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Likely Economic Features of the Post- COVID Era

22 MAY 2020

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Likely Economic Features of the Post- COVID Era

Mohamed Ahmed Abbas

The developments that the world has witnessed in recent months due to the outbreak of the coronavirus (COVID-19) pandemic show that most world economies will be affected. However, it is most likely that the more robust and diversified the country's economy is, the more possible it will emerge from the pandemic with fewer losses.

It is also expected that in the short term, the uncertainty that has become prevalent in the world over the assumed dates for the end of the crisis, may push some countries within weeks from now to issue exceptions to industries that provide basic commodities, and adopt policies closer to adaptation to a long-term crisis¹, especially that many countries around the world may find it difficult to obtain external financing to support their economies, due to the huge number² of the affected countries that need urgent intervention³.

This paper seeks to foresee some features of economy in the aftermath of the coronavirus, in light of expectations that the crisis may push the world to reconsider basic economic rules that prevailed throughout the last period⁴.

Therefore, the paper attempts to anticipate the most important shifts that are expected to occur after the pandemic ends, according to the currently available data.

In this context, it is useful to recall what the World Economic Forum expected, that "The fragility of the global economy, which has high levels of indebtedness and asset bubbles, is a legacy of the way

¹ Dr. Manfred Gerstenfeld, Economic Preparations for the Post-Coronavirus Era, BESA, 7 April 2020, ([URL](#)).

² Andrea Shalal and David Lawder, IMF chief economist says 100 countries seek pandemic aid; more resources may be needed, Reuters, 14 April 2020, ([URL](#)).

³ Coronavirus effects on balances of major powers and regional countries, Center for Studying and Analyzing Press Information, 30 April 2020, p. 7 ([URL](#)).

⁴ Ali Salah, New Features for Global Economy in the Post-Corona Stage, Future for Advanced Research and Studies, Issue 4, 13 April 2020, p. 5, ([URL](#)).

in which the 2008 global credit crisis was managed rather than solved. As pointed out in the World Economic Forum's [Global Risks Report 2020](#), there are a number of tipping points in the economic system and the economic consequence of a shock to the global system is likely to be a correction"⁵.

Economic outlook for the post-coronavirus era

It is expected that many economic changes will take place at many levels in the post-COVID-19 period, most prominently:

1- Globalization and International Trade Cooperation:

The rapid spread of the coronavirus pandemic has had a major impact on the structure of international relations in our contemporary world. The statement: "The structure of the international order after the coronavirus will never be the same as it had been before" is frequently repeated by many international policy experts. According to Washington Post, "The cause is straightforward: President Trump has abdicated the role played by U.S. presidents in every previous global crisis of the past century, which is to step forward to offer remedies, support other nations and coordinate multilateral responses"⁶. In the same context, the Italian "La Repubblica" newspaper late March said that the aid that has arrived in Italy during the last hours and days did not have the American flag as usual, but instead cargos carried the red China flag that has been placed next to the Italian flag in most areas of the Lombardy region in the north of the country⁷.

Another shift the world is currently witnessing is Russia's attempt to exploit the pandemic in expanding its role, especially in the Mediterranean region, where it sent nine cargo planes with tons of medical aid, as well as doctors and nurses, a move that reflects Russia's growing interest in the region⁸.

⁵ John Scott, The economic, geopolitical and health consequences of COVID-19, World Economic Forum, 6 March 2020, ([URL](#)).

⁶ The coronavirus pandemic may mark a decline in U.S. leadership, The Washington Post editorial, 24 March 2020, ([URL](#)).

⁷ America Trump "Zero Attendance" ... and China takes over the global leadership, Al-Majd newspaper, 29 March 2020, ([URL](#)).

⁸ Russia rushing to assist Italy in facing COVID-19 ... political calculations or reciprocation? euronews, 23 March 2020, ([URL](#)).

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In the context of trade and economic cooperation between countries, it has become widely expected that the coronavirus crisis may drive nations for at least a few years to come to look inward and focus on what is happening within the country, not abroad, as Richard Haass, the expert on international relations and president of the Council on Foreign Relations, expects. Haass also expects that the crisis is likely to lead to a further deterioration of relations between the United States and China and weakening European integration⁹.

