

Covid-19 and the International Liberal Order: Goodbye “Global”, Hello “Regional”?

by Irene Paviotti

The Covid-19 crisis is broadly recognised as a watershed moment in world history, prompting a radical rethink of social norms and accelerating a number of pre-existing geopolitical trends. When it comes to globalisation and multilateralism, two defining features of the current international order, the pandemic has accelerated a move towards regionalism on the one hand and clearly exposed the shortcomings of an unequal multilateral system on the other.

At the early stages of the pandemic, some commentators gloomily predicted the beginning of the end for globalisation. Not only were borders closed and different countries blamed for the outbreak at various points in time, but global trade virtually ground to a halt.¹ In particular, Covid-19

¹ “Has Covid-19 Killed Globalisation?”, in *The Economist*, 16 May 2020, <https://www.economist.com/leaders/2020/05/14/has-covid-19-killed-globalisation>.

dealt a severe blow to global value chains (GVCs) – the global production distribution schemes that have become the very symbol of 21st century globalisation.

In early 2020, when the virus first spread across China, factories closed and demand for protective medical equipment skyrocketed. Once the virus started circulating in Europe, these essential goods were in short supply, since China is the main provider of such equipment to European markets.

These shortages exposed the growing dependence on external actors for key manufactured products. Consequently, governments expressed their interest in bringing such production back within their borders (i.e. reshoring) to weather future crises. The European Commission’s updated industrial strategy well represents this phenomenon.

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Despite such disruptions, GVCs and globalisation did not wither away. In fact, after a fall in the first half of 2020, pre-Covid trade volumes were restored by October 2020, and year-on-year growth in trade volumes for the first quarter of 2021 was 15 per cent. There are specific reasons why the current global production networks will live on.

First, once multinational corporations decide to move parts of their production abroad, they need to establish their presence in target countries. This means gathering information on local suppliers, finding suitable locations, investing in ad-hoc assets and cultivating relations with partners to secure contracts, which all come at a significant cost for companies.

Once relocation has been implemented, such decisions will not be easily reversed. Only when shocks such as Covid-19 are perceived to be permanent will companies consider reshoring. Measures are currently being taken worldwide to stem the negative impact of the virus and allow business to continue (almost) as usual. The initial shock is therefore likely to be perceived as temporary, making major reshoring activities unlikely.²

Second, the principle of competitive advantage still matters. Since countries are still endowed with different production capacities, firms will continue to relocate their production where it is most convenient to maximise profit. Producing manufactured goods

² Pol Antràs, “De-Globalisation? Global Value Chains in the Post-COVID-19 Age”, in *NBER Working Papers*, No. 28115 (November 2020), <https://www.nber.org/papers/w28115>.

in their home countries is still likely to be too expensive.³

Due to these strong economic incentives, manufactured goods will continue to be produced through GVCs, therefore globalisation is likely to survive. Nevertheless, there will be some adjustments.

Companies and governments want to increase their resilience to future Covid-like shocks. As a result, “buffers” will be created to prevent future supply chain disruptions and local stocks of essential goods might be mandated for emergency use. What we might see, then, are increasingly regional production lines.⁴ Covid-19 could therefore accelerate the move towards regionalism that has been some years in the making.

For such economic structures to remain, however, there must be favourable political factors. Multilateral and regional agreements need to be signed and implemented by national governments to ensure that goods, capital and people can flow freely and that rules are mutually respected. This system came under significant strain during the pandemic, since many of its proponents took unilateral steps

³ Peter Williamson, “De-Globalisation and Decoupling: Post-COVID-19 Myths Versus Realities”, in *Management and Organization Review*, Vol. 17, No. 1 (February 2021), p. 29-34.

⁴ Steven Brakman, Harry Garretsen and Arjen van Witteloostuijn, “The Turn from Just-in-Time to Just-in-Case Globalization in and after Times of COVID-19: An Essay on the Risk Re-Appraisal of Borders and Buffers”, in *Social Sciences & Humanities Open*, Vol. 2, No. 1 (2020), Article 100034, <https://doi.org/10.1016/j.ssaho.2020.100034>.

that ran against the core principle of reciprocity. Vaccine nationalism is a glaring example.

In April 2020, a global alliance led by the World Health Organisation (WHO) launched COVAX in an effort to develop and deliver Covid tests, treatments and vaccines globally. It aims to deliver 2 billion vaccine doses worldwide to ensure fair access to vaccines for all, preventing resourced countries from hoarding doses. Despite its good intentions, COVAX is well behind these goals.

