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insight.

Security

Letter from the Editor-in-Chief

Welcome to the 26th issue of Insight Magazine!

This issue explores security in a variety of economic contexts. Whether you're interested in Malaysian politics or TikTok, there's an article for everyone.

On behalf of the Insight community, I would like to take this opportunity to thank the School of Economics for their continued support for the magazine, without which this publication would not be possible. A special thank you to the student authors and editors for all their hard work in making this issue come to life.

If you're interested in editing for Insight next academic year, please see details about applications on our Facebook page.

All the best,
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(Re)Discovering Security as an Economic Concept

Adith Srinivan

Security is a muddy concept in economic discourse. Indeed, the meaning of "security" appears entirely context-dependent, from a tradable object in financial markets to the financial stability of individuals and families, and increasingly, to the preservation of public health and the environment. Yet, this plurality of meaning has also resulted in economics' limited engagement with the concept in one of its most common manifestations: national security. This is while an increasing volume of research has explored the (at times, worrying) economic implications of the powers and discourse of national security and defence. So, what happened to the concept of security in economic analysis?

Earliest Encounters

To sketch an account of what happened, we will have to start with a history of the concept. One of the most prominent early mentions of security and defence in economic analysis, at least in the classical Western tradition, can be found in Adam Smith's canonical The Wealth of Nations. In this defining text of free market economics, and arguably the birth of modern economics in general, Smith discusses the basic operating principles of a laissez-faire market. In detailing how a society constructed on the basis of such a market-led system might function, Smith argued that a laissez-faire economy could not operate as efficiently as needed unless the security of the individuals participating in the exchanges, as well as the societies and locales within which such exchanges are to take place, are provided for. In other words, security was a facilitating condition for the free market. This proposition has some intuitive appeal. After all, how can free exchange occur, and competitive advance be realised, if the exchanging parties are faced by constant threats to their security (especially by one another)? Absent any other plausible alternative then, Smith argued, the government in particular must properly assume its role as guarantor of the national defence and provide for the security of the society over which it governs. Importantly, however, Smith's discussion of security was embedded within an analytical framework that defies the traditional disciplinary silos that are in use today. The story of security as an "economic" concept begins well before the birth of modern economics, at a time when what we call economics today was intimately intertwined with traditional socio-political analysis. Robert Heilbroner's The Worldly Philosophers illustrates this point clearly: the definitions that have come to delimit the disciplines of economics, politics, political philosophy and social ethics in the modern academy are by no means natural. Indeed, some of the most canonical, classic texts in these fields, including The Wealth of Nations, were produced at a time when all such studies were subsumed into a simple "worldly philosophy." The problem of group survival and defence (security) was thus not a subject belonging to an individual "study." Rather, it was a danger constantly looming over any society. Thus, like Smith, scholars, theorists and students of these fields often treated security as simply the root danger to a society, to be [re]solved by any means necessary. Economics, in turn, was simply the study of how the market – the system of exchange between individuals and groups – operated to provide societies with a system to preserve the group's order and provide for its survival. The Victorian Era would bring with it significant changes to this system of ideas; changes which would have important implications for the ways we understand security today. A key figure in ushering in these changes was Alfred Marshall. Author of the canonical Principles of Economics, Marshall would explore such key questions as the nature of market equilibrium and the difference between the short- and long-run in economic analyses. Importantly, however, for Marshall, these questions did not require or mandate a discussion of political issues. It was irrelevant "how the relations of power and obedience that give structure to all stratified societies arise in a social order" – all that mattered was how the market somewhat magically arrived at equilibrium prices. Thus, economic analysis was emptied of any "political content" – the sort that had distracted or even corrupted earlier works in "Political Economy." We now had a new study: "Economics." What, then, would become of the concept of security? Quite simply, it would fall outside of the bounds of this new discipline.

Power Struggle

Instead, questions of national security and defence would fall within the newly minted studies of "political science" and "international relations." Perhaps this development is natural and intuitive. In his seminal work, The Twenty Years' Crisis: 1919-1939, E.H. Carr develops an account for the beginnings of what he would consider to be a "science of international politics." Drawing upon the lessons of the First World War, Carr argued that the origins and motivations for a "political science" have largely paralleled those of the natural sciences: to better the human condition and remedy the ills that plague society. In particular for Carr, in response to the horrors of war, civilians began to take an interest in the causes of conflict and the features of international politics which precipitated its initiation.

The result was that the conditions governing war – the insecurity of the warring states, primarily – became a central feature of this new political-scientific analysis. Security, in other words, was political content, outside of the scope of economic analysis.

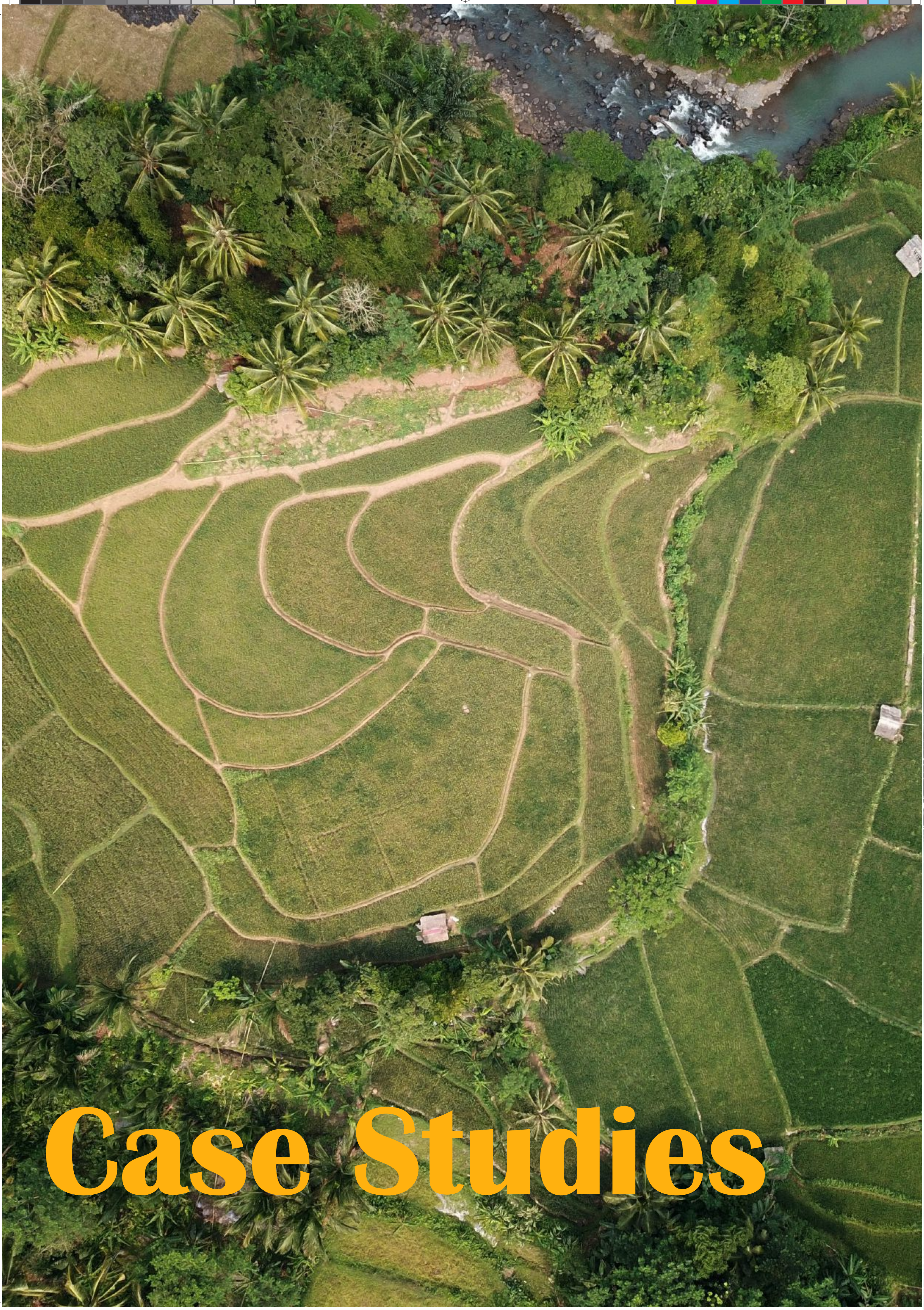
This is, not to say that the divorcing of political analysis from economics would permanently separate the two worlds, particularly with regards to security. Indeed, the "golden age" of strategic studies would see Thomas Schelling employ the principles of game theory to explain patterns of behaviour by nuclear-armed states. Additionally, Waltz's neorealist theory of international relations builds upon microeconomic analysis (particularly, that of Thomas Friedman) to develop an explanation for historical patterns in international politics, drawing parallels between firm behaviour and state action. Perhaps even more illustratively, studies into the so-called "military-industrial complex" treat the 'interactions between national security bodies within the government and the defence industry as exchanges within a market: self-interested, calculated, and predictable. In such cases, however, national security was simply a political subject, studied by analytical frameworks originating in economics. It was not, however, an economic concern, as such.

