

# 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 in the *United States, Europe, India, and China*, and which may affect economic, financial, and geopolitical issues in the months ahead:

## United States

- **Yesterday, during his second inaugural address, President Donald Trump announced plans to sign a series of executive orders to launch "the complete restoration of America."** He criticized former President Joe Biden for domestic crises and international failures, highlighted a commitment to border security, and pledged to overhaul the public health and education systems. President Trump said he would declare a national energy emergency, linking inflation to rising energy costs, and announced plans to expand domestic drilling. Recounting a near-assassination attempt in Pennsylvania, he expressed belief in divine intervention, declaring his life saved by God to fulfill his mission to "make America great again."
- **In the final days of his presidency, Joe Biden issued a series of significant executive orders,** including a ban on new offshore drilling across over 625 million acres of US coastal waters, aimed at curbing fossil fuel production, which President Trump has vowed to reverse. Additionally, Biden's administration launched initiatives to advance artificial intelligence infrastructure and bolster cybersecurity, while also protecting US companies from increasing cyberattacks. On January 10<sup>th</sup>, Biden extended Temporary Protected Status (TPS) for over 800,000 Venezuelans, Salvadorans, and other migrants, preemptively shielding them from Trump's immigration crackdown. In an unprecedented move, on January 19<sup>th</sup>, Biden granted preemptive pardons to key figures, including Gen. Mark Milley and Dr. Anthony Fauci, as well as his family members, shielding them from potential retribution under the incoming Trump administration.
- **The Biden administration proposed new export curbs on advanced AI chips to safeguard national security, restricting access to high-end chips in 120 countries,** including Mexico, Portugal, Israel, and Switzerland. Commerce Secretary Gina Raimondo emphasized the goal of maintaining US leadership in AI, while tech industry executives expressed concerns over global supply chain fragmentation. Additionally, the Pentagon's new blacklist of battery makers, set to take effect in June 2026, targets Chinese firms like CATL (the world's largest EV battery maker) and Tencent, barring them from Defense Department contracts due to their alleged ties to China's military. The actions reflect ongoing tensions in US-China relations, particularly in the tech and military sectors.
- **Denmark's Prime Minister Mette Frederiksen told US President Donald Trump that Greenland's future is for Greenlanders to decide, responding to Trump's suggestion to acquire the island.** In a 45-minute phone call, Frederiksen emphasized Denmark's commitment to Arctic security and Greenland's autonomy, reiterating Greenland's stance that it is "not for sale." The phone call followed a controversial 2019 proposal from Trump to purchase Greenland and recent tensions over tariffs, with Trump suggesting high tariffs on Denmark if it refused to give up the territory. Greenlandic officials, including Prime Minister Mute Egede, have expressed readiness for dialogue but reaffirmed their right to self-determination, as Denmark's government navigates this delicate situation.
- **On January 6<sup>th</sup>, Prime Minister Justin Trudeau announced his resignation,** citing a need for a "reset" amidst economic uncertainty, political infighting, and a Liberal Party trailing the Conservatives by 25 points in polls. He will remain in office until a new leader is chosen through a nationwide party election, with Parliament suspended until March 24<sup>th</sup>. Trudeau faced mounting pressure after Deputy Prime Minister Chrystia Freeland's December resignation and threats of tariffs from US President Donald Trump, which could destabilize Canada's trade-dependent economy. Potential Liberal Party leadership candidates include Freeland, Dominic LeBlanc, Mélanie Joly, and Mark Carney, as the party braces for an election that could be forced before October.
- **Market Implications:** President Biden's recent executive actions, including offshore drilling restrictions, environmental protections, and engagement with Cuba, highlighted his administration's commitment to climate action and progressive social policies, however, President

Trump is reversing many if not all of these policies, potentially impacting investor confidence in long-term environmental initiatives but creating momentum in fossil fuel industries. Additionally, President Trump's reiterated interest in acquiring Greenland highlights an increasing geopolitical focus on the Arctic, driven by resource competition and strategic positioning, with Denmark and Greenland's leadership meetings suggesting a pushback against such ambitions. This geopolitical tug-of-war could influence markets tied to Arctic exploration, rare earth minerals, and defense industries. Now that Trump has entered office, markets will be watching closely if President Trump is able to make good on his threats to tariff Canada, Mexico, and Europe.

