

CROSSROADS

At the Intersection of Geopolitics and Geoeconomics

January 21, 2025 | Volume 8, Issue 2 | The BlackSummit Team



Here is a summary of the most important events that unfolded over the last month in the **Middle East/North Africa, Asia (ex-China/India), Latin America, and Sub-Saharan Africa**, and which may affect economic, financial, and geopolitical issues in the months ahead:

Middle East / North Africa

- **On January 19th, a ceasefire between Israel and Hamas began with the release of three Israeli hostages as part of a deal facilitated by international mediators.** The first phase of the agreement includes the release of 33 hostages over 6 weeks, with Israel also releasing 90 Palestinian prisoners. The deal has been met with mixed emotions: in Gaza, celebrations erupted as Palestinians were freed, while in Israel, officials expressed hope for the safe return of more hostages. The ceasefire, which is set to last for 42 days, will see further exchanges of hostages and prisoners in phases. The deal was negotiated through intense diplomacy, involving key figures from the US and Qatar.
- **Last week, 6 European Union (EU) countries—Germany, France, the Netherlands, Spain, Finland, and Denmark—called for a temporary suspension of sanctions on Syria**, particularly in transport, energy, and banking, ahead of an EU foreign ministers meeting on January 27th. The EU's reassessment follows the ousting of Bashar al-Assad by insurgent forces, with calls for easing sanctions on civilian flights, high-value goods, oil and gas technology, and financial channels. However, sanctions against Assad's administration and supporters would remain in place. The US had already issued a 6-month sanctions exemption for Syria to facilitate humanitarian aid, while further discussions on the fate of Hayat Tahrir al-Sham (HTS) are expected at the United Nations (UN) level.
- **Lebanon's parliament elected General Joseph Aoun as president, ending a two-year deadlock.** Aoun, backed by major political parties, the US, France, and Saudi Arabia, replaced rival Marada Movement leader Suleiman Frangieh, who withdrew in favor of the army chief. The election follows a ceasefire between Israel and Hezbollah, which left Lebanon in a state of devastation, with the World Bank estimating reconstruction costs at \$8.5bn. Aoun appointed Nawaf Salam, president of the International Court of Justice, as Lebanon's new prime minister, signaling potential reforms in a deeply divided country, though Hezbollah opposed the decision.
- **Italian journalist Cecilia Sala was released from detention in Iran** on January 8th after being held for 20 days on charges of violating Iranian laws. Sala, 29, was arrested on December 19th during a reporting trip and kept in isolation, with her family reporting harsh conditions. The Italian government facilitated her release through diplomatic and intelligence efforts, although the exact circumstances remain unclear. Upon her return to Rome, she was welcomed by Italy's Prime Minister Giorgia Meloni, Foreign Minister Antonio Tajani, and other officials, marking the end of a highly publicized ordeal. Later, on January 12th, Italy released Iranian engineer Mohammad Abedini, wanted by the US for his involvement in a drone strike that killed three US service members in Jordan last year, after an Italian court vacated his arrest.
- **Market Implications:** The Gaza cease-fire signals a pause in hostilities, offering a window for humanitarian aid and reconstruction efforts. A durable peace could reinvigorate investor confidence and unlock infrastructure spending in the region. Meanwhile, the call from six EU countries to temporarily lift sanctions on Syria suggests a potential shift in international policy. If implemented, this could enable the flow of aid and investment into Syria's reconstruction, benefitting neighboring economies like Lebanon and Jordan. However, lingering political uncertainties may temper immediate enthusiasm in financial markets. In Israel, Dalia Energy's \$1.5 billion financing for a new power plant reflects a strong appetite for energy infrastructure projects aimed at meeting rising domestic and regional demand. This underscores a trend of sustained capital inflows into MENA's energy sector. Concurrently, Iraq's

pending Kirkuk oil and gas deal with BP signals optimism about revitalizing its hydrocarbon output. Saudi Aramco's promising, albeit nascent, lithium project marks the region's strategic alignment with the global energy transition. If successful, the venture could position Saudi Arabia as a critical player in the EV battery supply chain.

Asia (Ex-China / Ex-India)

