PROSPECTS OF GLOBALISATION IN THE NEW NORMAL COVID19 WORLD

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Abstract: The paper explores the impact of COVID 19 on the future of globalisation and neo-liberalism. Random based survey research design has been used to arrive at conclusions and findings. COVID 19 pandemic has increased distrust among nations leading to a possible disintegration of the world economies & a resurgence of pre WTO era where protectionist strategies were the order of the day. In the disguise of COVID 19, the walls of tariffs and non-tariff barriers may get erected globally by economies to survive the impending economic collapse.

Index Terms - COVID 19, Globalisation, Protectionism, Recession.

INTRODUCTION

While the world was struggling with a global slowdown, the end of the year 2019 saw Corona Virus Disease 19 (COVID 19) starting in China and soon spreading globally with World Health Organisation (WHO) declaring it as a pandemic. The most powerful and richest of nations were not spared from the onslaught of this brutal virus. As countries around the world reeled under the threat to their citizens lives, they choose lock down as a measure to save human lives and to flatten the COVID 19 curve. It was a choice of lives over livelihood or society over economy.

Lock downs around the globe have severely hit the already ailing world economy. Economies have taken a magnanimous and irreversible hit. In the given circumstances, IMF (International Monetary Fund) has forecasted a sharp negative growth and a recession looming over the world economy, worst since the Depression of 1930s. It has projected that global growth in 2020 will fall to 3 % (IMF, 2020). In countries like India, where five lockdowns have been announced so far, the first phase of 21 days lockdown alone is expected to cost its economy Rs 7-8 lakh crores(ET, 2020). And till the time a vaccine is found, economies around the world will be in and out of periods of lockdown. This is bound to aggravate the damage to world economy and lead to an intensified restlessness among the world leaders to mitigate this damage to their economies.

The most worrying aspect in this scenario is of nations choosing to lock down against each other in the economic dimensions of trade and investments. Though, adoption of such protectionist policies may seem attractive today, as a hedge to support the economy, but in the long run it may lead to an irreconcilable discord among nations and spell a doomsday for globalisation.

II. WHERE DOES THE GLOBAL ECONOMY STAND?

Even before coronavirus, the world economy was a distressed one. Over the years, inequalities around the world have increased, growth rates have slowed and unemployment has increased. This grim situation has been worsened by the coronavirus attack resulting in stoppage of global supply chains, closure of manufacturing sectors and the vulnerable class struggling for livelihood.

This has induced the political leaderships and governments to mind map on the options available for defending their businesses and communities. The near past has been a witness to high profile global contest between nations as a result of egoist political leaderships. Such anarchist leadership behaviours have severely impacted the global and regional economic integrations. In recent years economic integrations like The North American Free Trade Agreement (NAFTA), The South Asian Association for Regional Cooperation (SAARC), Organization for Economic Cooperation and Development (OECD) have been dormant and in name only. The only possible understanding of the events is that the world was heading to embrace the theory and practice of protectionism, the virus has only provided it with the much needed excuse to nail the coffin of globalisation or to be more precise neoliberalism.

And, if there is an emergence of a global picture of this order, then it may take global trade in the pre- World Trade Organization (WTO) era where the policies of foreign trade were drafted by governments on the basis of individual political relations and affiliations to be more neutral economic cooperation treaty as per the WTO rules.

III. MATURING OF ISSUES RELATING TO PROTECTIONISM

Rugman (2001) is of the view that globalisation has never occurred and is a myth since the majority of multinational enterprises are organized regionally and not globally. While multinational enterprises are the engines of international business, their strategies are regional. Further, the world manufacturing is dominated by a set of 500 very large multinational enterprises that primarily operate in regional business network. Though, Rugman’s statement and views on neutrality in global economic cooperation can be debated, but the verity is that, a threat looms on the fall out of globalisation with the maturing of specific issues resulting in nations adopting protectionist policies:

USA-China Trade War

Today, a narrative of distrust has been built against China that needs to be analysed. The reason for the a large number of Multinational Corporations (MNCs) from USA to invest earlier in China was to benefit from the enormous cost advantage that China gave, while the recent pull out has been the grumble of sharing intellectual property and technologies with China. With the knowledge of these technologies and intellectual property, China today has become the most dangerous competitor for these very MNCs, who are today lobbying with their governments to isolate China by creating an element of distrust against it. Having said this, it is also true that China continues to adopt unfair and dumping practices against trading nations.

