

## Geopolitical risk remains a wildcard amid pandemic

### **Key points**

- *Geopolitical risk remains a key issue for investors and has been exacerbated by COVID-19.*
- *Australia will be less scathed by the pandemic, relative to other countries.*
- *China's increasingly aggressive stance is creating issues for a rising number of countries.*

Australia is likely to be one of four countries that will emerge from the COVID-19 pandemic **relatively** unscathed, but investors will need to navigate a radically different geopolitical environment, according to Fidelity Investments Senior Geopolitical Adviser, David Bridges.

The other countries include Canada, the United States, and Iceland, Bridges said at the Frontier annual conference.

"The world as we knew it through December of 2019 has gone away. It's not coming back. We are entering a profoundly new landscape, a landscape defined not just by the pandemic, but by shifting realities driven by the US retreat from global leadership, demographics, and the rise of new powers," he said.

But the long-term impact of these geopolitical changes is uncertain as countries continue to grapple with the COVID-19 pandemic.

"We're living through an 'all hands on deck' moment and governments right now are focused on contending with the horrible effects of the pandemic: economic contraction, the mass unemployment, continued public health crises and challenges and emergencies."

### **China flexes its muscle**

Capital Group China Affairs Director, Susan Dietz-Henderson, said governments around the world would need to reassess the foundations of their economies, including their dependence on other countries for manufacturing imports. However, there are no simple answers.

"Countries like Australia, I don't know that there would be any miracle cure for our dependence on China other than being able to adjust our sourcing and manufacturing capabilities."

Bridges said the private sector view is starting to shift its view of China from a low-cost component in supply chains to acknowledging risks such as cyber espionage and IP theft.

China imposed tariffs on Australian barley imports in May amid talk of further trade boycotts, following Australian Prime Minister Scott Morrison backing an international inquiry into the origins of the pandemic. China has also threatened countries such as Germany and France, Bridges said.

"Chinese leadership is doing itself no favours by responding in this thin-skinned irascible fashion," he said.

Bridges said cooperation and coordination would continue to play an important role behind the scenes in the US-China relationship.

Dietz-Henderson said countries may have to form new accords to fight destructive cyber activities in the same way agreements were struck to curtail emerging nuclear threats.

"AI and technological developments are moving ahead and they are going to play an indispensable part of economic relationships and corporates' ability to get ahead. It is here to stay, and it is going to be a very, very fundamental part of our future goals."

***Key questions the panellists answered***

- *(34.35m) What does the growing populations of African nations mean for investors?*
- *(37.40m) There's a big focus on US-China tensions but should investors also be focused on China-India tensions?*
- *(43.00m) What is the outlook for Hong Kong and Taiwan given the stance of China?*
- *(46.30m) What is your view on the relationship between Russia and China?*
- *(51.20m) What are the key policy initiatives nations can take to rebuild new sustainable economies post COVID-19?*