

Strategic autonomy isn't just for defence

COVID-19 has forced to the world to think differently about its economic security and relationships with certain trading partners. Economic resilience requires us to take a closer look at shortening our supply chains and bringing a larger share of the real economy closer to home.

It is a fact the world is going to become a different place as we become more fragile economically in the another look at its relationship with a state that wake of the COVID-19 pandemic. This disease is not the exclusive preserve of western economies as it's a stateless, gender and race indifferent phenomena.

Strategic autonomy used to be the language of defence sector but COVID-19 has shown this to be a redundant focus because the thing that's likely to kill us isn't a nuclear warhead. It is a virus. Bill Gates' TED conference address in April 2015 was breathtakingly prescient. Gates stated that as nations have war games to prepare for the possibility of war, the same had to be true for virus pandemics. There was in fact a virus war game in which the score was virus 1, humanity 0.

We had a series of warnings in recent years with mad cow disease and bird flu but we humans did not take a forward looking view on these harbingers as we are inherently tactical. This is of course hampered by a lack of available capital as just about every economy was severely affected by the 2009 global financial crisis. Having to find more money to spend on something that might happen was not going to receive much political airtime.

China's culpability in this recent viral attack on humanity is not the first and the world is unlikely to forgive seasily, particularly now that the real cost in both economic and human life terms has been and will continue to inflict the world's households

The world has been violently shaken into taking appears to carry on with apparent indifference to the existential damage it has indirectly caused.

The world's policy makers can no longer afford to ignore this very real threat and are now required to take steps to protect its people and their livelihoods.

The economic answer is to shorten supply chains.

Unbridled capitalism has been singularly focussed on profit maximisation at the expense of the very communities that economic enterprise inhabits. China took lessons from Japan and eclipsed it such that it never re-emerged from the ever-growing shadow cast on it and the rest of the world. In becoming the world's factory, China has hollowed out whole economies and laid waste to their ability to recover and, in the process, weaponised trade. How was this allowed to happen? Hindsight is always perfect when looking in the rear-view mirror. The question at hand, in the wake of growing pandemic related economic wastelands, is what must be done ameliorate the inevitability of this future threat?

We must look to build and develop our economies with home spun skills. This necessarily means having to take some short-run cost pain as the world begins retooling and bring things home or, at the very least, closer to the point of consumption. This means reducing the length of our supply chains.

European business must take stock of its options.

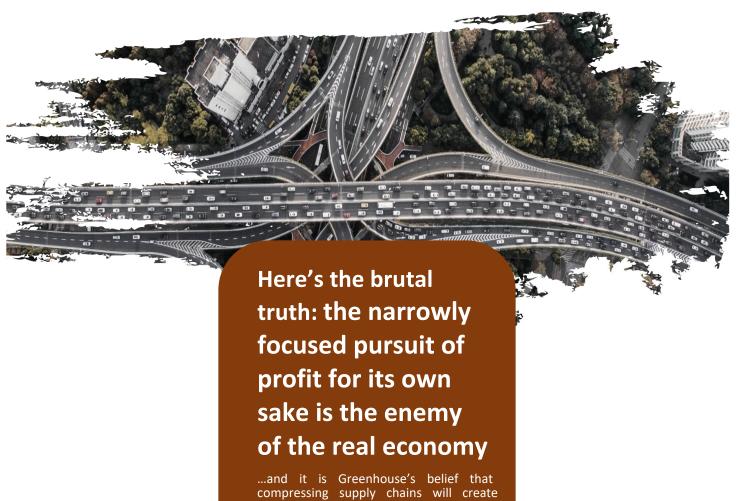
There are a few options few to consider, like heading down to Turkey or parts of Northern Africa. The latter is likely to be a viable option but only in conjunction with developing other routes in the Western Balkans. The data supports much more than just a passing consideration

If one takes the comparable World Population Review education rankings of maths and science, it is clear the Western Balkans represents, on average, 89.1% of the top EU comparables making the regions workforce more than capable.

The World Bank's Human Capital Index measures what a child, born today, can expect to attain by their 18th birthday with 1.0 being the highest score. The point of the exercise is to see which countries are best at mobilising the economic and professional potential of their populations. Using the same comparables, the Western Balkans ranks 0.65 against the EU at 0.78 which means, again, the region is remarkably close to its European neighbours when it comes to its ability to develop its labour pools.

The most telling is the comparable cost. The average monthly salary for the Western Balkans is €1,325 against €4,023 for the Western Europe.

The infrastructure costs (land, rents, utilities etc) also compare very favourably which collectively means that the Western Balkans have to be considered if the EU is to achieve strategic economic autonomy in practical terms.



...and it is Greenhouse's belief that compressing supply chains will create more benefits for the communities from which value is ultimately derived. In doing so, trade will seek greater use of technology to optimise and expand human productivity.



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If you would like some help in reviewing this option together with implementation support, please contact us on: hello@greenhouse-international.com.

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