

# Fair Observer

Monthly



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# Fair Observer Monthly



March 2020

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**Atul Singh** (Founder, CEO & Editor-in-Chief)

**Abul-Hasanat Siddique** (Co-Founder, COO & Managing Editor)

**Anna Pivovarchuk** (Co-Founder & Deputy Managing Editor)

Fair Observer | 237 Hamilton Ave | Mountain View | CA 94043 | USA  
www.fairobservers.com | info@fairobservers.com

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# ABOUT FAIR OBSERVER

Fair Observer is a nonprofit media organization that engages in citizen journalism and civic education.

Our digital media platform has more than 2,000 contributors from nearly 90 countries, cutting across borders, backgrounds and beliefs. With fact-checking and a rigorous editorial process, we provide diversity and quality in an era of echo chambers and fake news.

Our education arm runs training programs on subjects such as digital media, writing and more. In particular, we inspire young people around the world to be more engaged citizens and to participate in a global discourse.

As a nonprofit, we are free from owners and advertisers. When there are six jobs in public relations for every job in journalism, we rely on your donations to achieve our mission.

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## Will the US-Taliban Deal Bring Peace to Afghanistan?

Abbas Farasoo & Roh Yakobi  
March 2, 2020

**Having triumphed over the United States, the Taliban are ready to enter into intra-Afghan talks with confidence and purpose.**

**A**fter a week-long reduction in violence to test the Taliban's ability to control their fighters on the ground in Afghanistan, the US and the Taliban signed their long-awaited peace agreement on February 29 in Qatar's capital, Doha. The deal, officially titled the Agreement for Bringing Peace to Afghanistan, was signed by the US envoy, Zalmay Khalilzad, an Afghan-born American diplomat, and the Taliban's political chief, Mullah Abdul Ghani Baradar, a co-founder of the group.

The agreement is expected to bring an end to nearly two decades of American and NATO military presence in Afghanistan in return for the Taliban cutting ties with al-Qaeda and other terrorist groups threatening the security of US and allied troops. However, another key element of the deal is for the Taliban to formally sit down with what is referred to as the "Afghan sides" — not once mentioning the Afghan government — to hammer out a sustainable end to the conflict as a whole.

In tandem with the signing ceremony in Doha, Afghanistan's president, Ashraf Ghani, spoke to his countrymen and women in the capital Kabul. In an apparent show of solidarity with the Afghan government, Ghani was flanked by the NATO chief, Jens Stoltenberg, and US Secretary of Defense Mark Esper. The Afghan and US governments issued a joint declaration of commitment to future "positive relations, including economic cooperation for reconstruction."

A similar, albeit vague and caveated line, is also contained within the US-Taliban agreement, which states that "The United States will seek

economic cooperation for reconstruction with the new post-settlement Afghan Islamic government as determined by the intra-Afghan dialogue and negotiations." The US has left enough wriggle room for itself about its future relationship with Afghanistan, whatever turn the country takes.

### Taliban Victory?

Within hours of the agreement being signed, the leader of the Taliban, Hibatullah Akhundzada, congratulated his men on their "great victory" and urged them to "strengthen and organize your ranks to achieve the establishment of an Islamic government" following the withdrawal of foreign troops. His representative in Doha had struck a somber tone earlier, calling on Afghans to come together for "Islamic values" — no doubt a point of great contention in future intra-Afghan talks.

The Taliban now have in writing — and signed — what they wanted from Washington. In fact, they have extracted much more than they bargained for.

Despite US Secretary of State Mike Pompeo warning the Taliban against declaring victory and reminding them of how much Afghanistan and its people have changed since the first US soldier landed in the country almost two decades ago, the Taliban's sense of victory is not out of place. Not only have US-led forces agreed to leave the country, but the Taliban has now also gained de facto international recognition and legitimacy in the process of negotiating their demands.

To mark their day, the Taliban delegation marched triumphantly through the streets of Doha, proudly waving white flags to the chants of "Long live the Islamic Emirate of Afghanistan!" The Taliban can now partner with the US against al-Qaeda and the Islamic State Khorasan Province, as Mike Pompeo alluded to in his speech during the ceremony, an admission of failure by America's diplomat-in-chief.

The sense of victory for the Taliban makes the intra-Afghan dialogue difficult because, having been granted de facto legitimacy, the group will not soften its position in the negotiations with non-Taliban sides like the official government.

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This increases the concerns about a negotiated settlement in the future.

### **The Pakistan Factor**

The US lost the war against the Taliban because, in its nearly two decades of involvement in Afghanistan, it failed to pursue a coherent political or military strategy capable of winning the war, which required turning Pakistan into a truthful ally. The Bush administration managed to make the then-Pakistani military dictator, General Pervez Musharraf, join in the war on terror within days of 9/11 attacks by cajoling him to give up on the Taliban despite his plea to facilitate talks between the US government and the group harboring al-Qaeda. In return for its cooperation, Pakistan was showered with military and economic aid, as well as being elevated to the status of Washington's major non-NATO ally.

But Pakistan never fully came on board. It kept the Taliban as an indispensable policy instrument toward Afghanistan and helped it mount an insurgency that cost countless lives. Years of vigorous protestations from American officials, including Zalmay Khalilzad, and their Afghan counterparts did little to dissuade Islamabad. In the end, with the US failing to turn Pakistan, the latter succeeded in turning the former. Roles reversed: Pakistan managed to get the US to talk to the Taliban, and on its terms. What we saw unfold in Doha on Saturday was a victory made in Islamabad.

In order to have Pakistan's cooperation in reaching a "peace deal" with the Taliban, the US ignored mentioning anything about the future of the Taliban's sanctuaries in Pakistan in the agreement with the Taliban. This leaves the Taliban-Pakistan alignment as a critical factor that can undermine the process of the intra-Afghan talks. Thus, Pakistan will continue its support of the Taliban as its regional ally, making it difficult to put an end to the conflict once and for all.

Giving Pakistan a major role in negotiations without discussing its support for the Taliban brings back the specter of the 1988 Geneva

Accords between Kabul and Islamabad that paved the way for the Soviet withdrawal and, subsequently, the collapse of the Afghan government. After the accords were signed, Pakistan continued its support for the mujahedeen to attack Kabul and overthrow the government of Mohammad Najibullah. This time again, the Taliban kept sanctuaries in Pakistan and signed an agreement with the US to leave the country without recognizing the Afghan government as part of the intra-Afghan talks.

### **Afghan Leadership Crisis**

Having triumphed over the United States, the Taliban are ready to enter the intra-Afghan talks with confidence and purpose. The Afghan government, led by Ashraf Ghani and his partner, the Chief Executive of the National Unity Government Abdullah Abdullah, is mired in a political crisis over the result of the last presidential election, with Ghani declared as the winner by the country's Independent Election Commission. The ongoing tussle for power in Kabul has left little bandwidth for much else, least of all preparations for talks.

Kabul-based leaders, and the political class as a whole, have failed to agree on a framework in order to face down the Taliban and defend what the country has gained since the group was last in power. The lack of direction and unity in Kabul casts a dark shadow over what the negotiations with the Taliban will hold for the future of the country. We are yet to hear what objectives the Afghan government and those with a stake in the upcoming talks will pursue.

The Taliban have kept a constructive ambiguity on issues relating to women's rights, the rights of religious and ethnic minorities, freedom of the press and the future make-up of the Afghan state and its political system. This ambiguity is the main source of concern in the country because of the Taliban's past human rights violation, their fanatical interpretation of Islamic law and their ethnocentric ambition for a monopoly of power. In addition, they are yet to accept the legitimacy of the Afghan government



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as the representative of the people of Afghanistan in the negotiations.

