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Global reset: COVID-19, systemic rivalry and the global order

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ABSTRACT

The rise of China was closely associated with the strategic opportunity offered by a wave of globalization dating from the 1970s. As China grew, western growth was not restored. Soon after the collapse of the Soviet Union and the arrival of the unipolar moment, the world confronted a succession of crises that western countries struggled to handle. In this world in which China’s continuing rise was already perceived as a strategic challenge, the COVID-19 pandemic was met with further examples of liberal capitalist governance failure. Notwithstanding attempts to preserve western hegemony and a western liberal world order, the COVID-19 pandemic will accelerate and intensify existing trends towards a global reset, a shift in the centre of economic gravity to Asia, the arrival of a multipolar world and new global development paths.

1. Introduction

The COVID-19 pandemic and the ensuing economic and financial crises arrived on top of the bursting of the dot-com bubble in 2000 and the 2007–09 financial crisis. It also arrived in a world characterized by substantial medium-term differences in the speed and direction of development. The coincidence of these events along with a number of secular political economic evolutions will almost certainly give rise to a major turning point in global development: the approaching end of the unipolar moment, the world’s succession of crises, and the war on terrorism. At the same time China will confront a number of deglobalization trends. These trends include changes associated with cyclical economic evolutions and a degree of trade, technological and probably financial decoupling of the US and its allies from China, driven in part by a quest for greater self-reliance and economic strength and in part an unwillingness to permit the replacement of a unipolar by a multi-polar configuration. After an era in which China entered world markets with an agenda of peace and development and an ambition to make itself economically indispensable, US containment and a depressed world economy require that China also envisage increased self-reliance and a revised development model in which the domestic market is the mainstay and the domestic and foreign markets mutually reinforce each other (officially termed a ‘dual circulation’ or ‘dual loop’ growth model).

At present the immediate outcome involves a sharp intensification of a geopolitical and geo-economic competition between the United States (US) on the one side and China and the Russian Federation (RF) on the other. This contest will continue for one or two decades. In the process a decline in US hegemony will involve a degree of de-Americanization as the role of the dollar and the size of the US economy decline relatively. At the same time China will confront a number of deglobalization trends. These trends include changes associated with cyclical economic evolutions and a degree of trade, technological and probably financial decoupling of the US and its allies from China, driven in part by a quest for greater self-reliance and economic strength and in part an unwillingness to permit the replacement of a unipolar by a multi-polar configuration. After an era in which China entered world markets with an agenda of peace and development and an ambition to make itself economically indispensable, US containment and a depressed world economy require that China also envisage increased self-reliance and a revised development model in which the domestic market is the mainstay and the domestic and foreign markets mutually reinforce each other (officially termed a ‘dual circulation’ or ‘dual loop’ growth model). In the short-term these trends may create a divided...
multipolar world. In this article the multipolar concept is used however to refer to a unified world with multiple centres of power that respect each other, all have a capacity to shape world affairs and co-operate to provide global public goods and solve global problems (Clegg, 2009; Woodward, 2017). Any coming confrontation is not a struggle for hegemony, as China does not seek hegemony. Instead it is a struggle between the US and its allies, whose aim is to preserve US leadership of a unipolar world, and countries that want to create a multipolar world without a hegemon. In the course of time however the centre of global economic gravity will move to Asia, and a new global order will emerge (Mahbubani, 2020).

Mahbubani is only one of the most recent authors to predict this global reordering. In The Rise and Fall of the Great Powers, Kennedy (1987) anticipated relative US decline due to uneven rates of growth and technological and organizational innovation. In 1998 Frank (1998) argued in Re-Orient that the era of Western dominance was only an interlude in between two epochs of Asian pre-eminence with the first culminating in the voyages of the Chinese Treasure Fleet under Admiral Zheng He and the second starting with the rise of the People’s Republic of China. In Adam Smith in Beijing Arrighi (2007) argued that the US and its capitalist model of development had undergone a transition from a signal to a terminal crisis of hegemony. As a result of an ‘industrious revolution’ China’s centrally controlled non-capitalist market economy and a Chinese state system that does not serve capital and is founded on Confucian principles will consolidate ‘leadership of the East Asian economic renaissance’. These steps prefigure the arrival of a Commonwealth of civilizations (see for example Arrighi, 2007, pp. 9–10, 150–151). Another author expressing a degree of confidence about China’s role in a new world order is Jacques (2012). In his view China a civilization state offering a non-Western model of modernity whose growing economic strength will see it re-emerge as the centre of the East Asia world. In another outstanding study Zhu (2015) identified a fourfold watershed: the decline of the unipolar system; the end of the third ‘wave of democracy’; the predicament of capitalist globalization; and the decline of a western-controlled world.

Other interpretations are more uncertain or less sanguine. For van der Pijl (2012) contemporary China is a ‘contender state’ that so far differs from France, Germany, Japan and the Soviet Union in that its export-oriented industrialization and accumulated foreign reserves have so far enabled it to resist subordination to the liberal West. Mearsheimer (2018) has argued that the US quest for liberal hegemony especially in the post-Cold War unipolar world has failed. Mearsheimer adopts a realist international relations stance, in which survival in a world in which there is no higher authority requires that states compete to maximize their power and dominate the global system, preferably as the sole hegemon. For Mearsheimer there is no space for co-operation. The US will inevitably resist the rise of China and seek with China’s neighbours to contain it, with war as a possible outcome. A similar possibility was identified by Allison (2017) who drew on the questionable notion of a Thucydides’ Trap to envision a collision with a rising China (Athens) instigated by a setting US (Sparta).

These transformations and tensions coincide with the ending of a wave of neoliberal globalization dating from the 1970s and designed in part as a spatial fix for declining profitability (Harvey, 1982, pp. 431–438). Global economic, political and cultural integration have increased, and new international divisions of labour dominated by transnational corporations have emerged, along with new global elites and a multilayered system of global governance. At the same time the scope and limits of state action have been redefined. In 2000 Hardt and Negri published Empire in which they suggested that imperialism and the nation state had been superseded by a new de-territorialized global constitutional order and world market involving network relations modeled on the US political and economic order (Hardt & Negri, 2000, pp. 182, 250–182, 294–185, 332–186). In a superficially similar vein, in CONNECTOGRAPHY: Mapping the future of global civilization Khana (2016) claimed that connectivity of transport, energy and communications infrastructure has resulted in a ‘global network revolution’ creating a world of cities and supply chains more than nations and borders.

In The Globalization paradox Rodrik (2011) argued that comprehensive global economic integration is compatible with just one of sovereignty and democracy. The fact that globalization can negate sovereignty and punish governments that do not serve corporate interests is a core driver of the discontent to which de-territorialized globalization has given rise (Rosenberg & Boyle, 2019) and helps explain amongst other things a resurgence of nationalism and quests for a new order that respects the sovereignty of politically and culturally diverse nations, national communities and civilizations.

