

COVID-19 and Its Impact: Is Globalisation Dead?

Page 2-3

A Pacific Turn? The Foreign and Security Policy of the European Union towards Asia

Digital Diplomacy after COVID-19: Estrangement and Disruption

Page 4

RSIS-WTO Virtual Parliamentarian Workshop 2021

Page 5

Advances in Mapping Digital Policies

'Small sees big': international order through small state leaders' insights via the intellectual propaganda of Czechoslovak, Ghanaian and Singaporean leaders

Page 6

Multilateral Matters: News Roundup

Selected Publications

Page 7

#### Editorial Team

Amalina Anuar

Nazia Hussain

# Globalisation: Lost in Transition?



*Having taken a beating from the slow pace of economic multilateralism and COVID-19, is globalization on its last legs or is this simply the darkness before the dawn as the world moves towards a post-pandemic age? Photo from Dyana Wing So on Unsplash.*

FEATURED COMMENTARY

# COVID-19 and Its Impact: Is Globalisation Dead?

By Pradumna Bickram Rana



COVID-19 has disrupted globalization in numerous ways, including an uptick in export restrictions as countries scramble to secure sufficient medical supplies. Though these measures are temporary, they impede a speedier global recovery and are part of a broader trend in protectionism which may take time to abate. Photo by mana5280 on Unsplash.

COVID-19 has amplified the deglobalisation trend that began after the Global Financial Crisis in 2008. However, this new phase of deglobalisation will most probably be milder and less disruptive than the one during the Inter-War period.

**Commentary**

AFTER DECADES of increasing globalisation that brought economic prosperity worldwide, signs of deglobalisation emerged after the Global Financial Crisis (GFC) in 2008. COVID-19 has amplified this trend. How serious is the situation and is globalisation dead?

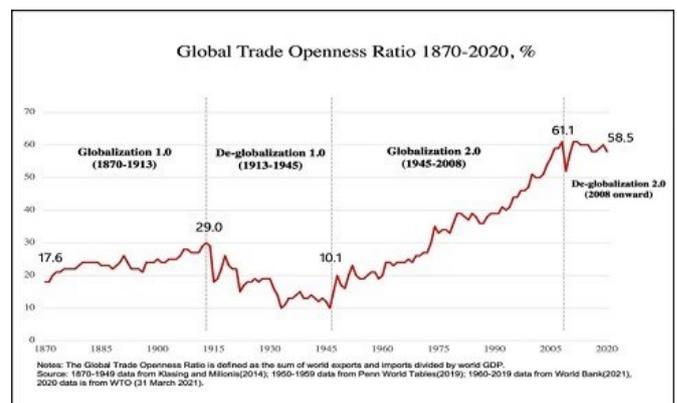
Globalisation has many components: cross-border flows of trade, investment,

finance, people including migrant workers and tourists, data, and digital technology. Over the years, it has led to closer economic integration at the global level. One way to assess how integrated the global economy has become is to focus on the global trade openness ratio. Defined as the sum of world exports and imports divided by world GDP, it is regarded as a reasonable and commonly-used proxy for global economic integration.

**Globalisation 1.0: The First of Four Phases**

During the past one and a half century, globalisation has passed through four phases (figure below).

Globalisation 1.0 refers to the period 1870-1913 when the world was on the



gold standard. During this period exchange rates of currencies were fixed to gold which in turn was freely mobile across countries. Central banks were also not permitted to intervene in currency markets. Strict observance of these rules contributed to monetary stability and the global trade openness ratio increased from 17.6% to 29% during this period.

**Deglobalisation 1.0**

During the Inter-War period, or Deglobalisation 1.0, the global trade openness ratio fell sharply from 29% in 1913 to 10% in 1945. After 1913, countries abandoned the gold standard to pursue independent monetary policies in order to

*Continued on Page 3*

finance World War I (WW I). Absence of rules and regulations led to chaos and instability. Russia withdrew from the world trading system after the communist revolution of 1917.