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The disagreement between the two started in 2017 when the President of USA declared China’s trade behaviour as predatory and in 2018 declared tariffs and non-tariff barriers against Chinese goods. In 2017, the USA had a $336 billion trade deficit with China and an overall trade deficit of $566 billion (Kruzel, 2018). China countered this by imposing tariffs on imports of USA goods which initiated an irreconcilable trade war between the two.

This situation also throws light on weakening powers of WTO. China approached WTO and launched a complaint against America in September 2019, winning the WTO case to sanction $ 3.6 billion in US trade (Murray & Donnan, 2019). But, instead of reconciliation, USA threatened to pull out of WTO. The tariffs imposed by USA against China and other trading partners were a violation of WTO obligations. In retaliation, European Union and China also imposed tariffs against the US, in blatant disregard of WTO laws. This clearly brings forth the weakening of WTO as an arbitrator. The situation between the two nations has only worsened with the onslaught of the virus.

British exiting European Union (Brexit)

UK formally left the EU on 31st January, 2020, leaving the entire European blending and economies around the globe in a turmoil. Since June 2016(when the referendum was passed in UK in favour of Brexit), the Brexit chaos has adversely affected world trade. The decision of UK to pull out of EU was to protect the loss to its economy since its gains from trade as a member of EU were being outweighed by its loss. Britain ran a trade deficit in goods and services (combined) every year since 1999 in its trade with EU. From 2012 to 2016, its trade deficit doubled from £41 billion to £82 billion. The trade deficit of UK with EU was of £ 66 billion in 2018 (Ward, 2019).

EU has epitomized the concept of free trade and globalisation. The fall out of the most powerful regional economic integration, with Brexit, has given a hard blow to world Gross Domestic Product (GDP). Since Brexit means both parties will withdraw from a frictionless economic relationship, there will be costs on both sides (Chen, et al, IMF Blog, 2018). Brexit also reflects on the diminishing voice of powerful institutions like IMF that warned of a recession being triggered in Britain as a result of Brexit (Allen, 2016). The transition period of Brexit ends on 31st December, 2020 and if a deal is not struck by then, between the UK and EU, the basic rules of WTO will apply where tariffs would apply to most goods sent to EU. There is every possibility that in the difficult times to come EU would not be benevolent towards UK and its interests, which would start a saga of tariffs between the two.

Further, coronavirus could do more harm to EU integration than Brexit. Europeanism weakened by the recent years of economic crisis, may see an EU fall out with coronavirus. With the virus spreading, EU members have sealed their borders against each other with some countries also imposing export bans on specific medical supply to other EU members. Further, conditions are being imposed by strong members in offering financial assistance to weak EU members.

Oil Wars

The Organisation of the Petroleum Exporting Countries (OPEC) has been dominating global oil production and prices. Its objective of cartelising is an antithesis to that of WTO’s objective of free trade. Some members of OPEC are also members of WTO. These members under OPEC have been adopting policies of export quotas, production control towards high oil prices, all against the rules of WTO. WTO on its part has failed to impose its free trade rules on the members that are also under the OPEC umbrella. In April, 2020, oil markets crashed with US oil prices turning negative for the first time. As oil producing nations and companies looked towards disposing of their excess supplies, it created turmoil in oil markets with prices crashing. This situation is likely to continue with immobility in aviation sector and disruption in productive activities. There is also every possibility of conflicts and disintegration between the oil producing nations.

March, 2020, was a witness to oil war between the two major oil producing nations Russia and Saudi Arabia. It was an outcome of Russia’s refusal to concede to a request by OPEC nations to reduce oil production to match the fall in global demand and prices. This enraged Saudi Arabia, and it retaliated by slashing oil prices to grab Russia’s consumers. The move triggered a massive disorder in energy markets with potential losses to Saudi Arabia itself. The move was against the rules of fair playing grounds. It also caused a loss to the nascent shale producing companies in USA, many of whom are likely to go bankrupt with the subsequent oil markets crash and negative prices scenario of April, 2020.