- Impeached South Korean President Yoon Suk Yeol, detained over a failed martial law declaration on December 3rd, declined to cooperate with questioning while facing insurrection charges.** Following his arrest last week, a court's detention ruling on January 19th sparked violent protests by Yoon's supporters, who stormed the Seoul Western District Court, vandalizing property and clashing with police. Authorities plan to arrest 66 protesters, while Acting President Choi Sang-mok condemned the violence and vowed strict enforcement of the law. Yoon, through his lawyers, criticized the rampage as "shocking" but maintained his arrest was unlawful due to jurisdictional and procedural challenges.
- Last week, Japanese Foreign Minister Takeshi Iwaya and South Korean Foreign Minister Cho Tae-yul held a high-level meeting in Seoul,** marking the most significant diplomatic engagement since South Korean President Yoon Suk Yeol's martial law decree on December 3rd which led to his impeachment. The discussions emphasized strengthening Japan-South Korea-US security cooperation amidst escalating North Korean missile tests, China's maritime assertiveness, and Russia-North Korea ties. Iwaya also honored Korean independence fighters by visiting Seoul National Cemetery, reflecting efforts to mend relations strained by historical grievances. Meanwhile, political dynamics in South Korea remain turbulent, with polls showing a narrow gap between Yoon's ruling People Power Party (40.8%) and the Democratic Party (42.2%), despite widespread public disapproval of Yoon's actions.
- On January 4th, marking Myanmar's 77th Independence Day, the junta announced a mass amnesty for 5,864 prisoners, including 180 foreigners,** though it remains unclear if political detainees or Aung San Suu Kyi, serving a 27-year sentence, are included. General Min Aung Hlaing commuted life sentences for 144 prisoners to 15 years and reduced other sentences by a sixth, excluding those convicted under laws frequently used against military opponents. The heavily guarded Independence Day ceremony in Naypyidaw saw around 500 officials, where Deputy Army Chief Soe Win delivered Min Aung Hlaing's speech urging ethnic armed groups to disarm and resolve political issues peacefully. According to the Assistance Association for Political Prisoners, 28,096 individuals have been arrested since the 2021 coup, with 21,499 still detained and at least 6,106 civilians killed by security forces.
- Taiwan Semiconductor Manufacturing Co. (TSMC) announced that its US plant will not get the latest chip technology before Taiwan.** This decision reinforces Taiwan's role as the epicenter of global semiconductor innovation. It not only strengthens Taiwan's economic significance but also underscores the risks tied to geopolitical tensions. Continued US support, as highlighted by the American Chamber of Commerce in Taiwan, may further solidify Taiwan's semiconductor dominance, benefiting regional technology markets.
- Market Implications:** The Japanese Foreign Minister's visit to Seoul marks a significant thaw in relations between the two key economies. Improved bilateral relations could benefit industries such as technology, automotive, and semiconductors, where both nations play pivotal roles. This renewed cooperation could strengthen regional supply chains and bolster market confidence in Northeast Asia. Japan's projection of a primary budget surplus by fiscal 2026, albeit delayed by a year, reflects challenges in balancing fiscal discipline with economic recovery efforts. The delay could influence investor perceptions of Japan's long-term fiscal health, potentially impacting government bond yields and the yen. However, the government's commitment to achieving surplus signals a cautious approach that prioritizes sustainable growth. The Bank of Korea's decision to hold rates steady amid political uncertainty and a weakening won reflects caution in navigating economic challenges. The move aims to stabilize the economy without exacerbating capital outflows or inflationary pressures. However, prolonged political turmoil may weigh on market sentiment and foreign investment in South Korea.

Strengthened Japan-Korea ties and Taiwan's semiconductor prowess present growth opportunities, but fiscal and political uncertainties in Japan and South Korea warrant measured optimism.

Latin America

- **On January 10th, Venezuelan President Nicolás Maduro was sworn in for a third term amid protests and international condemnation, with the US, EU, and Canada imposing sanctions on over 20 officials for undermining democracy.** Maduro's victory in the disputed July 2024 election, which was rejected by the opposition and several foreign governments, led to nationwide protests and a violent government crackdown. Opposition leader Edmundo González, recognized by multiple countries as the legitimate winner, had to remain in exile due to security concerns after Maduro closed the country's airspace and border. Despite Maduro's claims of popular support, his third term has been marked by electoral fraud and human rights abuses.
- **The Biden administration announced it would remove Cuba from the US list of state sponsors of terrorism, a decision made just days before Donald Trump's second term.** This move, which is part of a deal to free "many dozens" of Cuban political prisoners, was facilitated by the Catholic Church and followed a review showing no evidence of Cuba's current support for terrorism. Cuba's Foreign Ministry welcomed the decision, stating it would release 553 prisoners, though US sanctions remain. The action has been criticized by Trump allies, including Sen. Marco Rubio, who introduced legislation in 2023 to prevent Cuba's removal from the list until democratic reforms are implemented.
- **This month, President Claudia Sheinbaum presented Plan México, an ambitious economic strategy aimed at making Mexico the world's 10th largest economy by 2030,** creating 1.5 million jobs, and increasing domestic production in sectors like textiles and automotive. Sheinbaum's plan also targets reducing reliance on Chinese imports, with a focus on nearshoring and attracting \$277 billion in investment from 2,000 projects. The plan, which includes 12 specific goals such as enhancing financing for small businesses and boosting tourism, was presented with the support of key ministers like Marcelo Ebrard

and Rogelio Ramírez de la O. The initiative emphasizes sustainable growth, economic equity, and strengthening Mexico's role in North America's economic sphere.

