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G20 meets amid mounting economic and geopolitical crisis

The G20 summit meeting in Bali, Indonesia, is being held amid the worst global economic conditions since the organisation was advanced as the major international economic forum in 2009, in the wake of the global financial crisis of 2008.

Economic conditions are worsening on every front. Global inflation is at its highest level in 40 years, recession is looming in a growing number of major economies, including the US, interest rates are rising as central banks tighten monetary policy, and a deepening food crisis is pushing millions of people into starvation.

The ongoing US-led war against Russia in Ukraine, combined with increased military spending, is adding to the inflationary spiral, while intensifying geopolitical tensions and conflicts are ruling out any coordinated response to the mounting global economic problems.

In a speech delivered yesterday, the managing director of the International Monetary Fund, Kristalina Georgieva, pointed to the worsening outlook.

“Hopeful signs of recovery last year were replaced by an abrupt slowdown in the world economy because of COVID, the war in Ukraine and climate disasters on all continents,” she said.

In earlier comments on Sunday, she noted that when looking at the gloomy picture, “even more troubling is the trend towards increasing fragmentation – at a time when we need each other the most. And I am very concerned that we may be sleepwalking into a world that would be poorer and less secure as a result.”

The deepening recessionary trends have been highlighted by the IMF in its most recent economic reports. It expects global growth will be only 2.7 percent in 2023 with 31 of 72 economies set to record two consecutive quarters of economic contraction, the definition of a technical recession.

The world's major economies are at the centre of this trend. After recording two consecutive quarters of contraction in the first six months of the year, the US economy expanded in the third quarter, but this trend is not expected to last with a wave of mass layoffs underway in high-tech industries.

S&P Global's purchasing manager indexes for October pointed to a worsening downturn for the UK, US and the eurozone. The global index for new orders fell to its lowest level since the beginning of 2020, the start of the pandemic.

According to the *Financial Times,* "Economists are revising down their growth forecasts for 2023 for the wealthiest countries and expect output to decline in Germany, Italy and the UK."

In the wake of the 2008 crisis, China carried out massive stimulus measures and acted as an economic "shock absorber" for many parts of the world, particularly poorer countries, as well as major commodity-exporting countries such as Australia and Canada.

There will not be any repeat. Chinese growth has hit its lowest levels in three decades and, as the *Wall Street Journal* reported, data released yesterday showed "economic activity cooling across the board."

"Retail sales contracted unexpectedly for the first time in five months as factory output slowed and a pull-back in real-estate investment accelerated."

The official growth rate for this year is only 5.5 percent, the lowest since the early 1990s, but could come in even lower with the economy only expanding at an annual rate of 3 percent for the first nine months of the year.

Trade war measures by the US are intensifying the slowdown, with bans on chip exports to China expected to slice off a quarter of a percentage point from the growth rate for 2023.

The class war being unleashed by the US Federal Reserve—the escalation of interest rates at a record pace in order to try to batter down wage demands—is sending shock waves through the global economy and the financial system.

The resulting rise in the US dollar, lifting the price of vital basic commodities in local currencies, is increasing food insecurity.

In a report issued on Monday, the World Bank said domestic food price inflation "continues to remain high in almost all low- and middle-income countries and high-income countries," despite decreases in global food prices since their peak last April.

Last month, it said that, because of currency depreciations against the US dollar, almost 60 percent of oil-importing poorer countries saw an increase in domestic oil prices this year with 90 percent of these economies experiencing a "larger increase in wheat prices in local-currency terms compared to the rise in US dollars."

The hike in interest rates and the rise in the payments on dollar-denominated debt have already pushed countries such as Sri Lanka into bankruptcy, with the potential for major international consequences.

A *New York Times* article on the Bali summit noted: "The strengthening US dollar is worsening the debt burdens of developing economies, increasing the chances that government defaults rip through the world financial system like wildfire."

The higher interest rate regime is already setting off turbulence in the very heart of the world financial system.

The UK bond market gyrations at the end of September, the collapse of the crypto currency exchange FTX in the past week, and the growing warnings that liquidity levels in the $24 trillion Treasury market—the basis of the global financial system—have fallen to the lows experienced in March 2020, when the market froze, are all indications of a gathering financial crisis.

Amid this worsening turmoil, a major political factor is the deepening divisions between the major powers, resulting from the US-led war against Russia and its intensifying military and economic preparations for a conflict with China.

Whatever tactical shifts may have occurred in recent days—the meeting between Biden and Chinese president Xi Jinping—the strategy, US domination of the Eurasian landmass, remains the same.

At the G20 meeting in 2009, there was some agreement on policy coordination. At this meeting there are great difficulties in even producing a final communiqué.

The differences between the current meeting and that of 13 years ago were summed up in an interview last month with the finance minister of the host nation Indonesia, Sri Mulyani Indrawati.

"I saw with my own eyes how the G20 at that time really formulated that kind of policy, when all the leaders were in the same boat with the same concern with the same enemy," she said. "This one, they are enemies with each other."

Any prospect for global coordination, let alone collaboration, to combat the mounting economic crisis was virtually ruled out by US Treasury secretary Janet Yellen in comments reported by the *Wall Street Journal*.

"After the global financial crisis," she said, "countries could band together and say we need fiscal stimulus to try to create jobs so that this isn't a long damaging downturn. But now, countries have different amounts of fiscal space, different inflationary pressures."

These comments are the expression of an objective contradiction at the very centre of the capitalist economy: that between the interconnected and integrated global economy and the system of rival nation-states in which the profit system is rooted.

This contradiction is fueling the US war with Russia and preparations for conflict with China. It is the reason why no international response has been developed to deal with the pandemic, at the cost of millions of lives, and it makes any progressive response by the ruling classes to mounting economic devastation impossible.

It cannot be resolved through appeals to the capitalist political establishment to see reason and act, but only by the internationally integrated struggle of the working class for a socialist program.

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