Still, one might wonder: why should we care? Surely, that the study of economics does not formally include security is no great trouble. It is an Ivory Tower problem, something left to scholars and analysts. To understand why we ought to care about the concept of security at all, we will need to ask the much more fundamental question: what is security? By some accounts, security is that class of objects that have been designated as a threat by those with the power to designate threats to a particular group or subject. In this regard, security is not limited to the problem of war, but extends to any list of issues which are designated as existential threats to a community, society or country (recall, for example, the warning that COVID-19 presented an existential threat, should the necessary prevention measures not have been adopted).

Security is not limited to war, but extends to any list of issues which are designated as existential threats to a community, society or country.

For a more relevant example from economic studies, the Great Recession of 2009 was treated as a threat to peoples' way of life. Off the back of this designation then, the United States Federal Government justified large-scale bailouts of several auto companies and big banks, all while several much smaller companies and individuals faced insurmountable losses, placing a burden on their financial well-being to this day – the subject of much debate in polemic discourse, and criticism from liberal commentators and politicians in the US. The lesson here is simple: what qualifies as a "security" threat, as a "national emergency" in need of an extraordinary response by those responsible for handling it, has important implications for a society. The worry then is that economic analysis might be utilised (as durFing the Great Recession) as a tool in the security toolbox, where the government is the body trusted with handling the economic threat or challenge. Amongst the worrying implications of normalising such practices is that standard business cycles become the product of political intervention, and wealth disparities (themselves embedded within a system of power imbalances) are exacerbated.

So, perhaps a conceptual history lesson is not of particular interest on its face. However, the lessons of the past are that a thorough understanding and critical engagement with such conceptual histories offers us strong reason to be wary. Security matters for economics. The disciplinary structure of the study of economics should not undersell this. The critical question is how we might revive faith in the centrality of security as an economic concept.



Case Studies

Malaysia's Insecure Future

Hannah Zuraimi

Malaysia, despite its rich cultural diversity, bustling capital city, and stunning tropical landscapes, has suffered from political turmoil since 2020. However, it is now looking hopeful as the youths, with their minds on the future, have become a key target for politicians.

Security, stability, and accountability were the top concerns ahead of the country's 15th General Election. The election occurred a year earlier than it was meant to due to the political crisis. In short, within 22 months of the 14th general election, the country had seen the fall of the Pakatan Harapan coalition government ('The Alliance of Hope') and the resignation of the Prime Minister at the time. This was only the beginning three different coalition governments then replaced one after another, being appointed without a parliamentary vote but by the country's monarch. Exacerbated by Covid-19, Malaysia's political and economic instability continued throughout the months, which culminated in the early 2022 general election. It produced a hung parliament but Anwar Ibrahim (from Pakatan Harapan), who held a reformist vision for Malaysia, was eventually appointed as Prime Minister to lead a coalition government.

There was a silver lining to Malaysia's 15th General Election. In 2019, the 'Undi-18' legislation lowered the Malaysian voting age from 21 to 18 years old. This gave 18–24-year-olds one third of the electoral vote. For the first time, Malaysian youths were able to fight for a better future and have their voices heard– voices concerned with stability, accountability, and security.

Of course, those over the age of 30 had their doubts and argued that 18-year-olds are not mentally mature enough to vote. However, many disagreed, stating that 18-year-olds today are more politically aware and engaged than ever due to social media. One figure youths look up to is Syed Saddiq, a 29-year-old politician who formed MUDA (Malaysian United Democratic Alliance) under the Pakatan Harapan coalition, as he campaigns on social media platforms like Instagram and TikTok to spread awareness on Malaysian politics.

It's reported that about 2 million Malaysians, typically youths, reside overseas due to the lack of opportunities in Malaysia and its insecure future. This has left Malaysia's economy with a "brain drain", namely the resulting lack of innovation and entrepreneurship. Nonetheless, there were still many overseas voters like me, who casted their ballots and sent them back to Malaysia in hopes for a better future for their homeland. Many vouched for Pakatan Harapan (this time led by Prime Minister Anwar Ibrahim), a party that holds more progressive and needs-based values compared to other political parties that campaigned based on racial and religious lines.

For example, UMNO (United Malays National Organisation) and PAS (English: Malaysian Islamic Party) are the oldest political entities in the country, having been around since Malaysia's independence in 1957. From 1957 to 2018, Malaysia was ruled under UMNO. It is a race-focused party that serves the interests of Malays, who make up 60% of Malaysia's population, with Chinese being the second largest ethnic group in the country, followed by Indian. PAS, a party focused on Islamic fundamentalism, is a close contender as Islam is Malaysia's official religion, and all Malays are Muslims by law. Because of these reasons, the two parties have the strongest base in rural areas which are predominantly Malay. Young voters in rural areas are perceived to follow their parents who would most likely vote for UMNO or PAS, but it is important to note that this is a generation that is less susceptible to the traditional political levers of race and religion.

One of the many reasons why it was crucial for the youths' voices to be heard is because 18–24-year-olds were severely impacted by Covid-19. When the pandemic began, many in that age group had just started their careers in the informal sector, which did not offer any social security net to begin with. On average, they earn less than RM4000 a month (USD 900), and during the pandemic, half of them lost their businesses– and the other half who did manage to keep their jobs saw their income drop by 90%. The pay gap between 18–24-year-olds and those in mid-30's is large and continues to grow.

