

# 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 US military carried out retaliatory strikes against militant groups backed by Tehran in Iraq, Syria, and Yemen following an attack that killed three US soldiers in Jordan.** While the US holds Iran responsible for funding and arming these militia groups, both countries are careful of direct confrontation. In Syria and Iraq, the US struck seven locations, targeting command and control headquarters and other military-related sites. Iran and its proxy groups aim to pressure Washington to influence Israel to end its invasion of Gaza, as Hamas - the terrorist organization responsible for the October 7th attacks against Israel - is one of Iran's allied militant groups.
- **Texas Governor Greg Abbot is defying a Supreme Court order declaring that the federal government has the authority to remove razor wire that the state installed on its border with Mexico,** stating that he'll increase the state's patrolling of the border and add new barriers to crossing. Texas Attorney General Ken Paxton refused the federal government access to the border. Over 20 Republican governors are backing Governor Abbot, while the Department of Homeland Security reiterated that enforcement of immigration law is a federal responsibility. The development has heightened tensions between political parties over immigration.
- **In 2023, Mexico surpassed China as the US's top trading partner** with more than \$798 billion in goods imported from Mexico. The development reflects the ongoing tensions between Washington and Beijing with Mexico becoming a top destination for "nearshoring" – the term being used for moving business, particularly manufacturing, closer to home. Figures released by the US Commerce Department show a 5% increase in the goods imported by the US from Mexico from 2022 to 2023, while Chinese imports plummeted 20% in the same period. The last time Mexican imports exceeded the value of Chinese imports was 2002.
- **Residents of Mexico City have been protesting weeks of water shortages amid "unprecedented" low levels** in one of the city's main water systems

which supplies water to millions in the metro area that more than 21 million call home. Protesters went so far as to force open Mexico's National Water Commission building in a town more than 80 miles from the city center. The warning signs were there; the Mexican capital has struggled to supply its residents for many years as it relies on water pumped from its underground aquifer as well as reservoirs outside the city which have been dangerously low due to years of low rainfall blamed on climate change. Climate experts are warning that Mexico City is also at risk of a "whiplash effect" which occurs when an area experiences a rapid switch to wet conditions that can spark flooding. Further exacerbating the problem is outdated infrastructure and urban growth.

## Europe

- **Ukraine has struck bilateral long-term defense agreements with both France and Germany,** which will be providing military support and training for Ukraine. Ukrainian President Volodymyr Zelenskyy claims that the agreements are a sign that Ukraine will eventually become a member of NATO. German Chancellor Olaf Scholz said that, with this agreement, Berlin's total military support to Ukraine amounts to around 28 billion euros, making Germany the second-largest supporter of the country after the US. **This comes alongside the news that the European Union (EU) agreed to a deal worth over \$50 billion to support Ukraine,** one that struggled to advance due to the impediment of Hungary's Prime Minister Viktor Orban.
- **The EU revealed plans to reduce net greenhouse gas emissions by 90% by 2040 after undergoing revisions due to complaints by European farmers.** Farmers were displeased with the legislation that said agriculture would need to cut non-CO2 emissions by 30% by 2040 to comply, so the text was removed from the final plan. Upcoming EU parliament elections will likely test the public's temperament regarding the green measures, analysts say. Meanwhile, EU policymakers have implemented new rules to promote European production of equipment for the green transition including solar and wind power, fuel cells, and

more. The bloc's goal is to produce 40% of the equipment needed to reduce emissions in the EU, as it is currently relying on Chinese imports and competing with American subsidization from the Inflation Reduction Act.

