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THE GLOBAL SUPPLY CHAIN

1. Suddenly "Global Supply Chains" have become a Major Topic of Conversation

- COVID crisis revealed that it was unwise to place so much reliance on China as the "factory of the world"
- Ukrainian crisis has emphasized the global food security issue: world's largest grain producer in February 2022 invaded with the 4th largest producer
- current Middle East crisis has revived fears of disruptions to energy security issues
- environmentalists are warning about the exhaustion of certain resources (our industry is being challenged on how it will decarbonize shipping without disrupting its valuable service of transporting 80 per cent of the world's goods)
- health experts are warning that this century mental health issues will overshadow physical ailments; if some environmental predictions are correct, then people are about to be hit with crises not previously endured, or even know when the crises have "ended"; environmental disasters will create health crises.
- Australians are daily confronted with "items not in stock" and minor disruptions to their lives (eg disruption in the supply of new cars)

2. Different Ways of Looking at the World

- two "traditional" main International Relations approaches:
 - i. Realism
 - ii. Idealism
- Realists: pessimists, focus on power
- Idealists: expecting the best of other people and governments; governments act "rationally" (according to their economic interests)
- WEIRD World (Western, Educated, Industrialized, Rich and Democratic) looks at the world differently from the Global South

- therefore, the world has multiple “realities”: what may seem “mad” to one person, is not necessarily “mad” to another; by Putin’s standards he acted rationally; a Chinese attack on Taiwan may seem “mad” to many Australians – but not necessarily to the Chinese leadership
- just because something is “mad”, doesn’t mean that a politician won’t do it; eg commentators were convinced that Putin would not invade Ukraine
- some of our optimistic Idealistic thinking on global supply chains has got us into the current mess

3. *“Just in Time” Thinking*

- just in time replaced the old approach of having goods in stock (now seen as “dead capital”)
- just in time thinking relied on efficient long supply chains (rather than extensive supplies of products stockpiled at the store); this made for a world of low costs and increased choices for consumers
- China’s greatest gift to the world was mass production at low cost giving us almost four decades with negligible inflation; we now have an entire generation who have no idea of what inflation looks like (though they are now beginning to learn about it)
- just in time was part of the optimistic post-1945 focus on “globalization”: a world without national borders with the easy movement of goods
- but it was also one of high danger: off-shoring may be cheaper but made countries more vulnerable to supply side shocks
- “*just in time*” will need to be replaced by a more cautious “*just in case*” thinking; we need to go back to stockpiling
- therefore, the return of on-shoring, re-shoring, and friendly shoring
- “industrial policy” and “nation-building” are back in political circulation
- US, which was a pioneer in globalization, is now a pioneer in re-shoring eg 2022 CHIPS Act (Creating Helpful Incentives to Produce Semiconductors)

4. *Less Reliance on China*

- India’s prime minister Narendra Modi: the COVID crisis has shown that China can’t be trusted
- therefore, we should engage in trade arrangements based on “trust” and not “cost”; the obsession with low cost has made us vulnerable
- could there be a new trade alliance between India, Japan, and Australia?

- Japan: technology and world's 3rd largest economy
- India: large, well-trained workforce and productive capacity
- Australia: resources
- all three are flourishing and stable democracies
- therefore, the global return of India needs to be recognized by Australians (for example, less obsession with US politics and the UK Royal Family)
- Australia needs to recognize there is more to India than just cricket, Commonwealth, and curry

5. *How Long will the China Boom Last? Key Indicators*

- Can *any* boom last? No boom in history has continued indefinitely (there are more ex-empires in the world than currently flourishing civilizations); countries often collapse faster than it takes to rise to power; people may often be slow to recognize the pace of the decline eg Britain was in decline before World War I (1914-18) but it only became widely accepted in World War II (1939-45) as global leadership was transferred to the United States
- China's economy is just a bubble – and it may just burst (as with all bubbles eg tulips, canals, railways, IT, periodic Australian housing bubbles)
- Chinese government cannot coordinate all the parts of the growth machine and so it just melts down through too much activity in too many places; there is no precedent for the current rate of economic growth to be maintained by a newly industrialized country
- China revalues its currency (as the US wants) and so the bubble inflates even more dramatically, only to burst (as with Japan between 1985 Plaza Agreement and the early 1990s; it has taken over two decades for Japan to recover)
- China's environmental stresses get even worse, such as industrial pollution in the atmosphere and rivers (16 of the world's 20 most polluted cities are in China)
- There is political instability "When the belly is full, the brain starts to think"; the global explosion of democracy: eg South Korea, Taiwan; a dictatorship can run a poor peasant society, but it cannot run a modern industrial state; the Soviet Union could not manage a smooth transition to capitalism and democracy in the late 1980s and so will China do any better?
- China will grow old before it grows rich: it could pay the price of its demographic brutality ("one child policy" and the creation of spoilt "little