Assertion of principles of self-determination of sovereign states is itself a rejection of the principles of neoliberal capitalism. As Slobodian (2018, pp. 1–26) shows, neoliberalism was a response to the ‘end of empire’, the demands for self-determination of sovereign nation states and the extension of multi-party representative democratic politics to embrace the working class. Fundamentally the aim was the establishment of a global constitution of capital or of economic liberty (a visible hand of law beyond the reach of democratic or sovereign states sitting alongside the hidden hand of the market). In this sense it was an institutional and legal fix designed to protect private property, capitalist competition, market supply and demand determined movements of goods, capital and possibly people and an offshore world of tax havens from an ‘excess’ of sovereignty or democracy. In a world of imperium (multiple sovereign nation states) the neo-liberal aim was to ensure that in the realm of dominium (property rights) capitalism and private property were safeguarded by planetary scale enforceable isonomy (same law). To this end national and international elites drove national deregulation and the implementation of international economic law that was incorporated into (re-regulation) or prevailed over and conditioned national laws, eroding national sovereignty.

The aim of this article is to examine some of the main drivers of these trends and tensions, dealing in Section 1 with the reasons for the geo-economic and geo-political contest between the western world and China, in Section 2 with the impact of the pandemic in a world in which China had emerged as the world’s second largest economy, and in Section 3 with the economic depression that the pandemic catalyzed and intensified and its implications. The final section concludes, returning to the role of sovereignty in the struggle for a new world order.

2. In what sense is the rise of China considered a threat to US strategic power and the western liberal order?

In November 2011 the US announced a strategic, diplomatic and economic pivot to Asia, and in 2018 the US national security strategy identified China (with the RF, Iran and North Korea) as the main threats to US ‘influence, interests, power and values’ (United States The White House, 2017, pp. 2, 25). Great power competition had become the primary focus of US national security and is reflected in a strategy to contain and diminish China on multiple fronts: a trade war; restrictions on Chinese companies especially in high technology sectors; US interference in Tibet, the East China Sea, the South China Sea, Xin Jiang, Hong Kong and, increasingly, Taiwan, with US supported demands for international recognition; attempts to cement exclusive relationships with Australia and New Zealand, with Japan and South Korea and with India, Indonesia and Vietnam; moves in the direction of a new World Trade Organization (WTO 2.0) to set rules for supply-chain trade that protect the interests of developed country oligopolies and exclude China; and attempts to surround and threaten China militarily.

At the same time US relations with Europe have been strained with disputes over the funding of NATO, trade with the US and with Iran, the purchase of US natural gas, Nord Stream 2 and more recently the near theft of deliveries of medical equipment and supplies, while the relationship of the European Union (EU) and China is also delicate. A European Commission document published in March 2019 entitled EU-China - A strategic outlook presented China as a strategic partner on climate change and clean energy transition, an economic competitor in the quest for technological leadership, and a systematic rival in terms of governance models. It was the first time since the establishment of diplomatic relations in 1975 that the EU represented China as a strategic rival. At the June 2020 10th High-level Strategic China-EU Dialogue Chinese State Councilor and Foreign Minister Wang Yi claimed conversely that ‘With cooperation and consensus always
greater than competition and differences, China and EU are long-term, comprehensive, strategic partners.2

These developments are consequences of a number of factors. One is the emergence of China as the second largest economy in the world, notwithstanding the fact that it is only an upper middle income country (Fig. 1), the largest exporter, second-largest importer, and second-largest exporter of capital, holder of huge foreign currency reserves, possessor of a vast and highly coveted domestic market, and owner of a currency that is increasingly used to settle international payments. As a result China’s visibility increased, and an era of strategic opportunity for China to develop largely under the radar without disrupting the existing global order was ending. The second is the distinctiveness of the Chinese social model and the way China and the RF have embarked on projects of Eurasian integration partially outside the multilateral institutional framework controlled by G7 countries.

China’s rise was associated with its exploitation of latecomer advantage in a wave of globalization dating from the 1970s (Danford, 2017; Lin, 2017). China drew on the quality of its infrastructure, inexpensive land and utilities, its labour reserve and a range of preferential policies to attract foreign investment to produce for export and supply China’s domestic market, while ensuring that it developed endogenous industrial and managerial capabilities and did not simply hand over its domestic market to more advanced capitalist economies lest it foreclose the possibility of ever being more than an upper-middle income country. The costs of manufactures were driven down to the advantage of global consumers and international investors, while China’s surpluses were recycled to purchase US Treasury Bills.

A socialist market economy with Chinese characteristics, China’s principal aim is the ‘great rejuvenation of the Chinese nation’ involved are the right to development and the right to choose its own development path. At an international level, its aim is the creation of a polycentric world of sovereign states which work together, while respecting each country’s choice of national economic and political order. This international vision is shared by the current leadership of the RF, which, after the catastrophic economic collapse that followed the adoption of a neoliberal western reform agenda in the 1990s, has embarked on a new path (Gerasimova & Dunford, 2017), one of whose cornerstones is national sovereignty.

Western countries differ. As in the eras of colonialism and imperialism, the US and the EU consider that other countries should adopt western political and economic models and ‘European values’ and should play subordinate roles in a western-led global liberal order. The intention and expectation of western elites was that the Chinese Communist Party would be swept from power, a plutocratic western ‘liberal’ social order put in place, Chinese state assets privatized and China integrated in a subordinate role into a western dominated global system. Mao Zedong was always clear about the challenge China faced if it chose a socialist path. In 1949 he said: ‘Imperialism is very ferocious, that is, its nature cannot be changed. The imperialists will never let go of the butcher’s knife, will never become Buddhists until their demise’ (Mao, 1949). Short of a change in the US economic and political order, a socialist China and even a China that adopts measures to catch-up economically and technologically with advanced countries will eventually confront the existence of existing great powers.

Although China does not seek global leadership, its rise conflicts with western universal aims and values, determination to defeat socialism and interests in preserving western hegemony (which would include an early, comprehensive and unconditional opening of Chinese markets to western capital). These concerns are amplified by the demonstration effects of the success of a non-western social model in driving economic and social progress.

These considerations intersect with the relative decline of the western world and the privileges it has enjoyed. First, the long-term economic performance of the US and indeed of G7 countries has declined almost constantly since the economic crisis of the 1970s. Secular stagnation is reflected in particular in declining rates of growth of labour productivity (Fig. 2) (see also Grillo & Nanetti, 2020). This decline in productivity growth is due to insufficient productive investment. Insufficient investment derives from a secular downturn in rates of profit since the postwar Golden Age, reaching levels that are considered insufficiently remunerative for private investors (Fig. 2), and the diversion of resources into financial and other rent-seeking activities. At the same time the Chinese economy has grown rapidly, China has become the manufacturing workshop of the world, has increased imports of energy, raw materials and food and exports capital, while constructing infrastructure, offshoring some industrial activities and seeking markets and technology. On present trends China’s Gross Domestic Product (GDP) at market prices will soon exceed that of the US, and if China were to join the upper-income countries its economic weight would increase dramatically due to its demographic size (Fig. 1).

