

Research on the Trend of Deglobalization under the COVID-19 Pandemic

Zhuoyan Han^{1,*}

¹*School of Finance, Henan University of Economics and Law, Zhengzhou, Henan Province, China, 450046*

**Corresponding author. Email: h18562066398@163.com*

ABSTRACT

Deglobalization, as the name suggests, is the antithesis of globalization, a form of nationalism and trade protectionism aiming at protecting one's development interests in an autarkic environment. The trend of deglobalization has been found since the outbreak of the international financial crisis in 2008, and has been evident in the emergence of multi-national populist parties in Europe and South America, including the "Black Swan Event" in 2016, the UK's referendum to leave the EU, and the emergence of multi-national populist parties in Europe and South America. Now the COVID-19 pandemic has accelerated the trend of deglobalization. This paper focuses on the negative impact of deglobalization and the countermeasures that all countries should take. It uses the ideas of international political economy to place countries in the background of the superimposed epidemic and deglobalization. It further analyzes the biggest challenges they are facing by combining the data information provided by WTO website and Frankfurter Allgemeine Zeitung. Finally, it can be argued that the way to solve this problem lies in constructing a new pattern of global economic governance.

Keywords: *Deglobalization, COVID-19, Global economic governance, New trend of globalization*

1. INTRODUCTION

As the epidemic continues to spread around the world, countries have taken lockdown measures, preventing the free flow and orderly allocation of raw materials, commodities and other factors of production in different countries and regions. It can be carried out that although the beggar-thy-neighbour barrier is helpless, not active, but led to the global supply chain tension in the chaos, the reduction of international trade and business confidence fell. And the objective result is deglobalization, even some scholars think the outbreak "may become overwhelmed the last straw for economic globalization"[1]. In fact, however, this is not the end of globalization. Based on the theme of how the world economy actively responds to the double shadow of deglobalization and the epidemic, this paper explores the driving forces of deglobalization, the negative impact of this trend and the new trend of globalization transformation rather than reversal under the epidemic situation. Despite the resistance, economic globalization will not end. In the future, countries around the world will become more interdependent and closely linked, and unswervingly promote global cooperation and jumpstart the global economy.

2. INTERNATIONAL TRADE HAS BEEN HIT HARD

Before the outbreak of COVID-19, global trade in goods fell by 0.1 percent, firstly decline since the international financial crisis, which has clearly had a negative impact on economic globalization. In 2020, with the rapid spread of COVID-19, borders have been closed, many industries have been shut down, consumption has cooled, and commerce has been blocked. For example, inbound tourist arrivals from Japan fell 99.9% year on year in April, Hyundai motor plants in South Korea shut down due to supply chain stagnation in Shandong, the biggest one-day drop in oil prices since OPEC was formed, and cross-border m&a announcements fell 70% worldwide. In addition, demand for energy, raw materials and manufactured goods such as coal, steel, oil products, semi-finished products and manufactured products has decreased, leading to the suspension of shipping trade routes around the world. The World Trade Organisation predicts that global trade in goods will fall by 13-32% in 2020[2]. The supply and demand sides of GVCS are hit by two sides. On the one hand, the relevant prevention and control measures of the country lead to a sharp decline in consumer consumption and enterprises'

demand for upstream products and raw materials; On the other hand, in the context of the global epidemic, the stagnation of all industries leads to the interruption of supply chains in various countries. The impact of COVID-19 is not sensitive to stimulative fiscal and monetary policies, so the impact on the international economy and trade is likely to be large and far-reaching. While recovery of the global economy and trade is possible, it is uncertain that it will reach the pre-epidemic

status in the short term. In the long run, it will largely depend on the extent of damage to productive capacity and the effectiveness of national anti-epidemic policies. So, the pandemic has caused a lot of international trade to stop. As is known to all, economic trade is the largest and most important interaction between nations. This stagnation of economic interaction means that the process of globalization has been stalled.

