

**GLOBALIZATION, POLITICAL  
ECONOMY, BUSINESS AND  
SOCIETY IN PANDEMIC TIMES**

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**GLOBALIZATION,  
POLITICAL ECONOMY,  
BUSINESS AND SOCIETY IN  
PANDEMIC TIMES**

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# CHAPTER 1

## GLOBALIZATION, POLITICAL ECONOMY, BUSINESS AND SOCIETY IN PANDEMIC TIMES

Tony Fang and John Hassler

The coronavirus “SARS-CoV-2,” since its outbreak in China in the beginning of January 2020, developed into a public health emergency of international concern on January 30, 2020 and a COVID-19 pandemic on March 11, 2020. Within only one year, this ongoing pandemic killed 3 million people and infected 120 million more worldwide. Although in history humanity was plagued by countless epidemic including AIDS, Avian flu, SARS, MERS, Ebola, and Zika in recent decades, the current COVID-19 pandemic finds no parallel in terms of scale, scope and speed with which the impact has been caused. To problematize this unprecedented phenomenon to produce interesting knowledge with policy implications, we organized a multidisciplinary academic conference (5<sup>th</sup> EMIC) at Stockholm University during May 14–15, 2020, and this edited book is a product of the conference.

The purpose of the book is to arrive at a holistic understanding of the impact of COVID-19 pandemic on politics, economy, business and society in a globalized world. The scientific community acted swiftly to study COVID-19 and its various possible societal correlations. During the past year, many academic journals started speedily publishing COVID-19 related papers, many of which have been made available to the public, contributing timely to new knowledge production and dissemination. However, a multidisciplinary approach to the study of COVID-19 has been rare. This book contributes to the growing literature on COVID-19 through a multidisciplinary approach by addressing both macro and

micro issues from both local and global angles in both critical and self-critical tones. Many questions raised at the conference in 2020 remain under-researched:

- What impact has the pandemic had on our business, economy, research and development, and society at large?
- How to understand the antecedents and consequences of the pandemic in light of globalization and deglobalization?
- What are the implications of pandemic for climate change?
- How to balance and integrate the traditional divide between public health and economic activity in the larger picture of political economy?
- How to understand the pandemic and technological innovation from a historical perspective?
- How can entrepreneurs meet the challenges and capture the opportunities right in the pandemic to develop innovative and sustainable businesses in the long run?
- Why have certain countries/regions/cultures managed to cope with the pandemic challenges more effectively and speedily than other countries/regions/cultures?
- What would be the most desired leadership style (or combination of styles) during the pandemic?
- What are the implications of pandemic for international relations, international exchanges, and international business?
- How can multinational enterprises (MNEs) better manage their global value chains (GVCs) in an increasingly bifurcated business world?

We have tried to address these and many other questions in this book. We aim to examine COVID-19's damaging effects (such as the death of millions of people and the collapse of small business caused by the pandemic), its inspirational aspects (such as the emergent entrepreneurship catalyzed and fostered by the pandemic), and its broader implications (such as the US–China rivalry and the increasing need for reconfiguration of GVCs). Compared with the 1918 influenza pandemic, the COVID-19 pandemic came at a time when nations and people on this planet were unprecedentedly interconnected with each other physically and digitally in what social anthropologist Thomas Hylland Eriksen (2020, also see Chapter 2 in this book) called “an overheated world.” From the socio-anthropological perspective, the rapid spread of the coronavirus across national and regional borders may be seen as an inevitable “punishment” embedded in the inherent vulnerability of the ever accelerating interconnectedness that globalization has brought to human society during the past three decades. Yet, it is the very same interconnectedness created by globalization and digitalization that has helped save hundreds of millions of jobs by enabling business and society to switch swiftly and almost seamlessly to operating in digital platforms or ecosystems overnight.

