

# PIBCI - Monthly Perspective

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## Geopolitics and globalisation

This month's edition focusses on the impact of globalisation, and how it has shaped the precarious international relations environment coupled with rising inequality, conflict and climate crisis. What can we do and why it matters.

### The Brand

Today, the tectonic plates of geopolitics are colliding against one another, which have given rise to the prevailing tensions in international relations. Like immense icebergs drifting in the precarious waters of international politics, they occasionally strike into each other causing friction and upheaval. The clash amongst the world's major powers has forced the geopolitical plates to ram against each other and emerge upwards from beneath the icy political waters and expose the mounting tensions and conflict in the form of the unfolding events in Taiwan and Ukraine. The powerful current that has been thrusting these icebergs into rough waters have been generated by decades of globalisation. A glance into the recent past would have us believe that there was only one unstoppable current driving globalisation across the globe. Until recently, it seemed that globalisation was to deliver innovation and ingenuity across the world, bringing humanity together into one big happy global village. However, the reality of globalisation is far more suspect. Uneven economic development, rising inequality, the deteriorating climate emergency and the inability to contain the global pandemic have illustrated a few of the key failings of globalisation. As the major powers continue to flex their military muscle and slug it out, the political and economic impact will inevitably wash up on our shores. The question remains whether we continue to support the current approach of globalisation which has placed us on the crossroads of war, a pandemic and economic decline; or whether we demand a common sense approach that focuses on our local needs whilst promoting global peace and security.

### The gloss of globalisation

The term globalisation has been used to describe the growing interdependence of the world's economies, cultures and populations. This has been facilitated by international trade in goods and services, advances in communications and technology, free flow of financial investment, people and information. For decades, globalisation has been promoted as a force for good that would sweep across all nations ushering in a plethora of benefits regardless of national borders. To support globalisation, governments have placed much focus has on trade liberalisation (eg. trade

agreements), a global digital economy, increasing international protection for intellectual property rights and making international business easier for corporations. These issues alone have been touted as the vital keys to a new and dynamic world. Yet, the nature of the dominant form of globalisation has a specific character.

### Spreading the brand

Globalisation is not a new concept. It has been with us for millennia, from the time of the Romans through to the rise and decline of the British empire. Trade routes linking Asia and Europe, colonialisation and the industrial revolution have all played a key role in the history of globalisation. Although globalisation has been taking place for centuries, its pace has increased over the past fifty years. This rapid spread has developed a tide that has swept up the dynamics of geopolitics which has resulted in today's conflict in Ukraine, the tensions over Taiwan and Kosovo, the economic decline of the EU, and the ongoing wars in Syria and Yemen. All have their roots deeply planted in the toxic soils of globalisation.

### The Brand

The nature of the dominant brand of globalisation has been built on the foundations of the neoliberal ideology and propped up on a western political and cultural framework. For decades, this brand of globalisation has been promoted by the world's most powerful and wealthy nations with the full backing of the largest transnational corporations and a powerful oligarchy. Globalisation has been built on the scaffolding of supranational institutions such as the World Trade Organisation (WTO), the G8, and the European Union to name a few. All these institutions view the world through an economic looking glass.

For several years, geopolitics has been swept up by the strong current of globalisation. We could be pardoned for believing that this brand of globalisation was the 'only way' which imposed the neoliberal approach on countries. Weaker nations were swept up in the neoliberal tsunami in which so-called free trade agreements were signed, western 'values' were adopted (willingly or hesitantly) and transnational corporations permitted to set up shop and exploit local communities and the local environment. Sponsored by rich western nations, the World Bank and the IMF, globalisation spread at a rapid pace. Financial carrots were dangled in front of governments to embrace globalisation and the policies that underpinned it. The world was being primed to adopt neoliberal values, market driven economics and western culture. As the neoliberal brand of globalisation encompassed the world, a rash of privatisation, deregulation and corporatisation seemed unstoppable. The free

market template was being applied globally, which in effect was setting the stage for a unipolar world, dominated by Western powers with the USA at the top of the pyramid.

### Winners and losers

Subservient governments, self-serving and short-sighted politicians, profit seeking oligarchs and large corporations have planted the seeds of the neoliberal ideology deep into national and international economics and politics, into the media and social networks. It has become the indisputable dogma attempting to encompass the globe. It has nestled within the public consciousness for decades. Despite its superficial appeal and the support from its influential backers, the neoliberal ideology lacks the sophistication to adequately explain current events and respond to new global challenges. As a consequence, it imposes a one-dimensional market approach to maintaining control, which has led to the evident division between those who have benefitted from globalisation, and those who are paying the high costs.

