

The Repercussions of Corona Pandemic on the International Economic System

By

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Summary

The Corona pandemic is considered the most critical event in the twenty-first century due to the repercussions that negatively affected the entire global system. However, many countries have adopted the principle of cooperation, especially the major countries, like China which relied on the Facemask Diplomacy and provided medical aid to other countries in need. This pandemic has weakened the international cooperation and the role of many countries and regional blocs after failing to deal with this global crisis. This pandemic will leave traces on the global economic system, which may last for many decades in conjunction with the apparent change in the patterns of relations in the international system

Keywords: The International Economy, the Corona Pandemic, the International System, Power.

Introduction

The Corona pandemic imposed itself on the world as one of the world-changing models. The economic decline became a feature of the global economy during the Corona pandemic, and the pandemic has hit the global economy severely, which is already suffering from fragility. The full scope of human effects will not be apparent so far, as these effects may last for several years. It is not yet clear how long the virus will continue to spread globally, and this remains a matter of concern to all humanity. The damage caused by the virus may need years to be fixed, which may exceed the capacity of these societies. As a result of the closure policy adopted by most countries of the world as one of the means to limit the spread of the Coronavirus, these measures have caused several obstacles to the economy of many countries.

Since the announcement of the Coronavirus as a pandemic by the World Health Organization on March 11, 2020, its effects have moved from the health field to all aspects, whether economic, social, or even psychological, and this is due to the precautionary measures taken by countries represented in closing cities, imposing a curfew, and closing all economic activities. According to the International Monetary Fund, if the pandemic continues, this will lead to the greatest economic crisis since the Great Depression of the 1930s.

This paper will answer how the Coronavirus affected the international economic system, causing an economic crisis that affected all countries of the world? What is the nature of the Corona pandemic crisis? Has the Corona pandemic affected the international economic system? Has the Corona pandemic affected the power hierarchy in the international system? What is the impact of the Corona pandemic on the economic sectors? What is the impact of the Corona pandemic on the future of the international system?

The research hypothesizes that the Corona pandemic has affected the international economic system and vital economic sectors, which will reflect on the hierarchy of forces in the international system.

Corona Pandemic and the International System

The Impact of the Corona Pandemic on the International System:

During the past two decades, the nature of the global system has not been clear, many described it as a unipolar system dominated by the United States of America, and some believe that it tends to be a multipolar system with the emergence and growth of the status of other international powers such as China, the European Union, and Russia. Some say that it is approaching bipolarity based on a flexible balance between two competing blocs, namely the Western bloc represented by the United States of America and the Eurasian bloc, which is based on a close partnership between China and Russia (Shaarawy, 2018). Some believe that the international system is still undergoing a transitional phase whose final features have not yet been determined. Some see the international system he is going through a phase of chaos and disorder, while others talk about the end of the era of polarity and the entry of the international system into a new phase that is not governed by previous considerations and concepts. The stage before the Corona pandemic was and is still going through a crisis, which was confirmed by the events that occurred during the Corona pandemic, and this conclusion was reached by Richard Harris.¹ He stresses that the global system led by the United States since the end of the Cold War is no longer viable after the collapse of its fundamental pillars, especially with the rise of several active forces in the international system, and the emergence of many cross-border threats such as pandemics, terrorism, and maritime piracy (Heikal, 2020). The Corona pandemic has caused a shock that struck the pillars of the current world order, and it became clear that this existing system is too weak to face crises and dangers. The majority were unable to confront these crises. The effects of the pandemic will change the international balance, as some analysts believe that the centers of influence and power will shift from the Western bloc led by the United States to the Eastern bloc led by the Chinese, which is the only country that achieved economic growth during 2020. Stefan Walt believes that the center of power will shift from West to East and led by Asian countries led by China, which has been able to deal with international crises, resulting in strengthening its position in the international system (Hafian, 2020).

