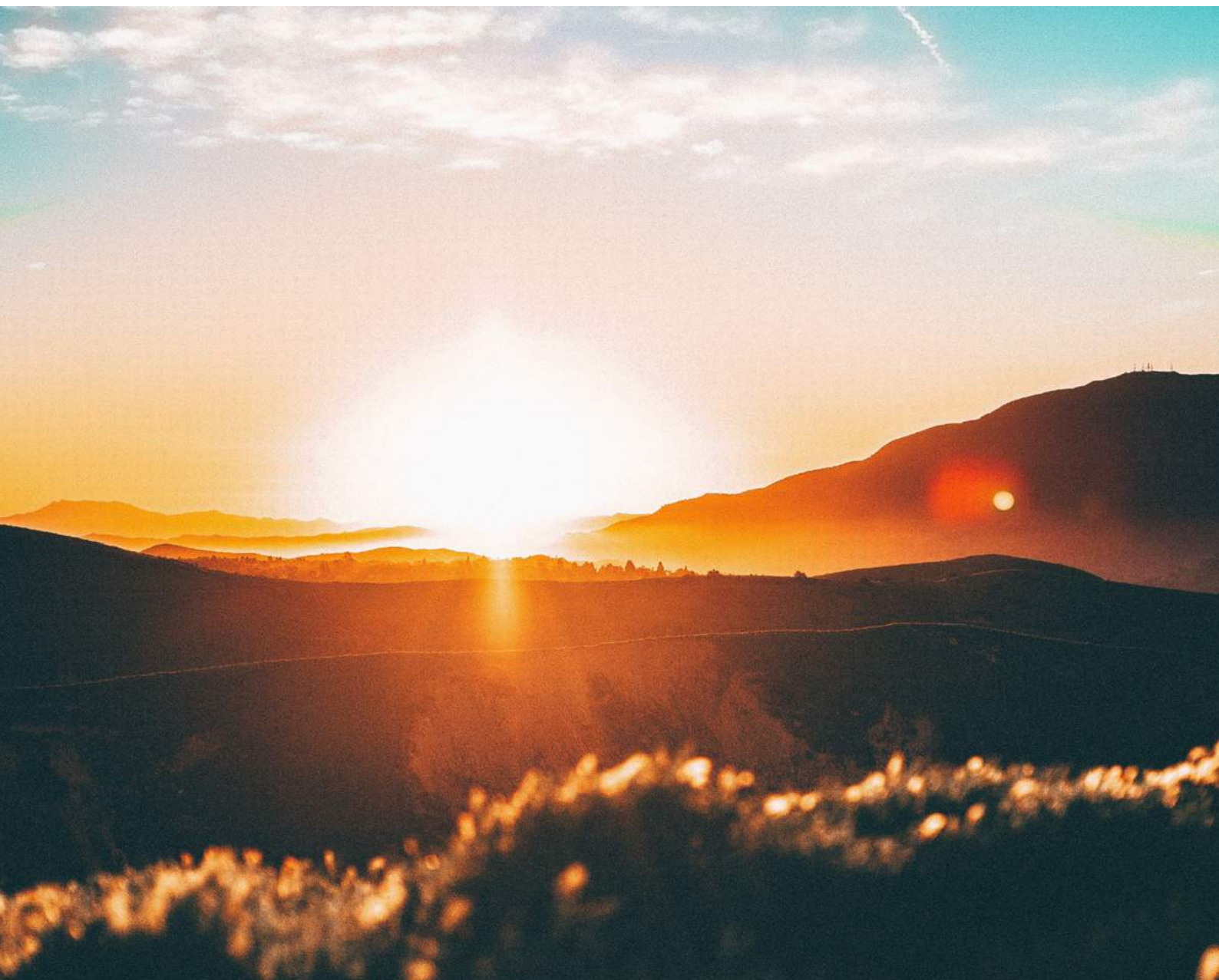


Insight Report

# Challenges and Opportunities in the Post-COVID-19 World

May 2020



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The views expressed in this e-book  
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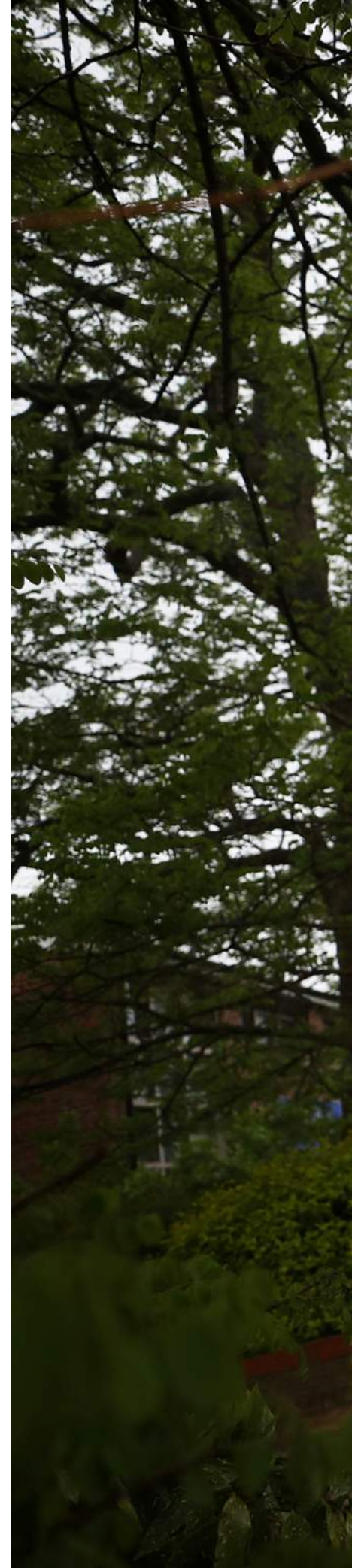
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# Introduction

While a global pandemic has been a looming risk for decades, COVID-19 has come as a shock to society, health systems, economies and governments worldwide. In the midst of extraordinary challenges and uncertainty, and countless personal tragedies, leaders are under pressure to make decisions on managing the immediate impact of the pandemic and its consequences, decisions that will shape the state of the world for years to come. What might be the silver linings in the crisis and how might leaders use this moment to build a more prosperous, equitable and sustainable world?

In this collection of essays, the Global Risks Advisory Board of the World Economic Forum's Global Risks Initiative looks beyond the current crisis to the potential challenges and opportunities in the post-COVID-19 world. The result is a range of expert opinions from a geographically diverse set of leaders. They are designed to offer new perspectives on the post-pandemic future, in support of efforts to proactively and collectively shape the future we want.

The views represented are solely those of the authors and do not represent the views of the World Economic Forum.





Time now to  
**REFLECT**  
pull together  
and value  
what is important



We  
are one

## CHAPTER 1

# Global Governance: Planning for the World After COVID-19



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After COVID-19 there is a risk that the world could be yet more divided, conflictual and nationalistic. But an alternative scenario is within reach. In this scenario, collective action within communities and, where necessary, internationally, will make a more rapid and peaceful exit from the crisis possible.

### The high-risk scenario

Politics could turn toxic as governments fail or struggle to speedily control the pandemic, to ease lockdowns safely, or to communicate clearly about what they are doing and why. Some politicians will resort to a discourse combining fear and tribalism. This will exacerbate discrimination at home – as seen in some parts of the [United States](#), [China](#) and [India](#) – and jingoistic nationalism will also make international cooperation more difficult.

Failure to cooperate internationally will hinder the fight against the virus. Closing down trade, requisitioning materials, or preventing supply to other nations will hobble everyone's capacity to source adequate testing and treatment materials. The closing of borders and ripping up of international rules will make it ever more difficult to restart trade and travel, and extend the lockdown, heightening anger and anxiety.

The crisis has exposed how many people, even in some of the world's richest countries, live in inadequate housing, without reserves of cash or food, and face difficulties in accessing government assistance. The global lockdown is exacting an [enormous price](#) from them. They



will demand better, having seen the enormous sums governments have mobilized to deal with the crisis.

However, not all governments will be able to deliver.

Governments will face gigantic debts. Many households and businesses were already heavily indebted before the crisis. Some will be able to raise funding through the capital markets (the UK borrowed £45 billion in one month). Others will face ruinous rates for borrowing (South Africa has had its credit rating reduced to junk status). Investors will look for robust investment plans, competent leadership and robust institutions. Most developing countries will be excluded. In short, a financial crisis is in the offing and without international cooperation, beggar-thy-neighbour policies are likely to deepen economic recession for all.

Finally, sabre-rattling and war offer a diversion for politicians facing political and economic turmoil at home. Building on their jingoistic nationalism, there is a risk that some will seek to focus the anger and frustration of their citizens on another country. Already we are seeing political leaders blame other countries for their own failings, including for problems before the crisis.

One scenario for the post-COVID-19 world has political and economic forces fuelling fear and conflict, deepening economic damage, eviscerating the possibility of growing out of the crisis and exacerbating divisions that the pandemic is already revealing.

## **A better scenario**

The world has managed extreme conditions before. Leaders of the 1940s reflected on

their failure to cooperate after the First World War, how it drove the world into economic catastrophe (the Great Depression) and conflict (the Second World War) and resolved to do better. They started planning during the war. They knew that cooperation would be essential to rebuild afterwards and to redevelop a global economy within which each country could grow. So, too, global leaders must begin to plan post-pandemic cooperation.

Three tasks that confronted those leaders have their parallel today. First and most immediate is to fight the common enemy – now the virus – together. The second is political and geopolitical: Churchill, Roosevelt and Stalin had to fashion a world that could accommodate their own (and others') diverse political regimes. The third task is economic. Economic reconstruction had to deal with massive government debts and a broken global trading and investment system.

Fighting the virus together requires cooperation on three things: research and knowledge (working together to understand and beat the virus); maintaining global supply (trade ensuring efficient global supply of necessary materials); and warning of future outbreaks. This might sound easy. It is very difficult. Why would a scientist share crucial data with others, or a country continue to export protective equipment if they are not sure that other countries will reciprocate? Why warn of a disease outbreak if you think other countries will slam the door on you?

For cooperation to work, countries need to agree common rules and empower an institution to oversee them. The World Health Organization (WHO) exists to do this, but it is overstretched and underfunded. It needs to be

properly funded to do its job. Its current budget is about equal to that of one large US hospital, and 83% of it is “voluntary” contributions, which are tagged for special projects. It also needs governments to hear and follow its advice. Since 4 January 2020, the WHO has shared information about the outbreak, providing technical advice and guidance, and emphasizing the need to test, trace, and isolate in order to contain the virus. Some major countries ignored the warnings and the advice.