Amid the weak job market, Malaysia is not spared by the cost of living crisis either. High inflation due to the Russian-Ukrainian War has increased food prices as much as 40%.

Malaysia is a big importer of fertilisers given its heavy reliance on the agricultural industry for domestic food production and exports, such as meat and rice. The hike in natural gas prices catalysed the growing cost of fertilisers, which meant that local groceries became unavailable or too expensive. This landed Malaysia a position as a net food importer as consumers have no choice but to spend to import their groceries from abroad.

> Low automation utilisation, unstustainable farming techniques, and high input costs have halted economic growth.

In fact, during the pandemic in February 2022, Malaysia faced a chicken shortage when the cost of chicken feed went up by 33%. This was enough for medium-scale farmers to stop production altogether, causing a shortage in chicken supply domestically. Furthermore, this had impacts internationally as well, such as neighbouring Singapore, which felt the impact when Malaysia banned fresh chicken exports a month later.

Fortunately, shortly after being appointed, Ibrahim announced that the new government will try their best to mitigate the rising cost of living, mainly by imposing subsidies on basic goods such as fuel, cooking oil, flour and electricity. Further, he plans to shift his focus to low-income households. This is reflected in Malaysia's 2023 budget, in which the government has allocated USD 87 billion to public spending, including gifting cash to the poorest and cutting income tax for middle-income earners. Additionally, the government aims to balance this out by imposing progressive tax and wealth tax on luxury goods.

Besides fiscal policy, the budget also addresses tackling youth unemployment. Government-linked companies are to offer 35,000 job opportunities for young people and graduates. With the youth unemployment rate recorded to be at 10%, this policy speaks directly to them and their ballot. Yet, 35,000 is not a number big enough. There are 2.91 million households classified within the bottom 40% of household income, earning below RM4850 each month (USD 1080).

The youths that largely make up this statistic would usually be owners of small businesses in rural areas. These businesses are usually only attracting customers within close proximity since many lack the skills and knowledge necessary to expand their reach digitally. Farmers also suffer from this knowledge gap, preventing them from shifting to modern agriculture practices. As a result, low automation utilisation, unsustainable farming techniques, and high input costs have halted economic growth.

The government is now prioritising these small and medium enterprises (SME) by spending RM1 billion (USD 220,000) to help SMEs automate and digitalise their operations. This is a crucial step forward as there is considerable room to develop successful young entrepreneurs and support rural economic growth. Not to mention, young entrepreneurs are recognised as the driving force behind Malaysia's economy.

To date, Malaysia's economic outlook remains positive, with expected GDP to grow about 4.5% in 2023 and unemployment rate decreased to an all-time low of 3.3%. Needless to say, it is still fairly early to determine whether the future of Malaysia is secure. The 2023 Budget was only announced recently in February 2023 – and whether the new government's policies are working remains to be seen.

Bursting Point

Callan Pringle

"Mr. Gorbachev, tear down this wall!" When Ronald Reagan uttered those famous words in 1987, tides were beginning to turn against the Soviet Union. But the conflict had already taken a heavy toll. For years, the developing world had become a battlefield for ideological disputes between geopolitical heavyweights, leaving states caught in the crossfire ravaged and vulnerable. And while ramifications reverberated most intensely throughout Europe, the aftermath was also felt further afield. Four years after Reagan's speech – and a few months before the last death rattle of the Cold War – the Ethiopian President, Lieutenant Colonel Mengitsu Haile Mariam, was forced to flee his homeland to Zimbabwe in the face of a crumbling Soviet Union. Behind him, his Marxist-Leninist regime was left collapsing into the hands of the Ethiopian People's Revolutionary Democratic Front (EPRDF) in the wake of a civil war. Mengitsu was an emphatically unpopular leader: during his 'Red Terror', many tens of thousands of Ethiopians were killed in his attempt to consolidate power. Moreover, a series of terrible droughts and famines (some of the worst the world has ever witnessed) compounded by a policy of mandated agricultural nationalism, had devastated the economy. The Cold War may have been drawing to a close but by the start of the 1990s, Ethiopia, a once thriving nation, was on the brink of collapse.

Legesse

Meles Zenawi, leader of the Ethiopian People's Revolutionary Democratic Front (EPRDF), was entrusted with the formidable task of salvaging Ethiopia's broken state. Assuming the presidency in 1991 and later serving as Prime Minister until his death in 2012, Zenawi's manifesto (while multifaceted) emphasised the restoration of the economy through three central channels: the privatisation and liberalisation of the agricultural sector, the improvement of infrastructure, and the promotion of foreign investment. Despite a term marred by internal divisions – including a fierce 2-year war with neighbouring Eritrea – Zenawi was relatively successful in his endeavours. He managed to establish a sense of stability that proved to be a magnet for investment from the likes of China and Turkey. And, with an astute awareness of the need for Ethiopia to have influence over its surrounding regions and wider continent, Zenawi ensured that Ethiopia was placed at the centre of the African Union when It was founded in 2001. But it was one of Zenawi's final undertakings that perhaps best exemplifies his dream for a "new" Ethiopia: the construction of the Grand Ethiopian Renaissance Dam (GERD). Situated on the Blue Nile near the Sudanese border, the GERD was – and still is – set to become Africa's largest hydropower project.

Why we should give a dam

Work on the GERD began in April 2011, following the signing of a $4.8 billion contract with the Italian construction firm Salini Construttori. The Renaissance Dam, in accordance with Zenawi's vision, aimed to serve a key purpose: to protect Ethiopia's economy. One mechanism through which the GERD promised to deliver this economic security was through stabilisation of the agriculture sector. With the Blue Nile containing 85% of the River Nile's downstream water flow, Ethiopia is home to the largest source of fresh water in the region. Despite this, she has historically failed to capitalise on the full potential of this resource. Inadequate water infrastructure led to the catastrophic famine of the 1980s, and continues to hamper Ethiopia's primarily agricultural economy – further exacerbated by the country's rapidly growing population. Since 80% of Ethiopia's exports are dependent on agriculture, it is imperative for her economy to have a steady yield on agricultural produce. The GERD aims to regulate the river's flow, flattening out seasonal fluctuations, protecting harvests from the full force of periodic droughts. But will the GERD solve Ethiopia's water security problem? Well, no – the Renaissance Dam will certainly help Ethiopia, but with a quarter of the population currently lacking access to safe water, it is unlikely to completely eradicate the issue. Continued investment into water infrastructure, focussing on the distribution of the dam's growing water reserves, is vital for the GERD's benefits to be more meaningfully realised throughout the economy. The Renaissance Dam also presents the opportunity for Ethiopia to achieve greater financial self-sufficiency. Eritrea's independence in 1993 caused Ethiopia to lose direct access

to the Red Sea (becoming the world's sixth largest landlocked country); her two former – now Eritrean – ports, Massawa and Assab, consequently deemed "off-limits". Ever since, Ethiopia's trade market has become heavily reliant on access to ports outside of her diplomatic control, with freight mainly travelling through Djibouti, but also through Sudan and Somalia, which has undoubtedly raised import prices. But, with the GERD producing a staggering 5,150 megawatts of electricity on completion, excess power may be sold to offset these import costs. This would grant Ethiopia greater autonomy in deciding what to trade, and with whom. Finally, perhaps the most well-publicised gain by benefactors, the GERD is likely to stimulate domestic economic growth through a boost in the productivity of electricity-dependent sectors. Currently, hydroelectric power serves as Ethiopia's primary renewable energy source, yet the electricity access rate is only 45%. More widespread provision is the key to development. Electricity export deals are already in motion with neighbouring countries, primarily Sudan. But Sudan has oscillated between support and opposition to the dam, as they find themselves caught amid a standoff between Ethiopia and Egypt – who vehemently oppose the project. Despite the GERD potentially offering energy supply and reduced flood risks, Sudan's support appears to be contingent on a written agreement with Ethiopia about their ability to restrict water flow. Such an agreement, however, has not yet been made.