However, with the US set to leave Afghanistan in 14 months' time, and the terms of the agreement being relatively easy for the Taliban to meet, Kabul will have no leverage unless it quickly forms a united front with a set of resolute, shared objectives. Kabul's make-it-up-as-you-go-along attitude will not only jeopardize any existing chance of a political settlement for the country, but will feed into the Taliban's over-confidence and make the feasibility of compromise from both sides difficult. United, armed and experienced, the Taliban will have very little incentive to soften their attitude or lower demands while seating across from an inept, self-centered and disunited group of Afghans.

This will heighten the risks of derailing the whole process and plunge the country into a new cycle of violence and bloodshed. The Taliban have resumed attacks on Afghan security forces, putting an end to the "reduction in violence" across the country against Afghan security forces and civilians. With tensions brewing between Kabul and Washington over the release of 5,000 Taliban prisoners, it seems that the group wants to head into the intra-Afghan talks with guns blazing.

It is noteworthy that disunity among non-Taliban sides does not mean that the Taliban could easily take over the entire country by defeating Afghan security forces and other anti-Taliban groups. Rather, disagreement between everyone on everything makes peace difficult, especially when one side has sanctuaries in a neighboring country and uses it to enforce violence. The bloody civil war in the 1990s shows that any attempt to solve disagreements by force and by enforcement from a neighboring country only prolongs violence and involves more regional actors in the conflict.

Given a sense of Taliban victory, concerns arise that the group will not soften its position and will attempt to use violence during the negotiations as bargaining leverage to receive

more concessions. If this happens, it will intensify the conflict that will now likely involve more regional actors and rivals, taking on a proxy-war dimension.

\***Abbas Farasoo** is a PhD candidate at Deakin University in Australia and **Roh Yakobi** is an associate fellow at the Human Security Centre in London.

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## **Can the Democratic Establishment Afford to Shun Sanders Again?**

S. Suresh  
March 5, 2020

**If the DNC chooses to silence Sanders yet again, it will be at its own peril, ensuring four more years for Trump.**

**V**ermont Senator Bernie Sanders has managed to do something no politician has ever dared to do in the United States of America: He has made it acceptable to discuss socialism in a country that despises the very concept. He has successfully created a movement that has engaged and energized young voters, the next generation of Americans who will define the future of this country. Sanders has changed the political landscape by carving a niche for himself within the Democratic establishment that has left the party leadership unsettled and scrambling for answers.

In 2016, the Democratic National Committee (DNC) did everything it could to discredit Sanders' campaign, ensuring that it was Hillary Clinton who secured the party's nomination. The DNC probably thought the Sanders phenomenon was a short-lived burst of enthusiasm that would fade away over time. Four years later, the septuagenarian is back with the energy of a teenager, his revolutionary ideas catching the appeal of a larger audience as evidenced by his strong showing in Iowa, New Hampshire and Nevada.

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## Super Tuesday

It is no surprise that the DNC would prefer anyone but Sanders as the 2020 Democratic contender. Soon after the South Carolina primary, where former Vice President Joe Biden scored his first victory, three candidates dropped out. Billionaire Tom Steyer, former mayor of South Bend, Indiana, Pete Buttigieg, and Minnesota senator, Amy Klobuchar. On the eve of the crucial Super Tuesday primaries in 14 states, Biden was endorsed by Klobuchar, Buttigieg and Beto O'Rourke, who dropped out of the race in November.

The last-minute endorsements were a calculated move to stem Sanders' surge and bolster Biden's comeback. The tactic paid off for the anyone-but-Sanders Democrats. Biden secured more than 6 in 10 votes from the late deciders. That Biden did a sweep of the Southern states with the strong support of African American voters is no surprise. But his clinching the top spot in Senator Elizabeth Warren's home state of Massachusetts, where he spent no time or money campaigning, Virginia, where he held just one rally, and Texas, where Sanders was supposed to win with strong Latino voter support, highlight Biden's remarkable reversal of fortunes.

As the dust settles following Super Tuesday, the Democratic primary is shaping up to be a two-way race between Sanders and Biden going forward. Warren's poor showing thus far, including the defeat in her home state, should make it clear to her that she has no viable path for the nomination. She has decided to stay put in the race even though she is at a distant third spot, exasperating the progressives who expect that most of Warren's supporters would embrace Sanders should she step aside.

In the process of securing the Republican nomination in 2016, Donald Trump methodically eliminated more than 20 seasoned politicians with name-calling and a campaign promise to "drain the swamp." Notwithstanding all the insults he meted out to them, the GOP rallied behind Trump 100% and has remained subservient to him since then. Ted Cruz and

Marco Rubio, the two sitting senators whom Trump insulted by calling "Lyin' Ted" and "Little Marco," have kowtowed before the president. Senator Lindsay Graham, an erstwhile critic of Trump, is today his staunch ally.

## Biden Will Prove to Be a Calculated Mistake

In strong contrast, the DNC has resented the independent senator from Vermont for using the party's platform for the presidential nomination. The Democratic establishment is rejoicing in the resurgence of Biden, but its belief that he is the most electable candidate against Trump would prove to be a mistake. It is harder for someone with an extreme viewpoint, whether it is to the left or right, to accept a moderate middle ground. In 2016, Hillary Clinton did not get the wholehearted support of Sanders voters. The fact that the Sanders campaign was foiled by a rigged primary favoring Clinton must have played a part. By alienating Sanders' supporters with its machinations, the DNC runs the risk of not having them come out in support of Biden in November.

No matter how well coached, Biden's propensity for stumbling in public with his gaffes would be mercilessly exploited by the Trump campaign. Biden cannot differentiate himself from Barack Obama's legacy without being critical of his own role in the administration for eight years. Clinton, a consummate career politician, failed to do so — and lost to Trump. It is inconceivable that Biden, with his uninspiring vision, will succeed in rousing any segment of the population save those who want to return to the status quo of yesteryears.

Biden touts his electability against the incumbent president. Trump will, without doubt, bring up his acquittal by the senate and drag Biden into the very allegations that caused the House to impeach him. Blunder-prone Biden would find it difficult, if not impossible, to come out on top when that issue takes center stage.

Polls show that Sanders is very much capable of beating Trump. The real reason the Democratic establishment is afraid of pitching

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Sanders against Trump is that the election will become a referendum between a socially responsible way of life against pure capitalistic greed. Being socially responsible does not automatically translate into adopting socialism. The nation needs to have a chance to weigh the implications and voice its opinion. The Democratic establishment has no right to sabotage the Sanders campaign as it did four years ago. If it chooses to do so yet again, it will be at its own peril, ensuring four more years for Trump.

\***S. Suresh** is a product executive with more than 25 years of experience in enterprise software.

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## **Will Coronavirus Break the Financial Market's Hubris?**

Daniel Wagner & Jonathan Rogers  
March 12, 2020

**Greed and hubris are alive and well as the investment industry proves that it has learned nothing from the Great Recession or any other financial catastrophes of the 20th century.**

**A**merica has been living on hubris and borrowed time, mired in an orgy of debt, delusion and dogma. Its stock traders have, for a decade now, chosen to believe that events which ordinarily would have resulted in losses are in fact causes for celebration in a marketplace that has defied logic and gravity. The optical illusion is in the process of ending.

Along the way, underlying totems of bullish faith have kept the party rolling. These include the assumption that the Federal Reserve will always do what it takes to alleviate profound market stress by cutting interest rates and, in the post-Great Recession years, providing monetary stimulus by means of quantitative easing, referred to as either the Greenspan, Bernanke, Yellen or Powell "put."

In short, their actions have comprised the belief that the Fed will come to the rescue during times of extreme market stress. For stock traders, the trope has been: No need to worry, the Fed will always be there to take the buck, so load up on risk because there is a floor to any downside. More to the point, the Fed will keep the bull market in stocks on its perpetual and seemingly never-ending upward trajectory.

