

Impact of COVID 19 on Globalisation



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1. INTRODUCTION

The world is currently in the cusp of the coronavirus pandemic - one of the deadliest pandemics in the history of mankind. As of March 2021, this pandemic has claimed the lives of over 2.8 million people which accounts for roughly 0.05% of the world population. Naturally, it is expected that the spread of an infectious disease like COVID 19 across the world will have a disruptive effect on the economies of the world and how they're interconnected. This paper intends to shed a light on the same.

Before we move ahead, we must examine what the coronavirus pandemic means and the severity of the situation. When a disease spreads through a large population across continents in a relatively short time, it is called a pandemic. The world has previously battled quite a few pandemics - there was the Spanish flu, the HIV/AIDS pandemic, the influenza pandemic and at least a dozen epidemics. However, unlike the influenza pandemic or the Spanish Flu, this is one of the only two ongoing pandemics of the 21st century - the other one being HIV/AIDS pandemic. Dealing with coronavirus is significantly trickier than HIV since HIV is not airborne. The world is arguably more interconnected today than it was ever before. Globalisation has paved the path for trade and travel, urbanisation and more tightly knit global economy. However this also proves to be a significant determinant of spread of contagious diseases. This paper aims to examine the impact of the COVID 19 pandemic on 21st century's interconnected world and globalisation.

The impact of the pandemic on globalisation is analysed by examining the world economy, tourism, travel, healthcare, food and agriculture etc.

2. EPIDEMIOLOGY

- As of 2nd April 2021, there have been 130 million cases of coronavirus and over 2.8 million deaths worldwide.
- Basic reproduction rate (r_0) is estimated to be between 3.8 to 8.9 however, effective reproduction number (r) close to 1 for most countries due to social distancing and herd immunity.

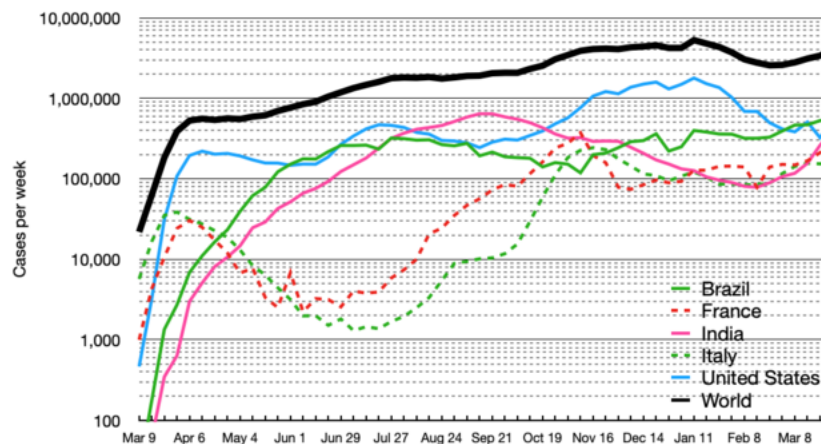


Fig - 1

- Figure 1 shows the semi-log plot of new coronavirus cases in the world and the five most affected countries. It's clear from the plot that the virus shows no signs of slowing down worldwide and countries with seemingly nothing in common have similar response to the outbreak - USA, a developed nation with high population; France, a developed nation with a population roughly a third of USA; India a developing nation with an extremely high population and Brazil, a developing nation with low population.
- Comparison of death statistics across countries is a bit tricky since many of them choose to not report deaths among citizens who did not take a COVID 19 test. Many countries also fail to account for the deaths due to a strained healthcare system caused by the shift of medical resources towards handling the COVID 19 Pandemic. This can be accounted for by comparing the deaths in the country in the year 2020 to the historical seasonal average deaths in the country, the excess deaths must be caused by the coronavirus pandemic.

For Example, Peru officially reported 46,270 deaths caused by the pandemic while interpolating against the historical average suggests that 116,480 more people died in the period between April 2020 to March 2021 compared to the same period last year. New York Times estimates that at least half a million more people died of coronavirus worldwide than the official number.

3. IMPACT OF COVID 19 PANDEMIC ON THE WORLD

a. Travel Restrictions and Lockdowns

At least 91% of the world population lived in countries that imposed travel restrictions.

It is estimated that by April 2020, over half the world population in at least 90 countries had imposed a lock-down of some kind (stay-at-home orders, curfew, quarantines, shutdowns). The lockdowns were enforced to varying degrees, however most of the countries allowed only essential businesses to remain open, imposed restrictions based on time.

b. Impact on the Aviation Industry

Due to travel restrictions and the slump in demand among travellers, the aviation industry has been significantly hit. The number of passengers travelling via airlines has decreased from 4.5 billion in 2019 to 2.2 billion in 2020.

Many amongst the industry, including CEOs of AirBus and United Airlines termed the COVID 19 pandemic as the worst crisis the aviation industry has ever seen.

It is reported that by October 2020, 43 commercial airlines had filed for bankruptcy and it's expected that many more will follow suit.

c. Impact on the Tourism Industry

Like the aviation industry, the tourism industry has taken a major beating due to the coronavirus pandemic. The United Nations World Tourism Organization predicted that the international tourism in 2020 would fall by 60-80% amounting to a loss of 1.2 Trillion USD.

