



GLOBALIZATION IN CONTEXT OF COVID-19

Globalization emerged as an aspiration for integrating world into a global village, and subsequently transformed the economic, political and cultural dimensions of the world. However, it witnessed a serious blow in the time of Covid-19 pandemic. The Covid-19 pandemic exposed the vulnerabilities of a globalized world. Pandemic compelled countries to impose restrictions on international travel, foreign investment, export of medical supplies and disrupted the global supply chain. It led to a new wave of protectionism, self-reliance and nationalism. But to deal with this crisis and prepare ourselves for post-Covid world, a globalized response is the way forward.

Globalization is the spread of products, technology, information, and jobs across national borders and cultures. Economic globalization includes flows of goods and services across borders, international capital flows, reduction in tariffs and trade barriers, immigration, and the spread of technology, and knowledge beyond borders. Since its emergence, many studies found the positive effect of globalization on growth through effective allocation of domestic resources, diffusion of technology, improvement in factor productivity, and augmentation of capital.

However, the present crisis by Covid -19 pandemic has shown some of the vulnerabilities of the “Global Village”. Since the past few years, globalization’s impending demise is that the system is already strained to the breaking point. Even prior to the pandemic, globalization was challenged by a rising wave of populism spurred on by economic discontent in Europe, the United States, and China. Moreover, the pandemic came during a period of heightened inter-state strategic competition and trade wars, eroding the trust that serves as the bedrock for globalization. In this sense, the pandemic is just the latest and, as the argument goes, the final blow to globalization. In this context, this article tries to analyze various dimensions of globalization and the changes they are witnessing due to the Covid-19 pandemic.

Protectionism

Economic integration of the world was one of the main objectives of globalization, which emphasized the free flow of trade, investments, and business entities across the globe. Since the 1990s, it resulted in interconnected markets, increased Foreign Direct Investments, and the emergence of Multinational companies. However, Covid-19 crisis has changed the direction of global economy from integration towards protectionism.

Protectionism is a policy of protecting domestic industries against foreign competition by means of tariffs, subsidies, import quotas, or other restrictions. Since the past few years, protectionism was on a rise, the US-China trade war, strict immigration rules in many countries, and BREXIT reflect this trend. This protectionism got further momentum in the backdrop of the Covid-19, when countries imposed curbs on export of protective gears, masks, gloves, medicines and other medical supplies. Similarly, the trade in food items will see a downward trend as countries’ attempts to restrict food export as there are concerns that global food security could come under pressure.

India’s new FDI policy in April 2020, imposed restrictions on Foreign Direct Investment (FDI) from its neighbouring countries through automatic route. According to Department for Promotion of Industry and Internal Trade (DPIIT), this policy is to protect Indian companies from “opportunistic takeovers/acquisitions of Indian companies due to the current Covid-19 pandemic”. Similar trend was witnessed in case of Canada, Australia and France. The outbreak and spread of Corona Virus (Covid-19) will negatively affect global Foreign Direct Investment (FDI) flows. With scenarios of the spread of the epidemic ranging from short-term stabilization to continuation throughout the year, the downward pressure on FDI will be -five percent to -15 percent (compared to previous forecasts projecting marginal growth in the FDI trend for 2020-2021). The World Trade



Organization (WTO) has now estimated that in a worst-case scenario, global trade could dip as much as 32 percent, indicating the kind of dislocation they expect in large economies.

Disruption in Global Supply Chains

Global supply chains are networks that can span across multiple continents and countries for the purpose of sourcing and supplying goods and services. Global supply chains involve the flow of information, processes, and resources across the globe. Low-cost country sourcing is linked to global supply chains and refers to the procurement of products and services from countries with lower labour rates and reduced production costs than that of the home country.

The Covid-19 crisis is having devastating repercussions for corporations and businesses that have benefited from economic inter-dependence 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 Corona Virus, many companies that had come to depend on China were hard hit. In addition, a chain is as strong as the weakest link. A single default at any point in the procurement of raw material, processing, or packaging at any level hampers the entire production of the main unit. For instance, India imports around 70 per cent of its active pharma ingredients – also known as bulk drugs from China, whose supply stopped during the pandemic, and the Indian pharmaceuticals sector was unable to produce cheaper generic medicines even though it was in high demand across the globe.

Recent data from Tradeshift, a global platform for supply chain management, reveals the magnitude of the impact on trade and demand. It suggests the effects of the initial shock may continue to linger for the coming months. In China, domestic and international trade transactions suffered a week-on-week drop of 56 percent beginning mid-February. The United States, United Kingdom, and Europe followed suit, with a combined initial drop of 26 percent in the beginning of April, and a continuing decline of 17 percent in late April.

Furthermore, trade has flatlined in every region affected by the lockdown. Overall weekly transactions on the Tradeshift platform since March 9th are down by an average of 9.8 percent, compared to pre-lockdown figures, with a pronounced decline in invoices and orders since the end of March.

Covid-19 has exposed the vulnerabilities of complex global supply chains built on lean manufacturing principles. The impact of China's lockdown and its dominance in key areas of manufacturing have further highlighted the problem with modern supply chains. When Chinese factories were shut down, manufacturers struggled to pivot due to a lack of flexibility in their supplier base. One likely consequence is that global firms will now onwards diversify their supply chains, instead of relying only on China. Manufacturing hubs such as Vietnam, Mexico, and India are likely to benefit from that shift.

