The Geopolitical Week Ahead (February 3-10, 2019)

This week, the crisis in Venezuela is the focus of a conference between Mexico and Uruguay. Also this week, the French President hosts a conference on renewable energy while Pope Francis makes an historic visit to the UAE. Here is what we are watching around the world this week:

Mexico and Uruguay host conference on Venezuela

- Mexico and Uruguay plan to host a conference of “neutral” countries February 7 in Montevideo to “establish the basis for a new dialogue mechanism that includes all the forces in Venezuela, in order to help restore peace in that country.”

  International organizations and ten countries are slated to attend. On January 25, National Assembly leader Guaido announced that under terms of the constitution, he would assume the presidency until free elections are held.

  - The opposition – that boycotted an election last year that was widely seen as rigged – has called Maduro’s government unfit to address Venezuela’s severe economic crisis. Maduro’s policies have sparked massive refugee flows to neighboring countries and his second-term inauguration this year, in the face of broad domestic and international condemnation, has led to new protests and, ultimately, Guaido’s declaration.

  - After Guaido’s announcement, the international community quickly took sides. The US and most western hemisphere countries and regional organizations have declared for Guaido, while Maduro has the allegiance of Russia, China, Cuba, Mexico, Uruguay,
Bolivia, Nicaragua, Turkey, Iran, and Syria. The EU initially called for free and fair elections but has since recognized Guaido.

- To pressure Maduro, the US imposed sanctions against the Venezuelan state oil company PDVSA, and has said “all options are on the table”, implying the threat of a military intervention. US military action is opposed by all other countries, which are seeking a peaceful resolution to the crisis. The US has also pledged humanitarian aid to Guaido and given him control over some Venezuelan assets.

- Maduro has said he is open to talks with the opposition but will not hold new elections. Maduro has the support of the military and him controls the key levers of power, among them intelligence, police, the judicial system, and big business interests. Guaido has no means to implement policy, is banned from leaving the country, is being targeted by the Supreme Court, and his assets have been frozen. With opposition protests planned for February 2, it is unclear how the crisis will resolve. The military will be the key but it is unclear whether there are splits in the generals and lower-ranked officers and enlisted men that might lead to a rethinking of support for Maduro.

- Both sides are portraying the other as usurpers of power and are working to gain/keep the military’s favor. The opposition has offered amnesty to military officials who support a democratic transition and have not violated human rights, and Guaido claims he has held talks with members of the armed and security forces (though their ranks and names were not mentioned).

- The US has also pressured the senior military ranks with sanctions. There are signs that morale in the military is showing strain, with a few lower rank officials – on whom the impact of the crisis has largely fallen – joining protestors and the recent defection of Venezuelan’s military attaché to the US. Maduro, meanwhile, is relying on the benefits the regime has given the military since Chavez took power (promotions, senior positions in government and in SOEs, businesses) and the threat of prosecution if the opposition takes over.

**US Special Representative for North Korea meets South Korean counterparts**

- Special Representative for North Korea Biegun will travel to Seoul February 3 to meet his South Korean counterpart Lee Do-hoon to discuss US-South Korean approaches toward North Korea. According to the State Department, Biegun will then
meet with his North Korean counterpart Kim Hak Chul on advancing the denuclearization process and implementing other aspects of the Trump-Kim declaration from Singapore last year.

- While in Seoul, Biegun will likely review with Lee the progress from the US-South Korea working group on North Korea. They may also discuss preparations for President Moon’s expected visit to Washington later this month to discuss the second Trump-Kim summit, as well as President Trump’s demand for Seoul to pay significantly more to support the American military presence in South Korea.

- Prior to his departure for Seoul, Biegun spoke about North Korea at Stanford University. He declared that North Korea had promised Secretary of State Pompeo last October in Pyongyang that it would destroy all nuclear material enrichment facilities. However, he insisted North Korea must provide a list of all nuclear assets before any final deal is reached and that the US would not lift sanctions until denuclearization had actually been achieved.

- This is in line with Vice President Pence’s comment in November about what would be required of North Korea at a second summit. Biegun commented that the US would provide assistance to North Korea once the two sides had reached agreement on a path forward to meet their respective objectives.

