EUROPEAN COUNCIL ON FOREIGN RELATIONS
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POLICY BRIEF

THE POST-CORONAVIRUS WORLD IS ALREADY HERE

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SUMMARY

- The pandemic will likely magnify existing geopolitical dynamics and test the strength of Europe's democratic systems.
- Europe needs a new kind of globalisation capable of striking a balance between the advantages of open markets and interdependence, and between the sovereignty and security of countries.
- Europe should work to prevent the US-China rivalry from having negative repercussions in certain regions of the world – particularly Africa.
- European leaders need to focus on meeting the immediate needs of healthcare systems, providing an income for people who cannot work, and giving businesses guarantees.
- The European model will only mean something in the eyes of the world if we can successfully promote solidarity among EU member states.

Introduction

Whenever I catch sight of myself wearing a mask as I walk through the deserted streets of Brussels or the empty corridors of the European Commission, I cannot help but be overcome by a feeling of shock. Especially since, no matter where you go and no matter where you are, this sense of shock is palpable. It is palpable on Saint Mark's Square in Venice – now deserted by humans while the fish return to the waters of the lagoon, which are clear once again. It is palpable in Jerusalem, where the Church of the Holy Sepulchre was shut down on Good Friday for the first time since the 1349 Black Death. It is palpable in the United States, where unemployment has risen by 20 million in four weeks. Lastly, it is palpable in Spain and Italy, where no fewer than 45,000 people had died by the end of April.

A health crisis at the outset, covid-19 soon turned into an unprecedented economic and social crisis. No economist could ever have imagined this: several billion people confined to their own homes. The consequences will, therefore, go far beyond what we experienced in 2008.

While not very useful in terms of solving the problem, the first question that arises is whether this pandemic was avoidable or whether it is similar to the 'black swan' famously referred to by Nassim Taleb. He sees the 'black swan' as having three characteristics: a sense of shock, because nothing in the past made it possible to predict the event; an extremely violent crisis it causes; and, lastly, efforts to rationalise it. It is human nature to feel a need to explain an event, in order to believe that the present can be explained and was predictable. However, according to Taleb, 'black swans' are unpredictable in terms of both their duration and their consequences. They thereby prevent us from placing trust in any model that will enable us to get out of the crisis. Having said that, Taleb takes the view that covid-19 is not a black swan precisely because it was predictable.

He is not wrong. A 2008 report by the US National Intelligence Council referred to the risk of a "novel, highly transmissible, and virulent human respiratory illness for which there are no adequate countermeasures". President Barack Obama had pointed to this risk. Speaking at the 2018 Conference held at the Massachusetts Medical Society, marking the centenary of the Spanish flu (Spanish in name only), which caused the deaths of 50 million people – in other words, 2 percent of the world's population at the time – Bill Gates said that the next global disaster would take the form of a pandemic caused by a highly infectious virus that would spread rapidly across the world, and that it would take us completely by surprise. In fact, infectious disease experts have been warning us for years about the acceleration in the spread of epidemics. This is the third novel betacoronavirus in the past 20 years that has been able to cross the species barrier. It might, therefore, be helpful to ask why the international community did not prepare properly for this, and how it could prepare in future – because it seems obvious that covid-19 will not be the last one.

Once the sense of shock has passed, we must assess the consequences of this event, avoiding two pitfalls. Firstly, given the uncertainty surrounding this crisis, we must not draw hasty conclusions. Secondly, we must not let ourselves be overcome by shock, concluding too quickly that everything will change. In the history of human societies, major crises are always heralded by warning signs or events. And major crises usually have an accelerating effect on trends. This is why it would make more sense to look at the consequences of covid-19 from the point of view of how this crisis could magnify dynamics that are already at work. What are these dynamics? I can see three:

- the future of globalisation and neoliberalism;
- the evolution of global governance;
- the resilience of the European Union and democratic European political systems when coping with serious and unforeseen risks.

These three dynamics will shape the post-coronavirus world – a world which, to a certain extent, is already here.

The future of globalisation and neoliberalism

This pandemic will not mark the end of globalisation. However, it will call into question a number of its modalities and ideological assumptions, including, in particular, the famous neoliberal mantra: open markets, the downsizing of the state, and privatisation. These modalities were already being challenged before the start of the crisis. They will be challenged even more afterwards.

