

How Will the Covid-19 Pandemic Change the New International Order?

By Kazumasa Kusaka

With 7 million confirmed cases worldwide and 400,000 lives lost, it has been up to each nation to cope with the common challenge of Covid-19. The Schengen Agreement, a pillar of the European Union's integration plan, has de facto been suspended in order for the member countries' government to regain border controls. The movement of people globally has been banned by many nations, and by the same token even movement across provinces within countries has been regarded with hostility under self-isolation policies.

Logically a pandemic will not spread if we can prevent those infected from coming into contact with other susceptible people. But with Covid-19, we have been forced to isolate people without knowing who is infected. It was an operation to buy time in the hope that treatment drugs or vaccines would soon arrive, while the general lockdown of cities would ease the pressure on existing medical infrastructure.

Some countries have generally succeeded in containing the spread of the virus, including Japan with a death toll of under 1,000 and few new cases. But the game is not over. The SARS-Cov-2 virus which caused Covid-19 has a complicated structure and is already mutating. We will have to live with this virus for a considerably long time, and what is needed now is not simply a better way to fight this medical emergency, but a way to create a new order of society, economy and national security. The coming long battle against the Corona virus will require us to mobilize all our resources. We will need a healthy economy, industries and enterprises to provide finance, technology and human resources. More importantly, on the domestic front, trust among communities and societies has to be reestablished.

But are the social changes we can observe caused by the Corona virus? Or has it merely accelerated changes already taking place? The problem of income and asset discrepancies, for example, has been further emphasized due to the disproportionate suffering of some people from the pandemic, and it has also highlighted tardiness in society's response to digital transformation and the digital divide in society. On the international front, free movement of goods and services, money and people have supported globalization. In particular, foreign direct investment (FDI), technology-transfer and movement of engineers are essential for the workings of supply-value chains. But are these global chains going to be destroyed by the Corona virus?

Let us reflect on several incidents of the past decades. During the Oil Crisis of the 1970s, energy producing countries such as

the United States had the option of self-sufficiency while many other consumer countries needed energy trade, but even the US would have suffered extremely high oil prices once the global market price had skyrocketed. Henry Kissinger came up with the idea of creating the International Energy Agency (IEA) to create a strategic reserve system, to promote alternative energy sources such as coal and natural gas, and also to geographically diversify oil supply sources. He thought that national security and energy security were two sides of the same coin, and therefore self-reliance should not be a solution.

This proved to be a boon following Hurricane Katrina in 2005, when US domestic supplies of refinery products saw a shortage, and the IEA mechanism and imports help to calm the market.

Following the 2002-2004 SARS outbreak and then the anti-Japanese demonstrations in China in 2012, Japanese enterprises launched a "China+1" strategy to diversify their supply chains. Similarly, after the Great East Japan Earthquake in 2011 a European automaker that had been sourcing key equipment solely from a Japanese component maker decided to go back to traditional dual sourcing, as the sole supplier could not establish factories outside of Japan and guarantee replacement supplies without delay.

The lesson from these experiences is "Don't put all your eggs in one basket." By diversification, a more resilient supply system can be built and strengthened through international cooperation. Movements towards self-reliance will not realize resilience against external and internal risks. Some emerging economies are more vulnerable to such movements because they are more dependent on trade and FDI, and often have less efficient healthcare systems, in addition to weak governance in general. It is time for OECD countries to start extending help to developing countries in their efforts to cope with this pandemic.

We hope this Corona virus challenge will not lead to divided communities, either domestically or internationally, but will accelerate the structural changes of each community. We should be optimistic that people will regain a sense of trust and belonging, and believe they are being listened to. We may then emerge as a stronger and more inclusive society.

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