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How the Year 2020 Turned the World Glocal

The year 2020 will most certainly go down in history as an anomaly plagued with pandemic, unprecedented global crisis, economic disruptions, record-breaking natural disasters, etc. Most certainly the past year has dealt a shock to not only the global economy, but also to the world order as we have known it. The pandemic isn't all to blame. If anything, it is a catalyst that blew open the comfort nets that have shielded vulnerabilities until now.

As COVID-19 spread across the world's regions like wildfire, each continent, region, country, down to counties and villages scrambled to assess the severity of the impact and what resources can be used or obtained to manage it. At the same time, leaders, experts, and communication professionals scrambled to decipher the rapid flow of disturbing information and translate it into a public message that carries across the importance and necessity of drastic measures that changed our normal ways of life, but without instilling a total panic and chaos. To add to the crisis was the social and cultural impact that significantly affected not only the message being delivered, but also the response and the impact that the drastic lockdown measures had on a particular community.

The first few months of the drastic measures and lockdowns revealed significant influence the pandemic had on regional and local communities. The concept of deglobalization that was already growing amidst the global populism movement of recent years came to the forefront as international borders closed, global travel seized, global trade of non-essential goods and services froze in time, and countries focused on trying to address rising local issues including struggling families faced with COVID-19 infections, job furloughs or losses due to businesses closing, economic fallouts, and social unrest.

Europe was a great example of this trend for countries to focus internally at the onset of the pandemic, as for the first time since the establishment of European Union, individual EU countries closed their borders to nonresidents, and the initial lack of support for each other among European nations drew out many EU critics questioning the establishment all-together.

Does this de-globalization and "us first" approach really mean the end of globalization as we know it? Not necessarily, and the second half of 2020 showed clear signs that not all is lost. On the contrary, the events of 2020 in many ways enhanced globalization by opening doors to new opportunities through connectivity, information sharing, regional collaboration and trade.

No market or industry was left untouched by COVID-19. Described below are just a few industries that saw major disruptions, but that would ultimately benefit globalization in the long run.

Medical Supply Trade

One of the earliest disruptions of 2020 was in the medical supplies production and trade. While China provided nearly half of all global medical PPE and pharmaceutical supplies, it was also the earliest country to experience the pandemic, which led to the perfect storm in the supply/demand of the sector. COVID-19's spread across China in December 2019 and January 2020 led to a significant export supply shortage by February when the second largest exporter India also saw a rise in cases, just as COVID-19 began to spread to Europe and North America, creating a sharp increase in western demand for the very supplies that were in shortage. This conundrum created an inextricable situation where countries had to ramp up national production and rely less on imports. Even the most rigid federal regulations permitted or even mandated exceptions to support a rapid national response manufacturing effort that in many countries including the United States haven't been witnessed since World War II. At the same time, regional supply hubs that in the past struggled to compete with imports from China and India faced an opportunity to become more relevant and reliable alternative not only during the pandemic but also marking themselves as potential regional suppliers in the long run. Furthermore, prior to the pandemic, many national regulations and international trade restrictions prevented a rapid ramp-up in imports. As urgent need for medical PPE reached a crisis point, many such trade restrictions were lifted, and new trade agreements were reached at warp speed.

As a result of this supply and demand shock, a more globally diverse production sourcing will ultimately increase globalization as more countries will have opportunities to export their enhanced manufactured products.

Enhanced Global Trade

As the world focused on the spread of Covid-19 and political and civil unrest in many nations, an overlooked achievement of 2020 was the reshuffling of several major regional trading blocs that were many years in the making and that create a tremendous opportunity for the future of globalization.

The most well-known trade restructuring is that of the European Union in light of Brexit. Among the most talked about trade subjects of Brexit is the establishment of new trade frameworks between the United Kingdom and the European Union, particularly the impacted trade of EU and UK with the United States and China. There are however, other trade factors that were impacted by Brexit. For example, EU is the largest trading partner with several regions such as South Asia and Africa. A major portion of international business and foreign trade of the EU from South Asia traditionally flowed through the UK. On the contrary, Africa's largest trading volumes remained with the European mainland countries such as Spain, France, Italy and Germany. While initially seen as a challenge and a stumbling block in UK-EU Brexit negotiations, EU's largest global trading partners now have an opportunity to enhance and diversify their trade and business dealings with European regions that they did not previously have direct access to.