It can be said that the coronavirus will affect international cooperation and trade relations between countries, where international trade rates are expected to witness a significant decline in the post-COVID-19 era, amid tendency of most countries to impose more protective policies on their products, which questions the success potentials of some economic strategies like "manufacturing for export", as well as giant enterprises, such as the Suez Canal shunt, whose likely success only relies on expanding international trade.

It has also become clear that the role of international institutions has declined even before the outbreak of coronavirus, at least a year ago. However, the COVID-19 crisis is expected to increase this decline and expand its scope to include more institutions and may even affect some international agreements. However, US President Donald Trump is one of the main causes of the decline in the role of international institutions: On June 1, 2017, Donald Trump announced that the U.S. would cease all participation in the 2015 Paris Agreement on climate change mitigation¹⁰. In 2019, the biggest concern of economists around the world was over the war of tariffs between China and the United States, which the latter had waged – which all happened before the outbreak of coronavirus.

After the outbreak of coronavirus, specifically in April 2020, Trump declared that the US funding to the World Health Organization would be put on hold¹¹ (for 60-90 days) pending a review "to assess WHO's role in severely mismanaging and covering up the spread of the coronavirus". Trump's decision

⁹ Richard Haass, The Pandemic Will Accelerate History Rather Than Reshape It - Not Every Crisis Is a Turning Point, Foreign Affairs, Article, 7 April 2020, ([URL](#)).

¹⁰ United States: Trump announces his country's withdrawal from the Paris Climate Agreement, France 24, June 1, 2017, ([URL](#)).

¹¹ What does Trump's announcement to suspend US funding to the WHO mean? Arabic CNN, 15 April 2020, ([URL](#)).

was a direct response to what he claimed was its slow reaction in raising the alarm over the global threat from the coronavirus and being too “China-centric” in its response. However, the organization’s funding was already in his sights on 7 February, when his administration was suggesting cutting the US contribution by half as part of cuts to US global health funding across the board.

Thus, Trump is considered the main cause of the decline in international cooperation before and during the outbreak of coronavirus, which will significantly affect the economic performance of countries, as foreign trade is expected to further decline in the coming years, a threat that must be faced by economic policy makers, as well as businessmen and investors around the world.

Some economists believe that we have entered into what might be called the “era of declining globalization”.

The geopolitical aspect of the shock to the international order over the pandemic foretells of a wave of (political anger) that would make continuation of globalization politics difficult. Also, changing corporate behavior will be a key driver in the decline of globalization. This is expected to include more localization of supply chains, as well as more linkages between the public and private sectors in developed markets¹².

The Capitalist Global Economic System will survive, as its collapse cannot be absolutely certain at the present time. Meanwhile, “there will be local or regional protectionism and a rethinking of the supply chain, the fundamental system will be intact. The prevailing order is not to change and capitalism can adapt much more easily than expected by some intellectuals. Financial Markets will be volatile, jittery, and quite literally nerve wrecking, but they will not collapse altogether. Fed and the major central banks will stabilize most of the mission critical aspects of the system and the Emerging Markets will have respite with a lag¹³.

In this context, Joseph E. Stiglitz, a professor of economics at Columbia University, states in Foreign Policy magazine that, “The economic system we construct after this pandemic will have to be less

¹² Dr. Mohamed El-Erian views on the world during and after COVID 19, Youtube, 10 May 2020, ([URL](#)).

¹³ Hulki Okan Tabak, What Comes After Coronavirus: Brief Predictions, Medium, 4 April 2020, ([URL](#)).

shortsighted, more resilient, and more sensitive to the fact that economic globalization has far outpaced political globalization. So long as this is the case, countries will have to strive for a better balance between taking advantage of globalization and a necessary degree of self-reliance¹⁴.

The last important element in this context is China's exploitation of the pandemic to escalate its rise as a world power.

To start with, it can be said that many research centers in the United States today are convinced that the United States should rearrange its priorities, and that it may withdraw tactically from some regions all over the world. Also, it is expected that the current crisis will slightly drive the United States to look inward, and the Chinese dragon will certainly be on top of candidates to fill this vacancy. However, this will not take place at a rapid pace and may take several years.

The crisis shows that the world has to diversify production centers, which means transferring a large part of the Chinese production bloc to several newly created production centers that will be carefully selected based on factors including the availability of a legal and administrative environment free from bureaucratic complications, with tax exemptions, good financing capabilities, cheap and trained labor, as well as availability of industrial infrastructure¹⁵.

