

# 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

- **US Treasury Secretary Janet Yellen visited Beijing last week in an effort to steady relations between the US and China amidst recent economic turbulence.** Tensions escalated last week after China announced an export ban against the US on gallium and germanium, citing national security concerns – a move seen as a retaliation to US-implemented export restrictions and the CHIPS Act. In a press conference on Sunday, Secretary Yellen said she hoped the trip would result in a “resilient and productive channel of communication” and reiterated that “the world is big enough for both countries to thrive.” Yellen’s visit comes just a few weeks after US Secretary of State Antony Blinken visited Beijing in a long-anticipated trip to clear a diplomatic pathway.
- **Indian Prime Minister Narendra Modi visited the White House on June 23rd for a discussion in which he agreed to new defense and technology cooperation with the US.** In attendance was President Biden alongside a slew of tech executives, including Tim Cook of Apple, Sundar Pichai of Google, and Satya Nadella of Microsoft, among other representatives spanning multiple sectors. The discussion further accentuates a deepening partnership between the US and India, which has seen bilateral trade between the two nations double over the past decade.
- **This month, the Supreme Court shot down President Biden’s student loan forgiveness program and also overturned affirmative action programs** at the University of North Carolina and Harvard, effectively ending the systemic consideration of race in admissions. The affirmative action rulings sparked controversy along party lines with Democratic leaders, including President Biden, expressing disappointment over the decision while Republican leaders have praised the Court. Regarding the student loan forgiveness, the Biden administration is seeking alternative avenues.

## Europe

- Perhaps the biggest news to come out of the Ukraine war over the last month was a staged mutiny by the

Wagner group, a private military group fighting in support of Moscow in Ukraine and other parts of the world. **While short-lived, the rebellion pierced Putin’s armor, exposing divisions on the front lines and in Russia’s defense ministry.** Belarussian President Aleksandr Lukashenko reportedly intervened and mediated an end to the contract dispute between Wagner leader Yevgeny Prigozhin and President Putin. Russia’s Ministry of Defense set a deadline of July 1<sup>st</sup> for Wagner fighters to either sign contracts with the Russian military, go home, or go to Belarus. However, Wagner leadership seems to be intact and, over the weekend, Putin held talks with Prigozhin and Wagner commanders. The Kremlin has promoted the meeting as an expression of Wagner’s loyalty to Putin, but the situation remains unclear.

- **Kyriakos Mitsotakis' conservative New Democratic party (ND) won 40.5% of Greece’s national vote in late June,** outscoring Alexis Tsipras' Syriza (center left) party by 23 points and putting Mitsotakis back into the premiership with a strong mandate. The result netted the New Democratic party 158 seats in Greece's 300-member parliament, with Syriza's second place performance collecting 47 seats. Despite a wiretapping scandal that rattled parliament last year, credit is being given to Mitsotakis for strengthening the Greek economy, as growth this year has doubled the European Union (EU) average.
- **Several days of nationwide protests and riots broke out in cities across France this month after a 17-year-old boy of Moroccan-Algerian descent was killed by police at a traffic stop.** Protesters have brought scrutiny upon France’s police forces for violence and racism. Hundreds of arrests were made as police officers struggled to contain the mayhem that saw buildings damaged, cars burned, and clashes with riot police. Peaceful rallies against police violence continue throughout the country and a police officer involved in the incident is under investigation for voluntary homicide.
- **In a somewhat surprising turn of events, Turkey has agreed to allow Sweden into the North Atlantic Treaty Organization (NATO).** The decision comes after months of negotiations between

Turkey, Sweden, and NATO members. One of the primary sticking points for Turkey was its belief that Sweden was harboring Kurds affiliated with the Kurdistan Workers' Party (PKK), which is considered a terrorist group within Turkey. However, in the final hours leading up to NATO's Summit in Lithuania that began today, an agreement was reached with Turkey. The decision paves the way for a historic expansion of the defense alliance in the face of Russian aggression.