The United Kingdom attempted to go back to the gold standard but it was unsuccessful. Subsequently, countries adopted “beggar thy neighbour” policies. For example, in the early 1930s, the United States, UK, and France resorted to competitive currency devaluations. These tit-for-tat policies partially contributed to the Great Depression of the 1930s when the volume of international trade halved and world output fell by 15%.

The League of Nations was founded after WW I to promote peace. But it failed to prevent WW II and was replaced by the United Nations in 1946.

### Globalisation 2.0

After World War II (WW II), policymakers in the US realised that they alone could lead global affairs. Hence at the Bretton Woods Conference of 1944 the US helped establish the rules-based world economic order comprising the IMF (for monetary stability), the GATT and its successor the World Trade Organisation (WTO) (for open trading environment) and the World Bank (for poverty reduction).

Rules set by these global economic institutions ushered in the Golden Age of Globalisation when world trade expanded several times faster than world output.

Global supply chain trade comprising trade in parts and components also start-

ed to gather pace after the Information and Communications Technology revolution of the 1980s. During this phase, Globalisation 2.0, the world trade openness ratio increased six-fold from 10% in 1945 to 60% to 2008.

### Deglobalisation 2.0

Globalisation was a key driver of the world economy for much of the post-WWII period. But this stopped after the global economic crisis in 2008. Global supply chains which accounted for about 50% of world also ceased expanding. Deglobalisation 2.0 started to set in for a number of reasons:

First, the slow economic recovery after the GFC led to rising nationalism and protectionism in the Western world and eventually elsewhere.

Under the former president Donald Trump, the US embraced the “America First” policy and protectionism shifting away from trade liberalisation of the past. Tariffs were imposed on about 20% of total imports of the US mainly from China. The US also sought to disband China-centered supply chains.

Similarly, European countries also initiated policy actions to protect their economies especially from rising inflows of migrant workers from the Middle East.

Countries around the world retaliated and became more inward-looking. Although it remains an export powerhouse, China has turned inwards to some extent. Since 2020, India has also adopted a more self-reliant

policy.

### COVID-19’s Impact on Globalisation

Second, COVID-19 affected globalisation in several ways.

Because of the lockdowns, international trade and tourism “fell off the cliff” during the second quarter of 2020. Although the volume of world trade has rebounded more strongly than expected since then, the March 2021 forecast from the WTO expects a 5.3% fall in 2020.

COVID-19 also disrupted global supply chains as intermediate products could not be transported with ease between production blocks located in different parts of the world. COVID-19 laid bare the risks of relying on complex “just in time” value chains and raised awareness of the need to diversify sources and shorten global supply chains by onshoring, nearshoring, and sourcing regionally rather than globally.

Many countries also questioned their dependence on import of essential medical equipment (e.g., PPEs) and medical supplies of which they might be deprived in an emergency. They, therefore, imposed temporary export bans.

Third, since the mid-2010s, national security has become a crucial cause of the deterioration in US-China relations and trade. It is argued that China’s accession to the WTO in 2001 has led to a large negative impact on US manufacturing. China’s presumed systematic practice of industrial and cyber-espionage has

also led to stiff tariffs and bans on China’s acquisition of US technology.

Fourth, the Doha Round of multilateral trade negotiation has been stalled since 2008. In its stead regional trading agreements have proliferated.

### When will Deglobalisation End?

Is globalisation dead? No, it is not dead, but it is in a partial retreat.

When will the retreat be over? It is difficult to say precisely but it may take some time for protectionist sentiments around the world to turn around and for national security concerns in the US vis-a-vis China to abate.

But Deglobalisation 2.0 will probably be milder and less disruptive than Deglobalisation 1.0 which lasted for about 30 years and when the global trade openness ratio fell by nearly 13 percentage points. This time around the ratio has fallen much less, by only about three percentage points – so far. ■

*Dr Pradumna Rana is Visiting Associate Professor at the Centre for Multilateralism Studies (CMS), S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore.*

## A Pacific Turn? The Foreign and Security Policy of the European Union towards Asia

The European Union is witnessing a “Pacific turn” in its foreign and security policy but not a “pivot to Asia”, argued Assistant Professor Christian E. Rieck, Chair of War Studies at the University of Potsdam.

