

U.S. DOMESTIC AFFAIRS

House Speaker Stalemate: Republican Party in Gridlock

After a tumultuous couple of weeks, the House is no closer to resuming legislative duties

By Ashley Ye

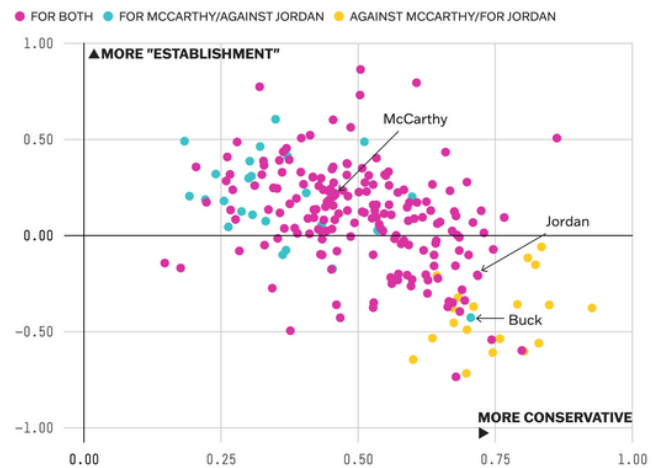


Representative Jim Jordan looking to rally the party behind a third bid for speaker of the House. Source: ABC News

With less than a month remaining before a government shutdown, pressure is mounting on Congress to pass a working budget. Former speaker Kevin McCarthy (R-California) was ousted by members of his right flank, led by Matt Gaetz (R-Florida), after working with Democrats to pass the 45-day stopgap funding bill. While the bill offers relief in terms of funding and social welfare assistance for various government entities, it is only a temporary solution to a larger issue at hand, namely the inability of policymakers to come to a consensus.

To be clear, this isn't anything new. The GOP controls the house by a very narrow margin. A group of ultraconservative Republicans have used this to their advantage, forcing their constituents to make numerous policy concessions while deterring bipartisan initiatives. At this point, with no house speaker elected, the Republican party finds itself at an ideological impasse.

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Ideological makeup of the House GOP and associated speaker defections. Source: ABC News

The current GOP nominee for Speaker, Jim Jordan (R-Ohio), represents the House Freedom Caucus, a group of furthest-right lawmakers. Jordan represents the small but sizable anti-establishment wing of the party, with his main bloc of opposition coming from more moderate Republicans who had supported McCarthy.

Jordan has had a strong record of backing Republican shutdown efforts, whether voting to defund Planned Parenthood, repeal Obamacare, or build the Mexican border wall. Now with a third vote for speaker, Jordan seems to be steering the government towards yet another one. Jordan's conversations with the holdouts have been largely unsuccessful. He is poised to lose more support on Friday morning after his proposal to empower the speaker pro tempore, Patrick McHenry, was met with derision. Although Democrats have expressed their willingness to negotiate, there has been silence from the Jordan camp and there will likely be no agreement moving forward. The issue of aid for Ukraine was a point of contention between the parties and Jordan stood adamantly with McCarthy in limiting further provisions. Overall, Jordan's inability to unite and empower the GOP speaks to the widening gap between moderates and conservatives in the party. On one hand, there has been a shift towards populism, buoyed by the efforts of Trumpism and uncertain economic conditions. On the other hand, Republican leaders have started to distance themselves from Trump with wounds of the 2022 midterm elections still fresh.



Members of the House gather to vote on the Speakership.
Source: NPR

These intra-party divisions do not bode well for the GOP and might potentially affect their odds in the 2024 Presidential election. Media attention is directed away from crucial policy initiatives and is instead focused on chaos. Individual candidate viability can also suffer, and fundraising may become more challenging as donors shy away from a party in turmoil. In the end, these internal conflicts can push away the very voters needed for success in a general election, making it more challenging for the Republican Party to secure victory. While it remains to be seen whether Jordan will be able to cinch the votes and be elected speaker, the clock is ticking. And ultimately if a government shutdown does happen, the American people will have to pay the price.

