

УДК: 33.338.2

DOI: 10.21209/2227-9245-2021-27-5-126-133

**REGIONALISM APPROACH UNDER THE COVID-19 CIRCUMSTANCES****ПОДХОДЫ РЕГИОНАЛИЗМА В УСЛОВИЯХ COVID-19**

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The outbreak of Covid-19 disease since late 2019 has led to fundamental changes in the process of globalization and liberalization of the world economy. In order to prevent the spread of this disease and control its negative consequences, many countries have implemented policies such as urban quarantine, cutting off passenger communication with neighboring countries and the world, closing tourist and tourist places, and implementing policies to protect domestic industries. In general, it led to the phenomenon of reverse globalization. According to the development of new economic convergence, which is based on the role of the market in economic relations between countries can play an important role in improving the productive capacity of countries in a region and create economic integration in different parts of the world. Such a state of integration in different parts of the world could be the solution to the process of globalization and in the post-Corona era, the concept of "one for all, all for one" was created at the regional and global level. As policy implications, the paper recommended some points to make a greater integration between Iran and Russia in the region

**Key words:** COVID-19; Regionalism; Reverse-globalization; production potential; Iran; Russia

Вспышка заболевания Covid-19 с конца 2019 г. привела к фундаментальным изменениям в процессе глобализации и либерализации мировой экономики. Чтобы предотвратить распространение этого заболевания и контролировать его негативные последствия, многие страны внедрили такие политики, как городской карантин, прекращение пассажирского сообщения с соседними странами и миром, закрытие туристических мест и осуществление политики по защите отечественной промышленности. В целом это привело к феномену обратной глобализации, которая, согласно развитию новой экономической конвергенции, основанной на роли рынка в экономических отношениях между странами, может играть важную роль в повышении производственного потенциала стран в регионе и создавать экономическую интеграцию в различных частях мира. Такое состояние интеграции могло бы стать решением процесса глобализации, и в эпоху после короны концепция «один за всех, все за одного» создалась бы на региональном и глобальном уровнях. В качестве политического значения в документе рекомендуются некоторые моменты для большей интеграции между Ираном и Россией в регионе

**Ключевые слова:** COVID-19; регионализм; обратная глобализация; производственный потенциал; Иран; Россия

**Introduction.** With the outbreak of the coronavirus in China in late January of 2020 and its spread to various countries, economic markets around the world were hit hard. According to economists, the risk of coronavirus (Covid-19) is such that it can be considered the beginning of a recession in the global economy, although the

impact of the outbreak of coronavirus on different economies is not being the same. The most important global effects of the coronavirus outbreak include increase of unemployment, and poverty severe shocks to the social welfare of developing and underdeveloped countries and negative effects on labor expectations.

Some scholars like [12] have argued that governments have prioritized policies to reduce imports, weaken trade liberalism, and increase protectionism in order to help domestic production under the Corona circumstances. It means that globalization during the Corona outbreak can be considered as a threat to national security. Because on the one hand, globalization means the absence of geographical borders in the interactions between countries, and on the other hand, globalization means the presence in common global markets in which domestic companies have to compete with their global competitors. These two factors lead to a lack of pandemic control and also to the weakening of the economic power of developing and underdeveloped countries, which in turn will be the cause of

the inability of their domestic firms to compete with their stronger global competitors.

Governments' efforts to undermine trade liberalism and increase protectionism have slowed regional convergence as well as globalization. [1, p: 4] believe that countries' efforts to prevent the outbreak of the coronavirus and its mutants (e.g. Indian version, British version, South African version) from other countries lead to geographical boundaries and reduced communication with other countries. Such a situation can be called the concept of "*Reverse globalization*" under which the level of mobility of labor, capital and technology among countries is greatly reduced and divergence from the world plays a significant role in the life of national economies.