For the US, other challenges relate to energy security. In recent years the fracking industry made it not just self-reliant but also a potential exporter of oil and gas. Costs are however high. US oil and gas are consequently expensive, and the industry is saddled with immense debts. At present it is completely unviable as a result of a fall in oil prices. This decline followed the RF’s refusal to continue limiting production in the framework of OPEC+ (of which the US is not a part) so as to preserve relatively high oil prices (from which the US benefitted) and the unwillingness of Mexico to cooperate over subsequent Saudi Arabian and RF concessions.

At the same time, US corporations as a whole are sitting on $10 trillion in debt (Board of Governors of the Federal Reserve System, 2020b), while US household debt has reached US$ 14 trillion (Federal Reserve Bank of New York, 2020). In a context characterized by an extraordinary explosion of liquidity (Howells, 2020), most western economies have been financialized in the sense that financial institutions are dominant, while non-financial corporations concentrate on financial activities. Households whose real income has stagnated are also increasingly dependent on credit. As shareholder value drove out stakeholder value, corporations concentrated on rewarding shareholders and senior executives awarded share options. Not only did these developments increase inequality. They also provided a clear indication of what elites and governments in these societies value and do not value. In the last decade US airlines spent 96% of their free cash flow on stock buybacks.3 Boeing spent US$43.1 billion on share buybacks in six years from 2013 to 2019.4 An emphasis on financial engineering rather than aeronautical engineering seemingly had serious consequences for the safety of its aircraft. In September 2019 its liabilities exceeded its assets. In the absence of debt write-downs and/or interest rate concessions, debt service powerfully constrains consumption, investment, growth and employment, while an inability to repay leads to a transfer of assets to wealthy financial interests. This problem is exacerbated by the tendency for debt to grow exponentially, if interest rates are positive (Hudson, 2018).

Second, as a result of successful industrial upgrading in China and inadequate productive investment in the US (see Fig. 3 which depicts the share of GDP devoted to fixed capital formation), China has made significant relative progress in some of the technologies that will lead the next industrial revolution. These technologies include robotics, artificial intelligence, nanotechnology, quantum computing, biotechnology, the Internet of Things, 3D printing and autonomous vehicles. A consequence is that US corporations may not control all of the leading sectors of a new industrial age, starting with 5G wireless telecommunications. The emergence of new industries and new geographical centres of development are characteristics of past economic change and, in the end, led to an accommodation of new industrial nations in reformed world systems. The US is however determined that it should continue to dominate all critical technologies and aims to prevent China from making industrial progress and finding markets. Examples include US restrictions on Huawei, the call by the US Congress for an embargo to wreck COMAC’s C919 and the hostility to Made in China 2025.

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2 Xinhua (2020) China, EU agree to improve ties at 10th High-level Strategic Dialogue. https://www.shine.cn/news/nation/20200109899/.

3 Kochkod, Brandon (2020) U.S. airlines spent 96% of free cash flow on buybacks, https://www.bloomberg.com/news/articles/2020-03-16/u-s-airlines-spent-96-of-free-cash-flow-on-buybacks-chart.

4 Lazonick, William (2019) Did Boeing prioritize profits over safety, https://www.kcrw.com/people/william-lazonick.
Third, the US continues to live beyond its means. The US has established some 700 to 800 military bases throughout the world, runs an immense military budget and has been at war for all but four years of its existence, most recently as it sought a redivision and control of territories connected with the former Soviet Union. US interventions started in the former Yugoslavia contributing to a deterioration in relations with the RF which has always had close ties with Serbia. US actions continued with the expansion of NATO in eastern Europe eventually leading to a sharp confrontation with the RF over Ukraine. Colour revolutions and wars intended to reconfigure much of West Asia and North Africa politically and territorially.
gave rise to extraordinary instability. Since the Second World War, the drain on the US balance of payments has been immense and was one of the reasons for the US decision to sheelve the link between the US dollar and gold that ended the Bretton Woods fixed exchange rate system in 1971. According to Brown University’s ‘Costs of War’ project, in 2001–2020 the budgetary costs of wars in which the US has largely failed to achieve its military and political objectives stood at $6.4 trillion (Crawford, 2019).

The international currency status of the US dollar generates significant advantages for the US. First it gains from international seignorage, as it can engrave fiat dollars and use them to pay for US imports or to acquire foreign assets (real resources provided by other countries). Once acquired many of these dollars go into circulation in these other countries and are not used to purchase US goods and services. In 2007 some $500 billion US dollars for which foreigners had provided goods, services and assets were in circulation outside the US (Eichengreen, 2011, pp. 3–4). Second, the US finances its trade deficits and government budget deficits by borrowing in its own currency at low rates of interest. Saudi Arabia, Japan and China all used trade surpluses to purchase US Treasuries and other US dollar-denominated assets, pushing up the value of the dollar and keeping US interest rates low. Third, the US dollar dominates world credit markets, enabling the US to avoid exchange rate risk and secure loans at low rates of interest in its own currency. Fourth, as most trade and finance are denominated in dollars, just about every country in the world is subject to US commercial rules. As a result, the US can threaten and sanction countries that do not defer to US interests by cutting them off from the US banking system. And finally the US is one of the major centres for world equity markets.

The consequent continued appropriation by the US of resources from the rest of the world has tempered economic decline and enabled it to continue to occupy a dominant position in the global system. This advantageous position is however threatened by de-dollarization and the use of other currencies such as the renminbi (RMB) to settle international payments.

The international role of the dollar confers advantages but also contributes to the trade imbalances that have figured prominently in recent disputes between the US and China (Navarro & Autry, 2011) along with a number of other countries such as Germany, Japan and Mexico. In 1960 Triffin (1960) noted a conflict between the role of the US dollar as the world’s reserve currency and domestic economic objectives: the international economy needs dollars for liquidity purposes and to meet the demand for reserve assets, but the persistent current account deficits that result put pressure on dollar convertibility and adversely affect US competitiveness.

Savings-investment imbalances are another reason for trade imbalances. In 2000–2019 average US net savings stood at just 2.4% of national income. To finance investment and consumption the US therefore borrows the savings of other countries, running large balance of payments deficits and attracting foreign capital. As Fig. 4 shows, until 2008 and the US adoption of Quantitative Easing (QE) Chinese trade surpluses were offset by a net acquisition of overseas assets including US Treasury Bills, while the US deficit in trade in goods was offset by net income earned abroad and net acquisition of US assets by foreigners. QE significantly reduced Chinese interest in the acquisition of US Treasury Bills, and saw China sell some off, although it still holds $1.1 trillion of US government debt, which the US should repay with goods, services and assets.

