

The New International Economic Order: The Post Pandemic Global Economy

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1. Globalization and multilateralism after the Covid-19 pandemic

- i. Essential functions of sovereign states which are backed by taxpayers and voters, and provides services including health and social security.
- ii. Need for adjustment to **hyper-globalization** (national security, prevention of pandemic, protection of intellectual property, risk of disruption of supply chains, management of migration).
- iii. Yet, **globalization** is irrevocable and will continue. Trade and interactions between people and countries have been a main driver of progress from the beginning of human history.
- iv. Great gains of Asian economies from GVC (global value chain) after they departed from import-substitution and socialist influence.
- v. **Multilateralism** is necessary to collaborate for global issues including peace, climate change, SDGs, trade, taxation, harmonization of standards, and assistance to developing countries.
- vi. Needed efforts to address increasing inequality within countries (taxation, public services such as public education and health) to foster positive attitude toward globalization and multilateralism.
- vii. Need to address problems of **IT platform companies** (taxation across national boundaries, antitrust policies, privacy, data protection).

2. Competition of regimes, market vs state-guided economy, and democracy vs authoritarian regime

- i. Critical advantage of **market economy** over central control and socialism. Consensus in Asian developing countries.
- ii. China's growth has been based on outward-oriented policies and market since the Reform and Opening Up in 1977.
- iii. Japan's development has been promoted by the private sector in the Meiji modernization and post-war high growth.
- iv. Important **government roles** for i) institution building and enforcement, ii) provision of public goods (including R&D), iii) addressing externalities, iv) macroeconomic stability, and v) redistribution of income and wealth.
- v. **Democracy** and the **liberal political system** comprising election by all, separation of powers, human rights including freedom of speech, protection of property rights, are non-replaceable.
- vi. But democracy and the authoritarian regime is not zero/one option. Many countries have combinations of them.
- vii. Democracy by free election is not almighty and requires certain conditions such as capable media and bureaucracy, and tradition of separation of powers as the situations after the Arab Spring reveal.
- viii. Even in established democracies, need to tackle challenges to democracy in terms of **short-sighted populism** and **chauvinism** under the influence of SNS, resentment for increasing inequality, and loss of authority of elites (intellectuals, media and public officials).
- ix. **Need to sustain the liberal order** as this is based on people's natural wishes and represents gains of human society. It is also fundamental to the sustainable development of society.

3. New International Order

- i. The US and China should not be entrapped in the “**Thucydides Trap**” as if an emerging power and an existing hegemon are destined to have a conflict. Better to avoid “decoupling” for everyone.
- ii. No need to repeat history: ① economic integration is no comparison to Germany and France in the pre-WWI period; ② the threat of total annihilation by nuclear war is still valid; ③ what China wants is “to make China great” again after its long humiliation since the Opium War, and not the Soviet type ambition of communist revolution all over the world; and ④ we are no longer in the world of imperialism, colonization and racial discrimination.
- iii. **China** should understand the serious difference between the way it wants to view and explain itself and the way others see China. China is not a mere developing country. China is already a great power in terms of economy, industry, finance, technology, and military presence, which affect countries in the world. Assertive attitudes would damage its own national interest. China would be respected even more if it acts more moderately instead of rushing to project its power.
- iv. One realistic option is “**pax-Americana, more moderate version**”. The **US** still has a non-contestable power including military and soft power, and is urged to continue to contribute to the stability of the international community which is in turn the US interest.
- v. **US Allies and like-minded countries** should cooperate and make their contributions to keep the US engaged in international affairs. No need to escalate confrontation, while **power balance** remains critical.
- vi. **Japan** can play an important role as a trusted ally of the US, and as a close nation to China with deep historical and cultural interactions.