### **Fall From Grace**

Nothing could interrupt the perpetual bull market, stock investors apparently believed, until a confluence of events — a global pandemic, an oil price war, a delusional president and idiocy run amok combined to smack Americans up-side the head with a two-by-four. As the world's financial barometer, will even that be enough to inspire America's market-making stock traders and algorithms to change their ways?

As the global stock markets now endure their inevitable fall from grace, irresponsible and amoral money managers continue to tell their clients to hold their portfolios in place and ride the roller coaster down, beating the drum to continue investing in stocks that have a long way to go before they hit bottom. Greed and hubris are alive and well as the investment industry proves, yet again, that it has learned nothing from the Great Recession or the series of other global financial catastrophes that took place in the 20th century.

The trajectory toward negative interest rates merely inspires the investment community to identify new ways to keep the plates spinning. For fast money traders, negative interest rates will be another sure-fire winner. They can make a lot on money in a negative interest rate environment thanks to the duration sensitivity of bond prices, as long as they treat bonds as a short-term upside play.

Meanwhile, the Trump administration has had three months' notice to order tens of millions of test kits, educate the public and put mechanisms in place to address the inevitable spread of COVID-19 on America's shores. Since the

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outbreak began in China in December last year, the Trump administration has mostly just sat on its hands in collective denial. This would be unforgivable in most other countries and would cause existing governments to collapse. In America, it merely serves to enhance the political divide.

It is often said that citizens get the leaders they deserve. In America, polling has proven multiple times that there is almost nothing the president can do that will prompt the average Trump supporter to abandon him at the ballot box. Whether selling America to the highest bidder or helping the country walk off a cliff, the only thing that appears to matter to at least half the country is whether the Republican Party can retain the White House and Senate. One has to wonder whether these voters have any comprehension of the state of play in America and how perilously close the US is coming to utter irrelevance on the global stage.

### **American Disaster Movie**

As the coronavirus disaster movie plays out, America has a script that features a president who has a profound aversion to that which he cannot control. The preferred mechanism for Trump, when confronted with such a challenge, is to deny the underlying reality obvious to the crowd, labeling it fake news. But as the stretchers and body bags appear with greater frequency in the United States as the pandemic firmly takes hold, the inadequacy of the Trump administration's response to the virus will appear to more and more Americans as a ludicrous, intelligence-insulting farce.

All the more so as his administration's intransigence contrasts luridly with the hyper-efficient draconian response to COVID-19 seen in China, much of the rest of Asia and Italy. Trump's embargo from the US of European travelers — with the bewildering exclusion of those from the United Kingdom, where the infection rate is gathering speed — smacks of grandiose back-of-an-envelope improvisation.

Meanwhile, the stench of a dying, deluded administration beckons alongside the moment of truth, one which will also see the death of America's bull market and the arrival of a long-anticipated recession, which may well surpass the one prompted over a decade ago by the Great Recession in intensity, duration and attendant profound global hardship. In the face of what promises to be something worse this time, a scenario which waits stage left to enter as another Great Depression, the stewardship of America has never been so nakedly and egregiously deficient.

\***Daniel Wagner** is the founder and CEO of Country Risk and **Jonathan Rogers** is CEO of Ostinato Associates.

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## **Getting Ready for a World Without Sports**

Ellis Cashmore

March 17, 2020

**With the coronavirus crisis gripping the world, should we expect the Olympic Games, Wimbledon and a world heavyweight fight to take place without spectators?**

**A** week ago, it would have been unthinkable. Now it's materialized — a world without sports. The calendar still shows Wimbledon, the Tokyo Olympics, a world heavyweight title fight and the Tour de France, among others. But these events are under threat. Already, the NBA has canceled games in the US, the English Premier League is suspended until April 3 and the Rugby Union's Six Nations Tournament has effectively been aborted. There are many other casualties, and they will continue to spiral.

We never thought we'd live in a world without sport, but over the next month or so, we are going to do exactly that. What will it be like?

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At the moment, sports fans — and that means probably 60% of the world’s population in some measure (if television viewing figures are a very rough guide) — are accepting the absence of competition as a novelty. Cricket and basketball fans are grumbling louder than others, having missed a Test series and a week of hoops, with at least seven more to follow. Football fans in the UK are hopeful they’ll miss only a couple of weeks, though that sounds like wishful thinking. But, should the current trend continue amid the coronavirus pandemic, all sports would cease temporarily.

So, what will fans do? In short, take it on the chin. They have no choice. Or do they?

Perhaps the most surprising aspect of the latest scenario is the complete lockdown of some sports. Discussions in recent weeks have centered on staging sports events behind closed doors. This would have meant allowing only employees, officials, security agents and television camera crews into the venue. The rationale initially was that the coronavirus spreads rapidly where there are large gatherings of people. “Large” has never been precisely defined, but 500 seems to be a working definition.

### **Doors Shut. Cameras On.**

The “behind-locked-doors” approach has angered many sports fans who believe the atmosphere created by crowds is an essential part of the sports experience, even for those watching on their screens. But we now have exigent circumstances, and my guess is that they would accept this test-tube competition as better than nothing. I still believe this will return as an option. The number of people actually attending a football match is usually only about 0.4% of the TV audience, anyway.

The alternative is cataclysmic, at least in sports terms. Take the English Premier League, for example. Globally, this is the most popular league in the world — 188 of the world’s 193 countries carry the matches legally (and probably a few more illegally), with a total of about 3.2

billion people watching games over the course of a season.

In the UK, Sky TV has the biggest viewing contract, with BT Sport also screening games. There are also deals with myriad broadcasters around the world. The value of these deals is £9.2 billion, or \$11.1 billion at the time of publishing. In the absence of any action, TV channels lose advertising revenue. After all, no one wants to spend money publicizing their products when there are no consumers watching. So, chances are those broadcasters will insist on refunds.

The English Football Association (FA), which negotiates the deals and distributes the proceeds — much of it to the football clubs that make up the league — will then face a difficult choice: refuse to pay up and argue that it was helpless to avert the crisis or pay up and start scrutinizing the small print its insurance policies. And the insurers? They may value the FA contract so highly that they will cough up the lost revenue. Presuming the suspension ends, as projected, on April 3, this could run into several hundred million pounds. Perhaps over half a billion if it’s extended. Then insurers may invoke a force majeure clause and resist paying-out.

TV broadcasters will probably put pressure on the FA to resume games in secure environments. The initial resistance of fans will, by April, have dissipated and, while clubs will be obliged to play probably three times per week for a while, no revenue will be lost and the insurers will go. Phew!

### **Wimbledon to the Olympics**

Some other sports will follow. But others will not. Will Wimbledon start on June 29? It’s not beyond the realms of possibility that it could be played without spectators; many of the outside court matches are, anyway. Anthony Joshua’s heavyweight title fight with Kubrat Pulev is scheduled to take place in London on June 20. The problem here is that it’s booked to take place at Tottenham Hotspur’s new 62,000-seater stadium. A small nightclub would have been a

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wiser choice if a huge live audience were not anticipated.

The big one is the summer Olympic Games in Tokyo that is supposed to open on July 24. This is, of course, four months away. But could it possibly be sustained till its closing ceremony on August 9 without human spectators? It sounds unfeasible until you realize how much the International Olympic Committee (IOC) would be obliged to refund.

It is reported the IOC has set aside nearly \$900 million in reserve to help deal with the financial fallout in the event of a cancellation. The city of Tokyo has invested \$12.6 billion to stage the tournament, so the IOC's piggy bank would be insufficient if the games were to be spiked. It may sound perverse at this point, but in a month's time, if the suspensions continue to multiply, the IOC might be under pressure from broadcasters and organizers to sanction an unprecedented games in vitro, so to speak.