Among the most talked about EU trade deals at the end of 2020 has been an agreement "in principle" for trade cooperation between China and the EU reached in the final days of 2020. The EU-China trade agreement has been seven years in the making, but China's recent commitment to abide by International Labor Organization's regulations on forced labor, the combination of Brexit, the pandemic, and both EU's and China's strained relations with the United States pressured both sides in 2020 to reach an agreement. It remains to be seen, whether China will curb its human rights violations and abide by International Labor Organization's regulations, but negotiations to finalize details of the trade agreement are continuing this year and could become one of the first major post-Brexit trade deals for the EU.

Another significant trade achievement of 2020 was the establishment of the Regional Comprehensive Economic Partnership (RCEP) signed in November of 2020 that is expected to take into effect in 2021, which would enjoin 15 Southeast and East Asian countries and becoming the largest regional trade agreement covering 30% of the world's population. This streamlined Indo-Pacific coordination of tariffs, trade rules and intellectual property will improve market efficiencies, enable economic growth and enhance trade not only among member states, but also open the region to further trade and international business cooperation with the rest of the world bringing significant contribution to world trade. The success and effectiveness of RCEP depends on interrelations among the key influential members including China, Japan and Australia, however its intent is to enhance regional prosperity and global relevance.

It is also important to not overlook the major Abraham Accords peace deal brokered by the United States between Israel, UAE and multiple countries in the Middle East. Following these peace deals, several high level meetings have already taken place among Israel and GCC nations' leaders, opening dialogues for potential trade cooperation, and many commercial flights already commenced just in time for the end-of-year holiday tourism season and amidst the eased

lockdown restrictions in the last quarter of 2020. While time will tell whether these peace deals can remain long-lasting and how many other Middle Eastern and North African nations will join, it is undeniable that regional and economic benefits will be significant. Regional experts view the willingness to collaborate among the historically feuding nations as efforts of the region to distance themselves from dependence on the United States. Yet, this doesn't necessarily lead to deglobalization, as regional peace and strengthened economic ties actually makes the region more attractive on a global scale and could lead to significant economic and trade flows from other parts of the world.

Energy and Climate Change

The global oil & gas industry suffered tremendous losses as world's passenger travel came to a complete stop across all continents causing oil prices to plummet in April 2020. It took streamlined global cooperation of OPEC member countries and ten non-OPEC countries, many of them competitors in the oil markets, to promptly agree to production cuts and output controls in order to stabilize the oil prices and further continued coordination through the present as limited global travel resumed in the second half of the year but is once again slowing down due to new wave of rising cases. Such international cooperation was one of the major achievements of 2020 that stabilized oil prices, thus limiting the impact of a global energy crisis.

One positive side effect of the pandemic was a renewed focus on carbon emissions and climate change. As the world went on a global lockdown, the resulting reduction of carbon emissions was so significant that it became clearly visible in the most unexpected places. Canals in Venice, Italy cleared to the point that fish became visible. Mountains became visible over 100 miles away in India. Climate change has been a major geopolitical debate and all the efforts to reduce carbon emissions in the past decade never seemed to be enough. The significance of the 2020 preview of what a cleaner environment could look like, stumped even the harshest climate change critics and assured that it would take an international effort to have any impactful climate change solutions. Among new climate-focused initiatives is the formation of a new regional alliance of climate experts and journalists from Russia, Norway, Sweden, Finland and Denmark called the Barents Region Independent Environmental Society (BRIES), which aims to raise awareness and publish data on the environmental challenges impacting the arctic and Barents regions. Besides geographical initiatives, multiple subject-related groups have formed in recent years such as the Global Plastic Action Partnership - a Public-Private initiative of the World Economic Form first launched in 2018 by Canadian and UK governments and now including multiple countries in ASEAN and West Africa. Similar global initiatives exist for water conservation. Such regional and subject-related alliances can drive the worldwide resolve to coordinate these efforts on an international scale, as it remains critical to have a global action plan in order to achieve meaningful impact on the environment.