There has, however, been cooperation among scientists from China, the US, Europe and among [businesses](#) (e.g., the GSK team-up with AstraZeneca). Some of that cooperation was facilitated by the WHO, whose technical guidance and advice have been taken up by many countries. Although there have been export controls, Germany has flown Italian patients to its hospitals and China has sent ventilators and protective equipment to other countries. In [Latin America](#), efforts are being made to keep borders open while fighting the virus together. The key thing now is to tilt this mixture further in the direction of cooperation. The WHO must be supported, financed and empowered to do everything possible to point the world towards a virtuous circle of mutual trust and away from a vicious cycle of dog-eat-dog.

## Improving politics

Diverse political regimes must work together in the world after COVID-19. People have been quick to conclude victory either for autocracy or democracy in this crisis. Democracy has been criticized for popularity-seeking instead of pursuing technically sound policies. Autocracy has been criticized for repression. But more humble lessons need to be learned all round.

Politicians in any system can be tempted to take popular rather than necessary decisions. Consider democratic neighbours Sweden and Denmark: Sweden with far less of a lockdown early on has ended up with a much higher death rate. Similarly, Wuhan authorities played down news of the virus and went ahead with their Baibuting mass banquet on 9 February, to disastrous effect. Poor leadership results in bad outcomes, whatever the political system.

Perhaps alternative centres of power – at local or city level – can offer insurance, and a quicker way to get things done. National leaders in the US and Brazil were slow to take the pandemic seriously but governors at the state level stepped up (albeit not resolving the need for coordination from the centre). In China, the crisis exposed the overly politicized accountability of local government officials in Wuhan. In Italy, mayors have stepped in to enforce what they describe as slightly confusing national messages. The UK government was slow to mobilize an existing network of local environmental health officers to trace contacts. All governments could do better by balancing autonomy and agility at the local level with national-level coordination.

It has become too easy for extremists to rattle sabres across social media. But jingoism and talk of [war](#) will not resolve the core problems facing the US or China, nor any other country in the world. Government leaders facing an enormous challenge at home need to focus their energies and efforts and agree to disagree with some foreigners, yet also make a powerful new case to their citizens about cooperation. They must provide security at home and, as its necessary correlate, cooperation abroad.

## Reconstruction

Economic reconstruction is the third challenge. After the Second World War, war-torn countries were desperate to get their economies restarted. Debts had to be written down. New flows of investment had to be found. The result was a massive reset delivering mass housing, health, employment and education. This may not be possible in 2020, but some changes occurring during the crisis could be built upon.

Increased solidarity is visible across societies, as they seek to attenuate the effects of the lockdown. In [Nigeria](#), citizen-powered welfare organizations and tech companies are stepping up to feed the poor. In the [United Kingdom](#), high-end restaurants have stepped in to offer meals to hospital workers in the National Health Service. In [China](#), volunteers made their way to Wuhan to help at the height of the crisis. In [France](#), those who have lost their jobs in the cities are being encouraged to go to the countryside to help farmers harvest produce. Across Europe people have made a regular feature of singing and applauding the newly recognized “key workers” (nurses, carers, doctors, firefighters, rubbish collectors and supermarket checkout operators), most of whom are low paid, and many immigrants. Communities are standing together, albeit at a physical distance.

To build on emerging solidarity will take very careful and representative leadership. Global discussions float big ideas – “[Sustainable Development Goals](#)”, “[stakeholder capitalism](#)”, etc. – but the onus is on the proponents of these ideas to translate them into feasible steps that will help governments rebuild at a national level after the crisis.

At the international level, two lessons from the post-war settlement stand out. The first is the need for debt write-downs to enable countries to grow out of the crisis. Packages and efforts to reduce the debt loads of development countries announced by the International Monetary Fund (IMF) and World Bank now need support from countries robust enough to tap into bond markets and share the benefits of their creditworthiness (through the credit-pooling arrangements of multilaterals). The second lesson is that major producers will need to invest in growth in their own future markets in other countries. Post-war America did this. In today’s world, the US, China and Europe will have to do the same.

The post-COVID world will be shaped by decisions being made in the crucible of the fight against the virus. The profound uncertainty about the virus and its trajectory, and about how other countries will respond, only magnifies the importance of leadership. At the very least, leaders across the world must cooperate to fight against the virus, collectively eliminating it. They must do so without being distracted by political differences but by focusing on the extraordinary challenges that lie within their own borders. They must make the case to their citizens that security at home requires cooperation abroad. And finally, those that can will need to invest in neighbours and in poorer parts of the world, for only together will their economies flourish.

## CHAPTER 2

# Regional Governance: An Opportunity for Regional Organizations?



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### What will change?

It is difficult to imagine that the traumatic experiences of the pandemic will be forgotten quickly or disappear entirely over time.

The human losses alone will remain strong reminders of the implications of change at the level of society and individuals. The new start after lockdown will certainly offer opportunities and carry risks for all. Our governance systems, in many ways our democracies, will continue to be at the heart of this journey.

### National governments as crisis managers

In a seeming contradiction to the global reach of the pandemic, governments at national level, more accurately their leaders and executive branches, have taken the front seat in responding to the COVID-19 crisis. Through the

“Great Lockdown” (IMF), they forced 4 billion citizens to stay at home. They have turned into paymasters of hundreds of thousands of private companies and workers, affecting 2.7 billion jobs, financed by accumulating public debt beyond imagination just a few months ago. Central banks stand ready to inject nearly unlimited liquidity. Now, their attention is turning to exiting the lockdowns and stimulating economic recovery.

With supranational collaboration facing headwinds long before the COVID pandemic, is there space for more regional cooperation in crisis management and recovery?

### Crisis management at regional level – the example of the EU

While the European Union (EU) is certainly not representative for regional organizations in general, it can still offer an interesting perspective on the opportunities and risks associated with regional cooperation in the current situation.

Arguably the EU is one of the regional organizations of countries most prepared institutionally for close cooperation among its members.<sup>1</sup>



Since the arrival of the pandemic, the EU has been actively responding to the challenges, with uneven results so far. Activating the mechanism for an Integrated Political Crisis Response (IPCR) on 2 March 2020, it decided – among other measures – on practical assistance between member countries, amended the EU budget in support of healthcare systems, and pooled research funds to develop treatments and vaccines. The previous deficit and debt limits of national budgets (3% and 60%, respectively) were lifted to accommodate exceptional spending. Safety nets to minimize the fallout of the crisis on jobs and workers, businesses and member states in the EU were set up. The European Central Bank announced a €750 billion pandemic emergency purchase programme to ensure access to liquidity. In total, the EU and its member states are mobilizing 3% of EU GDP in fiscal measures and 16% in liquidity support.<sup>2</sup>

More coordination is in the making. On 23 April 2020, the European Council welcomed a comprehensive recovery plan developed by the EU Commission. It is frequently referred to as a new Marshall Plan, although its format, size and structure are going to be far from the historical original first proposed in 1947.

According to the draft Roadmap for Recovery<sup>3</sup>, action could go far beyond the direct response to the crisis. Its ultimate objective of building a more resilient, sustainable and fair Europe makes it a much more forward-looking ambitious reform agenda for years to come. Its basic principles are solidarity, cohesion and convergence. Key areas for action are a fully functioning and revitalized single market, the green transition and the digital transformation of Europe. It proposes to ensure greater strategic autonomy of the EU, an unprecedented

investment effort (“recovery fund”) – the details of which are expected to be settled in thorny negotiations – and integration into a global response. Overall, the financial package of the EU could reach €2 trillion – a multiple of the US government crisis commitments.

Recognizing the weakness of current governance arrangements in the EU, accentuated by the COVID-19 crisis, the Roadmap suggests reexamining the rules and functioning of the Union against the experience of its crisis management so far. It calls for improving its executive capacity and crisis management. Respect for the rule of law and human dignity should ensure a strong, robust and inclusive recovery. The roadmap also demands buy-in from governments and parliaments, from social partners and citizens.

## **What are the potential risks of regional cooperation from a governance perspective?**

### ***Lack of trust***

The central question is whether the institutions of regional organizations can earn the trust of the citizens of its member countries. In the EU, the concerns of the relationship with citizens can structurally be traced back to a range of factors – a technocratic and un-transparent EU bureaucracy, a still weak democratic representation of citizens through the European Parliament and the perceived impact on the life of citizens. Despite the EU's significant influence on and budget support for agriculture, transport, communication or regional development in the European space, citizens still attribute public policies and the delivery of public goods and services generally to national governments rather than the European institutions. In the interest of effective crisis and

recovery management, regional organizations should pay prime attention to their interaction and communications with citizens.

### ***Lack of solidarity***

As EU member countries have different trajectories, vulnerabilities and capacities in the crisis – France, Italy and Spain encounter higher rates of COVID-19 victims than some of the Nordic members – their calls for support are awaiting convincing responses. While assistance at practical levels has been forthcoming, the financial package of credit lines for member states took extended discussions before an agreement was reached. The financial dimensions in terms of size and structure of the recovery fund have already led to major tensions between heads of state. Failing on solidarity among member countries is missing one of the *raison d'être* of regional cooperation. It could have serious consequences for cohesion and membership.

### ***Rising nationalism***

In recent years, populist national identity politics have come to the fore among EU member countries questioning greater integration and claiming more national autonomy. The EU's 2015-2016 migration crisis reinforced that trend considerably. Brexit is the most prominent case of the choice of independence over commitment to the EU.

During the crisis, governments implemented the closure of internal borders despite the principle of freedom of movement as a key building block of the EU. The guidelines of the EU for exiting the national containment measures are being interpreted quite independently among member countries. The case of separate strategies for the health sector is different since it is under national competence.

Divisions are potentially widening, as heads of government of all political colours have tended to call on national unity in their crisis management. Democratic process, the role of parliaments and accountability are being reduced, in some member countries to the bare formal minimum.

### ***Complexity of managing systemic risk of the pandemic***

The pandemic is a perfect case of systemic risk. Will the EU be able to adopt an effective risk-governance approach, where institutional roles and capacities need to keep up with the economic, social and environmental complexities? Where a network perspective is critical and individual and institutional decision-makers need greater accountability and responsibility? Initiating or renewing multistakeholder dialogue as envisaged in the Roadmap would further enhance effective risk governance.

## **What are the opportunities of more regional cooperation in the current situation?**

### ***Increased learning of experiences and practices***

Regional cooperation offers critical opportunities of learning from others and to achieve collectively what would not be possible at the individual country level. As the COVID crisis is unique, there are opportunities for a quantum leap in systemic crisis management to be better prepared next time around. Moreover, governments will benefit from exchanges with regional partners as they confront new and more challenges during reconstruction.

