

The Economic and Political Impacts of Covid-19

The pandemic termed the COVID-19 has exponentially spread across the globe since December 2019. The virus has led to more than 12.5 million cases and more than 555k deaths across the world. To reduce the spread, governments around the globe have been imposing lockdown of their businesses and societies. The speed and magnitude of the collapse in economic activities due to COVID-19 is unlike anything experienced in history. Also, countries are facing multiple crises_ financial crises, market crash, collapse in commodity prices, and health crises which interact in different ways to affect the economy as a whole. Governments are providing unprecedented support to firms, households, and financial markets. But still, there is uncertainty about how the economic landscape will look like when the pandemic is over. The World Economic Outlook has projected global growth in 2020 to fall from 6.3% to -3%. This makes the Great Lockdown a worst economic recession since the Great Depression of the 1930s, and far worse than the financial Crises of 2007.

The pandemic is producing spillover effects throughout the supply chains. That's why countries dependent on foreign trade, tourism, travel, entertainment for their growth are experiencing larger disruptions and their GDPs are expected to decline more than 15% in this fiscal year. Developing Countries like Pakistan and emerging markets face additional challenges of high debt levels, unexpected reversals in the capital, and currency pressure. The main concern for the Government of Pakistan amid Covid-19 has been the impact of lockdown on the fragile economy. The most affected economic areas of Pakistan are manufacturing and financial markets. The lockdown has impacted small and medium enterprises and especially the daily wagers. The informal sector in Pakistan adds to a major share of the national economy and employs around 27.3 million individuals, the Covid-19 crises is affecting the economy by negatively impacting employment and poverty rate. The poverty and unemployment estimates by the Pakistan Institute of Development Economics (PIDE) predicts that the poverty rate will jump from 23.4 percent to 59 percent. It means 125 million people will have to live below the poverty line. The province of Punjab is expected to suffer from majority job losses of 10-12 million. On the other hand, a prevailing perspective is that recovery initiatives will accelerate the ongoing digitalization and automation of work. This will eventually expedite the growth of nonstandard, precarious employment—part-

time, and gig workers, and workers with multiple employers—leading to new portable benefits systems that move with workers and broaden the definition of employer.

The outbreak has serious consequences on global politics and the world order. The virus has not just uncovered a lack of prioritization of public health facilities but also a serious lack of coherent leadership that is needed to deal with the ongoing crisis. The super and great powers, at the moment, are all limited to themselves. The concepts of regionalism and borders have further been emphasized with each nation-state closing borders and imposing restrictions on travel and trade throughout the world. This further proves that globalization and internationalism cannot help nations fight during times of crisis and the agenda of nationalism and nation-states remains, with each nation working towards self-help and survival. The post-coronavirus financial architecture may not take us back to the pre-globalization era of Bretton Woods, but the damage to international trade and finance is likely to be extensive and lasting. With an effective system in place to deal with crisis, proactive leadership, and immediate decision-making mechanisms, China has been established itself as an emerging power during this time. This strongly suggests a shift of powers from the West to East as China grows stronger with other states falling prey to the global pandemic with little measures being taken to curb and control the situation.

In case of Pakistan, the country continues to adhere to the same power dynamics and approaches because any change would first require ending the power struggle between groups and establishments. The power dynamic of Pakistan has always been criticized for being ambiguous while dealing with Covid-19. The decision-making process has been complex due to the tensions between the federal government and provincial governments. The politics of the country is treating Covid-19 as an opportunity for obtaining bailouts, concessions, and debt relief. Failing this opportunity coupled with the increase in unemployment, and poverty will further deteriorate the economy and politics. While these concessions might be helpful, but these measures can't cover the fundamental need for reforms in Pakistan.

Bibliography

Atlantic Council. (2020). *Can Pakistan handle the double crisis of COVID-19 and a struggling economy?* [Online] Available at: <https://www.atlanticcouncil.org/blogs/new-atlanticist/can-pakistan-handle-the-double-crisis-of-covid-19-and-a-struggling-economy/> [Accessed 10 Jul. 2020].

cic.nyu.edu. (n.d.). *Publications | Center on International Cooperation*. [Online] Available at: <https://cic.nyu.edu/publications/responding-covid-19-need-conflict-sensitivity>. [Accessed 10 Jul. 2020].

IMFBlog (n.d.). *The Great Lockdown: Worst Economic Downturn since the Great Depression*. [Online] IMF Blog. Available at: <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>. [Accessed 10 Jul. 2020].

Maqsood, N. (n.d.). *On the Coronavirus, Pakistan's Government Is Missing in Action*. [Online] Foreign Policy. Available at: <https://foreignpolicy.com/2020/05/11/on-coronavirus-pakistans-government-is-missing-in-action/>.

Salik, M.M.A.N. (n.d.). *Issue Brief on "Impact of Covid-19 on Economy of Pakistan" | Institute of Strategic Studies Islamabad*. [Online] Available at: <http://issi.org.pk/issue-brief-on-impact-of-covid-19-on-economy-of-pakistan/> [Accessed 10 Jul. 2020].

Sareen, S. (n.d.). *COVID19 and Pakistan: The Economic Fallout*. [Online] ORF. Available at: <https://www.orfonline.org/research/covid19-and-pakistan-the-economic-fallout-67296/>.

UNDP. (n.d.). *COVID-19 pandemic | UNDP in Pakistan*. [Online] Available at: <https://www.pk.undp.org/content/pakistan/en/home/coronavirus.html>.

www.ilo.org. (n.d.). *Country policy responses (COVID-19 and the world of work)*. [Online] Available at: <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm>. [Accessed 10 Jul. 2020].