By then, audiences will have become habituated to viewing sports like they view movies — dismembered from other human beings. At least that's how it appears whenever I go to the cinema. I'm old skool: I actually enjoy watching films in a theater, but there are rarely more than half-dozen others in the auditorium whenever I go. Maybe that isn't such a nightmarish scenario. Think about what we'll miss: racist abuse among football fans, drunkenness after the event and the periodic violence that breaks out during or after a competition.

### **Break Out That Smartphone**

But how would people compensate for the lack of atmosphere? Social media. Twitter and Instagram are always alive with chat, images and other kinds of memes when sports competitions are in progress. We've become so accustomed to socializing remotely that the COVID-19 crisis may force us into another form of sociality — the virtual sports crowd "live." Social media has its critics and, misguided as most of them are, they will be forced to concede its benefits.

Picture it: groups of people at home, in clubs, pubs and bars, or even in cinemas, all with their smartphones at the ready exchanging opinions and expressing outrage or ecstasy as the competitions progress. It's all a bit like "Brave New World" for many. But we're facing a future, at least an immediate and possibly short-term future in which Huxleyian principles are coming to the fore.

And, anyway, sports itself is a bit like "World State." "Isn't there something in living dangerously?" "There's a great deal in it," the Controller replied. "Men and women must have their adrenals stimulated from time to time."

\***Ellis Cashmore** is the author of "Elizabeth Taylor," "Beyond Black" and "Celebrity Culture."

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## **Chinese Ambitions for Latin America: What's the Trade-Off?**

German Peinado Delgado & Glenn Ojeda Vega  
March 18, 2020

**China's aggressive policies toward Latin America are undoing decades of progress, driving developing countries into deeper reliance on commodity exports.**

**A**s the global COVID-19 pandemic engulfs the world, the grand strategy of revisionist powers will either falter or accelerate. At the dawn of the post-coronavirus world — whenever it might come — the Chinese Communist Party will push forward with its Belt and Road Initiative (BRI), which will threaten to further marginalize the role of South America in the global supply chain.

The Republic of Colombia and the People's Republic of China officially established diplomatic relations in 1980 when Colombia ended the diplomatic relationship with Taiwan (Republic of China). This October, both nations are celebrating 40 years of an important bilateral

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relationship that has flourished and continues to grow, particularly in terms of trade.

In recent years, Chinese consumer goods have flooded the Colombian market, throwing domestic manufacturers into dire financial straits. These mass imports to South American markets were a result of governments and private sector firms spending decades developing a local industrial base that would allow the continent to diversify beyond commodity exports. South American nations like Colombia must now look into new economic policies that ensure sustainable industrial development domestically and advantageous trade growth if they expect to further increase their strategic relevance in the global economy.

### **Colombia-China Trade Relations**

In 2017, aggregate imports into Colombia were dominated by refined petroleum, broadcasting equipment and cars. That same year, Colombia's main import partners were the United States, representing 26% of all goods that entered the country, and China, accounting for 19% of all imports coming into Colombia. Meanwhile, Colombia's chief export products in 2017 were crude petroleum, coal and coffee. Within the export sector, Colombia's main customers are the US, Panama and China, representing, respectively, 28%, 6.6% and 5.2% of all the Colombian goods sold internationally.

At the end of 2017, Colombia's annual trade balance was in the red by \$5.18 billion, with a total of \$39.1 billion in exports and \$44.3 billion in imports. That year, Colombia exported approximately \$11.1 billion worth of goods to the United States, \$2.6 billion to Panama and over \$2 billion to China. Simultaneously, in 2017, Colombia imported some \$11.7 billion from the US and another \$8.6 billion from China. A macroanalysis of this commercial scenario stands in stark contrast with the year 2000, when the US purchased 49% of Colombia's exports, while China was the destination of less than 0.25% of all the goods the South American nation sold internationally. Similarly, in 2000, China was the

origin of merely 2.9% of all goods imported into Colombia.

Nearly two decades later, Colombia's trade changed significantly. In 2017, Colombia's main export to China was crude petroleum, valued at \$1.8 billion, which represented 79% of Colombia's exports to China that year. Nevertheless, this represents a decrease from 2014, when crude petroleum totaled 90% of the value of Colombia's exports to China, with a total of \$5.2 billion. Likewise, in 2013, 84% of Colombia's export income from China was from crude petroleum, totaling \$4.3 billion. Amongst the key takeaways from this dataset is that, currently, one of China's main interests in Colombia is the purchase of energy resources and fossil fuels like petroleum.

Even though it might seem as if China purchased much less petroleum in 2017 than it did in 2014 and 2013, another takeaway is that China's trade balance with Colombia is dependent upon international petroleum prices. In reality, China imported between 32 million and 50 million barrels of crude petroleum annually from Colombia between 2013 and 2017. However, the average price per barrel in 2013 was \$100 and approximately \$95 in 2014. Meanwhile, by 2017, the price per oil barrel had decreased to an average of less than \$60.

### **A Macroeconomic Dilemma**

Since independence from European colonialism, South American nations like Colombia have struggled to develop a robust local economy. Historically, the region's new republics relied heavily on the export of commodities to Europe and North America while importing most of their manufactured goods. To reverse their dependency on commodity exports, the region's leading industrialists and policymakers spent most of the 20th century developing domestic manufacturing and regional industries.

This economic agenda was championed by South American economists preaching import substitution industrialization, also known as the ISI development model. These initiatives had

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different degrees of success throughout South America, with some economies developing larger and more significant industries than others. Overall, countries like Argentina, Brazil and Colombia achieved an unprecedented level of industrialization, even if large sectors of some national economies still relied on the export of agricultural and mineral commodities.

ISI's success was limited because it sought to commercialize domestic value-added goods in regional markets that were not yet fully developed, lacking the purchasing power to sustain significant growth. Even though a country like Colombia still relies on imports to get most of its high-end manufactured goods, particularly in the digital age, some progress has indeed been achieved toward the development of local expertise and the establishment of industries that can compete both domestically and internationally.

### **The Middle Kingdom's Farthest Periphery**

Today, however, China's aggressive policies toward the region and its intent to re-route the global value-added chain to Eurasia are undoing decades of progress, driving developing countries into deeper reliance on commodity exports, and pushing South America to a peripheral role within the global supply chain.

In 2019, President Ivan Duque's administration began to implement a new strategy toward the second largest economy in the world. To this end, in July of last year, Duque made an official visit to China aiming to increase cooperation and trade between the two nations. The last official visit from a Colombian president occurred in 2012, during the tenure of President Juan Manuel Santos. The attempt at a more hands-on approach from Colombia is without a doubt an effort to increase value-added Chinese investments in the country and the region, as well as to reaffirm their commitment to diplomatic and economic relations.

Colombia will be wise to monitor how increased trade with China has led to a return toward the massive export of agricultural and

mineral commodities, particularly in countries such as Brazil, Chile, Peru and Bolivia. If Colombia, and South America as a whole, wishes to grow nascent domestic manufacturing and not become a distant supplier of commodities for the BRI supply chain, it must put a check on Chinese-made consumer goods with significant value added, such as clothing, computers, appliances and cars currently flooding the national market.

With a Colombia-China free trade agreement on the horizon, the effects of Chinese ambitions on Colombia's future could burden the country for generations, and policymakers would be wise to look beyond an ephemeral victory lap.

**\*German Peinado Delgado** is a business project manager in Bogota, Colombia, and **Glenn Ojeda Vega** is a business development and international policy professional in Washington, DC.