Working from home (WFH) or remote work is a telling example. Modern society has never witnessed such a large proportion of WFH workforce as practiced

collectively in the COVID-19 pandemic since March 2020. Now, a year later, WFH is a norm that has come to stay, at least in part, for good; hybrid workplace with physical and digital involvement and participation is emerging as a new form of organization. Despite its disadvantages such as “lack of face-to-face supervision,” “lack of access to information,” “social isolation,” and “distractions at home” (Larson, Vroman, & Makarius, 2020), WFH has its unique and somehow unexpected advantages. Barrero, Bloom, and Davis (2021) showed that 20% of full workdays will be provided from home after the pandemic ends, compared with only 5% before the pandemic and gave five reasons why WFH as a trend developed in the pandemic will continue after the pandemic:

better-than-expected WFH experiences, new investments in physical and human capital that enable WFH, greatly diminished stigma associated with WFH, lingering concerns about crowds and contagion risks, and a pandemic-driven surge in technological innovations that support WFH.

A survey on employee loyalty conducted between 2019 and 31 March 2021 with 263 companies in eight European countries showed that since the pandemic started, employee satisfaction has been higher than before and that Swedish employees expect to continue WFH for about half of the total working hours in the post-pandemic era (Svt Nyheter, 2021). WFH is becoming a competitive means for attracting and retaining talents, thereby placing a higher demand on leadership and organizational culture than the situation prior to the pandemic.

Political economy and cross-national comparison between political systems in COVID-19 response and economic recovery have been debated in the literature. Combating the pandemic and saving the economy tend to be viewed as a tradeoff by policy makers (Lewis, 2021). A tradeoff may exist when policies are optimal, but in general suboptimal policies give room for improvements in all dimensions. Geffrey Sachs (2020, p. 31; original italics) explained:

The Asia-Pacific successes in suppressing the virus were achieved with lower economic losses than in the North Atlantic region, disproving the hypothesis of a tradeoff between the economy and suppressing transmission of the diseases. It appears that effective deployment of nonpharmaceutical interventions (NPIs) enables *both* the suppression of disease and transmission and an earlier economic recovery compared with two extreme alternatives (either to do little to suppress the epidemic or to shut down the economy to a prolonged basis).

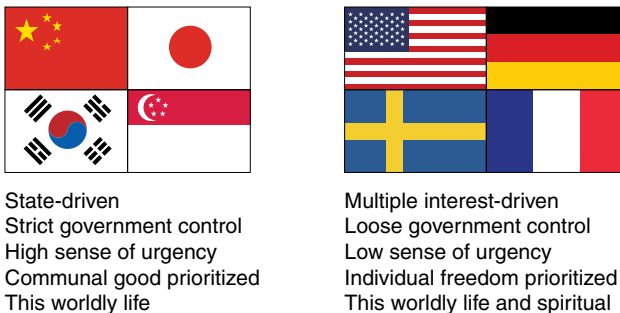
Sachs (2020) compared the performance in suppressing the epidemic between Asia-Pacific region and North Atlantic region and found that the former was “vastly superior” to the latter. Sachs attributed the North Atlantic region’s failure to public health populism, lack of regional cooperation, misplaced claims of “freedom,” lack of preparedness, and information technology deployment.

The role of government has been debated. A recent study of the impact of national culture vs. government stringency on social distancing during the first wave of the COVID-19 pandemic shows that “government stringency has more impacts on social distancing than national culture” (Wang, 2021, p. 12). Yet, there are studies showing that while political systems and government measures have played a role, culture may have played a bigger hidden role. In their study of

government stringency during the first 91-days of the pandemic in 107 nations, [Dheer, Egri and Treviño \(2021\)](#) discovered that “government stringency attenuated pandemic growth, and this attenuation effect was more significant in collectivistic than in individualistic nations, and in high rather than low power distance nations” and that “collectivistic nations experienced lower case growth over time than individualistic nations.”

Assertions have been made about the superiority of democracy over non-democracy or vice versa (e.g., [Fukuyama, 2020](#); [Karabulut, Zimmermann, Asli, & Doker, 2021](#); [Li, 2020](#); [The Economist, 2020](#); [Zhao, 2021](#)). However, we remain cautious about quick generalizations. We observed that societies with a strong influence of Confucian tradition such as China, Japan, Singapore, and South Korea have much in common in their coping strategies despite the differences in their political systems. The Eastern approach adopted in the Confucian societies may be understood as being characterized by state-driven initiatives, stringent government control mechanisms, high sense of urgency, communal good, and a fundamental view that this worldly life matters most, whereas the Western approach as featured by multiple interest-driven initiatives, loose control, low sense of urgency, individual freedom, and a fundamental view that there is arguably little difference between this worldly life and spiritual life (Fig. 1).

