

# 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 President Joe Biden formally announced that he was dropping out of the 2024 Presidential race** on Sunday, July 21st. This development follows an intensifying campaign from the media, voters, and Democratic Party insiders to convince him to exit the race after what was seen as a poor performance during the June 27th debate against Donald Trump in Atlanta, Georgia. The announcement, delivered four months before the election in November, was quickly followed by **an official endorsement of Vice President Kamala Harris** to carry on as the Democratic Party's presidential nominee. Harris has already garnered endorsements from influential figures in the Democratic Party, including Nancy Pelosi, and Hillary and Bill Clinton. The party will gather on August 19th for an open convention, where Harris is expected to be officially nominated. Her running mate has yet to be announced, but some potential names are North Carolina Gov. Roy Cooper, Pennsylvania Gov. Josh Shapiro, Arizona Sen. Mark Kelly, and others.
- **On July 13th, a gunman attempted to assassinate Donald J. Trump, the former president and current Republican candidate for the Presidency, during his rally in Butler, PA.** The FBI is leading an investigation into the assassination attempt, in which Thomas Matthew Crooks fired his AR-15 rifle from a roof 150 yards away from where Trump was speaking. Crooks was killed by counter-fire from Secret Service agents; however, Secret Service and local law enforcement partners are being blamed for the incident after several reports that some rally attendees were trying to alert security personnel to the shooter. Today, Secret Service Director Kimberly Cheatle stepped down from her position following a hearing held yesterday by the House Oversight Committee which ended in calls for her resignation from both Republican and Democratic lawmakers.
- **On the first day of the Republican National Convention, Donald Trump announced on his social media platform Truth Social that 39-year-old Ohio Senator JD Vance would be his running mate.** Senator Vance rose to fame on the back of his popular memoir *Hillbilly Elogy* and represents a faction of the Republican Party with views that are increasingly protectionist in terms of trade policy, populist in nature, and isolationist regarding foreign policy. Senator Vance is viewed as a pick that would satisfy Trump's loyal base.
- **The US will apply a 25% national security tariff on some steel and aluminum imports from Mexico, aiming to curb Chinese metals from entering the US.** The White House reported the action was being taken jointly with Mexico as Mexico has agreed to ask its importers to provide more information about what country their steel products are coming from. Any steel that was not melted and poured in North America will face a 25% tariff, and aluminum containing primary smelt from China, Belarus, Iran, or Russia will face a 10% tariff. While the US already has tariffs of 25% in place on imports of steel and aluminum from China, these new tariffs will specifically target shipments that enter the country through Mexican ports.
- **China called off arms control and nuclear proliferation talks with the US last week over Washington's weapons sales to Taiwan.** China's foreign ministry said "the US must respect China's core interests and create the necessary conditions for dialogue" in order to resume negotiations. In June, the US approved two military sales to Taiwan worth \$300 million in total. In an effort by Presidents Xi Jinping and Joe Biden to ease relations and open dialogue between the two nations, China and the US had begun nuclear weapons discussions in November in addition to opening communication on other key issues like climate change and anti-narcotics. Just last month, Washington and Beijing established a direct communication channel to coordinate on potential synthetic drug threats and jointly investigate a drug-linked money laundering operation that spans China, Mexico, and the US.
- **Market Implications: The momentum in US markets appears to be shifting as investors are rotating out of tech stocks and into small-caps stocks. This shift has come as inflation begins to lower and expectations are that the Federal Reserve will begin cutting rates as early as**

*September. Some caution should be exercised as markets could be volatile over the next few months.*

## Europe

- **The French left's alliance, the New Popular Front (NFP), won a surprising victory in the recent parliamentary elections** that kept the far-right National Rally (RN) Party from winning a majority. However, it is struggling to choose a leader. Four founding parties of the alliance that spans from center-left to far-left have proposed multiple candidates for prime minister, all of whom have been rejected, leading to a deadlock in negotiations. Critics, including President Emmanuel Macron, have pointed out the alliance's significant disagreements on strategy and policy. President Macron, in a letter to the French public, noted that the election was not a win for any party. If the NFP fails to appoint a leader soon, it risks fracturing, allowing opponents to form an alternative coalition that weakens the leftist alliance before it fully takes power. Until a new Prime Minister is chosen, Gabriel Attal will stay on in a caretaker capacity after resigning from office after the election results were announced.
- For the first time, during its 75th annual summit, **NATO accused China of enabling Russia's attacks on Ukraine by providing crucial technology and equipment.** This statement, approved by the 32 leaders of the alliance, marks a significant shift in NATO's stance which previously did not officially view China as a concern. The declaration warns that China's support for Russia could harm its interests and reputation, suggesting potential economic sanctions. This change in perspective follows intelligence evidence presented by the Biden administration, highlighting China's role in supplying components to rebuild Russia's defense capabilities. Meanwhile, President Biden announced at the summit that the US, Germany, the Netherlands, Romania, and Italy would be providing Ukraine with the equipment for five additional strategic air defense systems in light of constant Russian bombardments on Ukrainian cities.
- **Newly elected British Prime Minister Keir Starmer aimed to reset the United Kingdom's relations with Europe by hosting the European Political Community (EPC) summit.** The 45 European leaders in attendance discussed regional security issues such as supporting Ukraine, addressing migration issues, and bolstering energy security. The EPC was established in 2022 in response to Russia's invasion of Ukraine. At last week's summit, the leaders demonstrated united