Geopolitical conflicts and economic wars among major oil producing countries like USA, Russia and Saudi Arabia have resulted in hacking of the world economy. Today, due to coronavirus, active oil wells have been shut down pushing thousands of workers out of jobs. Though, Russia and Saudi Arabia have reached reconciliation, this may not sustain in trying times to come.

Currency Volatility & Call for Gold Standard

Recent years have been of low currency volatility with the year 2019 declared as The Year of Low Volatility (Michalowski, 2019). Low currency volatility is a reflection of global economic slowdown. In the present crisis brought by virus, the value of currencies is bound to fall and become shaky as economies enter into a spell of recession. In such times, holding government bonds becomes unattractive (as their prices tend to fall). Recently, gold and silver have become more volatile than currencies, giving higher yield to the investor than holding and trading in interest bearing bonds. As Michalowski (2019) points out “at some point, gold and silver become an attractive store of wealth relative to bonds”.

With economies like US experiencing high trade deficits and eminent downfall in 2020 and 2021, the call for gold standard may emerge as an economic safeguard. The president of United States, Donald Trump, is also an advocator of gold standard. To quote him, “We used to have a very, very solid country because it was based on a gold standard.” (Benko, 2017). In USA, since 2011, at least six states have passed laws recognizing gold and silver as currency with others contemplating the same (Frost & Gwynn, 2019).

The prospect of adopting gold standard raises the doubts of controlling the currency values which is a deviation from free market forces. But, Selgin (2013) contradicts this since according to him “ a gold standard needn’t be either established or administered by government. In principle, it might be a purely market-based arrangement, with private mints supplying gold coins and private banks supplying both notes and deposits redeemable in privately minted gold”.

IV. INPUTS FROM KEYNESIAN MODEL TOWARDS ECONOMIC REVIVAL

Keynesian economics was instrumental in understanding business cycles and in the revival of world economy from the Great Depression of 1930’s. Keynes advocated that in case of lack of effective demand one of the two, i.e. aggregate demand and aggregate supply, is required to balance the other. And in this balancing act, the intervention of government is required. During recessionary times, higher fiscal stimulus and lower interest rates are needed and vice-versa during an upswing phase of business cycles. The year 2019 saw many economies around the world resorting to such intervention measures by their governments to revive aggregate demand with concern for fiscal deficits and inflation taking a backseat. Stimulus packages are also being offered by institutions like IMF to member nations to handle the socio-economic crises brought by coronavirus, in adherence to Keynesian economies, and such packages are only bound to increase in the future. As stated by United Nations (2020) “Coordination among major central banks and the support of international financial institutions could help facilitate swap lines and provide liquidity in the financial system, especially in emerging economies and developing countries. At the same time, the resources available to the IMF need to be increased, by leveraging Special Drawing Rights to rapidly inject resources into countries”.

V. SURVEY RESULTS

55 responses were collected from diverse fields and age groups. The age of the respondents ranges from 18 to 67 years with the mean age at 38.2 years. The respondents are from diverse occupational backgrounds and portfolios. 45.5% are professionals, 27.3% each are engaged in businesses and services respectively, from five different nations.

<table>
<thead>
<tr>
<th>Q.No.</th>
<th>Survey Question</th>
<th>Responses (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Will the pandemic COVID 19 create a new world trade order?</td>
<td>No: 5.5, Yes, economies like USA may lose their dominance: 38.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Emerging economies like India will benefit: 54.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Economies will distrust China and not depend on it as earlier: 56.4%</td>
</tr>
</tbody>
</table>

Table 1: Pandemic COVID 19 may lead to a new world trade order

Researcher’s Interpretation & Commentary: Even though the respondents are hesitant to pronounce a structural power shift in the world economy and do not view the global economy moulding into a new world trade order, but they believe that the future may witness a change, with opportunities for India (54.5%). Further, there will be distrust in dealing with China (56.4%) and a possibility lies in powerful economies like USA losing on their dominance in world trade and numero uno position (38.2%).