The sense of urgency in Swedish society toward COVID-19 is probably the lowest in the Western world. The Swedish welfare state and the inbuilt social security may be one reason. The fact that Sweden has not had a war since 1814 may be a more in-depth explanation. Sweden’s approach to combating COVID-19 relied, particularly during the beginning of the pandemic, fundamentally on individuals’ self-conscience and self-regulation in a high trust Swedish society, subject to relatively little governmental regulation (see also [Milne, 2020](#); [WHO, 2020](#)). Two groups of the Swedish population, i.e., old people in nursing and care homes and immigrants in suburbs suffered most, showing some of the society’s structured problems. High mortality in Sweden is found to be associated with not only higher age and male gender but also less education and low income ([Diderichsen, 2020](#)).



*Fig. 1.* Combating the Pandemic: East Versus West. *Source:* Own Illustration.

The pandemic has prompted us to rethink how international economy should be structured and question our earlier seemingly limitless quest for lean production and just-in-time logistics. The pandemic showed

the dangers of complex global supply chains where any node can become a “choke point,” and the risks of overspecialization or concentration of technological knowledge and/or production capacity in a single country or region. (Kobrin, 2020, p. 280)

At the same time, the globalized economy proved to be surprisingly flexible and able to reorganize production. Nevertheless, there is an increasing consensus for building up more resilient organizations and supply chains through diversified sourcing patterns in international business (Gereffi, 2020). There is a growing call for a shift from the mentality of just-in-time to that of just-in-case with the appropriate amount of fiscal buffers (IMF, 2020) as well as physical buffers and borders (Brakman, Garretsen, & van Witteloostuijn, 2020, p. 1) to be built into our economic and manufacturing systems. This growing consensus/call coincided with and was used as support for deglobalization and the anti-globalization arguments that emerged in recent years in the larger picture of US–China rivalry (Meyer, 2017; Witt, 2019a, b; Witt, Li, Välikangas, & Lewin, 2021; see also Zhao, in this book). The COVID-19 pandemic has pushed and inspired nations and organizations to develop their dynamic capabilities to better balance and integrate their economic activities at home and abroad. However, building more resilient economies is not synonymous with deglobalization. A disintegrated world where countries rely largely on domestic production for their needs may be less, not more resilient to shocks (OECD, 2021).

This book contains four parts (Part I–V) with 21 chapters. After this introductory text (Chapter 1), the book proceeds with *Part I “Globalization, Political Economy and Society in Pandemic Times”* with six chapters (Ch. 2–7). In Chapter 2 “From Vulnerability to Sustainability? The Enforced Cooling Down of an Overheated World,” Thomas Hylland Eriksen (University of Oslo) argues that until March 2020, the world was overheated and the pandemic catalyzed, accelerated, and energized the required transition toward a socially just and ecologically sustainable human society. Eriksen hypothesizes that in 10 years’ time when looking back we will ask ourselves why we did not make this transition sooner. In Chapter 3 “The Political Economy of COVID-19,” David Zilberman (University of California at Berkeley) analyzes the impacts of COVID-19 from a political-economic perspective. Zilberman discusses and critiques the perceived tradeoff between public health and economic activity as assumed by many policy makers. He highlights the importance of speedy and effective response as well as international collaboration. Zilberman concludes by discussing the implications of COVID-19 for climate change. Chapter 4 “Macroeconomic Perspectives on the Corona Crisis” by John Hassler (Stockholm University) is focused on how our economies have responded to the pandemic and how policies are introduced to contain the coronavirus. Hassler addresses the question of whether closing down our economies to save lives is worth its economic cost. An Eco-Epi Integrated Assessment Model is proposed to integrate economic and epidemiological knowledge with policy implications. Chapter 5 “Human Rights: Four Lessons from

