

# COVID-19 and International Business: A Viewpoint

FIB Business Review

1–3

© 2020 Fortune Institute of

International Business

Reprints and permissions:

[in.sagepub.com/journals-permissions-india](http://in.sagepub.com/journals-permissions-india)

DOI: 10.1177/2319714520923579

[journals.sagepub.com/home/fib](http://journals.sagepub.com/home/fib)

**Ilan Alon<sup>1</sup>**

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 the mobility of these factors of production have allowed for international business (IB) to prosper. The post-WWII world order was held as international institutions, built largely with the US leadership, provided a regulatory framework for trade (e.g., WTO and 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 reformer of existing institutions (e.g., UN, WHO and WTO) and a creator of new global institutions (e.g., Belt and Road Initiative). The 21st century has also witnessed the rise of China as a world power and reformer of existing institutions (UN, WHO and WTO) and a creator of new global institutions (e.g., Belt and Road Initiative).

As an orchestrator of global resources, the multinational enterprises have responded to economic incentives by outsourcing production to low-cost countries (such as China), selling to high-income consumers (such as the ones in the EU) and channelling profits to low-tax territories (such as the British Virgin Islands). Shareholders became richer, but blue-collar workers in footloose industries bore some of the burdens as much of the manufacturing base moved to China.

A conflict began to emerge between Wall Street and Main Street leading to the likes of Occupy Wall Street movement of 2011. Some democratic countries have responded to the new challenges with populist governments, such as Boris Johnson of the UK, Donald Trump of the USA, Narendra Modi of India, Jair Bolsonaro of Brazil and Benjamin Netanyahu of Israel. These leaders oppose globalist approaches, that disadvantages them, and favour

nationalist policies that benefit their constituencies. In the USA, both Bernie Sanders (populist left) and Donald Trump (populist right) agree, at least in principle, on issues related to protectionism and trade. Populist democratic governments around the world (on the left and on the right) are becoming more popular among mainstream voters.

## Enter COVID-19

International institutions are challenged by legitimacy and the trust in them is eroding. One such key institution is the WHO. The Trump administration has threatened to defund 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 neighbouring countries, as countries in the Schengen agreement have closed borders. Mateo Salvini of Italy has lashed out at the EU for their lack of help with COVID-19 and warned that the future of the EU is at stake.

In the EU, statistics of COVID-19 are shown at the national level and not at 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 COVID-19 will need to be divided among its nations. The Westphalian system of the nation-state showed its primacy in the face of global adversity. In the post-COVID-19 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 behaviours, 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

<sup>1</sup> Professor of Strategy and International Marketing, School of Business and Law, University of Agder, Norway.

### Corresponding author:

Ilan Alon, Professor of Strategy and International Marketing, School of Business and Law, University of Agder, Norway.

E-mail: [ilan.alon@uia.no](mailto:ilan.alon@uia.no)

interaction was deemed crucial. According to JP Morgan, air travel alone is more than 30 per cent of MNCs budgets. COVID-19 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 COVID-19 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. COVID-19 has alerted us to the fact that information is not readily available where governments put restrictions on free media, freedom of speech and internet access. China and Iran are two such places. Lack of proper information about COVID-19 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. COVID-19 will likely reduce trust in information coming out of authoritarian regimes.

Even before COVID-19, money has become increasingly paperless. COVID-19 will accelerate the use of virtual money. This trend will benefit MNC such as Alibaba, Tencent, Apple, Visa and 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. COVID-19 economic hardships will necessitate quantitative easing and fiscal loosening that many countries cannot afford. Sovereign debt crises might follow as a result. The post-COVID-19 world will see increasing value fluctuation, virtualization and internationalization of capital.

Money also includes investment by MNCs in fixed, tangible and intangible assets. Following COVID-19, due to a recession, investment flows are likely to slow. UNCTAD estimates significant reductions in cross border investment flows as a result of COVID-19. 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 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 labour and governments in high-income countries, and the biggest loser might be China, which previously occupied 'workshop of the world' title championship.

COVID-19 exacerbates the already tense relations between Washington and Beijing. As the Group of two, other countries might have to choose between the two, for example, for aid, policy or 5G network development. The world order will seem increasingly bifurcated. COVID-19 will accelerate the divorce between the USA and China, decoupling some industries and forcing others to choose a side.

Policy response to COVID-19 may be powerful. New industries might be labelled as 'strategic' with greater government regulatory burden. The following industries are likely to be added to the list of a 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. COVID-19 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 behaviours. 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?

## Reference

Rugman, A., & Oh, C. H. (2008). Friedman's follies: Insights on the globalization/regionalization debate. *Business and Politics*, 10(2), 1–14.

## For Further Readings

Alon, I. (2012). The globalization of Chinese capital. *East Asia Forum Quarterly*, 4(2), 4–6.

Alon, I. (2019). *US or China: Hard choice awaits Europe*. <https://en.ktu.edu/news/ilan-alon-us-or-china-hard-choiceawaits-europe/>

Alon, I., & Chen, S. (2018). Forging a Canadian notch in the belt and road. *East Asia Forum*. <http://www.eastasiaforum.org>

org/2018/11/10/forging-a-canadian-notch-in-the-belt-and-road/

Alon, I., & Li, S. (2019). Rule over law or rule of law? China's IP theft dilemma. *The American Spectator*. <https://spectator.org/rule-over-law-or-rule-of-law-chinas-ip-theft-dilemma/>

Alon, I., & Li, S. (2020). COVID-19 Response: Democracies v authoritarians. *The American Spectator*. <https://spectator.org/covid-19-response-democracies-v-authoritarians/>

Li, S., Alon, I., & Elia, S. (2018, June 2). Chinese firms are learning to love the rules. *East Asia Forum*. <http://www.eastasiaforum.org/2018/06/02/chinese-firms-are-learning-to-love-the-rules/>

Li, S., Alon, I., & Wu, J. (2017a). Commentary: Corruption may-worsen in democratizing economies: But don't lose faith in democracy. *Modern China Studies*, 24(2), 184–188.

Li, S., Alon, I., & Wu, J. (2017b). Don't lose faith in democracy because of corruption. *Hong Kong Economic Journal Monthly*, 479, 36–37.

## About the Author



**Ilan Alon** is Professor of Strategy and International Marketing at the School of Business and Law at the University of Agder, Norway. He holds a Ph.D. from Kent State University (USA). He is a researcher in the field of international business with a focus on internationalization, modes of entry, political risk, cultural intelligence and emerging markets. His publications have appeared in journals, such as *Harvard Business Review*, *Journal of World Business*, *Journal of International Business Policy*, *Management International Review*, *International Business Review*, *Journal of International Marketing*, and *International Marketing Review*. His books are published by Palgrave, Routledge, McGraw-Hill and others. He is the Head of International Affairs for the School of Business and Law at the University of Agder, and leader of the Emerging Markets research group. He is also Editor-in-Chief of the *International Journal of Emerging Markets* and the *European Journal of International Management*. Previously, he has held research positions at Harvard University (USA), Georgetown University (USA), Copenhagen Business School (Denmark), and University of International Business and Economics (China). He can be reached at [ilan.alon@uia.no](mailto:ilan.alon@uia.no)