A further trade issue relates to the US claim that China has ‘forced technology transfer’ and ‘stolen intellectual property’ in the context of joint-venture arrangements. In practice multinational corporations enter these legally-negotiated arrangements for commercially sound reasons relating to the quality and cost of Chinese industrial ecosystems and entry with Chinese partners into China’s rapidly growing domestic market. If all core technologies were controlled by international corporations and China handed its domestic market over to them, its chances of escaping the middle-income trap would be minimal.

3. Governance capacity, COVID-19 and a new terrain of geo-economic and geo-political competition

In this context of the relative decline of western countries, the rise (really the return) of China and western conceptions of China as a systemic rival on the one hand, and of slow and slowing economic growth alongside US Federal Reserve provision of emergency loans to Wall Street in September 2019 indicating a looming financial crisis on the other that the COVID-19 pandemic erupted.

The pandemic is a major zoonotic White Swan event probably associated with the increasing proximity of agricultural supply chains and wild habitats, recent globalization-induced increases in connectivity and mobility and the infectiousness and mutations of the SARS-CoV-2 virus itself. White Swan events have disproportionately large non-linear (exponential and fat-tail7) impacts that include powerful economic chain reactions that the pandemic catalyzed and intensified (Taleb, 2014).

Amplifying these reactions were numerous other aspects of the most recent wave of neoliberal globalization including just in time production systems which had integrated and synchronized supply chains so as to minimize stocks and acquire necessary inputs on an as needed basis often from single authorized suppliers. Although developed countries appropriated a large share of chain value added, production and assembly operations were located in distant parts of the world. In this situation managing without buffer stocks and fail-safe protocols was clearly irresponsible, yet driven by capitalist cost and profit considerations. In addition, rent-seeking and indebtedness had seen an erosion of public services, while in the US the large pharmaceutical companies had almost all abandoned the development of new antibiotics, antivirals and a universal vaccine for influenza in favour of activities with higher profit margins and had moved core activities to lower wage countries. All of these factors increased vulnerabilities that a degree of de-globalization may seek to address.

The SARS-CoV-2 virus was first identified in Wuhan, although there is increasing evidence that it was circulating more widely in the second half of 2019 (see for example Andersen et al., 2020; Deslandes et al., 2020).8

Addressing a pandemic involves two steps: identifying and reporting a new pathogen; and bringing it under control. For any country, dealing with an outbreak of a previously unknown contagious disease is extremely difficult at the best of times. In China COVID-19 was first identified on 31st December 2019 as ‘an influenza of unknown origin’. On 2nd January samples were provided to Chinese researchers who by 7th January had isolated the pathogen’s DNA and RNA. By 11th January the research teams had sequenced the SARS-CoV-2 genome, and on 12th the details were uploaded to an international database. Once person to person transmission was confirmed, Wuhan was shut down on the eve of the Chinese New Year between 23rd and 25th January.

At first the health system in Wuhan was over-whelmed, but China quickly implemented an effective public health strategy. Involved were a lockdown in Wuhan and Hubei Province and a health emergency in all other provinces; speedy development, distribution, and deployment of a test for the virus; the identification of cases, the tracing of contacts and quarantine of both cases and contacts in safe and secure facilities; and the mobilization of numerous layers of cadre and the general population for medical, social service and livelihood tasks (Prashad et al., 2020).

7 A fat tail is a rare event at the extremes of a statistical distribution and that is therefore improbable yet has the greatest consequences. A Black Swan is one that has never occurred or is, at least, extremely improbable yet has large effects. A White Swan event is one that is unpredictable but occurs with a high degree of certainty.

8 Kunkle, Frederick (2019) Third person has died after respiratory illness outbreak at Greenspring Village, Fairfax officials say. https://www.washingtonpost.com/dc-md-va/2019/07/17/third-person-has-died-after-respiratory-illness-outbreak-greenspring-village-fairfax-officials-say/.

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8 Trade is multi-lateral rather than bi-lateral and involves significant intra-industry transactions in global supply chains. As a result, shipments of final goods are misleading. OECD trade in value added estimates suggest that only two-thirds of the value of Chinese exports to the US is added in China. One-third derives from imports from other countries that undergo further processing in China.

9 Federal Reserve Bank of St. Louis (2020) Net saving as a percentage of gross national income (W207RC1Q156SBEA), https://fred.stlouisfed.org/series/W207RC1Q156SBEA.
In identifying the new pathogen and in quickly informing the World Heath Organisation (WHO) and other countries, China made a major contribution to warning the world about the COVID-19 outbreak. Nonetheless, in late January and early February 2020, the pandemic led to a wave of demonization of China and hostility towards Chinese people.9

Once the presence of the virus was reported in liberal western societies, the initial response in many cases was to allow the pandemic to run its course. In some countries such as the United Kingdom this stance was associated with a quest for herd immunity, sacrificing people at risk, of whom many would have retired and were considered by some people of little economic value. However, out of fear many people chose to protect themselves. As the pandemic spread however and as models suggested unacceptably high mortality rates including amongst people under 60 years of age, measures were adopted to contain it. By that stage these countries had already missed the opportunity to prepare, while subsequent steps revealed significant governance competence and capacity deficits.10

As of late July 2020 in China the death rate was 0.33 per 100,000 (Fig. 5a), while the pandemic had been more or less halted in its tracks in mid-March, though the risk of new outbreaks, of which almost all come from abroad, remains, with one in May 2020 in Jilin Province, an earlier one in Suifenhe in Heilongjiang Province and another in June in Beijing (associated with a European variant of the pathogen possibly imported via a cold chain). Other areas that put in place effective responses include South Korea, Vietnam, Kerala in India, Hong Kong, Japan, Taiwan and New Zealand. In the US within more than four months from the first recorded death, the rate stood at 44.5 per 100,000 of population (Fig. 5a) and was still rising with a new wave of cases (Fig. 5b).

Comparing these figures with national per capita health expenditure is extremely revealing. In 2016 per capita health expenditure in the US was $9903.65. In Germany it was $4727.45 at Purchasing Power Parities. For Italy the corresponding figures were $2739.84 and $3264.37, while for China they were just $398.33 and $5550.18.43

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The effectiveness of a country’s response to a pandemic depends on (1) the universality, capacity and effectiveness of the medical and public-health system, (2) the universal availability of people’s livelihood resources, (3) the ability of a government to maintain public support for its actions and (4) the degree of social cohesion, social responsibility and related social and cultural values, including the line between the right/freedom to do anything one wants and is able to do without interference and the right to freedom from poverty, hunger, unnecessary illness and so on (Rousseau, 1997 [1762]).