### ***The division of society***

A fair Europe, as the draft Roadmap stipulates, would be an opportunity to tackle the

many dimensions of persistent inequalities of societies, within member countries and between them. A shared vision may also help to avoid new dividing lines within societies being introduced through shielding and isolating risk groups, among them the poor, minorities and the old.

### ***Integrating recovery, the Green Deal and digital transformation***

Integrating the three critical policy challenges into the development of the Roadmap would raise the opportunities for a sustainable policy concept at the level of the EU. It would also enable the EU to have a voice as a strategic partner in shaping the one world there is and which the pandemic has made so obvious. There is likely to be strong bottom-up support from citizens. The French citizen convention for climate – a celebrated innovation of President Macron of citizen participation in public policies – has proposed to make the design of the post COVID-19 world an instrument of sustainable climate change.

### **Regional cooperation makes sense**

Regional cooperation in overcoming the crisis and building the post-COVID world makes sense. Paying attention to governance arrangements will play an important role in limiting human losses and keeping societies and economies together.

Much depends on the underlying shared values of regional organizations, their institutional structures and capabilities, and the buy-in of its member countries and citizens. Among the risk factors, lack of trust, lack of solidarity and growing nationalism stand out. The opportunities of engaging in collective learning,

reducing inequality and contributing to a sustainable world are promising incentives for regional organizations.

The stakes are high beyond crisis management. In an increasingly bipolar world, regional cooperation may be the only vehicle for many countries to have a voice in shaping the global rules of the game. If the EU serves as any indication, regional cooperation can be messy at times. But it definitely looks like it is worth the effort.

## CHAPTER 3

# Urban Governance: Cities in a Time of COVID-19



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The COVID-19 pandemic is exposing the quality of governance and competence of the world's leaders. In times of crisis, most people instinctively turn to their governments for protection and assistance. When politicians and civil servants fail to deliver, they quickly lose credibility and legitimacy. Emergencies reveal the health of the social contract. And in crisis, competence matters.

To date, many of the most able and agile responses to COVID-19 have come not from national governments but from municipal ones.

### **Cities are key to preparedness and response**

Shortly after the coronavirus overwhelmed Wuhan in early 2020, the pandemic's [centre of gravity](#) shifted westward from Seoul to Milan, Madrid and New York. It was more successfully contained in [faster-responding cities](#) like Berlin, Copenhagen, Hong Kong and Taipei. Around the world, cities are just spreaders of infection but also key to containing it. The eventual "restart" of most economies depends on the condition of the biggest cities because they are engines of growth and productivity. In the US, the [50 most badly affected counties](#) are responsible for roughly one third of the country's employment and economic output. Ensuring that COVID-19 is under control in large urban hubs is crucial before "opening up" a country for business. Cities will lead recovery and redesign in its aftermath.

All cities are vulnerable to COVID-19, but some are more at-risk than others. Some factors stand out: [a city's size, density and level of pollution](#) influence the trajectory of viral outbreaks. Megacities like London, Mumbai,



New York and São Paulo, with highly populated residential areas and constant inflows of visitors and migrants, are disproportionately affected. Cities and regions relying on global supply chains, such as Hubei or Lombardy, are also vulnerable. Meanwhile, cities depending on tourism, with a high proportion of [elderly populations and minorities](#), or suffering from deep [social and economic disparities](#), are also more prone to higher infections, hospitalizations and fatalities. Neighbourhood [inequalities](#) also matter. In wealthier areas, some residents can shelter in place, access high-quality care and work remotely, while in poorer ones, multiple families are clustered tightly together making social distancing impossible.

## Reopening the city

COVID-19 will likely persist for years. Even with the most sophisticated testing and contact tracing, cities will suffer waves of infectious outbreaks until immunity takes hold or antiviral therapies and vaccines are developed. And yet cities cannot, and will not, stay locked down indefinitely. If they do, spiralling food prices, rising unemployment, economic disintegration and [social and political unrest](#) will follow. Despite tremendous uncertainties, local governments around the world are already planning for when and how to reopen. Wuhan was one of the first to do so, shifting from “suspension” to “full restart” after only 75 days in strict lockdown.

Many cities will not return to anything approximating business-as-usual in the coming years. In the hardest-hit cities, extensive precautions and restrictions will remain in place indefinitely. These will vary in intensity and invasiveness. In [China](#), [Singapore](#) and [South Korea](#), face masks, test kits and technology-enabled controls are already ubiquitous.

Citizens in China are being assigned [QR codes on their mobile phones](#) to track their movements and people designated “green” are permitted to leave their homes for a few hours a day. Restrictions on some categories of workers are being eased, but [physical interaction](#) is discouraged. In some parts of the country, villager migration to cities is being restricted by [residential-management committees](#).

Many European cities are also gradually emerging from lockdown and [easing social distancing and quarantine measures](#). Larger and smaller cities in Denmark, Germany, Norway, Spain and Switzerland are [cautiously opening](#) day-cares, schools and universities alongside businesses. Local authorities recognize that they will need to reimpose curfews and shelter-in-place measures if infections rise again. In the US, the process is more chaotic. There are bitter disagreements among federal, state and municipal authorities about whether, when and how to reopen. The [scientific consensus](#) there, however, is that early calls to “get back to business” are dangerously premature.

The situation is more uncertain in [African](#), [South Asian](#) and [Latin American](#) cities that have much less robust health systems and will rely on proactive prevention and containment measures to keep the virus under control. But the economic reserves of many lower-income cities are already overstretched and some will take longer to recover than their wealthier counterparts. Cities from Lagos to Mumbai to Rio de Janeiro have locked down, but for [residents of crowded slums](#) the unenviable choice is often between a risk of catching and spreading disease or the certainty of hunger. Social distancing, self-isolation are impossible luxuries.

## How will cities change?

Some immediate changes brought about by COVID-19 will be more obvious than others, and the longer the delays in immunization, the more lasting they and other transformations will be. Most urban transport hubs such as airports, train and bus stations will feature temperature checks, health screening and crowd-control measures. Places where people interact – from office buildings to hospitals - will be retrofitted to reduce physical proximity. Retail outlets that do not go digital – from shopping malls to grocery stores – will not survive. More positively, many cities will become more pedestrianized and accessible for walking and bikes.

COVID-19 will also [disrupt](#) urban commerce, cultural life and political action. Without major financial support, the shops that give cities their character, from restaurants to booksellers, will struggle to bounce back. Many cultural establishments like museums, theatres and galleries will be shuttered and those that reopen will be inaccessible only to those with immunity or with access to a computer screen. Elections and public demonstrations may also be fundamentally altered, with many activities migrating to the digital sphere. The risks of intrusive surveillance and cyber-malfeasance are very real.

COVID-19 is revealing the fault lines between national and subnational governments. In countries where there is a tradition of regionalism and cooperation – such as [Austria](#), [Canada](#), or [Portugal](#) – the crisis has strengthened collaboration, at least in the short term. In big federal nations such as [Brazil](#) and the [US](#), relations between federal, state and city governments are more polarized than ever. Either way, the crisis is clarifying and [hardening](#) the division of powers across government. In

the process, state and metropolitan authorities are rapidly demarcating their legal jurisdiction and political power. [Governors](#) and [mayors](#) are flexing their muscles where they can, including taking action ahead of their national counterparts. While welcomed by city residents, this is not always received positively by their rural counterparts, much less state and national-level politicians.

Powerful expressions of [cooperation and solidarity](#) between and within cities around the world are, paradoxically, signalling that social cohesion could strengthen. Alongside ubiquitous support for first responders and healthcare workers, cities have experienced the spontaneous formation of emergency teams to help the elderly, homeless, disabled and displaced. Spontaneous community kitchens are offering free meals to people in need and local industries are retooling to produce everything from protective devices to disinfectants. These kinds of [hyperlocal governance structures](#) are vital and will undoubtedly play a role in the rebuilding process ahead.

## Redesigning cities in an infectious world

Although some [futurists](#), [architects](#), [urban planners](#) and [social scientists](#) anticipate radical changes to post-COVID cities, the long-term transformations are difficult to predict. At a minimum, the pandemic will [accelerate changes](#) that were already under way. It will speed up a shift from structured office work to more remote arrangements, which, in turn will reduce the demand for office space. This could lead to more mixed-use zoning, but it may also deconcentrate cities. Growing numbers of businesses will also speed up investment in automated solutions, localized production and

digital meetings and radically reduce physical travel. All of these measures will reinforce the centrality of digital connectivity and cyber security, as well as the importance of residential neighbourhoods where people live and work.

Several cities are already rethinking and reimagining their overall vision and design. Amsterdam is [invoking so-called “doughnut economics”](#) to ensure that the post-COVID-19 city is [sustainable, inclusive and circular](#). In the UK, Bristol’s mayor intends to use the [unified city plan](#) with the Sustainable Development Goals at its centre as the basis for city planning. City planners in Melbourne are exploring ways to expand the greening of public spaces. Mindful of other monumental threats on the horizon such as climate change, many city planners will speed up [resilient](#) models of city governance, more inclusive service provision and smarter supply-chain management (especially as it relates to food production).

At the global level, city networks have an opportunity to exert global leadership in shaping preparedness and response. In countries where most national governments were caught off-guard by COVID-19, governors and mayors have exhibited more credible leadership. There is an opening, then, for international coalitions of city leaders – including the C40, UCLG, Metropolis, the U20, the Mayors Migration Council and the Global Parliament of Mayors – to advocate for a seat at the decision-making table. City coalitions such as Eurocities and the US Conference of Mayors are already powerful advocates for devolution and together with international networks can help give direction about practical ways to reduce inequalities and secure the rights and needs of people living in situations of concentrated disadvantage.

Cities have always exhibited a remarkable capacity to evolve in the wake of crisis and served as test beds for innovation. There is no doubt that the COVID-19 pandemic will trigger enduring changes to the built-space, [city plans](#), [building codes](#) and the rules governing city life everywhere. Large built-up areas and bustling street life will likely give way to fewer retail stores, open green spaces, and more [flexible work](#) options. Public transport, cycling, pedestrian and other forms of [micro-mobility](#) could be prioritized over cars. Let us hope this is the case. COVID-19 is neither the first nor the last pandemic cities will face. Myriad other challenges – especially climate change – are looming menacingly on the horizon. In the end, [cities that pivot](#) to resilience, focus on their most vulnerable and adopt a zero-tolerance for inequality will be the ones that survive and thrive in the 21st century.

