مركز الملك فيصل للبحوث والدراسات الإسلامية
King Faisal Center for Research and Islamic Studies

KFCRIS Report on the Regional and International Impacts of Coronavirus

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(ISSUE No. 6) 18 Ramadan 1441 H. – 11 May, 2020

Overview Current Situation

As governments across the world continue to battle the coronavirus pandemic, national leaders are considering a variety of options that would allow them to reopen their economies gradually, without endangering the health of populations. One such example is the proposed 'trans-Tasman bubble' that could see Australia and New Zealand open their borders to each other. Leaders in both countries have considered the idea for several weeks, as cases of coronavirus in their respective populations continue to drop, nearly in tandem. New Zealand Prime Minister Jacinda Ardern was a special guest at Australia's national cabinet meeting where the possibility of setting up a travel safe zone was discussed. However, both Ardern and Australia's Prime Minister Scott Morrison warned that a travel bubble will not happen immediately. Morrison emphasized that a safe zone is "still some time away" although he also asserted "it is important to flag it, because it is part of the road back" for the neighboring countries. Nevertheless, the proposal has widespread support, especially from the business community. New Zealand's foreign affairs minister and deputy prime minister, Winston Peters, has repeatedly championed the plan, saying he has been in regular discussions with his Australian counterparts about making it a reality especially as the two countries have "two of the most integrated economies in the world" and a history of cooperation and reciprocity. Professor Michael Baker of Otago University says the bubble could even be extended to other coronavirus

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Latest Coronavirus Statistics as of: 10 May 2020

SAUDI ARABIA

A variety of testing techniques have helped the Saudi Ministry of Health to track and treat coronavirus cases, allowing the Kingdom to relax certain restrictions during Ramadan. However, the official Saudi Press Agency stressed that the government would continue to penalize anyone who violates the country's strict measures to prevent the spread of coronavirus. The government will fine and jail those who violate the rules citing a statement from the Kingdom's interior ministry.

Confirmed cases: **39048** Deaths: **246** Recovered: **11457**

Individual Countries

Up-to-date statistics on confirmed cases, deaths and recovered in specific countries can be found here:

https://coronavirus.jhu.edu/map.html
www.worldometers.info/coronavirus/

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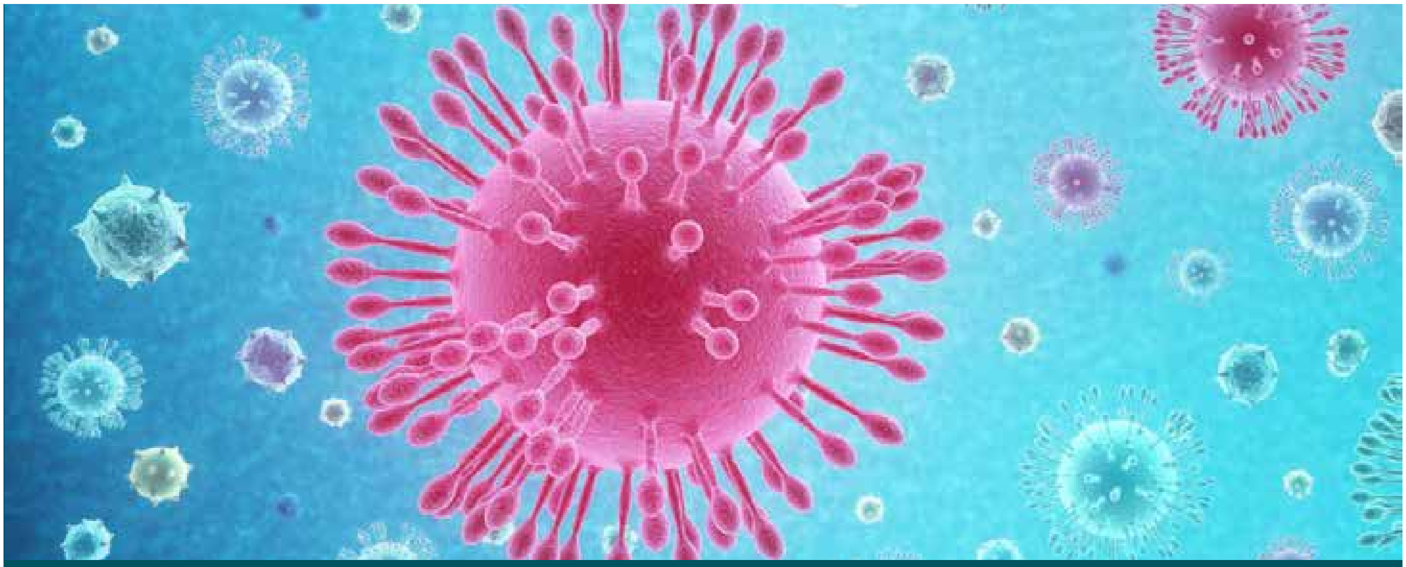
success stories such as Taiwan or South Korea if, and when, they are declared virus-free. In other words, Baker believes that it is possible to envisage a future where much of the eastern hemisphere is virus-free.

