

Disruption Without Change

The Consequences of COVID-19 on the Global Economic Balance

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The COVID-19 pandemic has upended the global economy, resulting in large losses of gross domestic product worldwide. But by the time the pandemic was well into its second year, an unexpected pattern had emerged. The world's worst pandemic in a century accelerated previous trends but had not changed much about the international economic order. How might the dramatic economic changes induced by the pandemic affect geopolitical competition and the future security environment?



APPROACH

The author reviewed the economic track record of the United States; major U.S. competitors China and Russia; and U.S. allies and partners, including the European Union, the United Kingdom, Japan, Australia, and India. In addition, the author discussed *vaccine diplomacy*, the effort to distribute vaccines to developing countries, which is exemplary of how the pandemic has affected global competition. The author used official data releases, reports by international organizations, and media reports in addition to data released through August 31, 2021. The report was completed before the February 2022 invasion of Ukraine and has not been subsequently revised.



CONCLUSIONS

- Economic performance extended existing trends and exacerbated existing problems such that the geoeconomic balance had not changed as of late summer 2021.
- The United States performed better than other major advanced economies, helped by several major stimulus bills. Continued plans for additional high spending levels have raised concerns about inflation and debt. The pandemic exacerbated inequality as well.
- China was the only major economy to experience positive economic growth in 2020. However, this came at the cost of a reversal of China's economic reform attempts, with debt relative to gross domestic product rising. Russia's economy declined less than expected. With oil prices rising in 2021, Russia's recovery appears to be on track.
- Among U.S. allies and partners, the European Union performed poorly in 2020 and then had a further decline in gross domestic product in the first quarter of 2021. The United Kingdom was the worst-performing major advanced economy. As in most other countries, Japan's gross domestic product fell in

2020, and partly because of a COVID-19 resurgence, it fell in the first quarter of 2021. Australia performed relatively better than most advanced economies. India had a steep decline in 2020, and although it was thought to have COVID-19 under control in late 2020, the disease surged in the spring of 2021.

- Leaving populations of lower-income countries unvaccinated presents a variety of risks. New variants could develop and the countries will continue to suffer economically, slowing the global recovery.
- COVID-19 opened a new field of global competition: vaccine diplomacy.



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