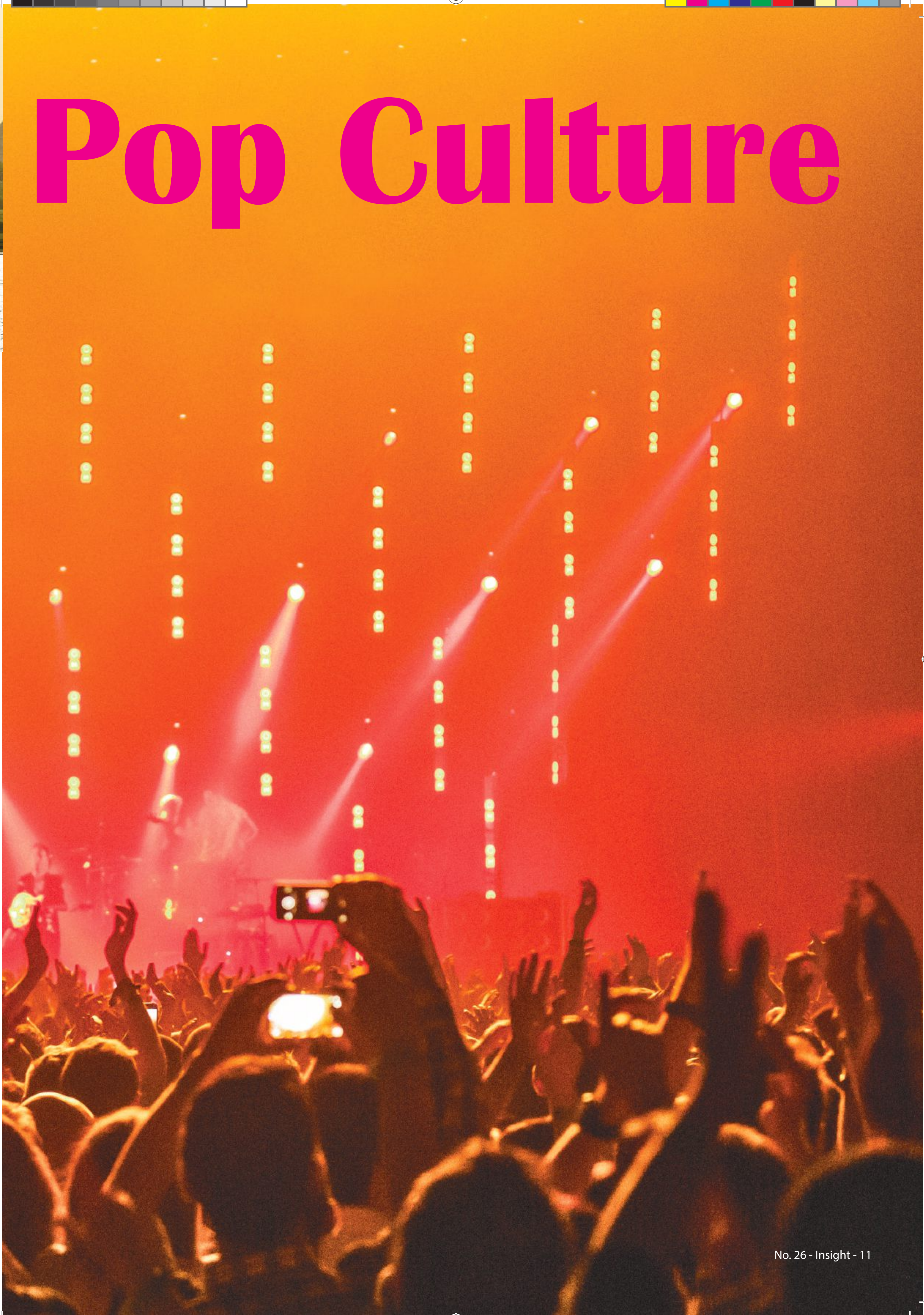
What the Nile gives, the dam can take away

Greek historian Herodotus once said: "Egypt is the gift of the Nile". The Nile River has been the lifeblood of Egypt for thousands of years and provided periods of incredible dominance and affluence. Today, Egypt has one of Africa's largest and wealthiest economies, but it has one long Achilles heel. An extraordinary 97% of Egypt is supported by the Nile, rendering the river the beating heart, sustaining the life of a giant. Consequently, the GERD has sparked one of the hottest geopolitical tensions in the world today where military action has been threatened. For millennia, Ethiopia has been vastly inferior to their downstream neighbours, continuing into colonial periods when Egypt was a key asset of the British Empire. In fact, the most recent legislation regarding the Nile's water supply dates to 1929 when the British government recognised the "natural and historical right of Egypt to the waters of the Nile". This gave Egypt veto power over any construction projects on the Nile River or its tributaries to minimise interference with their water supply despite the Blue Nile's Ethiopian origin. Egypt has two predominant concerns: interrupted water supply as the dam is filled and security of supply in the future especially during droughts. Ethiopia has already begun filling the dam, maintaining the unilateralist approach they have taken from the beginning of the project. Despite international interventions, no agreements have come close to fruition. The Ethiopian Prime Minister described the Blue Nile as Ethiopia's 'gift' – theirs to share – a message that stands in direct opposition to the entitlement Egypt claim over the bedrock of their ancient society.

Ethnically drawn and quartered

In addition to the mounting heat on its borders, Ethiopia faces internal conflicts over ethnic divisions. This division is one legacy of the conquests of Emperor Menelik II that occurred up until the early 20th century, when the borders of modern Ethiopia were being established through the subjugation of various ethnic groups including slavery that only ended constitutionally in 1942. A map of Ethiopia's regions today still reflects the historical borders of the old ethnic states, and many national political parties still identify with specific regions. Ethnic marginalisation is a common political by-product throughout the country as the identity of ruling parties and public policy are invariably entwined. This division is possibly the biggest threat to Ethiopia's future. Ethiopia's internal strife is far from appeasement. The Tigray People's Liberation and the Federal government waged civil war until only last year, and the Omoro Liberation Army continues its insurgent combat. These historical scars remain a barrier to the unification any country needs to achieve its collective potential. And yet, amidst domestic and geopolitical tensions, the GERD has become a rallying point for the people of Ethiopia and something behind which there is unity. There is public recognition that this dam signifies the future of the 'Land of Origins' that they must defend in the face of colonial legacies and geopolitical pressure. The Grand Ethiopian Renaissance Dam can be the vessel on which Ethiopia navigates the tempests raging around her to a unified and developed domestic future.