2- The economic role of the state, and fiscal and monetary policies:

Fiscal policy is related to government expenditures and revenues, as it is the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy. Therefore, the fiscal policy's most important tools are taxes and government expenditures.

Monetary policy is related to the central bank's control of monetary supply, as it is the policy adopted by the monetary authority of a country that controls either the interest rate payable on very short-term borrowing or the money supply, often targeting inflation or the interest rate to ensure price

¹⁴ JOSEPH E. STIGLITZ and others, How the Economy Will Look After the Coronavirus Pandemic, Foreign Policy, 15 April 2020, ([URL](#)).

¹⁵ Ahmed Zikrallah, Will COVID-19 threaten the throne of the Chinese economy? The New Arab, 8 May 2020, ([URL](#)).

stability and general trust in the currency. Therefore, the monetary policy's most important tools are the interest rate and the foreign exchange reserve.

Many studies have likened the current crisis that the world is going through to the Great Depression, in light of presence of many similarities, especially with regard to the global economic system. It should not be forgotten in this regard that the Great Depression led to a fundamental change in the way countries deal with their economies, where the economic role of the state was reconsidered. After the state had withdrawn from economic activities for decades, the only way to save the world from recession was to expand the economic activity of the state¹⁶. At present, many opinions have emerged calling for the need to encourage the state to adopt a greater economic role in the post-coronavirus era¹⁷.

With regard to fiscal and monetary policies, there are two factors that may compel the world to shift from focus on monetary policy to fiscal policy.

The first thing is that since the global financial crisis that erupted during the past decade, the world has used the quantitative easing policy, which is an unconventional monetary policy, manifested in the purchase of debt bonds heavily from financial actors, especially treasury bills or corporate bonds, used by central banks to stimulate the national economy when traditional monetary policy becomes ineffective¹⁸, in addition to a trend to reduce interest rates that they sometimes reached zero.

The second thing that would compel the world to mainly go towards fiscal policy is that the global interest rates at present are relatively low compared to past periods. In coincidence with this, the US Federal Reserve has launched the policy of quantitative easing again. However, this has not encouraged investors to move towards capital spending, which is normal in light of the recession the

¹⁶ OP. Cit. Ali Salah, New features of the world economy in the post-coronavirus stage, p. 5.

¹⁷ Magdy Abdel-Hady, Cows of Sacred Capitalism..., Meydan, April 2020, ([URL](#)).

¹⁸ COVID-19 pandemic: Examples of countries' responses to the pandemic and its implications on the global economy, Arab Center for Research and Policy Studies, Policy Studies Unit, Report No. 2, April 2020, ([URL](#)).

world is experiencing due to the coronavirus pandemic, where it is not possible to expect expansion plans from companies. Therefore, it can be said that the monetary policy alone has done nothing.

The entire world is now counting on the fiscal policy and bailout packages that countries adopt every day to reduce the catastrophic effects of the spread of the COVID-19 pandemic.

The following table shows values of aid packages approved by some countries of the world to overcome the negative effects of coronavirus.

Values of aid packages disbursed by some countries:

State / Body	Total amount of aid package (\$billion)
United States	2000
European Central Bank	817
Germany	610
United Kingdom	317
Canada	56
IMF	50
Italy	27
UAE	27
Qatar	23
Turkey	15.4
World Bank	14
Saudi Arabia	13
Switzerland	10

Note: The figures in the table are the initial packages announced by some countries at the beginning of the outbreak of the COVID-19 crisis, and they are constantly increasing according to developments experienced by these countries. (Table prepared by the researcher).

Following the Great Depression and Keynes economics¹⁹, the world moved to fiscal policy, which continued until the 1970s, when the former British Prime Minister Margaret Thatcher emerged, as she pursued monetary policies that helped the United Kingdom surpass its sufferings. Since then it can be observed that monetary policies have infringed on the economic policies of most of the governments worldwide, but as stated above and in the context of expanding the role expected from the state at the present time, and in the aftermath of the crisis, the world economies may tend to adoption of financial policies (government revenues and expenditures), besides the rise of domestic policies (related to the structure of wages and income in general and benefits and the like)²⁰.

With regard to government debts, it is no secret that the urgent aid packages and other expenses required by the stage out of the current crisis will, in turn, accumulate debts dramatically, where the debt rates in the advanced economies are expected to approach those in the emerging markets. Undoubtedly, the priority for policymakers in the short term is to solve urgent problems such as: temporary job losses, deteriorating corporate revenues, and others, where the available means to solve these problems is borrowing. Although debt accumulation seems troublesome to many, it may be necessary today for providing support to those in need under the current circumstances²¹.