Might the ‘trans-Tasman bubble’ also be a model for other regional groupings such as the Gulf Cooperation Council (GCC) to emulate as a way to start reopening their economies? As the Guardian newspaper reported recently, epidemiologists are widely supportive of the ‘trans-Tasman bubble’ concept, but also point out it will make contact tracing more difficult, and risk countries re-entering stringent lockdown if cases emerge, or they no longer trust the other. Clearly, the key to any bilateral and/or regional arrangements that allow reciprocal trading and travel will be comprehensive planning and strict implementation processes. In all circumstances, rigorous public health measures to facilitate the reopening of national economies and safe travel between them will be essential. Across-the-board stakeholder involvement and coordination will be paramount, including between, airlines and airports, tourism commissions, industry associations and a range of government agencies, to ensure that any reopening is successfully, and carefully, managed. In the worst-case scenario, failure to adhere to rigorous public health measure could lead to the re-imposition of costly national lockdowns, causing long-term economic damage and societal unrest.



How is COVID-19 different to SARS?

The severe acute respiratory syndrome (SARS) outbreak in 2003 resulted in more than 8000 cases and 800 deaths. SARS was eventually contained by means of syndromic surveillance, prompt isolation of patients, strict enforcement of quarantine of all contacts, and in some areas top-down enforcement of community quarantine. By interrupting all human-to-human transmission, SARS was effectively eradicated in a matter of 8 months. Although there are striking similarities between SARS and coronavirus (COVID-19), the latter differs from SARS in terms of infectious period, transmissibility, clinical severity, and extent of community spread. Additionally, the pandemic trajectory looks different. Although 26 countries reported SARS cases, the vast majority of cases were concentrated in five countries or regions: China, Taiwan, Hong Kong, Singapore, and Toronto, Canada. In the United States, only eight people had laboratory evidence of the SARS infection. All these people had traveled to other parts of the world where SARS was spreading, and SARS did not spread widely in the US community. Certainly, there are similarities between SARS and COVID-19, but the differences in the virus characteristics will ultimately determine whether the same measures implemented for SARS will also be successful for COVID-19.

Source: The Lancet – Infectious Diseases

Commentary & Analysis

The KFCRIS weekly report on the regional and international impacts of coronavirus (COVID-19) comes at a critical time as the virus continues to impact on national economies and the lifestyles of millions of people. Hence, this weekly report aims to interview a diverse range of individuals including policy makers, academics, and thinkers to seek their opinions on the impact of this pandemic as it relates to their area of interest. In this KFCRIS weekly report on the regional and international impacts of coronavirus (COVID-19) Sara Bazoobandi, Associate at MENA program, German Institute in Global and Area Studies (GIGA), Germany, considers European unity in the post-coronavirus era. Jessica Obeid, Energy Consultant and Academy Associate at Chatham House, UK considers how the coronavirus pandemic has placed the Gulf states residential sector, the highest consumer of electricity, under the spotlight, prompting the need for immediate reforms. Emina Osmandzikovic, researcher at TRENDS Research, UAE, and Associate Fellow at KFCRIS discusses how COVID-19 is spurring new humanitarian efforts by the Gulf states, thereby triggering .the emergence of a new status quo