Pop Culture



Knock Knock . . . It's TikTok

Jack McNair

ByteDance, the owners of TikTok, strive to engage and retain those entertaining themselves on the relatively new app. The methodology behind this is really intuitive, especially for those who have experienced TikTok's addictive allure. What is also intuitive is that this psychological manipulation and battle for consumers' attention is detrimental to the health of the app's users. The extent to 'how bad' is a new question and is challenging to quantify. Meanwhile, Tik Tok is encountering resistance on a field of battle more pressing in the minds of global governmental organisation - Cyber Security.

The European Commission announced that as of March 15 they will become the latest body to adopt an outright ban of the app for its staff. They join a growing list of organisations that have decided that Tik Tok presents a threat to cyber security too great to permit its use on any devices that have access to internal data; including email. A ban of the same nature already exists across the US federal government and is currently under debate over similar concerns in the Netherlands. In the meantime, the UK government has shut down its own Tik Tok account after MPs flagged their worries over data security, and government ministers have now also been instructed to remove the app from their work phones. The most drastic actions have been taken in India, where in 2020 the app was banned completely.

Given the clear concern that has been raised by the very authorities from whom most of us look for guidance, perhaps we ought to be more concerned about having Tik Tok on our own devices. It is doubtful that many of the app's billion users took the time and diligence to read the dreaded T's and C's, and many of them might be alarmed to know exactly what they were agreeing to. Tik Tok collects data on your location, IP address, search history, content of messages, what you are viewing and how long for. Also, it collects information on your interactions with advertisers, can 'infer' personal characteristics about the user and perhaps most alarmingly collects biometric data, including faceprints and voiceprints. The most apprehensive consumers might think they can avoid this invasive tracking by using the app without creating an account. Those app users will be disheartened to learn that all of the above mentioned metrics can be collected prior to the signup process. Tik Tok's vagueness on some of the more important details have led to speculation that the app also collects data on typing patterns and can access text and images from a phone's clipboard, even if it is not being shared on the app.

> The key aspect of Tik Tok's data collection is not what information is being collected, but why ByteDance might share it with.

The key aspect of this extensive data collection that is of most concern to governments around the world, is however, not what information is being collected, but who ByteDance might share it with. In this question lies the most ambiguity and debate. One faction of tech experts argue that despite ByteDance's denial that they do, or would, share any of their data with the Chinese government, the Chinese National Intelligence Law passed in 2017 raises doubts over whether the company can credibly make such a claim. The law states that all organisations must "support, assist and cooperate" with national intelligence efforts. This offers compelling validation to concerns that even if ByteDance strongly opposed sharing its customers data, they might not have any choice in the matter, especially given China's formidable reputation when it comes to the rule of law.

In contrast, other sources have maintained a cool head, asserting there is little to worry about in regards to data security. A report from the University of Toronto concluded that the extent of Tik Toks data collection is roughly in line with industry norms. Furthermore, showcasing his apathy toward worries over the app, Jeremy Flemming, director of the UK's GCHQ, stated that he would actually encourage the use of TikTok for Britain's youth.

Perhaps then there is a degree of fear mongering or even political savviness to the histrionics surrounding Tik Tok's data collection. Arguably the focus on what we are putting into Tik Tok has had a crowding out effect on the attention reserved for a potentially more dangerous and problematic feature of the app - what comes out of it. We have seen recently just how much power and influence social media has on politics. TikTok, like facebook, instagram and others are no longer brands exclusively synonymous with socialising, entertainment and amusement but have been self-promoted into the realms of news, information and knowledge. One quarter of Tik Tok's users consider the app to be a credible source of news. In some countries with less predominant mainstream media, that figure rises as high as 50%. Unchecked by the same strict standards of diligence of traditional news sources, a fine tuning of the app's algorithm could easily feed a selected narrative about who is to blame for the war in Ukraine for example, or bolster the case for a presidential candidate. Given the apps personalised nature, such a pattern would be difficult to spot and even more so to stop.

What's interesting about the case of ByteDance, and any other tech giant for that matter, is that while popularity can get you so far, it is simple economic principles that prove to be the catalyst for the huge growth these firms have benefited from. For context, ByteDance's total revenue grew by over 100% in 2020, and has boasted similarly high growth rates every year since. The type of business model that products like Tik Tok demand is one of high initial fixed costs, followed by heavy economies of scale. This is because research and development of algorithms, app functionality, a maintenance plan - require a significant dedication of time and resources, all of which are very costly and concentrated at the beginning of the business life cycle. Combine this with economies of scale (thanks to relatively small marginal costs) and you have a textbook definition of a firm that's efficient size is well above average. A market in which firms are efficiently large will naturally be occupied by only a small number of entities commanding a dominant position and market power. This is one reason why consumers likely have only a few social apps on their phones, and even less that they regularly use.

This environment is good for the firms themselves and can be good or bad for consumers. On the one hand, the scalability of these platforms means that you can interact with more people all in the same place. More potential friends and a greater probability you find something you are interested in. But what if you have read some things about Tik Tok's data collection that you don't really like? If you are sufficiently entertained by short video apps and like being able to interact with your friends on them, the alternatives are quite scarce.

What this means for ByteDance is that they can behave like a monopsonist and a monopolist all at the same time. If we think about consumers as selling their attention in exchange for entertainment, and assume that short video sharing is a source of entertainment that lots of consumers value, Tik Tok is one of the only places in a good position to buy that attention (as one of the only sources of this type of entertainment). This is equivalent to when workers sell their time in exchange for a wage to one of the only employers in the area. Simultaneously, and as a direct result of their monopsony power over attention, ByteDance wields control over these users' data - the real product of the business. With this, the firm has monopoly power when selling data to advertisers or other interested parties.

ByteDance's total revenue grew by over 100% in 2020, and has boasted similarly high growth rates every year since.

The unique position ByteDance finds itself in might not be of any concern to the worlds' governments if their business activities covered a small and niche market. It is fair to say that 1 billion active monthly users take Tik Tik comfortably outside of that category. The app and its parent company have been able to leverage this economic snowball effect, where more users enhances the app's attractiveness, which brings in more users and so forth, in order to become more popular than Snapchat, Pinterest, Twitter and is catching Instagram and Facebook every day. If that speed of growth does not set off alarm bells then perhaps some of these stats will; The average user opens the app 19 times per day, it was the most downloaded app in 2021 and in the UK it is projected to have 15 million users in the next two years. Kids, who represent 25% of the app's users, have a daily watching average of 75 minutes. In comparison, it is reported that less than 12% of young people in the UK read for that long every day.

In more recent news, the BBC have advised their own staff to rid their mobile devices of the app. It would seem that with each day a new organisation joins the chorus of voices proclaiming their anxieties about the security dangers the app is capable of posing. That chorus includes lawmakers in the US, who scrutinised Tik Tok's CEO Shou Zi Chew in a congressional hearing in mid March. The five hour testimony reportedly did little to calm congress members' worries, many of whom are now advocating for an outright ban of Tik Tok in the US.

Speculative as the West's anxieties might be, the right questions are beginning to be asked. At its best TikTok can be a fun space for making and sharing videos about your passions. At its worst, the app knows more about you than you think, can influence your opinions more than you might want, and knows how to captivate your attention for longer than you expect.