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## **COVID-19 Outbreak Takes the Recession Debate to Brand New Territory**

Sona Muzikarova

March 19, 2020

**With the coronavirus pandemic, the consequences for the global economy will be crippling.**

I am writing this column in a state of a latent denial. Having worked from home for much of the past week, I've been trying to juggle work duties with kid's entertainment as schools and childcare facilities are shut down.

But denial is unwarranted, as we wake up to another series of breaking news, including the US ban on any European travel for 30 days, the World Health Organization's declaration of the COVID-19 outbreak as a pandemic and the crashing stock markets.

The situation in Wuhan, China, looked dire just weeks ago. Yet that seems like a distant



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memory ever since Prime Minister Giuseppe Conte put the whole of Italy in quarantine. Medics attending to COVID-19 patients have provided shocking accounts of the state of affairs in the European epicenter of the coronavirus outbreak.

### **The Recession**

The consequences of the pandemic for the global economy will without a doubt be crippling. To be frank, it's not like we haven't been pondering the onset of the next recession for some time now — we have. A distinct slowdown in real activity, manufacturing and trade, coupled with leading indicators such as business and consumer confidence on a downward trajectory, has for many months signaled the final stage of the current economic cycle. This economic expansion has been exceptionally long, although that alone does not increase the probability of a recession. The inverted yield curve in the US set in in the summer of 2019 was another indicator. In fact, Google searches for the term “recession” soared in tandem and are predicted to skyrocket in the days ahead.

It is little wonder why this has happened. According to the US Centers for Disease Control and Prevention, and other agencies operating in the field of public health, our best bet for slowing down the contagion is social distancing. That's why in order to contain the coronavirus, authorities in the worst-hit areas have locked down cities, entire countries, imposed full travel bans or restricted the movement of millions of people and limited or suspended business operations. And we thought the global economy had problems.

While at this point it is hard to quantify the COVID-19-induced recession, the measures undertaken give some pointers as to what economic channels become compromised, as the spread of the virus continues. Quarantines hamper both consumption and production as consumers and workers are bound to stay at home. This places a limit on household spending on both goods and services. Supply chains also

get disrupted as production is cut back and fewer goods are sold and exported. Foreign demand decreases, too.

Moreover, sectors like Chinese manufacturing or the travel and tourism industry — the latter approximately accounts for more than 10% of global GDP, according to the World Travel and Tourism Council — will particularly feel the impact. The fact that it is difficult to predict the future path, extent and seriousness of the outbreak adds to the decline in confidence.

A classic transmission of the shock is taking place via the financial markets, which have priced in the disruptive potential of the outbreak quite aggressively. As major stock markets sell-off, household wealth will act as an additional setback on future consumption due to the effect on purchasing power. To be clear, the COVID-19-induced downturn would be a crisis of the real economy first and foremost, emanating from severe hits to real activity on both the supply and demand side, rather than a classic financial crisis.

### **The Recovery**

On the upside, China is beginning to rise from the ashes of the coronavirus outbreak. The recent fall in crude oil prices may help, with China being the largest crude oil importer in the world. On the policy front, some central banks have responded with the usual medicine — the US Federal Reserve leading the way in delivering a surprise 50-basis points cut and G7 leaders vowing to fiscal stimuli.

History provides clues for how to recover from similar disruptions. Empirically, most recoveries from epidemics have been V-shaped, thus marked by a relatively brisk rebound after an initial epidemic-induced slump.

There is no way to prepare for a Black Swan moment of such magnitude. But, speaking from a long-term macroeconomic policy perspective, let's admit that we have taken some shortcuts. Not giving names and pointing fingers, the former chief of the European Central Bank (ECB), Mario Draghi, advocated the importance of structural reforms and growth potential-

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enhancing measures in each ECB press statement I can possibly recall.

Yet we haven't exactly done our homework on the resilience front. It would have been nice to enter the new decade with more funds for rainy days. So yes, we are on the verge of a grave crisis, both human and economic. But crises can teach us a lesson or two. Ours is that once the affected regions emerge from the current standstill, we will have to fire up all our engines in an integrated and well-rounded policy strategy and get our hands dirty... really dirty.

\***Sona Muzikarova** is a chief economist at GLOBSEC in Bratislava, Slovakia.

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## **The News Media and Public Health Crises**

Virgil Hawkins  
March 19, 2020

**As the media focuses on the coronavirus pandemic, it is perhaps time to remember that other major public health crises also desperately deserve our attention.**

**T**he novel coronavirus, known as COVID-19, continues to threaten the health and lives of large numbers of people throughout the world. It has also wrought havoc on social and economic activity, most notably in high-income countries in Asia and the West. It has also captured the attention of the media, displacing all manner of domestic and world news in its wake.

But at a global level, the levels of attention are not necessarily proportionate with the level of the threat to human life. At the time of publishing, COVID-19 has infected more than 240,000 people and killed around 10,000 worldwide.

To put this into perspective, each year, malaria infects more than 200 million people and kills over 400,000 worldwide, with more than 90% of these deaths being in Africa. Tuberculosis infects

10 million annually and kills roughly 1.5 million of those people. Diarrhea, caused by contaminated food and water, kills more than all those who die of malaria, tuberculosis and AIDS combined. All of these diseases, like COVID-19, have a global reach (with the exception of malaria), although they are most heavily concentrated in the "global south."

These are millions of lives lost each year that are largely preventable, and yet these deaths, and the threat that such diseases continue to pose to humanity, are routinely ignored by the news media. A search of The New York Times website found that, in 2019, there were just six articles about tuberculosis (containing the word in the article title) and four articles about malaria (two of which were about an anti-malaria drug at the 2019 Beijing Expo). From the perspective of the news media, the deaths caused by these diseases, whether preventable or not, have been "normalized" and are "acceptable" to the point that they are neither newsworthy nor noteworthy.

The obvious conclusion here is that the levels of media and public attention to such diseases are not determined by the loss of, or threat to, human life per se, but are largely dependent upon the question of whose lives are being lost or threatened. Just as can be seen in the massive gaps in terms of the haves and have-nots with media coverage of armed conflict (and of coverage of the world in general, for that matter), the geographic location, nationality, race, ethnicity and socioeconomic status of the victims are major determining factors. COVID-19 impacts high-income Western countries, but malaria, tuberculosis and diarrhea-related diseases do not.

### **The Outbreak of Ebola**

Similarly, the 2014-16 outbreak of the Ebola virus in West Africa, which became the worst in history, did not begin to grab the headlines until the disease began to be seen as a threat to people in high-income countries. Those living in these countries could perhaps be forgiven for not noticing that we are just now overcoming the

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second-worst outbreak of Ebola in history, one that has been ongoing in the Democratic Republic of Congo (DRC) since 2018. It has hardly been making headlines in the Western media.

Yet the levels of news attention depend not only on the location and identity of the victim, but also on novelty — the characteristic of something being “new.” Malaria, tuberculosis and diarrhea-related disease kill large numbers of people, but it is a constant stream of threat and tragedy. But COVID-19, like other coronaviruses such as MERS or SARS, is a rare occurrence with outbreaks appearing (at least at current trends) several years apart. New developments, threats and deaths that we have not yet normalized are considered particularly newsworthy. This applies even in high-income countries.

As is already being pointed out by many, the annually occurring seasonal influenza kills tens of thousands of people in the US alone each year — far more than COVID-19 has so far, and yet the media is calm and relatively low-key in its response. Although the threat is grave, it is something that has been normalized by society and the media.

By the same logic, however, the media could be expected to have been responsive to the outbreak of Ebola in the DRC. It is, after all, a major disease that is extremely infectious and deadly and that only occurs occasionally.

