

# What World

## POST-COVID-19?

### Three Scenarios

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#### INTRODUCTION

**T**he coronavirus pandemic presents a substantial shock to the postwar order, established by the United States and its allies. For the past 75 years, the United States and its partners have led a rules-based system predicated on liberal democratic values, an open global economy, and formal institutional bodies backed by powerful democratic states. But this order has not gone unchallenged, and the current pandemic threatens the future of the system at large. A downturn in Western economies could boost a rising China, while a global depression could breed support for protectionism. International bodies designed to safeguard public health appear weak and unable to contain the crisis, and alliances with transatlantic partners are fraying as nations turn inward and close borders. Sustaining and revitalizing the rules-based order that has guaranteed freedom, prosperity, and peace for decades requires a decisive global and US-led response to the pandemic.

This paper is a preliminary look at the geopolitical implications of a crisis that is still unfolding. Three scenarios are sketched out for the possible direction of the global system post-COVID-19. The Scowcroft Center's Foresight, Strategy, and Risks Initiative will continue to follow the course of the coronavirus, paying close attention to its geopolitical, economic, and social implications. In a situation of intense crisis, scenarios help to reduce the scope of possibilities, decrease uncertainty, and make the different options more visible. In using scenarios as a tool to manage deep uncertainty in a complex, volatile environment, the United States and its allies and partners can be more strategically agile and make better long-term decisions that protect and advance common interests.

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## I: PROSPECTS FOR THE COVID-19 PANDEMIC

If COVID-19 affected half the world's current population over the course of a year with a 1 percent fatality rate, the death toll would be 35 million. By comparison, the Spanish flu infected an estimated 500 million people and killed 50 million worldwide in 1918-19.

The most rapid spread of the coronavirus at the time of writing is in Europe and the United States, where it is overwhelming health systems. The diverse, late, and staggered applications of social distancing, quarantine, and lockdowns have not arrested the exponential rise of cases and deaths (as of early April 2020). Scenes of stacked coffins and exhausted health workers, several of whom have themselves caught the virus and died, are now no longer an exception. No one would have imagined such pictures coming from the most developed countries on earth.

### THE WORST IS YET TO COME

The worst may be yet to come, increasing the risks of a mutated strain of the virus. Africa, Latin America, and South Asia have only seen small numbers of coronavirus cases because testing is even more unavailable there than in Western countries. However, it is just a matter of time before they are hit by the same large wave that is overwhelming the United States and Europe. Health systems in the developing world have even less ability to respond. To take one example, Pakistan's public health system is extremely ill-equipped to handle any crisis; it only has, for example, 600 ICU beds for the whole Karachi population of 20 million.

Even as the coronavirus leaves a pile of dead in its wake, we may not be in the clear until a vaccine is discovered and widely distributed. To avoid a reoccurrence, countries will need to

FIGURE 1: Main Known Genetic Variants of the SARS-CoV-2 Virus Causing COVID-19



This phylogeny map shows evolutionary relationships of SARS-CoV-2 viruses from the ongoing novel coronavirus COVID-19 pandemic. This phylogeny shows an initial emergence in Wuhan, China, in Nov-Dec 2019, followed by sustained human-to-human transmission at a global level. The map shows clear genetic relationships, though the transmission patterns are inferred and specific transmission dates are still uncertain. Source: nextstrain.org, March 25, 2020

keep their social distancing measures in place and lockdowns enforced where hot spots reappear. It will be important not to ease up too soon on all restrictions, given the still lingering strain. Testing will need to continue in order to discover who might be a carrier despite showing no symptoms. Based on the Vò Euganeo experiment—the small village in Veneto, Italy, where all 3,000 inhabitants were tested twice—up to 50 percent of those infected could be asymptomatic, accounting for the larger spread than we would have seen from just the confirmed cases. Only when the public has been properly vaccinated will the virus be completely conquered.

We need to expect that the coronavirus will continue to mutate, potentially making it harder to develop a vaccine. RNA-based viruses like the coronavirus tend to mutate about 100 times faster than DNA-based ones, although COVID-19 will not mutate as quickly as influenza viruses.<sup>1</sup> Nevertheless, the general notion prevails: the more people are infected, the more of a chance for a mutation. As of late March, scientists had identified eight different strains of the novel coronavirus, all very closely related to each other.<sup>2</sup> We must be prepared for the coronavirus to become a “recurring fact of life,” like the ordinary flu, but much deadlier.

## SYSTEMIC SHOCK

The pandemic is not just a global health crisis. In its wake, the global economy lies in tatters, leaving open the question of how and when countries and regions will be able to start a real recovery, if governments must maintain social distancing and other restrictions for some time. We all hope for a quick V-shaped return to the status quo ante, but there are disturbing signs that the recovery will be difficult and extended, causing substantial damage to the social and political fabric in many regions. Without a swift global economic recovery, for example, the gains we have



A shift in demand, disruptions in supply chains and consumer panic have led to empty shelves in stores worldwide. Source: John Cameron on Unsplash

seen in the expansion of a global middle class and poverty reduction could be sacrificed. In rich countries where the middle class has already been under pressure, a return of high unemployment and income stagnation could bolster populism and widespread discontent.

The Spanish flu, which hugely added to the death toll from World War I, was a factor in ending the second phase of globalization and sparking conflict in the interwar period. From a dream of making the world safe for democracy, the post-World War I era ended up leading to the rise of fascism and communism in Europe. The United States turned its back on the world, electing not to join the League of Nations and passing draconian legislation that largely ended immigration.

Will there be a repeat of history in the post-COVID-19 era? Even before the pandemic started, there were ample signs of deglobalization, rising anti-immigration sentiment, and great power competition. Will the coronavirus, therefore, tip the balance against global cooperation and multilateralism

1 Thomas Pueyo, “Coronavirus: The Hammer and the Dance,” *Medium*, March 19, 2020, <https://medium.com/@tomaspueyo/coronavirus-the-hammer-and-the-dance-be9337092b56>.

