

# Why Collaboration Needs to Win Over Protectionism

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**Abstract** The COVID-19 virus is severely affecting international trade, creating a negative fiscal outlook. Consequently, the global economy is receiving its sharpest reversal since the Great Depression. As such, we are seeing several countries invoke restrictions or taking action to secure medical supplies. A by-product of this is protectionism. One should worry most about developing countries without any domestic suppliers, who also need critical medical supplies, and who will be locked out, and not access essential equipment, medicines, and basic foodstuffs because of export restrictions set by developed nations. Therefore, collaboration is needed more than ever to ensure economic and societal prosperity throughout the world, rather than within a small number of isolated, prosperous regions.

**Keywords** Informal economy. Protectionism. Trade. Xenophobia. Collaboration.

In response to the coronavirus crisis, there are many examples of co-operation and collaboration, from communities coming together to Clap for Carers in the UK to Federal Reserve loans to other central banks. But in emotive, uncertain times, the instinct to wind up the drawbridge and look after your own is strong and playing out across societies, nations, and communities. The pandemic is politicising travel and migration and driving self-reliance and protectionism. Some view this as a much-needed retraction from the upper limits of globalisation, shortening supply chains, and reducing exposure to risk in an unstable world. Others fear a dampening down of trade will leave economies vulnerable and heighten instability, leading to more risk aversion and inward focus.

A particular issue concerning the informal economy is intangibility: things which are not measured are not known to legislators, meaning, unfortu-



nately, that over two billion workers from the informal sector, are threatened. Narula (2020) suggests that those affected account for 70% of employment in the Middle East and North Africa, and 80% in both South Asia and sub-Saharan Africa (ILO 2020). Somewhat concerningly, these people will, according to Narula (2020) not receive government aid in relation to the COVID-19 pandemic. For example, within the nation of India, 63 million micro-enterprises represent 99% of all enterprises and comprise 107 million people - who are not known to legislators because they are unregistered. As a result, they are not accounted for on government data - though the number may be closer to 300 million (Jayaram et al 2020).

The COVID-19 pandemic has sparked a radical reordering of business ecosystems, suggest several business historians, such as Rita Trehan, CEO of global transformation consultancy Dare Worldwide (Laker et al. 2020). She considers the need for a collaborative approach to be crucial to success when new networks are built as lockdown eases. But these networks should look to contain within them, informal workers because businesses, both foreign and domestic, are responding to the slowdown by reducing employment, hence there will be a sharp upwards increase in those below the poverty line.

Narula (2020) suggests that informal workers typically live from hand to mouth. This means that, without paid work, a person cannot purchase essential supplies such as food - let alone apparent desirables such as medication. One recent example of this transactionary relationship occurred within India, where earlier this year, millions of informal workers walked home from big cities to return to ancestral villages. Even if the pandemic subsides concludes Narula (2020), it is naive to believe activities can ever return to their pre-pandemic state. Economically weak countries will already have suffered from declining revenues from almost all sources, also as the pandemic raises emergency spending to mitigate the immediate challenges. Countries dependent on primary sector exports are notoriously volatile, especially in the extractive sector. Other primary good exports will likely be affected not by price volatility, but due to logistical challenges and restrictions, while imports are likely to cost more. The reduction of fiscal performance may lead to an increase in borrowing and, most certainly, a requirement for aid. There will be a number of nations that rely heavily upon remittances for their foreign exchange (Narula 2020). As a result, these nations will quite likely suffer a shock: Arabic counties will consider returning their migrant workers, who are primarily engaged informally and in receipt of limited, sometimes nonexistent labour rights, both at home and abroad, to their home countries (Narula 2020).

That being said, there is an immediate short-term opportunity from the COVID-19 pandemic. With items from ventilators to masks in seriously short supply and prices soaring, those trying to source goods complained of a bidding war with other buyers, involving a

web of brokers and suppliers. Shipments destined for multiple countries were diverted elsewhere – often to the US ILO (2020). German officials accused the US of ‘confiscating’ a consignment of respirators en route from China to the Berlin city police during a stopover in Bangkok ILO (2020).