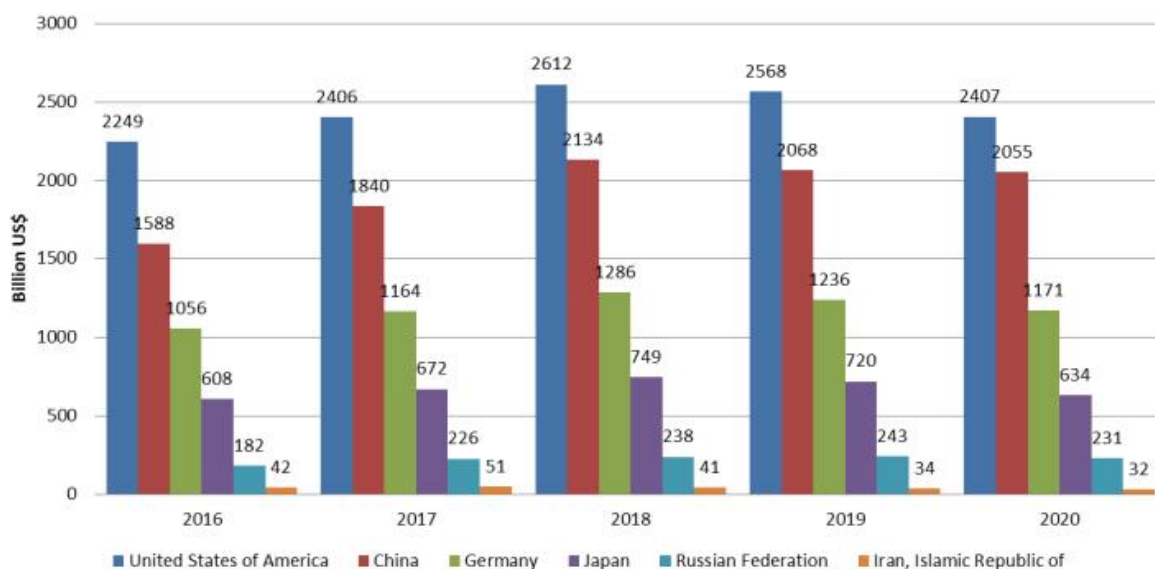


Fig. 1. Import volumes in different countries, 2016-2020, billion US \$ /  
Рис. 1. Объёмы импорта в разных странах, 2016–2020 гг., млрд. долл.

Source: Author's compilation from Trademap

One of the main signs of reverse globalization is the decrease in the volume of trade between countries in the world. Figure 1 shows the import volume of some countries in the period 2016-2020. It is clear that China, the United States, Germany, Japan, the Russian Federation and Iran have experienced declining imports from 2019 to 2020, mainly due to the quarantine, closure of businesses, and lockdowns of the pandemic.

Figure 2 shows the trend of changing the volume of exports of selected countries in the world. It is clear from Figure 2 that since 2019, countries such as China, the United States, Germany, Japan, Russia and Iran have experienced a decrease in exports of their local commodities. In the case of Iran, the rate of decline in exports in this period was faster than other selected countries due to the outbreak of the Coronavirus and the US withdrawal from the JCPOA in 2018.