2 “Genomic Epidemiology of Novel Coronavirus—Global Subsampling,” *Nextstrain*, <https://nextstrain.org/ncov/global>; Elizabeth Weise, “8 Strains of the Coronavirus Are Circling the Globe. Here’s What Clues They’re Giving Scientists,” *USA Today*, March 27, 2020, <https://www.usatoday.com/story/news/nation/2020/03/27/scientists-track-coronavirus-strains-mutation/5080571002/>.

and instead strengthen the forces of nationalism, populism, and authoritarianism? As in the interwar period, a lack of global cooperation at this critical moment will worsen the ongoing health crisis and make a rapid economic recovery impossible.

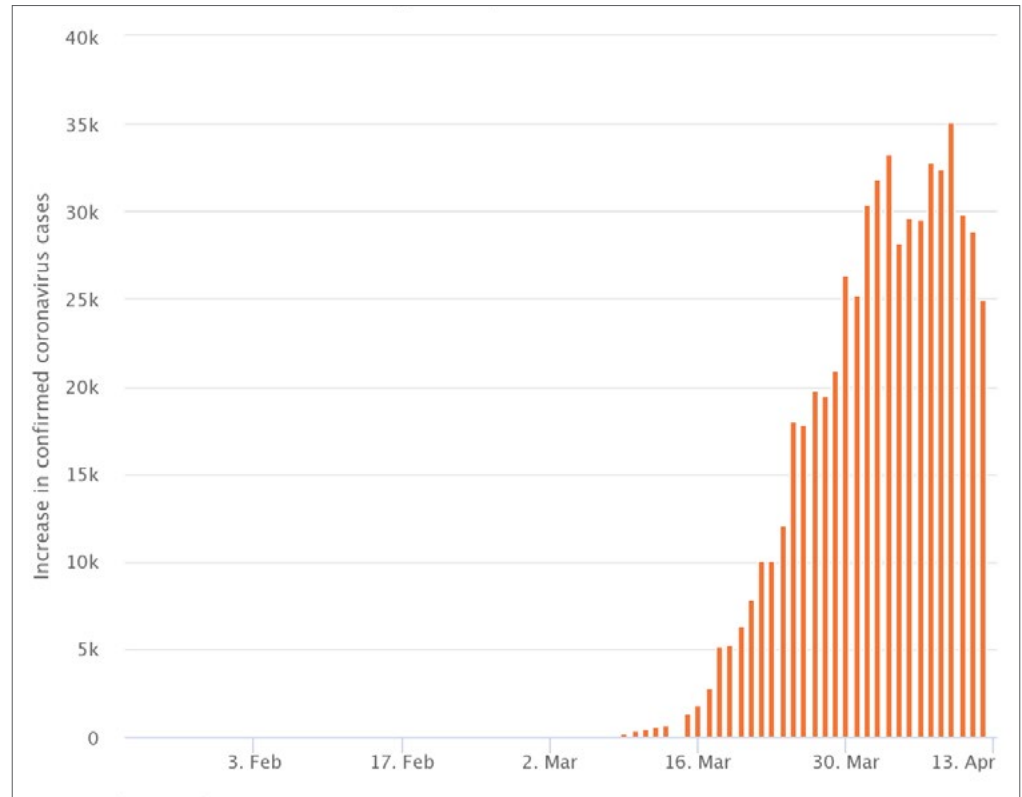
### THE HOMELAND UNDER THREAT

Currently, the infection rate in the United States (confirmed cases) is still increasing, but at a slower pace than at the end of March.

Based on data from Europe, 5 percent of infected people need ICU treatment or respiratory support. The US Department of Health and Human Services (HHS) estimates that 865,000 US residents would be hospitalized during a moderate pandemic and 9.9 million during a severe one.<sup>3</sup> A recent study by the American Hospital Association (AHA) “for COVID-19 projected that 4.8 million patients would be hospitalized [in the United States], 1.9 million of these would be admitted to the ICU, and 960,000 would require ventilatory support. [US hospitals only] have 534,964 acute care beds, including 96,596 ICU beds.”<sup>4</sup> Two-thirds of these ICU beds are constantly in use, even before the pandemic hit.

Depending on the extent and length of any quarantine measures, the coronavirus is estimated to peak in the United States in either May or June. At peak, 400,000-700,000 additional ICU beds will be needed along with an additional 350,000-580,000 ventilators.<sup>5</sup>

FIGURE 2: Daily Increase of Confirmed Coronavirus Cases in the United States as of April 13, 2020



Source: Johns Hopkins University Coronavirus Resource Center

### SLOW RECOVERY

Any economic recovery in the United States will be staggered and potentially slow. An American Enterprise Institute-developed plan<sup>6</sup> that has reportedly gained traction in the White House indicates such a phased approach: during the current phase, the clampdown measures on businesses and public life would “remain in place until the transmission has measurably slowed down and health infrastructure scaled up to safely manage the outbreak and care for the sick.”

3 Hsin-Chan Huang et al., “Stockpiling Ventilators for Influenza Pandemics,” *Emerging Infectious Diseases*, Vol. 23, No. 6, June 2017, [https://wwwnc.cdc.gov/eid/article/23/6/16-1417\\_article?mod=article\\_inline](https://wwwnc.cdc.gov/eid/article/23/6/16-1417_article?mod=article_inline).

4 Neil A. Halpern and Kay See Tan, “U.S. ICU Resource Availability for COVID-19,” *Society of Critical Care Medicine*, <https://www.sccm.org/getattachment/Blog/March-2020/United-States-Resource-Availability-for-COVID-19/United-States-Resource-Availability-for-COVID-19.pdf?lang=en-US>.

