

# 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 strike at East and Gulf Coast ports, led by the International Longshoremen's Association, ended after only three days when an agreement was reached between the union and the United States Maritime Alliance (USMX) on wage increases.** The deal involves a \$4-per-hour wage increase each year over six years, totaling a 62% raise by the end of the contract. The ports, including major ones like the Port of New York and New Jersey, will take several days to recover from the disruption, with logistical challenges still ongoing. The temporary work stoppage caused estimated losses of up to \$1 billion for the Port of New York and New Jersey, with about 24 ships waiting to unload.
- **The vice-presidential debate between Republican JD Vance and Democrat Tim Walz was marked by a civil tone, with both candidates focusing on policy issues.** Vance, a polished speaker, defended conservative positions and avoided breaking from Donald Trump's stances, particularly on the 2020 election. Walz, despite a shaky start on foreign policy, found his footing discussing abortion and January 6, challenging Vance's refusal to directly address Trump's election claims. The debate's relatively calm atmosphere likely favored Vance, boosting his profile within the Republican Party and among independent voters.
- **As of October 7th, 2024, FiveThirtyEight's forecast gives Kamala Harris a 55% chance of winning the presidential election, while Donald Trump has a 45% chance.** Harris leads by a slim margin in both the national popular vote and the Electoral College, though the race remains highly competitive, with key swing states like Pennsylvania, North Carolina, and Georgia playing decisive roles. The lack of recent, high-quality polls could lead to volatility in projections as new data is released.
- **Hurricane Helene struck Florida's Big Bend last month, but its most devastating effects were felt over 400 miles north in the Appalachian Mountains.** The storm caused severe flooding across the Southeast, killing around 200 people,

making it the deadliest U.S. tropical storm since Hurricane Katrina in 2005. In North Carolina's Buncombe County, 35 people died, 600 remain missing, and mules are delivering food to survivors stranded by damaged roads. The storm dropped an estimated 40 trillion gallons of water over six states, exacerbated by warming temperatures, which intensified the hurricane's rainfall.

- *Market Implications: As expected, markets are continuing to experience volatility due to uncertainty in the upcoming presidential election, geopolitical uncertainty from the expanding war in the Middle East, and the uncertainty a potential European stagnation or Chinese hard landing could create in the midst of a dovish Fed. We maintain our conservative stance and believe that a mid-November rally in US equities could materialize after the elections. Additionally, the yield curve has normalized, with the 2-year yield now trailing the 10-year yield. This shift could prompt investors to consider extending their bond maturities, potentially going long on the bond curve.*

## Europe

- **President Joe Biden announced an \$8 billion military aid package for Ukraine during a meeting with President Volodymyr Zelenskyy in Washington, D.C.** This aid includes a shipment of Joint Standoff Weapons (JSOW), providing Ukraine with medium-range missiles for precision strikes. The package also allocates funds for additional air defense systems, unmanned aerial systems, and maintenance support, and expands F-16 pilot training. Meanwhile, Russia has intensified its use of glide bombs, injuring 12 people in Kharkiv in a recent attack, as its forces have continued advancing, now occupying roughly 20% of Ukrainian territory. With over 100,000 Russian casualties, President Putin has announced plans to draft 130,000 additional troops, while uncertainty looms over continued U.S. aid, as the U.S. presidential election approaches in November.
- **Austria's far-right Freedom Party (FPÖ), led by Herbert Kickl, won 28.9% of the vote in a**

**national election, ahead of the conservative People's Party (ÖVP) at 26.3%, but short of a governing majority.** Kickl's party secured 57 seats in the 183-seat parliament, but coalition talks will be challenging, as the ÖVP and other parties have refused to join forces with the FPÖ due to Kickl's divisive leadership and far-right views. The election saw a high voter turnout of 77.3%, with migration, the economy, and Ukraine's war as central issues, and Austrian President Alexander Van der Bellen will oversee the difficult coalition formation process. Kickl has also aligned himself with other far-right European leaders, including Hungary's Viktor Orban.

