

Report Part Title: Economic Choices in Times of Corona

Report Title: COVID-19 PANDEMIC:

Report Subtitle: EMERGENCE OF A NEW GEOPOLITICAL PERSPECTIVE

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reality, i.e. lack of will in the developed world for a concerted effort (Alexander and Jaffer 2020). The situation is an indicator of one thing, i.e. change. As the only superpower, the US recedes into the cocoon of “America First” and the glorified democratic norms are suspended all around the world, a new power structure shaped by the pandemic is emerging.

The world undergoing these challenging circumstances needs a very realistic picture of the current scenario. Some main objective of the study is to analyze the changes in geopolitical perspective occurring on the global stage amid COVID-19 spread.

2. Economic Choices in Times of Corona

As pointed out by Yafei (2020) at the moment, countries across the globe are struggling to fight the disease on three fronts:

- 1) Resources allocation to strengthen against COVID-19,
- 2) How to minimize the impact on common people?
- 3) Designing of stimulus packages to revive economy in post-COVID-19 era

The choices are difficult, as the world economy was already under stress. The projected world growth rate was 3.3 per cent, which is 0.1 point lower than the earlier estimates (International Monetary Fund [IMF] 2020). COVID-19 will further lower the growth. Although the extent is not clear at this point of time, negative impacts are certain on every country. Conservative estimates suggest that it can bring down growth by 1 per cent (Ramay 2020).

Anticipating the future, countries have started devising tools to combat the impact. Emergency budget allocations have risen manifold during the last few weeks. China has allocated ¥110.48 billion (US\$ 16 billion) to implement the required instruments to prevent the spread of COVID-19 (Reuters 2020). US President Donald Trump has approved US\$ 2 trillion in total emergency spending bill (Pramuk 2020). Italy, which has the world’s highest number of deaths, has allocated US\$ 28 billion (Balmer and Jones 2020). Numerous other countries are left with little choice but to follow suit.

Multilateral institutions are also announcing packages and relaxing payment schedules to buy the poor and developing economies more time, though not with the zeal that is required at times. The World Health Organization (WHO) had, as of 1st February, estimated new global spending requirements of \$675 million for three months of “priority public health measures” (Parker 2020). United Nations Secretary-General António Guterres launched a \$2 billion global

humanitarian response plan to fund the fight against COVID-19 in the world's poorest countries (United Nations 2020).

World Bank Group (2020) has also approved an increased \$14 billion package of fast-track financing to assist companies and countries in their efforts to prevent, detect and respond to the rapid spread of COVID-19.

The International Monetary Fund has already received financing requests and inquiries from nearly 80 countries (Gallagher, Ocampo and Volz 2020). Iran has sought US\$ 5 billion emergency funding from IMF to tackle the socio-economic impacts of the pandemic (Iran and IMF 2020). As the country's economy, health and governance infrastructure are in shambles due to US sanctions, it needs an urgent relief. However, despite the willingness of IMF, there is no indication of any relaxation from the US which has a decisive role in the approval of assistance. Thus, politicization of the plight of the poor continues.

Further course of action would be the allocation of resources to recover from the impact of COVID-19. Many industries are already going through crises and projecting huge losses. Total losses to aviation industry have been projected around US\$ 63-113 billion (International Air Transport Association [IATA] 2020). Wall Street has already come down along with many other stock markets across the world. Financial sector, especially banks, are also under pressure and investors are looking for safe places to invest even at the negative interest rate. However, the job losses have started and the biggest loser would be the common people during and after the COVID-19 crisis. Norwegian Airline has announced to shelf half of its employees on temporary basis. Spanish airline has also halted its operation. Most airlines have suspended flights to the worst hit countries, but as the pandemic spreads further, there is a fair chance for a complete holdup of operation. Flybe, a UK airline, has declared bankruptcy as its business dwindled further for the already struggling carrier. Qatar Airways has pledged for a government bailout, and many will be forced to follow suit (ibid).

The livelihood of a segment of society, which depends upon informal or gig economy, has perished without prior warning. Tourism economies, for example, are already feeling the burn. Ireland has lost 140,000 jobs in a matter of weeks. Services sector overall is the worst hit. According to a CNBC report, millions of Americans will lose jobs in the coming days, and 3.5 million people are likely to be left without any source of income (by applying the situation of world war-II) (Iacurci 2020). The real impact can be calculated after recovery from COVID-19, most probably after June.

The urgency of allocation and efficiency in dispensation show that the task of recovery will be gigantic. Further, the required resources will be well beyond these allocations. Right now, the immediate concern is the job loss and job creation in the near future. Maintaining supply chains and attracting investment is a challenge waiting ahead. A frequent question haunting many across the world is do we have enough financial resources to come out of this crisis and more dauntingly what if the threats keep resurfacing and striking back time and again. The impacts will be far ranging on multiple other sectors than health and economy, both through forming a basis for all the other changes. As of now, the geopolitical front is not lagging behind acting to the whim of the virus as it transcends the man-made borders and the natural boundaries.

3. Impact on Geopolitics

3.1. US-China relations

The fallout from the global pandemic threatens the US - China relations and given the importance of both countries, undermines global stability. A much-affected sector of the strife would be international trade. The ongoing crises are likely to have long-term implications for the perception of the two countries globally. China which initially challenged US supremacy in the realm of military defence has geared up to take over the global leadership role as it offers aid and assistance to countries jeopardised by the virus spread.

In the face of pandemic, both countries have been engaged in a war of rhetoric with one side terming the virus as a “Chinese virus” the other didn’t lag behind declaring it as a tool of bio-war from US. Beijing, unlike its policy of restrain, is unwilling to slow down in face of US’s adversary this time and has expelled journalists working for US based media outlets (Karnitschnig 2020).

The rift between the two countries embed far-ranging consequences, which even the economic team of the US President has warned of. Provoking China in the current times where the global economy is run by interdependence role of China is crucial to the wider global economy. China has a substantial influence over the global health supplies and is in a position to affect the supply chain of medical goods to US. The team also fears that increased criticism by the POTUS on China may also trigger into upholding significant information about the virus outbreak that can help in controlling, curing or the discovery of a vaccine. There is a continued criticism of China in the US official circles for purchasing a major portion of the global supply of medical masks and calls for decreasing dependency on the global supplies and an increase in local production of pharmaceuticals (Crowley, Wong, Jakes 2020).