A national response, however, does not suffice. A pandemic reveals human kind’s deep-rooted needs for solidarity, cooperation and mutual aid. In some countries, however, it generated a selfish scramble for resources. In the light of China’s remarkable success in controlling the first wave of the SARS-CoV-2 virus, China itself made efforts to share information and its experience and provide medical supplies and medical teams to severely hit countries. By the end of May 2020 it had provided assistance to some 150 countries and four international organizations and had sent 29 expert medical expert teams to 27 countries (State Council, 2020). China’s emphasis on humanitarian aid derives from the fact that its foreign policy is anchored in non-interference and that this type of public good should prove relatively uncontroversial.

However, critics quickly claimed that Chinese (and RF) assistance was (were) designed to disrupt an increasingly divided European Union (EU). The EU was already reeling from the 2007/9 financial crisis, the 2009/14 sovereign debt crisis, the 2015/20 migration crisis, the imposition of sanctions on the RF over Ukraine, BREXIT and the economic divergence associated with the chosen model of monetary integration. The pandemic has exacerbated its problems in particular due to its inability to come to the help of the most adversely affected countries. In the words of Aleksandar Vučić, the President of Serbia which is expected to join the EU in 2025, ‘we have all understood that European solidarity does not exist.’ As already mentioned, it was China, via the nascent ‘Health Silk Road’, the RF, Venezuela and Cuba that provided assistance. Although the EU will argue that public health is largely a national responsibility, it remains the case that cross-border solidarity was almost non-existent, while suggestions for ‘shared European debt’ met fierce resistance from Germany, Austria and the Netherlands.12

In other cases there were criticisms of Chinese products. These criticisms are warnings. In one case ill-informed decisions were made, purchasing equipment to test for the presence of antibodies rather than for COVID-19. Quality issues and unscrupulous market behavior do however require serious attention, and in fact led the Ministry of Commerce to introduce a new regulation from 1st April 2020 requiring any exporter of medical supplies to provide a quality statement, a medical license and meet specific

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9 Unfortunately, the initial response of some political figures and most mass media in the western world was to see western advantage in economic disruption in China and to slander China and its people in ways reminiscent of the neo-colonization of China after the Opium Wars.

10 In relation to the US Robert Reich said: ‘Instead of a public health system, we have a private for-profit system for individuals lucky enough to afford it and a rickety social insurance system for people fortunate enough to have a full-time job’. Reich, Robert (2020) America has no real public health system – coronavirus has a clear run. https://www.theguardian.com/commentisfree/2020/mar/15/america-public-health-system-coronavirus-trump.

11 Organisation for Economic Co-operation and Development, OECD health statistics 2020. https://www.oecd.org/elc/health-systems/health-data.htm.

12 Hadfield, Amelie (2020) Coronavirus: what is the European Union doing to manage the crisis? https://theconversation.com/coronavirus-what-is-the-european-union-doing-to-manage-the-crisis-135097.
importing country requirements. China was then criticized for restricting supplies, at which point these quality control measures were relaxed. Also important however are the risks that arise from differences in industrial standards. In seeking to provide assistance or enter US markets Chinese companies should reflect on the existence of different standards in the US and China and the case of Beixin Building Materials that entered the US gypsum plasterboard market at the time of Hurricane Katrina in 2005. At the time of the 2008 financial crisis 4000 owners seeking a reason to not make mortgage repayments lodged a complaint. Although there was no evidence of quality problems in multiple world markets, Beixin Building Materials was forced to settle to the tune of US $248 million.13

Notwithstanding these and other challenges, stark differences in the effectiveness of national responses have major implications for world order. In any competition between nations and civilizations the more successful are those who master technology, establish effective systems of governance and establish sustainable and productive relationships with natural and economic forces. Technology development and public health are collective endeavours that depend not just on creativity but also on social institutions, governance, modes of regulation, societal cohesion and social values.

China’s investments in education and research are paying off in scientific and technology development. After the 2007/9 financial crisis China managed to recover and lead global growth, while the developed western world largely stagnated. The pandemic however adds a significant new dimension in that it and other threats such as climate change and environmental pollution shift the competition onto new grounds. In the case of these challenges, societies than can move as a single organism and can pool and mobilize resources of all kinds have an advantage, while western liberalism and individualism are ill-equipped to succeed.

One of the most fundamental reasons why is that what this pandemic and indeed the earlier financial crisis have revealed is the vital role of national governments and in particular of sovereign national governments. In the neoliberal era it was claimed that governments are the problem, certain government powers should be eroded and the role of the state redefined, removing national scale obstacles to the free movement of capital, goods, money and sometimes people, as in the case of the EU, so as to establish a single global market, global rules and globalization of all aspects of life.

The pandemic showed that no country can handle public health issues effectively without an effective government that with the support of its people can deal with security, internal legal order, medical care and education. In a pandemic situation a government serves as an agency that can ‘rescue its people from the threats that the private sector is determined to be unable to overcome’ (Puškov, 2020 Authors’ translation from Chinese version).

To divert attention from these differences in performance and the evidence of governance failure, governments and mass media in the US and some of its allies sought to attribute responsibility to China, in some cases demanding compensation. In the end these differences will prove impossible to hide and will lead in the direction of a global reset. In the short term however international rivalry has increased.

As a result in April 2020 Chinese President Xi Jinping made it clear that China should be prepared for relentless and unprecedented foreign challenges that include not just economic decoupling, resistance to the Belt and Road Initiative (BRI) and challenges on other fronts. A recent report from the China Institutes of Contemporary International Relations (CICIR) which is affiliated with the Ministry of State Security indicated that China will have to ‘prepare for armed confrontation between the two global powers’.14 The RF had already indicated that the US is deploying missile defense systems designed to give it a first strike capability against the RF and China,15 although RF President Putin takes the view that Russia’s new defensive hypersonic missiles have trumped the US quest for strategic advantage (Martyanov, 2019), and the RF has agreed to help China develop an early warning system. At this stage however a peaceful if turbulent transition is still possible. Given the dangers of war between nuclear powers, a largely peaceful transition is also the most probable outcome.

4. Quantitative easing, modern monetary theory and responses to an economic shockwave

The pandemic was also a catalyst and amplifier of economic and financial crises that were on their way. Initially lockdowns brought economic activity to a juddering halt, generating large supply side shocks. As incomes declined, a demand side shock was added. Dramatic slumps in production,
investment, employment and incomes saw growth rates drop by some 2% per month of containment.\textsuperscript{15} The World Trade Organization predicted a drop of 13% to 32% in world trade in 2020.\textsuperscript{16} Commodity prices dropped sharply, as did the exchange rates of the currencies of many emerging economies. From the start of the pandemic to late May 2020 capital outflow from emerging economies stood at US$83 billion exacerbating debt distress.\textsuperscript{17} An avalanche of insurance claims and debt defaults was anticipated. In countries without adequate safety nets or access to savings, the consequences for people who lost formal or informal jobs were devastating. Numerous national governments announced a need for emergency loans.