**German Chancellor Merkel meets Japanese Prime Minister Abe**

- German Chancellor Merkel’s meeting with Prime Minister Abe in Tokyo during her two-day visit February 4-5 is an outgrowth of concerns that the two leaders expressed to one another in Davos about challenges to the global trade system, climate change and democratic institutions. The two will try to solidify an “alliance of multilateralists,” at a time when international organizations are under siege.

  - They will also discuss implementation of the EU-Japan free trade agreement, which enters into force February 1, and plans for the next G20 summit, which Abe will host in Osaka this June. Abe and Merkel – both of whom are now serving their last terms – view the implementation of the bilateral FTA as a symbol of the value of free trade.

  - The FTA also includes commitments to uphold the Paris climate agreement, which President Trump withdrew from in 2017 and which has become an unexpected lightning rod for populist anger in the EU as well (e.g. the “yellow vest” protests in France).
French President Macron Hosts EU Ministers at Paris Renewable Energy Conference

- President Macron will host energy and environment ministers from Portugal, Luxembourg, and France, as well as representatives from Total, GE, and BNP Paribas at the SER annual renewable energy conference in Paris February 6-7. The goal of the seminar - “Renewable Energy: The Strategic Challenge of Civilization” – is to unite political, economic, and social leaders in adopting renewable energy. Key themes include the effects of climate change on a planetary scale, renewable energy as a driver of development, access to energy in Africa, and Europe’s transition to zero carbon energy use.

  - EU governments recently enacted policies to adhere to the UN Paris Accord’s goals of developing alternative energy and limiting global temperature increases to below 2°C above pre-industrial levels. France announced an ambitious plan to reduce consumption of fossil fuels by 40% by 2030. Spain and Germany have pledged to generate at least 80% of their nation’s electricity from renewable sources by 2050. The EU Parliament has also voted to impose a binding requirement on renewable energy production of 32% for every member state.

  - Declining wind and solar prices have buoyed expectations for meeting these targets, but challenges remain, including:

    - **Cost:** To meet the EU-wide objective, members must invest $73 billion a year on average in new plants and infrastructure.

    - **Geography:** In Germany, industrial use of wind power is limited to the northern coast. Industries in the south will continue to rely on fossil fuels until Berlin is able to expand the electricity grid (a costly endeavor that is behind schedule due to citizen outcry) or bring in natural gas from Russia via the Nord Stream 2 pipeline.

    - **Opposition by civil society and interest groups:** Macron’s fuel tax, aimed at discouraging fossil fuel consumption, ignited the ‘yellow vest’ protests that brought France to a standstill in late 2018 and ultimately forced the government to abandon the legislation. Smaller protests against climate policies in Canada, Italy, and the UK have also raised the specter of political risk to efforts to implement the Paris Accords.

  - A successful energy transition in accordance with the Paris agreement must resolve core economic and technical questions about scalable renewable energy and gain the support of citizens.
Pope Francis visits UAE

- Pope Francis’ trip to Abu Dhabi February 3-5 will mark the first papal visit to the Arabian Peninsula. Francis will attend a conference on “Human Fraternity”, which is part of the UAE’s “Year of Tolerance”. He will meet with the international Muslim Council of Elders at the Grand Mosque, including Sheikh Ahmed Al Tayeb, the Grand Imam of Al-Azhar mosque in Egypt. The Pope described the UAE as “striving to be a model for co-existence, human fraternity, and meeting of faiths and civilizations.” Crown Prince Mohamed bin Zayed said that the Pope is “a symbol of peace, tolerance and the promotion of brotherhood” and that he looks forward to a “dialogue on the peaceful coexistence among peoples.”

  - The Papal Mass that will take place at a sports stadium and draw Catholics from across the region is the highlight of the three-day visit. It is expected to attract around 135,000 people from the UAE and neighboring states.

German Chancellor Merkel Attends V4 Conference in Slovakia

- On February 7, German Chancellor Merkel will meet leaders from the Visegrad Four (V4) – a cultural and political alliance between Hungary, Poland, Slovakia, and the Czech Republic – in Bratislava. Talks will focus on the impact of the Nord Stream 2 pipeline on V4 countries as well as EU refugee and immigration policy.