The first vaccine delivery was made to Ghana on 1 March 2021, three months after inoculations started in the United Kingdom. By 8 October 2021, only 341 million doses were distributed to 144 countries through COVAX. The result is that while more than 70 per cent of the EU population is fully vaccinated, only 7.1 per cent of African citizens have received a vaccine as of 9 October 2021. COVAX was initially set to deliver 700 million doses to the African continent. After reviewing this figure downwards to 520 million, a current shortage of 100 million doses will prevent even this lower target to be met.

Beyond Africa, vaccine inequalities are a global phenomenon: of 6.48 billion doses administered as of 10 October 2021, only 2.5 per cent covered low-income countries. One reason is that 1.5 per cent of the global population ordered more than 50 per cent of the global vaccine supply. If current distribution rates are maintained, most developed countries will be vaccinated by mid-2022, while 85 developing countries will have to wait for 2023 at best.

These statistics suggest that multilateralism has failed when it comes to vaccine distribution. This can be further illustrated by the stalled debate at the World Trade Organisation over a temporary suspension of intellectual property rights on Covid treatments and vaccines. More than 100 countries backed a proposal by South Africa and India to exempt countries from enforcing patents, trade secrets and monopolies over these goods so as to allow companies in developing countries to produce them too. While the US supports the proposal, European and other high-income countries that are home to pharmaceutical companies manufacturing these goods opposed the move, stalling vaccine production and delivery to seemingly preserve company profits.

In January 2021, the WHO Director-General denounced the emerging vaccine disparity as a “catastrophic moral failure” that would hinder efforts to contain the virus worldwide.⁵ His call seems to have fallen flat, however, since the majority of the world’s population has been left behind in the very vaccine race that a principled multilateral initiative sought to avoid.

Vaccination rates will eventually increase in developing countries, thanks to private contracts and bilateral vaccine donations. Nevertheless, the very multilateral system that should have protected and advanced the basic

⁵ WHO, *WHO Director-General’s Opening Remarks at 148th Session of the Executive Board*, 18 January 2021, <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-148th-session-of-the-executive-board>.

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interests of certain weaker states did not deliver. Despite a positive rhetoric, imbalanced power relations once again determined the outcome of the crisis, favouring countries with the largest economic and political capital. This may lead to resentment, in turn increasing the propensity for future unilateral actions or bilateral – rather than multilateral – relations with partners that have proven to reciprocate.

To be fair, multilateralism had been under strain well before the pandemic, as trade wars and structural power inequalities have repeatedly shown. The Covid crisis initially represented an opportunity to do better and try to right some of the past wrongs. However, the unilateral approach to global health that some governments took only increased the system’s inability to ensure equitable gains while pursuing common objectives.

By exposing the fragility of supply chains and the lack of reciprocity among countries, the Covid crisis has not thus far been transformed into an opportunity to address and improve the international system’s fragilities. This does not mean that GVCs, globalisation and multilateral institutions will cease to exist, because global interconnectivity is too deep to be dismantled.

However, the global dimension could give way to more regional dynamics. As private sector and governments seek to shorten production lines and build buffers against future crises, supply chains are likely to become more regional. And if no decisive action is taken to restore the principles of

multilateralism, regional alliances and bilateral relations might acquire more political weight than multilateral fora.

For all its challenges, the world is far better off in a multilateral system. Given that its identity is rooted in multilateralism, the EU is best placed to try to save it from a downward spiral, by taking the lead on the most pressing global issues to ensure that inequalities are properly addressed. To start with, a stronger commitment to COVAX could help bridge the vaccination gap in the countries that have been left behind. In addition, bolder discussions about debt restructuring or relief should take place, as many developing countries have been long calling for.

Beyond immediate needs, however, it is necessary to build up capacity for better crisis management in those regions where the Covid pandemic has had the most negative impact. On the public health side, strategies to build resilient health infrastructure should be actively implemented. On the economic front, investments in productive capacity should be prioritised.

Since the EU embraced these issues in its international cooperation agenda well before the pandemic, it is now best placed to take the lead and address the inequalities that have eroded faith in multilateralism. This could be the first step towards building a stronger multilateral system and turning the Covid crisis into a real opportunity to build back better.

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