The same can be said for the world’s worst measles outbreak, also occurring in the DRC, which, unlike malaria or tuberculosis, is also a new development. The number of people that measles has infected and killed in the most recent outbreak there is also comparable to COVID-19. Both Ebola and the measles have an additional novel characteristic in the sense that the ongoing armed conflict in the DRC has compounded the problem, hindering efforts to stop both diseases. And yet it has struggled to attract any small measure of media attention. Clearly who the victims are is more important than the novelty factor.

### **What’s Newsworthy?**

But there still remains one final factor that is related to novelty: the fear of the unknown. Ebola and the measles occur as occasional outbreaks, but they have happened before and much about them is already known. COVID-19 is a new strain of coronavirus and, as such, its impacts are yet — to a degree — unknown. Scientists are still trying to understand just how infectious and deadly it is. Fear of the unknown regarding the virus, and the panic it creates, serves public appetite for constant updates and information and, simultaneously, the interests of the commercial media.

Interestingly, these patterns in the media are not only seen in the countries greatly impacted by public health threats, but throughout the world as a whole. The media in southern Africa, for example, which has been largely spared from COVID-19 so far, is also devoting a considerable amount of its attention to the spread of the virus. Global news flows — the determination of newsworthiness and the spread of information worldwide — are largely determined in the countries in which economic and political power resides.

This is not to downplay the suffering (actual and potential) caused by COVID-19. The disease does indeed pose a major ongoing threat to people throughout the world, and Africa will undoubtedly struggle to contain the spread and its consequences if the number of cases begins to rise substantively. But by the same token, if preventing the loss of human life — regardless of its location, nationality, ethnicity or socioeconomic status — is the prime goal in stopping COVID-19, then it is perhaps time to remember that other major public health crises also desperately deserve our attention.

\***Virgil Hawkins** is an associate professor at the Osaka School of International Public Policy, Osaka University.

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## **One Antidote to Coronavirus: More Multilateralism**

Gary Grappo  
March 30, 2020

**Never before in history has mankind been better positioned than today to confront a health challenge like the coronavirus and its economic effects.**

**W**ith nearly every government and populace around the world now mobilized to combat the coronavirus pandemic, the sort of broad-based international coordination often seen in previous global crises remains glaringly absent, and it's holding us back from a solution. The reasons for this lack of overarching collaboration and coordination may be several, but one stands out starkly: the United States. The world's wealthiest and most technologically advanced nation is focused almost exclusively on itself.

This is because of one man: President Donald Trump. Mr. Trump is an avowed unilateralist, as per his "America First" pledge uttered throughout his presidential campaign and repeated frequently when speaking to his supporters. That approach is hurting America as much as the rest of the world.

### **Strength in Numbers**

Under previous US presidents dating back the Franklin Roosevelt, America took the lead to rally the global community against threats, whether to international security, the global economy or world health. It was George W. Bush who led the worldwide community against the threat of international terrorism following 9/11 and against HIV/Aids in Africa. He and his successor, Barak Obama, gathered nations large and small to mount a global effort to stanch the hemorrhaging of the global economy during the 2008-09 financial crisis, and Obama rallied the international community again in response to the 2014-16 Ebola epidemic.

In these and so many other global challenges of the last 75 years, American leaders in both the White House and Congress understood that even with all of its resources, the US could not take them on by itself. But without the leadership of the world's richest and most powerful nation, the efforts of other countries would also fall short.

Working together, however, the world was able to overcome crises that in a previous era would have devastated nations and economies and left millions either dead or destitute. Never before in history has mankind been better positioned than today to confront a health challenge like the coronavirus and its economic effects. Yet, in surveying the landscape, no coordinated international undertaking appears evident. That is holding us back.

### **What's Missing**

First, where is the global task force charged with monitoring the disease and advising on best practices? To be sure, separate agencies, like the World Health Organization (WHO) or national agencies, such as US Centers for Disease Control and Prevention, have tried to take on some of those tasks. But a single, internationally empowered clearinghouse, perhaps endorsed through a UN Security Council resolution, would make responses by nations so much more effective. Such an organization would also make coordination of aid appeals more effective and actions to meet them more responsive.

Since the outbreak of the coronavirus in the US, Congress has passed and the president signed three major bills to help individual Americans, businesses and hospitals and health-care workers contend with the health and economic fallout of the pandemic. The last bill, signed on March 27 by President Trump, provides more than \$2.2 trillion in relief to the country as well as modest funding for lesser developed nations. To put it into perspective, that's 47% of the entire US federal budget for 2020.

One wishes, however, that elements of this legislation would have had the broader perspective of the global effort. For example, in

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its commendable effort to support research and development into the coronavirus and possible treatments, cures and a vaccine, factoring in what other nations may be able to contribute would have been useful. Furthermore, in a global pandemic, even the best of efforts on the part of the US will come to naught without other nations similarly mobilizing, within appropriate and relevant resource constraints, to address the crisis.

A second area in which a multilateral approach might prove effective is research on the virus and the development of a vaccine. Individual scientists, researchers and institutions around the world have mobilized in a massive undertaking to learn all they can about the coronavirus and ultimately identify a vaccine. Most of them doubtlessly have their own formal and informal networks for sharing data and work results in order to take advantage of the latest developments.

Nevertheless, integrating the appropriate experts within an international coordinating task force not only would facilitate their work but also the allocation of global financial and scientific resources. In addition, when a vaccine is finally discovered, which it will be, ensuring that it is quickly produced on a mass scale in order to immediately vaccinate some 60% to 80% of the world's population — scientists are still uncertain what percentage would require vaccinating to effectively prevent the coronavirus from spreading — will be imperative. International coordination will be essential for that undertaking.

### **Future Virus Hotspots**

A third area requiring coordinated international efforts is aiding lesser developed nations, countries in conflict — Libya, Syria, Yemen, Afghanistan, etc. — and refugees and internally displaced peoples around the world, a figure that exceeds 70 million as per the UN Refugee Agency. Wealthier nations will eventually be able to eradicate the coronavirus from their midst, but until the needs of smaller, less wealthy

nations and stateless and homeless populations are protected, the entire planet remains vulnerable. If developed countries like China, Italy, Spain and the US are experiencing the horrific losses and economic strains seen to date, the number of victims in these other nations will be exponentially greater without adequate and effective international aid and support.

Working with China, Europe, Japan and other advanced nations, the US ought to be leading the global response to the coronavirus called for by King Salman of Saudi Arabia, speaking as chair of the G20 recently. Instead, China and the US have been trading insults or blaming one another, with Trump referring to the “Chinese virus,” his secretary of state calling it “Wuhan virus,” and China blaming the outbreak on a US plot to weaken China.

Leadership is most in need at this juncture if the world is to prevail over the coronavirus. Donald Trump, who rarely takes responsibility for anything unless it becomes a success, is unfit for that leadership role. But without the US leading and promoting collaboration and cooperation, can any global effort succeed or even get off the ground?

\***Gary Grappo** is a former US ambassador and the current chairman of the Board of Directors at Fair Observer.

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## **Guyana's Bright Future Is Under Threat**

Michael Unbehauen

March 30, 2020

**Guyana may soon in a similar situation to Venezuela — a target of economic sanctions, with a government not recognized as legitimate by most states.**

**A**fter discovering massive oil reserves in the past five years, Guyana, one of the poorest countries in South America, was

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poised to become one of the richest nations in the world. Also noteworthy is the fact that, since Guyana's independence from Great Britain in 1966, Venezuela claims nearly 70% of its territory. Reminiscent of the People's Republic of China, the government of Nicolas Maduro started claiming a large maritime area with significant oil resources and has routinely hindered international freedom of navigation in the area.