5 Based on unpublished EU-based modeling study shown to the author of this paper.

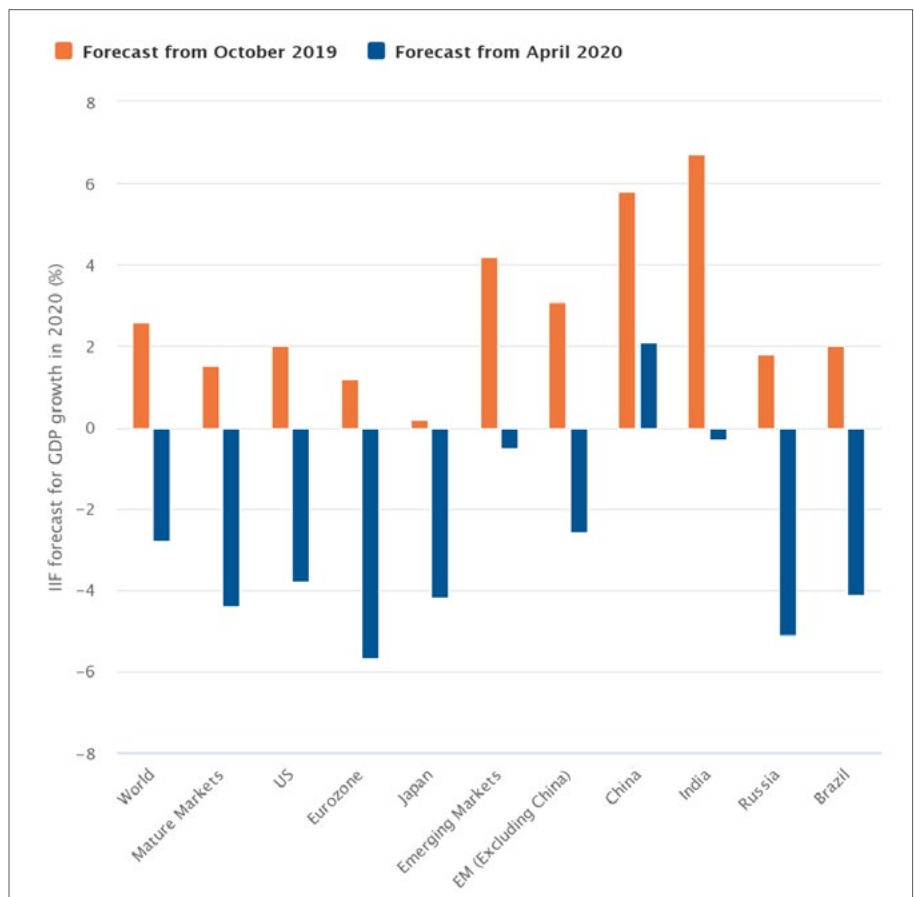
6 Scott Gottlieb et al., *National Coronavirus Response: A Road Map to Reopening*, American Enterprise Institute, March 28, 2020, <https://www.aei.org/research-products/report/national-coronavirus-response-a-road-map-to-reopening/>.

“Individual states can move to Phase II when they are able to safely diagnose, treat, and isolate COVID-19 cases and their contacts. During this phase, schools and businesses can reopen, and much of normal life can begin to resume in a phased approach. However, some physical distancing measures and limitations on gatherings will still need to be in place to prevent transmission from accelerating again. For older adults (those over age 60), those with underlying health conditions, and other populations at heightened risk from COVID-19, continuing to limit time in the community will be important.”

Only when “safe and effective tools for mitigating the risk of COVID-19 are available, including broad surveillance, therapeutics that can rescue patients with significant disease or prevent serious illness in those most at risk, or a safe and effective vaccine” can all the various restrictions, including social distancing, be completely lifted.

Throughout this extended recovery, unemployment could rise 15-30 percent depending on how long the most restrictive measures remain in place. US GDP is estimated to drop significantly in 2020. Goldman Sachs believes the United States could shrink “an annualized 34% in the second quarter” and only “a bit more than half” of the losses could be made up by year-end.<sup>7</sup> With the duration of the crisis growing, Goldman Sachs’ and other forecasts have been increasing their estimates of the unemployment rate and US GDP loss. The recently approved \$2.2 trillion economic rescue package will temper some of the immediate impact, but many experts are already calling for further fiscal measures on an even greater scale. Similar to the 2008 financial crisis, there is a growing risk that the middle class will suffer another drop in

FIGURE 3: The West Taking a Hit



Source: Institute of International Finance, Capital Flows Report: Sudden Stop in Emerging Markets. ©2020

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its standard of living, particularly if unemployment remains high for a long period.

The United States faces a difficult choice that could have long-term implications. If it does not keep strict measures in place, the pandemic will spread rapidly, endangering more American lives. If it acts too harshly, however, the economy might be throttled and the recovery will be slow.

<sup>7</sup> Alaa Shahine, “Goldman Sachs Sees 34% Plunge in U.S. GDP and 15% Unemployment,” *Bloomberg News*, March 31, 2020, <https://www.bloomberg.com/news/articles/2020-03-31/goldman-sees-even-deeper-u-s-contraction-in-second-quarter>.



## II: US GLOBAL LEADERSHIP AT RISK

The coronavirus pandemic has also put US global leadership at stake. Countries are waiting to see how quickly the United States moves past the crisis, whether it takes on the mantle of global leadership in response to the pandemic, and if authoritarian powers, particularly China, more effectively weather the storm. The global order could, therefore, be fundamentally reshaped by the virus, especially if the world's major economic powers—the United States, the European Union (EU), and China—suffer an extended economic depression and limit engagement beyond their borders. The United States also risks a severe decline in soft power if it is seen to be struggling to manage the virus or failing to provide help to partners abroad.

