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## This time is different. The globalization of uncertainty

### 1. The antechamber of a great economic crisis

“Some warn that the disease will be remembered not only as a human catastrophe, but also as a geopolitical turning-point away from the West. Are they right?” (Minton Beddoes, 2020). Irrespective of the answer, this question raises the unsettling issue of the viability of the current international order. This is not a singular voice. For instance, Henry Kissinger unequivocally asserts that “The coronavirus pandemic will forever alter the world order” (Kissinger, 2020). Analyses focusing on the geopolitical impact of the current pandemic often employ apocalyptic imagery.

The pandemic is seen as *the antechamber of a great economic crisis*, larger than the Great Recession, comparable only to the Great Depression of 1929-1933. Some analysts even fear it might be the greatest in the history of capitalism. Because this is an ongoing process, prognoses are not useful. Current evaluations might be overturned by a new wave in the fall. What is certain is that economic contractions will range from single to double digits, more significantly for unsecure economies, which will only add to the geopolitical impact. The larger the gaps, the more unstable the economy, the true enemy of relaunch.

Of particular concern is *debt growth*. States strive to relaunch their economy using their own money or loans, that add to the already maximal debt. After the disease, the debt, warns The Economist. “Across the rich world, the IMF says, gross government debt will rise by \$6trn, to \$66trn at the end of this year, from 105% of GDP to 122%. Long after the covid-19 wards have emptied, countries will be living with the consequences” (The Economist, 2020). In economic terms, debt is a two-faced coin. It is a chance, if below 80% of GDP; loans are necessary to start an investment that ensures loan return and gains. Above 100%, it can delay relaunch and will be a burden in the medium and long term. Above 120%, growth rates will be diminished. As the emerging world has much lower debts, their recovery from the current crisis will be faster, which will add to the geopolitical impact.

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## 2. If not effective, the political answer does not exist!

The geopolitical debate is particularly relevant at the top, where the race involves the existing power and the contender. Many analyses have labelled this race the new Cold War, a war triggered by the pandemic. The allegations are certainly explosive. The US speaks about “a Chinese virus”, blaming Beijing for hiding information at the onset of the epidemic and opening intelligence investigations. China has certainly given lower numbers, at least 30% lower, for deaths, and communication during the crisis has been deficient.

Beyond declarations and numbers, images speak for themselves. The severity of measures showed that the stakes were high. In February, Western radio and TV outlets were already speaking about “a Chinese Chernobyl” (Sisci, 2020) and announced the probable demise of the regime. In the US, the formula Soviet Union 2.0 was used. The global public space and the governing bodies were already aware of this new global challenge. The reaction of China’s neighbours was also particularly telling. In fact, it has since become “standard reference” for this period. South Korea was successful in its response, followed by Singapore, Taiwan and Vietnam. States in the region took over from neighbours and developed their own responses. It is not particularly relevant who scored the best results, but it is significant that no country in the region was surprised by catastrophic developments, because *they already had the exercise of being prepared to fight in a competition, day by day.*

Numerous interpretations and explanations can be found for the delayed reaction in most Western countries. It is however certain that the prevailing attitudes are: aloofness, overconfidence in the validity of their answers, even unwillingness to teach others or learn from others. This is the root of delays, indecision, syncopes and improvisations. In the political field, *answers need to be effective*, all the more so in times of crisis. The problem with liberal societies is that their stronghold – institutions – will be associated with failure, which will directly affect people’s trust and could lead to an extremely harmful erosion from within. Such stigma will outlast the coronavirus crisis.

The contrast between the two types of responses is quite visible. Asia is now striving to restart the economy, Europe and the US are still fighting the virus. When the West wins, Asia, epitomized by China, visibly less affected, will have already consolidated its advantage.

Some authors find similitudes with other historical moments. The US may have lost a battle, but history shows that in long wars the slow start of the US is followed by mobilization and victory, proves Francesco Sisci. The question is whether this is December 1941, when “the Japanese appeared to have knocked out America in Pearl Harbour” (Sisci, 2020), or the beginning of a victory. Such comparisons with military battles are suggestive, but this is a geopolitical battle, which is equally economic, military, scientific and social. The context and much of the content of competition at the top has changed. Emerging technologies will influence everything, including how the pandemic is controlled.

