

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 *Middle East and North Africa*, *Latin America*, *Asia (ex-China/India/Japan)*, and *Sub-Saharan Africa*, and which may affect economic, financial, and geopolitical issues in the months ahead:

Middle East and North Africa

- **The Israel-Palestine ceasefire brokered by the Trump administration in October remains fragile and stalled.** Both Hamas and independent regional mediators have accused Israel of hundreds of violations since the October 10th truce began. Recent incidents include an Israeli strike in Gaza City that wounded 11 people, as well as the assassination of senior Hamas commander Raed Saad earlier this month. Meanwhile, the peace plan remains deadlocked at the second phase which would require Hamas to disarm and Israel to withdraw, which Jerusalem refuses to do until the remains of the last Israeli hostage held in Gaza are returned. Winter weather storms have caused flood and wind damage to refugee camps in the area. The United Nations is reporting that Israel is blocking the transport of additional tents and blankets to Gaza and the camps, at least 14 have reportedly died of hypothermia so far. Additionally, under new registration guidelines implemented during first phase of the ceasefire, dozens of international aid NGOs are at risk of being deregistered.
- **Prime Minister Benjamin Netanyahu has approved Israel's largest-ever natural gas deal, worth \$35 billion, with Egypt.** The agreement, signed by Chevron and Israeli partners, will see Egypt purchase 130 billion cubic meters of gas from the Leviathan field in two phases, contingent on pipeline expansion. The deal, which follows a smaller 2019 agreement, faced delays due to Energy Minister Eli Cohen's concerns over protecting Israeli interests and ensuring affordable domestic supply. Netanyahu emphasized that revenues—estimated at \$18 billion for the state—will be invested in education, infrastructure, and security, while positioning Israel as a regional energy hub. Reports suggest the approval could also set the stage for a trilateral meeting between Netanyahu, President Donald Trump, and Egyptian President Abdel Fattah al-Sisi later this month. Egypt has said that the deal is “purely commercial” and that there are no “political dimensions.”
- **Two soldiers in Iowa's Army National Guard were killed while deployed in Syria earlier this month, as well as one civilian interpreter.** They were ambushed by a lone gunman while on a key leader engagement mission; the US Defense Department has claimed that the attacker was affiliated with the Islamic State (ISIS). Three other American soldiers were also wounded in the attack. President Donald Trump and Defense Secretary Pete Hegseth vowed "serious retaliation" against those responsible. Currently, the US has deployed approximately 1,000 troops in Syria to conduct counter-ISIS operations in cooperation with the new Syrian government.
- **This month, tensions in Yemen escalated as separatists increased their holdings to just over 50% of the country.** The UAE-backed separatists, the Southern Transitional Council (STC), seized control of the oil-producing provinces of Mahra and Hadramout, expanding their reach to the roughly historical borders of the South Yemen state. This has reduced the Iran-backed Houthi control to the northern third of the country, including the capital Sana'a. Despite the rollback of the Houthis, Saudi Arabia has expressed deep dissatisfaction with the STC, sending a delegation to reject separatist calls for a fait accompli. The United Nations Secretary-General, António Guterres, warned that these "unilateral actions" threaten the resumption of full hostilities and threaten shipping routes in the Gulf of Aden and the Red Sea. The Yemeni civil war, which remains in a stalemate, has gone on for more than a decade. The civil war there began as an effort of many different rebel groups to restore South Yemen as an independent state; the STC was formed in 2017 as an umbrella organization to unite these groups and form a new government.
- **Earlier this month, Israel and Lebanon initiated their first direct diplomatic exchange in over 40 years.** These talks occur within a US-chaired "Mechanism Committee," which was originally set up to monitor the ceasefire brokered in November 2024. Both nations sent civilian representatives to join military officials in Naqoura, where the

committee was meeting. A second round of expanded talks was scheduled to take place on Friday, December 19th. Israeli Prime Minister Benjamin Netanyahu has described the atmosphere as positive, as well as proposing discussions on economic cooperation and an American-backed economic zone. However, Israel insists that Hezbollah's total disarmament is a non-negotiable prerequisite to further discussions. Prime Minister Nawaf Salam maintains that these are not peace talks and normalization is not on the agenda. Lebanon's stated priorities are halting daily Israeli airstrikes, securing full Israeli withdrawal from five occupied border locations, and resolving the fate of detainees. Hezbollah so far has rejected the talks and refused to disarm, claiming that they amounted to concessions to Israel. While the Lebanese army has disarmed south of the Litani River, per Israeli requests, Hezbollah has not.