The US record is not encouraging so far at the high political level. Washington did not coordinate its decision to close its borders to most European nationals with their governments. Unlike after the 2008 financial crisis, the G7 and G20 meetings have been perfunctory, with every country looking after itself and taking measures to stop the spread of the virus domestically. At the institutional level, however, the Federal Reserve has been “unshackled,” working with its international counterparts to temper the dollar flight in the developing world and ensure there are enough dollars for foreign businesses.<sup>8</sup> If there were an international meltdown, such as happened in the 1930s, the US recovery would be that much harder. The test of leadership will really come once the United States has started its recovery and others are still struggling. Will Washington turn back to “America First” or position itself to help those in the developing world who will be hard hit, too? Very little of the \$2.2 trillion package is dedicated to the international recovery.

### A STEP CHANGE IN SINO-AMERICAN RELATIONS?

The US foreign policy elite worries that the United States could lose the global leadership contest with China if Washington perseveres with its “America First” approach.<sup>9</sup> There is

bipartisan agreement that China is to blame for the coronavirus outbreak. Chinese wild animal markets have long been seen as a danger for pandemic outbreaks. Both Democrats and Republicans are incensed about the US dependence on China for pharmaceuticals and medical supplies. At a minimum, a decoupling in this and other realms seems in the offing. Never again should the United States find itself in such a disadvantageous position vis-à-vis China. Compounding the anger is the realization that China is pulling out of the crisis ahead of the United States and is already starting its economic recovery. The most recent Institute of International Finance (IIF) forecast<sup>10</sup> shows China recovering to the point of having 2-3 percent GDP growth for the year. All Western countries, including the United States, will lose GDP.

In the short term, both the United States and China may need each other to ensure a chance at a global recovery. In 2008, China reflatd its economy and, in doing so, helped the rest of the world recover. It is unclear, however, whether China has the same capacity today. China's total debt load amounts to about 310 percent, and some observers believe it does not have the appetite for a major economic stimulus initiative.<sup>11</sup> If the global recovery is long and halting, and does not deliver on jobs, both leaderships in the United States and China will face real tests and in this soured atmosphere, protectionism and Sino-American frictions will become even stronger. The bottom line is, the coronavirus pandemic may end up reinforcing Chinese President Xi Jinping and the Communist Party of China's authoritarian tendencies on the one hand, and an “America First” reaction on the other.

### ANOTHER TEST FOR EUROPE

A lack of multilateral and bilateral European solidarity—the third time within the last decade (migration, the eurozone crisis, and now COVID-19)—could be the catalyst for further erosion of the EU. But crises have historically propelled the EU to greater heights of integration. The coronavirus has affected the Mediterranean

8 Gillian Tett, “The Federal Reserve Unshackled,” *Financial Times*, March 31, 2020, <https://www.ft.com/content/01d5f557-4f83-4e58-9ec9-1b7fb1e6d5af>.

9 See, for example, Kurt M. Campbell and Rushi Doshi, “The Coronavirus Could Reshape Global Order,” *Foreign Affairs*, March 18, 2020, <https://www.foreignaffairs.com/articles/china/2020-03-18/coronavirus-could-reshape-global-order>.

10 Robin Brooks and Jonathan Fortun, “GMV—Global Recession,” Institute of International Finance, March 23, 2020, [https://www.iif.com/Portals/0/Files/content/1\\_IIF032320\\_GMV.pdf](https://www.iif.com/Portals/0/Files/content/1_IIF032320_GMV.pdf).

11 David Lubin, “China's Post-Virus Stimulus: No Silver Bullet,” *Financial Times*, March 6, 2020, <https://www.ft.com/content/e1f5df86-36af-4fa2-9cdd-666ffa524926>; Editorial Board, “China Should Stand Up to Revive Global Demand,” *Financial Times*, <https://www.ft.com/content/b19ffc2-7030-11ea-89df-41bea055720b>.



Extensive lockdown measures meant to halt the spread of the virus in New York City have left most city streets empty.  
Source: Alec Favale on Unsplash

South: Italy and Spain, for example, have complained about lack of support from Brussels.<sup>12</sup> However, we have seen the European Commission show flexibility on deficit spending. The European Central Bank (ECB) is promising to do “what it takes”<sup>13</sup> to protect the euro and help with the recovery of individual member states. Stimulus measures by national governments equal to approximately 2 percent of GDP, though, are still modest compared to the United States’ whopping \$2.2 trillion package amounting to some 13 percent of the US GDP.<sup>14</sup> The ECB’s large-scale government bond buying program plus the recent Eurogroup 540 billion euro package is an excellent start, but more financial help for rich and poor countries will be needed.

The more ambitious plan that nine EU member states are backing is for “coronabonds” or a limited duration Eurobond that would ensure shared risk and lower borrowing costs for Italy, Spain, and other countries affected. It would help preserve solidarity among EU members. Without more unity and solidarity, there is a danger that those European countries that are already bending towards China (Eastern European countries, Serbia, Greece, Italy) could do so even more after the crisis.

The chances of Europe alone saving the multilateralist framework for international relations are slim without help from the United States and acquiescence from China. An early and strong US recovery, combined with a change in leadership in Washington, could see the two sides of the Atlantic relaunch an effort to refurbish and reform international institutions such as the World Trade Organization (WTO), the World Health Organization (WHO), Bretton Woods institutions, and others. But it will require the United States and the EU taking more responsibility for the developing world’s predicaments, countering China’s Belt and Road Initiative. A broader US and European coming together against China would also be needed to make it work and avert an East-West competition in which just like during the Cold War the developing world would not necessarily be a winner.