2. COVID 19 may see the end of economic globalisation?

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>05.45</td>
<td>18.2</td>
<td>23.6</td>
<td>41.8</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Researcher’s Interpretation & Commentary: Sentiments are that globalisation will prevail and is a trusted tool for economic prosperity. However, they believed that the situation may witness a change depending on how quickly the world can free itself from the pandemic.

3. COVID 19 will see rising unemployment levels around the globe?

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32.7</td>
<td>21.8</td>
<td>20</td>
<td>14.5</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Researcher’s Interpretation & Commentary: Respondents believe unemployment will increase on a large scale in the times to come which calls for Governmental efforts to arrest the same. Some see this situation as temporary and in developing and populated countries like India. Others also opined that future may see survival of the fittest, with no emotions being considered by public or the private sectors in laying-off people.

4. COVID 19 may result in world economic depression which may result in economies drifting away from regional cooperation and integrations?

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>69.1</td>
<td>31.9</td>
</tr>
</tbody>
</table>

Researcher’s Interpretation & Commentary: 69.1% felt that economies will drift away from regional cooperation and integrations while 31.9% thought otherwise. They opined that countries need to work together to overcome this situation. The world, especially the developed nations, may isolate China by grouping together and may add to the existing trade conflicts between USA and China. Though nations may drop out of integrations, but will prefer to establish alliance with those nations where the exports are greater than imports.
Therefore, this may become an opportunity for the importing nations to strengthen their negotiation powers for gains.

5. Globalisation post COVID 19 will see nations opting for protectionism in foreign trade policies?
<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Maybe</th>
</tr>
</thead>
<tbody>
<tr>
<td>69.1</td>
<td>5.4</td>
<td>25.5</td>
</tr>
</tbody>
</table>

**Researcher’s Interpretation & Commentary:** It is largely believed that post COVID 19, alliances between countries will decrease with economies resorting to protectionist policies in foreign trade and western countries significantly minimizing their trade with China.

6. Post COVID 19 nations will not depend on foreign sector to boost GDP?
<table>
<thead>
<tr>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>47.3</td>
<td>52.7</td>
</tr>
</tbody>
</table>

**Researcher’s Interpretation & Commentary:** Though, there will be a fall out in regional integrations, but 52.7% respondents still believed that foreign sector will be crucial in boosting GDP while 47.3% thought otherwise.

7. Globalisation was dying a slow death with US-China trade war, Brexit, geo-political conflicts, COVID 19 has only reinforced it?

**Chart 1: Impact of geo-political conflicts on globalisation prior to COVID 19**

- **Strongly disagree**
- **Disagree**
- **Neutral**
- **Agree**
- **Strongly agree**

55 responses

**Researcher’s Interpretation & Commentary:** Respondents agreed that the fiber of globalisation had weakened in the face of the conflicts, prior to COVID 19, and that the virus has further diminished the trust in it.

8. COVID 19 will see China?
<table>
<thead>
<tr>
<th>Gain in foreign trade</th>
<th>Lose in foreign trade</th>
<th>Cannot be said</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>58.2</td>
<td>21.8</td>
</tr>
</tbody>
</table>

**Researcher’s Interpretation & Commentary:** Respondents believed that China will lose post COVID 19 in foreign trade due to:
   a) China having lost the trust of nations across the world
   b) Most of the leading manufacturing units have started to shift out of China
   c) Developed nations lobbying against China

9. In times ahead, global foreign investment will?
<table>
<thead>
<tr>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>50.9</td>
<td>49.1</td>
</tr>
</tbody>
</table>

**Researcher’s Interpretation & Commentary:** The opinion was balanced on the prospects of global foreign investment, with an insignificant higher number agreeing to an increase in global foreign investment.

10. Post COVID 19, economies may adopt gold standard to prevent currency crisis?
    | Yes | No | Cannot be said |
    |-----|----|----------------|
    | 43.6| 14.5| 41.8           |

**Researcher’s Interpretation & Commentary:** A majority of respondents felt that in the eventuality of a currency crisis, economies may resort to gold standard.

11. WTO will be able to define new terms of trade post COVID 19
    | Yes | No | Cannot be said |
    |-----|----|----------------|
    | 49.1| 10.9| 40             |

12. Institutions like World Bank and IMF can play a significant role in revival of globalisation post COVID 19?

**Chart 2: Role of IMF and World Bank post COVID 19**
Respondents showed hope on institutions like IMF and World Bank in reviving the world economy in turbulent times to come and believed that WTO can also play an important role in redefining terms of trade towards strengthening of international trade and commerce.