Prof Rieck was delivering a talk titled “A Pacific Turn? The Foreign and Security Policy of the European Union towards Asia” at the RSIS webinar series on multilateralism studies organised by the Centre for Multilateralism Studies on 9 April 2021.

Noting that EU member states and the European Commission have pushed for an upgrade of their relationship with the Indo-Pacific region, especially with ASEAN, Australia and Japan, Prof Rieck added that competing regional priorities and strategic cultures among the member states,

especially in defence, nevertheless make a full-blown pivot to Asia unlikely, if not impossible. For instance, while France is trying to fill the strategic void the Trump administration has left, increasing its defence budget and military readiness, Germany, for its part, is trying to reinvigorate the European Union and NATO as the main arenas for German defence initiatives but is reluctant to increase its defence budget.

On Europe’s approach towards the Indo-Pacific, Prof Rieck highlighted four elements: (i) rebalancing of its relations with China, which is now seen as “partner, competitor and rival”, by pursuing a mix of competition and cooperation; (ii) scaling up of relations with the rest of Asia, especially India and like-minded partners, to offer geopolitical and geo-economic alternatives to Chinese

influence without forcing countries to choose between Europe and China (iii) upholding of rules-based orders in the region and beyond; and (iv) connectivity by focusing on physical infrastructure.

Prof Rieck concluded by noting that while the European Union will seek to leverage and enhance member state assets and instruments in pursuing its security and defence policy, it will not be able to fundamentally alter its character as a fractured foreign policy actor. Thus, we will see more “Europe” in Asia in terms of soft power projection but this will not entail more “European power” in hard power terms. ■

## Digital Diplomacy after COVID-19: Estrangement and Disruption

On 22 April, the Centre for Multilateralism Studies organised a webinar discussing the transformative effects of digitalisation on international diplomacy. The speakers were Professor Rebecca Adler-Nissen, University of Copenhagen, and Associate Professor Corneliu Bjola, Head of the Oxford Digital Diplomacy Research Group.

Prof Rebecca Adler-Nissen addressed the changes in diplomacy that have taken place since COVID-19. She stressed that digital diplomacy is not novel. Before the pandemic, for instance, diplomats often sent text messages to their administrations back home seeking further information. Nonetheless, digital diplomacy is more common now than before, even if it has not displaced traditional forms of diplomacy altogether. Prof Adler-Nissen noted that the increasing use of digital diplomacy raises several challenges, including the difficulty of building trust and securing confidentiality online, Zoom fatigue, and digital disparities between countries, such as in internet quality. These concerns contribute to a re-

sistance to using digital diplomacy among foreign service officers and a lingering preference for face-to-face interactions, particularly among high-ranking officials.

Assoc Prof Bjola discussed how governments use digital diplomacy for crisis management. In particular, governments use online platforms such as Twitter to make sense of and symbolically structure crisis narratives, although their responses can differ depending on the stage of the crisis. Government messaging during the initial stages of crises, for example, may simply reflect their autopilot reactions or standard operating procedures. A delay in taking control of the narrative during an unfolding crisis may demonstrate a government’s desire to see how others react first. Studying crisis communications, in his view, thus reveals governments’ diplomatic reflexes. For instance, a government’s messaging and chosen hashtags can reflect its foreign policy stances, whereas publicising outreach to its diplomatic partners on digital platforms could be one way of shoring up support for a country’s

foreign policy among international and domestic audiences.

The webinar concluded with both panellists weighing the advantages and disadvantages of digital diplomacy. Assoc Prof Bjola observed that the speed that digitalisation affords is a double-edged sword: meetings are more effective, but practitioners now have time for even more meetings, which adds to Zoom fatigue. Prof Adler-Nissen, for her part, noted that diplomatic outcomes may have been negatively affected by digital diplomacy. In particular, diplomats feel that physical meetings would have enabled leaders to better convey their countries’ desperation to their peers and strengthened international solidarity. She added that the use of digital communications in diplomacy may reduce transparency. Notably, the press cannot sit in during virtual calls as they have done in some face-to-face meetings, and it is unclear how this lack of insight into diplomatic proceedings will affect democratic policy-making. ■

# RSIS-WTO Virtual Parliamentarian Workshop 2021



The first panel delivered their remarks on the state of the global economy after COVID-19, stressing the role international organizations and national agencies have in facilitating a speedy recovery.