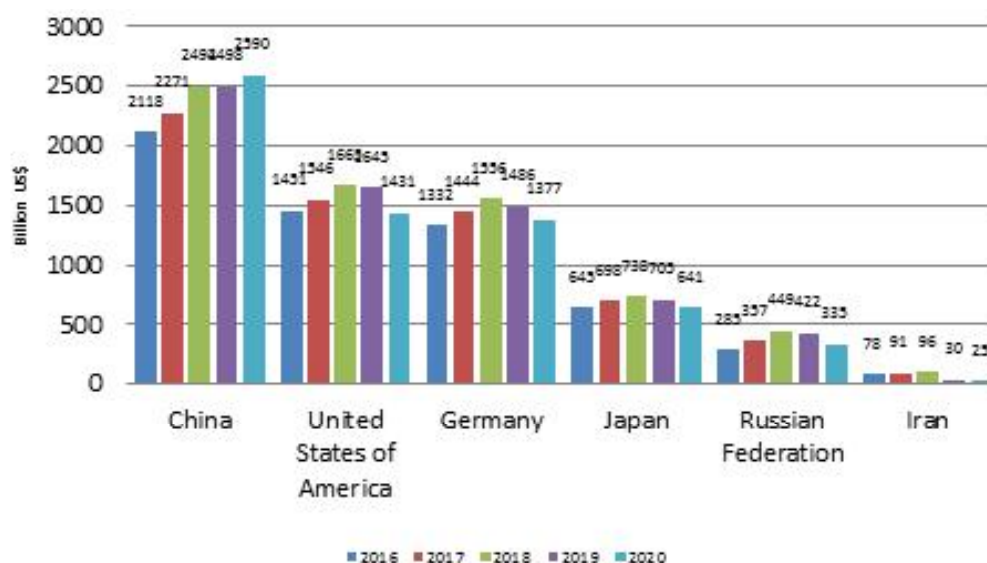


Fig. 2. Export volumes in different countries, 2016-2020, billion US \$ /  
Рис. 2. Объемы экспорта в разных странах, 2016-2020 гг., млрд долл.

Source: Author's compilation from Trademap

The purpose of this article is to examine the concept of reverse globalization and to provide solution to address this challenge for the countries of the world in the Corona and post-Corona eras. It is clear that if governments do not pay enough attention to the long-term negative effects of reverse globalization, the future of the world economy will be island-based (each country will supply a large percentage of the goods needed by its markets) and will not be interactive.

The contributions of this article to the existing literature are as follows:

- i. Introduction and interpretation of the concept of reverse globalization
- ii. Explain the two approaches of regionalism and multilateralism under Corona conditions
- iii. Propose the development of digital economy as an important tool to improve the process of globalization and convergence in the Corona and post-Corona eras.

The main methodology of this research is based on comparative- descriptive analysis which allows studying the situation of countries under the Coronavirus circumstances to follow our research goals and provide practical policy implications and concluding remarks.

The rest of paper is organized as follows: Section 2 provides a brief literature review to clarify the main literature gap that the paper wants to fill it in. Next, the impacts of the pan-

demic on different aspects of world economy are discussed. Section 4 represents the characteristics of regionalism under the COVID19 and finally we conclude the papers with major concluding remarks and practical policy implications, particularly for two cases of Iran and Russian Federation.

**Literature review.** The challenge of COVID19 and its direct and indirect impacts on economic structure and mechanism in countries have been drawn attentions by a number of scholars. [2] expressed that the major consequence of pandemic is the collapse of global trade which leads to a vague economic integration worldwide. In other study, [3] argued that the coronavirus outbreak harshly destroys the ties among regional countries which reduces economic and trade alliances between regional countries. [4] considered the COVID-19 as a chief reason of limitations of regional cooperation. [5] expressed that in the post COVID era, the countries have tendency to localization rather than globalization and the geographical borders will be highlighted as a major advantage and input for their national economic power. [6] highlighted that the pandemic has the potential to end the globalization and would be defined as a threat for global markets and cooperation.

According to the aforementioned literature review, this paper tries to highlight the need

to consideration of regionalism to combat the process of reverse globalization through regionalism.

*The COVID-19 and the world economy.* In this section, different impacts of the pandemic on the world economy are discussed. In order to combat the virus and prevent it from spreading, authorities around the world are considering measures such as imposing some restrictions, quarantining and shutting down businesses. With these measures and the closure of borders, much of the world's economic activity has come to a halt and many people have lost their jobs. According to [7]: "there were unprecedented global employment losses in 2020 of 114 million jobs relative to 2019. In relative terms, employment losses were higher for women (5.0 per cent) than for men and for young workers (8.7 per cent) than for older workers".

Another adverse effect of the corona has been on the services sector of the world economy. In the rich countries of the world, including the United States and China, services are considered an important industry and the main source of economic growth and employment. Transportation, real estate, travel and tourism are among the sub-sectors of services that have suffered the most negative effects from the corona outbreak. [8, p: 286] argue that the pandemic impressively affected demand and supply sides in the services sector. Changes in consumer utility, ethical issues and service providing have entered the services sector in a unknown and unpredicted process.