## CHAPTER 4

# Geopolitics: Resilient and Sustainable Globalization



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Extraordinary measures have been adopted by governments, the private sector and individuals in response to the COVID-19 pandemic that are likely to have a profound impact on our geopolitical environment.

Many of these measures have been declared as short-term, although economic support measures are likely to have a longer life than those impacting social gatherings, for example. Disruption has been exacerbated by the interconnected nature of the global economy, with some pointing out that this pandemic has exposed fundamental weaknesses in the current global economic model.

In the 1990s, many countries around the world celebrated the increased connectivity and prosperity that came with globalization. We witnessed tremendous growth in the global flow of people, products, services and ideas, which brought many advantages, including economic growth, poverty reduction and innovation.

Some commentators are now predicting the end of globalization given that border walls are going up, trade restrictions are being imposed and international institutions have been sidelined. Others are hoping that, when the pandemic is over, we can return to business-as-usual and economic globalization as we knew it.

Neither approach is realistic. When the pandemic subsides, economic globalization will continue, but not in the same way as before. The economic forces of efficiency, economies



of scale and comparative advantage that drove globalization will remain. However, the COVID-19 shock encourages us to consider not only those strengths but also the weaknesses that have been exposed.

## Globalization has different forms and speeds

In aiming for a more resilient and sustainable form of globalization, we need to recognize that it takes different forms with respect to people, goods, services and ideas. These have proceeded at different speeds and will be impacted by COVID-19 in different ways. Some developed quickly but will now slow down or go into reverse; others were previously slow off the mark but are now rapidly accelerating.

- **Global flow of people:** Globalization saw an enormous increase in the flow of people, including migrants, businesspeople, students and tourists. However, these flows are slowing down or reversing as the pandemic has encouraged countries to close their borders, at least temporarily, and to recommend that their [citizens to return home](#).
- **Global flow of goods:** Globalization brought about global supply chains, which created [complex interdependencies across countries](#). The COVID-19 [supply shock](#) is making delays in one part of these chains propagate throughout these networks, leading to calls for supply chains to be renationalized or regionalized.
- **Global flow of services:** Some services need to be delivered in person although many can be delivered remotely. Social distancing is leading to a massive

acceleration of technological take-up and delivery of online services and telecommuting that will likely produce a surge in the [globalization of services](#).

- **Global flow of ideas:** COVID-19 is radically [speeding up global research cooperation](#) as scientists from around the world are simultaneously trying to find a vaccine while sharing their results in real time. We are also seeing innovations catch on across countries, such as [3D printing of masks when hospital run out](#).

Given these developments, certain structural changes are to be expected. On a systemic level, we are likely to see the following:

First, countries will recalibrate the balance between full self-sufficiency and deep interdependence. Full self-sufficiency is neither possible nor desirable in today's age, but COVID-19 has demonstrated some of the vulnerabilities that come with relying on global supply chains for essential items like medical supplies. Some recalibration seems likely.

Second, business and regulators will need to consider how best to balance efficiency and resilience. "Just-in-time" approaches to manufacturing are economically efficient but make supply chains vulnerable to disruption. Similar debates played out with respect to requiring greater capitalization of banks after the 2008 financial crisis, which is less economically efficient in the short term but aims to create greater medium-term systemic resilience.

Third, we will need to recognize that globalization is a [double-edged sword](#). Openness and connectivity bring tremendous advantages but also create certain risks,

including in relation to security. The challenge for everyone is how to best capitalize on the advantages while minimizing and mitigating some of the risks.

## Over-correction or under-correction of globalization

The biggest risks that lie ahead are the risks of over-correction or under-correction in response to COVID-19. The risk of over-correction would involve a full swing back from the hyper-globalization of the 1990s and early 2000s to a highly nationalist and protectionist order in the 2020s. Pro-globalization supporters from the 1990s could be critiqued for presenting an excessively rosy picture of globalization. They focused on globalization's many and varied benefits, presenting increased connectivity as both inevitable and positive. Although shocks like the global financial crisis and COVID-19 show some of the systemic risks that attend globalization, the solution is not to swing to the opposite extreme of assuming that everything national is good and everything global is bad. We need a [more measured, calibrated approach](#).

Take the supply of medical items as an example. COVID-19 has shown that many states depend on international supply chains that can leave them dangerously exposed in the event of a pandemic. But there are risks associated with reshoring production. If a country were totally self-reliant when it came to making medical supplies, that capacity could be wiped out by a natural disaster and imports might not be available rapidly enough to substitute for local production. Moreover, manufacturing pharmaceuticals would be more expensive, which might cost lives at other times. The answer is to [manage interdependence by carefully diversifying exposure](#), combining both domestic and international suppliers.

There is also a risk of under-correction from assuming that COVID-19 will be a short and sharp disruption after which things will return to business-as-usual. It is important to recognize that the pandemic is one of many challenges that are piling up against the old model of globalization. These challenges come in many forms: rising protectionism and efforts to bring manufacturing jobs back home; calls for greater attention to be paid to the domestic inequality that has skyrocketed during the period of high globalization; the great power competition that has developed between the US and China; and calls to fundamentally reorient our economies to redress climate change.

## Challenges and opportunities for globalization

These challenges are significant and need to be addressed. Together they require a response that precludes a return to the pre-pandemic status quo. The biggest opportunity presented by COVID-19 is the chance to reset some of our economic approaches in a way that maximizes the chances of developing more [resilient and sustainable approaches to globalization](#). Innovation and adaptation are particularly important when dealing with global challenges that threaten everyone, like pandemics and climate change. These are areas in which collective action is at its most important but often hardest to achieve.

A pandemic is a significant leveller in that no person and no nation remains impervious, even if not all are equally at risk or impacted. Our chain is only as strong as its weakest link, so the crisis should focus our attention on how we can best help those individuals and countries that are most vulnerable. Our interconnectedness means that if the vulnerable remain at risk, everyone remains at risk. The

COVID-19 crisis should also sharpen our thinking about climate change, reinforcing the fact that early intervention is vastly more effective and less costly than waiting until the crisis hits. Our responses to the virus have also [demonstrated ways that we can reduce our carbon footprints](#); for instance, by travelling less and videoconferencing more.

Global problems are best solved with global leadership, which has been [lacking during the COVID-19 pandemic](#). Unlike the 2008 financial crisis, when the US chaired the G20 and coordinated a global response, in this crisis domestic challenges took priority over international leadership. Europe, the second epicentre of the crisis, has not championed a coordinated international response and other countries have been reluctant to follow China's lead over concerns that its handling of the initial crisis prevented valuable information about the virus from being communicated at an early stage. Global leadership requires a commitment to transparency, especially when dealing with infectious disease.

## **Middle-power leadership**

The longer-term geopolitical lesson from COVID-19 is not that nationalism must win out over globalism but that we can no longer assume a single country will take on that responsibility. Given this, other countries need to think about how to facilitate international cooperation to deal with global threats in an environment in which the great powers fail to lead and may become increasingly fractious. Many of the best examples of dealing with COVID-19 domestically have come from [countries](#) such as Singapore, South Korea, Germany, New Zealand and Australia. These countries and others like them need to step up internationally to work out what global

cooperation looks like in the absence of great power leadership.

Our world will be transformed by this pandemic. Our responses, nationally and internationally, will determine whether we are able to learn from this crisis in order to forge a more resilient and sustainable approach to globalization.

## CHAPTER 5

# Technology: Digital Epiphany? COVID-19 and Our Tech Futures



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The coronavirus pandemic is wreaking havoc globally, leaving governments and communities struggling to find a response. This is happening even as new technological and industrial transformations are altering societies around the world.

Processes that were once subject to national jurisdictions – be it political conversations, trade and commerce, or national security considerations – are increasingly migrating to ungoverned digital spaces, creating what I have earlier called a “platform planet”. It is clear that the coronavirus will accelerate this process and more permanently fuse our technological and social systems while encoding inequities and cleavages therein.

Most pertinent to this is the issue of access to digital technologies. Think of the pressure on governments today to deliver governance and services in the age of social distancing, the clamour from parents whose children cannot access educational opportunities, or demands from historically marginalized groups who may not be able to work remotely. Life, protection, and livelihood will all need to be guaranteed virtually and most capitals around the world will struggle to provide these.

Some positive transformations will be driven by technology companies looking to break new ground and compete for consumers among the millions of social and commercial interactions that will now be permanently online. Videoconferencing platforms, for instance, have emerged as the go-to technology



keeping governments and businesses running even as social distancing is being practised. And still more change will be driven by governments adopting digital tools to carry out health surveillance measures or to enforce quarantines. Evolving debates and assumptions on user agency, privacy and data protection may be significantly altered in the year ahead.

Undoubtedly, the most important structural change will be in the form and format of the relationship between technology and society. Over the past two decades, there have been two fundamental notions that have shaped this ever-evolving relationship. The first, roughly corresponding to the first decade of the 21st century, was a near universal belief in the emancipatory potential of emerging technologies and a social willingness to accept new technologically induced disruptions. The second perspective, corresponding to the second decade, was the antithesis of the first – a “tech-lash” or scepticism about the role of emerging technologies in our social lives and a growing degree of suspicion about the intent and actions of “big tech” and “strong states”.

The coronavirus outbreak will demand a synthesis of these, and other, perspectives under extraordinarily compressed timelines. The many decisions that will be made over the coming year will either become entrenched or will reinforce certain pathways in the decade ahead. Technologies that society would have once expected greater regulatory scrutiny around – such as the use of artificial intelligence (AI) in healthcare – will likely be fast-tracked and deployed. Meanwhile, consumer technologies that are scaling rapidly, such as videoconferencing and fintech platforms, will face additional scrutiny from consumers and states as they become more utility-like in their deployment.

As this process of synthesis unfolds over the coming year, the international community will be confronted with a new set of opportunities as well as risks. Perhaps the first and most visible risk emanates from a largely ungoverned digital public sphere. Indeed, this pandemic has also been accompanied by an “infodemic”, with misinformation and disinformation flooding most social media platforms, which for all practical purposes play the role of both traditional media and discussions rooms of yore that shaped public opinion.

Fake news alone, however, is not the only dimension of this risk. The response to it may be equally dangerous. The COVID-19 outbreak may end up creating stronger [censorship regimes](#) in an attempt to curb the spread of disinformation. Equally worrying is the power of technology platforms to mediate these spaces during times of crisis and the dangerous collaboration or confrontation brewing between technology companies and governments. For instance, certain technology platforms [took down](#) content by President Jair Bolsonaro of Brazil because they deemed it spread disinformation. But should platforms have the ability to censor the content of a head of state? On the other hand, should they partner with governments and dilute freedom of expression through new measures that may outlast this pandemic?

