

# 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 Biden administration announced plans to increase tariff rates on \$18 billion of Chinese imports** with the intent to protect US industries from unfair competition from China, particularly in the green energy industry. A number of Chinese goods including electric vehicles (EVs), advanced batteries, solar cells, steel, aluminum, and medical equipment will fall under the new tariffs, with EV tariffs specifically to rise to 102%. This announcement comes after a four-year US government review of trade with China to “make sure that we have healthy and active firms”, according to US Treasury Secretary Janet Yellen. Beijing has criticized the measures, with China’s foreign ministry spokesperson Wang Wenbin saying they go against a consensus reached in November bilateral talks in San Francisco just a few months ago and “will harm the world’s green economic transition and climate action.”
- **TikTok is suing the US government to prevent the enforcement of a bill passed last month.** The bill, known as the Protecting Americans from Foreign Adversary Controlled Applications Act, would force the app’s China-based owner, ByteDance, to either sell the app or face a ban. TikTok argues that this law, which has created a social media frenzy, violates constitutional protections of free speech. The lawsuit is expected to extend the timeline for any potential ban or forced sale of the app.
- **US President Joe Biden and Mexican President Andres Manuel Lopez Obrador (AMLO) issued a joint statement on Monday stating that they had discussed how to manage illegal migration more effectively and efficiently at the border.** Both leaders have ordered their national security teams to work together to reduce irregular border crossings while emphasizing the need to protect human rights. US border patrol detentions dropped from a monthly record of 250,000 migrants in December to 130,000 migrants in April, largely due to increased enforcement efforts by Mexico. This

number is still high historically, but increased Mexican military patrols and highway checkpoints are resulting in the interception of roughly 8,000 US-bound migrants per day, assisting in lowering the overall total intercepted at the US border.

- **Pro-Palestinian protests have spread across US college campuses in response to the Israel-Hamas war.** Two high-profile institutions, Columbia University in New York and the University of California in L.A., have made headlines for their large demonstrations and police arrests. The demonstrations (which have taken place in over 80 campuses across the country) demand that academic institutions cut financial ties with Israel or companies connected to the Israeli military’s actions in Gaza.
- *Market Implications: Earnings reports for the first quarter are coming out showing strength. While a temporary correction might take place, the US equity markets could gain another 3-4% between now and the beginning of the fourth quarter. However, caution should be exercised for the more conservative portfolios. Having said that, commodity markets should also be reviewed as they may hold promise.*

## Europe

- **Thousands have clashed with police in Georgia’s capital city, Tbilisi, in response to a proposed “foreign agents” law** that critics argue would limit press freedom and undermine Georgia’s efforts to become a candidate for European Union (EU) membership. The bill would require non-governmental and media organizations receiving over 20% of their funding from abroad to declare themselves as foreign agents or face fines and imprisonment. The opposition views this law as a shift toward authoritarianism, as it has similarities to a bill passed in Russia in 2012 that led to a drastic deterioration of civil society. International condemnation has been widespread, with both the US State Department and the EU expressing concern.