- **Market Implications:** MENA markets head into 2026 facing persistently high geopolitical and maritime risk. The US-brokered October Gaza truce remains stalled and fragile, with repeated violations and mounting humanitarian constraints clouding the timeline for aid flows and reconstruction. In Syria, a deadly attack on deployed US personnel and vows of retaliation elevate spillover risk across the Levant. The shift in Yemen's battlefield map has prompted Saudi pushback and UN warnings that unilateral moves could re-ignite full hostilities and imperil Gulf of Aden–Red Sea shipping—keeping war-risk insurance high and Suez traffic volatile, a headwind for Gulf shippers and Egypt's toll revenues. Meanwhile, Israel–Lebanon exchanges via the US-chaired mechanism mark a rare diplomatic opening, but daily strikes, disputed border positions, and Hezbollah's refusal to disarm cap near-term progress. Net-net, volatility stays elevated, with episodic disruptions, higher freight and insurance costs, and country-specific risk premia likely to persist into 2026.

Latin America and the Caribbean

- **Over the past month, the US pressure campaign on Venezuela has escalated from sanctions enforcement into overt maritime coercion.** The Trump administration ordered a blockade of sanctioned oil tankers entering and leaving Venezuelan ports, backed by a rapid buildup of US naval forces in the Caribbean and a series of tanker seizures aimed at cutting off the country's primary source of revenue. While Washington has stopped short of declaring a formal blockade under

international law, the threat of interdiction has already stalled shipments, driven sanctioned vessels to linger offshore, and pushed Venezuelan crude exports sharply lower. Caracas has responded by ordering naval escorts for outbound cargoes, raising the risk of confrontation at sea as US forces weigh whether future interdictions remain law-enforcement actions or shift into military operations. Oil markets have reacted to the prospect of prolonged supply disruptions, while legal experts warn the measures test presidential authority and blur the line between sanctions and acts of war. What began as economic pressure has, within weeks, evolved into a high-risk standoff in the Caribbean.

- **The US and Paraguay have signed a new Status of Forces Agreement, formalizing and expanding security cooperation at a moment when Washington is refocusing its hemispheric strategy on transnational criminal networks.** The pact established the legal framework for US military and civilian personnel to operate in Paraguay and facilitates joint training, intelligence sharing, humanitarian response, and security assistance, while stopping short of authorizing combat operations. US officials framed the agreement as a response to what the Trump administration now defines as the primary threat in the Western Hemisphere: cartel-linked criminal and trafficking organizations that undermine state authority and regional stability. For Paraguay, the deal reinforces its role as a close US partner despite its pragmatic relations across the ideological spectrum in South America and follows a broader warming in ties that has included the lifting of US on politically connected figures.
- **Chile's presidential election delivered a decisive shift to the right, with hardline conservative José Antonio Kast winning a commanding runoff victory** amid voter anxiety over crime, immigration, and economic stagnation. Kast secured more than 58% of the vote, defeating the governing left's candidate and positioning himself as Chile's most right-wing president since the return to democracy in 1990. His campaign centered on restoring public order through tougher policing, expanded military involvement in high-crime areas, mass deportations of undocumented migrants, and pro-market economic reforms, tapping into widespread frustration after years of rising violence and reform fatigue under the Boric administration. While Kast softened his rhetoric after the vote and pledged to govern for all Chileans, his win reflects a broader regional pattern in which electorates are rewarding

candidates promising “mano dura” responses to insecurity. With his party short of a congressional majority, Kast now faces the challenge of translating a clear electoral mandate on security into policy without triggering institutional backlash or deepening polarization.