12 Mark Lowen, “EU Could Fail Over Outbreak, Warns Italy’s Giuseppe Conte,” BBC, April 9, 2020, <https://www.bbc.com/news/world-europe-52224838>.

13 Martin Arnold, “ECB dissenters resisted Christine Lagarde’s ‘no limits’ virus response,” *Financial Times*, April 9, 2020, <https://www.ft.com/content/5c488ebd-a8f5-4c86-bde6-ce183f29d15b>.

14 Benjamin Haddad and Josh Lipsky, “Europe’s Economic Emergency is Also a Geopolitical One,” *New Atlanticist*, March 31, 2020, <https://www.atlanticcouncil.org/blogs/new-atlanticist/europes-economic-emergency-is-also-a-geopolitical-one/>.

### **EAST ASIAN ALLIES DISMAYED BY AMERICA FIRST APPROACH**

The US foreign policy elite is concerned about three areas with respect to the pandemic's impact on US relationships with its allies in East Asia: first, the contrast between US, Chinese, and East Asian responses to the pandemic and longstanding impacts on legitimacy within the region; second, China's already apparent interest in reviving the East Asian economy with itself at the center; third, the loss of US leadership in East Asia if Washington persists with its "America First" approach toward the region in the months and years to come.

The first and second concerns are linked. China already has moved from being at the pandemic's global epicenter (and the heart of criticism for its response domestically) to touting its success in beating it back (assuming its data is to be believed). Its current position stands in stark contrast to the United States', which has become the epicenter of the pandemic. Since China, as well as South Korea, Japan, Taiwan, and Singapore, have all apparently brought the pandemic under some modicum of control, this region of the world stands to get back to work sooner than either Europe or the United States. The risk is that the United States' regional allies will pivot more toward China as they attempt to restart their economies. The pandemic currently is giving China a soft power opportunity to cast itself as the more responsible and legitimate global actor, within Asia and around the world.

For the United States, the key question for the current period and the post-pandemic one is whether it can retain the vibrancy and strength of its alliances in East Asia. If the United States does not demonstrate both an interest and a commitment to leading through example and outreach, then the odds are that China will gain at the United States' expense within East Asia and elsewhere in 2020 and well beyond. Conversely, if the United States were to lead a G20-directed effort alongside Europe and China, if it leads and expands its financial cooperation within multilateral institutions (the International Monetary Fund/World Bank, the Asian Development Bank), and, moreover,

works closely with its Asian allies and partners, then it might emerge not only with its regional position intact, but perhaps with a stronger reputation regionally and globally.

### **MIDDLE EAST TURMOIL EVEN BEFORE PANDEMIC HITS**

The pandemic is hitting a Middle East that is already laboring under overlapping political, economic, and humanitarian crises. Although early reports suggest that social distancing is in place and being followed across much of the region, there are serious concerns about how long such measures can be maintained given the weak fiscal positions of many of the region's governments. One dilemma is that the region's public health systems could be swamped if social distancing is lifted and the pandemic explodes. Indeed, that outcome may occur in some countries regardless. Moreover, in those countries hit hardest by conflict (Iraq, Syria, Yemen), weak or nonexistent public health systems (depending on location) plus ongoing violence and mass displacement means that a humanitarian worst-case scenario is possible.

Structurally, the pandemic's long-range impacts will add to the region's list of serious challenges. Besides the pandemic's challenge to governance itself (meaning the abilities of the region's governments to generate legitimacy in their constituents' eyes), that list starts with economic impacts. For the major oil- and gas-producing states (the Gulf Cooperation Council member states, Iran, Iraq, Libya, Algeria), the pandemic's impact is revealing, once again, the dangers of being overly reliant on hydrocarbons for economic growth.<sup>15</sup> Global oil prices are currently hovering between \$20-\$30 a barrel and a deep global recession is looming if not already here. This will mean sustained low oil prices. Moreover, the tourism industry, a major part of several countries' economies (the United Arab Emirates, Saudi Arabia, Israel, Egypt, Turkey, Jordan, and more), has also taken a substantial hit.<sup>16</sup> Impacts on employment and government revenues are already severe.

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15 Chloe Cornish and Asmaa al-Omar, "Iraq Warns Over Threat to Public Sector Pay from Oil Price Collapse," *Financial Times*, April 8, 2020, <https://www.ft.com/content/3afc240b-2a3d-49df-b3c5-f5427222a5d9>.

16 Andrew England and Heba Saleh, "Arab World's Middle-Income Nations Face Tough Coronavirus Choices," *Financial Times*, April 8, 2020, <https://www.ft.com/content/13f690dd-ce12-4c20-a158-630911befb53>.



How the region's geopolitical reshuffling will be impacted is less clear. The regional powers all face their own internal (domestic) economic and public health challenges related to the virus. Of these, both Saudi Arabia and Iran face the oil producers' dilemma as described above. Although neither will escape unscathed, Iran arguably is in a worse position owing to the double impact of ongoing US sanctions, which have affected its ability to sell its oil (even at a reduced price) and to repatriate revenues from sales abroad.<sup>17</sup> For non-regional powers that historically are most active in the region, specifically the United States, Europe, and Russia, the pandemic raises two questions: how will the pandemic force them to reevaluate their interests in the region, and how much are they willing to invest in the region going forward? It is not a stretch to imagine that many allies fear a hard-hit and divided United States will be even less willing to engage than before.

## AFRICA LEFT TO DEAL ALONE WITH PANDEMIC?

Any assessment of Africa must begin with the caveat that generalizing about the continent is dangerous owing to its enormous size, dozens of countries, thousands of ethnic and linguistic groupings, diverse natural ecosystems, and divergent economies. Nonetheless, as elsewhere, the pandemic's short- and long-term impacts on Africa (here meaning sub-Saharan Africa) will touch every aspect of society and bring powerful and serious consequences.