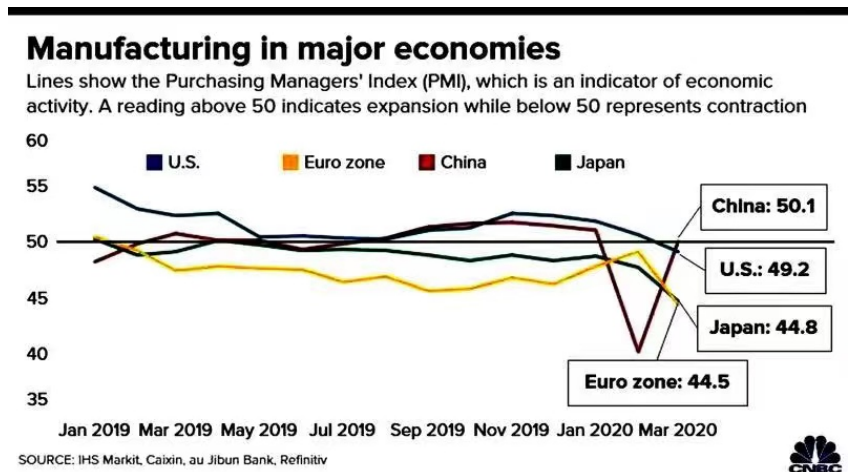


Figure 1. Manufacturing in major economies.

3. UNLEASH A WAVE OF PROTECTIONISM

COVID-19 is not the source of protectionism and nationalism, but it has exposed the nature of protection, and made it more prevalent and rampant. What's more, this kind of protectionism and unilateralism makes the prospect of economic globalization even worse. Under the pressure of this global public health crisis, governments of many countries not only protect their own industrial and trade interests in international competition, but also directly intervene in the competition between domestic enterprises and foreign enterprises. Therefore, economic activities are politicized, trade barriers are built, and development tends to be self-sufficient. Economic decision-making has become more local and international. In terms of trade, finance and investment, many countries choose to return to their home countries and follow their own rules and regulations, while gradually deviating from international rules and standards. Increasing national consciousness, declining state control over capital, weakening influence of multinational corporations... This inward turn will hamper recovery and expose the fragility of the economy, and the country will not become richer or more stable. At the same time, the spread of COVID-19 has bred anxiety and fear that the spread of the disease will not be accelerated by the frequent movement of goods and factors between countries, which has further cast a shadow over globalization due to regional values. Arnaud Montebourg, the former French economy minister, went

so far as to argue that "globalisation is over", advocating the use of the country's own resources to rebuild its economy[3]. The idea that a country can easily produce itself what has hitherto been imported from other countries is politically tempting but economically untenable, writes Gerald Braunberger, publisher of the Frankfurter Allgemeine Zeitung[4]. It is clear that the pandemic has brought out the worst protectionist instincts in many countries, and this instinct would disrupt financial markets, restrain capital spending, increase economic trade risks and trigger a storm of deglobalisation. However, it should be understood that protectionism cannot prevail over the laws of economics.

4. UNDERESTIMATION OF CROSS-BORDER INVESTMENT

Increased international political and economic uncertainty in the wake of COVID-19 has exacerbated the weak trend in cross-border investment development globally. According to the FDI report, the spread and spread of the epidemic will lead to a 30-40% drop in global cross-border investment flows, which may reach the lowest level since the 2008 international financial crisis[5]. The convenience and efficiency of global cross-border investment will be severely affected not only by the impact of COVID-19 itself, but also by the various control measures adopted by various countries in response to the epidemic. On the one hand, the pressure of economic recession will increase the cost of cross-border investment projects and squeeze the profit space

of investment projects. On the other hand, the uncertainties of exchange rate trends and stock market prices have dampened the confidence and willingness of investors in the investment market. Moreover, as production in major cross-border investment countries slows down or stops due to the impact of COVID-19, transnational corporations and foreign affiliates will reduce capital expenditures, and investors will re-evaluate and reconsider investment projects and make strategic adjustments, which will have a negative impact on the structure and liquidity of global investment markets. Because global cross-border investment has been relatively slow to respond to the impact of the pandemic, its recovery will not be a V-shaped rapid rebound, but a U-shaped slow recovery. As a result, the weakness of global cross-border investment will destabilize financial markets, adding further uncertainty to the trend toward deglobalization.

5. SUGGESTIONS ON GLOBALIZATION

The COVID-19 pandemic has changed the world on a scale unseen in a century, and the situation has been given many attributes. The epidemic will eventually subside, but its impact on globalization and the international economic landscape will not be digested in a short time. There is no doubt that COVID-19 poses a serious challenge to globalization at a low ebb. We are now facing a complex world full of unknown challenges.

Despite the impact of the pandemic, we do not need to say goodbye to the greatest era of globalization, but rather serve as a stepping stone to its further development[6]. The general trend of globalization is still moving forward, and there are still many optimistic conditions and positive factors supporting globalization. In health, at least, the main components of economic globalization will soon be back in circulation[7]. Now, globalization is entering a new phase of transformation. In this vital period, effective and sustainable solutions can only come from collective wisdom. Countries should evaluate the new situation, come up with new strategies and measures, and work together to adjust the structure of globalization. Because the depth and breadth of the adjustment are very large, at present, the most critical issue is to improve the global economic governance system from the political, economic and technological perspectives.

