

ISSUE 1 / April 2021

THE DOWNTOWN

DELHI SCHOOL OF ECONOMICS



INTERNATIONAL BUSINESS CELL



UNIVERSITY OF DELHI

INSIDE THIS ISSUE

- ❖ **How withdrawal of US troops from Afghanistan can affect Pakistan?**
- ❖ **After Effects of The Suez Canal Blockage**

How withdrawal of US troops from Afghanistan can affect Pakistan?

- Sanket Enchilwar

The announcement by President Joe Biden that the US will withdraw all its troops from Afghanistan by September 11, 2021, the 20th anniversary of the 9/11 attacks, has sent shock waves through the region's fault-lines.

Unlike the Trump Administration, which made its troop withdrawal by May 1 conditional — on Taliban taking steps to prevent al-Qaeda or any other group from sheltering in Afghanistan, and agreeing to a dialogue on power sharing with the Afghan government — the Biden plan has no strings attached. There are about 2,500-3,500 US troops in Afghanistan at present, plus a NATO force of under 8,000. A coordinated withdrawal is expected to begin soon.

The impact of this announcement on various actors within Afghanistan and outside is bound to be far-reaching. It can be said with certainty that no country in the region will remain untouched.



Effect on Pakistan

This is a moment of both vindication and concern in Islamabad. The Taliban are a creation of the Pakistani security establishment. After the US invasion of Afghanistan, they removed themselves to safe havens in Pakistan territory, and the Taliban High Council operated from Quetta in Balochistan. It was Pakistan that persuaded the Taliban to do a deal with the Trump Administration. For the Pakistani Army, which has always seen Afghanistan in terms of “strategic depth” in its forever hostility with India, a Taliban capture of

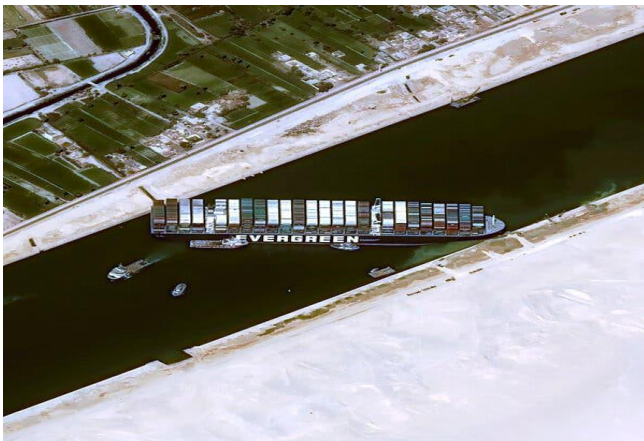
Afghanistan would finally bring a friendly force in power in Kabul after 20 years. India, which has had excellent relations with the Karzai and Ghani governments, would be cut to size.

But a US withdrawal also means Pakistan will need to shoulder the entire burden of the chaos that experts predict. Civil war is not ruled out and with it, the flow of refugees into Pakistan once again, even as the country struggles with refugees from the first Afghan war. All this at a time when the economy is flailing, and Pakistan stays afloat on an IMF loan with strict conditionalities. Plus, the Taliban are not a monolith, and have recently shown streaks of independence from Pakistan. It has to guard against instability in Afghanistan from spilling over the border. Pakistan's eastern front with India is quiet at the moment, so that is one headache less, but it would remain a concern for the Pakistan Army.

After Effects of The Suez Canal Blockage

- Tanmay Sharma

On 23rd march 2021, the Ever Given container ship blocked one of the busiest trade routes impacting trade between Europe, Asia and the Middle East. Ever Given is a golden-class container ship which is one of the largest container ships in the world. The Suez Canal is a vital route for international trade with Europe and Asia accounting for 12% of total global trade flow and around 50 ships a day passing through it. The 6-day lag allegedly caused by strong winds and dust storms had significant impact on transportation of oil and other cargo. Some experts believe there will be delays in shipping of everyday items for customers in the UK and other parts of the world. The blockage has resulted in a much-needed rethinking of supply chain and the search for other alternatives to prevent such a crisis one again.



Around one million barrels of oil and roughly 8% of liquefied natural gas pass through the canal each day. The blockage had left around 100 ships stranded on either end the canal. Markets reacted to the blockage quickly and crude oil prices rose by 1.1% before falling the next day. Experts estimate about \$5.1 billion value loss each day the ship was stuck. The repercussions of

the blockage were significantly exacerbated by the over reliance on just-in-time inventory models by large retailers. Managers around the world have opted for such models to diminish their costs and boost profits. However, as the COVID-19 pandemic and now this blockage has proved not stocking warehouses and relying speedy delivery of essential commodities can severely damage revenues. Global supply chain should not be hampered if a single trade route is blocked, or delayed. Managers must ensure that there are back up plans and enough stock reserve to battle the problem of empty shelves and halted manufacturing. The blockage also impacted the domestic transportation and automotive manufacturing industries. Once the ship was dislodged from the canal using 14 tugboats, there were worries of port congestion in Europe. Recalculation of arrival schedule for hundreds of ships needed to be done. Large retailers like Amazon, Ikea and Walmart used the waterway route to meet demand and stock their warehouses. Since the pandemic, the demand for exercise equipment and office supplies like printers had soared, the supply of containers for these items was already under stress. The blockage only added further costs to the companies.

Another waterway trade route through the tip of the African continent, the Cape of Good Hope was used to re-route the ships but this added around 12 days to the journey depending upon the size of the ship. Alternatives to waterway routes like railway were used to transport essential commodities across borders. The Suez Canal blockage only highlighted the need to rethink globalization and global supply chain operations for corporations. This blockage must be closely analyzed to fend off another supply chain disaster in the future.