the Pandemic in a Post-pandemic World” by Hans Ingvar Roth (Stockholm University) concerns human rights, freedoms and duties in political as well as moral terms. Roth cautions against quick conclusions as to which political system (authoritarian vs democratic) is superior in suppressing the pandemic. He points out that global health holds together people around the world irrespective of their ideological, religious and philosophical backgrounds and that the pandemic can make us better understand that our commonalities are more salient than our differences. Chapter 6 “Prosperity and Disease: Lessons from History” by Rickard Grassman (Stockholm University) offers historical and dialectic perspectives of the relations between prosperity and disease by referring to the technological innovations of coinage and the printing, allowing us to better understand the virtues and symptoms of our deeply interconnected world. In Chapter 7 “COVID-19 and Its Impact on Medical Research and Society,” Qiang Pan-Hammarström (Karolinska Institutet) discussed what we can learn from the pandemics which offered both opportunities and challenges for medical research and for society as a whole. Pan-Hammarström brought to the fore issues such as quick publications in scientific journals, complication in the race for effective vaccines, research funding, gender equality, leadership and political influence, etc.

*Part II “Industry and Business Strategy in Pandemic Times”* includes four chapters (Ch. 8–11). In Chapter 8 “Thinking Strategically During the Global Pan(dem)ic,” Klaus E. Meyer (University of Western Ontario) discusses how the pandemic influenced both the demand (i.e., consumers and business customers) and the supply (i.e., companies and their supply chains) sides and what it means for entrepreneurship and long-term business strategy. Meyer emphasizes entrepreneurs’ role in shaping the post-pandemic economy by addressing societies’ evolving social and environmental agendas. Chapter 9 “Post-Covid Debates in Global Strategy,” contributed by Mike W. Peng and Nishant Kathuria (University of Texas at Dallas), extends the global strategy debates by addressing the dynamics of (1) strategic versus nonstrategic industries, (2) just-in-time versus just-in-case management, and (3) firms’ role in reducing versus contributing toward income inequality in the light of COVID-19. They show that the nature of face mask industry could be upgraded from “nonstrategic” to “strategic” in the pandemic in which obsession with just-in-time delivery of supplies can be dangerous. They call for more attention to income inequality in global strategy research. In Chapter 10 “The Effects of COVID-19 on Tourism in Nordic countries,” Sigbjørn Tveteraas and Jinghua Xie (University of Stavanger) assess the impacts of COVID-19 on world tourism in general and tourism in the Nordic countries in particular. A number of issues for future research are raised such as to what extent the digitalization of business meetings has led to reductions in future work travels in the long run. Chapter 11 “Global Value Chain Strategies Before and After the Pandemic Crisis: The Case of Volvo Cars” by Claes G. Alvstam (Gothenburg University) and Tony Fang (Stockholm University) examines the pandemic’s long-term impact on the basic architecture of GVCs in the new geopolitical reality of the world where the relations between the United States and China are deteriorated in the ongoing COVID-19 pandemic. The processes of “regionalization” and “de-coupling” of GVCs are accentuated in manufacturing and business

services around main economic blocs. GVC strategies for multinational enterprises (MNEs) are discussed with Volvo Cars as a case.

*Part III “Leadership and Human Capital in COVID-19 Pandemic”* offers insights into human resources and leadership aspects (Ch. 12–15). In Chapter 12 “Sweden’s COVID-19 Strategy from a Leadership Perspective: Importance of Trust and Role Models,” Maria Fors Brandebo (Swedish Defense University) describes how Sweden coped with the COVID-19 from the perspective of leadership at national and government agency levels. Trust, indirect leadership and destructive leadership are main analytical themes. One important take away is that Sweden’s corona strategy rests on the Swedish population’s trust in government authorities, but trust can decrease substantially if public leaders cannot meet the people’s expectations. In Chapter 13 “The Dual Role of Trust in Creative Global Virtual Teams: Implications for Leadership in Times of Crisis,” Lena Zander (Uppsala University), Oliva Kang (University of Gävle), Audra I. Mockaitis (Maynooth University), and Peter Zettinig (University of Turku) discuss leadership in a global virtual team context. They have found that when team members have to work together digitally particularly in times of crisis, their need for leadership support differ depending on what type of trust is most critical to the creative process in their team. Chapter 14 “Human Capital Mobility in Developing Countries Under the Pandemic Times: Losses or Opportunities?” by Mariia Shagalkina and Marina Latukha (St Petersburg State University) contributes to the debate about the impact of COVID-19 pandemic on highly skilled human capital formation and migration under free-travel constraints. Developing countries are encouraged to accumulate human capital by attracting their returnees particularly from developed countries, and by motivating and integrating highly skilled professionals at home. Chapter 15 “At the Crossroads: International Student Exchanges During the COVID-19 pandemic” by Y. Elizabeth Wang (University of Leeds) furthers the discourse on international human capital from the perspectives of cross-cultural learning and institutional failure in the context of Chinese students population in the United Kingdom. The pandemic removed most social dimensions of the international student life. To make matters worse, the rising geopolitical tensions and racial divide pose new challenges for international student exchanges and knowledge sharing. The chapter proposed agendas to be addressed to meet these challenges.

