

Current Event #4

Topic: International Political Economics/Trade

Current Issues Analysis Model Issue: Global Economic Relations

Source: The Guardian

Date of Article: February 19

<https://www.google.com/amp/s/amp.theguardian.com/business/2020/feb/19/the-white-swan-harbingers-of-global-economic-crisis-are-already-here>

I. Define the Problem, Event, or Social Issue

Currently, the state of economics seems to be in the calm before the storm. There are many signs that a global economic crisis is not only coming, but has already begun. This would pose problems not only for the US economy, but for that of related economies such as China. After all, it is due to not only our current political situation but their unfortunate circumstances that this crisis is imminent.

II. Causes

The US as of late is in an escalating situation with four main countries: China, Russia, Iran, and North Korea. 2020 could be a turning point, for it is an election year here in the US so a shift in global economic policies could occur.

When it comes to US-Iran relations, the article notes the “acute threat” Trump poses to the Iranian regime, perhaps pushing them to the point of escalated conflict such as a full on war. This would cause oil prices to spike, crashing the US stock market, sending us into a recession, and if soon enough in the year causing a different president to be elected in Trump’s place.

As for US-China relations, things started off bad and are getting worse. With a “bilateral Cold War” over tech, data, investment, and currency escalating, the Coronavirus is the cherry on top. Covid-19 outbreaks have disrupted China’s economy and because they are a critical supplier will most likely have more severe an effect on the global economy than currently thought.

The environment could also play a role in climaxing the situation, given the extreme nature of global warming and the possibility of large scale natural disaster.

III. Perspectives

Currently, it is unknown when things will escalate to the point of no return and how countries will handle this escalation. The article, however, has a couple clearly defined theories — mainly involving cyber warfare.

Going back to the topic of US-China relations, it is not likely that China will have an all out war with the US. Rather, their response could be more along the lines of cyber warfare by Chinese

hackers and their international counterparts (found in Russia, North Korea, and Iran). Some think that this could be in the form of interfering with the election, giving Americans false information. This could easily lead to protest and riots here in the states. On the other hand, there could be a cyber attack on the banking system — that would cause great chaos as well.

Because the situation in China is so bad, many are pointing to conspiracies, escalating the situation. If the situation as a whole truly does escalate, China could dump its holdings of US Treasury Bonds. This could, however, hurt China in the process though they have been diversifying their reserves by holding more gold.

If all this is to go down, it is expected that the US would put up a fight. There has already been an increase in the number of cyber attacks on the four countries named prior, and the world in turn could experience the first ever cyber world war.

IV. Programs/ Ideas to deal with issue

Currently, the US has already done a bunch to try and prevent things from getting out of hand, though tensions are getting high. The US has increased cyber attacks, had a military confrontation with Iran, and US treasury holders are pursuing diversifying strategies.

V. Your Opinion

I think that there is a crisis coming, and that it is a good thing major treasury holders are looking into diversifying reserves and the US is increasing its cyber attacking team. I also agree with the author that a cyber world war seems more likely than a on the ground war at this point. Tensions are high, and I do not think they will dissipate.