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Security Nexus Perspectives

THE POST-COVID19 WORLD: GLOBALIZATION WITH DIFFERENT CHARACTERISTICS

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Since the 2008 financial crisis, businesses with growing international shareholder registers have become [more connected to foreign economies](#) than they have ever been before, with the majority of this growth resulting from a tighter coupling of the US and China economies. But the Sino-American tariff war, COVID19 and the ensuing market crash have induced a strong decoupling effect on international trade, especially with China. Talking about the lessons of the pandemic and the potential of retrenchment that might follow, France's President [Emmanuel Macron](#) remarked that "it was clear" the China-dominated globalization was "ending its cycle." Economies are now finding ways to manage under these conditions of extreme crises, made manifest in some of the new features of the emergent post-COVID19 globalization.

To date, new measures of globalization such as [cross-border data flows](#), [royalties and licensing fees](#), and [trade in services](#) are either seeing no impact from the tariff war or are in fact growing faster than the more traditional indicators like [international integration in commodity, capital and labor markets](#), Gross Domestic Product (paralleled by trade in goods), and Foreign Direct Investment. The primary reason is that reliance on China pre-COVID19 as a one-stop supply shop has hurt a lot of sectors, so businesses are striving for greater financial resilience by withdrawing from China to [diversify their supply chains](#) and moving to alternative international providers such as [Indonesia](#) and [Mexico](#).

The most significant trend within supply chain diversification is the growth of intra-regional trade, especially those involving [complex cases](#) – e.g., automotive supply chain – that requires repeated cross-border assemblies. In these cases, companies generally procure the rest of components closer to home from in-region vendors, further reinforcing the regionalization

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of trade. Companies operating in Asia and North America are adopting this region-centered strategy and there are now [proponents for Africa](#) to follow a similar, “inward-looking” course.

Trade for less complex goods such as clothes, toys, etc. require a different strategy for managing post-COVID19 supply chain risks. In these cases, international companies are opting to adopt a two-pronged strategy, or the “[China + 1](#)” strategy: doing business with, and in, China to maintain access to both its vast market and supplies, while simultaneously sourcing supplies from other locations just in case something happens.

The regionalization and diversification of trade, and China + 1 strategies are but two options for companies to manage global supply chain risks in the post-COVID19 period. These are new structural adjustments that exist alongside other trade arrangements to reflect reduced reliance on a single dominant exporter/supplier. [Predicting less globalization](#) moving forward is not an isolated phenomenon, however it does not reflect subtle changes in the nature of globalization. Arguably, it can be viewed as a process occurring in concert with, among others, an increase in regional trade and the rise in the number of suppliers outside of China.

Global political developments are signaling a similar narrative. In a reactive and reflexive manner, the majority of the world’s countries, territories and places looked inward to manage the pandemic crises as a matter of public welfare and national security, because they were unprepared to handle a new, rapidly spreading virus that kills with no known cure. The widely-used metaphor of war as a way of describing the fight against the pandemic, propelled the rise of [nationalism](#) as an instrument of rally and civic duty. Nationalism combined with its twin pillar, [self-sufficiency](#), underpin most post-pandemic national recovery plans. Resulting public policies stress the need to invest in sectors deemed to be of strategic importance, e.g., public health, pharmaceuticals, medical workforce and equipment. In some cases, protectionist policies have also been put in place. The marked absence of a [standing guide to international cooperation](#) as well as a [strong and forward-looking country](#) to lead the international effort in fighting the pandemic has only served to spur nations to act on their own. All told, the intent is for greater national resilience and capacity coupled with a leaner connection to global supply chains and lesser dependence on other countries for assistance.

Within the framework of burgeoning US-China [strategic competition](#), the ongoing [economic decoupling](#) of the world’s top two economies will further redefine the nature of post-COVID19 globalization. For the first time in recent history, a decoupling process features two countries upholding opposing political ideologies that inform their respective visions of world order. In effect, the economic decoupling also draws an ideological line of separation between the US and China.

Opportunity often accompanies calamity and the coronavirus pandemic is no exception. With the Chinese Communist Party reeling from reputational damage both domestically and internationally for its Wuhan cover-up, the US has a big opportunity to reaffirm its global leadership. There are efforts along these lines. The State Department and the U.S. Agency for International Development (USAID) has committed more than [\\$900 million](#) for “emergency health, humanitarian, economic, and development assistance specifically aimed at helping governments, international organizations, and non-governmental organizations (NGOs)

fight the pandemic.” Furthermore, US officials have held high-level meetings with their counterparts from the Association of Southeast Asian Nations ([ASEAN](#)) and the [European Trade Commission](#) to discuss avenues for cooperation and economic recovery. But these efforts are not enough. The legacies of [Woodrow Wilson](#) (1919), Franklin Roosevelt (1945) and George H.W. Bush (1989) demonstrate an American leadership that galvanized and guided international cooperation in times of global crises. Today the environment is far more complex, but the stakes are the same as [nations vie](#) to promote their versions of global leadership and position themselves as the authors of post-COVID international order.

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