- **President Donald Trump suggested the US might reclaim the Panama Canal,** unsettling Panamanians due to historical memories of the 1989 US invasion. Panama's Foreign Minister Javier Martínez-Acha asserted that the canal's sovereignty was nonnegotiable, following Trump's combative remarks made at Mar-a-Lago. Experts speculated that Trump's comments are aimed at securing favorable treatment for US ships or pressuring Panama's government on migration control, as Panama has cooperated with the US to curb migrant flows. Panama's President José Raúl Mulino had already taken steps to reduce crossings, making Trump's military threat seem improbable and damaging to US-Panama relations.
- **Market Implications:** President Nicolás Maduro's inauguration highlights deepening political divides in Latin America, with allies like Cuba and Nicaragua attending while major Western democracies remain absent, emphasizing Venezuela's isolation. Maria Corina Machado's rise as an opposition figure adds uncertainty to Venezuela's economic outlook, keeping markets like oil volatile and potentially deterring foreign investment. Meanwhile, the Biden administration's removal of Cuba from the State Sponsor of Terrorism list marks a potential turning point in US-Cuba relations, possibly boosting economic engagement. Mexico's Sheinbaum administration's Plan Mexico aims to stimulate domestic investment in infrastructure, green energy, and social development, positioning Mexico as an attractive market for foreign investors, contingent on political stability and efficient project execution. Panama's strong response to Trump's comments about retaking control of the Panama Canal underscores regional sensitivity to sovereignty issues, with potential impacts on investor confidence in logistics and shipping sectors tied to the canal's operations.

Sub-Saharan Africa

- **Ethiopian Prime Minister Abiy Ahmed and Somali President Hassan Sheikh Mohamud met in Addis Ababa** on January 11th following a rapprochement brokered by Turkish President

Recep Tayyip Erdogan in December. The leaders agreed to restore full diplomatic representation and strengthen security cooperation to address regional militant threats. Relations had deteriorated a year prior over Ethiopia's pact with a Somali breakaway region, granting military and port access. This feud had led to Somalia expelling Ethiopia's envoy and threatening flight bans but has since eased with Turkey's mediation.

- **Chinese Foreign Minister Wang Yi toured Namibia, the Republic of Congo, Chad, and Nigeria, marking the 140th African visit by top Chinese leadership since 2007** and continuing a 35-year tradition of prioritizing Africa in annual diplomatic engagements. The visit built on outcomes from the September 2024 Forum on China-Africa Cooperation (FOCAC), upgrading relations with Chad and Nigeria to strategic partnership levels and reaffirming infrastructure, industrialization, and trade as key priorities. Notable developments included discussions on advancing Namibia's renewable energy projects, progress on Congo's \$9.4 billion Souda hydroelectric dam, and efforts to address Nigeria's 13.5:1 trade deficit with China through manufacturing investment and export diversification.
- **On January 7th, Secretary of State Antony Blinken officially declared the actions of Sudan's Rapid Support Forces (RSF) and allied militias as genocide**, citing systematic ethnic-based killings, sexual violence, and attacks on civilians. This announcement follows the escalation of Sudan's civil war, which began in April 2023, resulting in over 28,000 deaths, millions displaced, and widespread famine. In response, the US Treasury Department imposed sanctions on RSF leader Mohammad Hamdan Daglo Mousa (Hemedti) and seven RSF-linked companies, including those allegedly smuggling gold through the UAE, which denies supporting the RSF. The determination aims to ensure accountability and pressure the RSF toward serious ceasefire negotiations amidst the ongoing humanitarian crisis.
- **Guinea's capital was put under lockdown as protests erupted over the junta's failure to meet its deadline for starting a transition to democracy**, set for December 31st. The military, led by Colonel Mamady Doumbouya, had promised to initiate a democratic transition following its 2021 coup, but the deadline passed

without significant action. On the same day, a Guinean court sentenced opposition leader Aliou Bah to two years in prison for "insulting and defaming" junta leader General Mamady Doumbouya, sparking condemnation from opposition groups and Amnesty International, which called the ruling a violation of free expression. Opposition groups, including the Forces Vives de Guinée coalition, organized a stay-at-home protest, which led to one death and hundreds of arrests, primarily of young demonstrators. The US State Department urged the Guinean government to engage in a transparent, inclusive process, emphasizing the need for credible elections and addressing ongoing restrictions on media and political freedoms.

- **Market Implications:** The recent meeting between Ethiopian and Somali leaders suggests improved relations, enhancing regional stability and potential for joint infrastructure projects, cross-border trade, and security initiatives. This development is crucial for Ethiopia's economic revival and Somalia's investment efforts, boosting confidence in agriculture, logistics, and energy sectors. Meanwhile, China's tour in Africa and strengthened ties with Nigeria highlight Beijing's deepening economic connections, focusing on infrastructure and energy, though it raises debt sustainability concerns. In Sudan, US genocide accusations against paramilitaries cast a shadow over economic prospects, disrupting trade and deterring investment, while Guinea's political instability undermines investor confidence in its mining sector.

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Elas Camhaji, *El Pais*

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Afolabi Adekaiyaoja, *World Politics Review*