- **Ratcliffe-on-Soar in Nottinghamshire, Britain's last coal-fired power station, closed, marking the end of an industry that powered the country's economy for over three centuries.** Coal, which fueled the Industrial Revolution and Britain's first electricity grid, began its decline in the 1980s and 1990s due to the discovery of North Sea gas and a policy-driven shift toward renewables, especially offshore wind. Britain's transition away from coal has been faster than other G7 nations, with weeks and even months passing in recent years without the need for coal-powered electricity. This closure highlights Britain's successful effort to curb carbon emissions by phasing out its dirtiest energy source.
- **The trial of over 20 members of the far-right French National Rally (RN), including former leader Marine Le Pen, began, focusing on allegations of embezzling European Parliament funds to support the party amid a financial crisis.** Prosecutors claim the RN established a centralized system to misuse these funds, while the defense argues that payments were appropriate for the job roles of parliamentary assistants. If convicted, those charged could face up to 10 years in prison and fines up to €1 million, along with a five-year ban on running for office. The European Parliament, as a plaintiff, emphasizes that European citizens and French taxpayers have been harmed by this alleged misuse of public money.
- *Market Implications: Persistent weak growth and inflation have raised expectations for another rate cut by the European Central Bank in mid-October. However, some divergence in the US and EU monetary policy is creating uncertainty for investors. We continue to recommend some caution in European markets given the rising risks in the region.*

## Asia, Eurasia & the Pacific

- **Shigeru Ishiba, president of Japan's ruling Liberal Democratic Party (LDP) and presumptive new prime minister, announced plans to dissolve the lower house and hold a general election on October 27 to test public confidence amid a political funds scandal affecting the party.** Ishiba was elected party president from among nine candidates and is expected to be formally appointed prime minister at the upcoming Diet session. He acknowledged the unusual timing of the election announcement before his official appointment but emphasized the need for election officials to prepare. The LDP, now facing criticism from opposition parties, is led by Ishiba, who aims to address pressing national issues while facing scrutiny over the party's past conduct.
- **Japan's destroyer Sazanami made its first passage through the Taiwan Strait, accompanied by naval ships from Australia and New Zealand, amid increasing military activity from China.** The transit, which took over ten hours, was a response to concerns over China's assertiveness in the region, including recent activities like the passage of the Chinese aircraft carrier Liaoning near Japanese territory. Following the passage, China expressed high alert and lodged a formal complaint with Japan, asserting that Japan's actions could disrupt Sino-Japanese relations. This naval operation comes as part of a broader response from the U.S. and its allies to enhance their naval presence and assert freedom of navigation in international waters amid tensions with China.
- **Myanmar's military junta, led by Min Aung Hlaing, invited armed groups opposed to its rule to cease fighting and engage in dialogue to achieve peace after over three years of conflict following the 2021 coup that ousted Aung San Suu Kyi's government.** This offer comes in the wake of significant military setbacks for the junta, as well as the humanitarian crisis caused by Typhoon Yagi, which resulted in over 400 deaths and widespread flooding. The junta's statement urged armed groups to abandon violence and participate in a political process, emphasizing the need for political solutions rather than military actions, while a spokesperson for the Karen National Union outlined conditions for talks, including no military involvement in future politics and accountability for war crimes. The junta has pledged to hold fresh elections, with census activities beginning in October in preparation for potential polls in 2025,

despite ongoing military losses and widespread civilian unrest.

- **Google announced a \$1 billion investment to build digital infrastructure in Thailand, including new data centers in Bangkok and Chonburi, which will support approximately 14,000 jobs and add an estimated \$4 billion to the country's GDP by 2029.** This investment comes in response to increasing demand for cloud computing in Southeast Asia, following similar moves by Microsoft to establish data center regions in Thailand, showcasing the country's ambition to become a major digital hub in the region. In parallel, Vietnam's government confirmed that Elon Musk's SpaceX plans to invest \$1.5 billion in the country, aiming to launch Starlink satellite services to improve internet access, particularly in remote areas, while discussions with SpaceX resumed after being stalled. Both countries are actively seeking to modernize their economies by attracting U.S. tech investments as they aim to enhance their technological capabilities and reduce reliance on traditional industries.
- *Market Implications: Over the last couple of weeks, China has unveiled a series of measures designed to reign in the real estate sector, increase consumption, and boost investor sentiment. Markets have risen as a result, but we continue to remain cautious of China's "Great Wall of Stimulus."*

### Middle East & North Africa

- **The conflict between Israel and Hezbollah has escalated further last month, when Israel launched Operation Northern Arrows.** This operation aimed to degrade Hezbollah's military capabilities and deter them from future actions against Israel. As part of this operation, Israel assassinated Hezbollah's leader, Hassan Nasrallah, in an airstrike on their Beirut headquarters on September 27. They also sabotaged many Hezbollah's communication devices, killing and injuring numerous members. These events have led to massive displacement on both sides of the border. Over 62,000 Israelis and more than 92,000 Lebanese have been displaced since October 2023.
- **Adding another layer of complexity to the situation, Iran directly attacked Israel with approximately 180 ballistic missiles on October 1<sup>st</sup>.** This was the second direct attack from Iranian territory, marking another significant escalation in the conflict that could lead to an all-out war in the

middle east between Israel and Iran. The United States has been actively involved in diplomatic efforts to de-escalate the situation and prevent an all-out war. However, a lasting ceasefire remains a challenging goal due to the deep-seated animosity and the high stakes involved.