- Former Fox News personality Tucker Carlson interviewed Russian President Vladimir Putin in Moscow. As expected, Putin used the interview to press Russia's narrative of the Ukraine war. He recommended that the US end its support to Ukraine and force Kyiv to the negotiating table. He rejected allegations that Russia planned to invade other NATO countries and discussed a potential negotiation of a prisoner exchange regarding the jailed Wall Street Journal reporter Evan Gershkovich. **While the interview made headlines, the death of Alexei Navalny, the most prominent opposition figure to Putin, took the spotlight.** His death, just before Russians head to the polls next month, has sparked outrage and renewed criticism of Putin's regime and his crackdown on opposition figures. Recently, anti-war opposition leader Boris Nadezhdin was banned from running against Putin in next month's election.
- **After two years without a functioning government, Northern Ireland's Parliament has named Sinn Fein's Michelle O'Neill as first minister.** This development is historic for Northern Ireland, as this is the government's first nationalist leader coming from the party that wants to unite the island into one country. O'Neill stated she would be a first minister for all sides, both for unionists who want to remain British, and for republicans who wish to unite with the Republic of Ireland. Unionists had blocked the government from functioning for two years, claiming displeasure with post-Brexit trade deals, but some analysts suspect they wished to keep Sinn Fein out of power. The breakthrough came in the form of a deal between the Democratic Unionist Party and UK Prime Minister Rishi Sunak's government for minor changes to trade and customs regulations for goods crossing the Irish Sea.

### Asia, Eurasia & the Pacific

- **According to early results of the Indonesian presidential election, former army general Prabowo Subianto appears to have won 60% of the vote,** avoiding a run-off election in June. Prabowo, once banned from the US over alleged human rights violations, has positioned himself as an ally of the outgoing president, Joko Widodo, a popular leader who focused on economic development. Analysts say that Prabowo will need

to navigate the complex relationship Indonesia maintains with both the US and China, as well as its close neighbor Australia in the coming years. There are concerns, however, that he will increase the influence of the military in politics. Final election results are expected in March.

- **China has replaced the head of its securities regulator, Yi Huiman, as its stock market continues to falter.** His replacement is Wu Qing, the deputy party secretary of Shanghai who had previously been the chairman of the Shanghai Stock Exchange and has over 20 years of experience with financial regulators. Chinese markets have been among the worst performers in recent years, with around \$6 trillion in market value being erased since their peaks in early 2021. **While some financial measures have provided a temporary floor to the markets, other issues like weak demand, deflation, and an unfolding property crisis still remain underlying issues.** Inflation has dropped at the fastest pace since 2009, with experts saying that China faces a crisis of falling domestic demand and weak consumer confidence.
- **Japan is leaning heavily into the development of its semiconductor sector,** investing in both the public and private sector to develop advanced chip technology amid growing US-China trade tensions. Last week, Tokyo announced it will spend \$300 million on a government-backed chip research center that was established last year. The funding will allow the center to focus on technologies including artificial intelligence-enabling chip design. This announcement comes just days after Taiwanese Semiconductor Manufacturing Company (TSM) reported that it will begin construction on a \$7 billion plant this year in Japan, bringing the company's total Japan venture to more than \$20 billion.
- **President Ilham Aliyev of Azerbaijan won another 7-year term in office with over 92% of the vote, according to Azerbaijan's electoral commission.** Aliyev, who has been in power for over two decades, called an early vote after a surge in popularity following Azerbaijan's swift conquest of the Nagorno-Karabakh region from Armenian separatists, who were entrenched for three decades. International election observers have cast major doubts about the election, claiming that opposition was restricted, and that Aliyev benefitted from the absence of independent media and a healthy civil society. Following the election, a skirmish between Azerbaijan and Armenia broke out on their border, with four Armenian soldiers killed. Both sides blame

the other for instigating the firefight, which may complicate efforts at peace between the two.

