

# Technology will unite the post-virus world order

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*Australian Financial Review*, 23 April 2020

<https://www.afr.com/policy/economy/technology-will-unite-the-post-virus-world-order-20200422-p54m4v>

*The energy to develop the global institutions we need in the mid-21st century will have to come from a networked grid of countries, not a single power source.*

In 1941, even before the Japanese attack on Pearl Harbour, Paul Hasluck, then a public servant and later Liberal Party foreign minister, recommended the establishment in the Department of External Affairs of a Post-Hostilities Section.

"The Commonwealth," Hasluck wrote, "will need to have a clear view on how its national interests are to be reconciled with the demands of the new world order."

That section, which Hasluck headed, helped co-ordinate Australia's participation in the series of meetings, held while the war still raged, from which emerged the multilateral institutions that have shaped the contemporary world.

These included the United Nations, its specialist agencies like the World Health Organisation (WHO) and the Food and Agriculture Organisation (FAO), and the international financial bodies such as the International Monetary Fund (IMF), the World Bank and the predecessor to the World Trade Organisation (WTO).

These institutions were influenced by American ideals and underpinned by American power.

They served the world and Australia well, helping us rebuild after World War II, manage the dangerous strategic competition of the Cold War and, more recently, facilitating a period of unprecedented global economic growth and poverty reduction.

But even before the coronavirus struck, there were clear signs that the system had run its course.

From the Universal Postal Union to the WTO, problems were multiplying. Growing membership numbers and the diffusion of power from North America and Europe to the developing world made it harder to reach consensus.

Even the WHO has become a battleground for great power competition.

From the Asian Financial Crisis of the late 1990s, culminating in the GFC, the dominant "Washington consensus" broke down.

The BRICs – China and the other large emerging economies – wanted to take a greater stake in the system.

Beijing's Belt and Road Initiative symbolised a new Chinese international assertiveness.

The American public, meanwhile, battered by Middle East wars and relative economic decline, began to feel that the international system no longer served their interests. This was reflected in their choice of Donald Trump as president.

It has strengthened the reassertion of national sovereignty we saw in the Trump administration's America-First policies and Brexit.

In a statement to Parliament, Scott Morrison framed Australia's response to the coronavirus as "defending and protecting Australia's national sovereignty".

The idea of sovereignty goes back a long way.

Devastated by the brutal religious battles of the Thirty Years' War, the weary European Catholic and Protestant states agreed in the Peace of Westphalia in 1648 that national sovereignty trumped everything.

The first principle, they decided, was that states should refrain from interfering in the internal affairs of their neighbours.

But in the 21st century, sovereignty is not enough.

### **Complex choices ahead**

Australia's national economic interests depend on the superstructure of a system in which states negotiate rules that give us certainty as we work with others to preserve our security, promote our prosperity and deal with the challenges of the global commons, including climate change and pandemics.

As former diplomat Peter Varghese said, Australia "cannot bully or buy its way in the world".

Recent Australian governments have all recognised this.

As parts of the post-war order atrophied, they helped shore up the mechanisms for international co-operation.

The Rudd government played an important role in establishing the G20 Leaders process; the Abbott government as G20 president focused on building resilience in the global economy and reforming financial, trade and energy institutions; the Turnbull government, working with Japan, rescued the Trans-Pacific Partnership trade agreement when the Americans dropped out; and the Morrison government has supported measures to keep the WTO's rules-based system operating after the US vetoed new appointments to the Appellate Body.

Like Hasluck in 1941, we believe this period, while the struggle is under way and before the outcome is clear, is the time for Australia to consider the complex choices we face.

We need to think about principles that should guide our approach to a multilateralism that works for the mid-21st century, balancing our dependence on open and transparent markets with the rebuilding of global resilience in the wake of the economic destruction and social dislocation caused by COVID-19.

The traditional structures of the 1940s – international bureaucracies with large centralised headquarters – are no longer needed.

In some areas, like the United Nations, universal membership is the only path to achieving legitimacy in a world of sovereign states, but it is not necessary in every area.

It can exist alongside a flexible mix-and-match multilateralism that makes progress easier in specific areas.

Diplomacy itself, as the G20's most recent meetings showed, can be virtualised. Australian office workers and medical practitioners are not the only ones who will be taking more video meetings from home when the pandemic ebbs.

It has become clear during the coronavirus crisis that critical forms of multilateral co-operation take place outside the formal remit of inter-governmental decision-making, in the constant, rich networking of individual specialists in government regulatory and science agencies, and research institutions.

These sorts of contacts are particularly important for Australia, which is a price taker for both global capital and technology.

As global technological competition and decoupling intensify, the capacity of government to harness this informal multilateralism is of growing importance.