There are no doubts about the depth of the impact of the Corona pandemic in shaping the new world order. It is still impossible to be sure about the features of this system, as the Corona pandemic has affected international relations. The world has begun to move from a solid polarity led by the United States to a flexible polarity characterized by the emergence of other international forces (Al-Wafi, 2020). The Corona pandemic has led to an increase in interest in soft power at the expense of hard power, so the “mask diplomacy” that China used in its relationship with the countries of the world has emerged by providing medical aid, while the Western bloc, led by the United States lost its control of the pandemic and could not limit its spread. The European countries also failed to confront the crisis.

The Corona Pandemic and Globalization:

The global system before the spread of the Corona pandemic relied heavily on Globalization. However, with the emergence of the epidemiological crises, the most important is the Corona pandemic. The blame for its rapid spread was on Globalization itself, and the pandemic has revealed the fragility of the globalized international system. The Corona pandemic is the first and most serious real crisis in the twenty-first century. As the Corona

¹ President of the US Council on Foreign Relations.

pandemic put Globalization before a real stern test, Globalization not only allowed the rapid spread of the pandemic but also strengthened the interdependence between companies and countries, which exposed them to unexpected shocks. Globalization is the first victim of this pandemic because many countries of the world closed land and air borders, stopped airlines, and imposed restrictions on the transportation of travelers. Some countries imposed complete closure, especially European countries where the pandemic spread and got out of control. However, these measures have greatly affected the international economic system and were temporary and were not aimed at reversing the phenomenon of Globalization. Hence, countries had rapidly responded by easing these measures when the pandemic became under control (Heikal, 2020). Many countries have also developed intensive and continuous vaccination strategies to ensure that the largest possible number of individuals are vaccinated (Salah, 2020)

From the above, it becomes clear that Globalization is not a failure but somewhat fragile, as we note the state's intervention has increased in all areas during the Corona pandemic. The pandemic had shown the urgent need for state intervention when many neo-liberals expected the state's role to decline (Bobesh, 2020). Therefore, one of the most important effects of the Corona pandemic on the international system is reformulating economic relations between countries. The focus of governments will be clearly on their national economy in the first place while maintaining a degree of relations with the outside world, meaning that the new formula of Globalization will be represented by limited communication with the outside world. Globalization in its form that the world knew before the Corona pandemic may not return after the pandemic showed that open borders with the countries of the world may be a reason for importing crises and that relying on others is not an optimal option, especially for the countries that depended on importing the necessary medical supplies has suffered. It has become unable to provide these supplies sufficiently since other countries worked to secure and protect their people, negatively affecting the phenomenon of Globalization and the idea of international interdependence, especially with each country's different mechanisms and containment strategies.

The Impact of the Coronavirus on the International Economic System

The Corona pandemic has caused a health crisis that led to the most severe global recession unprecedented since World War II. The Global Economic Prospects report predicted a contraction of the labor economy, a decrease in average per capita income, and a decrease in economic growth rate due to the Corona pandemic. Although the epidemic will not radically change the global economy's direction, it will undermine the basic principles of global industry and break the links in global supply chains, as supply chains dominate the production of companies in multiple stages, and it is spread across different countries. These chains are exposed to several effects due to the pandemic, which has led companies to rethink and perhaps reduce these chains. The repercussions of the crisis vary from one country to another economically. The pandemic has caused many economic hardships for several sectors:

The Impact of the Corona Pandemic on the Economic Sectors:
The Impact of the Corona Pandemic on Economic Growth:

According to the Organization for Economic Cooperation and Development, the world economy has witnessed the most significant decline in economic growth since the financial

crisis in 2008. The rate of economic growth since the financial crisis of 2008 did not exceed 3%, except in three years: 2010 at a rate of 4.5%, in 2011 at a rate of 3.4%, and in 2017 at a rate of 3.3%. In the other years, the growth rate was less than 3%. This indicates that the global economy has suffered from an accumulated economic crisis since the global financial crisis. This crisis has worsened since the Corona pandemic (Hai, 2020). According to the expectations of the International Monetary Fund, the contraction in per capita GDP will reach its highest level since 1870. The economic growth rate reached its lowest level in 2019 at 2.4% and reached 3.5% in 2020. According to the International Monetary Fund, the global economy is expected to achieve a growth of 5.5% in 2021 and may achieve 4.2 % in 2022, especially after using vaccines to combat the Corona pandemic, as shown in the figure below:

Figure (1): The Impact of the Corona Pandemic on the Global Economic Growth



Source: The World Bank <https://blogs.worldbank.org/voices/global-economic-growth-outlook-five-charts-fragile-handle-care>

The Impact of the Corona Pandemic on the Labor Market:

The Corona pandemic has negatively affected the global labor market due to the closure policy and the measures taken by countries to limit the spread of the pandemic. According to the International Labor Organization, the adverse effects of the Corona pandemic on the labor market will continue until at least 2023. The number of unemployed is expected to reach (205) million by 2022, exceeding 187 million as the highest level of unemployment recorded in 2019. Latin America, the Caribbean, Europe, and Central Asia are among the most affected regions in the first half of 2021. The improvement in the employment rate may vary in the second half of 2021 between countries due to the distributions of vaccines. The Corona pandemic has also affected women’s job opportunities negatively. The percentage of women’s work decreased 5% in 2020 compared to 3.9% for men. This indicates that recovery from the effects of this crisis will not be easy. The different economic and financial capabilities of the countries will increase the gap in inequality in jobs (Anon., 2021).

According to analysts' estimates, it is clear that the pandemic will affect the labor market through the following (Jackson, 2021):

1. Creating remote jobs, which can reach (20-25%) in advanced economies, and (20%) in developing countries, working at home three times a week, and this in turn reduces the demand for workers in restaurants, the transport sector and many other fields.
2. Increasing the role of electronic commerce in the economy, which in turn is reflected in reducing the demand for jobs in various fields.
3. The repercussions of the Corona pandemic will accelerate countries' adoption of artificial intelligence and robotics.

The Impact of the Corona Pandemic on the Financial Markets:

The (Dow Jones Industrial Average) index is one of the most critical indicators to know the impact of the pandemic on the financial markets. The financial markets were affected by the economic crisis caused by the Corona pandemic, which also affected investors' decisions resulting in the collapse of some financial markets. Other markets witnessed the worst performance since the mortgage crisis of 2008. The stock exchange has witnessed a decline in 2020, and if we compare the first week of April of 2020 and the last week of the same month, we find that the rate of decline in the most important indicators of the international financial markets was very high. This crisis began to decline with the intervention of the US government by paying 2 billion dollars to help workers and companies. After the announcement of the development of a vaccine against the virus on November 9, 2020, the (Dow Jones) index rose by 9% from November 3 – November 24 (Hai, 2020).

Table (1) The Percentage Decline in the Value of Shares Traded in the most Important International Stock Exchange

Index	First week of April 2020	Last week of April 2020
Financial Times Stock Exchange	28.8%	24.5%
Dow Jones	24.1%	18.5%
Nikkei	22.2%	14.7%

Source: (Hai, 2020)

The Impact of the Corona Pandemic on the Oil Sector:

The Corona pandemic has directly affected oil prices. With the spread of the Corona virus, China took strict measures, such as closing cities, factories and facilities. As a result, the demand for oil decreased causing a glut in the markets and an increase in supplies. The decline in China's demand for oil led to a sharp drop in oil prices to reach 20 dollars affecting both the producing and exporting countries since China represents 14% of the global demand for oil and more than 80% of the global growth in demand in 2019. In response to this decline, OPEC, led by Saudi Arabia, called for a meeting including (members of the OPEC, Russia and other oil-producing countries) to discuss the possibility of agreeing to stop the decline in oil prices, but the meeting failed and an agreement was not reached to reduce production quotas, which led to a sharp decline in oil prices, the worst since 1991. Monday, April 20, 2020 became the worst day in the history of the oil industry. Bloomberg described the decline in oil prices in 2020 as a huge shock to the markets and something cannot be explained. This crisis ended with the drop in oil prices to below zero as shown in the figure below (Balas & Kennedy, 2020). According to the expectations of the International Monetary Fund, the effects resulting

from this crisis could exceed the Financial Crisis of 2008 and perhaps the Great Depression of 1929. It is expected that this crisis will cause economic losses of more than 2.7 trillion as a minimum (Orlik, et al., 2021).