Firstly, countries need to reaffirm their defences of multilateralism. The epidemic has proved that no country, no matter how powerful, can survive alone. It is all the more important for major countries, including China and the United States, to work together and share benefits, recognize the role of diverse forces in international governance, adhere to fair, open and inclusive multilateral dialogue, and lead mankind out of this crisis. In addition, all countries should make efforts to advance globalization and safeguard multilateralism. All countries

are supposed to put forward plans to tackle COVID-19 and promote the development of global health care, including major goals, basic concepts and principles, to chart the course for the transformation of globalization. Secondly, to rebuild human intelligence in conjunction with the technological revolution. For example, on the basis of the original globalization, we should build a new type of industrial spatial network and big data, and gradually modernize and digitize consumption. It is obvious that traditional trade items are becoming increasingly digital and online. Countries should take advantage of the opportunities brought by technological progress to strengthen technological weaknesses, promote infrastructure development, strengthen the development of new domestic drivers, and form industrial chains with core competitiveness. Moreover, all countries should give full play to the role of digital technology in epidemic control. Countries should break down barriers, share practical experience in areas such as smart cities and smart medical care, and promote scientific and technological progress in epidemic control in the spirit of win-win cooperation and common development. Finally, achieve inclusive development. This is because the negative spillover effects of COVID-19 are particularly extensive and profound, with less developed countries and regions suffering disproportionately, especially due to their worsening economic situation and debt vulnerability. To reduce inequality and injustice and help these countries recover from the pandemic, countries should support the approval of a common framework to deliver global public goods, while fully leveraging the role of aid funds to help "get back to work" in industry and trade. Economic recovery is the common aspiration of all countries in the world, and globalization is an irreversible historical trend. In this long-term fight against COVID-19, countries need to temporarily put aside differences, resolve disputes, build consensus, promote exchanges and work together to think about solutions. Major countries should stay focused, demonstrate confidence and inclusiveness, promoting the building of a community with a shared future for mankind.

6. CONCLUSION

This paper studies the impact of COVID-19 on economic globalization and the trend of deglobalization, in which countries make more use of economic gains and losses to gain political benefits and use political games to gain economic benefits. It can be found that even if deglobalization leads to a sustained downturn in international trade, more prevalent protectionism and nationalism, and a significant decline in global cross-border investment, the epidemic will not end globalization, but provide an opportunity to reshape a new pattern of global economic governance. Countries should always follow the vision of a community with a shared future for mankind, strengthen new drivers of development in the light of technological revolution, help

each other, shoulder common responsibilities and take globalization to a new level.

ACKNOWLEDGMENTS

First of all, I'd like to thank my Summer Cetus-Talk Online Research Program under the guidance of Prof. Paul Armstrong-Taylor from Johns Hopkins University. The professor was modest, earnest and patient. In class, the professor explained the topic of corporate financial case analysis and expanded the content, which helped me a lot in choosing the topic of my paper and selecting materials. Secondly, I am also grateful to my thesis teacher Ms. Mindy Han. In the writing and revision stage, she has poured great care and encouragement. Every word checking, putting forward a lot of pertinent guidance, so that I timely improve the shortcomings of the paper. From the beginning of the project to the successful completion of the paper, I would like to express my sincere gratitude to all the teachers for their careful guidance.

REFERENCES

- [1]Robin Niblett.The End of Globalization as We Know It[EB/OL].China Economic Situation report , <http://www.china—cer.com.cn/hongguanjingji/202004053461.html>,2020-04-15.
- [2]WTO.Trade set to plunge as COVID-19 pandemic upends global economy [EB/OL].WTO , https://www.wto.org/english/news_e/pres20_e/pr855_e.htm,2020-04-09.
- [3]Arnaud Montebourg, France Prepares for End of Globalisation'[N].2020-04-08.
- [4]Gerald Braunberger, As a Wake-up Call for a Major Epidemic[N]. Frankfurter Allgemeine Zeitung,2020-02-25.
- [5]New China News Agency, UN Conference on Trade and Development report--COVID-19 Will Hit Global Foreign Direct Investment[N].People's Daily,2020-03-10.
- [6]TANG Juelan, Will the New Coronavirus Epidemic Reverse Economic Globalization[N]. Journal of Shanghai Economic Management College, Vol.18 No.4 Jul.2020.
- [7]ZHANG Fan, The Pandemic Points the Way Forward for Globalization[N]. China Trading Newspaper,2020-03-17.