In fact, if we are to speak about a new Cold War, we need to agree that it started before the pandemic and was triggered by China’s leaps forward in economy and technology. Robin Niblet was right to say that the pandemic can be seen as an enabling context “to harden policies towards China, starting by blocking all Chinese investment into 5G infrastructure and breaking international dependence on Chinese supply chains” (Niblet, 2020). Globalization has ceased to be a mere exchange of merchandise. *Global supply chains* can be seen as dominance chains. The US used to control these supply chains, now China does, and disputes over dominance have been a reality these days. We find the following example particularly

relevant: “If Huawei comes to dominate global 5G, the Chinese government could exploit its access to the firm to tap into communications around the world, using new powers over the network against its rivals. Or to put it another way: China could do to the United States what the United States has already been doing to China” (Farrell & Newman, 2020).

### 3. “De-Westernization of the world”

Geopolitics is generally taken as an external vector, expressing the relationship between states, their power and their drive. This perception, albeit true, is totally insufficient, if it is not correlated with the fundamental truth that all this stems from internal data – geographical position, economic and demographic data, and, above all, leadership, which unifies them into a coherent perspective. The geopolitical impact of the crisis has been evaluated in various ways. For instance, Javi Lopez tells us that Europe “is addressing the crisis in a state of fragility”, that this crisis “will be a huge test” that could result into the de-Westernisation of the world (Lopez, 2020). This is a perspective which cannot be ignored.

The evaluation of the possible geopolitical impact of the crisis cannot be discussed without a detailed analysis of the evolution of the US in the last decades, and the synopes in this evolution, which have not been addressed in strategies. This has influenced the West. For some time now, the Western states have not looked in the mirror. In fact, *they have ceased carrying a mirror with them*. They have stopped asking whether the road is good, which is the reason why there are so many accidents on the way, why nothing seems to work. “When history ended and the Age of Imitation began, in 1989, the East fell in love with the West. Simultaneously, and partly as a result, the West fell in love with itself. Flattered by the desire of the East to remake itself on the model of the West, Western policy-makers lost any critical perspective on the shortcomings of their own societies” (Krstev, 2020).

The West has been slow to react to the medical crisis. In fact, the West has been delaying actions, has given half-answers, has been surprised by evolutions and has failed to address economic and social challenges for decades. The delayed reaction in the current crisis is, rather than the exception, *the standard attitude* of late. But because human lives are at stake, the scope is different and so is the geopolitical impact. A look back in time is useful at this point in our demonstration.

The crisis of 1970s triggered *the first structural problem* for developed capitalism. Gérard Duménil and Dominique Lévi propose a relevant distinction between the Great Depression and the crisis of the 1970s: “Both crises stimulated waves of social confrontation between the same social actors. The antinomy is, however, remarkable between the two historical junctures, at a distance of about forty years. The outcomes – the contention of capitalist interests after the great Depression and their restoration after the crisis of the 1970s – were opposite. The first crisis was a crisis of hegemony and, the second, a profitability crisis” (Duménil & Lévi, 2011, 331). The same actors were involved in the conflict. But, while the result of the Great Depression was the control of capitalist interests by the state and society, the crisis of the 1970s marked the beginning of a special kind of restauration: capital took over the lead and inaugurated a new era, where *its interests became dominant*. Capitalism is generally sketchily associated either with the role of capital, the role of market economy, or with the existence of democracy and, implicitly, freedom. In fact, capitalism represents *the coexistence of these two pillars*. There is tension, even competition between them, but balance needs

to prevail. The imbalance first appeared in the 70s; the following years added to this asymmetrical relationship, coming from the very core of capitalism.

Various other contexts marked *successive victories of capital*. Neoliberalism became a quasi-official ideology, which consolidated the victory of capital. With the end of the Cold War, globalization promoted by the victor created the enabling context for the new epitome of success: economic and financial profit, indifferent to social costs. *The second structural problem of capitalism*, delocalization, appeared in this context. This is the process that directly influenced the decline of the West and the rise of Asia.

Delocalization led to fabulous profits. But in the long term the promoter of delocalization, the US, registered devastating loss. The US repatriated wealth, but left behind *the engine that produced wealth*, which is significantly more important than wealth itself. The rise of Asia, China especially, couldn't have been possible in the absence of delocalization. The social cost of delocalization for the US is huge. With delocalization, the US lost skills, jobs and production capabilities that had defined its success. Asked why he produced iPhones in China, Tim Cook declared: "China has moved into very advanced manufacturing, so you find in China the intersection of craftsman kind of skill, and sophisticated robotics and the computer science world. That intersection, which is very rare to find anywhere, that kind of skill, is very important to our business because of the precision and quality level that we like... And the tooling skill is very deep here. In the US you could have a meeting of tooling engineers and I'm not sure we could fill the room. In China you could fill multiple football fields." (Goldman, 2020)

The Great Recession could have turned into a significant moment in the evolution of developed capitalist society. The imbalance of previous years could have been overcome. The causes of the Great Depression and the Great Recession are strikingly similar: *the excesses of the financial-banking system*. But the responses were vastly different. During the Great Depression, Theodore Roosevelt had the courage to challenge the financiers and find the balance between economy and social life. For this, he needed to challenge what he termed the enemies of peace – commercial and financial monopoly and speculations. Organised finance treated the US government as an annex of their business, proving as dangerous as organised crime (Krugman, 2010, 73-73). When economy and social life were in balance, prosperity followed.