From 17 to 19 May 2021, the Centre for Multilateralism Studies hosted the joint RSIS-World Trade Organization (WTO) Virtual Parliamentarian Workshop with support from the Temasek Foundation. As a capacity-building event, the workshop provided a platform for the exchange of ideas, information, and experiences to enable lawmakers to better contribute to trade policy and the multilateral trading system (MTS). The event began with opening remarks by Mr Benedict Cheong, CEO of Temasek Foundation International; Dr Ngozi Okonjo-Iweala, WTO Director-General; Ambassador Ong Keng Yong, RSIS Executive Deputy Chairman; and Mr Tan Chuan Jin, Singapore’s Speaker of Parliament. Thereafter, three panels focused on the state of the global economy and WTO, as well as ways forward.

Among the key themes discussed were the outstanding economic challenges of widening inequalities and the slow pace of rulemaking for both longstanding and modern-day trade

issues, such as fisheries subsidies and digital trade. Other hurdles requiring immediate action are the resumption of safe travel and the drop in global cargo delivery capacity, which delay the reopening of service sectors and raise shipping costs respectively. Within the WTO itself, speakers noted the need to strengthen the institution’s negotiating, monitoring, and enforcement functions.

Several recommendations to expedite an economic recovery aligned with sustainable development goals emerged from the workshop. Ramping up vaccine production and distribution is critical. Some panellists noted, however, that a zero-tolerance COVID policy is unfeasible. Countries must learn how to live with the virus, while policymakers must reasonably adjust their risk levels as the virus is likely to remain in the coming years. Domestic reforms are necessary to update economic and social protection policies for a world marked by significant inequalities and accelerated digitalisation. This may include

including unemployment benefits, stronger provisions for labour rights, and reskilling programmes.

Meanwhile, WTO members must capitalise on growing political momentum to conclude negotiations for priority areas during the 12th Ministerial Conference — an event whose outcomes will signal the WTO’s credibility and relevance for years to come. Members should also act responsibly in enforcing trade rules, reporting trade measures transparently, restoring the dispute settlement mechanism, and finding ways to diplomatically resolve disagreements instead of relying on litigation. Finally, parliamentarians play an important role in defending the WTO and MTS. Hence, lawmakers should make credible arguments in support of multilateralism to their governments and constituents despite the appeal of populism and economic nationalism by, for instance, better communicating the real and concrete benefits of trade to their populations. ■

## Advances in Mapping Digital Policies

On 16 June 2021, the Centre for Multilateralism Studies (CMS) hosted the RSIS Webinar Series on Multilateralism Studies on the topic “Advances in Mapping Digital Policies”. The panellists deliberated on how the rapid expansion of digital trade, boosted significantly by the COVID-19 pandemic, has produced calls for new taxes and regulations, and highlighted the need to develop an international governance framework.

Professor Simon J. Evenett, Professor of International Trade and Economic Development at the University of St. Gallen, Switzerland, noted that regulatory overdrive risks fragmenting digital ties between companies and economies. As the digital economy becomes ubiquitous, regulations are multiplying. Yet, there is no systematic inventory of policy. Prof Evenett highlighted that the demand

of quality information is rising and emphasised potential risks from flawed policy choices compounded by non-transparency. He introduced the idea of an attributes-based approach to mapping digital trade policies, which seeks to avoid loaded terms like “digital trade barrier” and “best practice”.

