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# Europe and the COVID-19 Pandemic: A Snapshot and Possible Scenarios

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## **Dirk Hansohm, Ph.D.**

*Economic Researcher and Advisor; Research Associate to Bonn International Conversion Centre (BICC)*

## **Asha Abdel Rahim, Ph.D.**

*Associate Professor, Department of Economics; Former Director, Department of Economics; Dean, College of Social and Economic Studies; University of Juba, South Sudan*

The world, and particularly Europe, is hit by the COVID-19 pandemic. In contrast to previous health crises, this one hits Europe disproportionately – until now, at least. Although EU inhabitants constitute only 5.9% of world population, it counts 15.3% of confirmed cases and 29.6% of world deaths.<sup>1</sup>

This is why probably nowhere else is the health crises so intensively reported

<sup>1</sup> Center for Systems Science and Engineering (CSSE) at Johns Hopkins University. 2020. "Coronavirus COVID-19 (2019-NCoV)." 2020. <https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda759474fd-40299423467b48e9ecf6>.

on and discussed as in Europe. Although scientists had been warned of a major pandemic to hit the world sooner or later, people and governments have been taken largely by surprise. Furthermore, the crisis hits at a time where society and economy has already been hit by and is struggling with other crises – short term (as the trade war between the U.S. and China) and longer term (as growing inequality, state fragility, climate change, endangered biodiversity).

Different from previous epidemics – pest, cholera and the Spanish Flu of 1918–20 that claimed millions of victims – mortality of the COVID-19 pandemic has yet to record such numbers, although the future count remains unpredictable until a vaccine is discovered. The effects of the pandemic hits vulnerable groups – the poor as well as refugees and migrants disproportionately – in developing and industrial countries. No previous epidemic has resulted in such comprehensive and such pervasive state measures.

In addition to the vast reporting and public attention that crowded out deep coverage of other global and regional issues, there is a profound sense of uncertainty – not only of the general public, but also business and policymakers.<sup>2</sup> The current pandemic also results in intensive discussions among scientists, policy-makers, academics and intellectuals that go far beyond health matters while also questioning conventional development models and ways of life.

Although it is not clear how long and deep the pandemic will evolve and how it will be geographically distributed, one fact seems to be clear: The world in Europe and beyond will not return to the same state as it was before. It is impossible to draw any firm conclusions and predictions as the pandemic evolves. This article discusses possible developments that may emerge.

### ***A major crisis – an end of an epoch?***

Numerous commentators go as far as pronouncing the end of an epoch, particularly

<sup>2</sup> From 2008–11 according to one index uncertainty increased by 200%. Marin estimates a 300% increase following COVID-19: Marin, Dalia. 2020. “How COVID-19 Is Transforming Manufacturing | by Dalia Marin.” Project Syndicate. April 3, 2020. <https://www.project-syndicate.org/commentary/covid19-and-robots-drive-manufacturing-reshoring-by-dalia-marin-2020-04?barrier=accesspaylog>.

the end of neoliberalism.<sup>3</sup> This mode or ideology, dominant thinking since the 1990s, in developing and industrialised countries, stipulated the superiority of markets over state actions and of unregulated global integration.

In truth, neoliberalism has been widely and increasingly under fire for some time. The substantive benefits of market liberalisation and economic globalisation are undisputed, in particular in developing countries, where many have been lifted out of poverty. But the downsides of unbridled capitalist development have come into the open consciousness. Unchecked market development has often led to market concentration and extra profits, undermining the principle of meritocracy. Inequality has risen starkly. Unrestrained global integration has risen the vulnerability of third world countries to national crises. Climate change and reductions in biodiversity are among the most prominent downsides of a development path led by neoliberalism. Privacy concerns have grown alongside technical innovations involving artificial intelligence and big data. On a general level, there is an awareness that the vast wealth created is not translated to a corresponding quality of life for all.

In fact, the “hyper-globalisation” phase has arguably already surpassed its summit. Trade figures indicate that the openness of the world economy peaked in 2011. From 1990 to 2008 the rapid expansion of growth was driven by growing global supply chains, accounting for 60–70% of overall growth. But the rise of protectionist policies put an increasing strain on such expansion. After the present COVID-19 supply shock, experts expect that the technology-driven process of relocation of manufacturing from Asia and elsewhere may accelerate.<sup>4</sup> Many supply chains will be closer to home. Emphasis on resilience will supersede price. True economic transport prices (including the CO<sub>2</sub> effects) will strengthen the trend for shorter supply chains.