support for Ukraine and Zelensky while also expressing concern for the direction of the US.

- **The European Union (EU) has halted Georgia's accession process and frozen €30 million in financial aid due to the controversial new "foreign influence" law seen as curbing democratic freedoms.** The decision follows large-scale domestic protests against the new law, which now requires organizations receiving over 20% of their funding from abroad to register as foreign agents. Critics liken the law to Russian legislation used to stifle dissent, and EU officials have labeled it undemocratic, jeopardizing Georgia's EU membership prospects. The EU plans to redirect support to Georgian civil society and media, and the US has also indefinitely postponed military drills in Georgia as part of a review of bilateral relations.
- *Market Implications: European equity markets continued exhibiting strength this month on upbeat earnings and global investor optimism regarding a Fed rate cut. The outlook for the Euro has improved as fears of a political/economic crisis in France have diminished and as the European Central Bank has held rates steady. We still hold the view that some European market exposure is warranted and, at the same time, understand that more rate cuts are expected in Europe. However, if the US markets experience some correction, the EU markets will follow.*

## Asia, Eurasia & the Pacific

- **Indian Prime Minister Narendra Modi met Russian President Vladimir Putin in Moscow on July 8th for his first visit to Moscow since Russia invaded Ukraine in 2022.** Modi's visit aims to deepen the strategic partnership between the two countries, focusing on trade, defense, and regional issues, despite Russia's closer ties with China. Modi emphasized the importance of India-Russia relations and the need for a peaceful resolution to the Ukraine conflict. The two leaders pledged to increase bilateral trade to \$100 billion by 2030, up from \$65 billion presently. Ukrainian Prime Minister labeled the visit a huge disappointment as Ukraine continues to defend itself against Russia.
- **The recently signed Reciprocal Access Agreement (RAA) between Japan and the Philippines allows Japanese troops to conduct joint drills and training in the Philippines,** marking a significant step toward deeper defense collaboration amid rising tensions in the South China Sea. This agreement, the Philippines' third-of-its-kind following bilateral deals with the US and Australia, is seen as a

foundation for expanding bilateral defense ties, potentially including logistics and base access agreements. Analysts highlight its potential to enhance interoperability between the armed forces of both countries and address security challenges, including China's assertive actions in the region.

- **Australian mining giant BHP Group will suspend its Australian nickel operations later this year due to a global surplus of the metal**, which has made the operations unprofitable. This decision follows a sharp decline in nickel prices and a surge in cheap Indonesian exports, affecting the global battery-metals market. The suspension impacts a key Western source of nickel essential for electric vehicle (EV) batteries—BHP produces enough nickel to make 700,000 EV batteries annually—challenging US efforts to reduce dependency on China for nickel supply. BHP plans to review the suspension by February 2027, maintaining optimism about the nickel market's potential improvement beyond the decade's end. Meanwhile, Hyundai Motor Group and LG Energy Solution inaugurated Indonesia's first EV battery cell production plant with an annual capacity of 10 GWh, as part of a larger \$9.8 billion investment to develop an EV supply chain in the country.
- **Malaysia and Thailand have announced plans to apply for BRICS+ membership**, signaling the region's intention to hedge between major powers and promote multi-alignment. This move comes amid BRICS expansion, which previously included only South Africa in 2010 and now welcomes Argentina, Egypt, Ethiopia, Iran, UAE, and Saudi Arabia. Malaysia and Thailand's entry into BRICS+, which is likely to be accepted, will enhance their access to the BRICS+ development bank and the Contingent Reserve Arrangement while reinforcing their call for international system reforms. Both countries aim to balance relations with China and the US, with Malaysia conducting nearly 20% of its trade in non-dollar currencies and Thailand maintaining strong trade and investment ties with China.
- *Market Implications: We continue to recommend limited exposure to Asian markets, while being cautious of China. China's struggling property sector and the burden of over-indebtedness is weighing heavily on the country's growth outlook. An export recovery, concentrated in semiconductors but spreading out to other sectors, in emerging markets like South Korea is leading growth in the region.*

