

## Arcanum in the news

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### **CORONAVIRUS HAS ENDED OUR GLOBALLY INTERCONNECTED LIFE AS WE KNEW IT**

The coronavirus, the current biggest threat to global security, has already destroyed life as we know it. Even if previous pre-pandemic certainties about socio-economic and political realities can be quickly reestablished in the recovery period (though unlikely), the unsettling consequences of the virus will last a lifetime.

Despite the pandemic's current duration, seismic long-term changes are already palpable. Fear has made personal and familial safety paramount. This new primacy of safety demands obedience, both to state authority and to scientific expertise, carrying the consequence of recidivism to a more Hobbesian world where state power reigns supreme.

The pandemic has ushered in the retreat of globalization and many of its idealistic tropes, such as sanctuary cities and free movement zones. Tight, severe border management has already arrived, for what sane person will advocate admitting infected people? Epidemiological procedures have no patience with civil liberties, and as state power becomes more manifest, individualism will be pushed aside for national preservation.

The national security establishments in Europe and the United States are taking a fatalistic view, weighing the cost in lives against an outright economic collapse. The calculation is a hard choice between easing restrictions on internal movement, thereby enabling businesses to reboot, or continuing a lockdown at the price of economic security.

That type of turnaround raises the prospect that many will die. In Germany, one million people could perish over time if the government removes its shelter-in-place diktat. Yet, continuing the lockdown risks destroying the German economy and, with it, a pan-European recovery.

The coronavirus has sent rippling shock waves through the global economy, with countries taking severe measures to adjust.

The EU, United Kingdom, Japan, Australia, and the U.S. are all printing money. With output and production indices falling, all this new money may prompt another epidemic – inflation. If the massive cash infusions announced this past week are primarily being used to buttress corporate balance books, even basic systemic liquidity could be in doubt. But this may provide an opportunity for global private capital, or various sovereign funds, to finance new sovereign

indebtedness, incurred via new spending and an explosion in contingent liabilities.

The contraction of globalization as a consequence of the pandemic will have other long-lasting effects on the economy, including the return of EU and U.S. firms to their domiciled countries of origin and the decline of face-to-face business, which is being replaced by teleworking and long-distance electronic monitoring and surveillance. With drastically declining business travel, virtual interaction with customers and e-commerce will grow exponentially.

Industries will move towards vertical integration, with far less reliance on foreign-sourced materials, especially in critical sectors of national security (rare earth minerals) or basic supplies (pharmaceuticals, and medical supplies like cotton swabs or syringes). As a national security objective, mature Western economies will reduce dependence on supplies from Asia.

The largest economic, political, and social risk lies in the vulnerability of the payments system. Despite the stress tests on the banks since the 2008 crisis, the retail banking sector never anticipated anything like the coronavirus – their inability to adapt to post-pandemic circumstances will cause them to be one of the biggest fatalities of the virus, with financial technology, or fintech, rising to fill this gap.

As the American economy struggles to stay afloat in the face of market uncertainties caused by the coronavirus, it also faces the growing pressure from foreign powers waging war on domestic oil, a vital national security interest.

In light of these threats, the administration's stimulus package is the best choice for stabilizing our economy, keeping unemployment down, restoring confidence in consumer spending, and protecting the market from an orchestrated attack by foreign rivals. For example, the current Saudi-Russian oil price war has reinforced the need for the U.S. to strengthen its domestic oil production. Although the Trump administration cannot indulge every panicked call for subsidy or special treatment, a rescue package for the shale oil industry is necessary to support one of the nation's major critical industries and make ourselves self-reliant by maintaining our supplies and preserving our industries.

What this pandemic has taught us is that we can only rely on ourselves for the future – and there's no going back.

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