<sup>3</sup> Schmitz, Gregor. 2020. “The Crisis of a Lifetime.” ECFR. May 12, 2020. [https://www.ecfr.eu/article/commentary\\_the\\_crisis\\_of\\_a\\_lifetime](https://www.ecfr.eu/article/commentary_the_crisis_of_a_lifetime); Schwab, Klaus. 2020. “Now Is the Time for a ‘Great Reset.’” World Economic Forum. March 6, 2020. <https://www.weforum.org/agenda/2020/06/now-is-the-time-for-a-great-reset/>; Stiglitz, Joseph E. 2019. “The Economy We Need | by Joseph E. Stiglitz.” Project Syndicate. May 3, 2019. <https://www.project-syndicate.org/onpoint/the-economy-we-need-by-joseph-e-stiglitz-2019-05?barrier=access-paylog>.

<sup>4</sup> Marin, Dalia. 2020. “How COVID-19 Is Transforming Manufacturing | by Dalia Marin.” Project Syndicate. April 3, 2020. <https://www.project-syndicate.org/commentary/covid19-and-robots-drive-manufacturing-reshoring-by-dalia-marin-2020-04?barrier=accesspaylog>.

On the background of the multitude of crises, arguably the world was only waiting for the present pandemic to strengthen the challenge to the present “hyper-globalisation.” But an epoch does not end by one event, but by a number of interconnected occurrences. Developments will depend on how deep and long the crisis will become, and how successful the responses will be. It will also depend on how successful the forces of interest groups seeking to maintain the status quo will be. In any case, the future looks more open presently than it has been for a long time. The world is in a period of accelerating change, the leading edge of which is the ever-growing list of developments that have gone from impossible to inevitable.<sup>5</sup>

But it is not certain or even likely that this will be a turning point. In the first place, the pandemic is throwing the dominant characteristics of each country’s politics into sharper relief, “rather than being a watershed ... hyper-globalization will remain on the defensive as nation-states reclaim policy space.”<sup>6</sup>

In any case, the pandemic is a window of opportunity for progressives. The future seems to be wide open for substantial change, at least in Europe – the combination of a more socially just society with less inequality and poverty, firm democracy and a carbon neutral future. While similar hopes for fundamental corrections of the unregulated economic system after the financial crisis had been largely unfulfilled – the financial sector has been left underregulated – there is an expectation that a lesson has been learned that larger change is needed, both for the international system and the EU.

<sup>5</sup> El-Erian, Mohamed A. 2020. “Adaptation to a Frantic World| by Mohamed A. El-Erian.” Project Syndicate. February 18, 2020. <https://www.project-syndicate.org/commentary/companies-and-governments-adapt-to-four-secular-changes-by-mohamed-a-el-erian-2020-02/german?barrier=accesspaylog>.

<sup>6</sup> Rodrik, Dani. 2020. “Will COVID-19 Remake the World? | by Dani Rodrik.” Project Syndicate. April 6, 2020. <https://www.project-syndicate.org/commentary/will-covid19-remake-the-world-by-dani-rodrik-2020-04?barrier=accesspaylog>; Center for Systems Science and Engineering (CSSE) at Johns Hopkins University. 2020. “Operations Dashboard for ArcGIS.” Arcgis.Com. 2020. <https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>.

## ***Widely different impacts and reactions – Germany as a model?***

The pandemic hits some countries in Europe much harder than others. Among the underlying factors are certainly the timing of when the virus hit. Those affected later have had more time to prepare and learn from those hit first. Secondly, those more internationally integrated were more vulnerable than those less globally engaged. But also, underlying factors such as the quality of health services and wider governance, are important.