The production mechanism and its chain have been another economic sector influenced by the corona. The global manufacturing sector, which was affected by the Sino-US trade war, global oil price shocks and political tensions in the Middle East even before the start of the Corona crisis, experienced a significant decline due to the outbreak of Corona. According to the UNIDO report [9], the declines in production in industrial economies in the second, third and fourth quarters of 2020 were 16.2 %, 5.6 % and 1.6 %, respectively. A similar decline has been observed in developing economies and emerging markets such as China.

Another important economic sector that has been impacted by the COVID-19 is foreign trade. From the point of view of exporting countries, COVID-19 consequences have increased trade costs among nations. For instance [10, p:3] express that the lockdown decreases labor's

mobility with regards to workplace, whereas air flights and marine transportation between countries also reduced dramatically. Generally, under the COVID-19 situation, in an exporting nation the production scale, export potential and market penetration are reduced easily. Regarding importing countries, the trade impact chiefly generate from the reduction in aggregate demand due to the decrease in household earning, imposition of lockdown and travel restrictions. According to the report of UNCTAD [11], global trade recorded a reduction in value of nearly 9% in 2020, while trade in commodities dropping by approximately 6% and trade in services declining by nearly 16.5%.

*Regionalism approach: benefits and advantages.* Over the past two decades, multilateralism in economic interactions and regionalism in different parts of the world has become a growing trend that has led to increased trade between member countries and the smoothing of financial flows and labor within the region. Economically, regionalism is a process that begins with the creation of a free trade area or customs union between governments in order to liberalize or facilitate trade at the regional level. Indeed, the development of regionalism is one of the key forms of trade liberalization, which in the advanced stages leads from trade cooperation to economic and monetary cooperation, and then to political and security convergence. Regionalism as a deterrent mechanism leads to the provision of peaceful solutions to existing or potential crises between members and consolidates peace in the region. In previous decades, the focus and level of analysis was mainly on the national or international level. But in recent years, regional studies have become the focus of attention. Examples of these unions and regional institutions are the Eurasian Economic Union, ECOWAS, ARICAM, ECOGCC, MERCOSUR, NAFTA, EU LA LA, ASEAN, SADO, and APEC. Going through the process of globalization from the national level is a long way because national laws and their adaptation to the macro-international level are very complex and difficult, but the transition from the national to the regional level and from the regional to the global level causes Solve the complexities related to policy, cultural and structural statistics during the process of transition from national to regional level, and make the transition to the global level easier. In fact, the experiences of regional integration are a way to be in the process and scope of global

relations and globalization. Theoretically, regionalism can be divided into two generations, old and new:

Regionalism is based on historical experience in the form of old regionalism (before the 1980s) and modern regionalism (after the 1990s). The first wave of regionalism in Europe after World War II led to the formation of the European Economic Community in 1957, which was characterized by introversion, meaning that protectionist policies replaced more expensive domestic producers with cheaper ones outside the region. It seemed. This approach, known as Auto-centric Regionalism (AR), found a strong foothold in the Third World, as did the Lagos Plan for Africa. But changes in international political economy, especially in the late 1980s, gave rise to the importance of modern regionalism. The theory of modern convergence examines the interaction between the process of globalization

and the attempt to integrate regional economic systems. The new regionalism, which is more comprehensive than the old regionalism, has elements such as the system of production, the supply of labor, socio-cultural institutions, innovations, and the network of power that connects these elements. New regionalism is not in conflict with globalization and can even facilitate and accelerate the process of globalization.

Another point to note is that although regionalism will lead to increased global trade and globalization, the reality is that global free trade has not grown equally in all parts of the world. Figure 3 shows that over the period of 2014 to 2020 the trend of increasing intra-regional trade is true in all regions of the world. On the other hand, the largest relative volume of intra-regional trade belongs to the most successful regional institution, the European Union.