- **Houthi forces launched their first confirmed strikes on merchant shipping in the Red Sea since early September, targeting two vessels following Israeli military bombings on Hodeidah port over the weekend prior.** The Panama-flagged tanker Cordelia Moon was hit by an uncrewed surface vessel approximately 64 nautical miles northwest of Hodeidah, sustaining damage to its ballast tank but with no reported injuries to the crew. Additionally, the Liberian-flagged bulk carrier Minoan Courage was attacked about 97 nautical miles from Hodeidah, reportedly struck by a missile. These retaliatory strikes came after the Israeli military's airstrikes over the weekend prior, which targeted power plants and terminal facilities at Hodeidah port.
- **Tunisian presidential candidate Ayachi Zammel was sentenced to 12 years in prison for document falsification by a Tunis court, amid escalating tensions ahead of the presidential election on October 6.** This ruling marks the third prison sentence for Zammel within two weeks and comes as he is one of only two candidates allowed to run against President Kais Saied, who has faced accusations of using the judiciary to eliminate political opposition. Zammel, the leader of the opposition Azimoun party, has been jailed since September, facing allegations of falsifying voter signatures, which he claims are politically motivated. As political unrest grows, opposition and civil society groups are organizing protests against what they describe as Saied's authoritarian regime, especially after the electoral commission barred three prominent candidates from the upcoming election.

### Latin America & the Caribbean

- **Claudia Sheinbaum made history on October 1<sup>st</sup>, by becoming Mexico's first woman president, marking a significant milestone in a country traditionally led by men since independence.** Sheinbaum, a former mayor of Mexico City and a climate scientist, adopted a new government logo featuring a young Mexican woman to symbolize aspirations for girls in the nation. Her presidency follows the controversial judicial reforms enacted by outgoing President Andrés Manuel López Obrador, which will replace all judges with new jurists elected

by popular vote over the next three years, raising concerns about the potential erosion of democratic checks and balances. As she steps into office, Sheinbaum faces challenges including a widening budget deficit, the need for social welfare programs, and the balancing of López Obrador's state-centric economic policies while addressing issues like security and environmental protection.

- **Colombia has unveiled a \$40 billion investment plan aimed at transitioning away from fossil fuels, as the country halted new oil and gas exploration two years ago, reflecting its commitment to climate goals.** Environment Minister Susana Muhamad announced that the plan, which was presented at an economic fair on October 2<sup>nd</sup>, seeks up to \$10 billion in support from developed nations and multilateral development banks to develop clean energy, improve agricultural practices, and protect biodiversity. The initiative aims to replicate Just Energy Transition Partnerships (JETPs) signed between wealthy and developing nations, although previous deals faced challenges due to political divisions and bureaucracy. Colombia's deal will be coordinated by the Inter-American Development Bank, with the U.S. playing an informal role, and is part of the country's endorsement of the Fossil Fuel Nonproliferation Treaty, which calls for ending the expansion of new fossil fuel projects.
- **Spain has faced significant criticism for allegedly facilitating the exile of Edmundo González, Venezuela's main opposition presidential candidate, who left Caracas for political asylum in Spain earlier in September, under pressure to sign a document recognizing President Nicolás Maduro's election victory.** González, who claims he was coerced into signing the document during a meeting at Spain's embassy in Caracas with Maduro's political aides, had sought refuge there after weeks of hiding from arrest and was considered a potential leader for the opposition as Maduro's term ends in January. The Spanish government has denied accusations of complicity in his forced departure, asserting it acted to ensure his safety while processing his asylum request, although evidence suggests that the Rodríguez siblings pressured González in the embassy. The situation has led to calls for accountability within the Spanish government, particularly from opposition leader Alberto Nuñez Feijóo, who demands the resignation of the foreign minister and ambassador for their roles in the incident, arguing that Spanish diplomacy should not serve a "dictatorial regime."