A second related risk is the [data-sharing](#) practices that technology companies, health institutions and governments are adopting – with little oversight or accountability – to combat COVID-19. This trend will not only be about the data generated today. Instead, the COVID-19 pandemic will likely create a new battlefield, one that will be defined by the datasets generated by the fusion of our biological and digital worlds. Indeed, one set of technologies that

were already being deployed rapidly before the virus outbreak were those related to [genomics](#). The practices around genetic privacy – and the institutions that manage them – in the year ahead may well create new and unexpected risks to our fundamental rights as unique living beings.

A third risk likely to challenge our technological futures are efforts to undermine the integrity of the cyber realm. While most nations remain worried about threats to critical infrastructure (the United Nations has already [called](#) for a digital ceasefire) the COVID-19 outbreak will also exacerbate “petty” cyber-crimes. These are minor cyber incidences; those that may not pose systemic national security threats but will affect the financial and social lives of individuals dramatically. The [sudden uptick](#) in COVID-related phishing scams, telemedicine scams and attacks on medical institutions all point in this direction. Trust in technology will be undermined at a time when the digital is the ether for globalization to survive.

The fourth risk is of individuals being permanently left behind as the process of digitalization continues to accelerate. Inequality has been the defining political zeitgeist of our generation – one that digital technologies have often accentuated. In countries without full or robust access to the internet, citizens are suffering from multidimensional socio-economic challenges as the pandemic snatches away their access to essential public goods.

But the challenge goes beyond this. Just as individuals are beginning to learn that not all work requires formal office spaces, businesses may well realize that not all operations require humans. The rapid adoption of AI and robotics energized amid the pandemic could accelerate

a process that governments and policy-makers have been concerned about for years – technology-induced unemployment.

The final risk could end up being a product of how states actually respond to these various challenges amid a rapidly digitizing global society. No two societies are the same – they are defined by different political values, social practices and economic priorities. With COVID-19 forcing more of our social lives, business operations and governance online, the race to infuse the global digital world with a particular set of values and technological standards will only accelerate. Digital “code wars” may well be this century’s ideological confrontation that may partition the world in the end.

Think of the UN, the centrepiece of the liberal international order, partnering with Tencent, the digital champion of a vast surveillance state, to conduct its remote work operations. This has become a cause for concern for many countries. Reports indicate that the UN is already [backtracking](#) from its decision under pressure from human rights groups and democratic nations. Indeed, the varied digital societies that are emerging may fuel loud “geo-technological” competition.

That said, policy-makers may also see in the COVID-19 crisis an opportunity to reform political and administrative practices that were earlier hobbled by legacy institutional constraints. The most obvious, perhaps, is the accelerated adoption of what the UN calls “digital public goods”. These are the common digital “railroads”, which act as force multipliers for a range of business and governance operations.

For instance, India's Digital ID system has helped the country navigate the pandemic by ensuring cash transfers and digital payments for a range of essential goods. The demand for similar architectures has been growing around the world. Singapore had already [signed](#) an MoU with the Indian government, even before the virus outbreak, to develop such a system. Similarly, Google has [cited](#) India's digital payments infrastructure to call on the Federal Reserve to enable similar innovations in the US. These trends could see universal strengthening at this time.

This moment offers an opportunity for states to respond to the needs of a growing global informal workforce. The informal labour force and the "gig economy" workforce need new systems of social protection. The absence of this has placed them at great risk and at the frontline of this pandemic. These political reforms may not be ignored much longer. The idea of a universal basic income – a measure that is supported both by [the Pope](#) and [The Financial Times](#) – could also find favour and catalyse a new dimension for the future of work.

Perhaps the most significant opportunity will be for states and individuals to realize the potential of a truly global digital society. Responding to COVID-19 has compelled governments and communities to share sporadic information, some best practices and critical technologies rapidly. Consider for, instance, a [rapidly growing](#) community of entrepreneurs sharing open-source 3D printing designs for ventilators. Perhaps civil society organizations and policy-makers can use the COVID-19 moment to push for new pipelines that will enable the transfer of technologies and innovations and encourage them to rethink rigid intellectual property regimes, which hindered this earlier.

Over a century ago, when individuals were isolating themselves amidst a far deadlier Spanish Flu, many (primarily Americans) [turned to the telephone](#) to stay in touch with friends, family and colleagues. Of course, it was a nascent technology at the time and services promptly broke down because of the rapid rise in demand. But rather than crippling the industry and the technology forever, the Spanish Flu only served to underscore how essential it was to modern society. Over a century later, it is clear that the telephone was instrumental in shaping our global village.

We are at a similar junction today. And decades later, historians may well scrutinize the decisions made in the year ahead when studying how the digital shaped individuals, communities, nations and the world they inherited.

## CHAPTER 6

# Economics: Trade and Connectivity in the Post-COVID-19 World



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On 11 March 2020, the WHO determined that COVID-19 was a pandemic. To try to contain the spread of the virus, governments adopted a range of measures such as limiting public gatherings, stopping travel, closing schools and lockdowns.

Even as some countries begin to relax their lockdowns, it is too early and too much is unknown to realistically assess the economic impact. The consequences of this crisis have been and will be felt across every aspect of human life. Although many uncertainties remain, whether sanitary, economic, social or political, we must make our best efforts to figure out what a post-crisis life might look like and prepare for it.

### **A challenge for global and domestic institutions alike**

An underlying risk is one of narrative, that COVID-19 may be interpreted as a crisis of globalization rather than that of domestic institutions. While there is no doubt that the ability of the virus to spread so quickly was amplified by hyper-globalization, it is not the WHO that provides hospital beds, doctors and nurses, nor is it the World Trade Organization (WTO) that buys medicines, ventilators and personal protective equipment. Those duties lie with our domestic institutions. We live in a world of sovereign states that determine their own policies. International organizations can provide early-warning mechanisms, technical assistance when needed and, through mutual agreement, disciplines on state behaviour – such as the WTO dispute settlement mechanism.

## Trade risks from path dependence

The WTO expects the volume of merchandise trade to fall between 13% and 33% in 2020, and even worse for trade in commercial services. At the time of writing, the IMF's forecast of a 3% contraction of the world economy in 2020 looks optimistic. The depth of the drop is as unprecedented as its genesis. Never before have governments had to step in and effectively put a stop on almost all economic activity. The risk on the trade side is path dependence. Once governments set down a certain path, it will be very hard to turn course.

Of necessity, the movement of people has been restricted. As the virus spread, limited measures that helped prevent infections gradually became ubiquitous. More questionable has been the use of export restrictions. In 2020, as of 27 March, 60 governments had placed some form of export curb on medical supplies<sup>5</sup>, with accusations that some of these actions are tantamount to piracy and hijacking. There are risks that more countries adopt this approach, not only to medical supplies but also food. In this context, government crisis-response policies need to be separated into those taken to stem the spread of the virus, and those taken to bridge the gap between supply and demand of key products to fight the disease. While the problem of path dependence applies to both of these, gauging "when" the first set might be lifted is harder. As Anthony Fauci, Director of the US National Institute of Allergy and Infectious Diseases, has said most articulately: "The virus makes the timeline."

Unlike normal protectionism on imports, actions being taken now on the export side need to be monitored closely and removed as quickly as possible. G20 trade ministers agreed that "the emergency measures designed

to tackle COVID-19, if deemed necessary, must be targeted, proportionate, transparent and temporary, and that they do not create unnecessary barriers to trade or disruption to global supply chains, and are consistent with WTO rules."<sup>6</sup> The point that these measures should be temporary is absolutely critical.

Others have gone further; for example, the Joint Ministerial Statement on Supply Chain Connectivity from a group Asia-Pacific economies in which signatories commit not to impose export controls, tariffs or non-tariff measures and to continue removing trade barriers to essential supplies.<sup>7</sup> Moreover, this initiative goes beyond trade policy to ensure connectivity by opening the supportive infrastructure that allows trade to flow. The value of this approach is that the more countries join, the greater its value. This initiative has been gaining momentum with more members joining. If even more economies were to join, it would provide a major confidence boost to businesses seeking to invest in productive capacity in the very sectors that the world so badly needs.

ASEAN leaders endorsed this approach when they met on 14 April 2020, instructing their ministers and officials to explore "an arrangement to preserve supply chain connectivity"<sup>8</sup>. These initiatives are at an early stage, but their success is critical to ensuring the supply of COVID-related products. While there is no doubt that government support and intervention are required, national security should not be equated with self-sufficiency – they are far from the same thing. The same applies to restrictions on food trade which, if they were to proliferate, may cause as many victims as the virus in developing countries; a possibility that was recognized by a coalition of WTO members including Brazil, China, the EU and the US.



## Win-win alternatives to protectionism

Notwithstanding the fact that export controls could be necessary to secure domestic supply, they risk backfiring in the form of retaliation from trading partners, who, in turn, are suppliers of other necessary products and services. Moreover, such measures disincentivize private investment in productive capacity. This might be made up with public investment, which would be a poor use of public funds at a time when finances are limited and need to be used to help people directly, rather than subsidizing otherwise efficient industries. Public stockpiles and other safety measures can be used without distorting international markets.

The initial restrictions on international trade that were put in place were not export restrictions but travel bans. Under the circumstances, this was understandable, but as domestic lockdowns are ended, international travel must restart. This is an issue the international community should begin to address. The idea of an immunity passport needs to be taken seriously, at least for international transportation workers (pilots, air crews, sea crews). A digital-age equivalent of the WHO Yellow Card<sup>9</sup>, which uses blockchain technology to ensure the robustness and accuracy of the data, should also be explored. This could be a public-private initiative that includes the WHO and the International Civil Aviation Organization, using the APEC Business Travel Card as a pilot. Such an initiative would provide a medical and scientific (rather than a political) basis for facilitating travel.

## Paving the road ahead

Stimulus packages totalling trillions of dollars are being spent to support businesses and

people across the world, but without clear rules, they could distort the playing field and lead to trade friction. WTO disciplines on state aid are presently too shallow to provide guidance on how to minimize distortions. They should be reviewed to address exceptional circumstances. Should governments seek to pursue policies not necessarily of outright protectionism, but of precautionism, distortions may be compounded. The world currently has insufficient understanding for managing the international ramifications of such policies in an unprecedented crisis, but we should disabuse ourselves of the notion that none is needed.