  - A key issue in Merkel’s meeting with V4 leaders is Russia’s influence in the region. Nord Stream 2, which will double the flow of Russian gas to Germany and is scheduled to start operations this year, will allow Russia to control both of the major gas corridors to Western and Eastern Europe.

  - This bifurcated system means Russia will be able to shut off gas supplies to one region without affecting the other, giving Moscow a more targeted form of energy-based geopolitical pressure. This is particularly worrying for Ukraine, which relies on gas transit fees from Russian pipelines; V4 countries might also face billions of dollars in lost revenue due to a possible decrease in gas flow. Two of the main pipelines that carry gas from Russia to Germany pass through Poland, Slovakia, and the Czech Republic.

Greek Prime Minister Tsipras meets President Erdogan

- Greek Prime Minister Tsipras will visit Ankara and Istanbul February 5-6. In his meeting with President Erdogan, he hopes to ease tensions between Greece and Turkey and discuss ways to restart the peace process in Cyprus that has been stalled since 2017.
At the Southern EU Countries Summit in Nicosia this week, Tsipras stated his intention to seek “common European solutions” with Turkey, and emphasized that Turkish relations with the EU should be based on mutual respect for international law. He also said that any economic benefits from natural resources on Cyprus should go to both Turkish and Greek Cypriots. The visit comes after the anniversary of the Imia crisis (a dispute over the sovereignty of a couple of islets), which almost brought Greece and Turkey to war in 1996.

Tsipras and Erdogan are also expected to discuss disputes over air space and maritime boarders, claims to natural resources in the Mediterranean, and sovereignty in the Aegean. The giant Aphrodite gas field, to which both Turkey and Cyprus lay claim, will also be discussed. Turkey has threatened to forcibly stop exploratory drilling of the Cypriot coast (carried out by ExxonMobil, in partnership with the government of Cyprus). This week, Turkish Foreign Minister Cavusoglu announced that Ankara will also pursue plans to drill in the disputed waters.

Airplane Reading

  The New York times takes a deep dive into the Trump administration’s efforts to head off Huawei’s attempt to be the leading provider of 5G mobile internet infrastructure. This war for control over the next great revolution in the information age is increasingly seen as a national security priority.

- **The Brookings Institution, "Foresight Africa: Top Priorities for the Content in 2019"**
  Experts illuminate the priorities of the continent in 2019. The unprecedented dynamism of the continent is creating opportunities for trade and investment and is drawing interest from an increasingly diverse group of external partners.

- **The Washington Post, “Gone in a Generation”**
  The Washington Post outlines several bleak climate trends in a graphic format that takes the reader through the extreme weather events that now appear to have become the norm.

- **Foreign Affairs "Send Chechens, Guns, and Money"**
  Imagine a ruler who commands his own private army, with highly trained, personally loyal soldiers instructed to kill any outside military personnel on his territory on sight. This ruler has recently annexed part of his western neighbor’s territory and plans to do the same on his eastern frontier. He styles himself a leading global Islamic figure, hosting international religious conferences and forging security cooperation and military training agreements with wealthy Muslim autocracies. Welcome to Chechnya.
The Economist, "Why third-party presidential candidates fail"
The Economist turns from Starbucks CEO Howard Schultz’ proposed third party presidential run to investigate the history of third party candidates in American politics, and why they invariably fail.

➤ Sada Journal, "Russia's Eye on Syrian Reconstruction"
Russia is primed to benefit economically from an influx of foreign investment in Syria, but an emerging rivalry with China and Iran for contracts could erode its long-term leverage.

➤ The Financial Times, “Robotaxis: can automakers catch up with Google in driverless cars?”
The Financial Times looks at how a possible “one-two punch” of the next recession and the impending retirement of baby boomers will affect American automakers, and whether the rise of the robot taxis could be their salvation.

CFR looks at the rise and fall of the Venezuelan economy, and how possessing the world’s largest oil reserves may have helped drive the country to the brink.

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