In the first six months of 2020, UNWTO estimated a drop of 65% in international tourist arrivals.

d. Impact on Education

The lockdowns included school and university closures. It is estimated that by January 2021, over 800 million learners have been impacted by school closures in response to pandemics. A survey showed that 10% of the educational institutions don't have the resources or infrastructure to handle the logistical challenges posed by the pandemic.

In the USA and Australia, losses of over 1 Billion USD and 3.3 Billion AUD are predicted if the major universities are unable to enroll international students.

e. Impact on Retail

The COVID 19 lockdowns forced the shutdown of many shopping centers for months which meant that customers resorted to e-commerce marketplaces. A number of retailers including JCPenney, Brooks Brothers have filed for bankruptcy. Demand exceeded the supply for many consumable products.

f. Impact on Food and Restaurant Industry

Most governments across the world ordered lockdowns which forced bars and restaurants to slow down during the pandemic. This had a ripple effect on industries such as fishing, farming, food production and shipping, liquor, wine, and beer production. A number of restaurants and franchises have been forced to shut down due to the pandemic.

The United Nations warns that the world is facing the worst food crisis in 50 years due to the recession caused by COVID 19 Pandemic.

g. Impact on Healthcare Industry

The pandemic has affected different countries differently, this is evident from the country-specific fatalities. However, what is common across all these countries is that the healthcare systems are exhausting themselves in an attempt to control the pandemic. Countries are now treating their domestic supplies as critical products and are now turning towards local firms for their local production in the future. This can be seen from the production of PPE kits to vaccines.

h. Impact on events, arts, entertainment and sports

Most cultural institutions across the world have indefinitely closed, events have been cancelled, film festivals have been cancelled, cinemas have closed, film releases have been postponed. Sports events have been cancelled or postponed to varying degrees across the world. The summer as well as winter olympics have been postponed. The NBA season was postponed and during the pandemic, the sporting world operates in bio-bubbles.

i. Impact on the Economy, Financial Markets and Employment

COVID 19 had major unenforceable impacts on the economies of the world and financial markets. The crude oil prices crashed due to no demand, the stock market crashed marking the beginning of the COVID 19 recession. The International Labour Organisation estimated that 30 million jobs were lost in the first quarter of 2020, compared to 25 million in the Great Recession of 2008. The COVID 19 recession is estimated to be the worst crisis since the Great Depression of 1930s. World Bank suggests that the world economy will not see a full recovery till at least 2025.

DISCUSSION

Globalisation envisions a borderless world with accelerated flow of goods, people, capital etc which ensures the economic and cultural growth of the world. However trade and travel, the two concepts central to the idea of globalisation have been hit the hardest by the pandemic. During this pandemic, the world saw the fastest and largest decline in international flows including trade, FDI, international travel in modern history. Travel restrictions, lockdown of economies and limited trade during the pandemic have had a disruptive impact on globalisation and aviation, hospitality, retailers, educational institutions are facing the brunt. A cascading effect can be noticed on the supply chains, labour and consumer behaviour.

From 1991 to 2008, trade as a percentage of GDP rose from 39% to 61%, however it has stagnated since. Similarly, the personal remittance flows have flattened and settled around three-fourths of the global GDP. The already slowing phenomenon of globalisation will face disruptive effects from the COVID 19 pandemic.

It is unclear as to when the tourism and hospitality industry will reach back the previous status quo set which suggests a slow down of globalisation. The pandemic forced the world to embrace remote jobs and remote learning, and now it's unclear if the world operates the way it did before the pandemic or we see an adoption of hybrid workflows with less cross border flow. To stay in business, 'non-essential' businesses had to employ more and more of automation.

If the implementation of the Recovery Act of 2009 by the United States government is any indicator, then, the governments across the world will implement policies to protect their own citizens which will boost the local employment at the cost of trade and imports. Moreover governments will try to produce essentials locally. This will further halt globalisation.

Developing countries which relied on exports would face the brunt.

The Brexit vote and USA's America First policy already suggest a slow in globalisation and the sentiment will only be magnified when a nation like the United States provides an economic package of 2 Trillion USD for post pandemic reconstruction, while developing countries struggle to replicate even 10% of this fiscal stimulus package. It's obvious that not all countries and societies are benefiting from globalisation equally.

WAY FORWARD

In order to preserve the sentiment of globalisation, the International Monetary Fund's Special Drawing Rights (SDR) should be utilised and economies worst hit by the pandemic should be assisted with a tool so that they can recover. Developed nations should donate or lend to the developing countries and provide them with a helping hand.

CONCLUSIONS

While the COVID 19 pandemic may have been a surprise to most of us, there are few in the scientific community who have long argued that the greatest threat to our existence is not a nuclear war or terrorism or even advanced A.I. taking over the world but a pandemic.

Even though this has always been true, the threat of a pandemic was not really recognised by the world before and the COVID 19 pandemic has exposed the gaps in our disaster preparedness. Globalisation envisions an interconnected global village where people, ideas, capital and resources can flow freely. The existence of the coronavirus pandemic threatens the very idea of globalisation.

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