- emperors”); young Chinese workers prefer durable consumer goods rather than expensive babies
- The current level of wealth is unprecedented; a traditional Chinese gentleman before the Westerners arrived two centuries ago was someone who wrote poetry and did drawings; only crude Westerners thought so much about money; could China rediscover its spiritual roots and discard the Western fetish for materialism and economic growth?
 - The Chinese military embark on foreign adventures (starting with rebellious Taiwan) and so bankrupt the country through excessive military expenditure; eg Paul Kennedy’s *Rise and Fall of Great Powers*
 - China has done very well out of the US; the US collapses economically and so China loses a prime market for exports
 - in short, we must be ready to think about the unthinkable

6. *Environmental Dimension*

- now we need to always ask: what is the climate/ environmental dimension here?
- The Club of Rome report *Limits to Growth* (1972)
- . 20th century: “century of economics” (we found out how to create economic growth: some form of mixed economy)
- . 21st century: “century of the environment” (we are having to cope with the environmental consequences of all that economic growth)
- now the environmental crisis is forcing us to reconsider our fragmented way of thinking; Club of Rome: “global problematique”, an improvement in one issue (such as improved healthcare) may result in problems elsewhere (such as overpopulation); we have now solved the “population bomb” and are now worried about the lack of young workers and taxpayers: who will contribute to the future old age pension scheme: discussions on can we afford the elderly?
- an environmental issue can trigger other reactions elsewhere: mass movement of peoples caused by: climate change, food insecurity, resulting in rise of nationalist populist policies in WEIRD world (“stop the boats”)

- Jared Diamond: *Collapse*: three indicators of past civilizational collapse (eg Mayans in Latin America and Vikings in Greenland):
 - persistent pattern of environmental change for the worse like long-lasting droughts (ii) signs that existing modes of agriculture or industrial production were aggravating the crisis
 - and an elite's failure to abandon harmful practices and adopt new means of production
- no easy answers to decarbonizing shipping!

7. Opportunities for Australia

- You don't think your way into a new style of living (which is what education is about, such as educating people against the dangers of smoking) - you live your life to a new way of thinking. In other words, as the external world changes, so you have to acquire new ways of thinking in order to survive and thrive in the new era
- Australia can build upon its reputation of being clean, green and safe
- some opportunities for Australia: "breadbasket of Asia"; training place for Asian students; a safe place to visit for tourism; a safe place for foreign investment
- Australia is in the quietist corner of the globe; it is surrounded by a giant moat (don't get fooled by the politicians complaining of the "flood" of asylum seekers)
- by 2030, 65% of the global middle class will live in Asia - right on Australia's doorstep
- Australia has done well responding to changing power balances eg in 1945 Australia's main export partner was the UK, then it became Japan, and now it is China (30% per cent of exports go to China); who's next? India? Keep an eye on Africa (which will eventually have more people than India and China combined)
- Australia is innovative eg development of Gold Coast from swampy, mosquito - infested fishing villages

8. Conclusion: Social Value of Shopping

- freight industry gets taken for granted; most Australians (even with the global supply chain shocks) are probably still unaware of how much they need the global freight industry
- therefore, there is a need for freight industry charm offensive!
- academics tend to focus on the grander aspects of living (politics, war, and global trade)
- but the social value of shopping is neglected as a topic of study and so it is too easily just taken for granted
- shopping is a valuable social activity: it gives meaning and purpose to life, it brings people together, it gives people a stake in the local community
- shopping is a nation-building activity
- McDonald's Golden Arches Theory of World Peace: trade unites countries: freight industry is an international peace-making industry

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