- On May 14th, Secretary of State Anthony Blinken met with Ukrainian President Volodymyr Zelensky in Kyiv. **Zelensky stated the need for increased air defenses to defend against Russian hypersonic missile attacks that have been devastating Ukrainian** cities like Kharkiv in recent months. Blinken stated that parts of the \$61 billion US military aid package, previously held up in the US Congress, have begun arriving in Ukraine. These talks come as Russian forces continue their push into northeastern Ukraine, making the most significant gains of its campaign since 2022.
- **Parliamentary elections resulted in a win for the center-right ‘Your Macedonia’ coalition of 22 parties led by Hristijan Mickoski and his VMRO-DPMNE party.** The coalition won 43% of the votes, giving it 58 seats in the 120-seat parliament— forcing the coalition to look for additional partners to establish a government. Presidential elections resulted in an outright win for Gordana Siljanovska-Davkova, the nation’s first female leader and member of the VMRO-DPMNE party. In her inaugural address, she referred to North Macedonia as Macedonia prompting the Greek Ambassador to North Macedonia to leave the swearing-in ceremony in protest. The VMRO-DPMNE party rejects the 2018 ‘Prespa Agreement’ between North Macedonia and Greece, which resulted in the name change and allowed the Balkan country to begin its EU accession process.
- **The Prime Minister of Slovakia, Robert Fico, was shot and critically injured in an assassination attempt** in Handlová, Slovakia on May 15th. The shooting occurred after a government meeting, and Fico was taken to a hospital and stabilized to undergo emergency surgery. Slovakia’s Deputy Prime Minister has said that Fico is expected to survive the attack, and that he is no longer in a life-threatening situation. The gunman is in custody, and no one else was injured in the attack. As of now, the specific motives of the gunman have not been officially confirmed.
- *Market Implications: European equity markets are projected to continue exhibiting strength. For those not having EU exposure, some exposure might be warranted.*
- **Ano, has called for the immediate expulsion of Chinese diplomats** allegedly behind a reported leak of a phone conversation. The leaked call involved a Filipino admiral agreeing to a new way of transporting supplies to a Philippine-occupied shoal in the disputed waters. Ano accused China’s embassy in Manila of engaging in disinformation and misinformation campaigns, which have strained diplomatic ties.
- **India has signed a 10-year agreement with Iran to develop and operate the port of Chabahar in southeastern Iran,** its first major overseas port venture. India plans to utilize the port to ship goods to Iran, Afghanistan, and Central Asian countries, bypassing ports in Pakistan. Indian Port Global Limited (IPGL) will invest \$120 million in infrastructure development and extend \$250 million in credit to Iran, per the terms of the agreement. While India first began developing the port in 2016, taking over operations in 2018, the development of the port has been held up by the US sanctions on Iran, which remain in place. Following the announcement of the deal, the US warned of potential sanctions for any country considering business deals with Iran. Chabahar is India’s
- **Chinese President Xi Jinping and Russian leader Vladimir Putin met in Beijing last week.** The two leaders discussed bilateral cooperation, the war in Ukraine, and a peace plan proposed by Beijing. China is Russia’s top trade partner, and international sanctions related to Moscow’s actions in Ukraine have brought the two economies closer together. Their meeting aimed to address these critical issues and strengthen their strategic relationship on the international stage. However, the concrete pledges of Chinese support for the war effort that Putin was looking for during the visit did not take place.
- **India’s massive multi-phase election cycle has entered its fourth round.** The cycle began April 19th and will end June 1st, with 543 seats in the lower house of Parliament up for grabs. The country has nearly 970 million registered voters, equating to roughly 10% of the world’s population. Prime Minister Narendra Modi is eyeing his third successive term and a super-majority for his Hindu-nationalist Bharatiya Janata Party (BJP) in parliament. His main competition comes from a rival coalition of more than two dozen parties. Voting on May 13th took place in the southern and eastern Telangana, Andhra Pradesh, and Odisha, outside of

### Asia, Eurasia & the Pacific

- **Amidst escalating tensions in the South China Sea, the Philippines’ national security adviser, Eduardo**

the BJP's strongholds of the north and western portions of India. Religious tension between Hindus (80% of population) and Muslims (14%) as well as inequality have been central themes of this election cycle. The weather could negatively impact voter turnouts as temperatures have soared above 104 degrees Fahrenheit across the country.

- *Market Implications: We continue believing in the two markets where our clients have some exposure, that is Japan and China. India (where some clients have exposure) is a very interesting case, but we believe that the key for India's future is the development of its employment market. Slow employment growth dynamics will hold India and its future back. Some questions about the strength of Modi's re-election are surfacing will could also derail expected equity gains.*

### Middle East & North Africa

- **On May 19th, Iranian President and close ally of Supreme Leader Ali Khamenei, Ebrahim Raisi, was killed in a helicopter crash, alongside Foreign Minister Hossein Amir-Abdollahian in northwestern Iran.** Supreme Leader Khamenei has since announced five days of national mourning and appointed Mohammad Mokhber as Interim President. Per the Iranian constitution, new elections will take place within 50 days of the death. Iran's neighbors and allies, including Turkey, China, and Turkey, have sent their condolences. Additionally, Lebanon, Iraq, and Pakistan declared periods of mourning for the deceased leader. While Iran has offered no official cause for the incident, a former Iranian foreign minister laid the blame for the crash against the United States due to its sanctions regime which he believes prevented Iran from properly maintaining the helicopter.
- **Hamas has accepted an Egyptian-Qatari cease-fire proposal, which could potentially end seven months of war in Gaza. However, it remains uncertain whether a deal has been fully sealed.** Israeli forces have struck targets in Rafah, a southern population center where many refugees fled after the invasion of northern Gaza, and there are indications that a ground invasion may be imminent. On the humanitarian front, the US military built a floating pier that will allow trucks to deliver aid to Gaza. As part of a multinational effort, the first trucks moved aid onshore via the pier this

week. According to US officials, the pier operation could scale up to 150 trucks of aid per day.