On February 16, at almost the same time as Guyana's first oil shipments were taking place, Venezuela's navy conducted its first live-fire missile test since 2013, firing at a retired oil tanker. The message was clearly aimed at its neighbor and the oil companies operating in Guyana's offshore area claimed by Venezuela.

### **Historic Election**

With this going on in the background, on March 2 Guyana saw perhaps its most historically significant election. The polls were to decide what party will be able to reap the benefits of the coming oil boom, change the country for the better and, therefore, potentially stay in power for a long time. Traditionally, the Guyanese have been voting largely in accordance with their racial backgrounds. The two largest groups are the descendants of former African slaves and those whose ancestors were brought to the country as indentured laborers by the British during colonial times.

The last election had been lost narrowly by the People's Progressive Party/Civic (PPP/C), carried mainly by Indo-Guyanese against the now ruling party coalition, A Partnership for National Unity + Alliance For Change (APNU+AFC) that is supported mainly by Afro-Guyanese.

The recent general election started out as a promising manifestation of democracy, peacefully conducted and overlooked by international observers. However, the result was anything but reassuring for Guyana's democratic and successful economic future. After accusations of election fraud and without the entirety of ballots counted, the ruling coalition was declared the winner by the voting

commission. Guyana's highest court intervened, ordering a count of the remaining ballots.

After tensions with the police that left one anti-government demonstrator dead, an agreement between President David Granger and the opposition was negotiated to accept a recount overseen by the Caribbean Community (CARICOM). But a member of the president's party then objected that this was unconstitutional, and the count was stopped. Consequently, the CARICOM commission left the country without being able to conduct an election recount. Citing concerns about the democratic process in Guyana, international observers of the Organization of American States, the Carter Center, the Commonwealth Observer Group and the European Union left the country as well. Diplomats from the United States, Britain, Canada and the EU stated in unison that the results of the election were not credible, and US Secretary of State Mike Pompeo warned about severe repercussions for persons benefiting from electoral fraud and illegitimate government.

It is possible that Guyana will soon be in a similar situation to Venezuela — a target of economic sanctions, with a government not recognized as legitimate by the international community.

### **Criminal Connections**

With US and international sanctions looming, Georgetown could be likely turning more to China, which already has a substantial presence both in Guyana and the wider region. In the past, President Granger has tried a balancing act between China and the West with the goal of benefiting economically from both. Militarily, Guyana has had training cooperation with the US military and is a state partner of the Florida National Guard. US military personnel conducted several medical events and constructed community centers and shelters.

At the same time, Guyanese officers receive scholarships to attend training courses in China, with the Chinese People's Liberation Army donating military equipment to Guyana. China

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has further cemented its presence in Guyana with various infrastructure projects, like the renovation of the main airport and the construction of a conference center.

Politically closer Guyana-China relations will potentially squeeze US influence even further from the northern corridor of South America, where Beijing remains one of Maduro's staunch supporters. In addition, Guyana's neighbor to the east, Suriname, is an ally of both Maduro and China. Last year, Beijing and Paramaribo established a strategic partnership when President Desi Bouterse, wanted by Interpol on charges of murder and drug trafficking, was hosted by President Xi Jinping. During the visit, Bouterse was convicted for executing political opponents in the 1980s and sentenced to 20 years in prison.

The Surinamese president is believed to have been able to return to power with financial help from Maduro and has ties to Guyanese, Colombian and Venezuelan drug kingpins. He is also suspected of being involved in smuggling arms to the Revolutionary Armed Forces of Colombia. His son, Dino Bouterse, is currently in a US jail for his involvement in conspiring with narcotics organizations, arms smuggling and supplying a fraudulent Surinamese passport to a US Drug Enforcement Administration undercover operative, who he thought was a member of Hezbollah. Dino Bouterse planned to arrange for Hezbollah training camps in Suriname in the return of financial bribes.

### **Isolation Corridor**

With the ongoing developments, it is the realm of possibility that a corridor of states, from Venezuela over Guyana to Suriname, becomes isolated from its neighbors in South America, the Caribbean and the United States. However, these states would likely receive full recognition from China, which is not concerned with the internal politics of its partner nations. The influence in such a corridor would also not only be limited to China's economic interests.

The entire corridor in all probability would open up to the same players as in Venezuela:

Russia, Iran and its proxy, Hezbollah. Suriname signed a military cooperation agreement with Russia, a first for a CARICOM nation since the 1979-83 pro-Soviet government of Grenada. Russian Foreign Minister Sergey Lavrov visited the small South American nation last year to declare, together with the Surinamese foreign minister, his solidarity with Venezuela.

Iran has tried to make inroads into Guyana in the past and donated funds to build an institution to train doctors, as well as sending a team of scientists to help map possible uranium deposits when the current opposition party, PPP/C, was in power. To the current Guyanese government Iran has offered collaboration in the area of infrastructure. Notable is also the case of Abdul Kadir, a chemical engineer by profession and former Guyanese politician who had at one point been a member of parliament and the mayor of Guyana's second-largest city, Linden, with the current government party. He was originally born as Michael Seaforth and changed his name to Abdul Kadir after converting to Islam.

In 2007, Abdul Kadir was arrested in Trinidad in connection with a bomb plot at New York's JFK airport and extradited to the United States. He was en route to Caracas from where he planned to travel to Iran. Kadir was sentenced to life in prison and died in a US jail in 2018. According to US court documents, he had also been in contact with an Iranian diplomat who is believed to be one of the planners of the 1994 terrorist bombing of the Jewish Community Center in Buenos Aires.

Reminiscent of the so-called Shia crescent in the Middle East, we may find a similar South American crescent in the future. If this happens, the tensions between Venezuela and Guyana may likely decrease as they both will find themselves in the same political camp. Indicative hereof are the remarks made a few days ago by Guyana's foreign minister that Guyana never recognized Juan Guaido as interim president of Venezuela.

Nonetheless, if an amicable, peaceful and fair solution for the current political situation in Guyana is not found soon, it could have dire

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consequences for the entire region and, most of all, a bright future for the Guyanese will be placed on hold.

\***Michael Unbehauen** is the founder and president of Acamar Analysis and Consulting.

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## **COVID-19 Makes Johnson and Trump Reject Thatcher and Reagan**

Atul Singh

March 31, 2020

**With wartime deficits and historic economic stimulus, the era of unleashing markets and rolling back the state has come to an end.**

**I**n 1978-79, the United Kingdom experienced the winter of discontent. Trade unions around the country went on strike. On January 22, 1979, the UK experienced the largest strike action since the General Strike of 1926. Even gravediggers and waste collectors joined in, leaving corpses and rubbish piling up. A bitterly cold winter with blizzards and heavy snowfall dampened animal spirits further. To quote one of this author's former tutors, "the country was in the gutter."

Throughout the 1970s, the British economy had been ailing. The 1973 oil crisis had triggered a global recession and high inflation. The British government tried hard to be fiscally responsible, control inflation and avoid a large increase in unemployment. The only way to achieve all three goals was to curb wages. Sadly for Jim Callaghan, the then British prime minister who hailed from the Labour Party, the workers revolted and the economy wilted.

Sensing Labour's weakness, Margaret Thatcher, the Conservative leader of the opposition, pounced. She tabled a motion of no-confidence that Callaghan lost by a single vote on March 28, 1979. A general election followed in May. Thatcher won a historic victory with 5.2% of British voters swinging from Labour to

Conservative. Not since 1945, when Clement Attlee became prime minister, had so many voters switched sides.

### **No Such Thing as Society**

Unlike Tony Blair or David Cameron, Prime Minister Thatcher was a conviction politician. As an undergraduate at Oxford, she was deeply influenced by "The Road to Serfdom," a 1944 classic by the Austrian economist Friedrich von Hayek, a friend and rival of the legendary John Maynard Keynes. Von Hayek made a sophisticated case against socialism, arguing that it "tends always to totalitarian outcomes, regardless of the intentions, professed or real, of its proponents." Thatcher was one of von Hayek's true believers.