European unity in the post-coronavirus era

Sara Bazoobandi

Despite past warnings from scientists about the emergence of new viruses as one of the biggest threats to human existence, the global coronavirus pandemic caught the global community by surprise. Unprepared to cope with the rapid spread of the virus, Europe, the home of some of the most developed economies of the world, has been presented with a new set of economic and social challenges. Italy became one the largest epicenters of the global outbreak, overwhelming the country's health care system. Germany, the largest economy of the European Union (EU), is headed towards a deep recession in 2020 as the country's GDP is expected to decline twice as sharply as it did after the 2008 global financial crisis. In addition to the impact on economic growth and national healthcare systems, the pandemic has highlighted the need to address a lack of coordination amongst the EU's member states. The long-lasting effects of the coronavirus crisis are expected to shape the destiny of Europe, and questions over the sus-

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tainability of the institution in its current form now appear more pressing than before the pandemic. Indeed, the perceived lack of coherent action from the EU in relation to the coronavirus crisis itself has further emphasized the importance of these questions.

The Brexit effect

The EU, one of the most distinctive political achievements of the twentieth century, is considered by many to have been a vital component of a decades-long effort to create deeper cohesion amongst European countries. However, various challenges have raised questions about the viable extent of such integration. The long-running Euro crisis, followed by Brexit, are among the most prominent examples of various challenges to increased European cohesion. Paradoxically Brexit presented a rare point of unity amongst the remaining member states, as all of them took a united position in negotiating the terms of the deal with the UK. Nevertheless, the departure of the UK from the EU highlighted a major blow to the concept of ever closer union in Europe and led to calls for a revision of the relationships within the Union.

The future challenges

Seven decades after its creation, 'United Europe', is at risk of disintegration. At the same time, the financial and economic influence of the EU is declining globally. The world is better connected today than at any time in history, but the return of isolationism, populism, and inward-looking policies that are detrimental to international trade and multilateralism are becoming a serious threat to the longevity of the EU. As the EU's *White paper on the future of Europe* states: "Blaming 'Brussels' for problems while taking credit for success at home, the lack of ownership of joint decisions and the habit of finger-pointing at others" have already caused damage to European cohesion. The evolving multipolar world system requires the EU to revise the existing structure of the relationships amongst the member states. The idea of a flexible and

multi-speed European Union that divides the continent into two separate camps, core and periphery, as a solution to future challenges has been strongly rejected by the Eastern members. Therefore, the main challenge facing the EU in the years ahead, and particularly in the post-coronavirus era, will be to find the best path to renew its structure.

Moving into the future

The future scenarios for the EU are best described by the organization itself. In the *White paper on the future of Europe* (published in 2017), five possible choices are outlined for the EU's political elite; 1) carrying on with the current structure; 2) dismantling of all the EU's united institutions, except for the single market; 3) downsizing the Union by creating a smaller EU, formed only of those who want a deeper integration and are willing to work more for it; 4) doing less in a more efficient manner, by clearly dividing matters at national and regional level; and 5) increasing cooperation amongst the members in all domains. The current global pandemic has highlighted the vulnerability of all the European member states, and it will inevitably require more individual, country-specific policy sets to recover from the economic and social impacts of the crisis. Therefore, increasing collaboration and maintaining the Union in its current structure will not be easily achieved. Complete dismantling of the Union will not be welcomed by all the member states, as it risks comprehensively undermining the political achievements of the past seven decades. Therefore, moving towards a down-sized EU or 'doing less in a more efficient manner' are the most obvious solutions to the current need within the institution to rethink its future in creative terms. The disunity that is evident in the unified surface of relationships amongst the 27 member states will be more visible in the post-coronavirus era; and decision makers are now required to make some hard choices that will define the EU's role within the evolving global order.

The coronavirus pandemic places the Gulf states residential sector, the highest consumer of electricity, under the spotlight, prompting the need for immediate reforms

Jessica Obeid

The residential sector is the highest consumer of electricity in the Gulf states, apart from the United Arab Emirates (UAE) and Bahrain, where it is ranked second. This elevated household demand is linked directly to low electricity tariffs resulting from fuel and electricity subsidies as well as flat rates across different times of the day.