- **Afghanistan, Kazakhstan, and Turkmenistan have agreed to build a logistics hub in the western province of Herat.** The goal is to make the hub a major transit point for regional exports, especially oil from Russia to South Asia. A written agreement is expected within two months, detailing the formal plans for the hubs, after which the three countries would invest after an additional six months of negotiations. The initial planned capacity for the hub in terms of oil would be one million tons, but there are no firm dates as to when the hub will be operational. Afghanistan, since the Taliban took over, has seen foreign aid plummet, while drought has negatively impacted the predominantly agricultural economy forcing the Taliban government to look for economic alternatives.
- **The EU has pledged a €1 billion financial aid package for Lebanon to assist with stabilization efforts and halt the flow of migrants into EU countries.** The announcement follows other EU aid deals aimed at curbing migrant numbers made with Egypt, Tunisia, and Mauritania. Cypriot President Nikos Christodoulides specifically requested EU assistance with the issue as Cyprus has become inundated with Syrian refugees departing from Lebanon. In the first three months of 2024, some 2,000 Syrian refugees arrived in Cyprus by sea, an increase of 1,922 based on the same period in 2023. The majority of the funds— €736 million— will be earmarked for supporting Syrian refugees and other vulnerable groups, while an additional €200 million will be used to improve Lebanese security forces charged with border security and migration control.
- **Morocco's automotive sector, Africa's largest, has received renewed interest, particularly for its EV potential.** The country's strategic location near Europe, coupled with business incentives, has attracted major manufacturers. The government is offering subsidies of up to 35% for manufacturers to establish factories in rural areas. Morocco is also positioning itself favorably for the global shift toward electric vehicles by investing in charging infrastructure and aiming to attract more electric battery manufacturers to the country.