Prior to the COVID-19 crisis it had proved difficult to move discussions forward on reform of the WTO Agreement on Subsidies and Countervailing Measures. Now, with massive state aid across many economies, one can hope that common sense will prevail, governments will come to the table and have an honest conversation on this difficult subject – without the finger-pointing that has made this so difficult in the past.

While best practices in supply-chain management have long warned against over-emphasis on speed and efficiency, for many reasons these admonitions were all too often ignored or swiftly forgotten.<sup>10</sup> To avoid such a repetition, the business community, governments, workers and consumers need to consider the alignment of risks in supply chains in the aftermath of the crisis. Options to address fragility range from accepting more inventories to diversification and to reshoring; but all these carry a cost.

It should also be clear to everyone that the lack of clarity on WTO rules on export restrictions does no one any favours. As we

move from a world of growing protectionism to precautionism, this will also be an area ripe for discussion.

## **Multilateral action is imperative**

Prior to the pandemic, globalization was in crisis. Today, with borders shut, planes grounded and ships in harbour, it may seem as though the integration that has lifted hundreds of millions out of poverty is coming to a sharp end. However, as a counterpoint, more than any other episode in the history of humanity, this is a shared experience.

The enemy is a virus that can only be defeated by concerted multilateral action. No matter how successful one country is at “flattening the curve”, unless we flatten the curve globally, there is always the risk the virus will reinfect our populations. This is the absolute and clearest argument in favour of multilateral cooperation.

Out of every major crisis, new institutions have been born. The League of Nations came out of the destruction of the First World War; out of the Second World War the UN and the Bretton Woods institutions; from the Asian financial crisis the ASEAN+3; and after the global financial crisis the G20 was elevated to the summit level.

There are clearly gaps in the international institutional architecture for dealing with emerging risks. A new international organization in charge of precaution is needed, one that takes charge of risk assessment, monitoring and notification. Such an institution could also include governance of strategic buffers, removing the need for overly precautionary policy on the part of nations. At the risk of sounding cynical, we should not allow this crisis to go to waste. To come out of these events and learn

nothing would be a disservice to our and future generations.

## CHAPTER 7

# Work: The Pandemic that Stopped the World



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COVID-19 will be remembered as the virus that stopped the world. We are living through a period that can only be described as the greatest act of solidarity in history, as people give up civic freedoms to save lives. And while we all agree that managing the health crisis is the overwhelming priority, the social and economic consequences are, and will be, dramatic in an already troubled world.

Before the pandemic spread from continent to continent, we already faced a convergence of crises, almost all of which have been featured in the World Economic Forum's annual Global Risks Report going back some years.

Conflict and civil unrest have been escalating, massive inequality is eroding trust in democracy, the climate emergency is gathering pace, gender and other discrimination is entrenched and we face difficult choices on the impacts of new technologies.

Multilateralism is in crisis as people are losing trust in globalization.

The response to the COVID crisis cannot be de-linked from these other economic, social and environmental fault lines. The risks are interconnected and the solutions need to be part of coherent plans for rebuilding a resilient economy.

### **The impact of COVID-19 on lives and livelihoods**

And now we have COVID-19 and the very real potential for over 300 million formal economy jobs *lost*, and 1.5 livelihoods *lost* in the informal economy. The UN is warning of famine of “biblical proportions”.

Major shortcomings in business responsibilities towards workers have been brutally exposed,

non-essential supply chains have collapsed in the poorest of countries and workers – including the massive numbers of informal workers – face destitution with no social protection.

While the tech industry benefits from skyrocketing demand, other industries are seeking bailouts due to a lack of resilience. Just as the financial crisis revealed the need to require banks to hold liquidity reserves, the coronavirus crisis has shown the need for multinational enterprises to strengthen operating reserves – which, in many cases, are not enough to last for even three months. This is an issue that requires the attention both of companies and of regulators.

All of these factors require us to push the reset button on our world and to ensure a just transition to a better future. That transition needs to address all the convergent crises and it can only be done with international cooperation, based on the real needs of people for health, economic security and respect for their human rights.

For the world, this means a “New Social Contract” where people and planet are central to shared prosperity. Against the background of the destruction of both world wars in the last century, leaders had the vision to set out and seek to realize the social contract, with the establishment of the International Labour Organization (ILO) in 1919 and the Philadelphia Declaration of 1944. While major economies reacted swiftly to stabilize financial markets during the 2008-2009 financial crisis, they failed to address the social dimension, thus deepening inequality and intensifying the slide of the labour share of economic growth. We cannot afford, or allow, that mistake of a decade ago to be repeated now.

## The world at a crossroad

Authoritarian leaders are taking the opportunity of this crisis to further wind back human and labour rights. Others are focused only on ameliorating the impact of COVID-19 within their own borders, failing to instigate the level of globally coordinated funding for social protection that is essential to survival for many millions of people in countries without capacity. Such a fund would represent only a tiny fraction of the trillions of dollars being mobilized for developed and middle-income countries.

These approaches contradict the commitments behind the Paris Agreement on climate change and the UN SDGs, global agreements that put people and the planet first in a roadmap to a zero-poverty, zero-carbon world and cannot be sidelined in the relaunching of the global economy.

The new social contract has to be built on rights and inclusion. We must recognize that the global economic model that was built in recent decades creates inequality and constrains development in the poorest nations in the world.

The social contract of the last century recognized that war and depression needed be mitigated with a social floor of democratic rights and freedoms and a global rule of law. However, in the 1980s the social contract was torn apart with the scale of corporate greed that was born with hyper-globalization. The cracks in the “Washington Consensus” and the “trickle-down” theory of economics were ignored as governments and global institutions were captured by the drive for growth at any cost.

If we want to ensure both recovery and resilience, then governments must get beyond the crude measure of GDP and accept that

democratic accountability be included to ensure prosperity and sustainability. For example, GDP does not include public health spending, or the lack of accountability of so many governments that didn't heed the warnings of the World Economic Forum and of their own experts about the imminent risk of a pandemic. Yet the weakness of health systems and the readiness to ignore sound scientific advice have cost tens of thousands of lives in the past weeks and brought the world economy to its knees.

## Rebuilding trust

The response to COVID-19 has seen unprecedented deployment of government authority around the world. Many governments are experiencing a rise in approval and trust but, given the existing huge trust deficit, there is no guarantee this will last. Recovery from the first waves of the pandemic and future resilience will depend on governments retaining [trust](#).

Government accountability that puts people and the planet first requires these essential foundations, with the new social contract, built around a Labour Protection Floor, at its heart. The 2019 ILO Centenary Declaration guarantees fundamental rights including collective bargaining for fair distribution of wealth, occupational health and safety, an adequate minimum wage on which people can live with dignity, and maximum hours of work. These, underpinned by universal social protection, make up the Labour Protection Floor.

Along with a transformative agenda for gender equality, just transition measures to ensure trust in climate action and mandated corporate due diligence with a UN treaty on Business and Human Rights are central to retaining and rebuilding trust.

As the first waves of COVID-19 wash over the world, it is clear that this disease is here to stay. After these first waves, epidemiologists are warning that it will erupt in “volcanoes” at different times and in different places, possibly for a long time to come. Vaccines, if they are found, may well not confer lifetime immunity. An eruption in one place can rapidly go regional or global. The world cannot live in permanent lockdown, so the only option is to work together, share medical knowledge and ensure universal access to health.





## CHAPTER 8

# Health: Providing Free Health for All, Everywhere



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Now COVID-19 has taken hold, universal healthcare has been shown to be the ultimate global public good. Beating COVID-19 and recovering from the crisis depends on delivering free healthcare for all, everywhere, fast and forever.

### Recognizing the public-health catastrophe

As we have seen in wealthier countries, economic and social determinants of ill-health are strong predictors of the likelihood of dying from COVID-19. The greatest risk will be for poor people in poor countries who have a much higher burden of existing illness, and of whom hundreds of millions are malnourished or immunocompromised. For the quarter of the world's urban population who live in slums, and for many refugees and displaced people, it is not possible to socially distance or to constantly wash hands.

Half the world's people cannot access essential healthcare even in normal times. While Italy has one doctor for every 243 people, Zambia has one doctor for every 10,000 people. Mali has three ventilators per million people. Average health spending in low-income countries is only \$41 per person a year, 70 times less than high-income countries.

The pressure the pandemic will place on health facilities will not only affect people with COVID-19 – anyone needing any care will be impacted. This has previously been the case. During the Ebola epidemic in Sierra Leone there was a 34% increase in maternal mortality and a 24% increase in the stillbirth rate, as fewer women were able to access both pre- and post-natal care.

The International Labour Organization predicts 5 million-25 million jobs will be eradicated, and \$860 billion-\$3.4 trillion will be lost in labour income. Mass impoverishment will make treatment inaccessible for even more people. Already every year 1 billion people are blocked from healthcare by user fees. This exclusion from vital care won't only hurt those directly affected – it will put everyone at risk, as a virus can't be contained if people can't afford testing or treatment.

Lockdowns without compensation are, at their crudest, forcing millions to choose between danger and hunger. As in many developing-country cities, over three quarters of workers are in the informal sector, earning on a daily basis, many who stay in will not have enough to eat and so large numbers will ignore lockdown rules and risk catching the coronavirus.

As we have seen in the AIDS response, governments struggling to contain the crisis may seek scapegoats – migrants, minorities, the socially excluded – making it even harder to reach, test and treat to contain the virus. Donor countries may turn inwards, feeling they can't afford to help others and, as the presence of COVID-19 anywhere is a threat to people everywhere, this will not only hurt developing countries, it will also exacerbate the challenge in donor countries too.

And yet, amid the pain and fear, the crisis also generates an opportunity for bold, principled, collaborative leadership to change the course of the pandemic and of society.

## **Seizing the public-health opportunity**

Contrary to conventional wisdom that responding to a crisis takes away the capability

needed for major health reforms, the biggest steps forward in health have usually happened in response to a major crisis – think of the post-Second World War health systems across Europe and in Japan, or how AIDS and the financial crisis led to universal healthcare in Thailand. Now, in this crisis, leaders across the world have an opportunity to build the health systems that were always needed and which now cannot be delayed any longer.

### ***Universal healthcare***

This pandemic has shown that it is in everyone's interest that people who feel unwell should not check their pocket before they seek help. As the struggle to control an aggressive coronavirus rages on, the case to end user fees in health immediately has become overwhelming.

Free healthcare is not only vital for tackling pandemics: when the Democratic Republic of the Congo instituted free healthcare in 2018 to fight Ebola, healthcare utilization improved across the board with a more than doubling of visits for pneumonia and diarrhoea, and a 20%-50% increase in women giving birth at a clinic – gains that were lost once free healthcare was removed. Free healthcare will also prevent the tragedy of 100 million people driven into extreme poverty by the cost of healthcare every year.

