

## **Asia-Pacific Forum 2022**

### **Session 1: Geopolitics and the Global Economic System Post-Ukraine Conflict**

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#### **Talking points - Murray McLean**

May I express my appreciation to the Japan Economic Foundation and the Australian National University for organising this conference, online. It is regrettable that lingering Covid-related travel restrictions have stood in the way of our welcoming overseas colleagues to Australia in person.

The world is seemingly in chaos. This includes the global economic system, which has overwhelmingly benefitted the world 's economic growth and prosperity over recent decades.

Multilateral trade and investment rules and binding bilateral and plurilateral free trade agreements are being sidelined by geopolitical competition and strategic imperatives, supply chains are being disrupted, protectionism is rampant, and bifurcation of the global economic order is incipient. There is much more, unfortunately, that could be said, but the key geopolitical elements that have led to the chaos and inherent uncertainties that confront us, may be summarised as follows:

- United States/China strategic competition, demonstrated by their competitive positioning aimed at sustaining and enhancing their relative global and/or regional influence, dominates global politics.
  - This competition reached new levels during the Trump presidency with the bilateral trade war spreading through the global marketplace and severely distorting international trade practices and rules.
  - Tensions have been heightened by China's uncompromising assertion of its strategic and nationalistic interests as epitomised by its adoption of wolf-warrior diplomacy, in contrast with its previous long-standing position of lying low and biding its time.
  - On the US side, the Biden presidency is focussed on its overriding interest in maintaining global security based on its pre-eminent global power status and a consequent perceived need for a firm response to what it views as China's ambition to change the world order to its advantage.

- This highly competitive tension makes constructive communication difficult, but such communication is in fact more essential than ever before. Fortunately, the recent US/China summit meeting at the G20, indicated mutual understanding and recognition, on both sides, that dialogue and maintenance of guardrails play an important role in managing the fraught relationship
- The prolonged Covid-19 pandemic further complicated global politics across the board, not least the tense relationship between the US and China. The global economic slowdowns and social repercussions caused by Covid-19 included constrained global demand, the disruption of established supply chains, the reduction of trade and investment, severe restriction of people movement, heavy-handed domestic shutdowns and the prolonged slowdown of China's economic growth - which has hitherto been the major driver of global economic growth -
  - In sum, Covid's impact has had enormous economic and social costs as well as having further exacerbated the already fraught relationships among great powers and economic blocs
- As if Covid-19 was not enough disruption, Putin's attempted invasion of Ukraine spectacularly ignored accepted international norms of behaviour, plumbing the depths of perfidious nationalist self-interest. In so doing, and apparently contrary to his expectations that the US and NATO would appease Russia and simply "roll-over", the attempted invasion has brought together a solid global coalition of resistance to Russia's actions with significant global consequences
  - Russia's illegal invasion isolated it from the rules-based international community and helped stiffen a broadly unified response from the US, NATO and many other key global economies, which has sustained Ukraine's ongoing resistance to the Russian aggression.
  - The imposition of far-reaching sanctions against Russian interests and Russian countermeasures to cut oil and gas supplies has dragged the world economy into a severe economic crisis marked by spiralling oil and gas prices, rampant inflation, and likely recession.

- Climate change, including the impact of more frequent natural disasters, cybercrime, social inequities, poverty and food shortages are amongst other global issues which also inherently challenge the global economic order.

The challenges we face are immense and there are no magic solutions, so it is essential to be clear about what brought about the relatively stable period of consistent economic growth and the deepening economic integration we experienced in the decades prior to the Covid-19 pandemic. These include:

1. relative global stability and equilibrium allowing globalisation and all the benefits that it delivered worldwide.
2. the WTO and the Bretton Woods construct underpinned the liberalisation and regulation of global trade and investment by providing an essential framework for rules-based trade and investment. Multiple bilateral and plurilateral agreements provide additional vehicles for liberalisation and regularisation of trade and investment
3. intra-regional groupings such as ASEAN and APEC which have bred and sustained regular habits of consultation and multilateral engagement promoting trade liberalisation. Regular engagement in consultative, consensus-based groupings has become vital in guaranteeing that the interests and concerns of smaller or medium-sized countries are heard and facilitated.

A return to, or at least having a deeper regard for the benefits to be derived from, those elements mentioned above will be very important in finding a path out of the current global imbroglio.

Less megaphone diplomacy and more measured and courteous exchanges are also essential, instead of the name-calling and sabre-rattling which have caused unnecessary tensions and instability. The world observed, during the formal G20 meeting adeptly hosted by Indonesia, that middle powers can help bridge differences amongst the global powers. That together with the many side-meetings between leaders at the recent Summit meetings in Southeast Asia, showed that common courtesies and measured language helps reduce tensions and can lead to more productive interactions.

Let's see more of it.