GREAT DECISIONS

Winter 2021 Update

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Global supply chains

Over the course of the past year, the topic of global supply chains has very much become an issue that is threatening the economy's wellbeing here in the United States and abroad. The "Supply Chain Crisis", as it has come to be known, has its roots in the start of the Coronavirus pandemic in early 2020. As the pandemic set in, the global economy started to slow down resulting in layoffs and decreasing production. Manufacturers and shipping companies assumed that due to the recession, demand for goods would drop. In reality, the opposite occurred. As the world battled the virus, demand for medical supplies such as surgical masks and gowns skyrocketed, with China exporting the vast bulk of this material. The shipments of medical supplies from China to all corners of the globe resulted in shipping containers piling up in ports worldwide. The other phenomenon which increased the reliance on shipping containers was a boom in online shopping. Instead of Americans spending their income on going out, they instead spent money on orders to their houses as millions were constrained to their homes while the pandemic raged on. This increase in home orders was further incentivized as the federal government sent out checks to help cash-strapped Americans. As the orders arrived in U.S. ports from abroad, long queues began to form at ports such as Los Angeles and Long Beach. U.S. ports quickly became backed up and the processing of goods slowed down. The slowdown of processing at ports was further augmented by a shortage of labor to deliver goods upon arrival. Fewer dockhands and truck drivers were available to unload and deliver goods from ship to home, resulting in the piling up of goods at ports.

The supply chain crisis has demonstrated the faults of globalization and faraway factories. The occurrence of the pandemic has underlined the disadvantages the global economy is faced with due to the possibility that interconnected economies can be disrupted so easily. Furthermore, the lack of goods caused by the supply chain crisis has resulted in rising inflation in the United States. The ripple effects of global supply chains are likely to be felt for months if not years.

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Persian Gulf security

Since the Biden administration entered the White House in January 2021, there have been some noticeable changes in how U.S. foreign policy is carried out toward the Gulf states and the Middle East as a whole. President Biden has made it a priority to shift the U.S. focus from the Middle East to China instead, in large part due to the long history of deep engagement in the region with little return in value to show for it. The withdrawal of D.C. from the region has left Israel, Saudi Arabia, and the UAE concerned that security threats will augment without the United States involved mediating. A recent trip by Israeli Prime Minister Naftali Bennett to the UAE underscored the fact that Israel and the Gulf states feel an increasing need to work together against Iran as the United States appears less and less to be a bulwark against Iran in the region. The new allyship between Israel and the Gulf states was cemented during the creation of the Abraham Accords brokered by the Trump administration. Further distancing between the United States and the Middle East can be showcased by discontentment in D.C that Israel and the UAE have demonstrated increased friendliness toward China.

While increased friendliness between Israel, the UAE, and other Gulf states is a bright spot, there are simmering issues still at hand. Serious conflict between Israel and the Palestinians is a real possibility again, and Lebanon, Libya, Yemen, and Syria are at various stages of failure. While the Biden Administration has relegated the Middle East to a secondary tier, the one major reason the United States would get involved again in the region is to contain Iran. The United States remains committed to preventing Iran from acquiring nuclear weapons, the question remains if that will be done diplomatically or militarily.

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Brexit and the EU

It has nearly been a full year since the United Kingdom left the European Union on January 1st 2021. The departure from the regulatory orbit of the EU has propelled the UK on a new path in which it will have to rewrite its economy, foreign policy, and politics. Ever since the official departure from the EU, Prime Minister Boris Johnson has been focused on casting the country as a "Global Britain" with stronger ties to the United States, Australia, India, and South Korea, in lieu of ties to mainland Europe. But while Mr. Johnson hopes to position the UK as a stronger ally of these nations, the rupture with the EU has initiated several economic problems for Britons. In late 2020, London and Brussels agreed to avoid tariffs and quotas on goods, however traders and those in the service industry still faced complicated paperwork put into place by European regulators. The result was a sharp hit to trade between the UK and the EU, with the British Office for Budget Responsibility reporting that trade was down 15 percent in August and estimating that the British economy is 4 percent as productive as it would have been staying in the EU.

Apart from the poor economic impact of Brexit, the split has also reopened old wounds on the British Isles. The removal of the UK from the EU has caused tensions to rise between Northern Ireland (which is part of the UK) and the Republic of Ireland, which is an EU member. Decades of sectarian violence made a reappearance this past year with clashes breaking out in the spring. In addition, the culmination of Brexit brings about the possibility of the Scottish National Party attempting to justify a new independence referendum, especially since 60 percent of Scots voted to remain in the EU. Finally, the future of EU citizens living in the UK remains unclear as the British state continues to work out their new law.

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China in Africa

In late November, Secretary of State Antony Blinken stopped in Nigeria and spoke about U.S. diplomacy toward Africa. His speech focused on advancing democracy, preventing future pandemics, and fighting climate change. But the reality on everyone's minds was the rise of Chinese influence in the continent. The Belt and Road Initiative has poured billions of dollars into the African economy since it began, far surpassing U.S. influence in the region. When asked about this fact, Blinken stated that he is not interested in competing with China in Africa. He said the U.S., "firmly believes that it is time to stop treating Africa as a subject of geopolitics". However, some African politicians may not think the prospect of U.S.- Chinese competition in Africa is such a bad idea after all. The Foreign Minister of Nigeria, Geoffrey Onyeama stated, "sometimes it's a good thing if you're the attractive bride and everyone is offering you wonderful things."

Beijing has invested $7.5 billion dollars in Nigeria since 2018, and recently China's ambassador to Nigeria stated that China soon plans to open banks in the country soon, a nod to China's attempts to incorporate the continent into China's financial system. In response to all of this investment, Secretary Blinken expressed concern for Africa's growing reliance on billions of dollars of Chinese capital. He stressed that U.S. dollars come with labor, environmental, and anti-corruption protections, much of which is absent with Chinese investments. In comparison with Blinken's predecessor, Mike Pompeo, Blinken has not been as upfront about countering China in the region. Secretary Pompeo took a much harder line urging African countries to be "wary of authoritarian regimes and their empty promises." While Blinken may not be as upfront about U.S. desires to counter China in Africa, the possibility remains to be seen if U.S. diplomacy will or won't counter its biggest rival in Africa.

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