- **Argentina has returned to dollar borrowing for the first time since its 2020 debt restructuring, selling roughly \$1 billion in local-law, dollar-denominated bonds** in a closely watched test of investor appetite under President Javier Milei. The issuance, priced at a 9.26% yield and aimed largely at domestic buyers, is being treated by officials and markets as a dry run for a broader reentry into international capital markets after years of default-driven exclusion. Improved sentiment following Milei’s strong midterm election performance has pushed sovereign yields sharply lower, encouraging the government to raise dollars to meet looming bond repayments without further draining scarce foreign reserves. Still, the move highlights both progress and constraint. Demand was solid but pricing remains high, reserves are thin, and capital controls remain in place, limiting how quickly Argentina can normalize access to global finance. For now, the bond sale signals credibility and momentum rather than a full return, with future market access hinging on continued fiscal discipline, congressional reform, and reserve accumulation.
- **Market Implications:** The U.S. pressure campaign on Venezuela has escalated into a quasi-blockade, with naval interdictions and tanker seizures disrupting crude flows and lifting maritime insurance costs, while Caracas’ armed escorts raise the risk of direct confrontation at sea—keeping Andean energy and logistics risk premia elevated. In Chile, José Antonio Kast’s sweeping presidential victory marks a sharp rightward shift, prioritizing security and pro-market reforms, but legislative gridlock could slow implementation. Meanwhile, Argentina’s cautious return to dollar borrowing—its first since the 2020 restructuring—underscores improving sentiment and reform momentum under Milei, though high yields and thin reserves highlight structural constraints. Overall, regional markets remain volatile near term, with selective opportunities in green infrastructure, security-driven reforms, and connectivity plays, while shipping and Caribbean assets face persistent headwinds amid elevated geopolitical and climate risk. Latin American markets, as tracked by the S&P Latin America 40 Index, remained flat over the month but continue to be up more than 40% year-to-date.

Asia (ex-China/India/Japan)

- **Fighting between Cambodia and Thailand has escalated sharply this month, underscoring the rapid collapse of a US-backed ceasefire and the limits of regional mediation.** Clashes along the disputed border have expanded from artillery exchanges into sustained air and rocket strikes, with Thailand deploying F-16 jets and Cambodia firing BM-21 rockets, drawing civilian areas and key trade hubs such as Poipet into the conflict. The violence has killed dozens, displaced hundreds of thousands on both sides, and prompted Thailand to intensify pressure by blocking fuel supplies to Cambodia, adding an economic dimension to the confrontation. Diplomatic efforts have failed to gain traction: Thailand and Cambodia have publicly rejected US claims of a renewed truce, ASEAN-mediated talks have been delayed, and both sides insist they will only halt operations if the other moves first. Domestic political incentives, particularly Thailand’s looming snap election and the military’s renewed prominence, have further hardened positions, while Cambodia fears appearing weak after earlier ceasefire failures. With China now dispatching a special envoy and Malaysia continuing shuttle diplomacy, the conflict has become a test case for whether regional mechanisms can contain a fast-moving border war once ceasefires unravel and escalation dynamics take hold.
- **Australia is grappling with the fallout from its deadliest terrorist attack in three decades after an ISIS-inspired mass shooting at a Hanukkah celebration in Sydney’s Bondi Beach killed 15 people and injured dozens.** Authorities say the father-and-son attackers were motivated by extremist antisemitism, with ISIS symbols and explosives found in their vehicle, reinforcing concerns that the group’s ideology continues to resonate globally despite its territorial defeat. The surviving perpetrator now faces dozens of charges, including terrorism and murder, as investigations probe potential overseas links and intelligence gaps ahead of the attack. Politically, the violence has triggered a swift and far-reaching response. Prime Minister Anthony Albanese announced tighter gun controls, sweeping new hate-speech legislation that lowers the threshold for prosecution, expanded powers to ban extremist preachers and organizations, and broader authority to cancel visas and restrict protests after terror incidents.
- **The United States and South Korea are moving toward a significant expansion of nuclear**