13. Post COVID 19, world may see a rise in moral capitalism? Yes 65.5 No 34.5

Researcher’s Interpretation & Commentary: It is believed that a rise in moral capitalism will see businesses remodeling their functioning by synthesizing their objective of profit with greater responsibility towards society.

14. What are the possible solutions to this economic crisis that the world is facing today? (more than one option allowed)

<table>
<thead>
<tr>
<th>Solutions</th>
<th>32</th>
<th>23</th>
<th>10</th>
<th>24</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaborated efforts and integration of world economies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Fiscal stimulus</td>
<td></td>
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<tr>
<td>Protectionism</td>
<td></td>
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<tr>
<td>Businesses adopting a holistic view</td>
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<td></td>
<td></td>
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<tr>
<td>Large spending on infrastructure</td>
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</tbody>
</table>

Table 2: Solutions to Global Economic Crisis

Researcher’s Interpretation & Commentary: It is largely believed that economies need to collaborate towards revival and growth. Establishing strong social and economic infrastructure, especially in developing countries like India, is required to generate employment and improve on health care and education to absorb shocks in the future. While fiscal stimulus is a need in the short run, it needs to be strategized to avoid liquidity trap. Much will also depend on the reforms that each country will undertake. Without globalisation there is not much of an opportunity for countries to survive. It is a time for businesses to adopt a holistic view and move towards moral capitalism.

VI. CONCLUSION & SUGGESTIONS

From the insight of events around the world, it is obvious that the political leaders are hesitant and doubtful to continue with free trade. Trust has also been lost regarding the benefits of regional integration. In this backdrop, it would be easy to pull away from each other and concentrate on strategies of self-interest and survival. Since over the years economies have progressed and worked in a closely connected and integrated manner, abrupt deviation from this can bring more disruptions than working in coordination. In a crisis time of coronavirus, when nations scampered to produce ventilators, they realized their dependency on China for low cost plus crucial components. India was no exception. Today, each country has acquired specialization with division of labour where a separation or a divorce from the other can only result in a lose-lose situation. Today innovations, research and
cost effectiveness of MNCs is based on global sourcing. A hit at globalisation would mean increase in costs and loss to the global consumers. 

Certainly, neoliberal policies and pure order capitalism can be given an overhauling with a rise in moral capitalism. The emergence of a new world trade order would be towards creating a framework of prosperity for all the stakeholders—governments, communities and capitalists. Moral capitalism need not be derailed to create a socialististic setup, since international protectionist policies will gradually lead to creation of restrictive and monopolistic practices in the home country, which had led to framing of the draconian The Monopolies and Restrictive Trade Practices Act (MRTPA) Act in India’s case.

The future lies in governments and political leaders developing international relations holistically. It lies in laying stress on a sustainable growth model. The gain from globalisation for economies lies in:

a) China improving on its goodwill with fair practices and with sharing of its cost effectiveness and competitive advantage with other countries;

b) USA building its goodwill and exploring options other than barriers and threats to other nations for rectifying its trade deficit;

c) Emerging economies like India, struggling with high unemployment levels, should see opportunities in the situation and harness it by providing a level playing field for investments. It is also a time for it to capitalize on its strength of basically being a domestic demand driven economy that provides it with more power in trade negotiations. Further, it is most important that India changes its political and populous mindset and rises above the socio-cultural conflicts that have been dominating the nation in recent years.

d) Monetary policies of central banks need to act in tandem with the expectations of markets and communities;

e) Creation of jobs through public-private partnership is most crucial to avoid a social collapse. Partnerships of governments with private entities in productive fields like infrastructure building would assist in arresting leakages of fiscal stimulus;

f) Sensitivity to the issues of host country relating to Micro, Small, and Medium Enterprises (MSMEs) and farmers, where MNCs like WALMART need to allocate their profits willingly in creating warehouses for farm storage and to procure food and other items from local farmers and MSMEs.

VII. ACKNOWLEDGEMENT

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