POLISH ELECTIONS

Liberal Opposition Claims Victory in Polish Elections

Three-party liberal opposition, led by Donald Tusk, wins majorities in both houses of the Polish legislature

By Colin Chau

Poland held its quadrennial parliamentary elections on October 15, resulting in a victory for the centrist opposition. The opposition coalition won 248 out of 460 seats in the Polish legislature's lower house, all the while claiming 65 out of 100 seats in its upper house. Therefore, this development poses a political challenge for the Polish President Duda. Despite recent losses for liberal coalitions challenging conservative governments in Turkey and Hungary, the landslide victory for the Polish opposition may indicate a turning tide in European politics.

The opposition coalition, consisting of Poland's three largest centrist and left-wing parties, ran on a socially liberal platform that characterized the incumbent government as regressive and authoritarian. In particular, there was an emphasis on securing abortion rights for Polish women after a restrictive ban was implemented in 2021 by the ruling party (PiS). Additionally, the coalition vowed to defend the constitution and maintain the independence of the nation's institutions. As an example, the government has been accused of pressuring the central bank to decrease interest rates and promote economic growth despite high inflation.

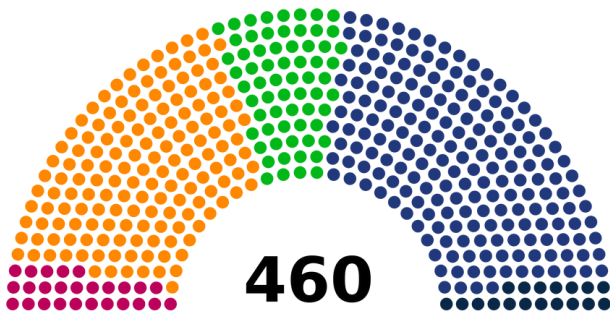


Donald Tusk (Civic Coalition), leader of the Polish opposition and likely future PM of Poland. Source: Reuters

Therefore, with the opposition's victory over the incumbent government, Poland could see an expansion of social freedoms as well as the establishment of greater checks and balances against President Duda.

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It should be noted, however, that President Duda wields a presidential veto over legislation that the parliament has passed. The current opposition will not have the votes to override such an action, leading to potential gridlock and minimal changes to the status quo. Moreover, opposition activists claim that the judiciary has been packed with Duda loyalists. Therefore, any legal reforms that the opposition might advocate for would be hindered by PiS's influence on the constitutional tribunal, the court that has a final say on interpretations of the Polish constitution. Moreover, it will prove challenging for the opposition to implement the economic programs it has promised considering the strained Polish government budget. Simultaneously, inflation will be a tough task for the opposition to address, given that their policy tools are limited by the actions of the possibly biased Central Bank.



The Polish opposition, consisting of The Left (maroon), the Civic Coalition (orange), and Third Way (green) has captured a majority of the Sejm. President Duda's Law and Justice (blue) and the far-right Confederation (black) are now in the minority. Source: Wikimedia

Additionally, the Polish opposition's victory may have a sizable impact on foreign affairs. In general, the opposition is characterized as more friendly to the European Union—as opposed to the nationalistic and even hostile tendencies of the PiS. Therefore, the former's victory is likely to result in increased cooperation between the EU and Poland. However, changes to the status quo with regard to the Russo-Ukrainian war are unlikely. Despite its ideology of nationalism and Euroscepticism, the incumbent government has maintained steadfast support for Ukraine. The opposition has committed to continuing this legacy by funding Ukraine's military and providing humanitarian aid to the war-torn region. Hence, it is likely that Duda will work with the legislature to support Ukraine's effort against the Russians.