### Winners

Globalisation has facilitated better transportation and logistics across the world making it easier to travel and ship goods overseas. Economies have developed, cultural exchanges have increased and more people have had the opportunity to travel overseas more often. Technological globalisation has enabled millions of people across the globe to be connected through digital platforms, witnessing the rise of tech giants such as Facebook, Instagram, Skype and Youtube. By reducing barriers to international trade and investment between different economies, globalisation has permitted the global expansion of multinational corporations such as Starbucks, McDonalds, Shell and Apple. Clearly, the globalisation project has tirelessly worked to rig the global economy towards the interests of transnational financial institutions, multinational corporations, and corporate patent holders. The upshot is that dependence on large corporations has grown, to the point that governments view them as too big to fail.

In reality, globalisation has served the interests of the world's wealthiest by freeing-up direct foreign investment and international financial investments. This has simplified their ability to import and export funds at the blink of an eye, whilst minimising or avoiding paying tax. Multinational corporations are able to set up operations in one nation, exploit its cheap labour, extract its natural resources and transfer the profits to head office in another nation where taxes are low or non-existent. Globalisation has supported large corporations and wealthy individuals by protecting international property rights, shielding them from local laws, and shifting jobs and operations as soon as an alternative location is identified as more profitable. The principle beneficiaries of

globalisation have been the large corporations and oligarchs who are able to wipe their hands of all responsibilities and move to their operations to next site of exploitation.

### The Losers

The flip-side of globalisation is the detrimental impact it metes out to ordinary people across developed and the less developed nations. In the developed nations, the liberalisation of foreign investment has had a negative impact on the less-skilled workers. Both the manufacturing and service sectors have been negatively impacted as factories and call centres have long since closed and moved overseas as corporations seek to move operations into countries where wages and conditions are much lower. The relocation of operations overseas has caused jobs in the more developed nations to dry up causing a rise in unemployment amongst less skilled workers. The knock-on effect has been that union membership and influence has declined in developed nations, weakening the labour movement.

Globalisation had a significantly negative impact on the less developed nations as financial liberalisation has triggered currency crises that precipitated deep recessions. Such recessions hit Mexico in 1995, Thailand, Malaysia and Indonesia in 1997, South Korea, Brazil and Russia in 1998, Turkey in 2001, and Argentina in 2002. Recovery from such economic disasters have taken years. Businesses in less developed nations find it difficult to compete with multinational corporations, thereby restricting local businesses to producing primary products. Skilled workers are promptly absorbed by the multinationals due to higher pay, or they leave for better paid jobs overseas. The exploitation of workers in poor countries has been rife as corporations rely on cheap labour to maintain high profits. The social and environmental cost of globalisation has been high as individuals, families, communities and the landscape have borne the brunt.

### Weak foundations

The fragile nature of globalisation has been exposed during the pandemic. Large corporations and investors withdrew record amounts of capital from a broad range of portfolios as Covid-19 took hold. International trade and investment flatlined creating a ripple effect on linked economies. Fiscal and monetary policy along with the stabilisation of financial flows in late 2020 narrowly staved off another global financial crisis. All this highlighted that the interconnected nature of the world economy coupled with greater dependence on large corporations has exposed us to the volatile winds of international politics, global economics and the whims of corporate giants. This has also placed the spotlight on international institutions such as the WTO and IMF who have maintained a

blinkered focus on international trade and business, whilst relegating the impacts of the climate emergency, the pandemic and global tensions to the sidelines.

### Impact on us

Despite the over-estimations and the fan-fare of globalisation in Australia, its impact has been relatively negative. Its short-lived 'wonders' flared up in 2010-11 in terms of a trade boom which quickly fizzled as political and economic momentum progressively declined. As one of the world's wealthiest nations, our export trade is one of the lowest in the OECD. Despite successive governments ensuring Australia was integrated into global capital markets, we have low influence and ranking. Furthermore, foreign investment in Australia from abroad has witnessed locally generated profits being sent overseas, which has come at the expense of direct local investment. Our manufacturing sector has been hit hard as many producers have shut shop or moved operations overseas in search of cheaper labour. This has also been replicated in the service sector, impacting lower skilled workers. The pandemic clearly highlighted how reliant we are on large multinational corporations that supply essential services such as vaccines, medical products and raw materials.