In terms of public health impacts, few observers predict anything but a difficult period for the continent, for two primary reasons. The first is that most African countries have neither the public health systems nor the manufacturing bases to tackle the virus through robust countermeasures. Most African countries face critical shortages of hospital beds and respirators, and do not have the means to manufacture their own domestic supplies of medical items necessary to fight the pandemic. The second reason involves Africa's socioeconomic and geographic profile.

For decades, Africa has been urbanizing faster than any region of the world, with more than 70 percent of new urbanites living in city slums. For residents of densely-packed slums (some 200 million people), social distancing and other countermeasures (handwashing with soap multiple times a day) simply are not possible. Moreover, their high poverty levels (85 percent of Africans live on less than \$5.50 a day) mean that most people cannot withstand a lengthy economic standstill.<sup>18</sup>

Public health experts point to some possible sources of good news among this otherwise grim prognosis. One is that it is possible that the virus may be less transmissible in hot weather, as is the case with the flu—Africa's hotter weather may be a reason why the virus has not spread faster in the region. A second is African demography; the continent is the youngest in the world.<sup>19</sup>

As with other world regions, the long-term question involving the global powers looks at how they will reassess their interests in engaging Africa during and after the pandemic, and what resources they will be willing to offer a continent that is going to be severely impacted by the disease. Given China's increased activity in Africa, how will the two biggest global powers game out their interests and presence on the continent during and after the pandemic? Another analogy is to the Middle East: given Europe's physical proximity to Africa plus its longstanding security and economic ties, will Europeans choose to deepen their engagement with Africa, or will Europe attempt to wall itself off from possible downside consequences of the pandemic emanating from the continent?

## AN ECONOMIC TEST FOR PUTIN AND RUSSIA

The Russian government has been downplaying the seriousness of the mounting Russian cases of coronavirus. There is controversy over whether the government is hiding the real figures, but some experts believe that the Kremlin does not know the extent of the infections because the

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17 Ali Dadpay, "A Loan for Iran and a Tragedy of a Different Kind," *IranSource*, March 23, 2020, <https://atlanticcouncil.org/blogs/iransource/a-loan-for-iran-and-a-tragedy-of-a-different-kind/>.

18 Bronwyn Bruton, "What Does the Coronavirus Mean for Africa?" *AfricaSource*, March 24, 2020, <https://www.atlanticcouncil.org/blogs/africasource/what-does-the-coronavirus-mean-for-africa/>.

19 *AfricaSource*, <https://www.atlanticcouncil.org/blogs/africasource/what-does-the-coronavirus-mean-for-africa/>.

original tests were faulty and few Russians have been tested. Russian President Vladimir Putin has had to concede that the referendum on constitutional changes will not go ahead in April, and recently had to cancel the big May 9 Victory Day parade.<sup>20</sup>

The Kremlin has been trying to score points, like China, against Western democracies in a public display of sending medical aid to Italy and, more recently, New York. The real test for the regime is whether it can manage a raging coronavirus at home as well as the Chinese seem to have handled it.<sup>21</sup> The Russian health system is notoriously fragile and a crisis that reaches the dimensions of an Italy, Spain, or China would be a test that even Russians would concede the regime would fail. Such a public display of weakness would be embarrassing just as Putin hopes to convince the Russian public to keep him in power for another decade after his current term ends in 2024.

Furthermore, Putin faced an additional test. Having started an energy price war with the Saudis, Putin agreed to a face-saving settlement, which may temper the economic impact of the health crisis. A prolonged shutdown, such as happened in Western Europe and the United States, could still be a test for the Russian economy.

### LATIN AMERICA VULNERABLE TO COMMODITY CYCLE

The swift and aggressive actions taken by many of Latin America's governments to curb the virus spread, which have included travel bans, border controls, quarantines, curfews, states of emergency, and more, have so far seemed to spare the region a full-scale crisis.

Nonetheless, Latin America is not prepared once COVID-19 arrives—public health authorities have limited capacities; state budgets are tight; the region features many low-income people crowded into city slums, as in Brazil's favelas. Moreover, the region also contains potential pandemic hot spots, notably Venezuela, which has been struggling with massive economic dislocation and dysfunctional governance—

including a non-functioning public health system—for years.<sup>22</sup> Relative to Africa, however, Latin America's prognosis appears brighter: the region has more middle-income and fewer low-income economies; with exceptions, national governments generally have more resources available, including domestic manufacturing capabilities; and although many urbanites live in slums, the percentages are nowhere near as high as in Africa, and the slums themselves are older (meaning they are closer to permanent settlements in terms of quality of physical structures and availability of public services, at least compared with the often-newer slums found in Africa).

For the region's governments and global powers, specifically the United States, Europe, and China, the major questions involve the region's post-pandemic economic recovery. As with the Middle East's oil producers, many of Latin America's economies remain overly reliant on the commodity cycle, which in turn means they are severely impacted by global recessions. Although Latin America is not yet a competitive battleground between China and the United States, the degree to which the United States or China helps in its post-pandemic recovery could determine whether China's influence increases at the expense of the United States'.

### INDIA AND SOUTH ASIA: POTENTIAL HUMANITARIAN DISASTER

With the cases of coronavirus mounting, Indian Prime Minister Narendra Modi on March 25 ordered a blanket three-week lockdown that caused widespread confusion. The lockdown exempted the continued flow of essential supplies such as food<sup>23</sup> and medicine, but there have been reports of local police stopping delivery drivers and trucks carrying food across state lines. Several big grocers such as Alibaba-backed BigBasket and Flipkart have said they cannot operate because of the restrictions on the movement of goods.