cooperation, as both sides advance plans for joint uranium fuel production and lay the groundwork for nuclear-powered submarines. Following recent summits between Presidents Donald Trump and Lee Jae Myung, Washington agreed to support a process that would allow South Korea to enrich uranium and reprocess spent nuclear fuel for peaceful uses, activities long restricted under a decades-old bilateral treaty due to proliferation concerns. Seoul has since confirmed plans for a 50–50 joint venture with the United States to secure enriched uranium fuel for its nuclear power plants, reducing reliance on foreign suppliers and easing pressure on spent-fuel storage. Parallel talks have focused on securing a US legal exemption under the Atomic Energy Act, modeled on Australia’s AUKUS arrangement, to enable fuel access for South Korea’s planned nuclear-powered submarines. While Seoul has emphasized it has no intention of pursuing nuclear weapons, the initiative reflects a broader recalibration of alliance trust, energy security, and deterrence strategy as the two allies deepen cooperation in response to regional threats and shifting global nuclear supply chains.

- **South Korea and Peru have signed a preliminary framework agreement that could deliver battle tanks and armored vehicles to the Peruvian Army, marking Seoul’s largest-ever defense deal in Latin America and a milestone in its global arms-export strategy.** The agreement outlines Peru’s potential acquisition of 54 K2 main battle tanks and 141 wheeled armored vehicles, with implementation contracts expected next year and an estimated value exceeding \$1.4 billion if finalized. For South Korea, the deal would represent the first export of its K2 tank to Latin America, extending a defense-industrial push that has already gained momentum in Europe following major sales to Poland after Russia’s invasion of Ukraine. Officials framed the partnership not only as an arms sale but as industrial cooperation, with Peru seeking to strengthen domestic defense production alongside military modernization. The agreement underscores South Korea’s growing reputation as a fast and reliable supplier and reflects its ambition to move from a top-ten global arms exporter toward the top tier, while signaling Latin America’s increasing role in a more diversified global defense market.
- **Market Implications:** Asian (ex-China/India/Japan) markets enter 2026 balancing trade-driven optimism with security and political shocks. South Korea’s strategic profile has deepened with expanded U.S. nuclear cooperation—covering joint uranium fuel

production and submarine technology—while defense exports surge following a landmark \$1.4 billion framework deal with Peru, reinforcing Seoul’s role as a global arms supplier. However, geopolitical risk has spiked: Cambodia–Thailand border clashes have escalated into sustained air and rocket strikes, disrupting trade corridors and displacing hundreds of thousands, with ASEAN mediation stalled and China stepping in as a crisis manager. Pacific regional security concerns widened after Australia’s deadliest terrorist attack in decades triggered sweeping counterterror laws and heightened scrutiny of extremist networks. Against this backdrop, trade diplomacy and supply-chain resilience remain structural positives, but intensifying conflict cap near-term upside. The MSCI Emerging Markets Asia Index struggled this month, bringing the region’s year-to-date performance down several percentage points to 27%.

Sub-Saharan Africa

- **The conflict between Rwanda and the Democratic Republic of Congo (DRC) has reached a critical stage following the collapse of several high-level peace agreements.** Despite recent diplomatic efforts, violence continues to escalate in eastern DRC, particularly in the mineral-rich South Kivu province. On December 4th, President Félix Tshisekedi of the DRC and Paul Kagame of Rwanda signed the "Washington Accord" brokered by US President Donald Trump. The deal called for a permanent ceasefire, the withdrawal of Rwandan troops, and the disarmament of the M23 and FDLR rebel groups. However, fighting erupted in North and South Kivu within hours of the signing ceremony. The Rwanda-backed M23 rebel group then seized the strategic city of Uvira on December 10th, after intense fighting that killed at least 74 civilians and displaced 200,000 people. However, the rebels then affected a partial withdrawal to give a Qatar-mediated peace “a chance to succeed,” though the move was decried as a farce by the Congolese government. The US government has officially accused Rwanda of violating the ceasefire and using the M23 group as a proxy force, over which it has effective control; the Rwandan government denied the claims.
- **In Sudan, the ongoing civil war continues to exacerbate the rapidly worsening humanitarian crisis,** with a recent UN report stating over 1,000 civilians were killed in an April attack on the Zamzam displacement camp in Darfur. The conflict,