In particular, the relative success by Germany is discussed. This biggest EU member, strongly integrated in the centre of Europe and a recognized world player, had – so far – less COVID-19 infections and less deaths than all the other large countries and in relation to its size with most other European countries.<sup>7</sup>

Although Germany has also gone through the privatisation and market-driven health sector reform (with too few and too poorly paid staff), this has not been as extreme as many others. The country's fiscal policy has been very conservative, with low and falling debt levels. This allowed the government a greater fiscal response to cushion the economy against the shock of a lockdown with reduced economic activities. Important are short-time benefits for workers and bail outs for companies. Other positive factors include a higher level of public trust; a less poisoned public debate with less prominent populist parties; transparent and open discussion; and a strong link between policy-makers and research, the federal system of government and the still-strong corporate system of public-private-labour interaction. To be certain, these factors are in no way unique to Germany. Arguably, some of these can be characterised as social-democratic, many of which are more pronounced in Scandinavia.

In any case, the social market economy alternative to the Anglo-American “free enterprise” model has so far performed much better on the pandemic. However, it remains to be seen to which degree the vast-boost programme will lead to a quick recovery.

<sup>7</sup> Center for Systems Science and Engineering (CSSE) at Johns Hopkins University. 2020. “Operations Dashboard for ArcGIS.” Arcgis.Com. 2020. <https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>.

## ***The pandemic highlights the importance of governance quality***

Governance concerns the exercise of authority and control in relation to the management of its resources. The decentralised and consensus-seeking way practised, for example, in Germany is more complex and takes more time. However, combined with an open and transparent way of communication, it results in higher acceptance, higher trust and less-costly mistakes. Federal governments where decisions are made by those close to the ground are more appropriate for health crises that differ by locality. Top-centred systems with a strong president or prime minister, such as the U.S., UK, or France, have not done very well on this crisis so far.

One topic highly discussed is the – presumed by many – higher ability of authoritarian systems (such as China) to deal with such crises as this one. But while it was apparently able to quickly contain the epidemic, this was only after weeks of suppressing news about it. The deception damaged its international reputation.

On a general level, apart from the concrete economic, demographic and geographical circumstances, how countries deal with pandemics has indeed to do with political characteristics and the relationship of state and society. However, this is more about how it is concretely ruled, administered and communicated. There are democratic and authoritarian or half-democratic societies that managed the crisis well.

On a related manner, it is suggested that authoritarian and anti-democratic tendencies are strengthened in the crisis. Indeed, this is “the hour of the executive” with less time for parliamentary scrutiny. The Hungarian government has used the pandemic to declare a state of emergency. However, in most European countries a misuse has not been noticed – until now at least. As importantly, right wing populist parties have become less outspoken and face low voter preference, as their simplistic recipes do not address dealing with a concrete health crisis.

## ***Recognition of research***

With the rise of populist voices and parties in Europe (and beyond), the respect of

expertise had been questioned and often been discredited (e.g., in the run-up to the Brexit vote). In a distinct change, the voice of expertise on this pandemic is now valued by politicians as they crave for advice. The esteem of experts has also risen with the wider public.

It is also realised that a multidisciplinary approach to understand and effectively cope with the pandemic is needed. The insight of virologists, epidemiologists, other health specialists, economists, sociologists, political scientists, historians and others need to be combined and equally considered.

Open disputes between scientists are discussed in the public. The fact that scientific insights are not static but develop over time is realised. Another positive development is the wide acceptance of peer review and the open source principle.

### ***Hope for a strengthened and more integrated Europe***

In the beginning of the crisis, national governments reacted and regional responses were absent. In addition, some key elements of the EU integration were temporarily suspended – most notably, free movement was curtailed by the closing of a number of borders. This has been widely criticised. However, this criticism overlooks that health policy is not a mandate of the EU – it has firmly remained the responsibility of national governments.

On a general level, while a pandemic spread internationally, its effects are very different by location. So, while there is a need of international cooperation, the pandemic needs – first and foremost – local reaction and management. Generally, regional integration at the EU level does not mean that everything should best be dealt with at the regional level. This is why the EU operates with the principle of subsidiarity: highest possibility of self-determination and autonomy at regional or local level.

On a positive note, the reactions to the border closing by the population, in particular the youth, show the high degree of regional integration at the mental level. A large number of Europeans has experienced a travel-open Europe throughout their lifetime and is not willing to accept border limitations, except for emergencies.