### Asia, Eurasia & the Pacific

- **Japan has restored South Korea to its list of trusted trade partners**, reversing its decision to remove South Korea from the list in 2019 over a spat between the two countries concerning forced labor during Japan's occupation of South Korea from 1910-1945. The dispute stems from a South Korean Supreme Court decision ordering Japanese firms to compensate war victims for forced labor, which escalated into tit-for-tat economic measures between the two sides. The move follows reinstatement on South Korea's version of the trusted trade partners list - the "white list" - and will take effect July 21st, allowing a fast-track approval process for bilateral trade with South Korea once more.
- **India has released its plan to subsidize companies making electric grid batteries as part of its strategy to transition towards clean energy.** Subsidies would be offered from 2023 to 2030 to set up manufacturing capacity for battery cells in India. The legislation is being billed as a way to address environmental concerns at a time when expanding coal-power generation has become less desirable, while also positioning India to reduce its reliance on Chinese battery manufacturing moving forwards.
- **NATO and Japan are prepared to announce the results of negotiations on an Individually Tailored Partnership Plan (ITPP) consisting of 16 areas of cooperation.** In sum, cooperation seeks to achieve three strategic goals: (1) strengthen dialogue (2) enhance interoperability and (3) bolster resilience. One area of focus will center on improving Japan's Self-Defense Forces' capabilities and interoperability with NATO, which includes force standardization and joint military drills. Should Japan successfully incorporate NATO standards, maintenance and repairs between Japan and NATO countries' shipyards and aircraft hangers could take place.

### Middle East & North Africa

- **Israeli Prime Minister Benjamin Netanyahu is consolidating power and escalating the government's pressure on the West Bank**, putting 2023 on track to be the deadliest year in the West Bank in almost two decades. In its latest military offensive, at least 12 Palestinians were killed, more than a hundred were injured, and thousands were forced to flee the city of Jenin. Israeli officials have stated that the operation was designed to eliminate the presence of armed militants responsible for attacks against Israelis. While the military has withdrawn its forces from Jenin, Prime Minister Netanyahu has made it clear that this would not be a one-off event. Meanwhile, demonstrators are blocking roadways leading to Haifa, Jerusalem, and Tel Aviv after the Knesset gave its preliminary approval for Netanyahu's judicial reforms which would limit the Supreme Court's oversight powers.
- **The United Nations General Assembly has voted to establish an independent body to determine what happened to over 130,000 missing people as a result of the Syrian Civil War.** In addition to Syria, Russia, China, Belarus, North Korea, Cuba, and Iran all voted against establishing the body, with Syrian UN Ambassador Bassam Sabbagh accusing the body of interference in Syrian domestic affairs and the vote as evincing a "hostile approach" taken by the US and Western actors against the Syrian regime. Beyond the resolution, at least 11 people were killed in a Russian airstrike on rebel-held Idlib province that targeted a site next to a vegetable market.
- **Saudi Arabia and Houthi authorities have exchanged 64 bodies of fighters killed in the 8-year conflict in Yemen.** The exchange came after weeks of negotiations and has been seen as a sign of progress in efforts to end the conflict. The war has deeply destabilized Yemen, killing tens of thousands since a Saudi-led coalition intervened in 2015 against the Iran-aligned Houthi movement that overthrew Yemen's official government in 2014. Saudi Arabia has additionally allowed Yemen Airways to carry passengers to Mecca for the first time since the conflict began.