In the past decade, globalisation has increased owing to the development of supply chains that are constantly growing in number and scale. As a result of these supply chains, goods can be manufactured by producing components in different locations in order to minimise costs. This is made all the easier by falling transportation costs and the development of telecommunications. The digitalisation of the economy has accentuated this trend, benefiting many emerging countries – in particular China, which has attracted a large share of textile and consumer-electronics production, but also India, in industries such as pharmaceuticals. More than 300 of the world's 500 leading companies have a presence in Wuhan, where the pandemic started. This extension of supply chains and the extreme ease with which they could be set up naturally fuelled the idea that there was no longer a problem on the supply side because supplies were so abundant worldwide. As a result, just-in-time delivery has replaced stocks. The use of storage has almost become an uneconomic practice. Even those countries that were best prepared for the risk of a pandemic let down their guard as the years went by. Supply chains will not, of course, disappear after the crisis – because they are of considerable economic interest. However, there are three ways in which this dynamic will change, to some extent.

The first way will involve diversifying sources of supply in the health sector. We are extremely dependent on China in terms of imports of a number of products, particularly masks and protective clothing (50 percent). In addition, 40 percent of the antibiotics imported by Germany, France, and Italy come from China, which produces 90 percent of the penicillin consumed in the world. Not one gram of paracetamol is produced in Europe at the moment. The establishment of an inventory or strategic reserve of essential products would, therefore, enable Europe to prevent shortages and ensure that these products were available across the continent. A first step is the introduction of the European RescEU programme to respond to this risk, in particular through the pooling of resources. The aim is to limit dependence on exporting countries for each essential product, so that no country is the source of too big a proportion of imports of such products.

We must protect ourselves, but protecting ourselves does not mean giving way to protectionism. Protecting ourselves means avoiding a situation where, when confronted with a crisis like the current one, we find ourselves in an extremely vulnerable position with respect to foreign suppliers. Globalisation is not based on straightforward, fluid networks to which everyone has access but on strategic hubs dominated by certain stakeholders, who can control or block them to their advantage in the event of a crisis.

The second way will involve relocating a number of activities, bringing them as close as possible to the place of consumption. We are likely to move towards shorter supply chains, which could coincide perfectly with the demands of combating climate change. This will probably raise the cost of products. However, we must accept a compromise between security needs and ensuring the lowest possible cost for consumers. In the wake of this crisis, we need to acknowledge that the interests of citizens must take precedence over the interests of consumers. Japan, which has a very open trade system and is the last country you could accuse of protectionism, is the first country to have launched a specific plan to finance the relocation of its companies from China, either to Japanese islands or to other Asian countries. In Europe, we must start reflecting on this issue, setting aside the silo approach, which is preventing the creation of an overall strategic vision on certain matters. It is not a question of re-establishing sectors in Europe that have been relocated, but there are certainly strategic market segments that need, now more than ever, to be kept in Europe – segments that we relocated for financial or environmental reasons. More fundamentally, we need to prioritise. Would it not be sensible to have more activities in North Africa or elsewhere in Africa rather than Asia from now on? Not that one should rule out the other. But, now, it is clear that it is a priority for Europe, and in its interests, to ensure that countries in its immediate vicinity develop swiftly and well. Given that we are already talking about developing strategic partnerships with Africa, it would be a good idea to identify areas in which these could take shape and be implemented. One area would be, obviously, medical products. This is evidenced by studies. It is in our political interest not to rely too much on foreign powers that could, one way or another, exact a heavy toll for our dependence on them.

Finally, the third way in which the supply chain approach could change is likely to involve alternative technological processes, such as the general use of 3D printing or robots to curb the risk of offshoring. In Italy, using a 3D printer, some people managed to manufacture valves for intensive respiratory care devices very quickly and at an extremely low cost.

Having said that, while it is absolutely essential for countries to seek greater health security for themselves, it is also vital to ensure that this does not lead to protectionism – which might start with health products and then gradually expand to cover all the activities they deem essential. It will, therefore, be necessary to find a new balance to prevent a widespread protectionist drive that would result in a global depression. This is very important for Europe, which of all the world's regions is the most dependent on world trade, and which is, to date, the region most affected by the economic downturn.[1] We know only too well that there is a very thin line between the crisis we are experiencing and the worldwide depression that lies in wait. This is even more true of southern countries through which the pandemic has not yet fully spread, but where the damage is likely to be considerable.

In short, we will need to devise arrangements for a new kind of globalisation capable of striking a balance between the undeniable advantages of open markets and interdependence, and between the sovereignty and security of countries. There are few moments in history when societies are given an opportunity to question themselves, because they are often caught up in a maelstrom of daily emergencies. Here, we have a chance to pause: this should cause us to reflect on our future.