Related to the state's economic policy is how the state plans its budget, as the increasing lockdown of many economic activities, and the unprecedented decline in government revenues, naturally lead to a discrepancy between the ability of each country to respond to domestic demands for increasing public spending. Poor countries currently need approximately \$3.9 trillion to meet these demands, while they have only \$1.4 trillion, a gap estimated at \$2.5 trillion²², which means that these countries are in a difficult situation that may lead them to undertake structural reforms, especially in the area of public finance, and in setting the state's fiscal goals in the long run.

¹⁹ Keynesian economics was developed by the British economist John Maynard Keynes during the 1930s in an attempt to understand the Great Depression. Keynes advocated for increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression.

²⁰ Op. Cit. Magdy Abdel-Hady, Cows of Sacred Capitalism...

²¹ Op. Cit. Dr. Mohamed El-Erian views on the World during and after COVID 19, Youtube

²² Mustafa Darwish, Coronavirus Resets World's Economic Map, Al-Ittihad Newspaper, 15 April 2020, ([URL](#)).

Also related to the economic policies of countries is how they formulate their policies with regard to government spending, and their vision of the development sectors that should be focused on.

3- Anti-poverty policies:

Current events affect various social classes, but undoubtedly the poor classes are the most affected at all levels. In this context, a report by Oxfam International, a non-governmental organization, predicted that over half the global population could be living in poverty in the aftermath of the pandemic. The organization warned that the economic fallout from the coronavirus pandemic could push half a billion more people into poverty unless urgent action is taken to bail out developing countries". The international organization warned that the repercussions of this crisis could set back the fight against poverty by a decade, and as much as 30 years in some regions such as sub-Saharan Africa and the Middle East and North Africa²³.

The World Bank also expected that the COVID-19 crisis may push about 40-60 million people into extreme poverty, "with our best estimate being 49 million".

According to the World Bank, the overall rate of global poverty—the share of the world's population living on less than \$1.90 per day—is projected to increase from 8.2% in 2019 to 8.6% in 2020, or from 632 million people to 665 million people²⁴.

From the above figures, it is clear that the World Bank's outlook is more optimistic than Oxfam. However, such figures should push the middle and low income countries in particular to seek alternative and unconventional policies in their fight against poverty, both at present and in the aftermath of the coronavirus crisis, while stressing that many traditional policies have not achieved any results in the fight against poverty.

²³ Half a billion people could be pushed into poverty by coronavirus, warns Oxfam, Oxfam International, Press releases, 9 April 2020, ([URL](#)).

²⁴ Daniel Gerszon Mahler, Christoph Lakner, R. Andres Castaneda Aguilar and Haoyu Wu, The impact of COVID-19 (Coronavirus) on global poverty: Why Sub-Saharan Africa might be the region hardest hit, World Bank Blogs, 20 April 2020, ([URL](#)).

In the same context, the collapse of oil prices will certainly leave its impact deeply on the political economy in the Middle East. The closure of labor markets in the Gulf will undoubtedly lead to the dismissal of millions of workers coming from Egypt, Sudan and the Mashriq countries in general, causing several social problems in these countries, which already face major challenges²⁵.

4- Huge changes expected in business activity models:

A study published in the Harvard Business Review-Arabic states that crises, including epidemics, can spur the adoption of new technologies and business models. The study says the 2003 SARS pandemic was behind driving Chinese consumers to shop online, thus speeding up the rise of Alibaba Group²⁶. The above argument undoubtedly underscores the significance of exploring the most prominent challenges and changes that the COVID-19 pandemic is likely to leave on corporate activity models.

In this regard, the lockdown or home isolation measures adopted by many countries all over the world have forced many companies, and even schools and universities to switch to performance from home, relying on many technologies that facilitate the work of meetings and maintaining business from home, through tools such as : video conferencing services, cloud computing services, online collaboration tools, online shopping, entertainment content broadcasting services, and other technology tools can be said to be the biggest winners of the coronavirus²⁷.