In late May, regional integration returned to the policy level by cross-country assistance. The French-German proposal of a 750 billion euro (\$826.5 billion) package for crisis-affected countries, financed by loans of the EU Commission, breaks taboos of regional debt. This was followed by a proposal of the EU Commission. If and when these proposals are adopted by the EU member states, it may eventually be a “Hamilton moment,”<sup>8</sup> leading to a significantly higher degree of regional integration complementing the monetary by a degree of fiscal union.

As observed in the past, crises give the momentum to deepen the EU integration – such integration did not arise from plans. Although a group of four Northern European “frugal states” are in opposition, the change of Germany’s position may well bring the greater cross-region engagement. This change of the German position is highly significant. Germany is both the most populous country and has the largest economy; it is also in the centre of Europe and is very open and export oriented. The realisation that Germany’s welfare is crucially dependent on the welfare and progress of its European environment has now firmly cemented itself in the consciousness of politicians and the majority of the population, and dominates the former conservative “frugal” view. On the European level, the consciousness is rising that maintaining the welfare and democratic governance in Europe cannot be achieved by the single nation states, but only by a more unified Europe.

### ***An emerging new phase of international cooperation?***

Due to the growing globalisation, states, economies and people are increasingly connected and depend on each other. The many gains and opportunities this delivers are widely appreciated. However, the benefits are not equally shared, and areas and people are marginalised, resulting, for example, in increasing migration and flight. Another downside of globalisation is that local and national crises like this COVID-19 pandemic can spread quickly worldwide. The increasing global integration reduces the sovereignty of nation states and exaggerates the need for

<sup>8</sup> Kaletsky, Anatole. 2020. “Europe’s Hamiltonian Moment | by Anatole Kaletsky.” Project Syndicate. May 21, 2020. <https://www.project-syndicate.org/commentary/french-german-european-recovery-plan-proposal-by-anatole-kaletsky-2020-05?barrier=accesspaylog>.



international cooperation and institutional governance. The financial crisis of the first decade, the impact of climate change and this pandemic have shown this drastically.

However, the multilateral institutional order with international organisations and rules established after World War II – and driven and financed to a high degree by the U.S. as the dominant world power – is fraying out. Underlying factors are the declining relative power of the U.S. and the rise of other powers, in particular China. The unwillingness of the current U.S. administration to support, and in cases even to recognise some multilateral organisations, is evidenced by the cases of the WHO, the WTO and the International Criminal Court. This comes at a time when the need for international cooperation is becoming more obvious by the day.

There are, however, signs that the pandemic may rejuvenate international cooperation. The consciousness of its need is growing and the need for cooperation is becoming apparent to many governments and people. In particular, the EU and China have vital interests to uphold and develop the multilateral system. At least in Europe, the conviction is growing that it will need to fight for it.

### ***A realignment of Europe to the U.S. and China***

As the U.S. and China – recognised as the most important nations – are locked in conflicts, the EU has to position itself in the conflict. One visible impact is the drive for higher regional integration in order to stand up to the conflicting interests of the two hostile blocks.

The distancing of the U.S. from Europe has arguably already begun at least under former President Barack Obama, who saw Asia as the emerging power and key area of interaction. The current U.S. administration sees Europe and the EU more as competitors than partners. The EU members are beginning to realise they must rely more on themselves with respect to security, build themselves as an economic block to compete and defend the democratic welfare model and fight for a multilateral world. Nevertheless, the EU and the U.S. share the same values of human rights, individualism and open society.

China has become a vital trade partner for Europe, and it is a partner to uphold and develop the multilateral world order. The EU recognises that the rising China

also needs to play a more important role in the multilateral order in line with its economic importance. At the same time, the EU and its member states recognise that the Chinese government will continue to pursue its objectives of regional and world power and to export its authoritarian governance model in an aggressive way. The EU needs to balance its economic interests and common interests with China with the firm upholding of high standards of democratic governance.

