

Has the Corona Virus infected Globalization as well?

Prasiddha Rajaure, July 2020

As the current COVID crisis deepens, various new barriers have been spawned at breathtaking speed. Quarantines, closed borders, travel bans, trade restrictions, locked industries, and paralyzed supply chains have raised a common question among thousands: Has globalization itself surrendered to the wrath of the Corona Virus? Why does it matter? – Well, increased global trade and international connections have been the major reasons for global peace and prosperity. Besides building up the economic and social structures of struggling nations through free trade and the creation of world-power and less compartmentalized power sectors, globalization itself could be the cause of overthrowing the pandemic itself. However, the current pandemic is rolling back the tide of globalization, both economically and politically. Prices of oil at record low levels, Europe's inability to produce adequate face masks and nurses in Italy, Spain, and the U.S. donning trash bags for lack of gowns show the fragility of international supply chains.

In fact, globalization was on its path to declination well before the outbreak. Reaching at its peak during the mid-2000s when the supply chains evolved as manufacturers changed their perception from cheap labor to efficient models and trades evolved consistently. The 2008 global financial crisis marked the stoppage of globalization and it has not been able to recover since then. Some people have presented their concern regarding the positive forces of globalization while some have hailed the virus as a potential cure for the damaged planet, a way to restrain the cruelties of globalized capitalism and restore the virtues of communities and countries. So, what exactly is it?

Till now, we can notice that no powerful economy seems to have changed its game plan. China has been continuing its investment in the Belt and Road Initiative (project to connect Asia with Africa and Europe via land and maritime networks) while the U.S. and Russia are still in an ongoing scuffle about major arms deals with India. Though many countries are taking steps, tightening their borders, and maximizing their medical resources, none of them has taken any serious actions to undo their global alliances, interests, and strategies. Similarly, on the other hand, the number of passengers at Heathrow (one of the busiest airports globally) has dropped by 97% year-on-year, the U.S. exports fell by 6.7% (largest decline since the 2008 recession) during March and are believed to steepen in the months to come as well and the Sino Trade War (trade war between the U.S. and China) has significantly damaged the relationship between the world's largest economies. What does this signify? - Well, this doesn't exactly signify the end of globalization or the beginning of the era of deglobalization either. Rather, the world is likely to see a different version of global integration than the one we have known

before. As the situation continues, contours of this global interdependence are being developed where the nations diversify their supply chains in order to reduce the localized crisis and spread production jobs around the world, rather than concentrating in certain regions, and capital flows, understanding of comparative advantage, and economies of scale are being driven by changes in popular sentiment, government policy, and corporate practices. Furthermore, nations neither believe that the pandemic could kill the globalization. India's prime minister Narendra Modi, himself, told the nation that a new era of economic self-reliance has begun. A memorandum prepared for the French government said that a violent and massive decline in globalization is unlikely because companies have no reason to give up the advantages of international production chains in terms of costs, competitiveness, and profitability. Similarly, EU trade chief Phil Hogan told the European Parliament's trade committee that self-sufficiency isn't an option.

As nations become economically more interdependent, they tend to be less likely to make war on each other and increased global trade coincide with an unprecedented reduction in poverty. So, what's for the bottom line?

The coronavirus pandemic will mark not the end of an era, but its transformation. We still need to figure out a way to share the same small globe.