But structurally speaking, the changes that companies are experiencing today, will undoubtedly have major impacts in the post-coronavirus world. It is expected that the post-coronavirus business models will be affected at the following levels:

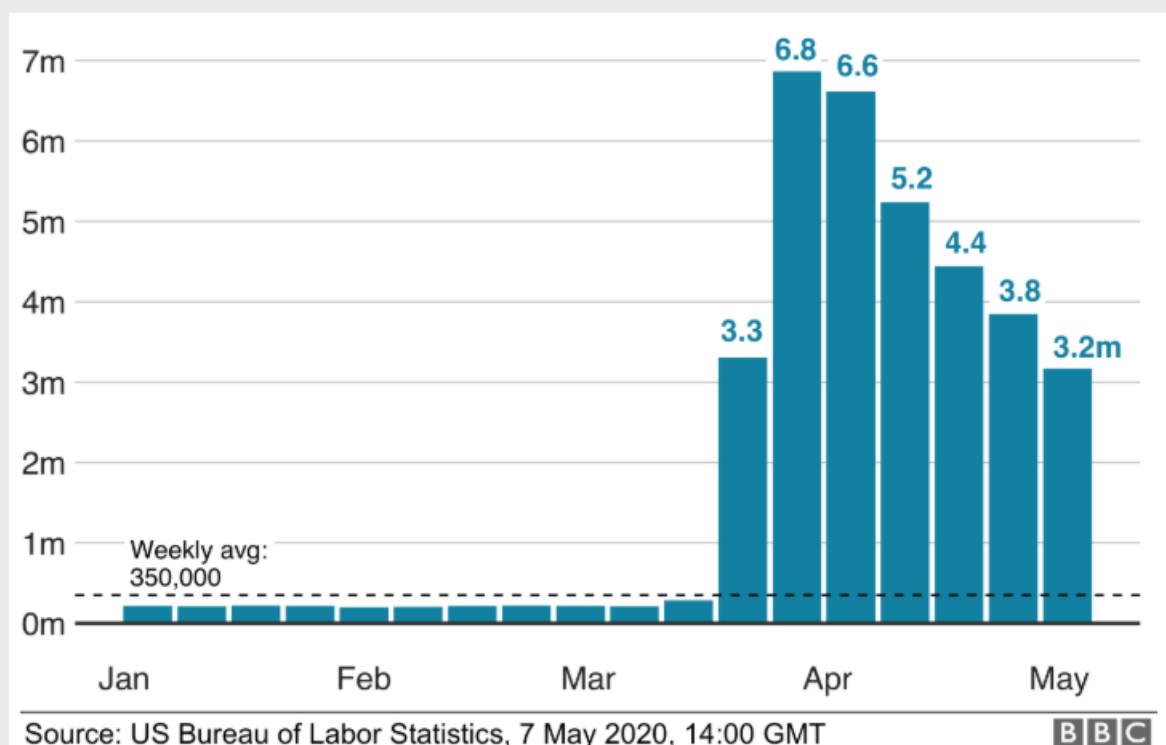
²⁵ Joseph Bahout, How will the Coronavirus Crisis affect your Middle Eastern interests in the coming months? Carnegie Middle East Center..., April 2, 2020, ([URL](#)).

²⁶ philipp carlsson-szlezak, Martin Reeves, Paul Swartz, How Coronavirus Can Impact Global Economy, Harvard Business Review Arabic, 2020, ([URL](#)).

²⁷ Ehab Khalifa, How Does Technology Change Management of Daily Life during the COVID-19 Crisis? Future for Advanced Research and Studies, Issue 3, 7 April 2020, p. 10, ([URL](#)).

A- Tremendous shifts in the field of employment:

During the past months, the crisis of the novel coronavirus has caused a major unemployment crisis that is not known how long it will last. According to US Bureau of Labor Statistics, the number of American citizens who have lost their jobs since mid-March was 33.3 million about 20% of the US workforce. The following graph shows the number of jobs lost per week in the United States as of January 2020 until May 7, 2020²⁸ :



As for the companies that decided to maintain their employment, the coronavirus pandemic crisis has showed that human labor is extremely costly to business owners during the period of economic crises, in terms of providing the necessary funds as salaries for employees.

Therefore, after the COVID-19 pandemic is over, it is expected that companies will reconsider many of their employment policies. It is expected that many countries over the world will continue to adopt models of distance education and distance work in many sectors, even after the end of the coronavirus

²⁸ Coronavirus: US unemployment claims hit 33.3 million amid virus, BBC News, 7 May 2020, ([URL](#)).

crisis. This is due to the multiple advantages that these models may provide, including saving time, effort, and cost, while achieving the same desired results that are achieved through traditional difficult methods²⁹.

