

Pandemic versus globalization?

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Beyond the immediate challenges of public health and the economy, as well as those related to the "new normal" or "low-contact economy" in the short and medium term, COVID-19 can leave as legacy structural transformations of great length. This seems to be the case with the process of globalization, by taking hold of brake or reverse trends that previously showed momentum.

There has been much talk of the pandemic as a fast forward button, as if the future were ahead. This is already the case, for example, with the accelerated incorporation of information technologies into all areas of human activities. However, major crises can also trigger or channel regressions: a step backwards, as if the return button (Rewind) were pressed.

Nationalist and protectionist leanings were at least five years long ago, and since 2018 with rising and open tensions between powers, especially the United States and China. In addition, signs of contempt or open attack on multilateral institutions and agencies and international governance, from the World Trade Organization to the United Nations, were already frequent. These attitudes are now replicated, as is the case against the World Health Organization, from threats from the **Trump** administration and the cancellation of U.S. dues.

In short, the pandemic, which by its very nature demands remote measures, is at a bad time for globalization. Precisely in this breeding ground of populist movements prone to nationalism and protectionism, partly due to contradictions and structural problems of globalization itself.

The consequences and lessons of the 2008-2009 financial crack were just beginning to assimilate when an even more complex crisis exploits us.

In this scenario, for a country like Mexico, because of its geopolitical status and its exposure to the world, it is essential – critical – to have a complete reading about it, both of the challenges and threats and of the opportunities. There is much to lose if the vision and the answer are wrong, although we could also win, with the right posture.

Farewell to globalization?

Today we have seen China push to impose a new security framework in Hong Kong that could violate the 1984 treaty that created the status of "one country, two systems", which should supposedly extend until 2047. This could lead to far-reaching geopolitical and economic repercussions, being a nerve center for both the financial system in Asia and, because of the relevance of its port, for global trade. In response, the United States has threatened to withdraw special treatment of the city. The point is that this is just an edge of antagonism.

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During the pandemic and previously, the Trump administration has scaled the offensive against Huawei, in an increasingly open struggle for global leadership in the development of telecommunications, which accused the Chinese of an alleged responsibility for COVID-19 to spread unchecked. The competition even gives in a dizzying career for the development of the first vaccine against the virus.

Let's simply consider the significance of Commerce Rep. **Robert Lighthizer** publishing an article in the New York Times titled "The Era of U.S. Job Relocation Is Over" (May 11). There, it is precisely highlighted that crises accelerate change and advance actions to come "after defeating this" return jobs to the United States."

The potential implications far out the way to relations with China. As we noted, they concern Mexico.

It should be borne in mind that an alternation in the US government does not necessarily imply a different situation, because the offensive does not come only from the White House. To show a button: It has been reported that lawmakers both Republicans and Democrats are working on proposals to pressure companies to take out their strategic supply operations from China and take them to the United States, which would include fiscal stimulus, new regulations, and even subsidies, including a \$25 billion "relocation fund."

It's not just proposals and words. Concrete actions are already underway, such as bipartisanly-backed legislation for the government to channel billions of dollars in stimulus to the semiconductor industry with a fundamental purpose: to bring research and production operations back to the United States.

More robots?

Not only do geopolitical factors weigh: these are reinforced with new industrial capacities that give viability and even profitability to productive relocation. In a revealing article published on the Center for Economic and Policy Research portal, "COVID-19 could spur automation and reverse globalisation – to some extent" (April 28), he realizes how automation could be accelerated and a reversal – "to some degree" – could accelerate to globalization.

The authors, **Deborah Winkler** and **Adnan Seric** of the UN Industrial Development Organization, state that, long before the epidemic, global firms have used elements of the Industry 4.0 concept to mitigate risks of disruption of their supply chains, increase resilience and improve product standards– the same with the scheme of smart factories that 3D printing. All this makes it more feasible to bring parts of production lines back to their host countries with a competitive cost-benefit: they can thus be closer to major consumer markets (China, the United States, Europe, Japan) and consolidate several processes regionally or in one place.

"Tackling this pandemic could accelerate some of these trends in recent years, including the adoption of technology and the use of new data," the researchers note, which set examples such as the incorporation of robots to fill workers in the clothing industry in Bangladesh, as a means of adapting for hiking on the payroll. Automation and relocation, from the point of view of these multinationals, can help reduce reliance on the international supply chain, particularly low-cost manufacturing.

Provisional but disruptive reversal

Amid the news of the immediate problems of the pandemic, the influential British magazine The Economist, always an open supporter of globalization, published a mandatory reading article a few weeks ago to understand what's coming: "Have you covid-19 killed globalisation?" (May 14).

In his vision, the open trading system, which was already wounded by the financial collapse of 2008 and the Chinese-American trade war, now takes a third hard hit in just a dozen years.

Like publishing, many of us consider globalization to be irreversible, the same for historical and technological reasons that make human rapprochement and integration virtually inevitable. In fact, we agree that structural dilemmas are necessary and urgent for this process to deepen.

Several of the humanity's great challenges can only be overcome with more and no less globalization: for example, climate change, economic distortions that reproduce migration inequalities and crises, as well as the pandemics themselves, which, while requiring effective policies in each country, also need effective international cooperation and coordination.

However, the symptoms of this reverse are clear that, although provisional, it will not cease to have highly disruptive effects:

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- The number of passengers at Heathrow decreased by 97% year-on-year.
- Mexican car exports fell by 90% in April.
- 21% of trans-Pacific container trips in May have been cancelled.
- It is estimated that world trade in goods can be reduced by 10 to 30 per cent this year.
- In just the first 10 days of May, South Korea's exports fell by 46% year-on-year, the worst decline since 1967.
- About 90% of people live in countries with largely closed borders. Many governments will open up only to countries with similar health protocols.

Predictable trends

According to The Economist, as economies reopen, activity could recover, but let's not expect a rapid return to a world without movement and free trade. Chances are, the pandemic will "politicize" travel and migration, even more than they were. In the United States, **Trump** wants to further reduce immigration, arguing that jobs should go to Americans. Other countries will follow, with a bias towards self-sufficiency.

The question is, where is Mexico? What are we going to do? Flipping elsewhere won't do any good. We need to think and act strategically, depending on our circumstances. Based on strengths like the ones we have built on industrial matters and our network of free trade agreements, including NAFTA. There are challenges and threats, but also opportunities. We propose to address this SWOT balance sheet in the next comment.

One thing is certain: to assimilate into internal problems and political polarization in no way help. The world is not going to stop and will not wait for us.

Category International Economy Opinion Development Zones Tags China COVID-19 United States Globalization Mexico United Nations (UN) pandemic

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