- **Ecuador's government, led by President Daniel Noboa, announced the implementation of nationwide nighttime blackouts as a response to severe drought conditions that have significantly reduced the country's hydroelectric power capacity, which normally accounts for approximately 77% of its electricity supply.** The scheduled blackouts were to last eight hours each night from 10 p.m. to 6 a.m, with the government emphasizing this measure as necessary to manage the electrical system responsibly during what is reported to be the worst drought in 61 years. Amid ongoing energy issues, Noboa had previously declared a state of emergency in the electricity sector in April, citing potential sabotage and corruption, and has been exploring various solutions, including power rationing, military support for hydroelectric operations, and the commissioning of a Turkish power generation barge to help stabilize the national grid.
- *Market Implications: While opportunities are arising with the reduction of interest rates, the threat of lower growth from China remains a concern for several Latin American economies dependent on trade with Beijing. Furthermore, structural challenges, such as budget deficits, fragile pension systems, and debt burdens continue to create financial and political risk. We also suggest caution for Latin America.*

#### Sub-Saharan Africa

- **As civil war continues to rage, the second and third order effects of the conflict have worsened the health situation of Sudan which is now among the top four countries globally for the highest prevalence of global acute malnutrition (GAM).** In Sudan, 13.6% of the population is affected, as revealed by recent surveys conducted by the Nutrition Cluster across all 18 states. Multiple disease outbreaks, including cholera, malaria, and dengue fever, are further threatening the health of approximately 3.4 million children under five, compounded by the destruction of health infrastructure and significant declines in vaccination rates. The ongoing conflict has displaced over 10.9 million individuals, with 8.1 million displaced since mid-April 2023, leading to a humanitarian crisis exacerbated by heavy rains and flooding affecting nearly 600,000 people, creating additional risks of famine in vulnerable areas. Despite these dire conditions, the humanitarian access remains severely

limited, impeding the delivery of essential assistance to those in need.

- **Uganda has established a state-owned mining company to manage the government's equity interests in mining operations, as announced by Minister of Energy and Mineral Development Ruth Nankabirwa.** This initiative follows the approval of a new mining law in 2022, which allows the government to take a 15% free carry stake in all mining operations, aiming to enhance the country's share of mineral wealth similar to actions taken by other African nations like Tanzania. The Ugandan government is also promoting domestic mineral processing, exemplified by the launch of its first tin refining company in April 2024 and partnerships with companies like Sunbird Resources for limestone mining and Ionic Rare Earths for rare earths extraction. Uganda's geologists highlight the country's vast deposits of various minerals, including gold, cobalt, copper, and iron ore, positioning it for growth in the mining sector.
- **The World Bank approved a \$1.57 billion financing package for Nigeria aimed at bolstering its health and education sectors and ensuring sustainable power supply.** This funding includes \$500 million for governance improvements in education and health delivery, \$570 million for strengthening primary healthcare, and \$500 million for the Sustainable Power and Irrigation for Nigeria Project. Nigeria, which has the highest number of out-of-school children largely due to insecurity from an Islamist insurgency and armed kidnappings, is set to benefit from enhanced financing for basic education and primary healthcare services. The package will also address dam safety to protect communities from flooding, a critical concern given that this year, nearly a million people were affected

by flooding following the bursting of a dam in northeastern Borno state.

- **Authorities in the Democratic Republic of Congo released over 700 inmates from Makala Central Prison, following a deadly stampede that resulted in at least 129 deaths during an attempted jailbreak earlier this month.** The release, announced by Justice Minister Constant Mutamba, was part of efforts to alleviate severe overcrowding in the facility, which has been described as inhumane, with a capacity of 1,500 but often housing ten times that number. The stampede occurred on September 2 when inmates, deprived of water and electricity, attempted to escape the unbearable conditions; authorities reported that some inmates were fatally shot, while others faced sexual violence during the chaos. In light of these events, the Congolese government has promised to expedite the construction of new prison facilities, although specific details regarding the timeline and number of new prisons remain unspecified.

### Suggested Reading

[The year that shattered the Middle East](#)  
*The Economist*

[How Russia Invaded Wikipedia](#)  
Olga Boichak, *Foreign Policy*

[Any new U.S. administration will be challenged in the Middle East](#)  
James Jay Carafano, *GIS*

[The World Is Abandoning the WTO](#)  
Kristen Hopewell, *Foreign Affairs*

*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)).*