It is expected that the post-Covid crisis, policymakers, and executives will look for remaking of global supply chains that are better connected with the local supply hub. More local supply can also enhance agility, as companies can be more responsive to changes in local demand. They can more easily sell and deliver products directly to customers rather than through intermediaries. US President also emphasized a change in US companies' approach to outsourcing production overseas.

It has given a thrust to revive the local industries that were not able to sustain due to cheaper overseas imports and reduce the dependence on other commodities for essential products to minimal. There is a rapid trend towards moving from globally dispersed production bases back in favour of domestic facilities. Countries will reconfigure their economies to look at import substitution with greater clarity now, as the perils and pitfalls of overdependence on foreign supplies become clear. Countries are emphasizing on the localization over globalization. It is reflected in India's Prime Minister's speech for India's vision for *Aatm-Nirbhar* Bharat and citizens being "vocal for local". The three lakh crore rupees support for the MSME sector and no global tenders for Government tenders of up to Rs 200 crore. Similarly, in other countries, there are calls for the re-nationalization of manufacturing, particularly for what is considered critical for essential goods.



International migration

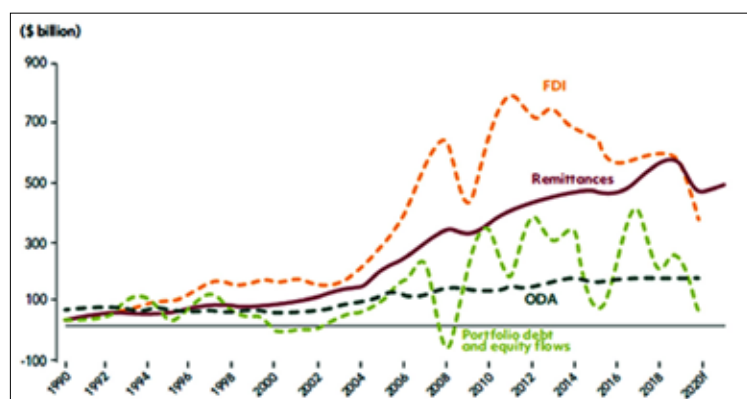
The free flow of people across the borders is one of the key characteristics of globalization. The emergence of big Multinational companies has further promoted such movement of people in pursuit of better job opportunities. It has given rise to new class of citizens that are global. Developing countries like India and China are the largest contributors of such emigrants. They not only brought remittances back to their home country but also acted as a cultural link with other nations.

However, during Covid-19 pandemic they were the worst affected. They not only lost their jobs but also faced a survival crisis due to higher living costs and the absence of social security net in these countries. As the situation worsened, countries sent their missions to evacuate their stranded citizens that constitute skilled and semi-skilled workers, students studying in foreign universities, tourists, etc. Some 15 lakh people returned to India between January 18 and March 23, 2020. It has not only impacted them financially but also psychologically, many of them will be less willing to go abroad again post Covid-19.

On the other hand, many countries besides the U.S.^[10] have already shuttered or severely limited entry for foreigners – and many of those restrictions will not be so easily removed when the worst of the pandemic has passed. Countries will be fearful about potential of immigration to contribute a pandemic resurgence. Also, due to long lockdowns, the unemployment rate is at the peak in the US and many European countries, since the Great Depression of the 1930s. In this context, developed countries will be more inclined to fulfill the employment demand of the local workforce by imposing working visa restrictions on other countries to avoid job drains to other nationals in the near future.

In 2020, remittance flows to Low- and Middle-Income Countries (LMICs) are expected to decline by around 20 percent, marking the sharpest decline in recent history (Figure 1).

FIGURE 1: Remittance Flows to (LMICs) Expected to Decline in 2020



Source: Covid-19 crisis through a migration lens.

Culture

Apart from the economic impact of Covid-19, it has also impacted the emergent global culture. The globalization since the 1990s has significantly changed the society of developing countries in terms of traditions, culture, food habits, attire, etc. The westernization that has become an integral part of developing countries, has been questioned by many during the pandemic for its inability to deal with this crisis.

Countries are looking inward for the treatise of their traditional knowledge. In the Indian case, the praise for "Namaste" over "Hand Shake"; AYUSH ministry issuing guidelines for Ayurvedic herbs and *chyanprash* to boost

immunity; *Ramayana* re-telecast on National TV recorded the highest TRP ratings, even surpassing the most-watched entertainment shows; increasing demand of *khadi* masks and rising preference for yoga & meditation during lockdown over gym highlights this change. Similar trends can be witnessed in Sri Lanka, Africa, and other Asian countries.

The above analysis highlights the challenges faced by the globalization in Covid-19 pandemic. The recent backlash against globalization is not a new phenomenon. In past, during, SARS in 2003, the Subprime crisis in 2008, H1N1 in 2009, etc. questions were raised on globalization but it survived. While the pandemic will change the mechanics of globalization, it is not likely to spell globalization's death knell.

Even though the Covid-19 pandemic has exposed the vulnerabilities of globalised world, its importance exists even more than earlier. Post Covid-19 pandemic, world will face the crisis of food security; massive unemployment; rise in multi-dimensional poverty; global recession; vaccination of marginalized sections, etc. To deal with these challenges, there is a need for an integrated globalized response that is assisted by robust and reformed multilateral institutions. The international NGOs can also play an eminent role in assisting the government response. ■

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