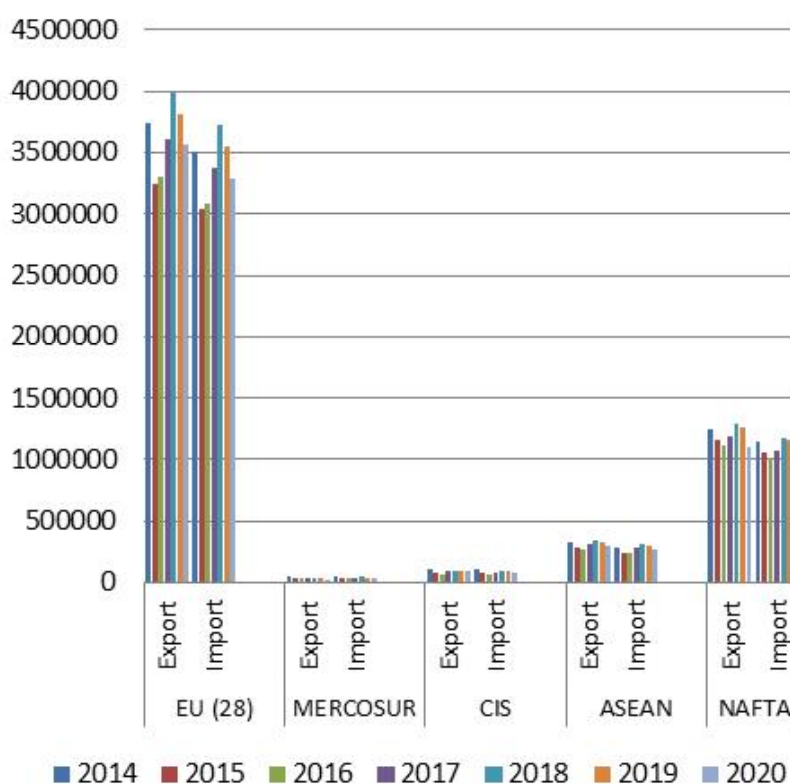


Fig. 3. Regional trade volume, 2014-2020, million US \$ /

Рис. 3. Объём региональной торговли, 2014-2020 гг., млн долл. США

Source: Author's compilation from Trademap

The formation of regionalism is due to the growth of protectionist policies and pressures and trade conflicts, and the division of the global economy into rival trade blocs, exacerbating tensions between them. Some experts consider regionalism as a threat to globalization and despite the possibility of transition from regionalism to pluralism, they see it as an obstacle to the spread of technology and globalization. In general, regionalism can have the following negative consequences for the globalization process:

i. Reduce governments' commitments to multilateralism and acceptance of global norms and rules.

ii. Economic liberalization occurs within the region in the form of inequality compared to outside the region.

iii. Instead of the same rules and regulations of international trade, different rules should be created in different regions and for countries, regional institutions should replace global systems.

iv. It changes the natural course of free trade, causing economic damage and diminishing political support for the multilateral system.

v. The presence of multinational corporations in a particular region further reduces trade barriers within the region and strengthens barriers to globalization.

vi. Evidence shows that even powerful governments gained more bargaining power by using regional leanings. The United States, for example, used NAFTA and OPEC as threats against others to make decisions around Uruguay.

In contrast, regionalism can accelerate globalization in the following ways:

i. It bridges the traditional gap between developed and developing countries.

ii. Creates the social culture necessary to enter the arena of global interaction in countries.

iii. Not only do small countries gain power in the region, but they also increase the bargaining power of the region in multilateral and global negotiations.

iv. Because modern regionalism is more market-based, it results in increased cross-border trade and investment.

v. In fact, we can say that regionalism is the same as globalization on a smaller scale.

*Regionalism under COVID-19.* The outbreak of coronary heart disease since late 2019 has affected the international regime, the process of globalization and the process of region-

alization. The threat of increasing corona-related deaths has led to urban quarantines, land and air connections between different countries, and increased government spending on health care, which has created reverse globalization and protectionism (reverse liberalism).

