



## Covid-19 and Globalization

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This article is based on It talks about the impact of Covid-19 on the course of globalization.

**Globalisation** envisages a **borderless world or seeks world as a global village**. It may be attributed by **accelerated flow of goods, people, capital, information, and energy across borders, often enabled by technological developments**.

Over the past three decades (from 1990-2020), globalization has **dominated the world's economic order. Trade without tariffs, international travel with easy or no visas, capital flows with few impediments, cross-border pipelines and energy grids, and seamless global communication in real-time** appeared to be the goals towards which the world was moving.

However, **on the negative side**, globalization has been criticised on account of **exacerbating global disparities, spread of international terrorism and cross-border organised crime, and allow for the rapid spread of disease**.

These trends pave way for an anti-globalization or protectionism sentiment, which may further amplify due to the spread of the **Covid-19 pandemic**.

### Anti-Globalization Wave

The globalisation had already begun to plateau or stagnate since the 2008-09 **global financial crisis (GFC)**. This can be seen in many dimensions:

#### Slowing Globalization of Trade

- Trade as a percentage of global GDP rose from 39% in 1991 to 61% in 2008 but has **stagnated over the past decade**.
- Similarly, personal remittance flows, previously on the rise, flattened to around **0.75% of global GDP**.

- There are several causes for the **great stagnation in the globalisation of goods and capital**.
  - It became increasingly apparent that not all countries, societies, and people were benefitting equally from globalisation, and that soon began to be reflected in national and international politics.
  - This is reflected in **Brexit** and **USA's America First Policy**.
  - Further, **trade wars** and the **halting of WTO talks** is another recognition of the retreat of globalisation.

### **Slowing Globalization of Information**

- The globalisation of information may confront a paradox.
- On the one hand, information is more available, important, and shareable than ever. On the other hand, there is greater monitoring of individual information.
- The SARS epidemic of 2003 was a watershed for the use of mass surveillance and big data by governments in the interest of public health.
- Similar sentiments in a post-Covid-19 world may contribute further to the **nationalisation of data**.

### **Slowing Globalisation of People**

- The globalisation of people accelerated, although in a manner that was partial and subordinate to national interests.
- The stock of global migrants grew steadily from 190 million in 2005 to 243 million a decade later. The number of international tourist arrivals rose from 900 million in 2009 to 1.4 billion in 2018.

For example, visa restriction policies of the USA, rising cases of racial attacks in countries like Australia.

### **Slowing Globalisation of Energy**

Net international energy trade, which stood at 1.5 billion tonnes of oil equivalent in 1990, swelled to 2.5 billion by 2008 but then grew only moderately to 2.8 billion by 2018.

**Due to these factors, international media is referring to the process of globalisation by the term 'slowbalisation'.**

## Effect of Covid-19 on Globalization

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The ongoing phase of globalisation hasn't fully recovered from systemic shocks given by GFC. However, the spread of Covid-19 pandemic presents a challenge of a different magnitude.

- **Global Economic Crisis:** United Nations Economic and Social Commission for Asia and the Pacific (**UNESCAP**) in its annual Economic and Social Survey, held that the Covid-19 crisis is a challenge never seen before and it is going to be a bigger shock for the world economy than the GFC.

This may act as severe blow to liberal world order dominated by globalisation.

- **Problem faced by Emerging and Developing Economies:** The United Nations Conference on Trade and Development held that emerging and developing economies which rely on export-led growth, will now be severely impacted as the global economy contracts and the world opts protectionism policies.
- **Disruption of Global Value Chain:** Covid-19 crisis is having devastating repercussions for corporations and businesses that have benefited from economic interdependence supported by cross-border supply chains.

China is the world's largest production base, and lies at the heart of many supply chains. Since the outbreak of this coronavirus, many companies that had come to depend on China were hard hit.

- **Bringing Back Import Substitution:**
  - From a risk analysis perspective, we could at the very least see a rapid trend towards moving from globally dispersed production bases back in favor of domestic facilities.
  - Countries will reconfigure their economies to look at import substitution with a greater clarity now, as the perils and pitfalls of overdependence on foreign supplies become clear.
  - There will almost certainly be calls for the re-nationalisation of manufacturing, particularly for what are considered critical or essential goods.
- **Further Halting of WTO talks:** This may indicate worse days ahead for the WTO, as trade rules have worked best when the global economy is booming and isn't facing a crisis.
- **Restriction on People to People Movement:** National governments will have to weigh the risks of contagious diseases against the benefits of ease of travel or may have to consider stronger safeguards.
  - In the short run, the World's Tourism industry will get affected even after the crisis gets over.
  - Also, mobilisation of finance will be indirectly affected as less migration and business travel coupled with incentives to invest at home will hinder transnational capital flows.

## Way Forward

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- The US has announced a **\$2 trillion economic package** (nearly 10% of USA's GDP) for post crisis reconstruction. However, other countries may not replicate this as it may blow up the fiscal deficit.
  - In this scenario, full use must be made of the **International Monetary Fund's Special Drawing Rights (SDR)**.
  - The idea is that, because all countries will obviously want to protect their own citizens and economies during crises, the international community should have a tool for assisting the neediest countries without requiring national budgets to take a hit.
  - Advanced economies like the United States should consider donating or lending (on concessionary terms) their SDRs to a trust fund dedicated to helping poorer countries.
- At the same time, there is a need to work towards eliminating problems such as social and economic disparities caused by globalization.
- Once the world recovers from crisis, it is crucial to create mechanisms to respond to disease through effective international cooperation.

Globalisation has brought more good than harm. Therefore, nations must work together for a better future through globalisation, as climate change, pollution and global warming issues can only be tackled through collective action. In this context, world can take inspiration from India, as **India is exporting Hydroxychloroquine** in response to demand by other countries for treatment of Covid-19.

### ***Drishti Mains Question***

Discuss the impact of Covid-19 on the process of globalization.