Given this, it is clear that we cannot repeat the mistakes of 2009 – when, after recording a drop in greenhouse-gas emissions, these same emissions rose again as if nothing had happened. We cannot afford to fail in this second episode, because the pandemic did not come out of nowhere. It is not wild animals that cause a pandemic. What causes a pandemic is deforestation, the loss of the natural habitats of wild animals, a reduction in biodiversity, and the overexploitation of resources that brings wild species into contact with humans in very densely populated areas. This crisis is an indisputable sign that our ecosystems are overloaded. It is a result of all these factors backfiring. It is, therefore, more vital than ever that the struggle to preserve biodiversity should become a major component in the fight against climate change. In these circumstances, it is no exaggeration to talk of a new globalisation, since the economic, social, and environmental upheavals that have mushroomed over the last few decades have proven to be unsustainable.

The face of globalisation will, therefore, change. That of the state will too, as its shrinkage has been at the heart of neoliberal ideology. It is clear from this crisis that a spontaneous demand for state action is growing, and that the countries with strong social protections are better equipped to deal with the crisis than those that leave their citizens to cope with the market alone. The fact that Europe has resorted to partial unemployment rather than redundancies in order to cope with the inevitable decline in production reflects the special nature of the European model. But the state must not become a nanny state that takes care of everything, including the production of masks. What is needed is to restore the state's strategic capacity to anticipate and prepare society for challenges of this kind. The countries that have managed the health crisis best in the past three months are those where public authority is best organised. What counts is the quality of a state, and not just its size.

Restoring the strategic role of the state will be a post-crisis priority. But this will not be easy to achieve in Europe, where nation states and a single market coexist. The imperatives behind the creation of the single market meant that all protection mechanisms were viewed as obstacles hindering the construction of that market. As a result, while member states progressively reduced protection to allow the single market to take shape, Europe forgot to build collective protection. Hence our rather belated focus on strategic issues linked to reciprocity, particularly in terms of market access. Thankfully, things have started to change, and the crisis can accelerate this process. In Europe, there is now growing talk of tighter controls on foreign investment and distortions of competition caused by non-European countries. We are also in the process of reassessing state aid. Indeed, the Commission has recently made state aid rules more flexible. We cannot continue to concern ourselves with distortions of competition inside the EU while ignoring the actions of our competitors from outside Europe. Europe must no longer be offered on a plate to the rest of the world. But there is still a long way to go. China's recent award of 5G licences illustrates how European operators are sidelined. By way of example, Nokia and Ericsson recently secured a share of just 11.5 percent of the Chinese deal, compared to a 25 percent share for 4G. Meanwhile, Huawei already has a 30 percent share of Europe's 5G market. We also need to guard against foreign groups looking to benefit from the decline in asset value to take control of European companies. Again, we will need to learn from this crisis, which has revealed the asymmetric nature of our relations with China, and mobilise policy instruments to end this situation.

However, the difficulty in Europe is the need to take into account the imperatives of the single market, as well as the existence of nation states, whose interests and traditions do not necessarily always converge. If we were slow to introduce a mechanism to control foreign investment, it was because certain member states felt that the opportunities available in some emerging markets were too great to be sacrificed for the sake of having stricter controls on investments coming from those same markets. But when these same states realised that they too could fall victim to foreign takeovers of strategic sectors, they had a change of heart. Now, even certain traditionally liberal states such as the Netherlands are calling for more oversight of foreign investment, to ensure that foreign investors do not receive state aid. In short, Europe cannot be the only region of the world to follow competition rules while others fail to do so.

The covid-19 crisis will shine a light on how globalisation increases the vulnerability of nations that do not take enough measures to ensure their security in the broadest sense of the word. All of which must lead Europe to deliver on the idea of strategic autonomy – which, as we can clearly see, cannot be restricted to the military sphere alone. This strategic autonomy must be built around six main pillars, which I would like to set out here:

- reducing our dependency, not only in the healthcare sector but also in the field of future technologies, such as batteries and artificial intelligence;
- preventing market players from outside Europe from taking control of our strategic activities, which requires these activities to be clearly identified upstream;
- protecting our critical infrastructure against cyberattacks;
- ensuring that our decision-making autonomy will never be undermined by the offshoring of certain economic activities and the dependence that creates;
- extending Europe's regulatory powers to cover future technologies to prevent others from regulating in a way that is detrimental to us;
- showing leadership in all areas where a lack of global governance is destroying the multilateral system.