Electricity demand and load profile are currently distorted by two events: 1) coronavirus containment measures locking residents at home 24/7 and the associated increase in electricity load, which is comparable to a typical weekend's profile, and 2) the holy month of Ramadan resulting in increased usage of household electrical appliances and lighting throughout the night. Consequently, residential electricity consumption has spiked, and grid operators have had to respond to a different profile.

Sluggish economic activity and the reduction in demand by the industrial and commercial sectors are reducing global electricity demand. According to the International Energy Agency's report on *Global Energy Review*, electricity demand has been reduced by at least 20 percent during lockdowns caused by the pandemic across many countries.

However, in Gulf economies facing lockdowns the increase in household demand when measured against reduction in other sectors is yielding a total electricity consumption reduction of approximately 10 percent. Consequently, the pressure of subsidized electricity on state budgets remains significantly high. As electricity has historically been inexpensive, behavioral consumption patterns of nationals and residents are not oriented towards saving electricity, and thus, electricity bills and the cost of living have increased during lockdowns.

This situation highlights the unsustainability of Gulf states household electricity consumption. Gulf governments have attempted to tackle residential sector demand by considering and/or implementing various policies, mainly a reduction in subsidies and an emphasis on energy efficiency measures. But these have been slow to materialize. Currently, low oil prices triggered by the

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coronavirus containment measures are forcing the governments of the hydrocarbon-rich Gulf to slash spending as oil revenues decrease drastically. In theory, this should encourage an electricity tariff hike; yet in reality the process is always easier to plan than implement, especially during a period of economic slowdown.

In 2020, Fitch Ratings expects an $850 billion loss in the global GDP. As the global economy plunges into recession, with an unclear recovery pattern and timeframe, hiking electricity tariffs on already stressed commercial and industrial sectors is unlikely before full economic recovery. Additionally, societal unrest in the residential sector may pose a threat as the risk of unemployment increases. One option to reduce this threat is to restructure the household tariff to a time-of-use pricing, eliminate the subsidies on the highest consumption slab and redirect financing mechanisms towards supporting energy efficiency measures and decentralized renewable energy.

Since 2011, in the Gulf region, the Dubai Electricity and Water Authority (DEWA) has had the most success in reforming electricity tariffs. In fact, DEWA's reforms show a reduction of demand across sectors. Yet, as the impact of the coronavirus pandemic becomes increasingly evident, DEWA has offered a 10 percent discount on electricity and water bills for a 3-month period starting mid-March for customers in the residential, industrial and commercial sectors (the latter uses 47.3 percent of the total demand). The discount is part of the Dubai government's economic stimulus package.

In Saudi Arabia, the focus has been on energy efficiency measures. The Kingdom's residential sector accounts for 49.6 percent of electricity consumption. Electricity consumption associated with buildings across all sectors whether residential, commercial, or governmental accounts for 79 percent. As of end of April, permits for obtaining electricity are being waived. Instead, all buildings require proof of thermal insulation until the Saudi Building Code is enforced.

In general, coronavirus lockdowns are reducing energy demand, including electricity. Yet, in the Gulf states, the residential sector's high electricity demand and usage highlights the cost of subsidies and wasteful consumption. In sum, household electricity demand and subsidies across sectors are unsustainable and require immediate reform.

COVID-19 and the Gulf: New humanitarian efforts and the emergence of a new status quo

Emina Osmandzikovic

Whilst the devastating impact of the coronavirus pandemic on the global healthcare systems and the ever-increasing death toll are posing the greatest challenge of our time for governments around the world, the impact of COVID-19 on the world's most vulnerable populations has been increasing exponentially. Developing and fragile economies and countries, including those with sizeable displaced populations, have already been severely hit. As examples: A Polio outbreak re-surfaced in Niger and critical service reductions have occurred in Bangladesh's refugee camps. Additionally, the pandemic is responsible for the cessation of educational services for many refugee children in camps across Greece.

