**Covid19 and International Business: A Viewpoint**

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While the world might recover from the Wuhan, China-based 2020 novel coronavirus, it is likely that the virus will leave the world governance system in a different state. Globalization as we knew it is over and a new world order will emerge, with dramatic consequences to our field.

Globalization involves the movement of people, information, money, and products, and increases in mobility of these factors of production have allowed for international business to prosper. The post WWII world order held as international institutions, built largely with US leadership, provided a regulatory framework for trade (e.g., WTO, UNCTAD), finance (e.g., IMF), and development (e.g., World Bank). The 21st Century has also witnessed the rise of China as a world power and as a reformer of existing institutions (UN, WHO, WTO) and a creator of new global institutions (e.g., Belt and Road Initiative).

Enter Covid19. International institutions are challenged by legitimacy and the trust in them is eroding. One such key institution is the WHO. The Trump administration has defunded WHO and promised to launch an investigation into their recommendations. Aid to Italy and Spain was shown to come from Russia and China and less from neighboring countries, as countries in the Shengen agreement have closed borders. Mateo Salvini and Giuseppe Conte of Italy have lashed out at the EU for their lack of help with Covid, and warned that the future of the EU is at stake.

In the EU, statistics of Covid are shown at the national level and not in the EU level as national governments attempt to battle the virus. EU solidarity will come under strain even further as Hungary’s and Polish governments defy some of its rules, and when costs of Covid19 will need to be divided among its nations. The Westphalian system of the nation state showed its primacy in face of global adversity. In the post-Covid19 world, forces and voices supporting nationalism and protectionism will rise, and those of unrestrained globalization will drown.

As for people, the longer the restrictions on the movement of people persist, the bigger the impact it will have on persistent behaviors, both at the personal and at the firm levels. Even after some regions or countries will be open for business (internally), restriction on international movement will persist.

In business, people travel because they need to transfer skills and know-how and when face-to-face and personal interaction was deemed crucial. According to [JP Morgan](https://www.jpmorgan.com/cm/BlobServer/Corporate_T_E_Spend_Benchmarks.pdf?blobkey=id&blobwhere=1320626471111&blobheader=application/pdf&blobheadername1=Cache-Control&blobheadervalue1=private&blobcol=urldata&blobtable=MungoBlobs), air travel alone is more than 30% of MNCs budgets. Covid19 will allow MNC to test the cost-benefit of travel and entertainment expenses. Technological solutions can now be tested, out of necessity, and some will remain with us forever. Zoom’s stock prices, along with other communication and technology solution companies, skyrocketed in the immediate aftermath of the crisis. The post Covid19 world will see a rise in global virtual teams organized around different technological solutions, including eventually augmented and virtual realities.

Information comes in the forms of ideas, data, technology and know-how. The transfer of information is among the most fluid, enabled by technology and advanced communications. Explicit, free information is generally available through internet channels, while tacit knowledge transfer is usually done through intranet channels and movement of people. Covid19 has alerted us to the fact that information is not readily available where governments put restrictions on free media, freedom of speech, internet access. China and Iran are two such places. Lack of proper information about Covid19 has increased suspicion in these countries statistics, whether they are health, policy or economics related. While democratic and open societies communicate available information, authoritarian ones hide, manipulate and control information, creating asymmetry in information flows. Covid19 will likely reduce trust in information coming out of authoritarian regimes.

Even before Covid19, money has become increasingly paperless. Covid19 will accelerate the use of virtual money. This trend will benefit MNC such as Alibaba, Tencent, Apple, Visa, Master Card. Innovations in digital money, such as Bitcoin and Facebook Libra, will also increase the fluidity of money across borders. Other specialized companies, such as TransferWise, dramatically reduce international transaction costs, by matching buyers and sellers of currencies and sidestepping the international banking settling mechanisms. Countries will find it harder to control the value of their currencies through capital controls. Soft currencies are particularly vulnerable to sharp fluctuations. Covid19 economic hardships will necessitate quantitative easing and fiscal loosening that many countries cannot afford. Sovereign debt crises might follow as a result. The post-Covid19 world will see increasing value fluctuation, virtualization and internationalization of capital.

Money also includes investment by MNCs in fixed, tangible and intangible assets. Following Covid19, due to a recession, investment flows are likely to slow. [Unctad](https://unctad.org/en/PublicationsLibrary/diaeinf2020d2_en.pdf) estimates significant reductions in cross border investment flows as a result of Covid19. With some emerging markets having difficulty serving their dollar denominated loans, currency crises may make net present value (NPV) calculations. Further, MNC will invest where they sell, in China for China, in the USA for the North America, etc. This will lead to greater regionalization of MNC investment flows, as predicted by Rugman and Oh (2008).

Products and services will follow similar patterns as investments, as MNC will shorten the supply chains, focus on serving local customers with local manufacturing, and diversify from China-only sourcing. The net beneficiaries are labor and governments in high-income countries, and the biggest loser might be China, which previously occupied “workshop of the world” title championship.

Covid19 exacerbates the already tense relations between Washington and Beijing. As the Group of 2, other countries might have to chose between the two, for example, for aid, policy or 5G network development. The world order will seem increasingly bifurcated. Covid19 will accelerate the divorce between the US and China, decoupling some industries and forcing others to chose a side.

Policy response to Covid19 may be powerful. New industries might be labeled as “strategic” with greater government regulatory burden. The following industries are likely to be added to the list of sensitive and national security risk (beyond the already sensitive dual technology – military and civilian – sectors): food, medicine, energy and oil, technology and telecommunications (especially 5G). For these industries, in particular, supply chains will shorten and nationalize further. Covid19 will force some industries to localize the supply chain, and nationalize their production and sale.

MNCs can respond to the changes in the national policies, competitiveness, and new global order by changing their strategies. One, curtail the travel of staff and increase the risk assessment process, to particularly include the risk of infectious diseases. Two, increasingly use GVT in the management of work teams across space and time. Three, produce where you sell or regionalize your supply chain. Four, securitize information flows, protect intellectual property, and cast doubt into the promises, statistics or information coming from authoritarian regimes.

It is not often that people have the chance to go through an epic change of historic proportion. Such black swan events can forever change our perceptions, attitudes and behaviors. The “international” part of IB will change markedly, with additional challenges of managing the global flows of people, information, money and products. As difficulty rises, what is the future of our profession, and how do we manage from here?

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