The Great Recession ushered in harsher regulations, but recovery was slow and disappointing, and social inequalities became more prominent, the middle class dropped in numbers, and institutional erosion became more visible. The health system in the US consumes 17% of US revenue but was still surprised by the evolution of the pandemic, a situation that analysts attribute to the administration. The health system was slow to react, while the public debate, which should have consolidated this crucial system for modern social life, focused on the dilemma whether to maintain the reform introduced by the Obama administration.

The US focus on profit in the last decades has encouraged the perception that this country is a mega-corporation, a conglomerate of businesses, rather than a state that needs to find a balance between various dimensions of society. "A great economy cannot just be an array of great businesses" (Takushi, 2020). The state is called to supervise the market and ensure the balance. Irrespective of their political allegiances, whether right-winged or left-winged, great politicians are defined by the fact that they are preoccupied with *the functioning of the whole society*. Roosevelt has a place in history not because he was a democrat, but because he opened up perspectives for the US, just as Otto von Bismark introduced the modern pension system because he wanted his country to be socially stable.

This decades-long imbalance in the US society made Jeffrey Sachs acutely remark: “Our political system for forty years now, since Ronald Reagan, has basically been dedicated to tax cuts, especially for rich people and corporations, and both parties – of course with the complete obsession of the Republican Party and maybe the semi-reluctance of the Democratic Party – have given tax cuts every two or three years since 1981... Well, after this crisis, we’re going to have the fiscal crisis. We will, absolutely” (Chotiner, 2020).

The US needs a New Deal, which will strike a balance between economic life and social life, between market and the state, between economy and democracy. In the face of this second Cold War, it is relevant to ask whether the people, who are crucial in any confrontation, are content, determined, aware of their significance, as they were during the Cold War. In strategic conflicts, victory depends on how internal problems are solved. The coronavirus crisis has aggravated these problems. One in three people infected globally is American. One in five deaths is in America. Soon, there will be double-digit unemployment. The crisis is developing now, but the problems it has revealed are decades, if not a century, old.

#### 4. The decade of radical global changes

This is just the beginning of the crisis, but the true *state of health* of states and multilateral agreements has already been unveiled. The sustainability of their evolution can now be assessed. Christian Takushi speaks about three phases of the current crisis: “So let me be straightforwardly open with you: This is just Chapter 1 of a long crisis. Chapter 2 will have to address the fact that the USA and most other Advanced Economies are unable to repay their outstanding debt and are even bankrupt. Chapter 3 may entail geopolitical conflict and war” (Takushi, 2020). Apocalyptic scenarios have one merit: they highlight otherwise ignored realities and point to evolutions that are not covered by a Plan B. Such projections can shed light on cardinal issues.

Public debates focus on the priorities of the moment: medical issues and holding on to a job. States that will rein in developments in these fields will be the winners. The medical issues may be more pressing, but economic issues are no less important. Failing to address them – for instance, the drought of biblical proportions announced by the UN – would have dramatic consequences.

Surprisingly, the countries that are preoccupied with the relaunch of economy are exactly the countries that have robust growth. Wolfgang Schäuble, President of the Bundestag and former Finance minister, pointed to the consequences of a prolonged shutdown, “fearing an overload of state capacities”: “We must not leave decisions to the virologists alone, but must also weigh up the enormous economic, social, psychological and other implications. To simply shut everything down for two years would have terrible consequences” (Euractiv Network, 2020).

The pandemic is the embodiment of a global challenge. The answers, however, are invariably national. This is true of multilateral EU, as well. At the beginning of the crisis, answers were national. This will create a lasting impression about the EU. It also signals that the end of globalization as a political construct is a fact. Undoubtedly, exchanges and interdependencies will continue (the pandemic is a good example). But globalization as a political construct meant to address common challenges and give mutually agreed upon answers has ceased to exist.