Because COVID-19 has no vaccine yet, all countries will need to be able to limit and hold it. The inevitability of future pandemics makes permanent the need for strong universal health systems in every country in the world.

Publicly funded, cutting-edge medicines and healthcare must be delivered to everyone no matter where they live. To enable universal access, governments must integrate

community-led services into public systems. This crisis has also highlighted how our health requires that the health workers who protect and look after us are themselves protected and looked after.

Given the interconnectedness between health and livelihoods, all countries will also need to strengthen social safety nets to enhance resilience. COVID-19 has reminded the world that we need active, accountable, responsible governments to regulate markets, reduce inequality and deliver essential public services. Government is back.

### ***Financing our health***

Many developing countries were already facing debt stress leading to cuts in public healthcare. In recognition that worldwide universal healthcare is a global public good, lender governments, international financial institutions and private financial actors need to both extend and go beyond the temporary debt suspensions that have been announced recently. The proposal by the Jubilee Debt Campaign and hundreds of other civil society organizations sets out the kind of ambition required.

Bilateral donors and international financial institutions, including the World Bank, should also offer grants – not loans – to address the social and economic impacts of the pandemic on the poor and most vulnerable groups, including informal sector workers and marginalized populations. Support to developing countries' ongoing health system costs needs to be stepped up. It would cost approximately \$159 billion to double the public health spending of the world's 85 poorest countries, home to 3.7 billion people. This is less than 8% of the latest US fiscal stimulus alone. It is great to see donor countries

using the inspiring and bold language of a new Marshall Plan – but currently pledged contributions are insufficient.

### ***Business leadership***

A new kind of leadership is needed from business too; one that recognizes its dependence on healthy societies and on a proper balance between market and state. As President Macron has noted, this pandemic “reveals that some goods and services must be placed outside the rules of the market”. “The past decade has seen a rapid increase in the commercialization and financialization of healthcare systems across the globe. This must end.

As a group of 175 multimillionaires noted in a public letter released at the World Economic Forum Annual Meeting 2020 in Davos, it is time for “members of the most privileged class of human beings ever to walk the earth” to back “higher and fairer taxes on millionaires and billionaires and prevent individual and corporate tax avoidance and evasion.” Responsible business leaders should support corporate tax reform, nationally and globally, that will necessarily include higher rates, removing exemptions, and closing down tax havens and other tax loopholes.

Despite the lessons from AIDS, monetizing of intellectual property has brought a system of huge private monopolies, insufficient research into key diseases and prices that a majority of the world can't afford. Countries will need to use all available flexibility to ensure availability of essential health treatments for all their people, and secure new rules that prioritize collective health over private profit. There needs to be prior international agreement that any vaccines and treatments discovered for COVID-19 will

be made available to all countries. The proposal by Costa Rica for a “global patent pool” would allow all technologies designed for the detection, prevention, control and treatment of COVID-19 to be openly available, making it impossible for any one company or country to monopolize them. Developing countries must not be priced out or left standing at the back of the pharma queue.

Leadership is needed in reshaping global cooperation: the COVID-19 crisis has exposed our multilateral system as unequal, outdated and unable to respond to today’s challenges. We will face even greater threats than this pandemic, which only an inclusive and just multilateralism will enable us to overcome.

### **All of us need all of us**

The COVID-19 pandemic is simultaneously a crisis worsening existing inequalities and an opportunity that makes those inequalities visible.

The HIV response proves that only a rights-based approach rooted in valuing everybody equally can enable societies to overcome the existential threat of pandemics. Universal healthcare is not a gift from the haves to the have-nots but a right for all and a shared investment in our common safety and well-being.



## CHAPTER 9

# Management: Catastrophic Risk Transfer in a Post-Pandemic World



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### Introduction

Risk-transfer tools – the most common of which is insurance – play a critical role in the global economy. Risk is transferred from one entity to another better able to pool and diversify the risk, providing financial protection against losses. For households and businesses, research has found that insurance speeds and strengthens recovery.<sup>11</sup> And many types of economic activity, from home buying to surgery to construction of high-rises, would be untenable without risk transfer.<sup>12</sup>

Private sector risk transfer, however, has played a limited role in the COVID-19 pandemic for two key reasons. First, economic losses from pandemics push the limits of private markets. Pandemics are a global risk. Losses are highly correlated and can be so large that they

threaten the solvency of insurance companies. For instance, the property and casualty industry in the US estimates that just one month of business interruption losses from the current crisis is over 10 times the amount of claims handled by the industry over an entire year and just two to three months of such losses would exceed the total industry surplus.<sup>13</sup> Given the inability to pay such widespread losses, pandemics are typically excluded from many insurance policies.

Second, risk transfer is not free. Disasters are marked by quiet years with few claims and then years when a disaster strikes with the potential for devastatingly high total losses. To pay all those claims, insurers must buy or rent capital, the cost of which is passed on in the price. As such, disaster insurance, including for pandemics, is more expensive than other forms of insurance. Many entities simply cannot afford such protection, particularly small and young businesses.<sup>14</sup> Couple this with known behavioral biases in decision-making that can make disasters seem sufficiently unlikely in non-crisis situations, and voluntary purchase of disaster insurance can be difficult to motivate.

Nonetheless, there have been a few risk-transfer successes during this pandemic,

as noted below. We can learn from the experiences of the crisis to design risk-transfer systems that unite private and public sector financing to expand coverage and contribute to broader and more equitable financial recovery from catastrophes.

## **Rethinking risk transfer and global catastrophes**

In the near term, a hardening risk-transfer market will continue due to the combined impact of falling investment income, potential payouts (and litigation) from the current virus and concern over the systemic nature of this risk. This will occur as demand for pandemic insurance grows. In the longer term, three lessons are already emerging to improve the transfer of risk for future catastrophes:

***1. A public backstop in developed nations for losses that stress the insurance industry can be designed to facilitate private risk transfer for lower levels of losses and lead to more comprehensive coverage.***

The costs to businesses from forced closure to limit spread of the virus are staggering. Business interruption (BI) insurance can protect businesses against a disaster that leads to lost revenue from a temporary suspension of operations. However, the current magnitude of BI losses is beyond the capability of most insurers and, as such, pandemics are typically excluded from this coverage. When it is available, those that need it most can usually not afford it.

Lessons can be drawn from public-private partnerships that have been established for other disaster risks, from terrorist attacks to earthquakes, to enable more widespread and affordable disaster insurance. For example,

the Caisse Centrale de Réassurance (CCR) in France, Poole Re in the UK, and Terrorism Risk Insurance Act (TRIA) in the US show that the public sector in developed nations can effectively assume the least probable and most costly losses from catastrophes, creating a more manageable risk profile for the private sector. Such entities can function as a backstop or public reinsurance for the industry, be designed to cover multiple catastrophic perils, determine which lines of insurance they protect, choose to use private risk transfer when cost-effective, and shape risk reduction. Such programmes could also be coupled with special assistance for small businesses or other mechanisms to achieve public policy goals.

***2. Parametric insurance can be effectively tailored to cover certain types of losses and for larger entities with the ability to pay for additional coverage.***

One successful use of pandemic insurance was the Wimbledon tennis tournament, which began purchasing pandemic insurance after the SARS outbreak in 2003. It has paid under \$2 million a year since then and now anticipates a \$141 million payout for cancelling the tournament due to COVID-19. Such coverage can be a useful part of risk management for entities able to pay the premium and with a substantial amount on the line in the event of cancellation. Also, covering a few high-profile events in a pandemic does not concentrate risk to the extreme of BI coverage and thus is more easily absorbed by the private market.

Beyond event cancellation, there was some parametric coverage for pandemic-related BI on the market prior to the current outbreak, although there was no demand.<sup>15</sup> The current crisis may expand the role of parametric policies

to protect against a range of catastrophes. Parametric policies pay insureds when a certain predefined event occurs, such as an earthquake of a certain magnitude in a certain location, or a particular type of disaster declaration or a certain amount of revenue impact to a firm. Such policies can pay much faster and be less expensive since they do not require lengthy and costly loss-adjustment processes. Rapidly evolving data and technology can support innovative designs for these products.

The question is whether parametric products can be designed to meet needs and provide affordable value to a broader range of firms. This could be facilitated by the type of public sector reinsurance discussed in #1. And if such products can be widely offered, the question then becomes whether risk managers can maintain a commitment to such financial protection even when it has been a decade or more since the last crisis. Wimbledon paid premiums for infectious disease coverage for a bit less than two decades. Insurance is not annual betting; the benefits come from sustained commitment to stabilizing revenues by paying some amount in good years for protection in bad years.

***3. Lower-income countries need additional assistance for catastrophe response and recovery. Sovereign-level insurance may be the best structure and could be expanded to include more localized public-health disasters.***

The World Bank's Pandemic Emergency Financing Facility (PEF) issued pandemic bonds in 2017 to provide funding to certain low-income countries when needed. Donor countries and the World Bank paid annual premiums of \$36.2 million for \$425 million in

coverage.<sup>16</sup> There were multiple triggers for payout, including at least 12 weeks having lapsed since the start of the outbreak, certain fatality and case numbers, and exponential growth in the target countries. The bond was finally triggered to pay for COVID-19 on 31 March (announced mid-April), with almost \$196 million slated to be funnelled to the PEF.<sup>17</sup>

The bond has been criticized for paying too little, too late; for being too complicated; for not recognizing data insufficiencies; and for favouring investors over developing countries.<sup>18</sup> Concern with design flaws could be remedied. The trigger could be simplified, tied to better indicators of economic need, linked to available and high-quality data, as well as being designed to pay sooner. Some criticisms are harder to address, however, since they raise the fundamental questions of whether this is an appropriate use of private-sector risk transfer. Donor countries paid just under \$110 million over three years for this bond. It is reasonable to question whether donor dollars would have been better used in a savings account for fast deployment of the PEF instead of making payouts to investors – a question about cost-effectiveness, public-health effectiveness and ethics. Investors may also be less interested in pandemic bonds since they have now shown to be correlated with global economic downturns. And if investors demand an added risk premium for pandemic bonds, it strengthens the argument that such risk transfer is not an ideal tool for public-sector relief.

Regional risk pools established to provide funding after certain natural disasters, however, have effectively helped fiscally constrained countries respond and recover to multiple natural hazards. Conceivably, these could be adapted to include public-health crises. While

having to make full simultaneous payouts to all members would be problematic, as required by a global pandemic, they could be expanded to cover more localized epidemics. These pools can be used in combination with other sources of funding, including contingent credit and international assistance.