## **Financial institutions stand tall**

Among the existing multilateral institutions, there is some good news.

As we face this unprecedented financial and economic crisis, the international financial institutions are arguably the best performing elements of the multilateral system.

Australia has strong credibility on IMF reform having pushed for two decades for emerging market economies to have greater voting power in line with their economic weight.

China, in particular, has responsibly discharged the obligations that come with this greater role.

The priorities for reform and restructure lie elsewhere.

A greater reliance on trusted partnerships – sometimes based on common values, sometimes on common objectives – will likely need to underpin our approach.

This was already happening in some areas, for example, in response to concerns over the concentration of supply of critical minerals and its use for political and strategic ends.

Institutions like the FAO and the WHO, which were not previously central to our strategic calculus, will require more attention given their central roles in dealing with problems that require global co-ordination.

And those organisations with universal mandates, like the WTO, may need the straitjacket of consensus removed to survive, or they will fade into irrelevance: 30 years without an effective global trade deal is a bad report card by any reckoning.

The sort of international review that Australian Foreign Minister Marise Payne has called for into the coronavirus outbreak and subsequent international response is

important if we are to learn the lessons of this crisis before the next pandemic, which may be more lethal and more contagious, confronts us.

But such a review can only succeed – indeed it can only begin – with the willing participation of all the important players.

The glaring gap in global governance, is the absence of rules governing the fourth industrial revolution – the digital economy.

Nationally, governments have struggled to balance the benefits of technology with social licence and national security.

And norms covering data, privacy, and the regulation of digital platforms are already split between the EU, US and China.

As the West focused elsewhere, China has been quietly shaping the principles governing telecommunications and the internet.

The chances of a new multilateral institution arising from the ashes of this crisis to help us – say a World Technology Organisation – that sets the rules for technology, just as the Bretton Woods conference did for trade and capital in 1944, seems very unlikely.

## **Regional partners**

Outside the G20, Australia's best prospects lie in working with regional partners to agree on norms and standards that ensure openness to supply chains, as APEC has done for trade and investment flows.

The crisis has accelerated some trends while taking us in completely new directions in other areas.

The conundrum that will remain with us is that the United States, which developed the international rules in its image and constrained itself to comply with these rules,

is now reluctant to lead the necessary renovation of the rules and institutions required for the 21st century.

Up until now no other country has been willing to fill this leadership vacuum.

The key unknown is the extent to which the US and China can co-exist as both strategic rivals and partners for co-operation in this new world.

For Australia, the G20 is still the multilateral institution where we can best influence and shape the future.

It is the only global forum that brings together the leaders of the world's most systemically important states and gives us a seat at the table.

Born of crisis in 2008, the G20 is a remarkably young institution by historical standards.

### **What G20 must do**

But the lack of a G20 co-ordinated response to the global pandemic is a stunning indictment of the state of multilateralism, political leadership and trust between countries.

With G20 having failed as a first responder to the pandemic, Australia now needs to push for concerted action in three areas.

First, the G20 needs to deliver tangible support to the poor and vulnerable parts of the world by making vaccines free when and if they become available, and by extending the moratorium on debt repayments beyond the end of this year for those that need it.

We have repeatedly seen that high levels of debt prevent effective national responses to crises. And with the developing world increasingly the driver of global growth,

excessively high debt levels risk putting the world on an even slower growth path as we emerge from this crisis.

Second, the G20 needs to agree on principles on global supply chain management to boost business confidence.

A reflexive response to the crisis will be to lurch towards deeper protectionism as countries legitimately look to build high inventory levels, identify trusted suppliers, and move to diversify supply chains.

But these legitimate actions need not be steps towards autarky.

To ensure this, the G20 has a key role in retaining the benefits of globalisation while ensuring open, stable and resilient supply chains.

A failure to do so will lower living standards for everyone.

### **Avoid blame game**

Third, Australia needs to resist the G20 being drawn into the US-China coronavirus blame game.

If the G20 is dragged down this route we could find ourselves isolated.

In our region, some G20 members can rightly parley their handling of the pandemic into greater influence, but they could also look to hedge their bets on whether China emerges from this crisis weakened or strengthened.

Our interests are best served by working to build a consensus for an independent review of lessons learnt, a road map for reform of the WHO, and mechanisms to better integrate national and international public health systems.

In this new world order, in which economic convergence is over and de-globalisation and protectionism offer the prospect of perhaps a decade of entrenched global

unemployment, Australia has a key role in preventing the world from drifting into "beggar thy neighbour" 1930s responses.

The energy to develop the institutions we need in the mid-21st century will have to come from a networked grid, not a single power source.

Australia has always been an effective multilateralist because we are pragmatic, don't bring ideology to the table and will move easily in our relations between the developed and developing world.

This should not change.

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