According to the United Nations (UN) Food Programme, the number of people facing severe and protracted food crises is projected to double in 2020 to more than 250 million because of COVID-19. In fact, there is a broad spectrum of countries facing severe food crises across multiple regions, ranging from Yemen, Afghanistan, Ethiopia, to South Sudan to Syria and Nigeria. Building on deep historical relations with some of the countries that have been hardest hit by COVID-19, including those with a large number of displaced populations, the Gulf states have re-oriented their emergency foreign assistance.

Some analysts contend that the 'tables have been turned' and that emerging humanitarian donor assistance, including from the Gulf region, represents an epochal shift as it complements help from traditional donors, including Italy and the United Kingdom. While both these countries are at the top of the UN's Human Development Index (HDI), to date, they have been impacted severely by COVID-19 with the highest confirmed cases and fatalities in Europe.

Since the global financial crisis of 2008, the world's most developed countries have tightened their humanitarian aid spending. Due to the coronavirus pandemic, and the resulting healthcare and socioeconomic crisis, there has been a rise in new humanitarian donors who are filling the aid gap. Together with the UN and the World Health Organization (WHO), collectively the Gulf states have made great strides in alleviating the suffering of many global communities with

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their *ad hoc* aid packages. These amount to a new, collective approach to humanitarian assistance, thus replacing traditional donor assistance, such as that from the United States and the Organization for Economic Co-operation and Development (OECD) member states.

Official Gulf states development assistance has been rapidly evolving. As early as mid-March, Saudi Arabia partnered with WHO and helped airlift medical equipment and supplies from WHO's logistics hub in Dubai to Yemen. In response to an urgent WHO appeal, Saudi Arabia donated USD 10 million to support regional anti-pandemic efforts. In addition to devising country-specific guidelines to deal with the coronavirus pandemic, in mid-April, Saudi Arabia also donated USD 500 million to WHO to help strengthen international efforts: USD 150 million was allocated to the Coalition for Epidemic Preparedness and Innovation; USD 150 million allocated to the Global Alliance for Vaccines and Immunization, and USD 200 million to other international and regional health programs.

In the past two months, the UAE government sent planes with medical equipment and food supplies to the Philippines, Bangladesh, Armenia, Pakistan, Nepal, Ethiopia, Serbia, Croatia, South Africa, Kyrgyzstan, Sudan, Mauritania, Cyprus, Ukraine, Somalia, Colombia, Italy, and Kazakhstan. For instance, the Pakistan-bound plane contained 14 metric tons of medical and food supplies, while the Greece-bound one contained 13 tons of medical protective gear, including gloves and sanitizers. Furthermore, government humanitarian efforts have been complemented by the private sector. To date, the UAE business and philanthropic community has donated more than 127 million dirhams (USD 35 million) to local and regional efforts to fight COVID-19. In addition, one of the largest real estate developers in the Gulf, the Dubai-based Emaar Properties, has donated AED100 million (USD 27 million) to the Social Solidarity Fund Against COVID-19. Complementing government-to-government humanitarian packages to tackle the coronavirus pandemic, the UAE has also partnered with WHO to assist the African Union, thereby demonstrating a parallel, multilateral stream of humanitarian assistance.

In Bahrain, an online campaign was launched to assist foreign residents who have lost their jobs due to the coronavirus pandemic, which spurred further assistance and support from the UAE, Saudi Arabia, and Kuwait.

The coronavirus pandemic has also galvanized regional humanitarian outreach to Iran. The UAE, Kuwait and Qatar have provided humanitarian assistance to Iran, including medical equipment, gloves, and surgical masks. Qatar alone sent more than 40 tons of medical equipment while Kuwait offered USD 10 million in assistance. Moreover, Qatar sent medical equipment to Yemen, Lebanon, Tunisia, and the Palestinian Territories, amounting to almost 2 million Riyals (USD 531,000).

The collective humanitarian efforts of the Gulf states demonstrate solidarity the countries and communities hardest hit by the pandemic. These efforts complement the work of WHO, thus potentially disrupting the traditional status quo of humanitarian aid and creating a new paradigm that might have a lasting impact well beyond the 2020 coronavirus pandemic.