There is somewhat of a critical opportunity for developing nations to enable and even support informal workers to help contribute to the gap of supply. This could occur through subsidies provided to local suppliers to help maintain import prices. One striking example that has already implemented such a concept is apparent within the global shortage of personal protective equipment for hospitals (Narula 2020). Medical institutions are struggling to acquire specialist items because prices the world over have increased. As a result, many small enterprises are beginning to manufacture and sell items locally, and in some cases, the central government holds the responsibility for sterilising and deep cleaning the final product (Narula 2020).

It is not just the US that has veered into protectionism. According to the Global Trade Alert team at Switzerland’s University of St Gallen, 75 countries have introduced some export curbs on medical supplies, equipment, or medicines this year (ESCAP 2020). They include most EU countries, India, China, Brazil, and Russia. But the team also found that 79 countries have liberalised trade in medical supplies this year. Clearly, governments and public authorities have a duty to show responsibility and restraint when it comes to facilitating the flow of supplies, treatments, and testing equipment needed to tackle the coronavirus beyond their borders.

So how will global co-operation play out as lockdown eases? The danger is that the movement of people, goods, and capital curtailed during lockdown is all in danger of being politicised by agendas that existed long before the crisis hit. Regarding the movement of people, the Trump administration used the pretext of the ‘Chinese virus’ to curtail immigration further, arguing that jobs should go to Americans instead. He will likely be able to maintain anti-immigration policies long after the virulent phase of the epidemic because public concerns will make it easier for him to retain them.

In an atmosphere of mistrust and suspicion, there has been an increase in displays of xenophobia against Chinese and East Asian persons in many countries across the world, fuelled by provocative newspaper headlines like ‘Yellow Alert’ (France) and ‘China Kids Stay at Home’ (Australia). Indian health authorities have campaigned to spread awareness that not all people who are from China have COVID-19. Pointing the finger and blaming other ethnic groups for the disease is one response. But public opinion on immigration is often more nuanced than politicians give people credit for. In Europe, the crisis has highlighted the reliance societies have on informal workers in food production and the care system, with many risking their

lives during the crisis. It is becoming harder than ever to see the world in black and white.

International tourism is set to plunge by 80% this year, but some regions will recover more quickly than others. Less developed countries will be hit particularly hard, but experts say this is an opportunity to rebuild the industry to be more sustainable. Countries with pre-existing links and similar health protocols are coming together to create 'travel bubbles' as lockdown eases. Australia-New Zealand, Taiwan-Singapore and Greece-Cyprus-Israel are looking to collaborate and set up safe tourist zones to allow movement between countries.

In terms of the flow of capital, the crisis will accelerate an already-existing trend of financial de-globalisation. State ownership of private companies is on the increase, with the nationalization of Italy's airline, Alitalia, the UK government taking control of rail companies, and Spain nationalizing all of its hospitals and healthcare providers to combat the spread of the virus. Nations looking inward are seeking to shorten their supply chains and decrease reliance on overseas manufacturing. The global trade system that has dominated the world for decades is under threat from protectionist thinking, with WTO predicting that world trade could reduce by up to a third (Joyce, Xu 2020). Economists argue that the way to make supply chains more resilient is not to domesticate them but to diversify them ESCAP (2020).

More than ever, there is a need for firms to cultivate adaptive - rather than hierarchical - structures that support rapid change, refocusing, and reallocation of resources. Those organisations that can leverage their network and work together will come out ahead as lockdown eases. There is a need to integrate data from a wide range of sources to innovate and connect. Those companies that are in touch with their core purpose beyond making money will have better clarity on the way forward.

The coronavirus crisis has shown that the global economy's governance is made up of international institutions and informal collaborations that are shaped by individual nations' willingness to cooperate. For the sake of the world's economic and physical health, collaboration needs to win over protectionism.

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