Ultimately, eight years of a staunchly conservative Polish government has come to an end. How this will affect European politics in the long run, however, is unclear. This victory could mark the beginning of an electoral shift toward liberal governments in Eastern Europe, or be a fluke while other right-wing governments successfully defend themselves in elections. Additionally, it is possible that the political situation in Poland will not change significantly due to the deadlock in government. Alternatively, the new legislature may be able to pressure Duda to compromise on important social issues. Ultimately, the victory of the Polish opposition in this year's election has substantial ramifications for both Polish and Pan-European politics.

CHINESE REAL ESTATE

Developer Country Garden Defaults On Debt

China's largest private real-estate developer fails to make \$15 million bond payment, causing its foreign debt to be held in default

By Zachary Li



A Country Garden development under construction.
Source: Reuters

In 2021, China's biggest developer at the time, Evergrande, defaulted on its debt after missing a payment, sending shockwaves throughout the real estate market in China as well as the economy as a whole. It now looks like Country Garden, the largest property developer by contracted sales, will follow.

On October 10th, the Chinese property developer Country Garden warned that it would be unable to pay off its foreign debts within a 30-day grace period, sparking fears of a potential Country Garden default. At midnight EST on the 18th, that grace period expired, and Country Garden was unable to make the \$15 million payment, fueling expectations that the developer had defaulted on its entire offshore debt and potentially triggering catastrophic consequences.

Country Garden, long considered one of China's financially healthier developers, seemed to be in a far stronger position than its peers. In 2019, Country Garden only had some ¥146 billion (\$19.96 billion) of debt compared to Evergrande's ¥618 billion (\$84.51 billion), despite having similar revenues. Yet, as a result of weakening demand among Chinese consumers, Country Garden sales fell almost 81% year on year in September, causing the company to lack new cash that they might have used to meet their debt obligations.

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Yang Huiyan, the now sole chairman of Country Garden Holdings. Source: Weibo

Price of Country Garden’s dollar-denominated bond maturing in January 2024



Since Evergrande’s collapse, Country Garden’s bonds have been trading at a fraction of their face values. Source: FactSet



A Country Garden project in Nantong, China. Source: NYT

To be clear, it is unlikely that Country Garden’s collapse - if it even does collapse - will spark a broader Chinese debt crisis. The broader Chinese economy seems able to handle the potential economic ramifications of a Country Garden default, and Country Garden is hardly the first property developer to default. But any default will almost certainly undermine Beijing’s attempts to stabilize the housing market and the economy more generally. Additionally, Beijing has yet to directly bail out any private developer, and there is no indication that Country Garden will be any different.

There is still some hope for Country Garden. Even despite the default, the company may be able to restructure its debt in such a way that keeps it afloat or negotiate an extended grace period for repayment. Intervention from the central government in Beijing could also save the company, possibly by injecting much-needed cash into the company or protecting it from potential legal action. Regardless of the end result, the story of Country Garden warns of a changing Chinese economy that can no longer rely on consumer spending for economic growth. And perhaps more importantly, the collapse questions whether the rapid economic growth that propelled China to superpower status has finally reached its limit.

SEMICONDUCTORS AND CHIPS

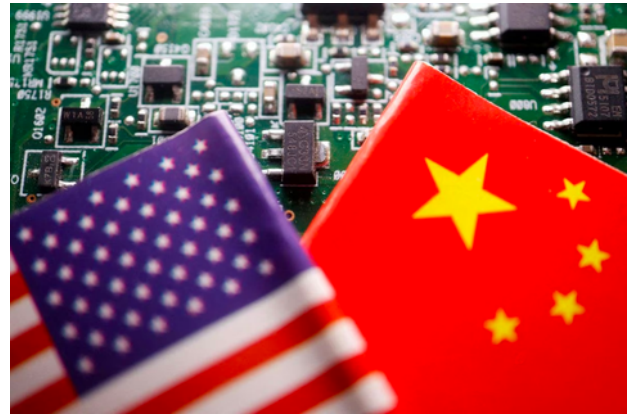
U.S. Curbs Export of NVIDIA Chips to China

