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What After Covid-19?



*It is evident that the global Covid-19 crisis marks a historic caesura of equal importance to the end of the cold war. Once this new coronavirus crisis is over, major parameters of the global order we had known before the beginning of 2020 will be removed, changed or added. The age of globalization, as we have known it, has definitely come to an end, writes **Urs SCHOETTLI**, Consultant on Asian Affairs, Member of the stars International Board, and Speaker at the upcoming [stars Switzerland symposium 2020](#).*

We have always been critical of the flimsy protagonists of globalization. What has their contribution been? Nothing but superficial global meetings, with Davos standing as the symbol of idle talk and useless social mingling. The fact that the epoch of globalization has not produced a single major thinker like Raymond Aron or Karl Popper says it all.

Multiple impacts

The coronavirus crisis has multiple impacts, which cover practically every sphere of human activity, from the arts and sports to the economy, from social behaviour to the way we work and interact. Some of these changes may be of a temporary nature and may become obsolete once the crisis is over. Others may remain and may in fact impact the way we operate in the future. Like every major crisis Covid-19 presents not only new challenges and risks, it also may open our eyes for new chances and opportunities.

We are not dealing with the financial costs caused by Covid-19. They will be enormous and there is presently no way to predict reliably what these costs will eventually amount to. We are also not dealing with the issue of political and social responsibility, of who is to blame for the disaster, its origins as well as its eventual evolution. We are in the midst of a crisis and the hour of reckoning for the leaders who failed the world and their people will come later. We are also not dealing with the medical issues which are best handled by

medical experts. We are instead focusing on two key issues: geopolitics and management.

The Covid-19 crisis will leave behind a world in greater flux than ever since the end of the cold war. The coronavirus may be a medical challenge, but it also has significant geopolitical implications.

Already before the current crisis the global economy faced new challenges. Most notably there were signs of a slowdown of the Chinese economy, with reverberations to the entire world economy. Now, of course, the situation is much more dire. The whole world will enter a phase of recession at best and depression of the 1930s kind at worst.

The fight against the coronavirus will put heavy financial burdens on the United States, on the EU and on every member state of the OECD. It will have a devastating effect on developing countries, wherever there is a large outbreak of the coronavirus. China will suffer a massive impact on its economy. The government may distort the figures in order to dampen social unrest, but there can be no doubt that the Chinese economy is under strong pressure and that the ambitious goals of President Xi Jinping to make China a “moderately wealthy society” will have to be pushed into a much more distant future.

Geopolitics

The coming years will be very hard for China. First of all, foreign companies that worry about the repeated public health problems plaguing China (SARS, the swine flu, Covid-19) are likely to move their production out of China. The location China, which had already a number of issues such as lack of protection of intellectual property, rising salaries, lack of legal safety and transparency, will suffer further reverses.

The trade policies of the US will enhance China’s difficulties. The Chinese leadership be better prepared for a long haul of American scepticism if not outright enmity, even if Trump should not be re-elected. The good times with a high degree of stability and reliability in the US-Chinese relations are definitely a thing of the past. There is growing distrust between the two countries.

More importantly, the severe economic backlash in the wake of Covid-19 will have a geopolitical impact for China. In the past two decades Beijing has been expanding the influence of China both in Asia and in the world at large. This was done with a number of instruments, with soft power (in the shape of numerous Confucius Institutes), with military and diplomatic tools (expansion of Chinese influence in the South China Sea), and with massive economic undertakings (Asian Infrastructure Investment Bank, Belt and Road Initiative, Silk Road).

Already before the most recent crisis, there were a number of signals that all is not fine with the Chinese overseas ambitions. There were news of financial difficulties, of tensions with some host nations, of security issues etc. The impression grew that China had taken on too much, that it was in a mode of “imperial overstretch”.

The Chinese leadership, fully aware of the need to keep its “mandate of heaven” to rule over the Chinese people, is very innovative and decisive when it comes to mobilise resources to deal with major challenges. We have seen that when there was the need to tackle the financial crisis of 2008/10. We have no doubt that Beijing is doing the same to overcome the setbacks caused by the Covid-19 crisis.