between the Sudanese Armed Forces (SAF) and the paramilitary Rapid Support Forces (RSF), has created the world's largest displacement and hunger crisis. A UN report released earlier this month revealed that one third of the dead were killed by summary execution when the RSF took control of the camp. Separate reports suggest the RSF is attempting to cover up mass killings in el-Fasher as well. Sudan tops the global humanitarian crisis watchlist for the third consecutive year. More than 12 million people have been displaced since the war began in April 2023, and over half the population are subject to famine conditions confirmed in some areas. Fighting has intensified in the Kordofan region, with recent drone attacks killing six UN peacekeepers and dozens of civilians at health centers and kindergartens. Both the SAF and RSF are accused of war crimes, including the systematic use of sexual violence as a weapon of war. The US, UK, and Norway have urged an immediate ceasefire. The US has also imposed sanctions on networks recruiting foreign fighters for the civil war.

- **Benin narrowly avoided a military takeover this month after a small group of soldiers briefly seized state television and announced the dissolution of the government**, only to be swiftly overpowered by loyalist forces with backing from regional and external partners. President Patrice Talon said the situation was brought under control within hours, as ECOWAS ordered the deployment of its standby force and Nigeria moved fighter jets into Beninese airspace to help secure key sites. Authorities have since arrested dozens of suspects—many of them soldiers—and launched prosecutions on charges including treason and terrorism, while several alleged ringleaders remain at large. The attempted coup has exposed growing strains beneath Benin's image as a democratic outlier in coup-prone West Africa, with military frustration fueled by mounting jihadist attacks in the north and political tensions ahead of an April presidential election. While regional intervention underscored ECOWAS's determination to deter another successful putsch, the episode has also sharpened concerns that security threats and a tightening political environment could further erode democratic norms in one of the region's last remaining civilian-led states.
- **Violence in northern Mozambique has sharply escalated over the past several weeks, triggering one of the most acute displacement spikes since the insurgency began.** Islamic State-linked militants have intensified attacks not only in Cabo

Delgado but also in neighboring Nampula and Niassa provinces, burning villages, beheading civilians, and pushing into areas previously considered relatively safe. More than 100,000 people were displaced in November alone, bringing total displacement over the past four months to roughly 330,000, with children accounting for about two-thirds of those fleeing. Aid agencies report a troubling shift from hit-and-run raids to sustained attacks lasting weeks, compounding the impact of recent cyclones and overwhelming already thin humanitarian capacity. Food, health supplies, and shelter are running out, and limited assistance is forcing some families to return to insecure areas despite ongoing violence. The renewed spread of the insurgency underscores the fragility of security gains made since 2021 and raises fresh concerns about regional spillover and the viability of major energy projects as Mozambique enters another volatile phase of the conflict.

- **Market Implications:** Sub-Saharan African markets face persistent volatility in 2026 as conflict risks dominate the outlook. Fighting in eastern DRC and Sudan's worsening civil war sustain high risk premia and disrupt mineral supply chains, while Mozambique's ISIS-linked insurgency threatens energy projects. Benin's foiled coup highlights fragile political stability in West Africa despite regional intervention. Overall, selective opportunities in infrastructure and reform-led economies remain, but sovereign spreads and FX will stay highly sensitive to security shocks and humanitarian crises.

Suggested Reading

[Conflicts to Watch in 2026](#)

Council on Foreign Relations

[Fulcrums of Order: Rising States and the Struggle for the Future](#)

Center for Strategic & International Studies

[How Latin America Is Realigning](#)

Brenda Estefan, *Americas Quarterly*

[Congo Is Still Bleeding](#)

Elliott Waldman, *World Politics Review*