On 14th April an IMF World Economic Outlook report predicted a 3% decline in world GDP rather than the increase of 2.9% predicted in January 2020 and 3.4% predicted in October 2019 (International Monetary Fund, 2020c). A decline of 5.9% was predicted for the US compared with 1.2% growth in China. These figures are 7.9% (7.6%) and 4.8% (4.6%) less than the January 2020 (October 2019) forecasts, widening China’s lead in growth performance over the US. More strikingly in April 2020 China was predicted to account for 51.2% of world GDP growth in 2020 and 2021, with other emerging and developing countries accounting for another 45% (Fig. 6). Outcomes will depend of course on the extent to which COVID-19 is brought under control (Fig. 5b). In the US 20.5 million people declared themselves as unemployed in April 2020, and the unemployment rate leapt to 14.7%, while ahead of the crisis the labour force participation rate had already fallen to 62.8%.

Governments in capitalist countries announced stimulus packages and for the capitalist sector credit, asset purchases, loan guarantees and interest rate cuts that dwarf the support provided since 2008. As of early May 2020 the US Congress had approved some $3 trillion for the financial sector in four measures over two months. Of the US $2.3 trillion Coronavirus Aid, Relief and Economic Security Act (CARES) taxpayer-funded package, $560 million was for individuals, $339.8 million for subnational government and $153.5 million for public health, with other resources for a safety net and education. $377 billion was to go in cash and loans to small companies and $500 billion to large corporations that may never repay.\textsuperscript{18} Of the latter however $454 billion was for ‘loss-absorbing capital’ for a special purpose vehicle which the Federal Reserve would leverage by a factor of ten ($4.54 trillion) for loans, loan guarantees and other investments. Notably this part of the bail-out was not subject to conditions concerning the way the resources were used. Alongside these measures, since early February the US Federal Reserve had created $1.5 trillion (nearly $12,000 for each of 130 million US households) and given it to Wall Street financial institutions on terms that enabled them to make pro

Companies and financial corporations for the financial sector in

The adopt of stimulus measures of this kind is sometimes seen as a vindication of modern monetary theory (MMT): the view that, as long as resources are less than fully employed, a sovereign government can incur debt (a Keynesian argument) and print money avoiding debt service costs (an MMT argument) without a risk of default or of inflation (Fullbrook & Morgan, 2020; Kelton, 2020). In the first case, growth is expected to exceed the rate of interest, enabling debts to be serviced and repaid. In the second, increased investment and productive capacity is expected to raise the output of goods and services. However, government printing of money does not mean that companies will invest and create new value. Money may simply be used to inflate financial markets for stocks and bonds. Cash may be accumulated or debts recycled, reducing the velocity of money (the money supply relative to GDP) especially in a world of zombie companies whose profits just suffice to service constantly recycled debts. And if money enters markets for goods and services without an increase in output, inflation will result.

Just as a surge in liquidity on its own after the 2007/9 crisis did little to boost productive investment, so too will it almost certainly fail to do so on 45 billion to $444.89 billion. The purpose was to enable asset purchases and prop up stocks and corporate bonds.\textsuperscript{21} To date CARES initiatives have softened the social impacts. However, the main outcome of this injection of liquidity has been stock market inflation, with valuations increasingly divorced from underlying economic realities. In the US 85% of stocks are owned by the richest 10% of Americans.

A striking feature of the US case is that the Federal Reserve provided loans to non-financial corporations for the first time since the 1930s (Brenner, 2020, pp. 5–6). On 23 March 2020 the Federal Reserve embarked on what was a second aspect of its strategy: instead of getting money to financial institutions on terms that enabled them to make profitable loans to non-financial corporations, it indicated its determination to acquire and put a floor under corporate debt. This step reduced risks and restored bond markets, enabling companies to refinance themselves, without addressing the problems of productivity and profitability that made them debt-dependent. In this way it put off corporate bankruptcies and protected corporate debt holders and equity markets, socializing what should be the private losses of the super-rich. For Brenner (2020, p. 22) ‘worsening economic decline met by intensifying political predation’ and ‘escalating plunder’ characterizes this epoch and does not augur well for the capacity of the US to compete with rising powers.

Martens, Pam and Martens, Russ (2020) Meet the Fed’s global plunge protection team https://www.wallstreetonparade.com/2020/05/meet-the-feds-global-plunge-protection-team/.

\textsuperscript{15} Organization for Economic Cooperation and Development (2020) New OECD outlook on the global economy, http://oe.cd/coronavirus/en/.

\textsuperscript{16} Azevedo, Roberto (2020) Trade set to plunge as COVID-19 pandemic upends global economy. https://www.wto.org/english/news_e/pres20_e/pr855_e.htm.

\textsuperscript{17} Georgieva, Kristalina (2020) The Great Lockdown: Worst economic downturn since the Great Depression. https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency.

\textsuperscript{18} The Senate of the United States (2020) Purpose: Providing emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic. https://assets.bwbx.io/documents/users/iqjWBFdLkhUu5YVulkGv/US%20CARES%20Act.pdf.

\textsuperscript{19} Organisation for Economic Cooperation and Development (2020) New OECD outlook on the global economy, http://oe.cd/coronavirus/en/.

\textsuperscript{20} In late April 2020 an International Monetary Fund Proposal to increase Special Drawing Rights (SDRs) was blocked by the United States and India. SDRs are supplementary reserve assets determined by a weighted basket of five major currencies. SDRs could create additional international liquidity at no extra cost and are preferable to IMF loans and US Federal Reserve swap lines.

\textsuperscript{21} Martens, Pam and Martens, Russ (2020) Meet the Fed’s global plunge protection team https://www.wallstreetonparade.com/2020/05/meet-the-feds-global-plunge-protection-team/.
migrant workers had returned home. China plans to invest some US$ 1.4 trillion in next-generation information networks and 5G applications, new energy vehicles, internet Plus, new urbanization and major transport and water conservation projects.

Measures to relaunch economic development will have to counter negative headwinds, of which one is the need to ensure pandemic control in the absence of a vaccine, limited immunity and the existence of countries that have not eliminated the SARS-CoV-2 virus. The absence in many countries of domestic supplies of vital goods and services may lead to a reconfiguration of some supply chains and greater national self-reliance. A degree of relocation is already underway with activities offshored to Vietnam and India and others moved inland, although the evidence is that at least until 2015 the reliance of North America and Europe on Chinese intermediate goods continued to increase. In China the domestic reorientation of some supply chains will accompany a movement westwards to help drive western development and the internal market. Japan earmarked $2.2 billion of its economic stimulus package to help its manufacturers shift production back to Japan or to other south-east Asian countries. To move anything other than high value-added activities to high income countries would however require major investments in plant, equipment and skills taking many years and involve considerable wage cost increases, decreases in profitability and increases in prices (Delaney et al., 2017). Certainly parallel supply chains and buffer stocks will be established.