### ***A new phase of Europe's relationship to Africa?***

The impact of COVID-19 on Africa is not yet fully known. The fears of possibly devastating health effects have not yet borne out. It is not clear how the lower rate of tests in African countries disguised the true scale of the pandemic. Also problematic are the continent's relatively lower involvement in global trade and international travel, its hotter climate, or its possible better preparedness for such a viral outbreak because of experience with previous epidemics and regional cooperation.<sup>9</sup> In any case, the health systems of African countries are certainly less prepared for mass epidemics. But more important than the direct health effects for Africa are and will be the economic effects: lower demand for Africa's exports on world markets because of the recession, interrupted supply of imports, collapse of tourism, lower remittances, negative impacts on currencies and equity markets. The pandemic could even undo large parts of the high gains Africa made over the last decades in poverty reduction.<sup>10</sup>

In light of this, there are calls for the international community, and particularly the EU as the closest cooperation partner of Africa, to assist African countries on a larger scale to cushion the negative effects, or even to recalibrate the relationship between Africa and the EU. However, since the expiration of the 20-year Cotonou Agreement earlier this year – an agreement between the EU and African, Caribbean and Pacific Group of State countries designed to reduce poverty and

<sup>9</sup> Medinilla, Alfonso, Bruce Byiers, and Philomena Apiko. 2020. "African Regional Responses to COVID-19." ECD-PM. May 18, 2020. <https://ecdpm.org/publications/african-regional-responses-covid-19/>.

<sup>10</sup> Kappel, Robert. n.d. "May 2020 AFRICA-EUROPE ECONOMIC COOPERATION Using the Opportunities for Reorientation." <http://library.fes.de/pdf-files/iez/16251.pdf>.; Wilkerson, Michael. 2020. "Will COVID-19 Derail the African Century? | by Michael Wilkerson." Project Syndicate. April 7, 2020. <https://www.project-syndicate.org/commentary/mitigating-covid19-pandemic-in-africa-by-michael-wilkerson-2020-04?barrier=accesspaylog>.

promote sustainability in development – there are at present numerous initiatives and negotiations on renewing the partnership. The pandemic crisis also taxes the limited capacity of African states to the maximum.

Most importantly, a balance needs to be stricken between meeting short-term emergency needs and the longer-term development drive of African countries, the core of which will be improving governance and improving the terms of international integration and deepening regional integration.

### ***About the Authors***

Dirk Hansohm is an economist with more than 30 years' experience as researcher, trainer and policy advisor to governments and regional organisations in Africa and beyond. His areas of specialisation include trade and regional integration, private sector support, monitoring and evaluation, employment creation and poverty reduction, and economic elements of peace building. Hansohm advised the governments of Sudan and South Sudan during the CPA period (2006–11) as senior economic advisor to UNDP's Country Office, and as an integrated expert to the trade ministries in Khartoum and Juba, leading a capacity-building and trade policy reform project. From 2013–16 he advised the EU delegation to Sudan.

Hansohm earned his B.A. in economics from the University of Kiel in Germany and his M.A. and Ph.D. from the University of Bremen in Germany. His Ph.D. dissertation was "Small Industry Development in Africa: Lessons from Sudan." He has authored numerous publications on Sudan's and South Sudan's economy and economic policy reform. Most recently, Hansohm advised South Sudan's Ministry of Trade, Industry and EAC Affairs on the role of trade for peace (supported by UNDP).

Aisha Abdel Rahim is an associate professor at the University of Juba, South Sudan. Previously, she worked for the University of Namibia as assistant professor in the Department of Economics. Now based in Berlin, she holds a Ph.D. in economics and social science from the University of Bremen in Germany.

Rahim has 20 years of experience in East and Southern Africa, and in Egypt. Her research and publications are multidisciplinary and include a focus on trade,

local government, education and women empowerment, as well as agricultural livelihoods and Internally Displaced Persons (IDPs) and refugee integration. She has published on gender and education, agricultural programs in Africa, IDPs and refugees' behavioural change, and other topics. She has worked as a consultant in South Sudan, Sudan and in Namibia for the last 20 years on gender and agricultural value chain, women equality and cross-border trade, gender and economic empowerment institutions in local government, gender and mainstreaming in education. She also monitored and analysed economic performance, developed a country profile of South Sudan, a feasibility study on informal money transfers and analysed public expenditure tracking review for health and education sectors. She has advised UN Women, UNECA, GIZ, USAID, Care International, OXFAM and others.