

Post COVID-19 World: The End of Western Liberal World Order

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ABSTRACT: This paper aims to study the implications of the outbreak of COVID-19 on the existing liberal world order. It particularly focuses on the idea and practice of globalisation and how the pandemic is and will be detrimental to its now sabotaged continuance. The novel Corona virus initially spread out of the Wuhan city of Hubei Province of People's Republic of China and had been traced to the Wuhan wet market as its epicentre. Ever since the Chinese State's designs to coverup the outbreak came out in open, countries across the world have been calling out a conspiracy behind it. The World Health Organisation (WHO) has also been held responsible for the grave negligence on its part in alerting the world. Later on, several countries, which imported medical, and safety equipment from China, which are critical to containing the COVID-19 spread, found them faulty and send them back. Several American and Japanese companies operating in the mainland China are contemplating on shifting their businesses out of China. A third of the global population went under shutdown as an effective measure to contain the spread of the virus. The near-halt of economic activities across the world has already begun to show the indications of a global recession. In this unprecedented global scenario, threats to the liberal world order, which has been nurturing the globalist development model, are many.

KEYWORDS: COVID-19, Globalisation, Western Liberal World Order, WHO

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I. INTRODUCTION

Antecedents of Globalisation

There are multiple observations regarding the origin and history of globalisation as a phenomenon. Expert opinions have its origin in the ancient silk routes, which connected the manufacturing centres of China with Europe through the West Asian hinterlands. According to German Historical Economist Andre Gunter Frank, "the start of globalisation can be traced back to the growth of trade and market integration between the Sumer and Indus civilisations of the third millennium BC". However, the credit of coining the term "globalisation" is with Theodore Levitt, a former professor at the Harvard Business School. The modern setting of globalisation has been, however, largely agreed upon as having three distinct phases. The first phase of modern globalisation was effective since the systems put forward by the Vienna Congress held from September 1814 to June of 1815. It framed agreements for increased economic integration of participant European nations in a peaceful and cooperative setting. The end of the First World War in late 1920s necessitated a shared modernisation model for economic development. This marked the second phase of the modern globalisation. The third phase began with the end of the Second World War in the late 1940s. There was immense pressure on nations to accelerate towards economic integration. For the most part of the third phase, it has been characterised by the bipolar world order having both the USSR and the U.S at the helm. The bipolarity ended with the disintegration of the USSR in the year 1991. Captained by the U.S, the sole superpower, a Western Capitalist block emerged to lead the world. The dawn of the Twenty First Century witnessed more power centres other than the U.S, most prominent among them being the People's Republic of China. China has immensely benefitted from its virtually unlimited access to the U.S and other European markets by effectively nurturing its Forex reserves. Third phase of the modern globalisation had seen unprecedented developments in economic integration across the globe. Modern means of communication and travel being a catalyst, the inflow of foreign investments to several developing economies has shown excellent outcomes in international business.

II. PRE COVID-19 THREATS TO GLOBALISATION

There are three largely acceptable scenarios, which are already been in existence as counterforces to globalisation. Firstly, the 9/11 terrorist attack on the World Trade Centre and subsequent attacks perpetrated by the global jihad-ecosystem across the world has been successful in thwarting the unchallenged pursuit of global integration. Following that, Western European countries, especially the U.S turned out to be apprehensive of the

imminent security challenges. Secondly, the Sub-Prime crisis of 2008, which was triggered by the shaky grounds of risky mortgage loans, threatened to sabotage the financial globalisation. Risks rose multifold in banking activities and financial markets globally. Thirdly, increased acceptance of the populist policies as well as the leaders, across the world, especially in large democracies like India and the U.S, has forced the global communities to be pessimistic about both the idea and practice of globalisation. Emerging Right wing sentiments across the world has a new narrative that is increasingly doubtful of international trade and defence treaties and their leaders have promised to keep off such commitments. Trump's opposition to the Trans Pacific Partnership (TPP), his demand for higher monetary contributions by members of multilateral bodies like NATO, retaliatory tariffs on international trade and the U.K government's decision to allow the Brexit are finest examples.