## Middle East & North Africa

- Prime Minister Benjamin Netanyahu has dismissed calls to establish a state commission of inquiry into the October 7th terrorist attacks perpetrated by Hamas, stating that he first wanted to defeat the terrorist organization. **An Israeli negotiating team also arrived in Cairo, Egypt to continue ceasefire talks as Hamas and Israel continue to consider the latest truce proposal put forth.** US Ambassador to the United Nations (UN) announced that both parties had agreed to a ceasefire framework put forth by the US and endorsed by the UN Security Council but that there are still gaps that need to be closed, presumably what the talks in Cairo will address. Nonetheless, the conflict continues to rage in Gaza while Lebanese Hezbollah rocket attacks have caused Israeli emergency response personnel to respond to fires in various Israeli towns and cities on its border with Lebanon. In other related news, the US announced the end of its \$230 million floating aid pier off the coast of Gaza after only two months of operation. While it was shut down due to technical and weather-related issues, Israel has given relief organizations more access to Gaza in recent weeks. However, humanitarian organizations continue to report that hundreds of thousands of people are still in desperate need of aid.
- **In Iran's presidential election, reformist Masoud Pezeshkian won, marking the first reformist victory in two decades.** Pezeshkian, a 69-year-old surgeon, won with over 53% of the vote and almost 50% voter participation in the second round of voting, promising to ease moral policing and re-engage with the West on nuclear talks. Despite his win, he will face challenges from conservative institutions that dominate Iran's political landscape. His presidency aims to address economic issues and public discontent while navigating a system resistant to significant reforms. His ability to revive the 2015 nuclear deal will be a key test of his presidency, especially given the complex international dynamics and potential impact of the upcoming US presidential elections.
- **Yemen's Houthi rebels have continued attacks on international shipping traversing the Red Sea** with two new attacks on July 15th targeting the Panama-flagged and Israeli-owned MT Bently I and the MT Chios Lion, a Liberian-flagged and Marshall Islands-owned oil tanker. The Houthis claim they are targeting ships that are linked to Israel, the US, and UK in a show of support for Hamas as the conflict continues in Gaza, although many of the ships do



not have affiliation with these three states.

According to the Joint Maritime Information Center run by the US Navy, the attacks in June reached levels not seen since December of 2023. As a result, the US Navy has sent an additional aircraft carrier to the region to ensure security for merchant vessels transiting the important trade route through the Red Sea.

- **Two major Chinese solar manufacturers, Jinko Solar Co. and TCL Zhonghuan Renewable Energy Technology Co., will build plants in Saudi Arabia worth a combined \$3 billion** to globalize their production bases amidst domestic oversupply issues. Jinko Solar's \$985 million joint venture with the Saudi Public Investment Fund (PIF) will have a capacity of 10 gigawatts for photovoltaic cells and modules. In comparison, TCL Zhonghuan's \$2.08 billion project with PIF and Vision Industries will produce 20 gigawatts of wafers annually, making it the largest overseas wafer factory. Shares of both companies rose in response to the announcements, benefiting others in the industry such as Tongwei Co. and LONGi Green Energy Technology Co. This move comes as China's clean energy sector faces overcapacity and worsening trade tensions with the US and allies, prompting a shift towards international cooperation and expansion.

### Latin America & the Caribbean

- **Bolivian President Luis Arce survived an attempted coup** led by Army General Juan Jose Zuniga, who was arrested after leading troops and tanks to storm the presidential palace in La Paz. Arce, from the Movement for Socialism (MAS) party, called the failed coup a victory for democracy, expressing gratitude to the Bolivian people. Zuniga criticized Arce's government for impoverishing the country and claimed the coup aimed to restore democracy and free political prisoners. The coup attempt, which lasted about five hours, was averted when Arce confronted Zuniga, resulting in the withdrawal of troops and Zuniga's arrest. Arce claims the recent failed coup attempt was driven by foreign interests seeking to control Bolivia's vast lithium resources. Bolivia holds the world's largest lithium reserves, accounting for 23% of global deposits, with significant foreign interest from companies in Germany, Russia, China, South Korea, and France.
- **The Bolivian government announced the discovery of a 1.7 trillion cubic foot (TCF) natural gas reserve**, the largest find since 2005, located north of La Paz. This discovery is significant

for Bolivia, which has been facing an energy crunch and declining oil and gas production, impacting its currency reserves. The new field, named Mayaya Centro-X1 IE, is expected to become the third best-producing field in the country and is part of YPFB's Upstream Reactivation Plan. Bolivia's natural gas production has significantly decreased from 56.6 million cubic meters per day (MMm3d) in 2016 to 31.9 MMm3d in 2023.

