last month to discuss their visions for continent-wide cooperation. The summit marked the first of its kind since 2014 and emphasized Brazil's ambitions to bring together a South American political forum, and perhaps the revival of Unasur - the Union of South American Nations. **However, a major source of discord at the conference was Lula's comments made the previous day while welcoming Venezuelan President Nicolas Maduro.** The Brazilian president said it was "absurd" that anyone question the legitimacy of Maduro's presidency and said "a narrative" of "anti-democracy and authoritarianism" had been created against Venezuela.
- **Ecuador's National Electoral Council has announced that early presidential elections will be held on August 20th.** The announcement comes after President Guillermo Lasso dissolved the National Assembly by decree following the opposition-led legislature's attempt to impeach him for failing to stop a contract between the state-owned oil company and a private tanker company. Lasso took power in 2021 for a four-year term after winning general elections but has failed to secure confidence from his government. Earlier this month, he said he would not seek reelection.

Sub-Saharan Africa

- **A new outburst of violence has rocked Sudan's capital of Khartoum after a ceasefire deal expired, leaving at least 40 dead.** The ceasefire between the Sudanese army and the paramilitary Rapid Support Forces (RSF) was brokered by Saudi Arabia and the US. The deal aimed at allowing limited humanitarian access, but it was repeatedly violated. Talks to extend it broke down. The conflict has seen 1.2 million people internally displaced and around 400,000 fleeing into neighboring states.
- **South Africa was set to host this year's BRICS summit but may seek to abandon its role as host to avoid having to arrest Russian President Vladimir Putin.** As a party to the Rome statute, a treaty to the International Criminal Court, South Africa would be required to arrest Putin so that he can face trial at The Hague for war crimes. On the other hand, China and India would not fall under the same obligation (BRICS' fifth member Brazil would face the same dilemma). Meanwhile, South African President Cyril Ramaphosa has recruited Zambia, Senegal, Republic of Congo, Uganda, and Egypt to

join his peace delegation and has planned an upcoming visit to Ukraine and Russia.

- **Ukraine is planning on expanding its diplomatic presence across the Global South** in Africa, the Middle East, and Asia as an attempt to gather support against Russia's invasion. The plan involves 10 new embassies and would involve hiring personnel outside the country's diplomatic system. **This diplomatic expansion also includes a plan for six African presidents to visit Ukraine and Russia, where they would aim to increase grain exports from Ukraine** and similarly boost fertilizer exports from Russia. These talks have been endorsed by the US, EU, UN, African Union, and China.

World

- **For the first time, investment in solar power is set to exceed oil investments**, with solar investment projected to reach around \$382 billion by the end of 2023 and oil investment reaching \$371 billion. On a larger scale, \$1.7 trillion is expected to be invested into green energy such as renewables, nuclear power, electric vehicles, and efficiency improvements, while only \$1 trillion will go to oil, gas, and coal. Solar power's large share of the investment signals its importance in the green energy transition as it emerges as the biggest tool for rapid decarbonization.

Suggested Reading

[After debt-ceiling negotiations, America faces a debt deluge](#)

The Economist

[How to Survive a Great-Power Competition](#)

Huong Le Thu, *Foreign Affairs*

[This is the hour of the global south](#)

Alec Russel, *Financial Times*