The outbreak

The novel Corona virus infection was first identified amid an outbreak of respiratory illness cases in Wuhan city of Hubei Province of the People's Republic of China. "Coronavirus disease 2019 (COVID-19) is defined as an illness caused by a novel coronavirus now called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2; formerly called 2019-nCoV)"(**Centers for Disease Control and Prevention**). "It was initially reported to the WHO on December 31, 2019. On January 30, 2020, the WHO declared the COVID-19 outbreak a global health emergency. On March 11, 2020, the WHO declared COVID-19 a global pandemic, its first such designation since declaring H1N1 influenza a pandemic in 2009"(**Medscape Medical News**). "Coronavirus disease 2019 (COVID-19) is defined as illness caused by a novel coronavirus now called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2; formerly called 2019-nCoV)"(**New York Times**).

By the end of January 2020, the Corona virus spread to countries in Asia and Europe. Subsequently, Italy and France witnessed escalation of number of people affected. Following months saw Corona virus spreading into almost all the countries. By the first week of May 2020, 212 Countries and Territories around the world have reported a total of 3,933,100 confirmed cases of the coronavirus COVID-19 that originated from Wuhan, China, and a death toll of 271,031 deaths. The United States tops the number of affected people at 12,92,879 with confirmed death of 76,942. Spain and Italy follows the US with the number of affected people at 2,56,855 (26070 deaths) and 2,15,858 (29,858 deaths) respectively.¹

Impact on various sectors

a. Industry

Industries across the world have been affected by the lockdown measures and sluggish demand in the market. Except some essential industries, rest is under lockdown. Many industries such as power generation and distribution, oil and gas, pharmaceuticals and others have been allowed to operate as they fall under the category of essential services. According to the United Nations Conference on Trade and Development (UNCTAD), the COVID-19 outbreak could cause global FDI to shrink by 5%-15%. The COVID-19 effect would be highly visible on sectors such as energy, automobiles and airline industries. The manufacturing sector involving these industries will face crisis in the availability of raw materials. In the electronics sector, companies have either reduced production or postponed the launch of new products. The electronics industry is being considerably affected as China accounts for nearly 85% of total value of components used in smartphone manufacture. A huge chunk of critical electronics components are imported from China. This has resulted in a huge disruption in supply chain. The countries across the world have slowly realised the critical position of China in the global supply chain. The U.S has been open about the need of attaining self-reliance in supplies of critical raw materials for industrial production. The import of faulty medical kits from China has irked countries like Netherlands, the U.K, Spain, Turkey and many of them decided to send them back. This has made countries like the U.S and others to seriously look into the matter of self-sufficiency in medicine and medical equipment. The U.S companies will be reshoring their business, as this will help balance the trade and budget deficit. In any case, the localisation of supply chains and manufacturing is bound to happen across the world.

Figure 1 shows China's current integration in global value chains across sectors as measured by the GLI. Chinese manufacturing is essential to many global value chains, especially those related to precision instruments, machinery, automotive and communication equipment.

¹Data available as on 08 May 2020. (<https://www.worldometers.info/coronavirus/countries-where-coronavirus-has-spread/>)

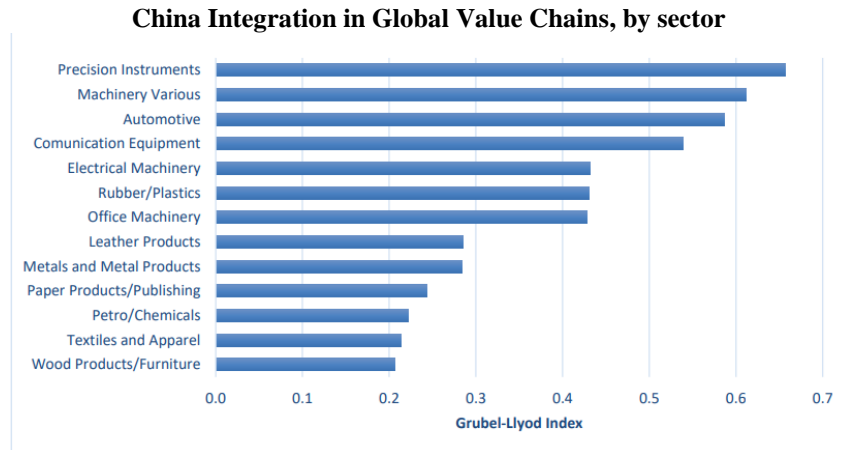


Figure 1. source: UNCTAD

b. Travel and Tourism

The COVID-19 outbreak has brought the world to a standstill as all non-essential travel and transportation has been prohibited as a measure of curbing the virus spread. According to the World Travel and Tourism Council (WTTC), the global travel and tourism industry represents 10.3% of the global GDP and supports 330 million jobs. The latest research from WTTC projects more than 100 million job losses in 2020. The loss in GDP terms will be 2.7 trillion USD. The Asia-Pacific region is expected to be most heavily impacted with 63.4 million job losses. 13 million job losses in Europe and 14.1 million job losses in the U.S.

