



POZNAŃ UNIVERSITY
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AND BUSINESS



GLOBALIZATION IN A COVID-19 AFFLICTED WORLD

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Starting point

- the current breakdown in international flows of goods, capital and people raise serious concerns, with their scale unseen for many decades;
- the Covid-19-induced disruptions raise uncertainty as to the future condition of international trade and investment, and continuity of GVCs
- meanwhile, globalisation has been challenged for several years now
- linearity should not be taken for granted
- the scale of the crisis raises questions as to the future of globalisation



Objective: evaluation of the impact of the pandemic on globalisation in different scenarios

Globalisation defined

increased interconnectedness and interdependence of peoples and countries. It is generally understood to include two inter-related elements: the opening of international borders to increasingly fast flows of goods, services, finance, people and ideas; and the changes in institutions and policies at national and international levels that facilitate or promote such flows (...)

WHO 2020



A system driven by the pursuit of profit (*homo oeconomicus imperative*) with a historically lesser consideration for the externalities of growth (social, environmental, etc.)

Approaches to globalisation

Pro-
globalization
approach

globalisation, if properly governed, is not only economically beneficial but also socially benign

A balanced
approach

globalisation has some benefits yet they are not distributed widely and evenly

Critical yet
constructive
approach

“skeptics” that stress the role of nation-states and national governments in order to make it work

Populism-
fuelled anti-
globalisation

new protectionism and new nationalism challenge globalisation and require a re-direction of policies toward sustainability



Current evidence of the effects of Covid-19

	2019 6-month average*	2020 H1*	Per cent change
World	777	399	-49
Developed economies	397	98	-75
Europe	203	-7	-103
North America	156	68	-56
Developing economies	352	296	-16
Africa	23	16	-28
Latin America and the Caribbean	83	62	-25
Asia	246	217	-12
Transition economies	29	5	-83

FDI inflows by region, H1 2020 vs. 2019 6-month average

**in billions of USD*

Source: based on UNCTAD 2020, p. 2.

Current evidence of the effects of Covid-19

	Cross-border M&As	Greenfield projects*	International project finance**
World	-15	-37	-25
Developed economies	-21	-17	-19
Europe	-5	-17	-17
North America	-32	-25	-34
Developing economies	12	-49	-25
Africa	-44	-66	-49
Latin America and the Caribbean	-73	-53	-34
Asia	60	-42	8
Transition economies	84	-58	-46

FDI inflows by region, H1 2020 vs. 2019 6-month average

**in billions of USD*

Source: based on UNCTAD 2020, p. 2.

Covid-19 impact scenarios

Disrupted globalisation

- more or less severe disruptions of globalisation in all its component processes
- envisaged temporary character and nature of disruptions to national economies, firms and institutions
- reinforcement of extant anti-globalisation trends also acting in a pre-Covid-19 world
- accordingly, indirect effects (catalyst character) and direct effects (lockdown, other regulatory measures, consumer and employee medical and economic condition, and attitudes)
- different recovery paths: faster for developed countries, and for retail sector, yet medium-term to return to pre-pandemic (1-3 years)

Covid-19 impact scenarios

De- globalisation

- emphasis on globalisation as amplification to shocks like the pandemic
- based on likely medical → political → economic & social impacts, we may not return to pre-Covid-19 levels of global interconnectedness
- Discontinuation of value chains due to the demand & supply shock may result in permanent near-shoring and redundancy procedures in MNEs
- Regional focus and horizontal rather than vertical growth with the wake of new business models
- Shift to lean physical infrastructure and priority to digital operations, fuelled by calls for „national supply chains”

Covid-19 impact scenarios

Globalisation rebalanced?

- Between „back to normal” and a withdrawal from globalisation
- Re-balancing in the areas of
 - ✓ Role of state vs. market in shaping globalisation processes and their outcomes,
 - ✓ Configuration of global value chains (GVCs),
 - ✓ Control of FDI and MNEs,
 - ✓ Modus operandi and leadership of international institutions (e.g. UN-affiliated agencies)
- Preservation of positive outcomes of globalisation while benefiting from the current change impulses

Concluding remarks

- Government factor as a determinant of particular scenarios;
- in a longer perspective the potentially negative effects of de-globalization will require appropriate policy responses
- distinction between what the global economy is likely to become (*real view*) from what it should be or what one would like it to be (*normative view*)
- “*over the last century and a half, globalization has been a cyclical phenomenon, and there is reason to believe that we have reached a plateau if not the peak of the second, late twentieth century wave*”
(Kobrin, 2020)



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Thank you very much for your attention