A degree of US-China decoupling will occur due to tighter controls on technology exports. This strategy is however double-edged. In April 2018 the US blocked Qualcomm semiconductor sales to China’s ZTE Corporation. On 15th May 2020 the US Department of Commerce introduced a new extra-territorial measure against Huawei requiring all foreign companies making Huawei-designed semiconductors using any US software or technology to obtain a license before shipping to Huawei. This measure affects Taiwan Semiconductor Manufacturing Co which supplies Huawei. Huawei however immediately had an alternative source for some of its Taiwanese requirements with the completion of the design, manufacture testing and packaging of Huawei’s new HiSilicon Kirin 710A chipset in China by China’s Semiconductor Manufacturing International Group in Shanghai. In the first quarter of 2020 HiSilicon displaced Qualcomm as the leading supplier of semiconductors in China. Alongside high-end microprocessors for its phones and servers, Huawei also needs radio frequency devices for its 5G base stations. At present high-end semi-conductor fabrication equipment is made by Silicon Valley’s Lam Research and Applied Materials along with the Netherland’s ASML which has a monopoly on extreme ultraviolet lithography (EUV). China has however developed its own EUV machine and will almost certainly seek to remove US content from its supply chains, which at present serve as the world’s largest market for semi-conductors, and seek alliances with non-US companies. In China itself Huachuang Technology has etching and lithography machine capabilities, and China will certainly press ahead and seek to develop a complete domestic semiconductor supply chain. At the same time international suppliers may remove US equipment from their production lines in order to retain market share in the immensely important Chinese market. In response to the US measures, Chinese sources also indicated that it may retaliate with actions against Apple, Qualcomm, Cisco and Boeing, for all of whom the Chinese market is exceptionally important.25

The US can also disrupt China’s economic recovery through measures designed to restrict China’s access to SWIFT (Society for Worldwide Interbank Financial Telecommunications) and the US banking system. To address this risk China developed CIPS (China International Payment Service) just as the similarly threatened RF developed SSPS (System for

23 Baldwin, Richard and Freeman, Rebecca (2020) Trade conflict in the age of Covid-19 https://voxeu.org/article/trade-conflict-age-covid-19.

24 Cureton, Demond (2020) The chips are up: Huawei mass-produces mobiles with mainland chipmaker SMIC in major Trade War win. https://sputniknews.com/business/202005151079314892-the-chips-are-up-huawei-mass-produces-mobiles-with-mainland-chipmaker-smic-in-major-trade-war-win/.

25 Li, Sikun (2020) China ready to target Apple, Qualcomm, Cisco and Boeing in retaliation against US Huawei ban. https://www.globaltimes.cn/content/1188491.shtml.
Transfer of Financial Messages). China and the RF are also seeking to reduce the role of the US dollar as a reserve currency, as a currency used in international transactions and as a currency in which debts are denominated.

Accordingly, China has sought to increase the role of the RMB in cross-border trade and investment and in industrial supply chains, and it has signed bilateral currency swap deals with some 40 countries. China has made major progress with its own sovereign state-regulated Digital Currency Electronic Payment (DC/EP) system. At present the People’s Bank of China (PBOC) is piloting this new currency which uses blockchain technologies and makes China a global leader in a cutting-edge application of science and technology. China’s digital yuan ‘provides a functional alternative to the dollar settlement system and blunts the impact of any sanctions or threats of exclusion both at a country and company level’ (Guppy, 2020).

At the same time it avoids US financial monitoring, and will afford more control over the shadow-banking system and the flow of illegal funds. As it expands globally, it will permit the emergence of a global payments system, offering a point-to-point alternative to the US-dollar dominated financial system and eroding the power the US derives from it.26

De-dollarization has been made much more urgent by the new wave of QE that may devalue dollar holdings and the recent intensification of conflict with the US. At present however China has a very long way to go. Over one-half of the Chinese central banks US$3.1 trillion worth of foreign exchange reserves and much of China’s $2 trillion of outward investment stock are thought to be denominated in US dollars (OECD, 2020; PRC SAFE The State Administration of Foreign Exchange, 2020). According to data released by SWIFT in May 2020 US dollars accounted for 40.88% or all international payment transactions, with the RMB accounting for less than 2%, while at the end of April 2020 the US dollar accounted for 61.99% of the foreign reserve holdings of all IMF Member States compared with 0.1% for the RMB (International Monetary Fund, 2020b; Wang, 2020).

Considerable scope still exists for increased South-South and Eurasian connectivity and economic integration. The path and model of development will change with co-operation in multiple fields: infrastructure, energy, trade, investment, finance, insurance, agriculture, industry, education, health and culture. An important step was the establishment in 2015 of the multilateral Asian Infrastructure Investment Bank (AIIB) in which the major shareholders are China (20.06% of voting shares for which it contributed one-half of the initial capital of $100 billion, of which 20% is paid-in and 80% callable), and India (7.01% for $8.04 billion). The AIIB expects to lend $20 billion per year in the near future, mobilizing financial resources and investing in co-investing in infrastructure to boost connectivity, trade and development. AIIB aid to members will create significant markets in developing countries around the world.27

Although pandemic-induced work safety considerations, supply chain disruptions and travel restrictions largely stalled China's BRI, the new Health and a Digital Silk Road concentrating on health applications of digital technologies were given an impetus. The China-Europe Express Rail proved its worth in shipping medical supplies. As for transport infrastructures, economic development zones and power generation, construction of strategic projects will continue and China’s own development implies co-development with other countries. At present 56 BRI countries account for 36% of China’s trade, while China can expect to develop trade relationships with Japan, South Korea and the Association of Southeast Asian Nations (ASEAN). In the years ahead China will probably act again as an engine of growth for countries connected with it (Fig. 6). China will also seek to establish a network of constructive relationships with other countries not just via the BRI but also through its role in the Shanghai Cooperation Organization, the AIIB and the New Development Bank and its development co-operation initiatives (Dunford, 2020), while convergence between the BRI and the Russian-inspired Eurasian Economic Union will represent early steps in forging a Greater Eurasian Partnership.28

The clear implication is that stronger relationships with developing countries will play an important role. At the 73rd World Health Assembly in May 2020, President Xi Jinping pledged $2 billion over two years. The aim is to help with COVID-19 responses, setting up a global anti-epidemic response supply chain in China, establishing a cooperation mechanism to help strengthen African disease preparedness and control capacity and making any COVID-19 vaccine China develops a global public good. China also plans to work with other G20 members to implement the Debt Service Suspension Initiative for the poorest countries, and is already helping countries unable to service debt.