Proponents of regionalism alignment theory believe that under the corona as well as the post-corona era, regionalism and increased cooperation between countries within a region will resume the process of globalization. The experience of the past decades shows that regionalism generally leads to the convergence and unification of trade-related policies at the regional level and accelerates the liberalization of the world economy. As a result, regionalism in the Corona will contribute to the transition from weakened global convergence to deep global convergence. Of course, this requires negotiations in the region on labor rights, tax policies, competition rules and regulations, property rights, investment laws and environmental policies. It can be said that regionalism is an undeniable reality in the corona-induced ruptures that can create a stronger and more integrated world. Creating common markets in a region, increasing the productive capacity of the region, creating a common language of trade between the countries of the region cause the concept of "one for all, all for one" in the post-corona world.

*Conclusions.* In this article, the phenomenon of reverse globalization resulting from the outbreak of coronary heart disease and the actions of governments to dilute the negative results of the pandemic were discussed and the concept of regionalism as a strategy of countries in creating globalization in the post-corona era was discussed. However, accelerating regionalism requires negotiations with regional leaders, greater familiarity with product and service markets, greater financial support for small and medium-sized enterprises, redefining economic interactions and cooperation, deregulation of customs clearance and financial payments.

For two countries of Iran and Russian Federation who suffer from the COVID-19 circumstance, the imposed sanctions by the West and oil price fluctuations, the following points to improve the level of integration of them in the region are recommended:

Since the two countries can achieve more trade cooperation through the Caspian Sea (Maritime border between Iran and Russia), the

development of port infrastructures in northern Iran (two ports of Amirabad and Anzali) and southern Russia (Astrakhan) is proposed.

Iran-Russia regionalism has a common point of cooperation between Iran and the Eurasian Economic Union, which has entered into force since 2018. It is suggested that with more careful planning and more expert meetings, the capacities of trade and economic cooperation between Iran and Russia may be provided through the Eurasian Economic Union.

One of the problems of Iran's economy in the last decade has been the US financial and banking sanctions, which have been a major obstacle to Iran's monetary and financial relations with countries in the region. It is suggested that Iran and Russia accelerate the implementation of policies such as de-dollarization and the creation of a joint financial basket to reduce the effects of Western financial sanctions on trade cooperation between the two countries.

Iran and the Muslim republics of the Russian Federation have many cultural and religious commonalities, which could lead to greater economic convergence between Iran and Russia. It is suggested that the politicians of the two countries make more efforts to increase economic

interactions between Iran and the Muslim republics of Russia.

Creating a single trade network (STN) between Iran and Russia using information and communication technology infrastructure can increase the volume of trade between the two countries in the field of e-commerce. Implementation of this idea can be a positive and effective factor in improving the situation of small and medium enterprises (especially startups) in Iran and Russia.

One of the important preconditions of regionalism is familiarity with the customs, culture, traditions of countries with each other, which helps in this field of academic and scientific interactions. In this regard, it is suggested that the Ministries of Science of the two countries make the conditions of students' fluidity in educational levels better. This can help the people of the two countries become more familiar with each other's lifestyle and culture.

Since Iran and Russia have an oil-based economic system, cooperation instead of competing in energy markets can lead to greater synergy and influence of both countries in the world energy markets, which increases political and economic interaction of Iran and Russia in the region.

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**Для цитирования**

Расулинежад Э. Regionalism approach under the COVID-19 circumstances // Вестник Забайкальского государственного университета. 2021. Т. 27, № 5. С. 126–133. DOI: 10.21209/2227-9245-2021-27-5-126-133.

E. Rasoulinezhad Подходы регионализма в условиях COVID-19 // Transbaikalian State University Journal, 2021, vol. 27, no. 5, pp. 126–133. DOI: 10.21209/2227-9245-2021-27-5-126-133.

Статья поступила в редакцию: 14.06.2021 г.  
Статья принята к публикации: 21.06.2021 г.