Elaborating on digital policy development from a private sector perspective, Ms Eunice Huang, Head of APAC Trade Policy, Google, noted that as more sectors in the economy get digitised, governments put more digital regulatory policies in place. Google has spent considerable time and resources just to track and implement the policies that are in place, and to make sure Google is in compliance with them. Ms Huang pointed out that compliance to digital regulations may be an obstacle to small businesses. She highlighted

the risks of digital fragmentation and protectionism, noting that when governments try to impose digital borders and regulations on the internet, it becomes challenging to solve important public policy challenges like climate change and vaccine development.

The webinar concluded with Dr Patrick Low, Fellow, Asia Global Institute, Hong Kong, noting that it has been extremely challenging thus far to get the necessary specificity, actionability, and enforcement in international agreements to help regulate the digital economy across nations. He commented on Prof Evenett’s attributes-based approach to mapping digital trade policies, highlighting the need to develop the concept of attributes in order to include attribution-oriented language into trade agreements. ■

## ‘Small sees big’: international order through small state leaders’ insights via the intellectual propaganda of Czechoslovak, Ghanaian and Singaporean leaders

A few things generally come to mind when thinking about the international order. First, major power competition determines the fate of the international system. Second, it is the use of— usually material— resources that help secure the survival of a nation-state. In contrast, Associate Professor Alan Chong, Head of the Centre for Multilateralism Studies, spotlights how small states shape the international order in this article. Specifically, he draws attention to the intellectual and moral soft power of small states in addressing the root causes of power inequalities in global governance, and how they navigated these stark power differentials because and in spite of their size. This offers timely and relevant policy implications for both small and middle powers against a backdrop of rising US-China tensions and multilateralism seemingly on the decline.

Prof Chong analyses the propaganda of leaders from three countries— Czechoslovakia, Ghana and Singapore— for their thoughts on the morality of the international order. With regards to Czechoslovakia, Thomas Masaryk and Edvard Benes rallied against might-makes-right politics and consequentialism, where the

end justifies the means, in lieu of greatness derived from moral expression and normative contribution to global governance. Singapore’s Prime Minister Lee Kuan Yew and Foreign Minister S Rajaratnam, meanwhile, noted that anarchy and hostility could be resolved with time, circumstance and mutual learning. However, it is up to the political leadership to work towards these ends, with PM Lee stressing that non-discrimination in a harmonious, multicultural collective is the path towards peace in the international order. For Ghana’s Kwame Nkrumah, the answer towards better global governance lies in dismantling neo-colonialism, such as economic domination, and supporting non-alignment.

The article also examines their different approaches to manoeuvring “great powers and the limits of global institutional governance”. The Czech leaders preferred a cosmopolitan international order, where shared morality and equality among states as enshrined in international law would guarantee the survival of small states. Singapore meanwhile pursues several avenues to avoid choosing sides: it complements its

general support for the liberal international order with a pragmatic and opportunistic flexibility, and convening power to facilitate dialogue and make conflict a less attractive option among all parties. Nkrumah similarly advocated for a strain of multilateralism: that is, collectivism among small states against great powers and international organizations seeking to enact neo-colonialism.

This kind of intellectual and moral messaging might not always bring prominent changes. But this does not necessarily suggest that small states should not try. Rather, such thought leadership and perspectives may be a timely reminder of the responsibilities and capabilities small states have— whether that is to exercise their rights to hold great powers accountable on their share of upholding international order, call out structural oppression in global governance, or step up to stabilise the international order instead of leaving their fates to the ‘big players’. Attaining any potential influence on the multilateral order, as Prof Chong concludes, requires small states to try punching above their weight in this way. ■

## Multilateral Matters: News Roundup

### The EU's unsustainable China strategy

Can the EU continue to balance its relationships with China and the US in the context of increased rivalry between the superpowers?