5. Conclusions

COVID-19 arrived in a world in which western growth and real productive investment were stagnating, in which successive rounds of QE had stabilized developed country financial systems without restoring growth and where disengagement was rife. Neoliberal governance had restricted the resources and instruments at the disposition of governments to the great advantage of corporate elites. Digital technologies, offshoring and the concentration and centralization of capital had reduced middle class career paths for young people and secure employment opportunities for the former working class, helping create a vast precariat. Globalization had seen extraordinary increases in inequality and a transfer of economic authority from nation states to global corporations and supranational organizations such as the EU, World Bank and International Monetary Fund. At an international scale attempts to establish a western liberal order in a post-Cold War world saw a succession of conflicts, destructive wars and large-scale refugees movements, with other population movements driven by a lack of development.

As the western world struggled with these problems, Chinese economic growth led the world, a 400 million strong middle class emerged and a targeted poverty alleviation programme will end absolute poverty by the end of 2020, ushering in a moderately prosperous (小康 - xiāo kāng) society. On the Eurasian continent the RF recovered from its extraordinary economic collapse in the 1990s and the progressive encroachment of NATO to re-emerge as an important resource-rich actor on the international stage. Arriving in this world, COVID-19 added new drivers that have already started to reshape and reinforce emergent trends in global geographies of wealth and power. A number of mechanisms are involved. Addressing a pandemic requires first of all effective governance, with responses revealing a great deal about the priorities, strengths and weaknesses of national governance systems (Wallis & Zhuo, 2020). China prioritized human life over economic considerations: ‘life is of paramount importance’ as Xi Jinping said on 25th January 2020.29 Countries such as China with a strong meritocratic state and strong popular support proved effective in dealing with the governance challenges involved, as also did a number of other places in East Asia. By contrast western liberal countries not only hesitated until the situation was virtually out of control but revealed weaknesses stemming from the priorities attached to private property and individualism and the erosion of national sovereignty.

26 Observer network (2020) US media: Could China’s digital currency unseat the dollar? [mi mí méi: zhòngguó de shìhuì huòbì huǐ bá méiyuán xiǎn xià ma?] http://mil.news.sina.com.cn/china/2020-06-14/doc-iircuyvi8354147.shtml.

27 China’s aim was to make better use of its foreign currency reserves after its attempt to invest more and get more control of existing multilaterals was blocked by the US, Japan and the EU. Although it sought to learn from existing institutions and shares a commitment to a zero tolerance of corruption and environmentally sound projects, it also differs in its emphasis on infrastructure (roads, hospitals, airports, schools and so on rather than the social programmes on which other multilaterals have concentrated since the 1980s) and a commitment to a minimum bureaucracy. At present decision-making is centralized, avoiding duplication, while ideas for a virtual presence in places outside of Beijing and Hong Kong are being explored. By April 2020 it had approved 70 projects worth $13.8 billion with another 43 worth $24.9 billion in the pipeline, and was exploring novel ways of involving the private sector in project finance. Wilson, Elliot (2020) Asia: Could Covid-19 be the making of the AIIB? https://www.euromoney.com/article/81199yrbtzsc/asia-could-covid-19-be-the-making-of-the-aiib?copyrightId=1 true.

28 In addition the BRICS New Development Bank (NDB) holds a lending portfolio of more than $15 billion and a Contingent Reserve Arrangement with a capital of $100 billion.

29 http://mil.news.sina.com.cn/2020-01-25/c_1387343715.htm.
Second, a pandemic is a phenomenon that does not respect national boundaries and whose prevention and control depend on a respect for science and international co-operation (rendered complicated in a post-truth social media world). In the COVID-19 case the countries that acted most clearly on the international scene were countries sanctioned by the US such as China, the RF, Venezuela and Cuba. The US ended its support for the World Health Organization, with China stepping in to provide a $2 billion donation. The damage of the US response to its international credibility and global stewardship has provided China and the RF with a great strategic opportunity to promote their own conception of an international order centred on a system of sovereign states with different development models and civilizational values. This conception rests on principles of peaceful co-existence, mutual respect, co-operation and win-win rather than competition and conflict. All nations participate as equals in international institutions designed to provide jointly global public goods and address collectively the problems faced in an unavoidably interdependent world.

In that case a system of global governance in which almost all countries are the takers of norms and rules set by western countries will give way to one in which a much wider group of countries will emerge as collective norm and rule makers.

Third, the risk of an economic depression and a debt-induced financial crisis in the western world combined with the capacity of the Chinese government to channel resources into productive investment through its state-controlled banking system and state-owned enterprises point towards continuing wide differences in economic performance in the short and medium-term. In these circumstances the growth of China, East and Southeast Asia and other emerging countries closely connected with China will close the gaps in global development opened up by colonialism, imperialism and the first and second industrial revolutions.

This growth differential will also coincide differential progress in the technologies of the next industrial revolution. In this new world a new industrial revolution involving the development of the internet, the Internet of things, artificial intelligence, cloud computing, cloud services, robots, 3D printing and space exploration amongst other things will afford large potential increases in connectivity and reductions in circulation costs. As a result one should expect economic interdependence eventually to increase but in a way that differs significantly from the wave of neo-liberal globalization directed by global financial elites that originated in the western world at the end of the 1970s.

These trends all point to a shift in the centre of economic gravity towards Asia, a global reset and a new global order of sovereign national states that seek to restore control over their own destinies. If current inequalities in wealth and power are addressed, all governments can direct their attention to improving the livelihoods of all of their people rather than simply serving the interests of global elites. In the face of the tensions explored in The globalization paradox (Rodrik, 2011), the world depicted in Empire (Hardt & Negri, 2000) and in Connectography (Khanha, 2016) will give way. The way will be far from smooth, as tendencies towards US-China and US-RF disengagement indicate, and in the short term tensions may escalate depending especially on the choices of the Five Eyes and EU.

CRediT authorship contribution statement

Conceptualization: Dunford and Qi through joint discussion.
Methodology and investigation: Dunford and Qi both contributed to the collection of source materials. Numerical material was all handled by Dunford. Much of the qualitative material was provided by Qi.
Validation: Dunford and Qi with Dunford cross-checking against western sources and Qi checking against Chinese sources.
Formal analysis and data visualization: Dunford responsible for statisti- cal database construction and graphical data analysis
Resources: Dunford and Qi using personal and institutional computer, library and internet resources

Writing - original draft: Dunford prepared 70% of the first draft. Qi drafted several sections. Qi also drafted a related joint article in Chinese on which the original and revised drafts drew.
Writing - review & editing: Dunford and Qi though the English was fi nalized by Dunford

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The authors declare that there is no conflict of interest.

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