However, even before the current crisis the public finances as well as the financial health of many companies, financial institutions and Para Banking units were precarious. This time it will be difficult to muster the same volume of cash as had been possible in the financial crisis of 2008/10. Already before the outbreak of Covid-19 the country had been sitting on a huge mountain of public debt. There is, too, a large volume of private debt with many companies, particularly small and mid-sized enterprises (SME) being put under stress and facing existential threats by the current crisis.

All this implies that Beijing will have less finance available for its ambitious projects in overseas. Now and in the years to come it is much more important to shore up the Chinese economy than to pledge huge sums of money and manpower to advance the Belt and Road Initiative.

This will have an impact on geopolitics, most notably in East Asia. Since some time, many Asian countries have searched for alternatives to China and have made great efforts to reduce their economic dependence on the Middle Kingdom. In many cases the Japanese have increased their presence either in trade or investment

Already before the recent crisis we have seen substantial improvements in the bilateral relations between China and Japan. In fact, before it had to be cancelled because of the Covid-19 crisis, president Xi Jinping was to visit Japan in April for his first state visit. As trade with the United States has become more difficult and as European markets do not offer sufficient alternatives, closer economic ties between Japan and China have gained in weight, all the more so as in many areas the two economies are complementary.

Management

It is difficult to have a clear picture of which changes that have been forced on us by the coronavirus crisis will remain in place even after the crisis is over. Some predict that online learning and working from the home office will become more prevalent after the crisis than it had been before. It is indeed to be hoped that the crisis leads to more innovation and that there will be more space for courageous start-ups. Countries should use the new beginning in order to open more space for unconventional, young and dynamic enterprises.

Here we want to focus on one major shift in management, on the supply chain. The age of globalization was also the age of just in time delivery and global sourcing. Both concepts provided substantial improvements in efficiency and quality. Both, enterprises and customers profited from these concepts. They brought higher profits to the producers and more reasonable prices to the consumer. To a large extent they were also helping to contain inflation.

The coronavirus crisis has, however, unveiled a systemic weakness. Not enough attention had been given to the fact that supply chains that span continents, even the globe, are highly vulnerable. They can be broken by natural calamities or by human intent. We recall as most recent examples the sudden decision of the Chinese government to temporarily halt the export of rare earths; the massive flooding in the greater Bangkok area in 2011; the Tsunami and earthquake in Fukushima in 2011 – with the latter two disasters having repercussions for the IT industry around the world.

In the olden times of the cold war people in Switzerland were asked to keep emergency rations at home, securing the basic food supply for several weeks. We believe that after

the hype of globalization, of global sourcing and just in time delivery, it is essential to reconsider the concept of emergency rations, of reserves. Covid-19 has made it clear that mere survival depends on having sufficient reserves in such vital areas as public health. In this respect the world after Covid-19 is going to be totally different from the past decades.

And when it comes to global sourcing it might be useful to give much more attention to diversification and reliability. One may not choose a supplier because his offers are the cheapest, but because he is the most reliable and the most trustworthy. All this of course entails a new attitude to risk and opportunities, the perception of both of which has changed fundamentally. Indeed, emergency rations, strategic reserves and diversification cause additional costs. However, in the age post Covid-19 large segments of industrial production and services will have to fundamentally review their calculations. Consumers and producers will have to put up with higher prices. Much of what has been opportune in the past may fall by the wayside and new priorities have to be set, even if the world economy is lucky to experience a rapid recovery.



Urs SCHOETTLI was appointed Secretary General of the Liberal International in 1978. In 1983, he joined the Neue Zürcher Zeitung (NZZ) and became its South Asia Correspondent in New Delhi. From 1986 to 1994, he served in various roles for the Friedrich Naumann Foundation in India, Spain and Portugal. In 1996, he returned to the NZZ and successively served as its Correspondent in Hong Kong, Tokyo and Beijing. Schoettli has published widely on topics of liberalism, development policies and international security and he is the author of numerous books on South Asia, citizenship and environmental issues. Schoettli studied philosophy at the University of Basel.

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