Citing security concerns, the Biden Administration moved to curb exports of NVIDIA chips to China for potential military applications

By Varun Krishnan

Amidst rising tensions between China and America, President Joe Biden has decided to curb exports of Nvidia Chips to China to stifle the Chinese military's rapid modernization. This policy will go into effect in the next month, cutting exports of American chips and blocking the imports of Chinese chips. President Xi Jinping's primary goal for his third presidential term is to enhance the People's Liberation Army and make it a "world-class" force. These improvements depend on AI capabilities such as decision-making, missile tracking, and target recognition. Unfortunately for China, recent reports from Georgetown have found that China heavily relies on US-made tech in its military; almost all of its military-used chips are from United States producers. Last year, the United States already put regulations on chip makers such as Nvidia, forcing them to sell inferior versions of their chips to countries such as China.

Despite these restrictions, the substandard chips Nvidia exports to China could still outperform the native Chinese chips, maintaining high demand in that region. The com-



The United States and China have been recently competing over chips and semiconductors. Source: Reuters

puting capabilities of the chips are the same; however, the processing speed of the chips Nvidia exports to China is slower than those of their US counterparts. Processing speed is significant because many split-second decisions are made in combat. To put this into perspective, Israel's Iron Dome can detect and counter up to 20 missiles in less than a minute, making hundreds of calculations on velocity, trajectory, and distance.

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446.03 USD

-15.93 (-3.45%) ↓ past 5 days

Closed: Oct 17, 6:39 PM EDT • Disclaimer

After hours 435.46 -10.57 (2.37%)

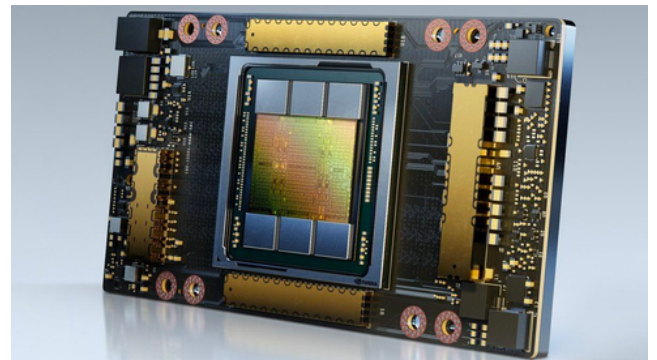


NVIDIA stock dropping in response to the new policy

Source: Yahoo Finance

Realistically, the US stands to benefit from this policy greatly. Biden placed the first round of chip regulations almost a year ago, and China still needs to develop chips that compete with inhibited Nvidia chips. The US can maintain its military dominance for years by holding a competitive advantage. Across the world, there are numerous fronts where the US and China posture to assert control. Earlier this year, tensions between the US and China were high as China conducted military operations in the areas surrounding Taiwan. Being able to respond to the actions of the PLA (People's Liberation Army) is especially beneficial when the US is further from areas of high tension. As the central power in NATO and Taiwan's principal ally, the US must defend against Chinese aggression and posturing.

The US claims it is not an effort to hurt China's economy but a precautionary measure against China's rapidly developing military; however, China does not see it the same way. A representative of the Chinese embassy has stated that the Chinese see it as an encroachment of free market trade. By putting such regulations, the US is reducing competition in the market. In 2023, there has been a declining global trade trend as nations prioritize security and autonomy over maximizing trade. Biden's policy restricting the flow of the microchips would not be the first example of slowing trade. Secondly, Nvidia receives funding and tax benefits from the US government, making the microchips a subsidized product. Therefore, despite interrupting free trade, the US does have a claim to influence the distribution of its subsidized goods. Although the chips are not necessarily weapons, they have great military value, so allowing Nvidia to sell their chips to China would be similar to using Lockheed Martin to sell weapons to US adversaries.



NVIDIA's A100 GPU Source: BBC