Meanwhile the United Nations World Tourism Organisation (UNWTO) estimates international tourist arrivals could decline by 20% to 30% in 2020. This would translate into a loss of 300 to 450 US\$ billion in international tourism receipts (exports) – almost one third of the US\$ 1.5 trillion generated globally in the worst-case scenario.

Figure 2 shows the 2020 forecast of international tourist arrivals, world (millions)

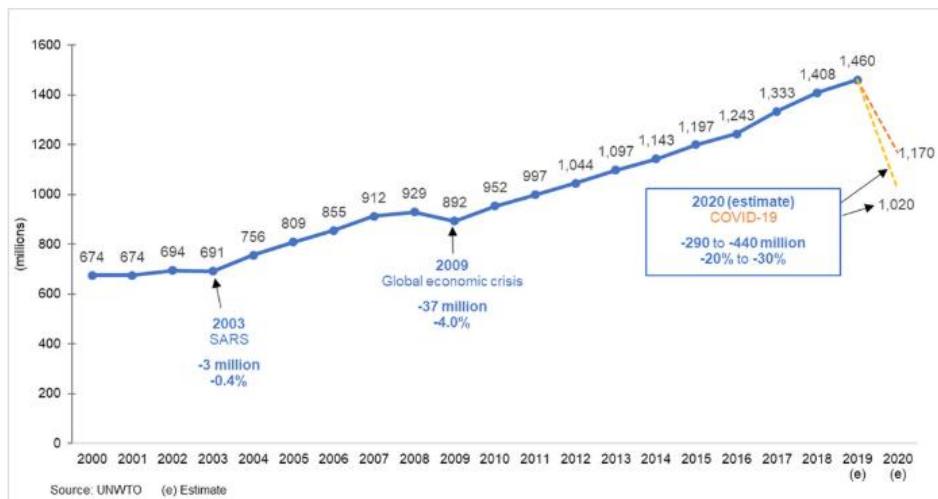


Figure 2. Source: UNWTO

Figure 3 shows 2020 forecast of international tourist arrivals, world (% change)

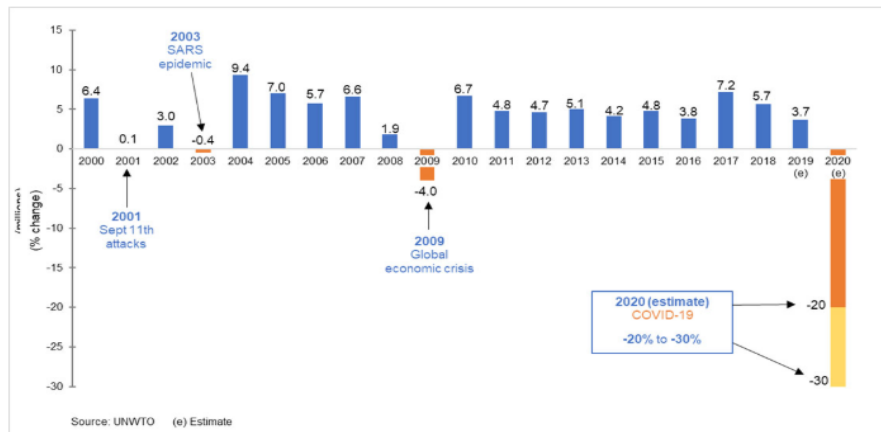


Figure 3. Source: UNWTO

c. Education

Educational institutions across the world have been under temporary lockdown since the beginning of March 2020. As per the estimate of United Nations Educational, Scientific and Cultural Organisation (UNESCO), 72% of the world's student population is affected. Global education services are hard hit. Western universities will see a significant plunge in the number of foreign students. The western education has been instrumental in imparting modern liberal worldview in countries far and wide. The exchange of ideas and ideologies are to be affected even though online learning methods are available. This would not, in any case be of any help to sustain the ideological strand of the liberal world order.