Renewable energy solutions will continue to grow and gain more focus particularly in the emerging markets regions that are still largely conventional-energy focused. At the same time, energy experts emphasize that merely expanding renewable energy mix to replace conventional power generation is neither efficient nor practical in terms of the aggressive net-zero emissions goals. In addition to expanding renewable energy options, energy and industrial production companies should also focus on technological improvements of conventional energy sources that enhance efficiency and reduce carbon emissions. Global cooperation among governments, regions and international corporations aiming to achieve a cleaner and more efficient and environmentally-friendly energy and industrial production will go a long way to support globalization as well.

Commercial Real Estate and International Business

Commercial Real Estate industry experienced a major shock when employees of companies big and small were forced to work from home as office buildings partially or entirely closed down for much of 2020. International business continuity was crippled as critical business trips were cancelled, international conferences were postponed, and numerous pending deals were frozen in time.

The initial shock and adjustment period to the "working from home" model drew out many globalization skeptics who could not see how international business could continue when employees of a local office could not work in one place.

The "Working from home" model wasn't an entirely new concept but until 2020 was largely viewed with skepticism and a rare exception rather than the norm. Likewise, outside the technology and cloud-computing sectors, remote international collaboration was not widely accepted, particularly in emerging economies where culturally, in-person interaction was often more critical to closing a deal than guaranteed high returns.

While many global corporations struggled to execute company-wide strategies to operate remotely in different markets, the global pandemic forced those companies who lagged behind in digital transformation to implement essential technological upgrades, thus enabling better remote communication and collaboration even across borders. Furthermore, as conferences and global meetings were moved to virtual platforms, such as Zoom, Webex and Microsoft Teams, the world's interconnectivity actually grew in 2020.

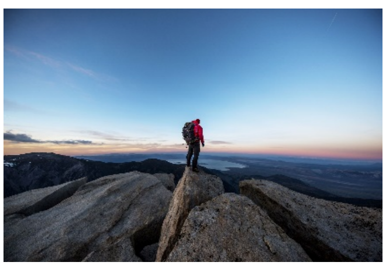
Offices will eventually reopen and global business travel will resume, however, that does not mean that remote-working tools and communications that became essential during the pandemic will dissipate. On the contrary, the digital interconnectivity will strengthen global ties by increasing accessibility to remote regions and providing alternatives for global collaboration even when travel is a challenge.

Travel & Leisure Industry

Covid-19 pandemic dealt the travel & leisure industry a catastrophic shock in 2020 as country borders closed and international sports & entertainment events cancelled, even the Tokyo 2020 Summer Olympics were cancelled marking only the sixth such occurrence and the first for a reason other than war. Commercial venues shut down from theater closures and canceled conferences. While the pandemic may have led to a realization that not all business travel is absolutely necessary or essential and corporate travel recovery remains grim in the near future, leisure travel is expected to recover faster in the next few years. Although the timeline of recovery remains uncertain, there are several signs that indicate the industry will bounce back and continue growing past 2019 levels.

As people adjusted to working from home, global communication actually increased. Disappointed that travel and live entertainment were not an option, people under lockdowns began exploring the travel sector virtually. Across the world, tourist sites, museums and even theaters hosted virtual viewing events, where one could explore a place or watch a performance from the comfort of their homes. Many zoos across the world streamed animal viewing adding to lockdown entertainment. Of course a virtual experience would never replace the sentiment of live attendance, but the ease of accessibility to arts & entertainment online actually increased public's awareness and curiosity of lesser known places and this awakening may in fact encourage a live visit once the pandemic subsides.

Global lockdowns also had an interesting positive effect on the future leisure travel industry. As lockdowns slowly began to lift, certain restrictions remained in many popular destinations. Among the first countries to lift the lockdowns were actually emerging markets, partly because developing countries saw a different impact from the pandemic with fewer severe cases and deaths per capita, and different coping mechanisms because structurally and economically, emerging markets are unable to sustain prolonged complete lockdown. By midyear 2020, avid travelers began exploring any possible hopes to plan a trip in the near term and considering traveling to places with the primary criteria being Covid-19-light, "lockdown-free", and less crowded locations. This criteria limits the popular destinations that are still struggling with the pandemic but opens up locations not typically on top of the list such as remote parts of South Asia and Africa. The pandemic effect on world travel and new travel industry opportunities resulting from recent regional geopolitical and trade agreements pose an excellent opportunity to expand global reach of the travel industry. Indeed, travel industry experts anticipate an increase in travel to remote locations, and a growing demand for outdoor adventures, including parts of the world not frequently visited by tourists in the past.