Don’t Wake the Sleeping Giant

Lewis Kennedy

With record breaking sales, sell-out world tours and “banger after banger” of chart-topping hits, BLACKPINK is Generation Z’s K-pop group of choice that took the world by storm. Lauded by critics globally, the four-piece girl band has all the right ingredients: distinct personas, stage presence, glamour, and killer beats. Pop-culture trends should be noted by geopolitical watchers – BLACKPINK is a humbling reminder that Anglo-spheric entertainment industries are not the centre of the universe.

A stone’s throw away (albeit with a strong arm), it is the Asian superpower of China that has recently dominated headlines and intrigue. Speculation following the downing of a suspected Chinese surveillance balloon on the 4th of February has led US intelligence agencies to believe the balloon was a part of a larger global fleet. It is also believed that this fleet has been targeting a number of other countries as well as the US, including Japan, India, Vietnam, Taiwan and the Philippines.

> Severing ties with China could be expensive, inflationary, and a huge risk to national economic security.

The mystery became more puzzling when two unidentified high-altitude objects encroaching on Alaskan and Canadian airspace were subsequently destroyed. Whilst their origins are still unknown, the US and Canadian governments are approaching the situation with vigilance. John Bolton, former US National Security Advisor warns of Chinese efforts to compromise the airspace and ‘take out American eyes in the sky,’ in a bid to disrupt defence measures. The alleged targeting of other Asian countries by the Chinese Communist Party (CCP) may compel Western governments and businesses to take another look at the security considerations of engagement and cooperation with allies in this complex region. This kind of stance, however, is likely to have economic backlash; severing ties with a nation wielding such economic leverage can be expensive, inflationary and a huge risk to national economic security.

Such vital conversations should not be solely economic or political by nature, but empathic in tone to the people and championing of freedom. Far from mere adolescent trivia, export successes like BLACKPINK symbolise deeper values – the freedom to wear make-up, of self-expression and the thrill of attending a live concert with friends. Simple acts of choice that many cannot picture living without, yet across the border north of Seoul can scarcely be imagined.

Strategies for engagement with the Asia-Pacific – and more broadly the Indo-Pacific-axis need to be nuanced, sophisticated and subtle. They should enhance the soft power of democracies without unnecessarily provoking authoritarian forces or demonising ordinary citizens. Prime Minister Rishi Sunak’s taboo-breaking speech on the subject did garner some attention, but equally important are the positive and constructive steps being undertaken to develop relations with multiple countries, from negotiations for a UK-India trade deal to the UK-Japan digital partnership. Alongside these agreements, debates are heating up over the effectiveness of a suggested ban on Confucius Institutes – conversations on either side are very much alive.

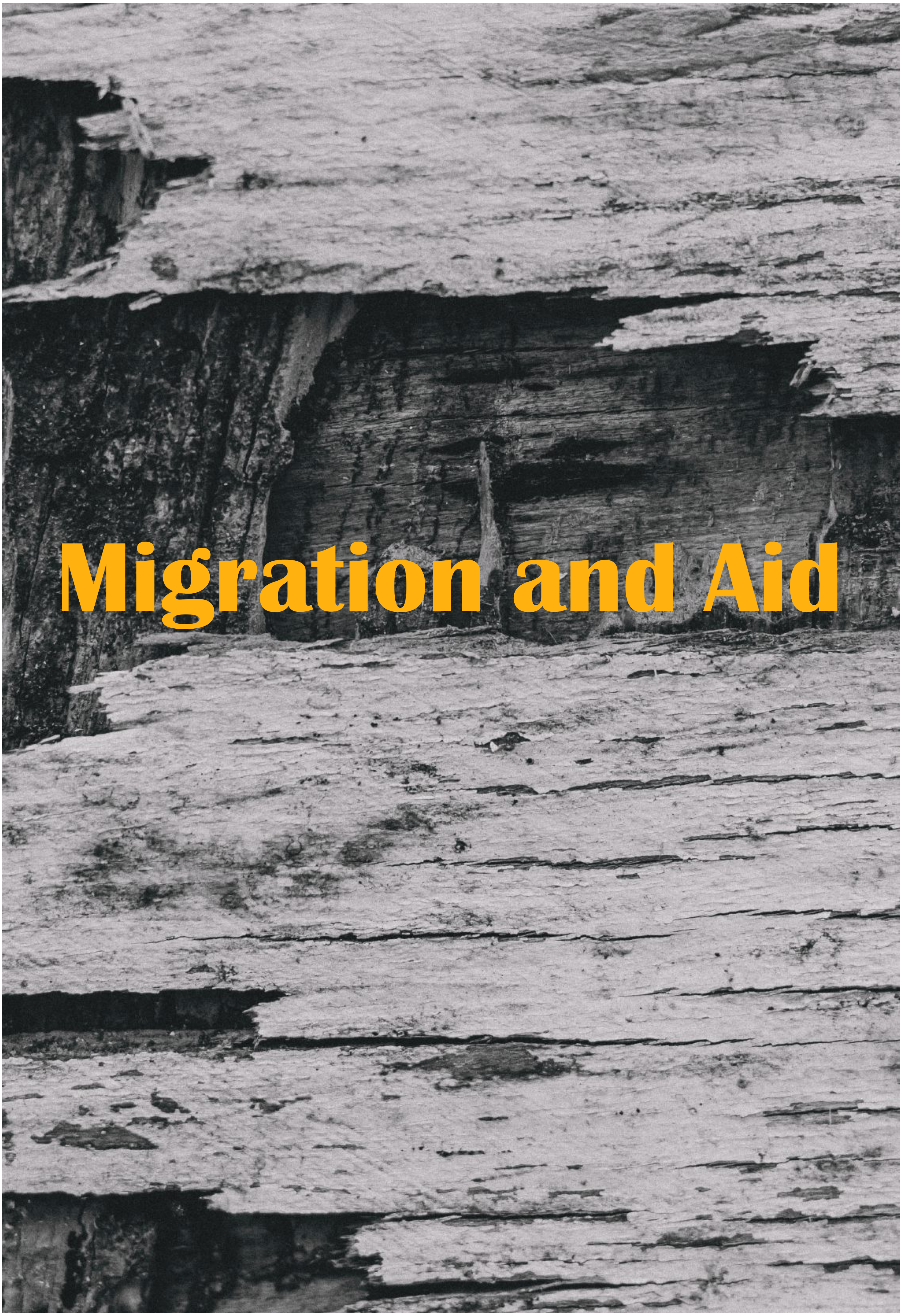
But what does the Scottish government say about UK-Asia relations?

Embroiled in debates on the constitution, the 2023/24 budget, and gender self-identification, Scotland is, by comparison, eerily quiet on the matter. The China engagement strategy has not been updated since 2018, and policy for trade focuses heavily on Nordic and EU countries, omitting much of the planet beyond the great North Sea.

Simultaneously, Asia’s influence has grown over parts of Scotland’s economy. The Scotch Whisky Association (SWA) – the UK’s largest food and drink exporter – reveals that India has overtaken France as the number one export market for trademarked Scotch whisky. Rethinking Scotland’s engagement with the Asia-Pacific appears evermore a strategic and moral imperative.