- **Colombia's government announced it will end a cease-fire with the largest faction of the FARC-EMC, a rebel group with over 4,400 fighters**, which split into two factions led by Iván Mordisco and Marcos Calarca. While military offensives will target Mordisco's faction, which has been clashing with the military since March, a three-month cease-fire until October 15 will continue with Calarca's faction, comprising about 40% of the group's fighters. The FARC-EMC, formed by fighters who rejected the 2016 peace deal, has expanded its presence from 157 to 209 municipalities. Despite the "total peace" policy, kidnappings rose by almost 50% last year, and illegal roadblocks and gunfights have significantly increased.
- **In the ten days since the official start of Venezuela's presidential election campaign, over 70 opposition supporters have been arrested**, highlighting the intensified persecution by the *Chavismo* of President Nicolás Maduro's regime. Edmundo González Urrutia, who has inherited political support from disqualified leader María Corina Machado, faces significant repression as he campaigns. Incidents include the arrest of businessman Ricardo Albacete Vidal and various opposition campaign workers, amid claims of sabotage and alleged crimes. This surge in arrests and harassment highlights the heightened political tension and violence leading up to the July 28th election which is almost certainly not going to be free or fair. Despite the political persecution in Venezuela, the Biden administration has decided to ease some sanctions on Venezuela and has issued new licenses for the export or re-export of liquified petroleum gas (LPG) to Venezuela until July 8th, 2025.
- *Market Implications: The outlooks for Brazil and Mexico continue to be positive. However, the Brazilian market may suffer from its position in the global market, and while the Mexican economy is promising, negative political influences could impact its stock market. With that caution, we remain interested in some limited exposure to these markets.*

### Sub-Saharan Africa

- **The creation of the Confederation of Sahel States (AES) by Niger, Burkina Faso, and Mali, comprising 72 million people, has plunged West Africa into an unprecedented crisis**, threatening the free movement of people and goods. These countries left the Economic Community of West African States (ECOWAS) in January, accusing it of being manipulated by France, and formalized their alliance this month. ECOWAS has warned of potential diplomatic and political isolation and the loss of millions in investment for the AES countries, as well as increased regional insecurity due to recurrent jihadist violence. Despite ECOWAS's efforts to mediate, including the appointment of Senegalese President Bassirou Diomaye Faye as mediator, the AES nations remain firm in their decision to distance themselves from ECOWAS.
- **In the wake of the African National Congress (ANC) losing its parliamentary majority in South Africa's 400-member National Assembly, 10 political parties have formed a unity government in South Africa.** President Cyril Ramaphosa was re-elected with the help of smaller parties and is expected to offer cabinet positions in exchange for their support. The diverse coalition marks the first time the ANC will share power since the end of apartheid.
- **Kenyan President William Ruto announced the withdrawal of a finance bill containing contentious tax hikes after violent protests** led to over 20 deaths and the ransacking of parliament. Ruto warned that withdrawing the bill would result in a significant shortfall in funding for development

programs aimed at supporting farmers and teachers, amid efforts to reduce the nation's foreign debt. Protests against the tax hikes, initially peaceful, turned violent when police fired live rounds into crowds, leading to fatalities and injuries, and the partial burning of the parliament complex.

- **Rwandan President Paul Kagame has been re-elected with 99.18% of the vote, extending his nearly 25 years in office**, according to the National Electoral Commission. His opponents, Frank Habineza of the Democratic Green Party and independent Philippe Mpayimana conceded defeat in an election criticized for a crackdown on journalists, opposition, and civil society. The turnout was 98.20% of the nine million registered voters, with final results expected by July 27th. Despite international praise for his role in ending the 1994 genocide and rebuilding Rwanda, Kagame faces accusations of domestic abuses and supporting rebels in the Democratic Republic of Congo, which he denies.

### Suggested Reading

[Euphoric markets are ignoring growing political risks](#)

*The Economist*

[The Rising Tide of Political Violence](#)

Rachel Kleinfeld, *Foreign Affairs*

[What the U.S. Election Means for Latin America](#)

*Americas Quarterly*

[Africa's Hobbled Hegemons](#)

Adekeye Adebajo, *Project Syndicate*

*If you are interested in receiving regular reports on the Southeast Asian, South American, and Sub-Saharan African regions, please contact Rachel ([rachel@blacksummitfg.com](mailto:rachel@blacksummitfg.com)).*