## Latin America & the Caribbean

- **The Panama Canal announced new restrictions on the largest ships crossing the canal due to concerns about shallower waters caused by drought.** The new rules limit container ships to a depth limit of 43.5 feet, down from the previous limit of 44 feet. This would force ships to either carry less cargo or lose weight in order to float higher. El Niño, the period warming meteorological phenomenon, has brought the drought. If the region's rainy season doesn't bring enough water to replenish the lake system around the canal, shipping costs could rise due to the new limits. 3.5% of the world's trade crosses through the Panama Canal.
- **Guatemala's presidential election is heading to a runoff between two frontrunners, former First Lady Sandra Torres and fellow center-left candidate Bernardo Arevalo.** The recent election was fraught with suspected interference, as three popular candidates had their candidacies invalidated by the country's Supreme Electoral Tribunal. Analysts claim that blank ballots and low turnout show that voters have lost faith in the candidates' abilities to bring change. Both runoff candidates face headwinds, as Arevalo wasn't expected to reach the runoff and Torres is deeply unpopular in the capital, Guatemala City, which is home to a large portion of the electorate. The runoffs are scheduled for August 20<sup>th</sup>.
- **President Gustavo Petro's government has reached a ceasefire deal with Colombia's last active guerilla group, the National Liberation Army (ELN),** which was founded in 1964. The 6-month ceasefire will take effect August 3<sup>rd</sup>, but the two sides agreed to stop fighting as of last Thursday. The ceasefire deal paves the way for President Petro to accomplish his goal of "total peace" in the South American country following successful peace deals with Colombia's other rebel groups. As of 2022, the ELN had 5,800 combatants, according to authorities.

## Sub-Saharan Africa

- **Twelve countries in Sub-Saharan Africa will receive 18 million doses of the world's first-ever malaria vaccine** over the next two years. The initiative prioritizes countries with the highest need, where the risk of malaria illness and child death are the highest. Malaria kills nearly half a million children under age 5 in Africa, and the continent

accounted for around 95% of global malaria cases and 96% of malaria deaths in 2021. The initiative is supported by the World Health Organization, and the Africa Centres for Disease Control and Prevention, among other organizations. The vaccines are due to arrive in late 2023.

- **Ethiopia's foreign ministry announced its application to the BRICS bloc of emerging markets.** The bloc includes Brazil, Russia, India, China, and South Africa and accounts for over 40% of the world's population and around 26% of the global economy. While Ethiopia has the second-largest population in Africa, its economy is less than half the size of South Africa, the smallest of the BRICS nations. Ethiopia's application comes at a time when other emerging market countries are showing interest in the group, which is seen as an alternative power structure to the West. South Africa is set to host the bloc's next summit in August, sparking debate about whether or not Vladimir Putin, who has a warrant issued by the International Criminal Court (ICC), will be arrested if he visits, as ICC signatory South Africa is obligated to do so.
- **Sierra Leone's incumbent president, Julius Maada Bio, was surprisingly re-elected** in the country's general election on June 24<sup>th</sup> despite an expected surge of "change" votes in the country where citizens are suffering from increasing unemployment, rising poverty rates, high inflation, and food insecurity. The outcome of the election has sparked suspicion from international leaders and the National Elections Watch found "major disparities" in ballot counts. Sierra Leone's major opposition party has called for a re-run.

## World

- **At the global finance summit in Paris last month, the World Bank announced a host of new measures to aid debtor countries hit by natural disasters,** such as offering a pause in debt repayments, giving countries flexibility to redirect funds for emergency response, and other initiatives. Western leaders have admitted that the global financial system is outdated and unjust in regard to developing countries. China, which is the world's largest bilateral creditor, has been pushing international lenders to offer debt writedowns to countries in debt crisis. The US and other developed nations claim that any writedowns would mean practically bailing out China, which has financed

many of the loans. The World Bank's announcement came at the same time as Zambia reached an agreement with its creditors, including China, to restructure \$6.3 billion in debt after many months of negotiations.

### Suggested Reading

#### [Containing the Collateral Damage of America's China Policy](#)

Shang Jin-Wei, *Project Syndicate*

#### [As NATO's leaders gather in Vilnius, Ukraine will dominate everything](#)

*The Economist*

#### [What is the Israeli-Palestinian Conflict?](#)

*Council on Foreign Relations*