Restoring global governance

This leads me to the question of global governance. As the days go by, its failings are becoming clearer. In recent years, criticism was directed at the World Trade Organisation. Now, the World Health Organisation (WHO) is in the firing line, precisely when we need it more than ever. The United Nations Security Council was not able to create a resolution on covid-19, as the US and China could not reach an agreement. This is unchartered territory: even during the cold war, the US and the Soviet Union managed to reach an agreement to boost research into a polio vaccine. And the G7 was also unable to agree on a text, as one country wanted to refer to covid-19 as a 'Chinese virus'. What we are witnessing is a blame game between the US and China, a game that is eroding global leadership. This is in stark contrast to what we saw in the 2000s with the introduction of the global plan to fight AIDS; the efforts mobilised to combat the Ebola virus; and, of course, the action taken during the 2008 financial crisis.

One could argue that a pandemic is not, in itself, a matter for the Security Council. But this argument fails to convince. In the two cases referred to above (AIDS and Ebola), there was a unanimous vote in the Security Council. And this unanimity helped spur action. A draft text recently tabled by Estonia was not put to the vote, since a number of countries did not agree with the text's insistence on full transparency in terms of reporting on the crisis, a principle which they felt undermined their sovereignty. However, France and Tunisia are working on a new draft.

For the first time since the UN was created, it has proven impossible to reach a consensus during a pandemic; this does not augur well. This situation is the result of disagreements between countries and the lack of interest among a number of them in any form of international leadership. All of which is extremely worrying, as we know that strong international coordination can be a game-changer. Coordination makes it possible to share best practices; propose international standards for passenger checks at, for example, airports; pool resources for testing and vaccine research (rather than one country trying to keep promising research results to itself for its own benefit); and create partnerships to produce all the vital products and equipment needed to fight the pandemic.

This need for coordination will also be extremely important when lockdown measures are lifted. We will face serious problems if each country takes it upon itself to lift the lockdown. What we must do is agree on an approach in order to prevent global chaos that would again affect international trade. Since the crisis began, the only area where international cooperation has worked really well is that between central banks. The fact that they are able to act autonomously and independently of traditional inter-state rivalries probably explains this success.

Later, we will, of course, need to assess what has been done well, and less well, since the pandemic began. But now is the time to rally together, not to cause controversy. With this in mind, US President Donald Trump's announcement that he was temporarily suspending American funding of the WHO on the grounds that the organisation had allegedly sought to cover up Chinese failings is regrettable.

Without doubt, this crisis has strained China-US relations and exposed the international security threat of a multi-dimensional conflict between these two countries. As pointed out to me by UN Secretary-General António Guterres, the US, China, and the EU will have to work together closely to emerge from the crisis. But if, instead of just straining relations between the US and China, this crisis were to bring matters to a head between them, Europe's role would be even more crucial. Europe will need to ensure that the effects of this rivalry do not have negative repercussions in certain regions of the world – particularly Africa, which will need real financial support to address the pandemic. The G20 and the International Monetary Fund have announced a debt moratorium for the poorest countries, a decision that will certainly bring relief to many. But this is clearly not enough. All donors, including China, should be working to cancel this debt. Middle-income countries will also be affected and will need support, as many leaders and economists in Latin America have pointed out.

Given this situation, if we want to set an example and, above all, be credible, we have to first show our own people that we practise at home what we preach internationally – by which I mean solidarity. European countries have taken a number of measures to prevent their economies from collapsing. Recovery plans have been launched. This is all a step in the right direction. But we are still far from achieving an approach based on European solidarity. We also need to ensure that national recovery plans do not undermine the single market. If, in a given country, businesses receive aid under a national support plan that is much more robust than what is in place in their competitors' states, they might gain a decisive advantage once the crisis is over – and this could worsen economic imbalances in the single market. The north-south divide that was already in place before the crisis could become even more pronounced afterwards. And this would inevitably affect people's support for the European project. As things stand, it is clear that the fiscal measures introduced by governments to support the production system are much more comprehensive in Germany than they are in Italy or Spain.

Covid-19 has also revealed one of the main weaknesses of the monetary union: the lack of a fiscal stabilisation function for the euro area as a whole, which "leads to an overburdening of monetary policy for stabilisation purposes and an inappropriate policy mix". Although the pandemic's origins make it an symmetrical crisis, its consequences are highly asymmetrical. And, in social and geographical terms, its huge costs will not be shared out equally.