*Chatham House* | 9 July 2021 | [Full Report](#)

### Could trade agreements help address the problem of cross-border disinformation?

*Centre for International Governance Innovation* | 6 July 2021 | [Full Report](#)

### Quad: countering Chinese dominance by building new supply chains

*LSE Blogs* | 1 July 2021 | [Full Report](#)

### The Asia-sized hole in Biden's trade agenda

*Politico* | 23 June 2021 | [Full Report](#)

### The G7 Summit: a reboot for multilateralism, but not up to speed

*Global Development Policy Center* | 22 June 2021 | [Full Report](#)

### ASEAN's Myanmar dilemma

*East Asia Forum* | 23 May 2021 | [Full Report](#)

### Is the East Asia Summit suffering erosion?

*Fulcrum* | 14 May 2021 | [Full Report](#)

### Forget the vaccine patent waiver

*Project Syndicate* | 13 May 2021 |

While momentum builds behind a proposal to waive patents on COVID-19 vaccines, removing intellectual property protection would not accelerate the global immunization effort. The sooner the world recognizes that production capacity is not the problem, the better. [Full Report](#)

## SELECTED PUBLICATIONS

### EU's Pandemic Management: Why More Credit Is Due

Frederick Kliem | *RSIS Commentaries* | 23 June 2021

### The G7's Jumpstart for Multilateral Cooperation

Kaewkamol Pitakdumrongkit | *East Asia Forum* | 18 June 2021

### As Europe opens up for travel, East Asia should take notes

Frederick Kliem | *South China Morning Post* | 11 June 2021

### Xinjiang: Problem Ahead for European Industry?

Frederick Kliem | *RSIS Commentaries* | 7 June 2021

### Is ASEAN too 'Far East' or just right for Global Britain?

Frederick Kliem | *East Asia Forum* | 4 June 2021

### International Trade: The Demise of Multilateralism?

Jikon Lai | *RSIS Commentaries* | 27 May 2021

### Trust in the Process: Renewable

### Energy Governance in Malaysia and Indonesia

Amalina Anuar & Aninda Dewayanti | *Policy and Politics* | 25 May 2021

### RCEP: Unlocking barriers to regional economic integration

Kaewkamol Pitakdumrongkit | *Perth USAsia Centre's Indo-Pacific Analysis Briefs* | 24 May 2021

### Expert Voices on the APEC 2021 Ministers Responsible for Trade Meeting

Kaewkamol Pitakdumrongkit | *The National Bureau of Asian Research* | 20 May 2021

### Myanmar Instability: Emerging Reactions in East Asia

Alistair Cook & Joel Ng | *RSIS Commentaries* | 19 May 2021

### Goodbye Boracay, hello Tagaytay – less well-known places could be the future for domestic travel

Kaewkamol Pitakdumrongkit | *CNA* | 15 May 2021

### Economic Security

Jean-Christophe Defraigne & Kaewkamol Pitakdumrongkit | *The*

*European Union's Security Relations with Asian Partners* | 12 May 2021

### The Impact of IMF Programs and Conditionality on Labor Rights

Lee Su-Hyun & Woo Byungwon | *Derechos En Acción* | 8 May 2021

### EU Indo-Pacific Strategy: More than Meets the Eye

Frederick Kliem | *RSIS Commentaries* | 3 May 2021

### ASEAN's Special Summit: Can It Resolve the Myanmar Crisis?

Joel Ng | *RSIS Commentaries* | 29 April 2021

### Democracy & Digital Governance: Help or Hindrance?

Amalina Anuar | *RSIS Commentaries* | 27 April 2021

### EU-China Sanctions Tussle: Winners and Losers

Frederick Kliem | *RSIS Commentaries* | 8 April 2021

The **Centre for Multilateralism Studies (CMS)** is a research entity within the S. Rajaratnam School of International Studies at Nanyang Technological University, Singapore. The CMS team conducts cutting-edge research, teaching/training and networking on cooperative multilateralism in the Asia Pacific region. The Centre aims to contribute to international academic and public discourses on regional architecture and order in the Asia Pacific. It aspires to be an international knowledge hub for multilateral coop-

**Multilateral Matters** is the quarterly publication of the Centre for Multilateralism Studies (CMS), analysing the most recent developments regarding multilateralism by our team. It covers articles on relevant economic and political issues as well as programmes and latest publications from the research centre. The objective of the newsletter is to promote the research being done by our centre, raising awareness of the many events that we hold on a regular basis.