Meanwhile, India, which is the world's largest producer of generic drugs, had banned the export of the antimalarial drug hydroxychloroquine, which has been touted by some, including US President Donald J. Trump, as being able to treat

20 Andrew Roth, "Russia Defies Calls to Halt Victory Day Parade Rehearsals," *Guardian*, April 6, 2020, <https://www.theguardian.com/world/2020/apr/06/russia-defies-calls-to-halt-victory-day-parade-rehearsals>.

21 Andrei Kolesnikov, Tatiana Stanovaya, and Alexander Baunov, "How Is Russia Coping With Coronavirus?" Carnegie Moscow Center, March 24, 2020, <https://carnegie.ru/commentary/81351>.

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A paramedic uses an infrared thermometer to measure the temperature of a police officer alongside a road during a 21-day nationwide lockdown to slow the spreading of coronavirus disease (COVID-19) in Ahmedabad, India, April 9, 2020. Source: REUTERS/Amit Dave

COVID-19 infections. [India later lifted the ban after apparent pressure from Trump.]<sup>24</sup> There is, however, widespread controversy over the claims. While some French tests suggest chloroquine could be helpful, other small trials from China indicate that the drug has little impact. The WHO is undertaking further investigations.

Some experts believe the Indian government waited too long to impose restrictive measures and worry that India could be another Italy or Spain only with far higher numbers affected and a healthcare system less able to care for the hardest hit, increasing the mortality rate. The latest IIF economic forecast

shows a drop in India's GDP growth from around 7 percent to 3-4 percent<sup>25</sup>. A longer lockdown necessitated by a growing severity of the virus could lower that forecast still further.

In Pakistan, the civilian government, which played down the threat for weeks, was sidelined when the military stepped in to enforce a lockdown. There are military checkpoints in the big cities trying to deter crowds, but some clerics are still urging Pakistanis to go back to the mosques to worship. Pakistan's public health system is extremely ill-equipped to handle any crisis—it only has, for example, 600 ICU beds for the whole Karachi population of 20 million.

24 Hannah Ellis-Petersen, "India Releases Hydroxychloroquine Stocks Amid Pressure from Trump," *Guardian*, April 7, 2020, <https://www.theguardian.com/world/2020/apr/07/india-releases-hydroxychloroquine-stocks-amid-pressure-from-trump>.

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### III: THREE SCENARIOS

#### 1: GREAT ACCELERATOR DOWNWARDS

The United States, Europe, and China all struggle to recover despite major fiscal and monetary efforts. The recovery stretches well into the 2020s, aggravated by the fact that it takes much longer for a vaccine to be developed than hoped for. Initially, there is an effort to replicate the post-2008-09 financial crisis period with summits of G7 and G20 leaders to map out a global recovery. But those summits soon break down, and Washington and Beijing revert to the usual blame game. A newly reelected Trump administration seeks to exploit the crisis by trying to wring concessions out of China on ending states' subsidies to state-owned enterprises (SOEs), more market access for US firms, and guarantees against mandatory intellectual property/tech transfers for US firms doing business in China. As long as China refuses, the United States maintains tariffs on Chinese exports and blocks new Chinese investments. Chinese leaders, for their part, will want to avoid adding to the debt burden with a huge stimulus package the way they did after the 2008 financial crisis. China's stimulus efforts are smaller in scale.

For the Europeans, it is the same old battle that was fought during the eurozone crisis: Germany, the Netherlands, and other northern EU members are pitted against the others. Berlin is wary of the others using the crisis as a precedent for mutualizing risk across the EU. Italy is the new Greece, unable to stabilize after the devastating human and economic costs of the pandemic. Unstable politically and economically, Italians believe they deserve unconditional support from the other EU member states. However, Germany and other northern members have paid a stiff price and believe Italy should use the crisis to initiate economic reforms. EU institutions are paralyzed while the divisions deepen between north and south.

Europe is, furthermore, split over whether to back the United States in its "decoupling" threats against China. Many Europeans blame China for the pandemic outbreak, much like US public opinion, but an increasing number of countries in the south and east are grateful for Chinese help during the crisis and even afterwards, as new Chinese investments are made in those regions.

The developing world has been even more hard hit economically despite the fact that the worst forecasts of large-scale deaths in Africa and Latin America never came true. Death tolls resembled those in the West. The virus weakened as it moved south and the youthful populations—many of whom suffered minor symptoms—diminished the contagion. With the major economic powers hard hit, recovery is extremely difficult. Commodity prices remain low, hurting those developing countries that are dependent on

the export of minerals, oil, etc. Chinese investments help, but Communist Party of China's (CPC) leaders are wary of providing much assistance largesse for fear the Chinese public is angered while conditions remain hard at home. Popular discontent against the CPC rises with China's faltering domestic economy.

As during the Great Depression, there are many false starts, giving the illusion that the corner is about to be turned, justifying governments' stubbornness in persevering with failing policies. Unlike in the 1930s, there is enough of a social safety net that discontent is contained despite slowly sinking standards of living in much of the world. The other is always to blame. Sino-American tensions escalate to an all-time high. The United States takes strong protectionist measures against China and Russia for their "disinformation," deciding finally to erect a firewall against the two. Observers think the United States is preparing for a cyber war against China and Russia.

By the mid-2020s, deglobalization is speeding up, yielding slow economic growth everywhere. Poverty levels are rising in the developing world and there is the potential for open conflict between the United States and a China-Russia alliance.

#### 2: CHINA FIRST

China is not fully recovered, but its leadership sees an opportunity to undermine Western liberal democracy's credibility by expanding assistance with increased soft loans and more infrastructure projects. "Belt and Road-type" deals are expanded to more states in Asia, Africa, and Latin America, giving Beijing ownership over critical infrastructure in more countries. At home, the CPC is successfully bolstering public support by portraying Western democracies as unable to deal effectively with the pandemic. Where this does not work, Xi ruthlessly suppresses any criticism of the regime.