The European Commission and the European Central Bank were quick to respond to this crisis. In terms of humanitarian efforts, thanks to the sterling coordination work of the Commission, 500,000 EU nationals who were outside the EU were brought home. On the economic front, after the longest meeting in its history, the Eurogroup opened up new credit lines from the European Stability Mechanism. But it is not clear that countries such as Spain or Italy will use them. We are then reliving the same intergovernmental debates on how to organise European solidarity that delayed the response to the euro crisis – a crisis that cost us dearly, both economically and socially.

We are reliving the same confrontation between north and south. And we are again seeing the limits of European solidarity owing to the fact that we are not yet a political union or even a real economic and monetary union, despite the progress that has undeniably been made.

To make this solidarity a reality, there has been a lot of talk of a 'Marshall Plan', a positive reference point for Europeans. Quite aside from the fact that we can no longer expect a new George Marshall to appear from the other side of the Atlantic, the Marshall Plan was at the time designed to rebuild a continent that had been completely destroyed. Today, however, if we compare the pandemic to a war, we can see that physical capital has not been destroyed. Following an earthquake, infrastructure and production capacity must be rebuilt. But that is not the challenge we face today. We now need to focus on meeting the immediate needs of healthcare systems, providing an income for people who cannot work, and giving businesses guarantees and allowing them to postpone payments to prevent the production system from collapsing. That is what is urgently needed today.

The resilience of democracies

This crisis will also be a political test for Europe's democratic systems. Crises always show societies where their strengths and weaknesses lie. Political narratives are already being written to prepare for what comes next. There are three competing narratives: the populist narrative, the authoritarian narrative (in many ways similar to the first), and the democratic narrative. In theory, the populist narrative ought to be severely affected by this crisis, as it brings the importance of a rational approach, expertise, and knowledge into sharp focus – principles that the populists mock or reject as they associate all of those qualities with the elite. Indeed, it is difficult to continue with a 'post-truth' narrative when we now know how people get infected, which groups are at risk, and which preventive measures should be taken to fight the pandemic. But the populists can, first and foremost, blame foreigners for spreading the virus. They can also point the finger at globalisation, the traditional scapegoat for all ills. In the same vein, they can push for tighter border controls and use this as an opportunity to increase their hostility towards immigration. Populism is a shape-shifter. It adapts to any situation and can easily change direction since it does not feel the need to distinguish between truth and fiction. Furthermore, populists will always be at ease during times when fear prevails. There is a great temptation to exploit this exceptional situation to restrict rights and freedoms. We can move towards a digital form of authoritarianism, which certain countries are clearly already doing. This is what happened after 9/11, when the ‘war on terror’ led to an erosion of personal freedoms. We have already gone beyond Orwell.

The authoritarian narrative is similar to the populist narrative in that it seeks to simplify problems and provide one central explanation for them all. It takes the line that only authoritarian and centralised regimes can defeat the pandemic by mobilising all of a country’s resources. But we know this to be false. We already know that well-organised democratic countries have, so far, had the greatest success in terms of containing the crisis.

That leaves the democratic narrative. This one is the hardest to put together, since doubting, questioning, deliberation, and debate are the foundations of democratic societies. All of which hinder swift and effective action based on a clear and indisputable narrative. But, fundamentally, once the crisis is over, the people of Europe will deliver their own verdict on the approach taken by each member state and by Europe as a whole. This makes it vital for the EU to be seen as a player that is able to make a difference. This does not mean that it should take the place of the member states, but rather that it should build on their action to give meaning and substance to the fundamental issue at stake: the protection of the European model. But this model will only mean something in the eyes of the world if we can successfully promote solidarity among the member states. And, on that issue, we still have much to do.

Once again, we find ourselves living through an existential moment in time for the EU – because how we respond will affect the cohesion of our societies, the stability of our national political systems, and the future of European integration. Now is the time to heal the wounds from previous crises, not reopen them. To achieve this, the EU's institutions and policies need to win over the hearts and minds of Europe's citizens. And, in this regard, there is still much to be done.

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This article also appeared on the websites of the EU External Action Service and the Institut Francais des Relation Internationales.

[1]According to Karel Dynan of the Peterson Institute, GDP will fall by 12 percent in Europe compared with 8 percent in the United States and 9 percent in Japan, whereas China will experience growth of 1.5 percent. 10 April 2020.

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