B- Risk Management:

The outbreak of the novel coronavirus has undoubtedly been rapid and surprising to all world countries. This sudden outbreak and exponential growth of the virus that the entire world has been experiencing every day and even every hour prompted all companies and business units to quickly make significant decisions, mainly related to risk management.

It is known that as a result of the crisis, the levels of financial liquidity in the treasuries of different companies have decreased, which affects the total expenses, most prominently salaries. In this respect, it can be said that risk management – defined as the systematic scientific identification, evaluation, and prioritization of risks of adverse health effects resulting from human or environmental exposure to hazardous agents or situations, and the economical application of resources to minimize, monitor, and control the probability and/or impact of the adverse events – is mainly concerned with addressing such matters. This will make risk and crisis management flourish in the post-coronavirus era.

C- Collapse of SMEs in many Middle East countries:

A study published by Rand titled “Economic Consequences of COVID-19 in the Middle East: Implications for U.S. National Security” monitored the significance of the small and medium-sized enterprises (SMEs) in the Middle East and the impact of the current crisis on them. The study initially confirmed that the SMEs in many Middle East states, seen by many as a critical component of the economic future of the region, will likely be devastated unless governments intervene to rescue them. Although Saudi Arabia and the United Arab Emirates are already following the example of China in setting up stimulus packages for their SMEs, but many of the countries where SMEs are particularly

²⁹ Op. Cit. Ehab Khalifa, How Does Technology Change Management of Daily Life during the COVID-19 Crisis?

important—such as Egypt, Jordan, and Lebanon—may have much greater difficulty providing these businesses with the support that they need to weather the crisis³⁰.

Mohamed El-Erian, chief economic adviser at Allianz, expressed his worry about the structural damage the current crisis might inflict. He is worried about the risk that short-term damage to the economy and society may become long-term structural damage.

he feared the short-term damage to the economy and society would become long-term structural damage, where the starting point in this may be the transformation of liquidity problems in companies into crises of solvency, which in turn leads to massive bankruptcies to defaults in developing countries to social divisions, because once again the most vulnerable segments of the population are suffering the most, lots of small companies going bankrupt and we end up with a massive concentration in the economy. "So my main concern is what hopefully is a short-term reversible shock becomes a long-term structural headwind to economic prosperity and social well-being," El-Erian said³¹.

5) Rethinking of the ecological divide:

We cannot be sure what is behind the outbreak of the coronavirus, but that does not preclude the fact that discussions around this brought the term "ecological divide" to the surface.

The ecological divide is defined as the imbalance between natural resources and the need for environmental equilibrium on the one hand, and man's obsession with achieving an endless capacity for the growth of economies and the expansion of consumption on the other. To sum up, the ecological divide is also known as the disconnect between man and nature. However, the 1972 report "The Limits to Growth" that was commissioned by the Club of Rome, as well as other reports that followed, had warned of this early. These reports emphasized the necessity of balancing between

³⁰ Daniel Egel and Charles P. Ries, Economic Consequences of COVID-19 in the Middle East: Implications for U.S. National Security, commentary (The RAND Blog), 1 April 2020, ([URL](#)).

³¹ MARTIN LÜSCHER, «We may end up with a zombie market», Finanz und Wirtschaft, 24 April 2020, ([URL](#)).

human needs and economic growth on the one hand, and the need for environmental equilibrium on the other³².

Therefore, after the end of coronavirus, calls for paying attention to this issue are likely to increase. However, the great responsibilities of states and governments may not allow them to place this issue on top of their priorities, but it is certain that climate conservation groups as well as some international institutions and academic circles will do (place this matter on top of their priorities), to avoid repetition of the dilemma that the world is currently experiencing.

Conclusion

The paper pursued exploration of the most prominent features of likely economic changes that the world may experience in the post-coronavirus era. Given the statement that the world after coronavirus will be completely different from that before it, we can wait and see, but at the same time we should start to take down notes about the most important lessons that we have learned from the current crisis, which this paper attempted to do without asserting that occurrence of these likely economic changes is inevitable.

³² Op. Cit. Magdy Abdel-Hady, Cows of Sacred Capitalism...