## Europe

- As of January 2025, Ukraine's resilience in the face of Russia's invasion, initiated on February 24, 2022, remains strong despite losing nearly 20% of its territory.** Ukraine has launched preparations for urban warfare in key areas like Pokrovsk, while Russian forces are advancing toward Dnipro, a vital Ukrainian military base. On January 10th, the US imposed severe sanctions on Russian oil exports, targeting major companies and tankers, risking up to 1.5 million barrels per day of Russian oil which has caused disruptions for Asian buyers like India. Meanwhile, Russia accused the US of supporting Ukraine's sabotage of TurkStream, the last pipeline carrying Russian gas to the European Union (EU), which has led to escalating energy tensions as Moscow downed Ukrainian drones targeting the pipeline's infrastructure.
- On January 1<sup>st</sup>, Ukraine ended its transit of Russian gas to Europe after the expiration of a key 2019 deal, citing national security concerns.** Ukrainian President Volodymyr Zelensky called the move "one of Moscow's greatest defeats" amid the ongoing war with Russia, and it will result in Russia losing around \$5 billion in gas sales. European countries, including Austria, Hungary, and Slovakia, had already prepared alternative supply routes, such as increased imports of LNG and gas from Norway, following a significant reduction in Russian gas exports to the EU. Despite the disruption, analysts expect limited immediate price hikes due to Europe's preparations and milder winter conditions.
- Thousands of protesters gathered in Bucharest last week to demand the revision of the Constitutional Court's December ruling that annulled the first-round victory of pro-Russian candidate Calin Georgescu in Romania's presidential election.** Georgescu, who won with 22% of the vote on November 24th, was accused of benefiting from Russian interference, leading to the annulment of the second-round vote scheduled for December 8th. Protesters, calling for a reversal of the court's decision and the resignation of outgoing President Klaus Iohannis, also blocked traffic and waved Romanian flags. The next presidential vote is planned for May 4th, with the possibility of a run-off on May 18th, though Georgescu's candidacy remains uncertain.
- Austrian Chancellor Karl Nehammer announced his resignation** on January 4th after coalition talks to form a new government collapsed. Nehammer, from the conservative People's Party (ÖVP), had been negotiating with the Social Democrats (SPÖ) and the liberal Neos party after the September 2024 national elections but failed to reach an agreement on key issues. Neos withdrew from the talks on January 3rd, citing the inability to agree on fundamental reforms, leaving Austria without a viable government. A new election is now expected, with the right-wing Freedom Party (FPÖ) winning 29.2% of the vote, gaining increased support, reaching 35% in December polls.
- Market Implications:** Russia's decision to halt natural gas flows through Ukraine significantly undermines Europe's energy security. Although alternative supplies have been sourced, this move reduces flexibility, intensifies competition for liquefied natural gas (LNG), and raises the specter of energy shortages. Further concerns surround potential disruptions to the TurkStream pipeline following large-scale attacks in Western Russia, which could amplify volatility in natural gas prices. This energy insecurity risks reigniting inflationary pressures, particularly in energy-dependent industries, forcing central banks to weigh monetary tightening against slowing growth. The euro may come under pressure as geopolitical risks bolster the US dollar, often viewed as a safe haven. Persistent energy woes could further erode investor confidence, leading to capital outflows and lower equity valuations across European markets. Sectors reliant on energy inputs, such as manufacturing and transport, are particularly vulnerable, while defensive stocks and green energy companies might see increased interest. Policymakers and businesses face mounting pressure to address energy diversification, bolster investor confidence, and stabilize political landscapes to navigate this period of uncertainty.