International Finance in Emerging Markets

It is no secret that virtually all parts of the world experienced a significant economic crash in 2020 and an astonishing global debt increase resulting from the pandemic. The Institute of International Finance (IIF) reported at the end of 2020 that the year's global debt rose by $15 trillion through September 2020, which is nearly double the increase from the previous year, further ballooning the total global debt amount to a record high of $272 trillion – 2.4 times the global debt amount at the time of the 2007-2008 financial crisis.

While majority of 2020 debt increase was in developed markets and immediate economic impacts were also felt more significantly in developed markets, emerging markets faced an inevitable debt crisis, having lost essential revenue sources to service their existing debt particularly in those countries whose economies highly depend on oil and energy exports and tourism.

The typical go-to solution of emerging markets seeking public debt financing from global banks and development funds would not be sufficient in recovering from the pandemic-driven economic crisis and in fact could lead to a deeper long term debt crisis and increased risks of sovereign defaults. Among the major concerns emerging markets face is the already significant levels of debt/GDP ratios and some markets in South Asia and Latin America have large amounts of debts maturing soon. Indeed, one of the first economic support efforts introduced in 2020 by the G-20 was to delay or freeze on maturing debt payments for emerging markets. While this provides some relief in the near-term, it doesn't solve the debt burden that will ultimately come due. Eventually, the debt will have to be restructured or repaid and further funding would be necessary to fully restore the typically steep emerging market economic growth.

One solution that has already gained support among global financing groups including the World Bank and IMF is attracting more private financing to support emerging markets' economic recoveries growths. Foreign direct investment among private institutions and public-private-partnerships will be critical in avoiding a systemic debt crisis in the future. The challenge of this route is that typically emerging market private financing comes from developed markets, many of which are currently undergoing deep economic crisis and need national investments to support recovery leaving limited resources for global investments. Regional financing and alternative investment groups may see this as an opportunity to gain emerging markets exposure for long term investments, and if successful, could build a strong foundation for future global investors into these markets. Indeed, an increase in global private investments will also contribute to strengthening globalization.

How 2020 Brought the World Closer Together, While Being Further Apart

2020 will certainly go down in history as a memorable year that led to dramatic shifts in cultural, socioeconomic, geopolitical and financial spheres. Whether characterized as a "Black Swan" event (unforeseen force-majeure event causing significant disruptions) or a "Grey Rhino" event (event known to be a possibility but all warning signs being ignored, therefore leading to unexpected and significant disruptions), Covid-19 pandemic has exposed major vulnerabilities even in the most stable economies and businesses, while at the same time opening opportunities to unimaginable advancements in the fields of medicine, technology, communications, and business operations to name a few and bringing the world together in the most unpredictable ways.

Through diversified and more reliable supply chains in medical trade, international cooperation, research and knowledge-sharing, and permanent advancements and reliability of telemedicine, the global medical industry has made giant leaps in unprecedented short period of time reaching even the most remote parts of the world and bringing the international community closer together.

Global cooperation in the energy sector to manage market prices and reach economic efficiencies amidst unprecedently challenging times as well as renewed interest to find effective and practical solutions to combat climate change are great examples of international cooperation to achieve common goals.

2020 also showed that international cooperation, distanced communication and global business continuity can continue even when forced to work remotely, erasing the preconceptions that international business had to rely entirely on the ability to be physically present to conduct business, and opening opportunities for a new standard of global collaboration even when having to connect remotely.

Virtual access to fascinating and lesser-known travel destinations raised curiosity of many bound by lockdowns to explore a wider part of the globe and therefore fuel a more widespread future tourism industry.

Finally, the global economic challenges and unprecedented debt levels are bringing the international community closer together as public and private investors explore united solutions to help developed as well as emerging markets recover from the pandemic-fueled global economic crisis.

Across all regions in the world and across all industries, on a sovereign, corporate and personal level, 2020 pandemic caused each one of us to look at ourselves first, address our weaknesses and build up protections and processes to ensure survival, continuity and recovery. Concentrating internally first and identifying which external sources provide reliable and effective support, enabled us to better coordinate with our peers and partners. Such local and regional efforts in fact form stronger and more reliable coordination on a wider and more global scale. As a result, among the many valuable takeaways from the Covid-19 pandemic has been a new globalization growth - the "Glocal" way.