### Middle East & North Africa

- **The US has proposed a draft of a United Nations (UN) Security Council resolution calling for a temporary ceasefire in Israel's invasion of Gaza and opposing a ground offensive against the city of Rafah.** The US had so far avoided using the word ceasefire in the UN forum, and this development may signal a major turning point for US support for Israel. Washington stated that its proposal would support a temporary ceasefire in Gaza with conditions for hostages and the lifting of blockades against humanitarian aid included. Israel currently plans to invade Rafah, a city in southern Gaza where nearly half of the population has fled. The text also condemns the creation of more Jewish settlements in Gaza, as well as any attempts at shrinking Gaza's territory.
- **Pakistan's electorate stunned the ruling party and some international observers with their staunch support of jailed populist Imran Khan's party,** overcoming the Pakistani army's overt suppression of former Prime Minister Khan's allies. The outcome of the recent elections called into question the army's control over the country's politics, a development which some analysts predict may be destabilizing. Pakistan is approaching an important deadline in April for a new bailout from the International Monetary Fund (IMF), and the electoral confusion could present hurdles to the deal. Khan's allies won 101 seats in the national assembly and claim to have evidence of vote-rigging that deprived it of 70 more seats. The US and EU have both called for investigations into the alleged interference. While Khan's opposition declared victory and are underway forming a coalition government, Khan's supporters are concerned with freeing the former prime minister, who has been sentenced on three separate charges that many see as politically motivated.
- **In January 2024, Egypt's Suez Canal Authority reported a significant 46% decrease in revenues compared to the same period in 2023,** dropping from \$804 million to \$428 million. Ship crossings also decreased by 36%, with 1,362 ships crossing in January 2024 compared to 2,155 vessels in January 2023. This decline is attributed to ships opting for alternative routes due to recent disruptions in the Red Sea. The Authority held meetings with shipping bodies and companies to address the issue, emphasizing the Suez Canal's superiority as a

maritime route. Delays of 12 to 15 days are occurring due to alternative routes, impacting global supply chains. This comes after the International Monetary Fund warned that escalating tension in the region would affect trade and shipping costs.

- **The World Bank has announced it has set up a mechanism to channel about \$300 million to Afghanistan** to support basic needs such as health, food, education, water, and employment, especially for women. To bypass the Taliban, the World Bank will use UN agencies and other international organizations to supply aid funding to Afghan citizens. This marks the first time the World Bank has sent its own money to Afghanistan since 2021 when the Taliban took power.

### Latin America & the Caribbean

- **Ecuador's President Daniel Noboa has ratified two military cooperation agreements with the United States, including one for joint naval operations, to combat criminal gangs designated as terrorists.** Noboa expressed readiness to accept international assistance against organized crime. While signed by his predecessor Guillermo Lasso last year, Noboa ratified them via decree after a favorable ruling from Ecuador's constitutional court. The agreements aim to tackle drug, weapons, and human trafficking, as well as illegal fishing, with specifics undisclosed. In addition, Ecuador's electoral court set an April 21st referendum to vote on security measures, constitutional reform, and expanding police and military powers. This follows escalating violence, including attacks on a TV station and the assassination of a presidential candidate.
- **Argentina's new president, Javier Milei, is stirring controversy with his bold economic strategy. His plan, dubbed "shock therapy," seeks to reduce the size of the state and privatize state-owned enterprises.** However, Milei faces significant hurdles in Congress due to his lack of a majority. His policies, which include cutting public spending and subsidies, have led to a surge in prices and inflation exceeding 250%, the highest globally. In response, workers in Buenos Aires staged a massive strike, protesting against the proposed reforms. Despite opposition, Milei maintains strong public support, with many believing his reforms are necessary. Nevertheless, challenges lie ahead, and his presidency may encounter substantial resistance as he pushes forward with his agenda.
- **President Nayib Bukele won re-election in El Salvador with 84.7% of the vote earlier this**

**month, while his New Ideas party won the supermajority in Congress** which will allow Bukele to implement reforms and govern as he pleases. Prior to having the final results of the vote, Bukele declared victory in the presidency and in Congress saying, “El Salvador has broken all the records of all democracies in the entire history of the world.” However, opposition parties and electoral watchdogs have reported irregularities. The right-wing, 42-year-old Bukele has gained popularity in the country for his war on the country’s gangs which resulted in a major drop in violence. However, his electoral reforms have received international criticism and his crackdown on civil liberties has been controversial.