## China & India

- **Earlier this month, China concluded its investigation into the EU's Foreign Subsidies Regulation, claiming the law acts as a trade barrier,** particularly affecting Chinese electric vehicle (EV) manufacturers. The investigation, which began in July 2024, highlighted concerns about "selective implementation" and unfair treatment of Chinese companies. China's Ministry of Commerce warned that it might take retaliatory measures, including bilateral talks or multilateral dispute settlements, though no specific actions were announced. The EU's regulation, designed to counter market distortions from foreign subsidies, has led to probes and actions against Chinese companies, such as the suspension of a Chinese train manufacturer's plans to sell in Bulgaria.
- **Just a few days ago, Chinese President Xi Jinping held a phone call with then US President-elect Donald Trump,** discussing topics such as trade, fentanyl, TikTok, and other issues. The conversation, described as positive by President Trump, focused on cooperation and the importance of respect for core interests despite inevitable differences. Xi emphasized the need for a balanced and mutually beneficial trade relationship, referencing Trump's previous tariffs on Chinese goods. Although Xi could not attend Trump's inauguration yesterday, Vice President Han Zheng represented China at the ceremony.
- **Majid Takht Ravanchi, Iran's deputy foreign minister for political affairs, led a delegation to India for high-level talks aimed at resuming energy trade** between the two countries. Bilateral trade between Iran and India has significantly dropped from \$17 billion in the 2018-2019 fiscal year to just \$2.3 billion in 2022-2023, primarily due to India's halt on Iranian oil imports following US sanctions in 2018. India's reliance on Russian crude has grown as a result of these shifts, while Iran's largest crude buyer remains China. During the visit, Iranian officials expressed an understanding of India's constraints due to sanctions and discussed possible solutions to revitalize trade.
- **The India-Middle East-Europe Economic Corridor (IMEC) project, first announced in September 2023 by Indian Prime Minister Narendra Modi and US President Joe Biden, is moving forward after delays caused by the Hamas-Israel conflict.** The corridor aims to connect India with the Persian Gulf and Europe, involving countries like Saudi Arabia, UAE, Israel, and

European nations and will include rail lines, energy transmission, and pipelines for hydrogen exports. The project stalled shortly after its announcement but resumed in December 2024 with key support from the UAE, and Italy now takes the lead, promoting it as a means of stability and prosperity. However, fundraising remains a major hurdle, with estimates for the project's cost between \$3 billion and \$8 billion per leg.

- **Market Implications:** China's investigation into the EU's subsidy laws hints at potential retaliatory trade measures. Should Beijing impose counter-sanctions or tariffs, key sectors, including electric vehicles and renewables, could face disruptions in trade between China and Europe. The prospect of heightened trade tensions may deter investment and weigh on market sentiment, particularly in Chinese equities exposed to the EU market. Additionally, the semiconductor and battery industries, already under pressure from US export curbs, may encounter further headwinds, complicating China's ambitions to lead in advanced technologies. Export curbs are likely to accelerate Beijing's push for technological self-sufficiency while reshaping global supply chains, creating opportunities for emerging markets like India to attract investment in semiconductor manufacturing and technology partnerships. Meanwhile, Iran's involvement with India signals potential energy deals, enhancing India's energy security. The trade corridor, delayed by the Middle East conflict, could reestablish India as a crucial hub for Europe-Asia connectivity, benefiting logistics, infrastructure, and manufacturing sectors. China faces immediate pressures from escalating trade restrictions and potential European retaliation, challenging its growth trajectory which is already struggling with several domestic challenges. Conversely, India emerges as a beneficiary of geopolitical realignments, leveraging its trade diplomacy and strategic infrastructure initiatives to attract capital and bolster its global standing.

## Suggested Reading

[The beginning of the end of the Trump era](#)  
*The Economist*

[Russia's war economy is a house of cards](#)  
Martin Sandbu, *Financial Times*

[India Between Superpowers: Strategic Autonomy in the Shadow of a Pacific Conflict](#)

Davide Donald, *Council on Foreign Relations*

[For China, 2025 Will Be About How Xi Tackles the Economy](#)

Mark Gallagher, *World Politics Review*