d. Energy

The global demand for energy has declined significantly since the outbreak of COVID-19. As transport services and other energy consuming industries went under lockdown, the net demand for energy has come down forcing the oil prices to plunge. Oil and gas constitutes a major part of global energy demand. The WTI (West Texas Intermediate) futures for the month of May 2020 fell by over 300%. The crude was effectively made to trade below minus 39 USD per barrel. This unprecedented situation was because of the unavailability of storage capacities. Another global benchmark, the Brent crude touched its lowest price at 16 USD per barrel since 1999. According to International Energy Agency (IEA) Oil Market Report 2020, the global oil demand is expected to fall by a record 9.3 mb/d year-on-year in 2020. For 2Q20, demand is expected to be 23.1 mb/d below year-ago levels. The recovery in 2H20 will be gradual; in December demand will still be down 2.7 mb/d year-on-year. Global oil supply is set to plunge by a record 12 mb/d in May, 2020.

The ramifications of collapsing oil prices will be huge on Petro-states such as Saudi-Arabia, Russia, Iran, Iraq, Qatar and Kuwait, to name a few. Oil contributes around 60% to Saudi Arabia's GDP. These Petro-states would find it very difficult to narrow their budget deficit. The security situation in the Middle East has largely been influenced by the U.S policy of the region. Oil accounts for just 8% of U.S.GDP. Moreover, U.S is now a net exporter of oil. This has led to lesser U.S interest in the Middle East. Post COVID-19 these Petro-states would be facing grave existential threats. These countries will have to diversify their economies no matter what. The energy diplomacy will see disruptions that could bring out far-reaching implications to the existing global order. Withdrawal of the U.S led western block from the Middle East warrants entry of new players.

e. International relations

The post COVID-19 world would be significantly different as far as the character of foreign relations is concerned. As the countries learned the hard way about the significance of self-reliance, the cosy relationship, which existed before the COVID-19 would be unlikely to continue. The stark reality about the near-monopoly of China on supply chains of critical industries ranging from pharmaceuticals to electronics has unnerved several

countries. This will lead to aggressive localisation of businesses. The allegation meted out on the World Health Organisation (WHO) for its failure to take cognizance of the COVID-19 spread at an earlier stage and its apparent collusion with Chinese authorities will be deemed as undermining the credibility of International Organisations. The U.S President has announced that his country will halt funding WHO for it “failed in its basic duty”. The UN Charter envisages global peace, cooperation, dispute resolution and common platform for nations as its four main purposes. Undermining the United Nations Organisations would push the liberal world order into a precarious position.

The notion of ‘peaceful rise of China’ has been rejected by many of the leading economic powers. China has been trapping developing countries through high-interest loans masquerading as economic assistance. Sri Lanka, which had to lease its China-developed Hambantota Port to China Merchant Port Holdings as that country found itself not in a position to repay debts. The China Pakistan Economic Corridor (CPEC), which connects Mainland China to the Gwadar port on the Arabian coast of Pakistan, is also dubbed as a debt trap for Pakistan. In April 2020, Tanzania has rejected Chinese offer for loans because of its predatory nature. China has territorial disputes with half a dozen of bordering countries both sea and land. A more comprehensive counter measure for Chinese aggression would be on the cards post COVID-19 crisis. The possibility of the revival a U.S, Japan, India and Australia alliance (known as QUAD-Quadrilateral security Dialogue) is high as it can shift its axis of operation towards the Indo-Pacific, a region crucial to China's rise. A trend of undermining of the role of United Nations Organisations as well as the emergence of regional as well as international alliances are in with a chance post the COVID-19 crisis.

The international trade relations would be undergoing many transformations through and after the COVID-19 crisis. As protectionism will be crucial for the countries to save their domestic economic activities, trade related disputes could rise and given the shaky ground the World Trade Organisation (WTO) would be sitting on post crisis, dispute redressals would be done on bilateral or multilateral forum limited to its members.

III. CONCLUSION

The above discussion leads to the conclusion that the post COVID-19 world order would not be same as the pre COVID-19 period. The liberal world order built on the pillars of globalist ideas would not sustain anymore. An effective alliance system comprising the U.S and its allies along with emerging powers like India would be on the cards to deter China. Localisation coupled with protectionist measures will be put into practice to save domestic economies. Globetrotting, the fanciful face of globalisation would not be as appealing as before. Therefore, a reversal of several aspects of globalisation is a strong possibility.

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