- **The US began reimposing some sanctions on Venezuela following the ban of leading opposition figure Maria Corina Machado** from participating in the country’s upcoming presidential elections this year. In October, the US granted sanctions relief to the Maduro government following a deal in which Caracas agreed to allow for free and fair elections and included removing bans on a number of opposition figures. The Biden administration warned that the restored dealings with Venezuela’s oil industry would be allowed to expire on April 18<sup>th</sup> if Machado and other opposition figures were not allowed to run for the presidency. Further complicating the situation is Venezuela’s tensions with its neighbor Guyana over the oil-rich Essequibo region which the Maduro government has claimed is Venezuelan territory. Negotiations on the disputed territory are ongoing.

### Sub-Saharan Africa

- **Senegal's Constitutional Council has declared President Macky Sall's decision to postpone the presidential election, originally set for 25 February, as unconstitutional.** Both Sall's decree and a parliamentary bill that sought to reschedule the election to December have been invalidated. The postponement triggered widespread protests across the country, with opposition leaders condemning the move. The immediate focus is now on establishing a new election date. Sall initially cited concerns about the eligibility of opposition candidates as the reason for the delay, a justification that critics saw as an effort to retain power or unfairly influence his successor. The council has called on authorities to arrange the election "as soon as possible."
- **South Africa will deploy 2,900 troops as part of a Southern African Development Community (SADC) force to address armed groups in eastern**

**Democratic Republic of Congo (DRC).** The deployment will last from December 15, 2023, to December 15, 2024, costing approximately 2 billion rand (\$105.75 million). The SADC mission aims to help stabilize the eastern DRC, known for conflicts among various armed groups over resources. The force, with a mandate to support the DRC's army, includes troops from Malawi, South Africa, and Tanzania. This deployment coincides with the DRC's efforts to counter M23 rebels, whose recent attacks near Goma are a threat to North Kivu's capital.

- **Officials from ECOWAS met in Nigeria to discuss the recent exits of Mali, Burkina Faso, and Niger from the regional bloc, as well as the political crisis in Senegal.** The meeting aimed to address these developments and their consequences. The three departing nations, all under military rule, accused ECOWAS of abandoning its principles and criticized its sanctions. Senegal's decision to delay elections has also sparked protests, having since been overturned. ECOWAS is grappling with a series of coups in the region, with experts attributing the trend to poor governance. The bloc is considering how to handle these challenges. The outcome of the meeting regarding these issues remains uncertain.
- **Amid the current war in Sudan, the UN has launched a \$4.1 billion aid appeal for the country and its refugee-hosting neighbors.** According to UN estimates, 25 million people (roughly half of Sudan’s population) need humanitarian assistance. Doctors Without Borders has described the situation as “absolutely catastrophic”, reporting that a child dies of malnutrition in Sudan’s North Darfur region every two hours. Sudan’s escalating civil war has created one of the world’s largest displacement and protection crises. Since the violence between the Sudanese Armed Forces (SAF) and the paramilitary Rapid Support Forces (RSF) broke out in April, 13,000 are feared to have been killed and more than 10 million have been displaced.

### World

- **Farmers around the world are growing increasingly agitated, with recent protests in France, Belgium, Italy, Spain, Switzerland, Romania, and Germany, among others.** The agricultural sector has become a battleground, with politicians seeking to harness or quell farmers’ anger for political gain. In Europe, the discontent is amplified by the ambitious Green Deal, aiming to eliminate pollution by 2050. Farmers fear these

policies will reduce their yields and incomes. In the US, farmers feel priced out by big companies, while in India, Modi's government faces farmer protests despite efforts to mollify them with subsidies. The global trend highlights the significance of farmers in political landscapes worldwide, as governments grapple with the challenge of transitioning to sustainable food production amidst rising climate concerns.

### [Suggested Reading](#)

#### [How Navalny Changed Russia](#)

Andrei Soldatov and Irina Borogan, *Foreign Affairs*

#### [Africa's Shifting Economic Paradigm](#)

Rabah Arezki, *Project Syndicate*

#### [Has Xi Jinping lost control of the markets?](#)

*The Economist*

#### [Farmers' Revolt Threatens Election Year Upsets Around the World](#)

Nayla Razzouk, Kim Chipman, Lyubov Pronina, and Pratik Parija, *Bloomberg*