### **Rough waters ahead**

Globally, the next few months are going to be incredibly precarious as the plummeting levels of trust in international relations are coupled with the hastening decline in global economies. Rising prices and lowering productive output are triggering off stagflation. Economies in the European Union (EU) are in free-fall, the US economy is facing significant challenges along with the UK's economic troubles, and China's economic capacity is slowing. These are just a few signs of a looming economic crisis. Overshadowing economics is the impact of geopolitics which will have a decisive role in shaping our future. Will the major powers continue to trade blows and escalate hostilities or will they seek to negotiate in an effort to quell rising tensions and re-establish peace? Regardless of the what path is taken, the neoliberal model of globalisation has suffered a significant blow, and has left us in an uncertain environment.

The question remains whether we seek to enforce neoliberal economics and western values onto the rest of the world? Do we continue to support this brand of globalisation which has transferred national sovereignty over to transnational corporations? Do we back globalisation's approach which usurps our ability as a nation to support our population by relying on large corporations based in other nations, with peculiar interests which do not necessarily align with ours?

### **Swimming against the strong current**

The price of perpetuating globalisation that serves the world's richest nations, the largest corporations and most powerful individuals is not a viable option. The climate emergency, economic downturn and conflicts between the world's nuclear armed powers is extracting a high price on the global population. Key to ameliorating the international malaise is through the implementation of a combination of socially beneficial policies.

Citizens impacted by declining and transitioning industries need to be supported through a Universal Basic Income (UBI). The UBI is designed to extend financial support during challenging times such as unemployment, transition, poor health, pandemic, and conflict.

We need to reclaim the future by refocussing importance on the climate emergency. The public must pressure the government to meet and exceed the humble targets set out in the COP26. Our immediate and collective action on the environmental is vital if we are to turn back from the abyss.

The disaster in our energy market has highlighted the misplaced policies that have worked to maximise profit at the expense of the public. Neoliberal policies have linked Australia's energy with global markets, which is now backfiring in the face of citizens, causing price hikes and concerns around supply.

Focus needs to be placed on the expansion of renewable energy production. Increasing employment in this sector balanced with jobs in energy conservation that are locally operated will serve community needs and be accountable to local people rather than board members in overseas capitals.

For decades, globalisation has facilitated the centralisation of power in the hands of transnational corporations, primarily based in wealthy nations. We need to recapture power by making communities the primary location of decision making. We also need to build a future based on self-managed communities where production and services are delivered by the local community for the local community. A higher reliance on community capacity to generate power, create jobs, and sustain local services is the first real step towards uncoupling our communities from the non-aligned interests and motives of large corporations that funnel profits overseas.

The rising international tensions that have spilled across the media highlight the backlash against globalisation. The concerted attempt by western nations to establish a unipolar world based on a hierarchy of neoliberal nations has hit powerful obstacles. The benefits of corporate power, free

trade deals and market liberalisation have not materialised, but have rather caused greater poverty, rising inequality and reliance on large corporations and international financial institutions. As such, opposition from around the world is beginning to materialise with calls for a multipolar world which posed an alternative to the dominant form of globalisation, seeking to establish a unipolar world based on a western style hierarchy of nations.

### Changing trajectory

The current mode of globalisation that has dominated the international landscape has provided the world with McDonalds hamburgers, Starbucks coffee, Apple computers, Twitter, Facebook pages and Pfizer vaccines. However, the products and services that globalisation has helped to bring to the world have little value when conflicts rage across continents, the pandemic continues unabated in many nations, the climate emergency continues and the global economy is set for a sharp decline. The one-dimensional perspective of globalisation's neoliberal approach has permitted the multiple crisis to emerge and take hold, as it is fixated on economic gains which come at the expense of geopolitical realities. Politics, history, culture and value systems name but a few of the dynamics that propel the geopolitical icebergs. Yet, the short-sighted nature of the current mode of globalisation views the world through the myopia of neoliberalism which constructs reality through a market-driven prism. Today's unfolding disasters require sophistication, diplomacy, and an understanding based on human needs, and not the needs of governments and corporations seeking to secure resources and profits at the expense of other peoples and nations.

The sooner we uncouple ourselves from this brand of globalisation that desperately attempts to universalise the neoliberal ideology, the better. Being docile and cynical simply helps to entrench the status quo. It is time to take a political decision by reclaiming our future. Building local networks, raising awareness and promoting alternative political, economic and social ideas amongst your community are the first important steps towards turning the tide of globalisation.

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