In the run-up to the 2020 election in the United States, Trump whips up anti-Chinese fervor to cover up for his administration's lack of preparation and the slow recovery. Asian-Americans are attacked. Populism gains hold, but there is a move towards socialism. US Sen. Bernie Sanders is not the Democratic Party's presidential nominee, but his ideas on better healthcare and free universities take hold as many in the middle class struggle to rebuild their lives from the Depression-like economic plunge. A large proportion of those let go by large firms at the height of the pandemic are not rehired by companies that are finding it difficult to return to profitability without cutting their labor force. For some





Japan's Prime Minister Shinzo Abe speaks during the G20 summit in Osaka, Japan, on June 29, 2019.  
Source: Kazuhiro Nogi/Pool via REUTERS

companies, it is an opportunity to expand automation, including the use of robots.

With the national debt ballooning, a reelected Trump tries hard to resist, but eventually acquiesces and agrees to a temporary “wealth tax” as well as higher income taxes on the rich. As a second-term president, Trump knows he will not have to face a rebellion from his conservative base. Europeans, too, institute stiff taxes on the wealthy.

With China expanding its influence, the United States and Europe draw closer on foreign policy. Despite some European states shying away from criticizing China, the United States, along with France, Germany, and the United Kingdom, moves to rethink NATO. Should NATO not be more active in countering China? US foreign policy experts worry that with Russia and China strengthening their bonds, we are facing a new Cold War. Washington thinks this fight will be harder because the United States is struggling economically.

In Asia, however, the United States’ traditional allies reject a NATO-like alliance against China. Following the pandemic, they are ever more economically dependent on China. They secretly

encourage the United States to step up its naval “freedom of commerce” patrols in the South China Sea, while negotiating new free trade and investment agreements with Beijing.

With the continuing economic hard times and low energy prices, Saudi and other Gulf states’ coffers are running dry. They drastically cut social welfare to save on budgetary outlays, increasing discontent. Other states in the Middle East have a harder time. A climate-related drought in United States/Canada and Australia has raised food prices. Food riots break out in Cairo and other Middle Eastern and North African states. A Shia rebellion rocks Saudi Arabia’s eastern province and Bahrain, worsening ties with Iran. Russia steps in to provide food aid financed by its close partner China to stem the discontent and support the authoritarian rulers. China negotiates deals with Saudi Arabia for lower future energy prices in return for immediate Chinese assistance.

On the bright side, the United Nations reverses its 2019 judgment that the world is not doing enough to curb its emissions. So long as current levels of lower emissions are sustained, the world will meet its target of keeping the global temperature rise to no more than 1.5-2.0°C. The United Nations calls on countries to



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introduce more renewables, which can ensure emissions do not rise during the slow global economic recovery.

For the many countries outside Europe, the United States appears in sharp decline. Despite China's responsibility for the outbreak, the pandemic has tilted the geopolitical balance in its favor.

### 3: NEW RENAISSANCE

As the global economy collapses, G7 and G20 leaders with a new US leader at the helm rise above nationalistic impulses and forge an agreement on a coordinated recovery plan, including the lifting of border closures and relaxation of tariffs and other trade barriers. After a slow start, the recovery gains traction and the major economies see renewed growth. The V-shaped recovery finally happens. However, it took a year before the takeoff occurred, helped by the discovery and rapid dissemination of a vaccine.

During that yearlong "wait" period, the G20 convened and set in motion a coordinated effort with drug companies to find a vaccine. The G20 made sure that everyone in the world would be vaccinated without charge, which increased market confidence.

Across the world, public sentiment insisted such a disaster should never happen again. Leaders saw what happened in the United States as Trump was swept out of office. There are widespread calls for all governments to reform. Never again should the warnings be ignored nor should governments be caught so flat-footed. G20 leaders call on the WHO and other UN agencies, the Bretton Woods institutions, and the WTO to establish a warning agency on disease, conflict, and climate. Some leaders want to go further and empower such an agency to levy sanctions against countries that defy warnings. The EU is the first to say it would agree to the plan for a superagency, seeing it as a way to make sure China becomes a responsible global citizen, not just on disease control, but also on climate and avoiding conflict with its neighbors.

Forced by international pressure, China permanently closes its wild animal markets and starts enforcing new laws that prohibit livestock in dense urban areas. So long as the super warning agency is not packed with Western countries, but also includes substantial Chinese and developing world representation, Beijing is persuaded to back the initiative, seeing it as a good counter against the protectionist measures which the United States and Europe have threatened China with after the pandemic.

Even though the new US president is personally in favor, many Americans object to what they see as a big step towards "world government." Just as the League of Nations split Americans, there are heated debates, but the recent memory of the pandemic

and near-economic collapse sways just enough lawmakers in Washington that the vote passes by a slim margin.

No one thinks this will be the end of Sino-American differences, but it means that in several areas the United States and China will be working together. Trade negotiations will still be difficult, and Washington remains concerned about expanding Chinese influence with its Belt and Road project. US ties with Europe also improve, as for Europeans, Washington is back on a multilateralist path. Dealing with these global challenges brings the United States, the EU, China, and other states together. They can agree they all have a mutual interest in combatting climate change and future health crises. For the United States, China and Russia are still threats, but the efforts to counter them and their authoritarianism must be conducted to avoid endangering the global fight against diseases, environmental destruction, and state failure. Increasingly now, the United States and the EU seek to convince China to wrap its Belt and Road scheme into a larger US-EU-China "Marshall Plan" for struggling countries in the developing world.

With the lowering of interstate tensions, economic growth resumes and, for the majority of the world's population, the Sustainable Development Goals of eliminating poverty and spreading education are once again within reach.

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