It is easy to forget today that von Hayek was largely forgotten after 1945. World War II marked the triumph of Keynesian ideas. The commanding heights of the economy were occupied by the state in an all-out war effort. As a result, a full employment economy emerged that left the ravages of the Great Depression behind. Attlee's 1945 victory led to the establishment of the National Health Service (NHS). Henceforth, regardless of whether a Labour or Conservative prime minister occupied 10 Downing Street, the British economy was run on Keynesian ideas.

In von Hayek's words, "Keynes died and was raised to sainthood" while he was discredited and forgotten. It was only the economic crises of the 1970s that brought von Hayek back into fashion. Thatcher went on to put his ideas into practice. The grocer's daughter believed in enterprise, thrift and self-reliance, not handouts from or dependence on the government. She did not want people to cast "their problems on society." In fact, she forcefully argued that "there is no such thing as society. There are individual men and women and there are families."

In the Thatcherite worldview, obligations came before entitlements, governments can do nothing except through people, and people had to look after themselves first. As per the Iron Lady,



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“It is our duty to look after ourselves and then, also, to look after our neighbours.” The fact that some people did not work because they could go on state benefits infuriated her.

Thatcher’s moral clarity set the UK on a fresh course. She broke the back of unions, rolled back the state, let uncompetitive British industry die and brought in “Big Bang” reforms that made the City of London a rival to New York. Thatcher pulled not only her fellow Conservatives but also the rival Labour Party to the right. In the 1990s, Tony Blair and Gordon Brown created New Labour by abandoning their party’s cherished old principles. The duo became Thatcher’s children and venerated markets when they ran the government between 1997 and 2010.

### **Government Is the Problem**

In 1980, the US emulated the UK in moving to the right by voting in Ronald Reagan as president. Throughout the 1970s, the US suffered from low economic growth, persistent inflation and high unemployment. The Iran hostage crisis of 1979-80 destroyed faith in the government and in Jimmy Carter’s credibility, paving the way for Reagan.

The new president believed in supply-side economics. As per this theory, economic policy must focus on increasing the supply of goods and services for consumers. This can best be achieved by lowering taxes and decreasing regulation. Once businesses produce more goods and services that consumers purchase, employment rises, wealth increases and the economy booms.

Unlike Thatcher, Reagan was not an educated man. He is not known to have read many books. Yet this Hollywood actor for whom Franklin D. Roosevelt was a “true hero” had a Damascene conversion and turned against government. Like Thatcher, President Reagan believed in individual enterprise and free markets. In his view, reforms that “get government off our backs” and “out of our pockets” lead to more jobs and a better economy.

In his inaugural address, Reagan declared that “government is not the solution to our problem,

government is the problem.” Now, Reagan is venerated by American conservatives as a prophet. Along with Thatcher, he changed the global zeitgeist. For him, the mighty Soviet Union was the “evil empire” and free markets were the best way to protect individual liberty. To this day, his iconic words hold sway: “The nine most terrifying words in the English language are: I’m from the Government, and I’m here to help.”

The Soviet Union collapsed in 1991, vindicating Reagan’s faith in markets, not government. When Bill Clinton became president in January 1993, he acted as Reagan’s dutiful son, signing off on welfare reforms and on the repeal of the Roosevelt-era Glass-Steagall Act of 1933. This monumental legislation separated investment banking from retail banking and was a reaction to the terrible stock market crash of 1929. Yet despite warnings of dire consequences from the likes of Byron Dorgan, the North Dakota senator at the time, Clinton gave Glass-Steagall an unceremonious burial.

### **There Really Is Such a Thing as Society**

Unlike the financial crisis of 2007-08, the current coronavirus pandemic has changed the trajectory of politics and economics. The response to the 2007-08 crisis was fiscal stimulus and monetary easing. The global economy did avoid collapse, but the gains of the bailout ended up in the pockets of the wealthy. In fact, \$1.6 billion of US taxpayer money went to top executives in the form of salaries, bonuses and other benefits.

The bailouts were nothing but socialism on the downside and capitalism on the upside. The wealthy kept all their returns while the public was left with the risk. Unlike Roosevelt, President Barack Obama proved too pusillanimous to take on Wall Street. As a brilliant PBS documentary has chronicled, the Obama administration prosecuted small fry but steered clear of the big fish. It is widely whispered that Obama did not want to be seen as an angry black man and prized stability over reform.

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The failure of the US president and the legislators to act left a searing sense of injustice that fueled both the Tea Party and Occupy Wall Street movements. Eventually, it paved the path to the White House for Donald Trump in 2016. At the time, the government just made the big banks bigger and business went on as usual. Central banks hosed economies with cash, which boosted the price of assets. The rich became richer. Even as stock markets surged, inequality soared.

In 2020, the coronavirus pandemic has brought markets around the world to their knees. Governments have imposed lockdowns and the global economy is in recession. Instead of individuals taking care of themselves and their neighbors, governments are stepping in. The Conservatives have announced a £350 billion (\$433 billion) stimulus for the British economy.

On March 17, Chancellor of the Exchequer Rishi Sunak declared: “This is not a time for ideology and orthodoxy, this is a time to be bold, a time for courage. I want to reassure every British citizen this government will give you all the tools you need to get through this.” British Prime Minister Boris Johnson, who is self-isolating due to contracting the coronavirus, has gone further. In a video message, he said the “coronavirus crisis has already proved ... that there really is such a thing as society.”

Unlike Blair and Cameron, Johnson has an acute sense of history. He studied classics at Oxford, has written a biography of Winston Churchill and began his career during the Thatcher era. Like the Iron Lady, Johnson has won a historic election. Now, this politician of “blundering brilliance” has publicly buried Thatcher.

Instead of the austerity that Cameron and George Osborne imposed on the country in 2010, Johnson and Sunak have opened all taps to give people relief. From paying workers’ wages and giving businesses grants to tax holidays and mortgage relief, the Johnson government has decided to run wartime deficits to combat a

public health crisis. Johnson is proving to be the child of Clement Attlee, not Margaret Thatcher.

The US has emulated the UK by passing its own stimulus package of over \$2 trillion. It is the largest bailout in US history. With a record 3.3 million people claiming unemployment insurance, no Republican senator or congressman is now arguing that government is the problem. Instead, they have sanctioned a one-time \$1,200 payment for every American earning less than \$75,000 per year and another \$500 per child. More importantly, the Congress has increased unemployment insurance by an extra \$600 per week. Americans expect relief and the government, not Goldman Sachs or Bill Gates, is answering their call.

President Trump has done what Obama was reluctant to do. He has ordered “time-wasting” General Motors to make ventilators for coronavirus patients after attacking the company’s chief executive. He invoked the Defense Production Act, a legislation from the era of the Korean War, which gives the president the power to force companies to make products for national defense. In a land where elections cost an arm and a leg, politicians are wary of taking on companies. Trump has done so publicly.

Obama once remarked that “Ronald Reagan changed the trajectory of America in a way that, you know, Richard Nixon did not and in a way that Bill Clinton did not.” Abandoning Reaganomics, Trump and Congress have gone back to Roosevelt’s economics. The coronavirus has achieved what Clinton or Obama did not.

The two Anglo-Saxon democracies, the superseded and the predominant superpower, have largely created the world we live in. In both these lands, the mighty winds unleashed by Thatcher and Reagan have now changed direction. Make no mistake: A new world is about to be born.

\***Atul Singh** is the founder, CEO and editor-in-chief of Fair Observer.