This is happening at a time when the world is challenged by this very-little known pandemic, which requires the coordination of research and fight against the virus. Philistine attitudes are abundant. Despite talks about collaboration, the states strive to be the first to patent a medicine or a vaccine. In the history of humankind, only the arms race involved a similar ruthless competition. The saying: “Speech was given to man to disguise his thoughts” works here, just as it works in economy. In the face of the greatest economic crisis, the dominant discourse is: each for themselves. The countries of financial and economic means, that will fare better in this period, will encourage states to see to their own problems and will justify their positions in a moral key: it is but right for each state to carry its own burden.

The current decade will see radical global challenges. The medical crisis will not be the sole to blame. Changes will be triggered by the economic crisis, much worse than the Great Recession. To this is added a 20-year evolution: the spectacular rise of the emerging countries, and the digital revolution which added new vehicles for development. But this revolution ultimately favours strong, rich, and visionary countries. Public attention is focused on the competition between the US and China, which will undoubtedly influence everything. But this convergence of the medical crisis, the economic crisis and the accelerated progress of emerging technologies will generate *a geopolitical earthquake, globally*. Spectacular rearrangements and divisions will take place. Less-than-ready countries and indebted countries will pay a high price and will become marginal. International uncertainty will lead to (for the moment) unforeseen consequences.

Warning that frequent comparisons with the post-war period are not sustainable, and in fact the world is heading towards harsher realities, Richard Haass underlined: “Some analysts suggest that invoking the threat of China could similarly galvanize public support today, but a foreign policy based on opposing China is hardly suited to addressing the global challenges that shape today’s world. Meanwhile, appealing to the American people to put tackling those global problems at the heart of U.S. foreign policy will continue to be a tough sell. Accordingly, the more relevant precedent to consider may be not the period following World War II but the period following World War I – an era of declining American involvement and mounting international upheaval. The rest, as they say, is history” (Haass, 2020).

## 5. Post-coronavirus period

Global problems seem to be pushed at the back of the political agenda, at a time when they are becoming more important and will directly influence future evolutions. Several phenomena characterize this stage: fractured international relations, discord among great powers, a decline in American leadership, which all discourage cooperation, when cooperation is badly needed. International life these days – marked by tension and disputes – is dominated by everyday problems, rather than medium and long-term perspectives, namely the post-coronavirus period. Many of the accusations thrown by the US, China and Europe at each other may be true, but they are eating away at the energy that should be focused on the future. By dwelling on yesterday’s disputes, they are facing the past, rather than the future. With the world experiencing multiple crises, it is dangerous for societies to be found unprepared and in dispute over internal and international issues.

Economic recovery has some particularities. According to the IMF, the coronavirus crisis will last for 2 or 3 years, in successive stop-and-start moments, which may be costlier than

wars. Rivalries will accentuate the lack of perspective, which is fundamental for recovery. There is a risk that the world will have to fight an economic coronavirus: uncertainty, suspicion and stress will characterize the economy. Unlike people, economy cannot be isolated. Its very existence requires dynamism.

The fundamental role of demand is being reassessed. The alarming growth of debt will make the stimulation of demand necessary for recovery. Demand is now visibly in the hands of emerging countries. “Emerging economies have become the world’s major engines of demand” (Lund, Manyika & Spence, 2019). This is a crucial reason for stimulating cooperation. The export engines in the developed world will put pressure on their states. Economy will encourage behaviours that the political life cannot ignore. It is all the more important for such norms to be in place now. Equally important will be to institute *social distancing from emotions* in this extremely difficult context. The emotional burden on long-term strategic actions needs to be avoided.

These emerging strategic rivalries should be preceded by a critical assessment of countries’ own actions. The US could look in the mirror more often, rather than put the blame exclusively on China. Newt Gingrich was right to remark: “It is not China’s fault that in 2017, 89% of Baltimore eighth graders couldn’t pass their math exam...It is not China’s fault the way our defense bureaucracy functions serves to create exactly the ‘military-industrial complex’ that President Dwight Eisenhower warned about...It is not China’s fault that the old, bureaucratic, entrenched American telecommunications companies failed to develop a global strategy for 5G over the 11 years that the Chinese company Huawei has been working to become a world leader...” (Goldman, 2019).

Just as China needs to admit that its rise has taken place under the liberal international order, which pays an extraordinary compliment to this order. Its spectacular rise is the merit of the country, but the enabling context cannot be ignored. The country’s evolution has been guided by the mantra of Deng Xiaoping: “hide your strength, bide your time”. For some time, however, the Chinese external politics has become increasingly assertive. Deng’s mantra, however, led to astounding success, so probably it hasn’t entirely lost its charm.

Solutions are valuable when they are carefully prepared, with an eye towards a country’s interest, but also towards the *common interest* of the world. When common interest is sacrificed, everyone is a loser, even self-proclaimed winners.

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