Figure (2) The Decline in Oil Prices during the Corona Pandemic



Source: (Balas & Kennedy, 2020).

The Impact of Coronavirus on the Services Sector:

The Impact of the Corona pandemic on the Tourism Sector:

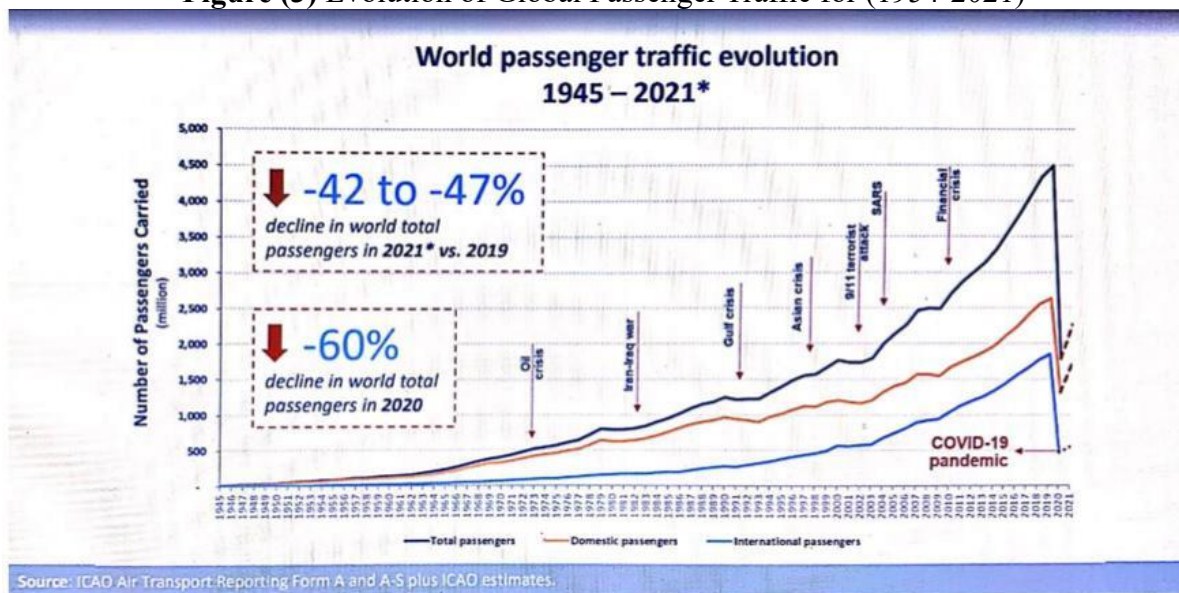
The Corona pandemic has affected all sectors, but tourism is one of the most affected due to the decrease in both supply and demand. According to the World Tourism Organization (UNWTO), the number of tourists decreased from 1.5 billion in 2019 to 380 million in 2020, a decrease of (73%), which accumulates to a loss estimated at 1.3 trillion dollars, 11 times more than the losses during the financial crisis of 2009. The most affected regions are the Middle East and Africa countries, as the number of tourists decreased by 75% in 2020 compared to the previous year, while the number of tourists in Asia and the Pacific decreased by 84% in 2020, 300 million tourists less than 2019. As for Europe, the number of tourists decreased by 70% in 2020, meaning the number of tourists decreased by about 500 million persons (UNWTO, 2020). One of the most affected European countries is Italy, where the tourism sector constitutes about 31% of the country's economic activity (Salam & Salam, 2021). It is expected that it will take 2.5-4 years to return to tourism rates of 2019. According to the World Travel and Tourism Council, the Corona pandemic has severely affected the tourism and travel sector, as 50 million hotels may be closed due to the spread of the Corona pandemic. The most crucial new variable that has emerged in the tourism sector is the (passport) initiative that the International Air Transport Association is working on, primarily after countries have worked on strategies to vaccinate the largest possible number of people.

The Impact of the Corona pandemic on the Transportation and the Aviation Sector:

The aviation and air transportation sector is one of the most affected sectors by closing

borders and banning travel. The International Civil Aviation Organization has worked to monitor the effects of the Corona pandemic on aviation. According to the Civil Aviation Organization (ICAO), the number of passengers decreased in 2020 by 60% or 2.7 billion persons compared to 4.5 billion persons in 2019, as shown in the figure below.