### Latin America & the Caribbean

- **Cosco, a Chinese state-owned company, has reaffirmed its insistence on the original terms of an agreement with Peru that would have allowed it exclusive control of operations for the Chancay mega port.** The Chancay Port is a \$3.5 billion project, already 74% complete, located on the northern coast of Peru. According to a Cosco official, the goal of the port is to be the primary port of departure for South American goods heading to Asia. In 2021, the Peruvian National Port Authority (APN) awarded Cosco the exclusive right to run Chancay, but in March it reneged on the agreement stating that it was an ‘administrative error’. US warnings over the dangers of Chinese control of infrastructure in Peru likely influenced the decision as well. Cosco has sent a letter to the Peruvian Ministry of Economy and Finance requesting a 6-month negotiation to resolve the issue, threatening international arbitration if a settlement is not reached.
  - **Under Milei, Argentina continues on the path of economic shock therapy to address the flailing economy left by Peronist rule.** The central bank announced this month that it was cutting interest rates from 50% to 40% as the monthly inflation rate dropped significantly to 8.8% in April, down from 25.5% in December 2023. This is the sixth cut since Milei took office and is aimed at discouraging Argentine banks from holding short-term central bank debt, which reduces the number of pesos required to pay interest on the state’s liabilities with its domestic creditors. However, annual inflation in Argentina remains stubbornly high at 289.4%, while the IMF projects a 2.4% GDP contraction of the Argentine economy in 2024. Meanwhile, hundreds of thousands of Argentines have taken to the streets to protest government cuts to public education that are causing some public universities to consider shutting down. Despite this, Milei remains popular with large swathes of the population with an approval rating hovering around 50%.
  - **The stand-in candidate for former President Ricardo Martinelli, Jose Raul Mulino, has won Panama’s presidential election.** The 64-year-old Mulino was a former security minister and running mate for Martinelli, who was barred from running after being sentenced to 10 years in prison for money laundering and is currently residing in the Nicaraguan Embassy. Mulino campaigned on increasing economic prosperity in Panama as well as stopping migration through the Darien Gap, which saw over half a million migrants traverse the dangerous jungle region that separates Panama from Colombia. To achieve his goals for the Panamanian economy, Mulino will need to improve the country’s investment grade, and deal with the fallout of the closure of the Cobre Panama mine while ensuring the continued viability of the Panama Canal— the heart and soul of Panama’s economy— as it deals with water shortages.
  - **As Haiti continues to spiral from gang violence, the newly installed Transitional Presidential Council (TPC) has attempted to improve the country’s political situation by choosing Fritz Bélizaire, a former sports minister, to replace interim Prime Minister Michel Patrick Boisvert,** as Haiti’s Prime Minister. This move is surprising in the way that Bélizaire lacks name recognition in Haitian politics, even among members of the 9-person transitional council. Edgard Gardy Leblanc Fils was also elected to the TPC. Only seven members of the TPC have voting rights and Bélizaire was voted in with four votes from what is now known as the Indissoluble Majority Bloc (BMI) headed by Leblanc. The TPC still must select a cabinet.
  - *Market Implications: The cases of Brazil, Mexico (with the expected positive results for the governing party in the upcoming presidential election), and Colombia still attract our interest and some limited exposure might be warranted.*
- ### Sub-Saharan Africa
- **Chad’s military leader, Mahamat Deby Itno, has been declared the winner of the presidential election.** According to provisional results released by the national agency managing Chad’s election, Deby Itno won with just over 61% of the vote, while his main rival, Prime Minister Succès Masra, received over 18.5% of the vote. This victory legitimizes Deby Itno’s grip on power after three years of military rule. He seized power in 2021 following the death of his father, who had been in power for three decades. The election results were contested by Masra, but Chad’s constitutional council confirmed Deby Itno’s victory and rejected the appeal by his opponent.
  - **The Pentagon announced the withdrawal of all 1,000 US troops stationed in Niger after Niger’s military junta declared it would revoke its military cooperation deal with Washington.** The US had attempted to negotiate with the junta to keep some forces in the country to continue to assist with counterterrorism efforts, and as a buffer to

increasing Russian influence, but efforts have not been successful. Russian troops also have begun arriving in Niger, with 100 soldiers arriving in April. This comes as US influence in the region continues to diminish in favor of Russia as a wave of coups have brought in military leaders with favorable outlooks to the Kremlin. Some 60 US military personnel were also relocated from Chad to Germany as the US reviews its security cooperation with the country in light of the election of President Deby.

- **The African Union (AU) Climate Insurance Agency announced \$60 million in funds to be dispersed to the southern African nations of Malawi, Zambia, Zimbabwe, and Mozambique to mitigate drought impacts driven by El Niño.**  
The countries will receive these funds at the end of the harvest season, which concludes this month. In Zimbabwe, the corn crop has been reduced by three-fifths due to drought, and the payout will only cover a fraction of estimated losses for farmers. Zimbabwe's Finance minister estimates that the country will need at least seven to eight times more than what the country will receive. The United Nations Office for the Coordination of Humanitarian Affairs is seeking \$228.3 million to assist Zambia with drought, as it is experiencing its driest harvest season in 40 years.
- **At the request of the Democratic Republic of the Congo (DRC) government, the United Nations (UN) peacekeeping mission, MONUSCO, has ceased its operations in South Kivu Province.**  
According to Security Council Resolution 2717 adopted in December 2023, MONUSCO withdrew its force from South Kivu by the end of April 2024. Now, the mission will limit the implementation of its mandate to the provinces of North Kivu and Ituri. Some uniformed personnel will remain to provide security for UN staff and facilities, but they will leave by June 30<sup>th</sup>, leaving a residual team of civilians in place.

[In Argentina, Enthusiasm Over Milei's Reforms Could Be Premature](#)

Benjamin N. Gedan, *World Politics Review*

## Suggested Reading

[The Contentious U.S.-China Trade Relationship](#)

Anshu Siripurapu and Noah Berman, *Council on Foreign Relations*

[The Xi-Putin partnership is not a marriage of convenience](#)

*The Economist*