## **Post-Pandemic risk transfer**

Insurability is a spectrum from easier-to-insure risks, such as auto collisions, to difficult-to-insure risks, such as intense earthquakes and hurricanes. A global economic shutdown triggered by a worldwide pandemic is so far to the extreme of the spectrum that the full range of losses is essentially uninsurable. This is where the public sector of richer nations must step in to reduce the economic pain and speed recovery. This does not mean, however, there is no role for private-sector risk transfer for catastrophes. Indeed, this current crisis can drive an improved public-private partnership for a range of catastrophic risks.

The future is never an exact copy of the past and the world will see more catastrophes, but they will not evolve exactly the same way as COVID-19. Thinking beyond this current virus is necessary to develop systems that can provide effective response for the full spectrum of future threats, be it a cyberattack, disasters fuelled by climate change, political instability, or a range of other possibilities. Indeed, the world's grappling with the coronavirus is demonstrating how threats can cascade and amplify each other. How disasters interact, trigger new impacts and can be effectively limited and contained must be considered.

As governments and businesses refine risk management in a world that feels riskier and more interconnected than ever, focus must

be on harnessing the strengths of the public and private sectors to allow private-risk transfer within its capabilities, and provision of public support for the private sector's two key limitations: covering catastrophic levels of correlated losses; and protecting the most vulnerable who cannot afford private protection.

## CHAPTER 10

# A Socio-Psychological Perspective



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## Introduction

The COVID-19 pandemic has plunged the world into disarray as nations wrestle to control the spread of the virus. While much attention has been focused on health concerns, reports of the social-psychological effects arising from this outbreak have been on the rise, from mental depression and domestic conflicts, to racist attacks and nationalistic behaviours. More concerningly, these social-psychological effects may have longer-term ramifications that may well outlive the pandemic.

The Chinese language expresses the word crisis as “危机” (wēi jī), denoting a state of both danger and opportunity. Although physical safety is of critical importance, it is vital to consider this pandemic's impact on social-psychological issues and the accompanying risks and opportunities. This understanding will inform how individuals, organizations and governments can better manage the potential downstream risks, while capitalizing on opportunities arising from the crisis.

We focus on three distinct effects arising from, and even accentuated by, the pandemic – depression and mental health issues, domestic violence and nationalism. These effects lie, respectively, at different levels in terms of



how an individual categorizes and perceives oneself: at the individual level, in relation to close others, and as a member of a larger and psychologically more distant social group. For each social-psychological effect, we discuss the expected structural changes arising from it and the corresponding potential risks and opportunities.

## **Depression and mental health issues**

### ***Current and expected changes***

Given the gravity of and the uncertainty surrounding the pandemic, it is natural for a range of intense negative emotions to exacerbate, such as fear and anxiety, stress and distress, anger and confusion. These emotions are driven by myriad stressors (e.g., physical safety concerns, financial uncertainty, negative and/or conflicting news) and can lead to depression and other mental health issues as observed in previous outbreaks including SARS, MERS, and H1N1. Further magnified by a host of factors such as social isolation and perceived helplessness, mental health challenges may especially affect vulnerable segments of the population (e.g., the elderly and people with special needs).

Cases of depression and mental health challenges may be amplified the longer the pandemic continues, with the likelihood of persisting well after. The unemployed and financially distressed may be hit hardest as jobs will be scarce while economies worldwide struggle to recover from the predicted financial recession.

### ***Risks***

The persistence and intensification of these mental health issues may result in far graver consequences. As people seek to regulate their

negative feelings, they may employ a gamut of coping strategies, often with dire outcomes for both their mental and physical health.

At one end of the spectrum is compulsive consumption, such as overspending and alcohol use. Taken to the extreme, these emotional-repair strategies may result in increased materialism and substance abuse that carry potentially enormous costs for the self and society. Given that there are often bidirectional relationships between negative emotions and compulsive behaviours, victims may find themselves trapped in an unfortunate vicious cycle.

At the other end of the spectrum is suicide. Already, there have been increasing reports of suicide cases arising from the pandemic. Evidence suggests that suicides are especially prevalent following financial hardship, with suicide rates in Europe and the US rising about 1% for every 1% point increase in unemployment.

### ***Opportunities***

It is imperative to implement public-health education programmes and campaigns to increase awareness of mental health issues, and for self-regulatory mechanisms and professional treatments to be made more widely and readily accessible. Instead of laying off employees, companies could redeploy underutilized manpower and resources to better support frontline organizations engaged in mental and public health services. Such strategies allow companies to stay relevant and resilient while addressing important societal needs emerging from the crisis. Likewise, individuals and support groups can play a more proactive role in assisting those struggling with emotional and mental health issues. Possible initiatives could

include the use of digital platforms that enable verified users to directly extend help to those in their neighbourhood. Such public outreach at the general community level, in turn, fosters strong community spirit as individuals become more sensitized to the needs of others and are better equipped to offer support.

## **Domestic abuse**

### ***Current and expected changes***

Measures such as mandatory lockdowns have unfortunately been accompanied by increased rates of domestic abuse. In the UK, the national domestic abuse helpline reported a 65% surge in calls in one week while Singapore saw a nationwide increase of about 35% in domestic violence in March 2020 compared to a year ago. Spikes in the number of severe child abuse cases possibly tied to the pandemic were also reported in the US.

Trapped at home with their abusers, domestic abuse victims are at risk as the pandemic presents a new barrier to exiting abusive relationships and forces victims to choose between their personal safety, housing stability and the health risks the virus poses. Social isolation shatters support networks, rendering escape from the shackles of abusers particularly difficult. Perpetrators, aggravated by uncertainty and financial worries, may intensify abuse to maintain a sense of power and control in their lives.

As the global economy weakens, unemployment and other financial setbacks will amplify domestic tensions across households and further exacerbate the impact on abuse victims. Protracted periods of social isolation and confinement with the abuser could lead to increased vulnerability and long-term trauma as

victims become resigned to constant fear and learned helplessness.

### ***Risks***

A potential repercussion is an increase in divorce rates. Chinese cities have already reported an unprecedented number of divorce appointments post-lockdown. Although such divorces are attributable to existing cases of domestic abuse, Chinese officials have observed an alarming rate of impulsive divorces arising from domestic conflicts during the lockdown as social isolation imposes further tensions on the family unit and fuels greater domestic violence.

As welfare systems and medical facilities become overloaded, social services for victims of domestic violence may suffer budget cuts. Government aid and social services may be hard-pressed to meet the increased burden on social welfare as governments worldwide struggle to allocate resources across various social sectors in the wake of the pandemic.

### ***Opportunities***

The anticipated surge in domestic abuse over the coming months suggests areas for policy-makers and family-violence social services to foster partnership in assisting abuse victims. Beyond providing access to free legal advice and extending helplines to 24/7, organizations should build innovative service delivery models and tools with the needs of diverse community groups in mind, including those who may be forcibly confined or living in remote communities. This may include developing encrypted apps that collect evidence of domestic abuse and embolden victims to take action. More communally, blog communities and campaigns that equip the public to be

attentive to telltale signs of abuse can powerfully increase awareness and the support of abuse victims.

## **Nationalism**

### ***Current and expected changes***

Although meant to protect their citizens, many COVID-19 policy responses are accompanied with unintended consequences observed in disconcerting expressions of nationalism. Border closures and public-health restrictions have been conflated with anti-migrant rhetoric while racist attacks have increased. Such negative expressions of social categorization are expected to persist post-pandemic as people seek to assign blame for the cause of the crisis. Assessments from the Federal Bureau of Investigation indicate that hate-crime incidents against Asian Americans may escalate across the US due to a significant portion of the public associating the virus with China and Asian-American populations.

Social categorization elevated to a national level has also manifested itself in the form of protectionism and localization of production. Nationalistic responses to the pandemic have led governments to block the flow of goods and dishonour trade agreements. Although global trade can be expected to resume in the wake of this pandemic, cross-border collaborations are likely to be marked by increasing distrust and tension.

### ***Risks***

The rise of racism and xenophobia may prompt reverse migration, leading to a brain drain in many developed economies. The exodus may particularly hit the US, the UK, and Australia – the major hosts of highly skilled Asian migrants. Although anti-racism campaigns have sought to

quench explicit attacks, there is the potential for more subtle, insidious forms of racism to fester in the aftermath of COVID-19.

While temporary national protectionism may serve a country's urgent interests and stimulate domestic production, there is a danger of slipping into uncontrolled nationalism, which could lead to slumps in global trade and disputes over international cooperation. Post-pandemic revisions of economic policies could jeopardize relations between nations and intensify existing bilateral and/or multilateral tensions.

### ***Opportunities***

Locally, this crisis can heighten social awareness of marginalized communities and promote greater support for homegrown businesses. Governments can also encourage the return of skilled national talent through attractive remuneration and appeals that highlight talent-shortage areas. More generally, various government efforts to invest in its institutions and people may foster greater trust and support of future governmental policies.

Internationally, this crisis may serve as a catalyst for strategic economic interdependencies to leverage collective strength. As the pandemic does not discriminate demographically or geographically, it is crucial for economies to focus on common goals that are shared across nations. Although self-defensive measures may be provisionally necessary to safeguard the urgent needs of their citizens, countries that choose to share their competencies in the face of a global threat will have the advantage of enhancing trust and future collaboration across borders.

## Conclusion

Taking a social-psychological perspective, this chapter discussed the current and expected changes, as well as the potential risks and opportunities arising from three pandemic-attributed effects: depression and mental health issues; domestic violence; and nationalism. Indeed, the long-term implications of the pandemic are far-reaching – from the economy to governance, and from healthcare to education.

Nonetheless, just as a crisis carries risks, it is also accompanied by opportunities. When the storm passes and the dust settles, whether the new world will emerge stronger – and the post-COVID-19 normal more resilient and sustainable – will hinge on our ability to effectively mitigate the risks while harnessing the opportunities that these social-psychological effects may present. As a saying in Chinese goes (时势造英雄; shí shì zào yīng xióng), heroes are but products of their times.



# Acknowledgements

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# Endnotes

1. The governance structure of the EU is organized around the European Commission operating as a well-established secretariat in Brussels, the European Parliament and the European Council (of heads of state of member countries) as the governing political body. The European Commission is responsible for running a sizeable budget of about €1.1 trillion (over a seven-year period) and speaks on behalf of the entire membership in a few critical policy sectors, such as international trade or competition. The European Central Bank (ECB) is the guardian of the Euro and the European High Court exercises independent jurisprudence.

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