Figure (3) Evolution of Global Passenger Traffic for (1954-2021)



Source: (ICAO, 2020)

The impact of the pandemic on international trade is reflected in the global air freight. It is noted that the movement of air cargo during March 2020 decreased by 15.2% compared to March 2019. Airfreight has been suffering from a crisis due to the heated (American-Chinese) trade war since 2018. The Corona pandemic has worsened this war at the international level. The pandemic has contributed to the decrease in the total revenues of air transportation for passengers at the international level, as air transport revenues for March 2020 decreased by 52.9% compared to March 2019 (Moneim & Ismail, 2020).

The Future of the International System after Corona

The future of the entire international system after the Corona pandemic will be different from what it was before. Many researchers and specialists have confirmed that no one knows conclusively whether the form of the international system will be unilateral, bipolar, or multipolar. The Corona pandemic will rearrange the international system's structure, and the pandemic's negative impact on the international economic system will continue for several years. The direct impact of the pandemic has pushed the global economy into recession due to the closure measures taken by most countries.

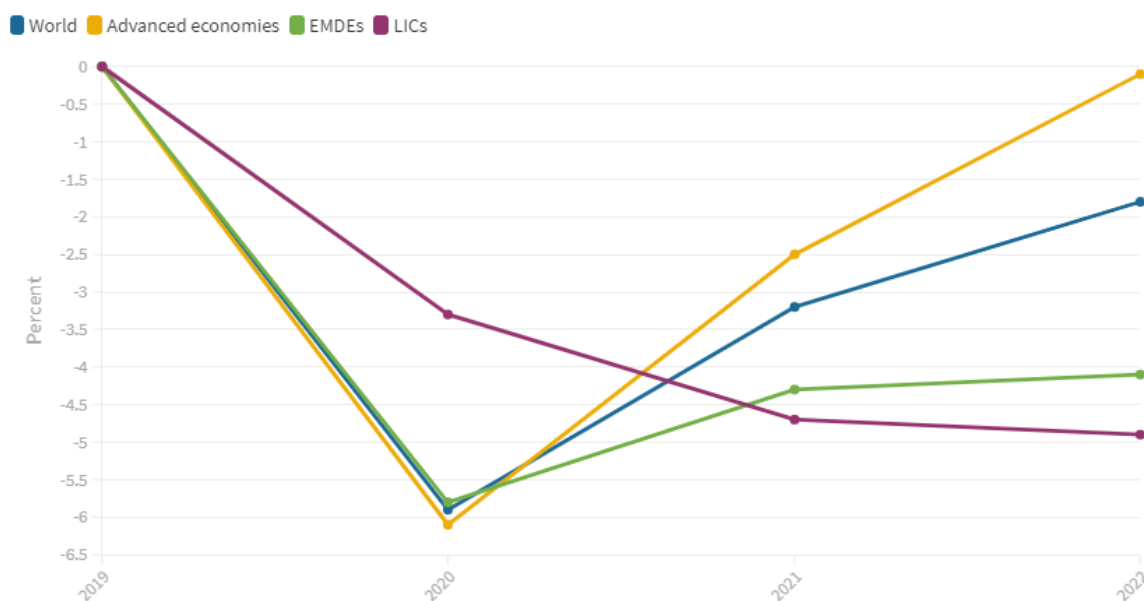
The decisions made during this pandemic will shape the world for several decades. There is a real need for collective action and coordinating efforts globally to build economies capable of facing crises. The focus has shifted toward the digital economy (electronic commerce, learning through the internet, and even telemedicine), so it is expected that the digital economy will occupy a large part of the GDP, especially for developed countries.