But Scotland’s “quieter” stance towards more volatile superpowers may be a shrewd tactic to avoid the spotlight. Refusing a position on the frontline of the economic battlefield is, in itself, protecting her economy from exploitation. But for how long can we ignore China? Napoleon Bonaparte is reputed to have said ‘Let China sleep, for when she wakes, she will shake the world.’ The CCP’s stir from slumber

Migration and Aid



Immigration

Ruweyda Ahmed

There has been an undeniable rise in immigration in Britain. According to the Centre for Research and Analysis Migration, 10 million British residents immigrated to the UK from the EEA over the period 2001-2011. This migration contributed to a net increase of £20 million to the UK's public finances. The NHS is home to 1.4 million members of staff who report a non-British nationality. Despite these contributions Britain remains unenthusiastic about immigration. Brexit was arguably a manifestation of people's antipathy towards immigration. Given this was a key factor in the 'Vote Leave' campaign we must question – how did politicians synonymise security with lower net migration? Why are tighter immigration policies deemed more compatible with national security? We will explore the impact of tighter immigration on the UK's economy and how immigration can be a key driver in economic growth.

In recent years, the UK has seen an increase in anti-immigrant sentiment through foreign policies and media. Immigration was presented as of the most critical issues and an online petition garnered support for restricting immigrant inflows into the UK. The Conservative government response to this rhetoric was to create a target for lower immigration. This narrative overlooks the economic value of migration, for example stricter controls of immigration could lead to labour shortages in certain sectors. Priti Patel's immigration and border policies included stricter controls on low-skilled workers and an increased requirement for English language proficiency. According to a report by the Migration Advisory Committee 2018, EU migrants account for around 7% of the UK workforce, with higher shares in certain sectors such as agriculture, hospitality, and social care. Therefore, any significant reduction in EU migration could have significant implications for these sectors. For example, tighter post-Brexit on EU migration will result in a shortfall of 60,000 workers per annum to the hospitality industry alone, according to the Economics Observatory 2022.

In addition, immigration not only increases the labour force but contributes to a decline in the dependency ratio (the ratio of working age to non-working age of UK residents) capacity of the economy. Of the estimated 8.6 million foreign-born people living in the UK in 2015, according to the LFS, approximately 2.5 million were under the age of 30. The Migration Observatory at the University of Oxford shows in 2021, 70% of foreign-born residents were aged 26-64 compared to 48% of those born in the UK. An estimated 20% of the UK-born residents were at least 65 years old in 2021, compared to 12% of migrants. Migrants also have significant net contributions to tax systems which continue to rise, EEA and Swiss migrants contributed £22.4 bn in 2018/19. The Migrants Observatory 2022 outlined that the introduction of the points-based system for migration would have a net fiscal cost of 2.4 billion over its first 10 years of implementation. This cost would be from fewer EEA migrants which would reduce tax revenue. Projected overseas migration would offset some of these cuts but not enough to make the economic impact of the policy overall positive.

Despite these benefits, controlling immigration has risen to the top of politician's agenda in the UK – in the lead up to the EU referendum, British Social Attitudes survey 2018 found 48% of the public cited immigration as a key issue. The referendum revived a group of right-wing politicians conflating higher levels of migration with a lack of security that ought to burden working Brits. The media continues to sensationalise the 'issue' of immigration by fear-mongering. The headlines warned of a 'tide of migrants flooding' to Britain to wreak havoc on the country by 'seeking handouts.' Brexiteer Dominic Cummings admitted himself that without immigration the 'Vote Leave' campaign would have never won.

Conflating lower net migration with security was a fear-mongering technique to bolster the 'Leave' campaign and has had a detrimental effect on the country. This has created trade barriers, damaging the consensus around immigration and the positive impact it has on host countries. A YouGov poll 2023 found 1 in 5 Brexit voters now say they would vote differently. Reforming policy to recognise the value of migration, along with other complementary policies, could lead the UK to a better growth path, and economic prosperity.

Globalisation Reloaded: The Security Paradigm

Antonio Tinoré Vicent

Like Mark Twain, globalisation has been declared dead many times. But just as these reports were, according to Twain himself, "greatly exaggerated", so too are the rumours now concerning globalisation's end. These accounts are simply failing to understand globalisation's latest transformation. In what amounts to a paradigm shift, security concerns are displacing the search for efficiency as the main force of international economics.

Tracing back this history might give us a glimpse into the road ahead.

If globalisation's death is contested, so too is its birthday. In its last incarnation however, July 1944 would be a reasonable starting point. In the summer of 1944, representatives from 44 nations met in Bretton Woods, New Hampshire, to discuss the world's economic reconstruction after two devastating World Wars. Their goal was to 'build back better' - so to speak. New organisations such as the World Bank, the International Monetary Fund and the International Trade Organisation were devised to reconstruct war-torn economies and forever bind the world around US-led commerce. Though the latter organisation was never ratified, it did lay the basis for the 1947 General Agreement on Tariffs and Trade (GATT). Under the treaty's auspices, nine rounds of multilateral trade negotiations followed, ultimately leading to the establishment of the World Trade Organisation in 1994.

On the side-lines, globalisation's path was being paved by "world-shrinking" technologies and the advent of cheaper transportation methods. The cost of these so-called 3T (transport, tariffs and technology) products followed a downward trajectory that drew the world closer together economically, socially and culturally.

It is thus unsurprising that global trade exploded through the second half of the 20th century. The search for efficiency drove companies abroad in pursuit of cheaper labour, bigger export and import markets and lower environmental standards – offshoring and outsourcing their ethical responsibilities.

Underpinning this international economic architecture, permitting this global search for efficiency and profits, was a certain geopolitical equilibrium. With the fall of the Soviet Union, American unipolarity had cleared the way for "unfettered" globalisation. No major power could seriously challenge the prevailing order, they could only hope to work and profit within it. This is the story of China's 2001 accession to the World Trade Organisation. Here, the Communist Party agreed to engage in global trade under rules they had not themselves negotiated. The prospects were lucrative and the alternatives, isolation or revisionism, were untenable at the time.

As we all know, China's gamble paid off. In the process, the architecture of globalisation and free trade was revealed dependent on the United States' global primacy. Now that China has to be reckoned with, now that the old geopolitical equilibrium has been unsettled, Washington began to subvert its old commitment to free trade.

Billions have been poured into initiatives engaging industrial policy and protectionism. The US CHIPS Act is a prime example. Signed into law last summer, this bill will funnel up to $280 billions of public money into the domestic manufacture of semiconductors – geopolitically-loaded materials that are essential in modern electronics. Besides doping an industry that is central to the Sino-US technological race, the CHIPS Act contains clauses that directly target Beijing. For instance, subsidy-awarded companies will be subject to a 10-year ban on the production of advanced chips in China.

In former times, the United States would have frowned upon actions like these. Massive subsidy packages were thought to undermine free trade and thus international development. No longer. Though the Biden administration tries hard not to pronounce the word, their efforts are protectionist at heart. Measures like the CHIPS Act or the Inflation Reduction Act, are fuelling an expensive global subsidies race and radically changing the nature of the world economy.

> Vulnerabilities within global supply chains are now impossible to hide with rising geopolitical tensions.

What we're witnessing is the transformation of globalisation along a new security or resiliency paradigm. Vulnerabilities within global supply chains are now impossible to hide with rising geopolitical tensions. A hostile power can weaponise its energy exports. A 'strategic competitor' can exploit another's technologies to then undercut their own competitive edge. These are all red flags in an era of great power competition.