*Part IV “International Relations and International Business in an Emerging Bifurcated World”* consists of three chapters (Ch. 16–18). Chapter 16 “China’s Diplomatic Offensive and Rivalry with the US in Response to COVID-19” by Suisheng Zhao (University of Denver) contrasts the ways China and the United States managed their pandemic crisis and offers constructive critiques to both countries that are now in deep rivalry with each other on the global geopolitical chessboard. Zhao argues that the COVID-19 pandemic “demonstrated the value of globalization and painful consequences of anti-globalism.” The chapter ends by calling for the US and China to work together (p. 217 in this book):

The world is waiting to see if and how COVID-19 would reshape global geopolitical and geo-economic contours and dynamics and if and how China and the US as the two most powerful countries can work together in response to the call and reshape the global order to meet the

challenge. As a first step, both countries stop wolf warrior diplomacy of fighting diplomatic wars and restart true diplomacy of negotiations with each other.

Chapter 17 “The New Challenges in the Emerging Context of Global De-coupling” by Peter Ping Li (Nottingham University) sheds light on the emergent yet under-researched topic of de-coupling in international economic and business domains powered by the increasing US–China rivalry accelerated in COVID-19 pandemic. Li defines de-coupling as the weakening bilateral interdependence between nations, including not only the economic and technological but also political and ideological domains and arenas. Li predicts a loosely coupled ecosystem that will feature the global business networks with the contrasting sets of rules of the game to be introduced around the world’s two largest economies, namely the United States and China. Chapter 18 “The EU–Japan Strategic Partnership Agreement: A Tool to Tackle the COVID-19 Crisis and Other Global Issues?” is contributed by Patrik Ström, Marie Söderberg and Åsa Malmström-Rognes (Stockholm School of Economics). The authors show that in this pandemic crisis where the United States has largely relinquished its leadership role while China does not seem to have the aspiration to lead and both countries are busying dealing with the challenges in their relationships, opportunities arise for bilateral agreements such as The EU–Japan strategic partnership agreement to come into existence which has far-reaching business, economic, health care and security implications for both parties and for the world.

*Part V “COVID-19 and New Research Agenda”* (Ch. 19–21) is the final part of the book. In Chapter 19 “COVID-19 and International Business,” Ilan Alon and Vanessa Bretas (University of Agder) give their reflections on the pandemic impact on people, information, money, and products. They propose that international business research should attach greater importance to GVC, the role of technology, and the inequality issues of globalization. Chapter 20 “New Configurations of the IB Theories: Dynamic Response to the Environmental Challenges” is contributed by Andrei Panibratov, Liana Rysakova and Yunxin Luo (St Petersburg State University). Applying dynamic capabilities in Chinese–Russian business context, the authors have discussed how the pandemic affects international business development and what specific capabilities that companies can develop and improve in times of crisis and adversity. Context-specifics including government regulations, cultural features and domestic versus international orientations are among the suggested future research directions and topics. The book concludes with Chapter 21 “A Cross-cultural Research Agenda in the Time of COVID-19” by Rosalie L. Tung (Simon Fraser University). The world has witnessed the US–China relations falling in free fall during the COVID-19 pandemic. The chapter examines the role that racism plays in the shaping of the current US–China conflict and proposes a research agenda that pertain to race and relations in international business and cross-cultural research. How race/ethnicity can influence partner choice/selection in the formation of cross-border strategic alliances, and how status threat and status transition can help explain current geopolitical tensions, particularly between the United States and China, are outlined. Future research should pay more attention to race and race relations in analyzing (a) how race and relations affect the functioning and performance of