At present, the international economic system is shrouded in a state of uncertainty about what will happen to the global economy. There are two scenarios: The optimistic scenario

indicates that the pace of growth in advanced and developing economies will reach (6%) in 2021, due to the increase in demand and the rise in commodity prices, according to the World Economic Outlook for 2021. The pessimistic scenario indicates that despite vaccinations, it is expected that the growth of the global economy will decline by (4.4%) in 2022. These scenarios are highly uncertain because they depend on vaccination strategies and efforts around the world. The other factor is the evolution of newly mutated viruses, which can resist vaccines. These predictions depend on the development of the virus and vaccines. By 2022, global output is expected to remain about 2% lower than pre-pandemic forecasts. The strength of the recovery varies, and many emerging markets and developing economies are facing an increase in coronavirus cases and obstacles in vaccination operations, as shown in the figure below:

Figure (5) Global Output Outlook (2022)

Deviation of output from pre-pandemic projections



Source: World Bank

Note: EMDEs = emerging market and developing economies; LICs = low-income countries. Aggregates are calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. Figure shows percent deviation between the levels of June 2021 and January 2020 baseline World Bank projections. Shaded area indicates forecasts.

Source: (IMF, 2021)

At the geopolitical level, the pandemic's effects will increase the possibility of the rise of China and other powers (Russia, India) as international poles and will pave the way for a multipolar international system in the post-pandemic world. China's role has increased clearly and intensely during the pandemic and through its adoption of a new (Chinese globalization), which will be reflected on its role and position in the international system, especially as it is the first country to suffer from the pandemic and quickly recover from it. As a result, the possibility of moving to a multipolar international system, of which an Asian country is one of the poles, led by China, will increase. At the same time, the US has floundered in the face of this crisis, which negatively affected its global leadership. The liberal system will witness a decline due to weakness and the US role in the world, as it is no longer able to manage the international system alone, especially after excluding other poles. The European Union is one of the regions most affected by the Corona pandemic. In addition, Britain's exit from the European Union has weakened the union, which means that the world is heading towards a

multipolarity.

The Corona pandemic will certainly establish an international reality represented by multipolarity or (polar specialization). According to The Conference Board Research Center, the pandemic will increase the role and position of other powers in the international system and prepare the way for China, especially since the US economy is more affected than the Chinese economy. It is expected that the Chinese economy and consumer market will advance over its American counterpart within a few years. One of the most important features of this new system will be flexibility, and other parties such as (Russia and the European Union) can take advantage of this flexibility in the international system and enhance their role and position within the global system (Guillen, 2021). The Corona crisis will lead to a clear change in the structure of the international system.

Conclusion:

The Corona pandemic represents one of the most influential epidemiological crises in recent decades. The magnitude of its effect is vast, not on people alone, but the social, economic, and political aspects. The pandemic has affected the shape and nature of the international system and the interactions and relationships between nations. A new type of cooperation has emerged, which aid other countries is at its center, especially by the major powers after cooperation was absent from the international scene. The Corona pandemic has increased the states' role further, which they may not abandon later, especially the countries most affected by the pandemic. By clarifying the most important repercussions generated by the pandemic, we can conclude the following:

- 1 The Corona pandemic is one of the most prominent and influential events that affected the structure of the international system, and we can consider it among a series of significant events in the history of international relations.
- 2 The Corona pandemic has proven that another type of terrorism and war can threaten the entire world. The pandemic opened our eyes to the reality of the existence of (biological wars). The pandemic has come to serve as a criterion for evaluating the effects and responses of countries when facing (Bioterrorism).
- 3 The pandemic has changed the concept of globalization, which has dominated the international system for decades. The pandemic has worked to restore and activate the role of the nationality and has affected international relations and the international system.
- 4 A new type of diplomacy has emerged after the pandemic, which is known as (the Mask Diplomacy). After countries were in a state of isolation at the beginning of the pandemic, the relations between international actors later moved to a stage of cooperation and solidarity through giving aid, especially from the major powers.
- 5 The Corona pandemic has affected the international economic system and the hierarchy of forces in the international system.
- 6 One of the most importantly clear and tangible effects of the pandemic, which most countries of the world suffered from, are the economic effects. The pandemic has caused one of the most severe economic crises since the Great Depression of the Twentieth Century.
- 7 The Corona pandemic has highlighted the weakness of the United States of America and its inability to lead the world. On the contrary, the pandemic has strengthened the Chinese rise due to its rapid pandemic containment.

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