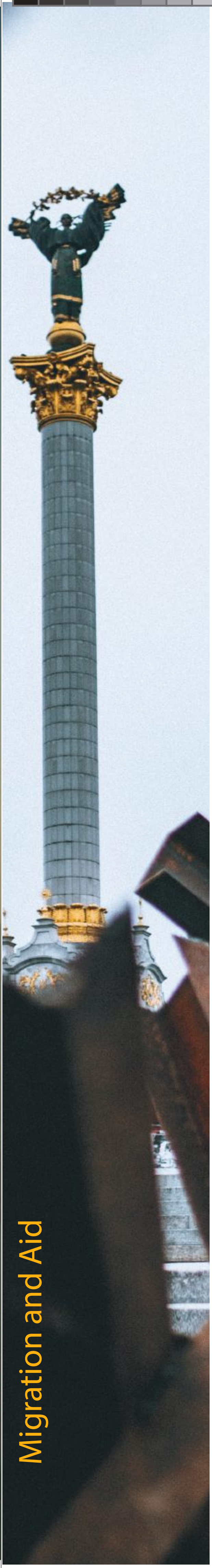
However, the pandemic and the war in Ukraine tend to get most of the blame for these changes. The CEO of BlackRock, as a case in point, declared last year that "the Russian invasion of Ukraine has put an end to the globalisation we have experienced over the last three decades". He has a point of course. But, if anything, these events have only catalysed a process that had been brewing for years. They did not kick-start it.

The rise of a multipolar world order and the loss of Western hegemony are really what's behind these transformations. Rather than being a consequence of events like the pandemic or the sanctioning of Russia, the security discourse is a manifestation of deep structural and geopolitical forces.

Security concerns like these present a dilemma to policy and business decision-makers. Resiliency, that notorious buzzword, can come at the expense of efficiency and profit-maximisation. It might not have been efficient for Germany to have redundant LNG import terminals, but last year they surely would have helped transition away from Russian natural gas. Producing electric cars in Mexico might not be as efficient as producing them in China, but that has precisely been Tesla's decision. In other words, securing supply chains and building resilience come at a cost; but this is a cost that corporations and countries will increasingly be willing to pay as international tensions rise. A plethora of terms have been devised to account for this changing reality: reshoring, friend-shorting, near-shoring, de-risking, decoupling, China plus one, and so on. Words like these have flooded the conversation.

Evidently, the appetite for trade liberalisation is low in the West. Europe is sluggish in its FTA negotiations; the US has continued to neglect the CPTPP after Trump's withdrawal, and the UK, whose exit from the EU was meant to unleash a new "Global Britain" has delivered disappointing results. However, the "death of globalisation" narrative shouldn't be oversold. Driving this wave of protectionism is not the wholesale disavowal of international trade and its many benefits. If that were the case, countries would be closing down completely, not on a selective and indirect basis through bilateral protectionism and industrial policy. The world economy is simply too deeply integrated and interdependent for that.

That globalisation is in flux is undeniable. But the trend is not towards autarchy or isolation, but towards security and resilience. The pandemic and the Ukraine war catalysed these changes, but it is the world's state of geopolitical disequilibrium that is propelling them behind the scenes. Great power competition is back and global trade will be one of the fighting grounds. Security concerns, not just efficiency ones, will increasingly have to feature in economic decision-making, and the future of globalisation will be set accordingly.



The Aid Voice

Sebastian Batchelor explains that diverting financial aid to the Ukraine War can unintendedly create economic ripples in all four

It has been exactly a year since Putin formally declared war on Ukraine. With increasing NATO involvement, the war has fuelled a global cost-of-living crisis unseen before in our generation, compromising lives, livelihoods, and our aspirations for international peace and economic security.

According to UNCTAD, a war is always a human tragedy, and its effects can travel far beyond the borders of the immediate conflict. The war in Ukraine is no exception. Efforts to bring security to the region are causing unintended effects that provoke new and far-reaching insecurities for poor nations thousands of miles away.

As developed economies in the North divert financial aid towards the Ukraine war, they are cutting much-needed aid to the South – bringing a different kind of tragedy and sowing the seeds for future insecurities in poor countries that will undermine years of development and potentially make a more fractured and insecure world. Moreover, as many developing nations opt to finance government deficits through debt, security issues are so interlinked and interdependent that efforts to boost security in one direction can, unintentionally, threaten it in others.

Despite declaring that no funds would be diverted in reaction to the conflict in Ukraine by the European Commissioner for Crisis Management, individual EU member states have already started doing so, according to patterns in aid data. Scandinavian countries, for instance, have tightened their aid budgets from 14% to 10%, according to Tazreena Sajjad, a senior lecturer in Global politics at the American University. A decrease in 4% of aid budget may sound like a modest cut, but for the recipient nation, every dollar counts. The Danish Minister for Foreign Development declared it would defer Official Development Aid (ODA) it had set aside for Syria, Mali, Burkina Faso, and Bangladesh in order to compensate for the welcoming of fleeing Ukrainians.

ODA is crucial for many nations in ongoing conflicts, and without aid, they are even more vulnerable. For Syria, 94% of gross national income is funded through ODA. This is staggering to suggest that almost every teacher, public civil servant, and essential part of the economy is paid for by donors from outside of its own borders. Everything else is mere subsistence. Similarly, for Somalia, Afghanistan, the Marshall Islands and Tuvalu, net aid consists of over 35% of GNI. The global north, to suddenly show nations the 'cold shoulder' through ODA allocations truly leaves countries in potentially dire, humanitarian and environmental crises.

Can we blame these vulnerable nations for therefore seeking other source of financing, such as from less salubrious donors, or selling rights to their resource extractions, which in turn fuels greater climate insecurities and carbon trajectories? Small island states may be so financially precarious that they cannot be blamed for accepting environmentally damaging, opencast mining in their waters. Furthermore, a lack of ODA for dependent nations might inadvertently spark new insecurities or problems, such as the inability to pay rising food prices, electricity, and debt. Indeed, these may heat up previous conflicts or start new ones. As global debt currently stands at $300 trillion, or the equivalent of every person owing $37,500, nations defaulting on foreign loans reverses many decades of development gains.

However, sustaining financial aid is in the global North's best interest for its own sake and security. Cascading credit downgrades and debt defaults on the horizon could stimulate further global crises, and instability in the south may cause mass displaced populations, and fuel mass migration to Europe. Therefore, many wealthy countries should see it as a no-brainer to keep supporting those economies that are in dire need of it.

But why does the Ukraine War matter just as much regarding global security? Russia provides a real and imminent threat to European and NATO sovereignty. For the Western hegemon, conflicts and humanitarian concerns in the South and further afield can seem somewhat distant relative to a conflict they may be viewed as an existential threat to the current Liberal International Order that greatly benefits them. Indeed, Russia threatens global security, yet only primarily that of the West: a key reason why many emerging nations in need of economic aid are wistfully turning themselves towards Moscow.

All in all, global security is compromised when economic ripples affecting one region can drown others. Alas, spending decisions in favour of Ukraine is crucial for economic and military security in Europe, but potentially at the cost of crises elsewhere. These inequalities are truly, what makes the world more insecure.

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